Lenovo Group Limited
2019/20 Annual Report
Stock Code 992

Smarter technology for all

About Lenovo

Lenovo (HKSE: 992) (ADR: LNVGY) is a US$50 billion Fortune Global 500 company, with 63,000 employees and operating in 180 markets around the world. Focused on a bold vision to deliver smarter technology for all, we are developing world-changing technologies that create a more inclusive, trustworthy and sustainable digital society. By designing, engineering and building the world's most complete portfolio of smart devices and infrastructure, we are also leading an Intelligent Transformation – to create better experiences and opportunities for millions of customers around the world. To find out more visit https://www.lenovo.com, follow us on LinkedIn, Facebook, Twitter, YouTube, Instagram, Weibo and read about the latest news via our StoryHub.

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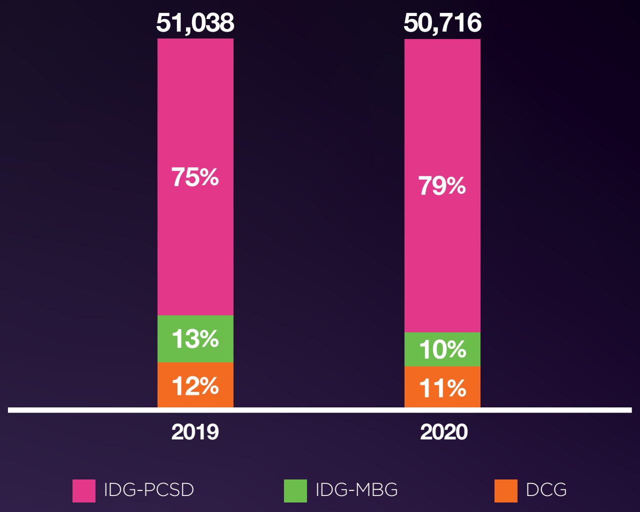
Smarter
pioneers
innovation
ThinkPad X1 Fold

Financial highlights

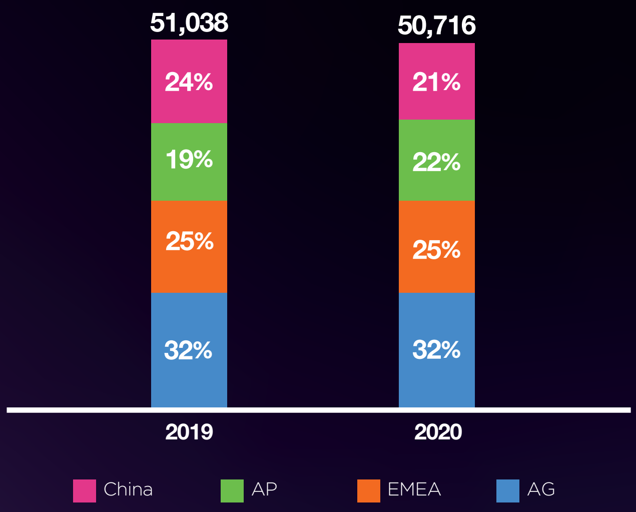
For the year ended March 31	2020 US$ million	2019 US$ million	Year-on-year Change
Group Results			
Revenue	**50,716**	51,038	(1)%
Gross profit	**8,357**	7,371	13%
Gross profit margin (%)	**16.5**	14.4	2.1 pts
Operating expenses	**(6,918)**	(6,193)	12%
Expense-to-revenue ratio (%)	**13.6**	12.1	1.5 pts
EBITDA	**2,667**	2,191	22%
Pre-tax income	**1,018**	856	19%
Pre-tax income margin (%)	**2.0**	1.7	0.3 pts
Profit attributable to equity holders of the Company	**665**	597	12%
EPS – basic (US cents)	**5.58**	5.01	0.57
EPS – diluted (US cents)	**5.43**	4.96	0.47
Interim dividend per share (HK cents)	**6.3**	6.0	0.3
Final dividend per share (HK cents)[1]	**21.5**	21.8	(0.3)
Total dividend per share (HK cents)	**27.8**	27.8	–
Cash and Working Capital			
Bank deposits and cash and cash equivalents	**3,617**	2,733	32%
Total borrowings	**(4,860)**	(4,380)	11%
Net debt	**(1,243)**	(1,647)	(25)%
Cash conversion cycle (days)	**(5)**	(11)	6

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

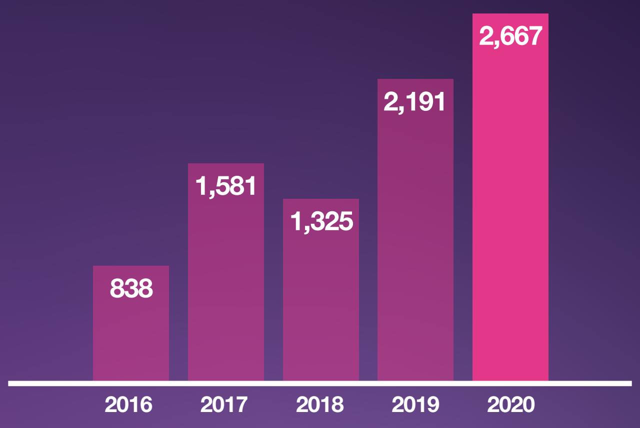
Revenue Analysis by Business Group
for the year ended March 31 (US$ million)



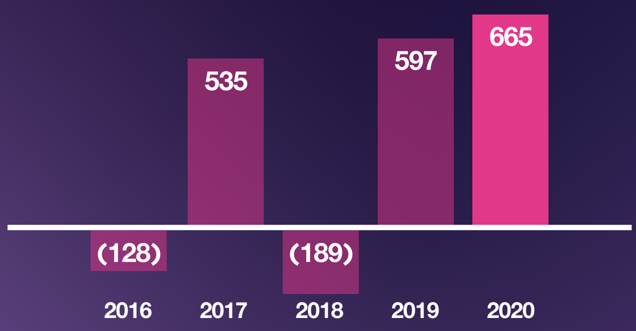
Revenue Analysis by Geography
for the year ended March 31 (US$ million)



EBITDA
for the year ended March 31 (US$ million)



Profit/(loss) Attributable to Equity Holders of the Company
for the year ended March 31 (US$ million)




Smarter
unlocks new
experiences
Lenovo Yoga 5G

Chairman & CEO statement

“Two years ago, we embarked on a strategy of ‘intelligent transformation’. A transformation of this magnitude for a 35-year-old company is no small undertaking, not least during a year where there were significant macro-economic and industry challenges. I am proud of how each of our business groups have embraced change in the last year.”

Looking back at the last 12 months the world has experienced one of the most significant periods of global change and transformation we have ever seen. We are now in a world where a teenager can force global action on the climate emergency; where technology is democratizing access and opportunities in new and unthought of ways, and where a global pandemic has changed the future of the workplace as we know it, forever.

It is against this backdrop of great global transformation – economically, socially and environmentally, that Lenovo too has transformed. Two years ago, we embarked on a strategy of 'intelligent transformation', with a clear vision to not only lead our own intelligent transformation but enable our customers to do the same – through a strategy (3S) focused on smart IoT, smart infrastructure and smart verticals and a bold vision of bringing the world 'smarter technology for all'.

A transformation of this magnitude for a 35-year-old company is no small undertaking, not least during a year where there were significant macro-economic and industry challenges. I am proud of how each of our business groups have embraced change in the last year and delivered revenue of US$50.7 billion – almost the same as the record revenue of FY18/19:

BUSINESS GROUP OVERVIEW

Intelligent Devices Group

PC & Smart Device Group continues to lead the sector, with record PC market share for the fiscal year of 24.5%, continuing to extend our leadership as the #1 PC company in the world and with sustained industry-beating profitability. We also continue to lead in innovation – announcing the world's first foldable screen laptop, the X1 Fold, in May 2019; the first 5G connected PC in January 2020 and rethinking the role and place of smart technology in the home with the launch of the 21.5" Lenovo Smart Frame. It is this drive to challenge the status quo of what technology can do that has always been core to the Lenovo culture – always pushing the boundaries of what's gone before. Not only making technology smarter but making it something that's accessible and available to all.

The **Mobile Business Group's** year has focused on rightsizing for success and future growth, including resetting the portfolio to be more targeted and rebalancing the geographic spread of our business by lasering in on those markets where we see the greatest opportunity for growth. Commercially this focus has delivered five consecutive quarters of profitability, with the innovation highlight of the year being the return of the Motorola razr. This iconic innovation was reinvented and launched in November 2019 to both nostalgic razr fans as well as an entirely new generation of smartphone users inspired by the foldable form factor. More notably it marked the company's return to the premium smartphone category.

Data Center Group

Despite softer demand in the global hyperscale market, the **Data Center Group** has focused on key opportunities and growth areas. The business in China has grown year to year driven by both server sales and the joint venture with NetApp. Server volume and revenue of Storage, Software Defined Infrastructure, Software and Services have all seen double digit growth. Year to year growth in High Performance Computing continued as the team further extended the #1 supercomputer leadership on the 2019 Top 500 list with 173 designs around the world.

Transformation businesses

Alongside these core business groups we have invested in new and burgeoning opportunities for the future – including the launch of **three new business groups** as a driving force behind the transformation aligned to our 3S strategy. These small groups are set up outside of the current business group structure and are empowered with a freedom and entrepreneurial mandate that feeds our global transformation. These groups are the Data Intelligence Business Group (DIBG), the Converged Network Business Unit (CNBU) and the Commercial Internet of Things (CIoT) group. In parallel the **Lenovo Capital and Incubator Group (LCIG)** fortifies our intelligent transformation strategy by identifying and investing in some of today's most cutting-edge technologies that have the possibility to be the mainstream technologies of tomorrow.

ThinkBook Plus 13 inch

Chairman & CEO statement

Our intelligent transformation starts from within. For example, 'OMO,' or online-merge-offline is a new business model that blends traditional e-commerce and physical stores so that we can provide a more efficient route to market for our customers. Magic Cube is a tool that allows call center agents to take calls from any location, something that has helped us maintain our high levels of customer service during lockdown. To develop smart manufacturing, we are proactively applying the power of Artificial Intelligence and Big Data to transform our already world-class manufacturing capabilities for the future.

STRATEGIC FOCUS FY20/21 AND BEYOND

A key addition to our 3S strategy for the year ahead is how we use services to drive a deeper transformation and a more sustainable long-term business. In the last year our revenue from software and services reached US$3.5 billion, nearly 7% of group revenue. This is fueled not only by our focus as a business, but the appetite from customers for Lenovo to be more than just a hardware player – instead a partner helping them solve their most critical business problems. We are focusing on three key areas of growth opportunity:

* **Attached Services** – this includes everything associated with the running of our hardware devices, e.g. premier support, warranty support, next day repairs etc.

* **Managed Services and Device-as-a-Service (DaaS)** – where our customers outsource the management of their IT hardware infrastructure to Lenovo or lease products from us

* **Complex Solutions** – where Lenovo plays a System Integration role, bringing a range of hardware, software and services together to solve a business problem, or provides smart solutions based on A.I. and big data technologies.

I am confident this deeper service-led transformation will lead to new competencies across the business and new profitable revenue streams for the future.

RESPONDING TO THE GLOBAL COVID-19 PANDEMIC

As the world has been turned upside down by COVID-19 Lenovo teams across the world pivoted in response to the global pandemic crisis. Responding in multiple ways to support not only customers, partners and employees but also the communities where we live and work.

Maintaining manufacturing and supply – The global supply chain team worked night and day to harness the power of both our in-house and third-party manufacturing sites around the world to adjust capacity and rebalance production. Although our primary smartphone manufacturing site in Wuhan was required to close for several months, the team rallied to move parts and supply around the world to take advantage of other facilities. This incredible flexibility and resilience of our global footprint reinforces that our global sourcing, local delivery capabilities and operational excellence are the core competencies of Lenovo – affording Lenovo a better position than most in responding to the crisis and maintaining customer orders.

Embracing a new world of work – Just as we ourselves have embraced a new world of work for our own teams and offices around the world, there is a huge opportunity ahead for us to support our customers as they embrace and build theirs. We are seeing long term growth in demand for PCs, tablets and monitors as distance learning, remote working, e-commerce, online gaming and tele-health become the new norm. At the

Motorola G8

ThinkSystem SE350

same time, the accelerated digitalization and smartification have not only increased demand for data center and infrastructure technology, but also for services and total solutions.

Giving back in the communities we call home – Lenovo's coordinated philanthropic response has addressed COVID-19 at a global level through support for hospitals with IT and medical supplies, the donation of hardware and software to enable distance learning, funding and technical support of COVID-19 research, and employee engagement through matching gifts and volunteerism. Our support has been both big and small – focused on real need and where our own Lenovo teams are near and able to support. Our coordinated contribution from the Lenovo Foundation, business entities, and executives is nearly US$15 million in value.

A FUTURE BUILT ON COURAGE, RESILIENCE AND TRUST

At the heart of our smarter technology for all vision is the belief that in our shared digital future no one should be left behind. However, the last few months has shown the world the imperative to ensure that the COVID-19 catastrophe does not divide our world further. At times of great uncertainty new behaviors are required from every leader and organization. **Firstly courage**. Courage to see and embrace opportunities, to make bold decisions and to move fast to respond to the market and to our customers. **Secondly resilience**. To be resilient in the face of tough times ahead – using the full depth and breadth of our product portfolio and geographic spread across 180 markets around the world as our greatest asset in achieving equilibrium and stability across the business. **And finally trust**. Millions of customers small and large put their trust in us every day – now, more than ever, we need to be there to support them to thrive as they have always supported us.

As I look beyond the past 35 years of Lenovo's history, our focus has been **on building a long-term sustainable business for the decades ahead**. Ensuring a **diverse and equitable workplace** where everyone can thrive. Committing to the greater role and responsibility **to operate as a globally sustainable business**. Rethinking what it means to **deliver value to all our stakeholders**. And, finally, powering and empowering every Lenovo customer and the wider society through our products and technologies **to thrive in our new world**.

Yang Yuanqing
Chairman and Chief Executive Officer

Lenovo VR Classroom 2

Lenovo management team

Yang Yuanqing

Chairman and Chief Executive Officer

Gianfranco Lanci

Corporate President and Chief Operating Officer

Gao Lan

Senior Vice President, Human Resources

George He

Senior Vice President and President of Lenovo Capital and Incubator Group

Gina Qiao	**Yong Rui**	**Kirk Skaugen**	**Wong Wai Ming**	**Laura Quatela**
Senior Vice President and Chief Strategy Officer and Chief Marketing Officer	Senior Vice President and Chief Technology Officer	Executive Vice President and President of the Data Center Group	Executive Vice President and Chief Financial Officer	Senior Vice President and Chief Legal Officer

Smarter delivers unmatched reliability

ThinkSystem SR650

Management's discussion & analysis

BUSINESS REVIEW AND OUTLOOK

HIGHLIGHTS

During the fiscal year ended March 31, 2020, Lenovo (the Group) achieved record-breaking performance with its pre-tax profit up 19 percent year-on-year to US$1,018 million. The strong profit growth reflects its core competencies in operational excellence, global footprint and strategic execution. The Group has been relentless in driving customer centricity to optimize its segment exposure and the development of Intelligent Transformation. This has forged a more balanced business model and accelerated the growth of new market opportunities.

The Group succeeded in strengthening its balance sheet and creating significant value for its stakeholders on all fronts, including returning consistent dividends to its shareholders. Net cash generated from operating activities was US$2.2 billion in the fiscal year, compared to US$1.5 billion a year ago. This improved cash generation was attributable to stronger profits and working capital management during the year under review. The Group's net debt was reduced by 25 percent year-on-year to US$1.2 billion. To strengthen liquidity in light of the highly uncertain economic developments, the Group issued a 5-year note of US$1 billion bearing annual interest at 5.875 percent in April and May 2020. The proceeds will be used to refinance RMB4 billion in debt maturing in June 2020 and shore up the Group's cash pool. For details of the notes, please refer to the Liquidity and Financial Resources section under Financial Position.

The Group's governance, business performance and operational excellence continue to attract global recognition. Fortune magazine named Lenovo as one of the "Most Admired Companies" in 2020 and the Corporate Knights' index of "2020 Global 100 Most Sustainable Corporations in the World" now included the Group for its ongoing commitment to sustainability and its social responsibility.

When faced with global economic challenges in the past, the Group has a proven record in delivering consistent, strategically focused execution and emerging even stronger than before. The global outbreak of COVID-19 reinforced the importance of using the power of technology to fight the pandemic and protect the wellbeing of society. This technological empowerment will lead to secular growth trends in work-from-home (WFH) and study-at-home (SAH) with investment implications on PC, cloud infrastructure and 5G services. The Group targets to capture these opportunities to deliver premium growth to the market, leveraging its operational excellence and global footprint. To uphold its responsibility as a corporate citizen, the Group donated high-performance computing (HPC) clusters to the Beijing Genomics Institute (BGI) to accelerate the genomic characteristics analysis of COVID-19. Leading research universities in the UK, including the University of Oxford and the University of Birmingham, are using Lenovo's supercomputers in developing vaccines.

ThinkAgile HX3720

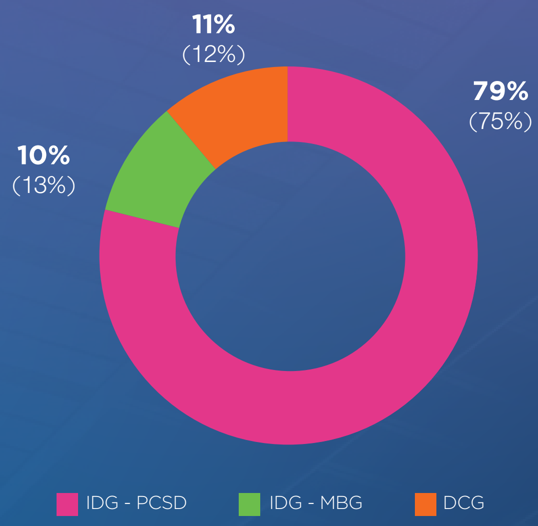
Lenovo Smart Clock

GROUP FINANCIAL PERFORMANCE

For the fiscal year, the Group's pre-tax profit increased 19 percent year-on-year, despite a mild setback of 0.6 percent year-on-year in total revenue to US$50,716 million. In constant currency, its yearly revenue grew 2.0 percent. There were significant macro and sectoral events in the year that hindered top-line growth potential for the Group. These external challenges included geopolitical tensions surrounding the US-China trade conflict, a shortage of key components, hyperscale inventory challenges due to fluctuating component costs, and above all COVID-19. Among these events, the unprecedented outbreak of COVID-19 and the subsequent factory shutdowns had a material impact on the Group's revenue which dropped 9.7 percent year-on-year in the last quarter of the fiscal year.

Despite these challenges, the Group's gross margin expanded by 2.1 percentage points year-on-year to 16.5 percent, thanks to the sales mix shift of the PC and Smart Device (PCSD) business. The operating expense-to-revenue ratio increased by 1.5 percentage points to 13.6 percent due to increased investments in sales, marketing, and promotion, as well as higher employee costs including incentives to reward better operational performance. The Group's pre-tax profit was US$1,018 million for the fiscal year, representing a 19 percent year-on-year expansion. Profit attributable to equity holders rose by 12 percent year-on-year to US$665 million.

Revenue by Business Group (%)



Motorola Edge Plus

Management's discussion & analysis

ThinkBook Plus

By business groups, the PCSD business achieved a record-breaking pre-tax profit margin, while the Mobile Business Group (MBG) and Data Center Group (DCG) businesses continued to improve in terms of their profitability. Lenovo has been the fastest-growing PC Original Equipment Manufacturer (OEM) among the top five global vendors over the past two years, and has remained the top player in the worldwide PC market with record PCSD revenues, shipments and industry-leading profitability.

The MBG has delivered on its commitment to drive profitability and delivered a healthy pre-tax profit in the first three quarters of the fiscal year. However, COVID-19 created a significant challenge to supply in the fourth quarter, resulting in the MBG reporting a loss of US$43 million for the year. The DCG continued its strategy to win in high-growth segments and its non-hyperscale business grew mid-single digit in revenue year-on-year for FY19/20. Nonetheless, the overall DCG revenue decreased by 8.7 percent year-on-year as the performance of its hyperscale business was constrained by the sector's inventory issues and component price erosion.

The Group made significant progress on its Intelligent Transformation strategy designed to deliver sustainable long-term growth. Its Software and Services business grew by 43 percent year-on-year and the invoiced revenue contributed close to 7 percent of the Group's revenue during the fiscal year, carrying the highest profit margin among all the Group's products. The Smart IoT and Smart Vertical businesses posted triple-digit growth while e-commerce revenue grew double-digits year-on-year.

GEOGRAPHIC PERFORMANCE

Lenovo is a global business and continues to operate in more than 180 markets. The Group delivered strong geographical balance as China, Asia Pacific (AP), America (AG) and Europe-Middle East-Africa (EMEA) each accounted for 21 to 32 percent of the Group's total revenue generated in FY19/20. The PCSD business in AP and AG enjoyed double-digit revenue growth, while its business in EMEA remained robust and grew faster than the market. Its growth in AP was largely consistent between organic Lenovo business and the Fujitsu PC business acquired in May 2018, providing a clear evidence of Group synergy. The PCSD business in China was impacted by the macro slowdown as a result of the US-China trade conflict and COVID-19. The MBG business secured a solid number two position by shipments in the smartphone market in Latin America, the stronghold market for the business. In the DCG, the industry-wide challenges of the hyperscale business impacted all regions except for China, where the non-hyperscale business had strong double-digit growth and the country's exposure to hyperscale business was more limited. With these all being taken into consideration, the Group's revenue in AP enjoyed strong double-digit year-on-year growth, its China revenue declined by 12 percent and its revenue growth was muted in AG and EMEA.

PERFORMANCE BY PRODUCT BUSINESS GROUP

Intelligent Devices Group (IDG)

Consisting of the PCSD and MBG businesses, the IDG Group has been able to leverage its operational excellence to protect revenue against a series of dynamic shifts and deliver a new profit record. The business group's revenue edged up by 0.5 percent year-on-year to maintain an all-time high of US$45,216 million. Its pre-tax profit increased significantly by 25 percent year-on-year to reach US$2,302 million. The growth strategy of the PCSD business has been to invest in high-growth segments and in the high margin Software and Services business. These investments have paid off in delivering record revenue and profit for the fiscal year. In contrast, the strategy of the MBG business to grow its core markets resulted in profitability improving by US$96 million year-on-year albeit with lower revenue for the fiscal year under review.

Intelligent Devices Group – PC and Smart Device (PCSD) Business

For the second consecutive year, Lenovo has not only been the leading global PC brand by market share, but has also delivered record revenue and profit. The business managed to reach 24.5 percent global market share in FY19/20, with a solid gain of 1.2 percentage points year-on-year. Its revenue increased by 3.6 percent year-on-year to a record US$39,859 million, contributing 79 percent to the Group's total revenue.

The PCSD business has demonstrated its capability in disciplined execution to deliver 18 percent year-on-year pre-tax profit growth to US$2,345 million for the year under review. Its industry-leading margin further expanded by 0.7 percentage points to a record level of 5.9 percent.

Legion Tower

Management's discussion & analysis

The disciplined approach adopted by the PCSD business to capture new opportunities sets it apart from competition. Its operational excellence, strategic investments, and the concerted efforts of its global team, has enabled a shift of the business towards high-growth and premium segments. The PCSD business enjoyed 28 to 38 percent year-on-year shipment growth across the Workstation, Thin and Light, Visual, and Gaming PC segments. Together with higher penetration in its Software and Services business and e-commerce platform, its sales mix now favors product categories with higher or improved profitability.

Intelligent Devices Group – Mobile Business Group (MBG)

The MBG business initiated a focused strategy in the second half of FY18/19 which has remained effective in striking a balance between achieving market share and profitability. During FY19/20, the Group's mobile business has continued its strategy to invest in regions and/or countries where it has competitive advantages. The MBG business was profitable for the first three quarters and was on target to realize its full-year profitability goal until the COVID-19 outbreak in the fourth quarter, when its factory in Wuhan, China was shut down. The temporary halt in production in China caused a supply shortfall that stalled the potential for further profit margin improvements.

The MBG business reported a 19.2 percent revenue decline in FY19/20 to US$5,218 million, among which 58 percent of the annual decrease was from the supply shortfall in the fourth quarter. MBG accounted for 10 percent of the Group's total revenue. The business registered a significant year-on-year improvement of US$96 million on its profitability. To mitigate the adverse impact of reduced revenue due to COVID-19, the company took swift actions on expense control, which helped contain the loss before taxation at US$60 million in the fourth quarter, while the full year figure stood at US$43 million.

The business delivered healthy profitability in its two biggest core markets, Latin America and North America. Both regions reported positive pre-tax profit margins and healthy year-on-year expansion in profitability for FY19/20. Prior to COVID-19, the MBG business continued to grow its revenue in its stronghold market, Latin America, despite the region's volatile currency exchange movements. Nevertheless, the supply side challenge from COVID-19 and strategy focusing on profitable growth resulted in an annual revenue decline across regions.

MBG announced a few innovative products including the recently announced Motorola Edge and Edge+, in addition to the previously launched foldable smartphone – the razr. As the supply condition has stabilized as of the beginning of FY20/21, the business plan going forward is to drive a profitable recovery given the pent-up demand and lean channel inventory. The launch of these innovative products should also provide the MBG business with an opportunity to upsell and re-enter the flagship segment.

Data Center Group (DCG)

The DCG business has made investments to further improve its long-term growth prospects. Three segments including storage, Software-Defined Infrastructure (SDI) and the Software and Services business delivered strong double-digit year-on-year revenue growth in FY19/20. Among the products, storage has had the strongest growth thanks to the NetApp joint venture and new product growth in entry- and mid-range flash arrays. In the fourth quarter, the Company was ranked as the number three supplier globally in the entry storage market for the first time. Its Software and Services business delivered robust growth, leveraging an increasingly diversified portfolio, including the new Truscale HWaaS (HardWare as a Service) product. Meanwhile, sales on its High Performance Computing (HPC) continued to grow and the Group extended its lead in the global supercomputing segment with 173 designs in 14 countries/regions. By region, DCG China has been the largest beneficiary of the non-hyperscale business. DCG China reported strong double-digit revenue growth for the last three quarters of FY19/20, during which period the NetApp joint venture became operational and investments were put in place to broaden its domestic sales coverage and product portfolio.

In contrast, the hyperscale business suffered from the sector's cyclical slowdown. The hyperscale revenue declined by double-digits year-on-year driven by inventory issues experienced by global hyperscale customers and by the severe erosion in commodity prices. Signs of a recovery started to show in the fourth quarter, as the DCG's hyperscale shipments increased by double-digits year-on-year, for the first time since Q4FY18/19.

During the fiscal year under review, DCG Group's revenue declined by 8.7 percent year-on-year while its losses slightly improved year-on-year to US$226 million. There was notable improvement in profit margin in the first three quarters of the fiscal year. The fourth quarter pre-tax loss for DCG expanded and amounted to 34 percent of its full-year loss. Demand in certain regions were affected and supply chain costs including freight charges had risen after COVID-19. Nevertheless, the DCG business will be a clear long-term winner as demand tailwinds started to bode well for cloud orders.

OUTLOOK

The unprecedented economic disruption from COVID-19 has brought about volatility and challenges on a global scale. Operating in this complex global environment, the management of the Group will leverage its operational excellence and global footprint to mitigate a multitude of macro risks and deliver consistent performance. The Group will promptly act on industry growth opportunities, including the surge of WFH and SAH tailwinds as a result of the paradigm shift of COVID-19. The management believes that these long-term structural trends could enlarge the addressable market for PCSD and cloud infrastructure demand, as well as accelerate development of 5G services. Meanwhile, the Group will exercise disciplined expense control to optimize its liquidity and financial health.

In its PCSD business, the Group will continue to drive premium-to-market revenue growth with industry-leading profitability, through continued investments in the high-growth and premium segments. Building capabilities to drive sales growth in the Software and Services business and expanding e-commerce based on its well-established infrastructure will also help to drive new growth opportunities. For its Mobile business, the Group will continue to protect its position in its stronghold markets and strengthen its competitiveness in target markets to grow at premium to market, improve long-term profitability, and re-enter flagship segment through product innovation.

Management's discussion & analysis

In its DCG business, the Group aims to deliver premium-to-market growth while improving profitability. In the hyperscale segment, the Group will continue to strengthen its in-house design and manufacturing capabilities, bring superior solutions to global and tier-2 hyperscalers, and build a profitable business model for this segment. The Group is offering the broadest custom hyperscale server and storage solutions in its history and will tap into this opportunity to drive the continued revival of its hyperscale business. In the non-hyperscale segment, the Group will continue to drive growth in enterprise servers, SDI, storage, and the Software and Services business. The Group will also further enhance its capabilities in professional services and solution-based expertise.

STRATEGIC HIGHLIGHTS

The Group continues to execute its strategy to be the leader and enabler of Intelligent Transformation. The Group 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 a higher Software and Services attach rate. The Software and Services business is considered a strong, long-term growth catalyst for profitable growth.

Smart Infrastructure provides the computing, storage, and networking power to support smart devices. The Group launched its next-generation data center solutions in SDI and expects it to remain a future growth catalyst. These new solutions, which include collaboration with several partners based on the ThinkAgile platform, have grown revenue at a double-digits rate during the fiscal year under review.

Smart Verticals combine big data generated by smart devices and the computing power of smart infrastructure in order to provide more insights and improve processes for customers. The Data Intelligence Business Group (DIBG) has expanded its footprint to win projects in the energy and manufacturing industries during the fiscal year under review. Its healthcare and education virtual reality solutions have also gained strong momentum in driving revenue growth.

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 to deepen its strategic transformation and further accentuate its core competencies. These investments aim to strengthen the Group's capability as a competitive end-to-end solution provider in the era of Intelligent Transformation.

HUMAN RESOURCES

At March 31, 2020, the Group had a headcount of approximately 63,000 worldwide.

The Group implements remuneration policy, bonus, employee share purchase plan and long-term incentive scheme with reference to the performance of the Group and individual employees. The Group also provides benefits such as insurance, medical and retirement funds to employees to sustain competitiveness of the Group.

MATERIAL RISKS OF THE GROUP

The following are key risks that the Group considers to be of great significance to the Group as it stands today. They have the potential to affect the Group's business adversely and materially.

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

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

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

Business Risk

Risk Description	Key Risk Mitigations
The Group operates in a highly competitive industry which faces rapid changes in market trends, consumer preferences and constantly evolving technological advances in hardware performance, software features and functionality. It faces aggressive product and price competition from new entrants and existing competitors. In this competitive environment, brand recognition and awareness and good customer experiences are important success factors to the Group. Failure to engage and resonate with the customers, including the Millennials, may adversely affect the Group's results with the loss of customer loyalty or damaged brand reputation from bad publicity.	The Group actively monitors its competitive environment and market trends. It maintains its competitive position through commitments to innovate and build a broad product portfolio, grow its brand name, and drive customer-experience transformations to differentiate the Group and gain market share and recognition. The Group's renewed 3S strategy (Smart IoT, Smart Infrastructure and Smart Verticals) is to protect and drive profitability in the business. It is focused on its mission to be the leader in Intelligent Transformation.

Management's discussion & analysis

Business Risk	
Risk Description	**Key Risk Mitigations**
The industry continues to experience consolidation. Failure to respond effectively to changes in market trends or consumer preferences through timely launches of new products, or through competitive prices against the backdrop of global slowdown in the traditional PC market could harm its competitive position. The Group faces risks associated with implementing its strategic initiatives as the scale and breadth of its business and operations expand. It may not invest as much financial, technical, marketing and other resources in certain areas of its business as compared to the corresponding competitors, and as a result, may not be able to gain the competitive advantage in those areas.	The Group's strategic planning process incorporates prioritization and focus on strategic objectives to guide effective allocation of resources required to execute plans.
The Group operates globally and as such its results could be impacted by global and regional changes in macro-economic, geopolitical and social conditions, regulatory environments, natural catastrophic events, and public health issues, such as the outbreak of COVID-19. These external factors are beyond its control and may make it more difficult for the Group to manage its financial performance. Adverse economic conditions may result in postponements or decreased spending amid concerns over weak economic conditions. In addition, they may contribute to supply chain volatility, causing potential product shortages. Increased uncertainty driven by growing concerns over political conditions and changes in regulatory or legal regulations in one or several countries may increase the cost of operations and expose the Group to potential liability.	The Group has diversified its geographic sources of revenue and profit to reduce its dependency on any single country or region. It continuously monitors its external environment, and tracks action plans and conducts sensitivity and scenario analysis to position the Group for a better outcome. The Group also vigilantly tracks and monitors the developments of the political conditions and adapts its strategy to address the shifting dynamics in regions and countries, in order to optimize the Group's positioning. It follows closely legal and regulatory changes, and maintains compliance programs.

Business Risk

Risk Description	Key Risk Mitigations
The Group offers products that are complex. Failure to maintain an effective quality management system, including at the Group's development and manufacturing facilities and its supply chain, may have a material adverse effect on its business and operations, brand image and customers' loyalty. Addressing quality issues can be expensive and may result in product recalls, production interruption, additional warranty, repair, replacement and other costs and adversely affecting the Group's financial results. The Group may also face product liability claims from its customers or distributors in the event that the use of its products results in bodily injury, property damage or other loss, regardless of whether it is at fault. It may have to spend significant resources and time to defend itself if legal proceedings for product liability are instituted against it. Successful assertion of product liability claims may require it to pay significant monetary damages.	Lenovo is continuously working towards improving our processes and procedures. Our Quality Management System (QMS) is in compliance with ISO 9001:2015, which allows our company to run more efficiently, increase customer satisfaction and communicate to potential customers that we have robust quality processes. Lenovo is ISO 9001 certified by DEKRA (Deutscher Kraftfahrzeug-Überwachungs-Verein e.V.) and in China by the Electronics Standardization Institute, (CESI). It is committed to maintaining a QMS to ensure it meets customer, social, legal and environmental responsibilities.

Merger & Acquisition Risk	
Risk Description	**Key Risk Mitigations**
As part of the Group's expansion plan, we acquire companies or businesses, enter into strategic alliances and joint ventures and make investments. The Group faces risks such as economy, political and regulatory uncertainty, market volatility, pandemics and other challenges associated with our acquisitions. Our due diligence process may fail to identify significant issues, resulting in an overly optimistic valuation forecasts. We may not fully realise all of the anticipated synergies/benefits, and may result in significant cost and expenses and charges to earnings.	Drive a rigorous due diligence and financial forecasting process to ensure assets and liabilities are appropriately valued.

Cyber Attack and Security Risk

Risk Description

The Group may be impacted negatively if it sustains cyber-attacks and other data security breaches that disrupt its operations or damage its reputation.

The Group manages and stores various proprietary information and sensitive or confidential data relating to its operations. In addition, the Group's cloud computing business routinely processes, stores and transmits large amounts of data for its customers, including sensitive and personally identifiable information. The Group may be subject to attack from hackers and other malicious software programs that attempt to penetrate its networks and exploit any security vulnerability in its system and products.

Hardware, operating system software, product software and applications that the Group produces or procures from third parties may contain "bugs" that may unexpectedly interfere with the operation of the system or may present unidentified security risk.

Breaches of the Group's security measures and misappropriation of proprietary information, sensitive or confidential data about the Group and its customers may lead the Group to loss of reputation, disruption in business operations, exposure to potential litigation and liability and result in a loss of revenue and increased cost.

The Group is subject to law and regulation in countries where it operates relating to the collection, use, and security of customer, consumer and employee data. The Group needs to conduct normal business activities which includes the collection, use and retention of personal data pursuant to these activities. The Group is required to notify individuals or regulators of a data security breach.

Key Risk Mitigations

The Group will continue to invest in the following:

a) Continue to develop and maintain a robust cyber security culture by developing sound policies and processes and by training our employees to follow vital data protection practices.

b) Enhanced cyber security controls and information security, product security and privacy awareness.

c) Compliance with mandatory privacy and security standards and protocols imposed by law, regulation, industry standards, or contractual obligations.

d) Policies and processes to ensure hardware, operating system software, product software and applications that the Group produces or procures from third parties protects and responsibly uses customer data.

Financial Risk	
Risk Description	**Key Risk Mitigations**
As the Group operates globally, significant or prolonged economic instability or financial market deterioration may materially and adversely impact the Group's financial condition. The Group is exposed to a variety of financial risks, such as foreign currency risk, cash flow risk, credit risk and liquidity risks.	The Group Treasury department has put in place a financial risk management programme that focuses on the unpredictability of financial markets and seeks to minimize the potential adverse impact on the Group's financial performance. For more analysis, see "Notes To The Financial Statements" (pages 214 to 223)
Due to global outbreak of COVID-19, supply chain disruptions and demand shrinkage may impede customers' ability to continue paying for goods and services. The Group may experience lower revenue resulting in less cash flow, along with delayed receivables collection. Trade credit insurance capacity may contract as insurers actively manage their risk exposures. Any reduced capacity may potentially increase the Group's uninsured loss. The spread of COVID-19 has also led to volatility in the financial markets and may cause reduction in funding opportunities.	The Group closely monitors the market developments, review collection performance and bolster collection capability It proactively works with broker and credit insurers to maintain credit insurance coverage to weather this turbulent time. The Group closely monitors the financial market environment and funding opportunities.

Financial Risk

Risk Description	Key Risk Mitigations
Due to the international nature of its business and continuous changes in local and international tax rules and regulations, the application of such rules and regulations to its operations and transactions involves inherent uncertainty and may affect its tax position and the value of tax assets and liabilities carried in the balance sheet. The value of deferred tax assets depends principally on the business generating sufficient taxable profits to utilise the tax benefits. It may be necessary for some of the deferred tax assets to be reduced and charged to the income statement if there is significant adverse change in the projected taxable profits of the business.	The Group carefully monitors developments in our business and in the global tax environment in order to make sure rules and regulations are applied appropriately and risks are mitigated where possible. See "Notes To The Financial Statements" (pages 224 to 225) and "Key audit matters" (page 177)
The Group acquires other businesses and intangible assets and may not realize all the economic benefit from those acquisitions, which could cause an impairment of goodwill or intangible assets.	See "Notes To The Financial Statements" (page 224 and pages 245 to 247) and "Key audit matters" (page 176)

Intellectual Property Risk (IP Risk)

Risk Description	Key Risk Mitigations
The Group could suffer if it does not develop and protect its own intellectual property or its suppliers are not able to develop or protect desirable technology or obtain any necessary technology licenses. The risks include: * higher business cost as a result of increased licensing demands from patent holders; * loss or diminished value of intellectual property as an asset, as a result of legal findings of unenforceability and challenges to title or ownership; * higher legal costs to defend against claims of intellectual property infringement and potential settlement or damages; * product design-around costs and negative impacts to customer or supplier relationships; * risk of interruption of Lenovo's ability to ship products due to injunctions or exclusion orders in particular countries resulting from adverse judgments in IP infringement cases filed against Lenovo; * Lenovo reputational harm if found to infringe a third party's valid patents.	Take appropriate legal measures to protect know-how and trade secrets, apply for and enforce patents, and register and protect trademarks and copyrights. License IP as appropriate and monitor its continued validity and value to the Group. Obtain IP indemnification from, or otherwise transfer responsibility for IP coverage to suppliers. Monitor, develop and execute IP litigation defense strategy. Continue to develop and use Lenovo patent portfolio if appropriate to decrease potential damages. Collaborate with other technology/ product companies to lobby for reform of the patent system that reduces costs.

Supply Risk

Risk Description

The Group has a broad base of suppliers globally. Given its wide range of products, some products may be reliant on a few component suppliers and the suppliers' locations may be concentrated in one country or region within the country. The disruption of the supply of any of its products, component parts, systems or services may affect product availability.

The disruption may be due to many factors, among which, the damage of its own or its suppliers' manufacturing activities or logistics hubs arising from catastrophic events, any widespread outbreak of pandemic such as COVID-19 or other local or global health issue, financial failure of a supplier, unfavourable business, political or economic factors, etc. Substantial recovery expenditure or prolonged recovery time may result. If it is unable to source for alternative supplies during the period of shortage at a favourable pricing, its revenues, profitability and competitive position may be adversely affected.

Corporate Social Responsibility is becoming more of a customer differentiator in their purchasing decisions. Customers are looking more closely at compliance to codes of conduct, environmental impact and responsible sourcing of materials.

Key Risk Mitigations

Utilise cost and operational analysis to understand potential impacts. Ensure broad supplier sourcing (i.e. avoidance of sole/single sources), disaster recovery planning to minimize impact of regional catastrophes such as the outbreak of COVID-19 and ensure adaptation plans in place.

Continue to grow investment in sustainability resources and programs.

To focus on the Group's ongoing efforts to optimise the efficiency of its supply chain.

Human Capital Risk	
Risk Description	**Key Risk Mitigations**
The Group faces intense competition of skilled and experienced workers due to fast-changing market dynamics and an increasingly diversified business landscape. For ongoing success, the Group must continue to attract, develop, retain and motivate key talent across the enterprise while ensuring smooth transitions throughout the ongoing business transformation.	Build up employer brand that is aligned with intelligent transformation to attract talent with new skills and experience. Continuously implement newly refreshed compensation strategies and evolve compensation and benefits programs to be performance driven, competitive, and flexible to support an increasingly diverse business landscape and employee population. Further invest in talent and leadership development programs to build talent capability, accelerate the internal movement of top talent, and ensure strength of the leadership pipeline.

Operational Risk

Risk Description

Due to rapidly changing market conditions and customer demands, the Group must continually introduce new products, services and technologies, and successfully manage the transition to the new and upgraded products. The competitive environment demands high level of speed and efficiency. If the Group's cross functional support and team collaboration processes are dysfunctional, the Group's strategy execution may be compromised.

The Group's ongoing success is dependent on the smooth running of all aspects of its operations, including but not limited to demand forecasting, manufacturing resources planning, order fulfillment, inventory management. This includes the usage of an effective and reliable IT infrastructure to facilitate operations.

Disruptions in operations may impede the manufacturing and shipping of products and adversely impact the Group's ability to fulfill orders, delivery of online services, respond to customer requests and interrupt other processes such as transactions processing and financial reporting in a timely manner. These in turn may damage its reputation.

Key Risk Mitigations

Establish cross-functional engagement and integrate activities across functions to support the strategy execution.

To focus on the Group's ongoing efforts to optimise the effectiveness and efficiency of its operations.

With the current on-going COVID-19 situation, the Group continues to work closely with customers, employees and suppliers to address the impact of the COVID-19 outbreak.

Management's discussion & analysis

Outbreak of Pandemic – COVID-19

Risk Description	Key Risk Mitigations
Pandemic is both a standalone business risk and an amplifier of existing vulnerabilities. COVID-19 was categorised as a pandemic by the World Health Organization in March 2020. Like many other companies, the Group's supply chain, production, logistics and many other aspects of operations have been disrupted by COVID-19. This may include mandatory closure of facilities and extended shutdown of business operations in certain countries. The scale of the outbreak and the unprecedented containment measures in many countries may create global economic challenges, and result in changes in customers' priorities and demand, and volatility in the financial markets.	The Group continues to work closely with customers, employees and suppliers to address the impact of the COVID-19 outbreak in order to navigate this crisis period. The Group closely monitors changing demand and inventory levels to identify gaps in supply and production capacity. It actively anticipates and prepares contingency plans to minimize any disruptions, including leveraging its own global manufacturing networks and collaboration with suppliers. The Group is constantly exploring new and emerging business opportunities in the current environment, such as online healthcare and education. It leverages its eCommerce platform and other digital tools to engage customers virtually to drive on-line sales.
Commercial arrangements may also be disrupted, which may have legal consequences if the Group is unable to fully perform its obligations.	The Group reviews the terms of existing contracts, and assesses the likelihood and consequences of potential non-performance of contractual obligations. Strategies are formulated to resolve potential issues.

Outbreak of Pandemic – COVID-19

Risk Description	Key Risk Mitigations
As COVID-19 poses a serious public health risk, the health and safety of the Group's employees need to be protected. In addition, the Group must comply with orders, directives, guidance, and mandates issued by various national and local governments around the world in response to the spread of COVID-19. These orders include restrictions on local and global travel, which limit employees' ability to move freely to and from Lenovo and customer work sites. In response, the Group has formally shifted to a "work from home" model to ensure business continuity while the pandemic remains a threat.	The Group has established a Global Lenovo Epidemic Prevention and Control Committee (LEPCC) to determine the workforce policies and processes necessary to comply with the legal requirements and responsibilities of the company during this sensitive time. Together with Geo Site Leaders and working teams, the LEPCC is closely monitoring the evolving COVID-19 situation to ensure that workplace safety measures are implemented and reinforced. LEPCC is continuously communicating with employees to ensure that they are receiving the most up-to-date information relating to Lenovo's policies and guidelines. Additionally, LEPCC has launched multiple initiatives designed to help employees maintain physical and mental wellbeing during this challenging time. The Group is continually monitoring the impact of COVID-19 on the workforce, and has put into place staff contingency plans to minimize customer disruptions and ensure business continuity.
There may be an increase in cyber attacks on remote-work employees and contractors, such as social engineering (phishing). When in the office, employee computers have additional layers of defense (network controls) that block many of these attacks.	The Group deploys advanced layers of protection to laptops and expand protection controls to contractors working remotely on behalf of Lenovo. It sends out training advisory(ies) on how to spot a phishing attempt; discourages employees from clicking on suspect emails and publicizes on how to notify IT in case of suspect emails.
The future development of COVID-19 is still highly uncertain and cannot be predicted, and may have a material adverse effect on the Group's business, results of operations and financial condition. The Group may need to re-prioritize its strategic objectives.	

Management's discussion & analysis

ENVIRONMENT

Lenovo believes in responsible environmental stewardship and compliance with all applicable laws and regulations wherever we do business. Lenovo's Environmental Affairs Policy focuses on compliance across all global operations, employees, and contractors performing work on behalf of Lenovo. This policy forms the foundation for Lenovo's ISO 14001 certified Environmental Management System (EMS), which includes processes for evaluating legal and voluntary requirements and ensuring compliance across Lenovo's global development and manufacturing operations for computer products and devices, data center products, mobile devices, smart devices and accessories.

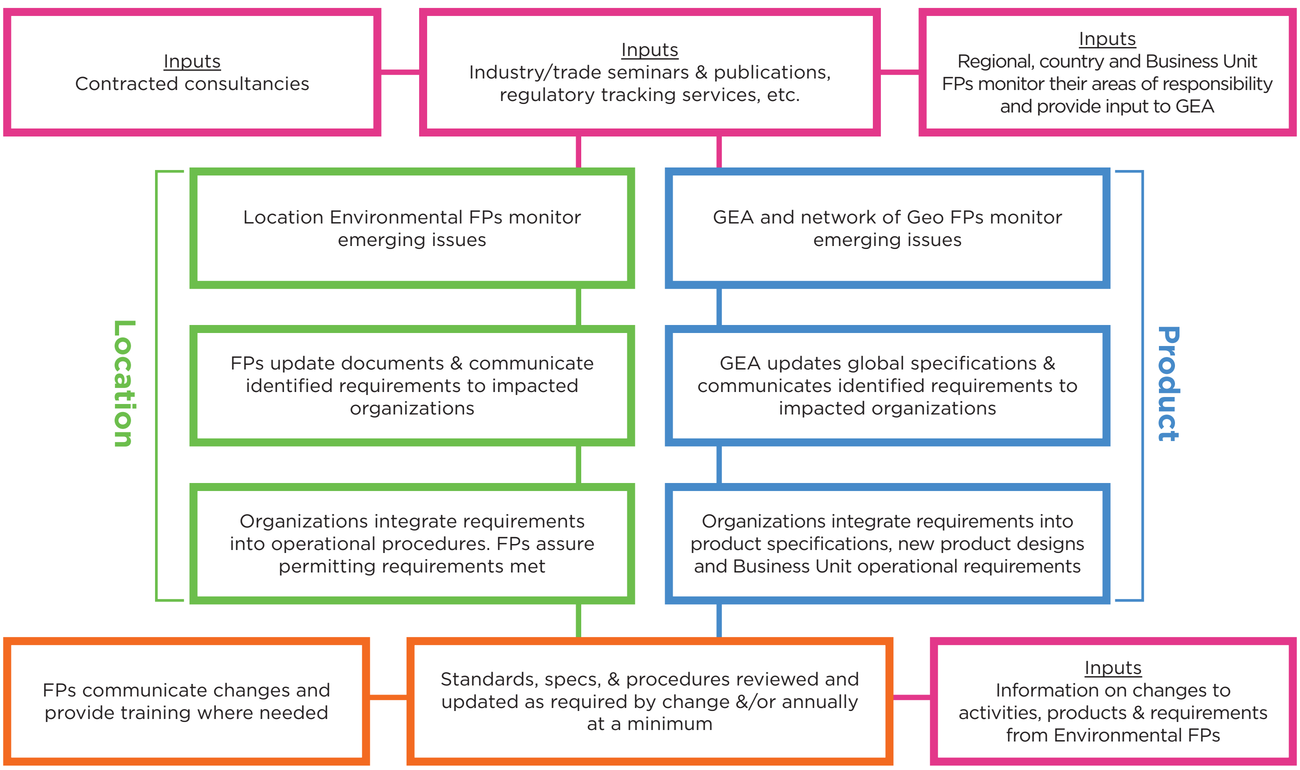
It is Lenovo's goal to leverage our EMS to help us address and mitigate some of the most significant environmental challenges facing us as a global organization. Other benefits of the EMS include monitoring our progress on previously identified material concerns and more quickly spotting emerging issues.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

Our EMS focus areas include:

- Climate change mitigation programs
- Environmentally conscious products program and its focus on energy efficiency of products
- Environmentally preferred materials programs to drive the use of recycled and recyclable materials and designs in our products and packaging
- Environmentally sound operations at our manufacturing facilities
- Global supply chain environmental programs

The Global Environmental Affairs (GEA) and Sustainability Organization drives compliance, supported by a global network of Lenovo Environmental Affairs Focal Points (EAFPs), Environmentally Conscious Products Focal Points (ECPFPs), and external partners. We use reliable, established processes with defined roles to ensure that Lenovo continues to remain in compliance. Below details the process for ensuring environmental compliance for Lenovo products and locations.

Process for Establishing, Monitoring & Maintaining Compliance



As part of Lenovo's ISO 14001 Environmental Management System all Lenovo manufacturing and development sites are audited to these standards internally as well as externally by certified bodies.

Lenovo's Robust EMS Ensures Environmental Compliance

	FY2019/20	FY2018/19	FY2017/18	FY2016/17	FY2015/16
Total monetary value of significant environmental fines	**0**	0	0	0	0
Number of environmental fines paid	**0**	0	0	0	0
Total number of non-monetary environmental performance-related sanctions	**0**	0	0	0	0

Lenovo's official Enterprise Risk Management (ERM) process details climate, environmental, and sustainability risks and includes environmental, social, governance, and other risk categories. We require each business unit annually to identify risks, assess their impacts on executing Lenovo's strategy, and develop risk mitigation plans. The results of this assessment help to ensure that appropriate and effective risk management and internal control systems are in place. Such risks include, among others, material risks relating to environmental, social and governance (ESG) practices.

In addition, Lenovo conducts a Significant Environmental Aspect evaluation at least annually as part of Lenovo's ISO 14001 EMS. This process evaluates Lenovo's significant or material environmental aspect, while identifying climate-change related risks or opportunities that may impact the business or operations.

After the Significant Environmental Aspects have been identified, the Company establishes relevant environmental objectives and targets with Key Performance Indicators addressing site operations, product, and global supply chain. The objectives and targets are monitored and measured for progress annually. The Company's performance against the FY 2019/20 environmental objectives and targets will be published in the FY 2019/20 Sustainability (ESG) Report.

Lenovo's Sustainability Program measures the Environmental, Social and Governance (ESG) activities that have an impact on our stakeholders and our business. Beginning with our FY 2019/20 Sustainability Report, we will address the report as the 'ESG Report', which conveys a more precise assessment of our Company's actions and the broad scope of our commitments.

Lenovo's annual Sustainability (ESG) Report provides an accounting of the Company's ESG performance for the previous fiscal year. We determine the scope of the report by conducting a Materiality Assessment, a process where Lenovo engages various stakeholders to understand the environmental, social and governance topics which have the greatest impact on the Company's business, and which are sufficiently important to the stakeholders. This assessment was carried out in early 2020.

Lenovo acknowledges that having a variety of perspectives helps to shape our programs and drive our focus. We regularly engage with various internal and external stakeholders and consider their feedback as we affirm what is relevant to Lenovo's business and operation, develop our sustainability strategy, and set our goals. The results of the collaboration provide clarity on how to communicate the information that is expected by Lenovo's stakeholders so that they may assess the Company's commitment to and efforts in ESG matters.

Management's discussion & analysis

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

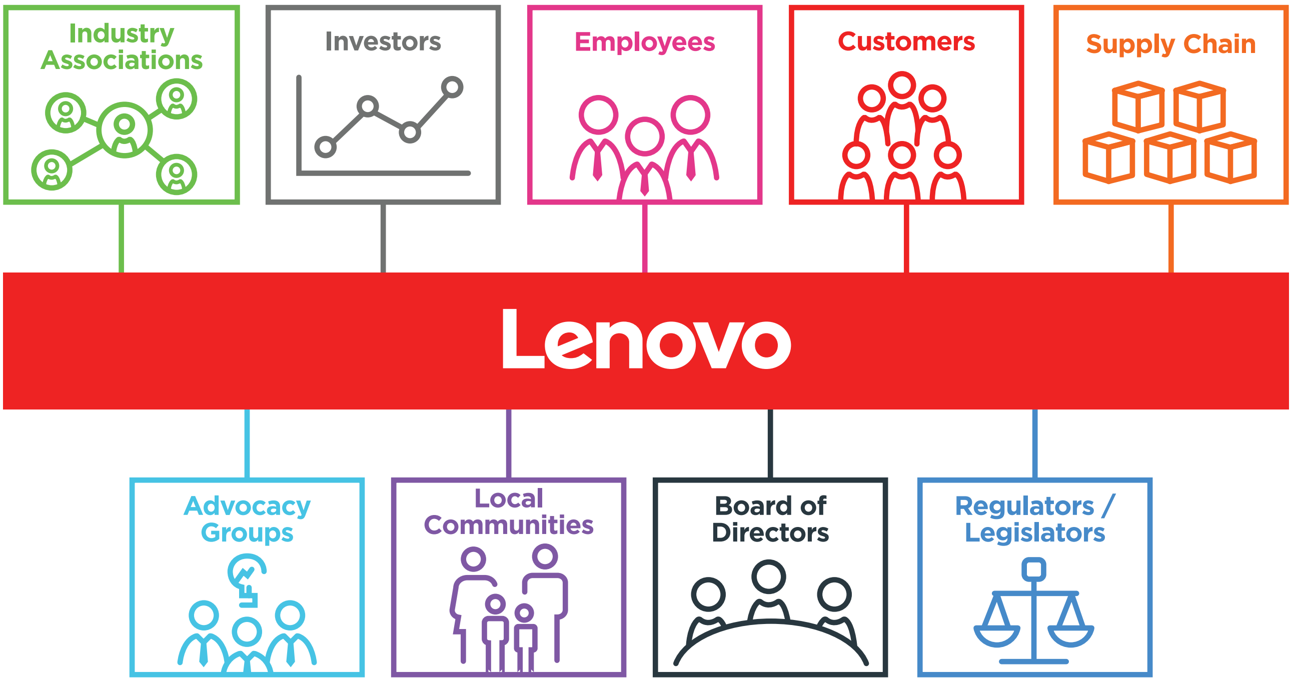
We engage our stakeholders in several ways, including:

- Surveys and direct customer interaction
- Employee surveys and Lenovo-organized community service events
- Supply Chain audits, conferences, and quarterly business reviews
- Phone conferences, webinars and meetings with industry trade groups on regulatory issues
- Ongoing interactions with local communities
- Responding to investor, analyst, and non-governmental organization (NGO) surveys and inquiries

In addition to these and other formal stakeholder interactions, we talk with individual stakeholder groups on an ad-hoc basis as needed.

Our environmental, quality and other management systems have defined processes for obtaining and analyzing stakeholder input to help improve our performance as well as manage risk. Lenovo's network of Geographic, Environmental and Sustainability Focal Points engage with local sales teams and customers on a regular basis. This is done through detailed responses to customer questions and meetings at customer locations or at Lenovo's briefing centers. These meetings allow Lenovo to get direct feedback on our environmental and other programs. Examples of feedback include information on ecolabel preferences, requests for packaging optimization, and requests for further information which may contribute to internal customer education.

Find more information about Lenovo's Sustainability Programs in the Sustainability overview on pages 125 to 140 of this Annual Report.



TALENT AND CULTURE

We are Lenovo

The "We Are Lenovo" cultural principles of Customer Focus, Innovation, Entrepreneurship, and Teamwork with Integrity & Trust are the heart of Lenovo's talent management practices. *"…I know I can rely on this team, and our culture of customer centricity, innovation, entrepreneurship and teamwork to achieve our goals!"* – Yuanqing Yang (April, 2020)

Employee Performance and Compensation

Lenovo continues to leverage its performance management and compensation programs to reinforce a strong commitment to excellence in achievements and customer experience.

This approach includes annual goal setting and review, calibration of individual ratings across organizations to ensure a fair assessment, and recognition of individual and team performance.

The integration of customer experience metrics into the individual goal setting process and the annual incentive programs is a reflection of the successful transformation of Lenovo from a product company to a customer centric organization.

The Lenovo Compensation Philosophy emphasizes our focus on pay for performance and supports flexibility in the design of business specific programs within a consistent One Lenovo Compensation framework.

A review of our targeted market position for critical roles allows us to more aggressively pursue the skills we need for the digital transformation of our organization and ensures that top talent is paid competitively in light of contributions and relevant market practices.

Talent Management and Succession Planning

"…Let's revisit our long-term mission. We want to become the leader and enabler of Intelligent Transformation, through our 3S strategy – smart IoT, smart infrastructure, and smart verticals. These will not change." – Yuanqing Yang (April, 2020)

Lenovo's transformation from a single to multiple-line business remained at the forefront of the company's Organizational and Human Resource Planning (OHRP) process in 2019. To further align with the company's strategic vision and position in the global market, the group added two new incubational businesses to the structure, both designed to focus on commercial customers in distinct vertical markets: the Data Intelligence Business Group (DIBG) and Commercial IoT (CIoT). In the coming months, leadership from across the enterprise will continue to refine their customer sets and business models, build the right mix of organizational capabilities, and secure the best talent to drive Lenovo's success now and into the future.

Talent Acquisition

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

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

Lenovo's long-term talent acquisition strategy remains steadily focused on building employer brand and investing in the attraction of talent with future growth. We believe that smarter takes a global mindset, with trust and respect for one another, enabling talent to do exciting and rewarding work that intelligently transforms our world.

Training and Development

We have enhanced our management and leadership development program to provide support for managers during their leadership progression at Lenovo by offering specific training experiences, for example Executive Director Accelerator Program (EDAP), Director Accelerator Program (DAP), Manager Accelerator Program (MAP), Leading Innovative Teams (LIT), Women Leadership Development Program (WLDP) etc at key points in their careers. Instructor-led professional development courses and forums are made available throughout the year, in addition to rich online learning resources provided on demand via our global learning management system – Grow@Lenovo. Courses focusing on intelligent transformation are available on Grow@Lenovo for employees to learn anytime anywhere. Besides formal training, Lenovo's 70-20-10 approach to employee development recognizes that employees learn through three distinct types of experiences: on-the-job training and assignments (70%), developmental coaching and mentoring relationships (20%), and coursework and training (10%). Lenovo also places a high priority on executive development, bringing senior leaders together once a year to share best practices, learn from external experts and drive strategic alignment across the enterprise through Global Leadership Team (GLT) and Lenovo Executive Accelerator Program (LEAP).

BRAND BUILDING

Lenovo continues its reputation as a major global brand, ranking on Forbes' Global 500 list and on Fortune's list of Most Admired Companies. The company continued to build brand presence through the launch of a global brand campaign to introduce our 3S strategy. The 'Smarter technology for all' campaign launched in 11 top markets, targeting both consumers and IT decision makers. The campaign results showed increases in awareness and brand attributes, reinforcing that the brand strategy is on track. The results also validate the effectiveness of the in-house model to be able to develop and deliver initiatives to drive brand value.

The brand saw increases in key reputation factors around governance, sustainability, and workplace desirability. We were named to the Corporate Knights 100 Most Sustainable Corporations list and achieved 'Leadership' status in the CDP Sustainability Ranking. Additionally, we ranked on the 2019 Diversity Best Practices Inclusion Index; the 2020 Bloomberg Gender Equality Index; and the 2020 Human Rights Campaign Foundation's Corporate Equality Index. These critical factors positioned Lenovo as a desirable place to work, earning the company a spot on the 2019 Universum's Most Attractive Employers list.

Technology innovation continues to drive our reputation and engagement with customers and with opinion leaders. Lenovo reached over 250,000 visitors through global technology events during the year, driving buzz for the brand with thought leadership on AI, digital transformation, and software-defined infrastructure and with award-winning products including the ThinkPad X1 Fold, the Yoga 5G, and Motorola Razr.

Lenovo's marketing operations underwent a transformation as the organization launched new platforms to drive efficiency, consistency, and transparency. These platforms will underpin the effectiveness of the brand's strategy in the new year to continue building Lenovo's reputation as a global leader in intelligent transformation.

FINANCIAL HIGHLIGHTS

RESULTS

For the year ended March 31	2020 US$'000	2019 US$'000
Revenue	**50,716,349**	51,037,943
Gross profit	**8,357,304**	7,370,644
Gross profit margin	**16.5%**	14.4%
Operating expenses	**(6,918,708)**	(6,192,827)
Operating profit	**1,438,596**	1,177,817
Other non-operating expenses – net	**(420,889)**	(321,153)
Profit before taxation	**1,017,707**	856,664
Profit for the year	**804,503**	657,204
Profit attributable to equity holders of the Company	**665,091**	596,343
Earnings per share attributable to equity holders of the Company (US cents)		
– Basic	**5.58**	5.01
– Diluted	**5.43**	4.96
EBITDA	**2,666,993**	2,191,259
Dividend per ordinary share (HK cents)		
– Interim dividend	**6.3**	6.0
– Proposed final dividend	**21.5**	21.8

Management's discussion & analysis

For the year ended March 31, 2020, the Group achieved total sales of approximately US$50,716 million. Compared to last year, profit attributable to equity holders for the year increased by US$69 million to approximately US$665 million. In the same reporting period, gross profit margin advanced by 2.1 percentage points from 14.4 percent, while basic and diluted earnings per share were US5.58 cents and US5.43 cents respectively, representing an increase of US0.57 cents and US0.47 cents.

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

Analysis of operating expenses by function for the years ended March 31, 2020 and 2019 are as follows:

For the year ended March 31	2020 US$'000	2019 US$'000
Selling and distribution expenses	**(2,972,260)**	(2,657,965)
Administrative expenses	**(2,524,818)**	(2,209,340)
Research and development expenses	**(1,335,744)**	(1,266,341)
Other operating expenses – net	**(85,886)**	(59,181)
	(6,918,708)	(6,192,827)

Operating expenses for the year were 12 percent over last year. Employee benefit costs increased by US$375 million mainly due to higher bonus and sales commission accruals, long-term incentive awards and wages and salaries. The Group also raised advertising and promotional expenses by US$88 million. Amortization of intangible assets increased by US$94 million with more investments in patent and technology (particularly on cloud technology and new product development) and internal use software. There was also a reduction in net gain on fair valuation of certain financial assets and a financial liability to US$42 million (2019: US$126 million). The overall increase was partially offset by the reduction in net foreign exchange loss to US$93 million (2019: US$112 million).

During the year, the Group adopted the new accounting standard, HKFRS 16, Leases. As a result, depreciation of right-of-use assets was reported and payments made under operating leases were no longer recorded as rental expenses unless under exemption. Please refer to Note 1 to the Financial Statements for details on the adoption of HKFRS 16.

Key expenses by nature comprise:

For the year ended March 31	2020 US$'000	2019 US$'000
Depreciation of property, plant and equipment		
– Other property, plant and equipment	**(155,156)**	(169,284)
– Right-of-use assets	**(86,679)**	–
Amortization of prepaid lease payments	**(2,599)**	(2,677)
Amortization of intangible assets	**(573,608)**	(479,118)
Employee benefit costs, including	**(3,835,085)**	(3,460,520)
– *long-term incentive awards*	***(258,610)***	*(214,822)*
Rental expenses under operating leases	**(11,356)**	(114,538)
Net foreign exchange loss	**(92,614)**	(111,529)
Advertising and promotional expenses	**(796,090)**	(707,706)
Legal and professional fees	**(205,334)**	(161,933)
Information technology expenses	**(121,053)**	(120,162)
Loss on disposal of property, plant and equipment	**(11,467)**	(4,970)
Fair value gain on financial assets at fair value through profit or loss	**66,036**	125,550
Fair value loss on a financial liability at fair value through profit or loss	**(23,826)**	–
Gain on disposal of subsidiaries	**12,844**	–
Gain on deemed disposal of a subsidiary	**–**	22,811
Dilution gain on interest in associates	**–**	24,189
Gain on disposal of interest in an associate	**3,922**	–
Others	**(1,086,643)**	(1,032,940)
	(6,918,708)	(6,192,827)

Other non-operating expenses (net) for the years ended March 31, 2020 and 2019 comprise:

For the year ended March 31	2020 US$'000	2019 US$'000
Finance income	**47,850**	27,399
Finance costs	**(454,194)**	(337,027)
Share of losses of associates and joint ventures	**(14,545)**	(11,525)
	(420,889)	(321,153)

Finance income mainly represents interest on bank deposits.

Finance costs for the year increased by 35 percent over last year. This is mainly contributed by increase in factoring costs of US$93 million as a result of incurring additional costs during the course of transitioning to a new factoring partner and ramping up the new factoring operations. The change is also a combined effect of the increase in interest on convertible bonds of US$32 million, interest on contingent consideration and written put option liabilities of US$12 million and interest on lease liabilities of US$17 million, offset by the decrease in interest on notes of US$33 million.

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

The Group adopts segments by business group as the reporting format. Segments by business group comprise Intelligent Devices Group ("IDG") and Data Center Group ("DCG"). Please refer to Note 5 to the Financial Statements for the measurement basis of segment information. Segment revenue and pre-tax income/(loss) for reportable segments are as follows:

	2020		2019	
For the year ended March 31	**Revenue from external customers US$'000**	**Pre-tax income/(loss) US$'000**	Revenue from external customers US$'000	Pre-tax income/(loss) US$'000
IDG	**45,216,190**	**2,301,621**	45,013,362	1,842,840
DCG	**5,500,159**	**(225,497)**	6,024,581	(230,600)
Segment total	**50,716,349**	**2,076,124**	51,037,943	1,612,240
Unallocated:				
Headquarters and corporate (expenses)/income – net		**(725,457)**		(640,542)
Depreciation and amortization		**(168,485)**		(136,263)
Finance income		**24,959**		4,121
Finance costs		**(216,106)**		(142,496)
Share of losses of associates and joint ventures		**(14,545)**		(11,525)
Loss on disposal of property, plant and equipment		**(9,423)**		(1,651)
Fair value gain on financial assets at fair value through profit or loss		**66,036**		125,550
Fair value loss on a financial liability at fair value through profit or loss		**(23,826)**		–
Gain on deemed disposal of a subsidiary		**–**		22,811
Dilution gain on interest in associates		**–**		24,189
Gain on disposal of interest in an associate		**3,922**		–
Dividend income		**4,508**		230
Consolidated profit before taxation		**1,017,707**		856,664

Management's discussion & analysis

Headquarters and corporate (expenses)/income for the year comprise various expenses, after appropriate allocation to business groups, of US$725 million (2019: US$641 million) such as employee benefit costs, legal and professional fees, and research and technology expenses. Employee benefit costs rose by US$132 million due to an increase in headcount and higher bonus accruals of US$75 million. The Group also recorded central research and technology expenses of US$134 million which were not allocated to a business group (2019: US$68 million).

Moreover, the Group recognized a fair value gain on bonus warrants of US$21 million during the year (2019: fair value loss of US$19 million), and incentives and grants received also increased by US$42 million. The Group also recognized certain one-time charges associated with the execution of previously announced resource actions at the corporate level. These one-time charges include the write down and disposal of certain inventories of US$45 million (2019: US$67 million) caused by product portfolio simplification, and onerous lease contracts and claims of US$3 million (2019: US$27 million).

FINANCIAL POSITION

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

Non-current assets	2020 US$'000	2019 US$'000
Property, plant and equipment	1,712,856	1,430,817
Prepaid lease payments	497,819	463,996
Construction-in-progress	304,241	232,097
Intangible assets	7,984,582	8,324,575
Interests in associates and joint ventures	60,307	79,061
Deferred income tax assets	2,059,582	1,862,902
Financial assets at fair value through profit or loss	494,807	449,363
Financial assets at fair value through other comprehensive income	56,136	71,486
Other non-current assets	224,396	187,985
	13,394,726	13,102,282

Property, plant and equipment

Property, plant and equipment comprise mainly the Group's freehold land and buildings, leasehold improvements, plant and machinery, office equipment and right-of-use assets. The increase of 20 percent is mainly attributable to the recognition of the right-of-use assets resulting from the adoption of the new accounting standard with effect from the beginning of the year and the Group's further investments in plant and machinery and office equipment, partly offset by current year depreciation and exchange adjustment.

Prepaid lease payments

Prepaid lease payments represent the land use rights in respect of the manufacturing sites and headquarters in the Mainland of China ("Chinese Mainland"). Increase of 7 percent is mainly due to the Group's further acquisition of land use right in Chinese Mainland, partly offset by exchange adjustment.

Construction-in-progress

Construction-in-progress comprises mainly the Group's investments in its headquarters in Chinese Mainland, internal use software and research and development laboratories. Increase of 31 percent is mainly attributable to the further investment in internal use software offset by transfer of completed assets to property, plant and equipment and intangible assets.

Intangible assets

Intangible assets comprise goodwill and other intangible assets including trademarks and trade names, customer relationships, patent and technology and internal use software. Decrease of 4 percent is mainly attributable to current year amortization and exchange adjustment, partly offset by acquisition of patent and technology (particularly on cloud technology and new product development) and completed internal use software transferred from construction-in-progress.

Interests in associates and joint ventures

Interests in associates and joint ventures decreased by 24 percent, which is mainly impacted by the share of losses of associates and joint ventures during the year.

Deferred income tax assets

Deferred income tax assets amounted to US$2,060 million as at current year end, representing an increase of 11 percent over last year, which is mainly attributable to tax losses and temporary differences in relation to deferred revenue arising in the normal course of business.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss increased by 10 percent during the year, which is mainly attributable to additional investments and net fair value gain, partly offset by disposal of certain financial assets.

Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income decreased by 21 percent during the year, which is mainly attributable to net fair value loss recognized.

Management's discussion & analysis

Current assets	2020 US$'000	2019 US$'000
Inventories	**4,946,914**	3,434,660
Trade receivables	**6,263,012**	6,661,484
Notes receivable	**11,529**	46,454
Derivative financial assets	**138,813**	70,972
Deposits, prepayments and other receivables	**3,559,239**	3,753,926
Income tax recoverable	**196,464**	185,643
Bank deposits	**66,480**	70,210
Cash and cash equivalents	**3,550,990**	2,662,854
	18,733,441	16,886,203

Inventories

Inventories increased by 44 percent which is mainly due to the buy ahead of parts components and the constraint of production capacity in the fourth quarter of the current year after the suspension of manufacturing plants and business activities caused by the outbreak of COVID-19.

Trade receivables and notes receivable

Trade receivables and notes receivable decreased by 6 percent, it is mainly impacted by COVID-19 with decrease in business activities during the fourth quarter of the current year.

Derivative financial assets/liabilities

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

Deposits, prepayments and other receivables

Majority of other receivables of the Group are amounts due from subcontractors for parts components sold in the ordinary course of business. The decrease is mainly due to the decrease in business activities caused by COVID-19 during the fourth quarter of the current year.

Total equity	2020 US$'000	2019 US$'000
	4,059,295	4,097,063

Total equity

Total equity slightly changed from US$4,097 million to US$4,059 million which is mainly due to dividends paid and currency translation difference, partly offset by profit for the year.

Non-current liabilities	2020 US$'000	2019 US$'000
Borrowings	**1,564,619**	2,426,770
Warranty provision	**258,840**	254,601
Deferred revenue	**864,805**	678,137
Retirement benefit obligations	**458,386**	434,246
Deferred income tax liabilities	**342,805**	359,679
Other non-current liabilities	**1,321,296**	1,247,646
	4,810,751	5,401,079

Borrowings

Borrowings (classified as non-current) decreased by US$862 million mainly attributable to the reclassification of the RMB4 billion note from non-current to current as it will be due within the next 12 months after the year end date, and the reclassification of convertible bonds from non-current to current as the bondholders will have the right to require the Company to redeem part or all of the convertible bonds on January 24, 2021. The decrement is partly offset by the issuance of convertible preferred shares through a subsidiary of the Group during the year.

Warranty provision

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

Retirement benefit obligations

The Group operates various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Group has both defined benefit and defined contribution plans.

Deferred income tax liabilities

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

Other non-current liabilities

Other non-current liabilities mainly comprise liabilities arise from written put options granted, contingent consideration, lease liabilities and government incentives and grants received in advance. The increase of 6 percent is mainly due to recognition of lease liabilities resulting from the adoption of new accounting standard with effect from the beginning of the year, partly offset by the transfer of contingent consideration from non-current to current as it will be due within the next 12 months after the year end date.

Current liabilities	2020 US$'000	2019 US$'000
Trade payables	**7,509,724**	6,429,835
Notes payable	**1,458,645**	1,272,840
Derivative financial liabilities	**73,784**	74,426
Other payables and accruals	**9,025,643**	8,942,336
Provisions	**718,771**	738,688
Deferred revenue	**819,199**	780,951
Income tax payable	**357,375**	298,224
Borrowings	**3,294,980**	1,953,043
	23,258,121	20,490,343

Trade payables and notes payable
Trade payables and notes payable increased by 16 percent, mainly due to purchase delayed to end of the fourth quarter, caused by the outbreak of COVID-19.

Other payables and accruals
Other payables and accruals comprise the allowance for billing adjustments relating primarily to allowance for future volume discounts, price protection, rebates, and customer sales returns. Majority of other payables are obligations to pay for finished goods that have been acquired in the ordinary course of business from subcontractors. The increase is the combined effect of higher bonus and sales commission accruals; transfer of contingent consideration from non-current to current as it will be due within the next 12 months after the year end date, and the recognition of lease liabilities resulting from the adoption of new accounting standard with effect from the beginning of the year; which is partly offset by the drop in purchase from subcontractors due to the suspension of manufacturing plants and business activities caused by the outbreak of COVID-19.

Provisions
Provisions comprise warranty liabilities (due within one year), environmental restorations and restructuring provision.

Borrowings
Borrowings (classified as current) increased by 69 percent, which is the combined effect of the reclassification of the RMB4 billion note from non-current to current as it will be due within the next 12 months after the year end date; the reclassification of convertible bonds from non-current to current as the bondholders will have the right to require the Company to redeem part or all of the convertible bonds on January 24, 2021; the net drawn down of short term loans; and partly offset by the settlement of a note.

Capital Expenditure

The Group incurred capital expenditure of US$953 million (2019: US$701 million) during the year ended March 31, 2020, mainly for the acquisition of property, plant and equipment, prepaid lease payments and additions in construction-in-progress and intangible assets. Increase of US$252 million during the year is mainly attributable to more investments in patent and technology particularly on cloud technology and internal use software.

Liquidity and Financial Resources

At March 31, 2020, total assets of the Group amounted to US$32,128 million (2019: US$29,988 million), which were financed by equity attributable to owners of the Company of US$3,198 million (2019: US$3,396 million), perpetual securities of US$994 million (2019: US$994 million), a negative balance of other non-controlling interests (net of put option written on non-controlling interests) of US$131 million (2019: US$293 million), and total liabilities of US$28,069 million (2019: US$25,891 million). At March 31, 2020, the current ratio of the Group was 0.81 (2019: 0.82).

At March 31, 2020, bank deposits and cash and cash equivalents totaled US$3,617 million (2019: US$2,733 million) analyzed by major currency are as follows:

	2020 %	2019 %
US dollar	35.3	41.1
Renminbi	25.4	32.0
Japanese Yen	10.3	6.8
Euro	7.8	5.4
Great British Pound	4.2	2.6
Other currencies	17.0	12.1
Total	100.0	100.0

The Group adopts a conservative policy to invest the surplus cash generated from operations. At March 31, 2020, 85.6 (2019: 78.6) percent of cash are bank deposits, and 14.4 (2019: 21.4) 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:

				Utilization amount at March 31,	
Type	Date of agreement	Principal amount US$ million	Term	2020 US$ million	2019 US$ million
Loan facility	May 26, 2015	300	5 years	300	300
Revolving loan facility	March 28, 2018	1,500	5 years	1,500	825

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

	Issue date	Principal amount	Term	Interest/ dividend rate per annum	Due date	Use of proceeds
2020 Note	June 10, 2015	RMB4 billion	5 years	4.95%	June 2020	For general corporate purposes including working capital and acquisition activities
2022 Note	March 16, 2017	US$500 million	5 years	3.875%	March 2022	For repayment of the outstanding amount under the promissory note issued to Google Inc. and general corporate purposes
Perpetual securities	March 16, 2017	US$850 million	N/A	5.375%	N/A	
	April 6, 2017	US$150 million	N/A	5.375%	N/A	
2023 Note	March 29, 2018	US$750 million	5 years	4.75%	March 2023	For repayment of previous Note and general corporate purposes
Convertible bonds	January 24, 2019	US$675 million	5 years	3.375%	January 2024	For repayment of previous Note and general corporate purposes
Convertible preferred shares	June 21, 2019	US$300 million	N/A	4%	N/A	For general corporate funding and capital expenditure

On April 24, 2020, the Group completed the issuance of 5-Year US$650 million notes bearing annual interest at 5.875% due in April 2025. On May 12, 2020, the Group issued an additional US$350 million notes under the same terms, which have been consolidated and form a single series with the aforementioned US$650 million notes. The proceeds will be used for refinancing and general corporate purposes.

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

Credit facilities	Total facilities amount at March 31		Drawn down amount at March 31	
	2020 US$ million	2019 US$ million	**2020 US$ million**	2019 US$ million
Trade lines	**2,547**	2,195	**2,047**	1,637
Short-term money market facilities	**1,034**	701	**334**	56
Forward foreign exchange contracts	**9,278**	9,525	**9,222**	9,525

Net debt position and gearing ratio of the Group as at March 31, 2020 and 2019 are as follows:

	2020 US$ million	2019 US$ million
Bank deposits and cash and cash equivalents	**3,617**	2,733
Borrowings		
– Short-term loans	**2,125**	1,167
– Long-term loan	**3**	–
– Notes	**1,807**	2,622
– Convertible bonds	**607**	591
– Convertible preferred shares	**318**	–
Net debt position	**(1,243)**	(1,647)
Total equity	**4,059**	4,097
Gearing ratio (Borrowings divided by total equity)	**1.20**	1.07

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

The Group adopts a consistent hedging policy for business transactions to reduce the risk of currency fluctuation arising from daily operations. At March 31, 2020, the Group had commitments in respect of outstanding forward foreign exchange contracts amounting to US$9,222 million (2019: US$9,525 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 year.

Smarter challenges convention

Motorola Razr

Corporate governance report

01	**Corporate Governance Principles and Structure**	• Compliance with Corporate Governance Code • Governance Structure
02	**Leadership** How the Board leads from the front	• Board Roles • Board Composition • Appointment and Election • Directors' Securities Transactions • Induction and Continuous Professional Development • Remuneration of Directors and Senior Management • Company Secretary
03	**Effectiveness** How the Board operates	• Board's Responsibilities and Delegation • Board Process • Board Activities • Board Committees • Board and Board Committees' Effectiveness Review
04	**Accountability and Audit** How the Board fulfils its oversight responsibilities	• Financial Reporting • Risk Management and Internal Control • External Auditor
05	**Investor Relations** How we maintain relations with our investors	• Communications with Investors • Market Recognitions • Index Recognition
06	**Shareholders** How we communicate with our shareholders and their rights	• Communications with Shareholders • Shareholders' Rights • Shareholding Structure
07	**Key Shareholders Information**	

CORPORATE GOVERNANCE PRINCIPLES AND STRUCTURE

The board of directors (the "Board") and the management of Lenovo Group Limited (the "Company", together with its subsidiaries, the "Group") strive to attain and uphold a high standard of corporate governance and to maintain sound and well-established corporate governance practices for the interest sake of shareholders and other stakeholders including customers, suppliers, employees and the general public. The Company abides strictly by the governing laws and regulations of the jurisdictions where it operates and observes the applicable guidelines and rules issued by regulatory authorities. It regularly undertakes review of its corporate governance system to ensure it is in line with international and local best practices.

Compliance with Corporate Governance Code

Throughout the year ended March 31, 2020, the Company has complied with the code provisions of the Corporate Governance Code and Corporate Governance Report (the "CG Code") set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong S.A.R. of China Limited (the "Stock Exchange") (the "Listing Rules"), and where appropriate, met the recommended best practices in the CG Code, with the exception that the roles of the chairman of the Board (the "Chairman") and the chief executive officer of the Company (the "CEO") have not been segregated as required by code provision A.2.1 of the CG Code.

Since November 3, 2011, Mr. Yang Yuanqing ("Mr. Yang") has been performing both the roles as the Chairman and the CEO. 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 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.

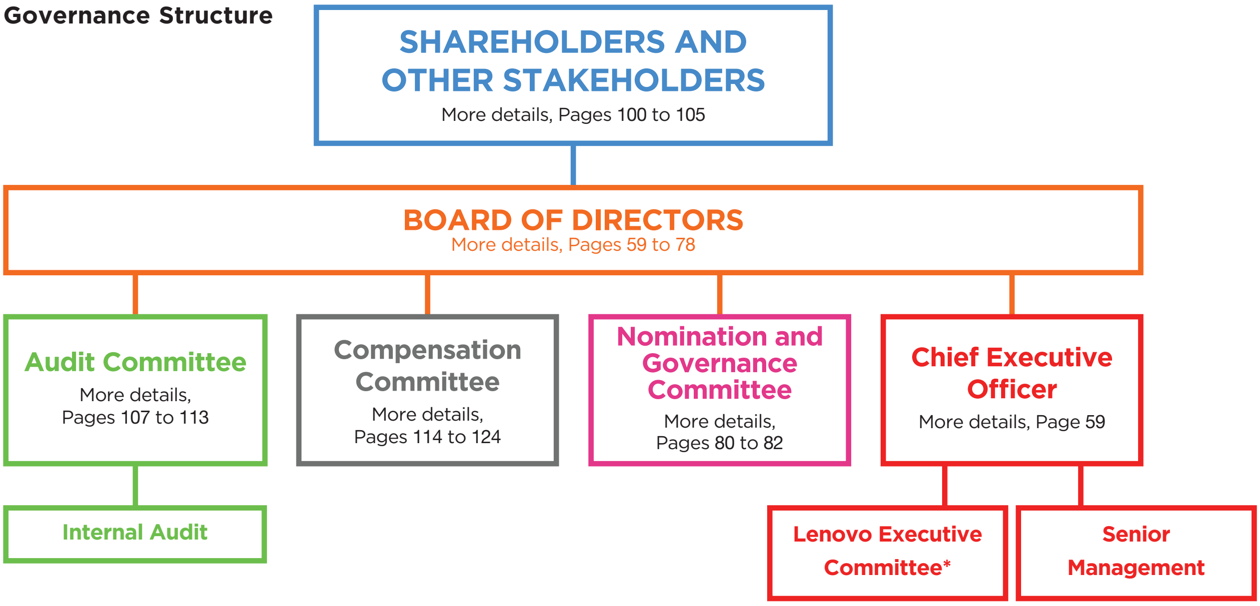
The Board also appointed Mr. William O. Grabe as the lead independent director (the "Lead Independent Director") with broad authority and responsibility. Among other responsibilities, the Lead Independent Director serves as Chair of the Nomination and Governance Committee meeting and/or Board meeting 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.

Apart from the foregoing, the Company met the recommended best practices in the CG Code as disclosed in the respective sections of this report. Particularly, the Company published quarterly financial results and business reviews in addition to interim and annual results. Quarterly financial results enhanced the shareholders' ability to assess the performance, financial position and prospects of the Company. The quarterly financial results were also prepared using the accounting standards consistent with the policies applied to the interim and annual financial statements.

Corporate governance report

The Board has established a clear governance structure and the overall approach has been designed to support and work within our organizational structure to meet the challenges of the future.

Governance Structure



* *A management committee comprising the CEO and certain members of the senior management*

KEY MATTERS RESERVED TO THE BOARD DECISION

The Board has adopted a schedule of key matters relating to the strategy, finance and governance which are for decision by the Board. The table on page 72 sets out these key matters reserved by the Board for decision.

BOARD COMMITTEES STRUCTURE

The Board has delegated authority for its key governance functions to three main committees with the responsibilities outlined on page 79. Details of the activities and decisions taken by these committees during the year are shown in the relevant committees reports.

CEO, LENOVO EXECUTIVE COMMITTEE AND DELEGATED AUTHORITIES

CEO who manages the business in line with the strategy agreed by the Board and is accountable to it. Details of the responsibilities of CEO are set out on page 59.

The CEO is supported by the Lenovo Executive Committee which helps to implement strategy and manage operational performance. The CEO has also established authority framework adopted by the Group through which he delegates certain management decisions to specific individuals and management.

LEADERSHIP

Board Roles

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

CHAIRMAN

Mr. Yang Yuanqing

- leads the Board in the determination of its strategy and in the achievement of its objectives
- provides leadership and manages the Board to ensure that all directors are properly briefed on issues arising at Board meetings and receive adequate, complete and reliable information in a timely manner
- approves the Board's agenda, taking full account of the issues and concerns of Board members. Board agendas are structured to allow adequate and sufficient time for the discussion of the items on the agenda, in particular, strategic matters
- facilitates and encourages active engagement of Board members, particularly on matters of the Group's strategy or other major proposals, by drawing on directors' skills, experience and knowledge
- ensures good corporate governance practices and procedures are established and effective communication with shareholders and other stakeholders

NON-EXECUTIVE DIRECTORS

Independent non-executive directors:

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

Non-executive directors:

Mr. Zhu Linan
Mr. Zhao John Huan

- participate in Board meetings to bring an independent judgement to bear on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct
- take the lead where potential conflicts of interests arise
- scrutinise the Group's performance in achieving agreed corporate goals and objectives, and monitor performance reporting
- make a positive contribution to the development of the Group's strategy and policies through independent, constructive and informed comments
- engage with senior management and other relevant parties, such as the external or internal auditors as well as the Company's legal department, to ensure that the various concerns and issues relevant to the management and oversight of the business and operations of the Company and the Group are properly addressed

LEAD INDEPENDENT DIRECTOR

Mr. William O. Grabe

- 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
- calls and serves as Chair of 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 and provides feedbacks to Chairman and/or CEO
- serves a key role in the Board evaluation process
- responds directly to shareholders and other stakeholders' questions and comments that are directed to the Lead Independent Director or to the independent non-executive directors as a group, when appropriate
- if requested by major shareholders, ensures that he is available, when appropriate, for consultation and direct communication
- performs other duties as the Board may designate

CHIEF EXECUTIVE OFFICER

Mr. Yang Yuanqing

- formulates and recommends the strategy of the Group to the Board
- executes the strategy agreed by the Board
- makes and implements operational decisions and manages the business day-to-day
- leads the business and the management team

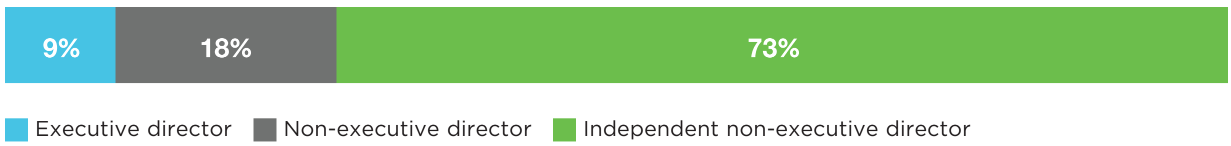
Corporate governance report

Board Composition

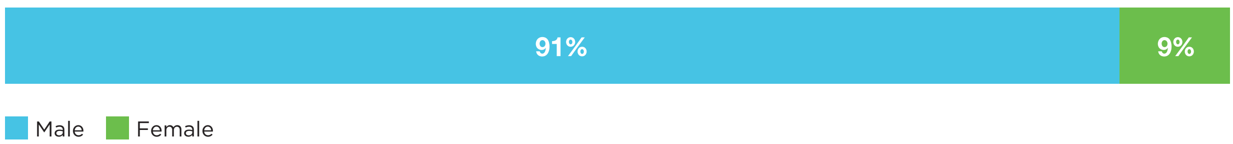
The structure, size and composition (including, for example, gender, age, and length of service) of the Board will be reviewed from time to time by the Nomination and Governance Committee to ensure that the Board has a balance of skills and expertise for providing effective leadership to the Company and meeting the needs of the Group.

As of the date of this annual report, the Board diversity mix is shown below while the detailed biographies and snapshot of the Board's experience are set out on pages 148 to 152 of this annual report.

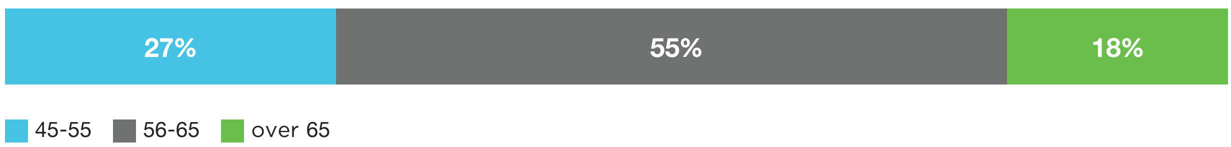
Designation



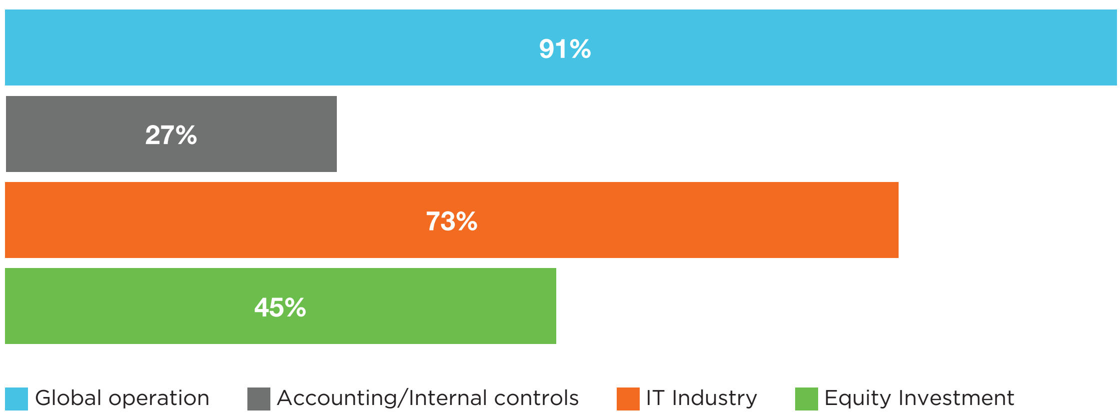
Gender



Age Group



Area of Experience



Key Features of the Board Composition	
Diversity	The Board adopted a Board diversity policy (the "Board Diversity Policy") which relates to the selection of candidates for the Board. A summary of the Board Diversity Policy including the views and measurable objectives is set out on page 62 of this report.
Independence	The current composition of the Board exceeds the requirements under rule 3.10A of the Listing Rules, as more than half of its members are independent non-executive directors, thus exhibiting a strong independent element which enhances independent judgement.
	Mr. William O. Grabe, an independent non-executive director of the Company was appointed as the Lead Independent Director for enhancing corporate governance of the Company. The roles and responsibilities of the Lead Independent Director are set out on page 59 of this report.
	The Company has maintained on its website and Hong Kong S.A.R. of China Exchanges and Clearing Limited's website (the "HKEx's website") an updated list of its directors identifying their roles and functions and whether they are independent non-executive directors.
	Independent non-executive directors are also identified as such in all corporate communications that disclose the names of directors of the Company.
Professional qualification	Mr. Nicholas C. Allen and Mr. Woo Chin Wan Raymond, independent non-executive directors of the Company, have the appropriate professional qualifications or accounting or related financial management expertise, as required under the Listing Rules.
Relationship among directors	Mr. Zhu Linan and Mr. Zhao John Huan, non-executive directors of the Company, also serve on the board of directors of Legend Holdings Corporation, which company held approximately 29.102% of the total number of shares in issue of the Company as of March 31, 2020 according to the interest as recorded in the register maintained under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong S.A.R. of China) (the "SFO"). The details are set out on page 105 of this report and page 157 under Directors' report of this annual report.
	To the best knowledge of the Board members, there is no other relationship among the members of the Board as of the date of this annual report except for the relationships (including financial, business, family, and other material and relevant relationships) as mentioned in this report and in the biographies of directors set out on pages 148 to 152 of this annual report.

Corporate governance report

Appointment and Election

Nomination Policy

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

Diversity

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

The Board believes that a key success factor of an effective Board is that it comprises a range and balance of skills, experience, knowledge and independence, with individuals that work as a team. The Board Diversity Policy which relates to the selection of candidates for the Board was adopted to ensure that diversity in its broadest sense continues to remain a feature of the Board. All Board appointments are made on merit, in the context of the skills and experience the Board as a whole requires being effective. The details of the appointment process can be found on page 63 of this report.

The Nomination and Governance Committee has been delegated with the responsibilities for the review of the Board Diversity Policy on an annual basis. During the fiscal year 2019/20, the Nomination and Governance Committee reviewed the below measurable objectives and the progress in achieving these objectives:

Measurable Objectives		Progress for Achieving Objectives
Objective 1	Consider candidates for appointment as independent non-executive directors from a wide pool of backgrounds, skills, experience and perspectives that would complement the existing Board and preferably add diversity	• Appointed Ms. Yang Lan as an additional independent non-executive director on May 15, 2020 • On-going search for appropriate candidates to be appointed as independent non-executive directors • In the ordinary course of the Board succession process
Objective 2	Report annually against the objectives and other initiatives taking place within the Company which promote diversity	• The Board evaluation process includes an assessment of the Board's diversity helping to objectively consider the Board composition and effectiveness • FY2020/21 and ongoing
Objective 3	Report annually on the outcome of the composition and structure of the Board as well as any issues and challenges the Board is facing when considering the diverse make-up of the Company	• Make use of the Board evaluation process as an important means of monitoring the progress • Remain committed to getting the right balance of the composition of the Board and work towards understanding and managing some of the challenges the Company face in the global information technology sector, particularly in internet, mobile, software, data center, artificial intelligence and clouds areas • FY2020/21 and ongoing

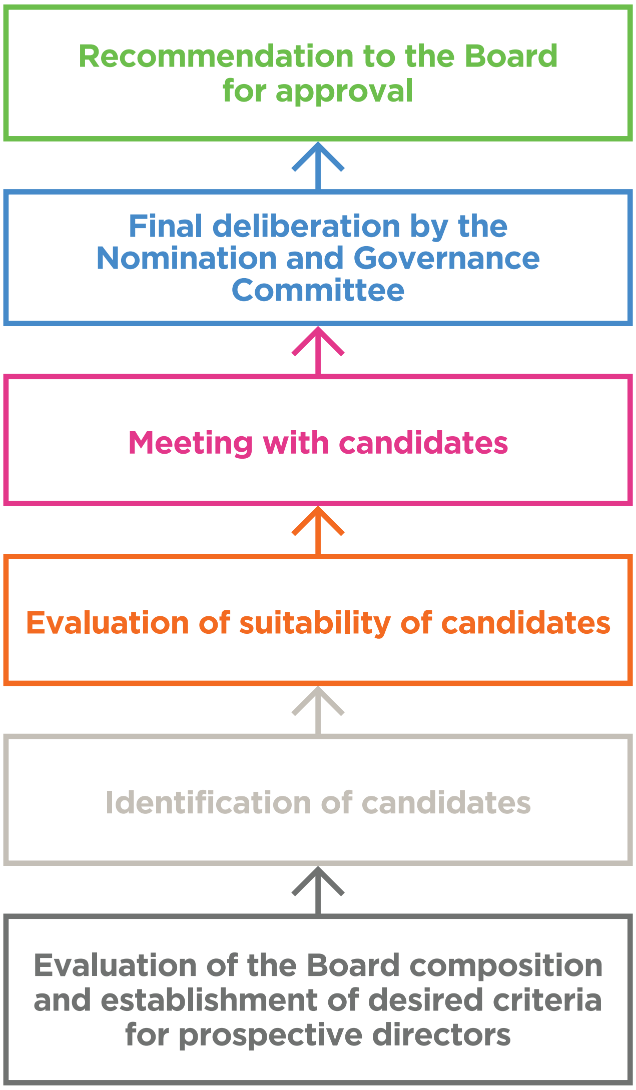
Appointment process

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

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

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

The Nomination and Governance Committee also ensures that candidates satisfy the requisite skills and core competencies to be deemed fit and proper, and to be appointed as director. The nomination process involves the following six stages:



Corporate governance report

Succession
The Nomination and Governance Committee regularly reviews the structure, size and composition (including the skills, knowledge and experience) required of the Board and makes recommendations to the Board as appropriate. The Board has satisfied itself that the appropriate plan has been in place for orderly succession to the Board as well as procedures to ensure an appropriate balance of skills on the Board and its committees. The Board and the Nomination and Governance Committee have regularly discussed and reviewed Board composition and succession planning during the year and this will continue in the fiscal year 2020/21.

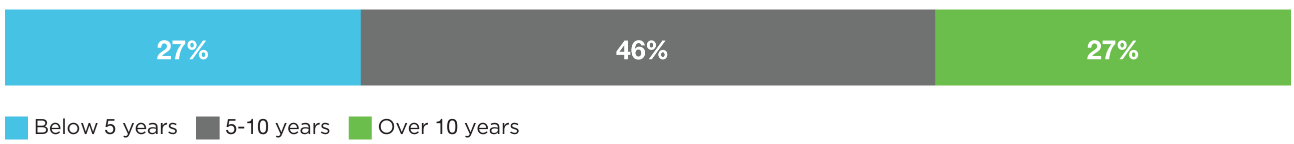
During the year, the position of the Chairman of the Compensation Committee had been vacant since the passing of Ms. Ma Xuezheng on August 31, 2019. Having reviewed the composition of the Compensation Committee, the Nomination and Governance Committee recommended to the Board the appointment of Mr. William Tudor Brown as the new Chairman of the Compensation Committee, which appointment was approved by the Board of Directors and became effective on November 7, 2019.

Tenure
In accordance with the articles of association of the Company (the "Articles of Association"), all directors are subject to retirement by rotation. At each annual general meeting, one-third of the directors for the time being shall retire from office. The retiring directors shall be eligible for re-election. New appointments either to fill a casual vacancy or as an addition to the Board are subject to re-election by shareholders of the Company at the next following annual general meeting of the Company. The chart below shows the tenure of the Board members as of March 31, 2020.

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

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

Board Tenure



Independence

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

Each of the independent non-executive directors has made a confirmation of independence pursuant to rule 3.13 of the Listing Rules. On May 19, 2020, the Nomination and Governance Committee conducted an annual review of the independence of all independent non-executive directors of the Company for the year ended March 31, 2020. Having taken into account the factors as set out in rule 3.13 of the Listing Rules in assessing the independence of independent non-executive directors, the Nomination and Governance Committee (with the relevant committee member abstaining from voting on the resolutions concerning his own independence) concluded that all of the independent non-executive directors satisfied the criteria of independence as set out in the Listing Rules.

In addition, the Nomination and Governance Committee affirmed that all independent non-executive directors of the Company provided a strong independent element on the Board, were free from any business or other relationship which could materially interfere with the exercise of their judgement, and remained independent for the year ended March 31, 2020.

Independence Assessment

Before and on appointment

- Nomination and Governance Committee will evaluate the suitability of the candidates, including an assessment of their independence
- Upon his/her appointment, he/she is required to confirm with the Stock Exchange his/her independence having regard to the criteria under rule 3.13 of the Listing Rules

Ongoing process

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

Annual assessment

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

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

- The Board deals with each appointment on its individual merit and takes into consideration all the circumstances.

- Prior to taking additional responsibilities or external appointments, directors are obliged to ensure that they will be able to meet the time commitment expected of them in their role at the Company and do not have any potential conflicts that may arise when taking up a position with another company.

- Decisions regarding transactions with directors and their related parties are always dealt with by other directors, such as matter regarding the remuneration of executive director is handled by the Compensation Committee.

- Under the Articles of Association, directors are also required to declare their direct or indirect interests, if any, in any proposal, transaction, arrangement or contract that is significant in relation to the Company's business and the director's interest or his/her associate's interest or the interest of the entity connected with the director is material.

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

Commitments
All directors are committed to devote sufficient time and attention to the affairs of the Company. Directors are given guidelines on their time commitments to the affairs of the Company and corresponding confirmations were received from the directors in their letters of appointment. Directors have also disclosed to the Company the number and nature of offices held in Hong Kong S.A.R. of China and/or overseas listed public companies or organisations and other significant commitments, with their positions at the public companies or organisations. Directors are reminded to notify the Company in a timely manner and bi-annually confirm to the Company of any changes of such information. The chart below shows the number of directorship of the directors with other listed public companies as at March 31, 2020.

Directorship with other listed public companies

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

Share ownership

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

Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules from time to time and devised based on the principles of the Model Code a comprehensive and operative company policy to govern securities transactions by directors and designated senior management of the Company. All directors of the Company have confirmed, after specific enquiry, their compliance with the required standard during the year ended March 31, 2020.

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

Induction and Continuous Professional Development

The Company is aware of the requirement to regularly review and agree with each director their training needs. Keeping up-to-date with key business developments is essential for directors to maintain and enhance their effectiveness.

Corporate governance report

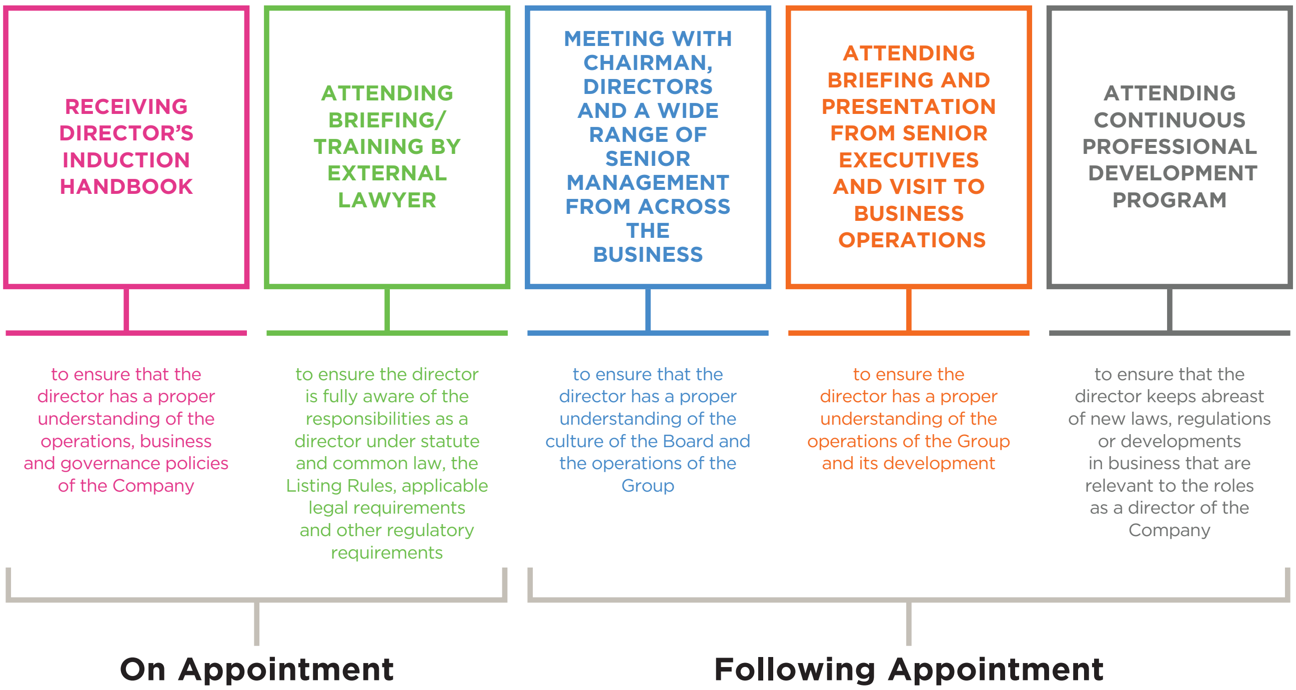
Induction program

For new directors

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

For new Board committee members

Directors to be appointed to the Board committee(s) are provided with an induction handbook which is designed to provide the Board committee members with information regarding the roles of committee members, making the most of their time on the committee(s), committee meeting annual agendas, and general information about the respective Board committee of the Company.



Continuous professional development program
As part of the continuous professional development program, the Board members from time to time receive presentations from senior executives in the business on matters of significance. Financial plans, including budgets and forecasts, are regularly discussed at Board meetings. The Company would arrange appropriate visits and seminars covering the Group's operations, the industry and governance matters for directors to facilitate their understanding of the Group's businesses and have a better awareness of the risks associated with the Group's operations.

During the year ended March 31, 2020, the trainings and activities for the Board were set out below:

SITE VISITS

In order to enhance greater interaction between Board members and senior management, the Company arranged directors to attend the Global Leadership Team ("GLT") annual meeting in Rome, Italy from October 21 to 23, 2019. The GLT meeting presented an excellent opportunity for Lenovo's leaders on the one hand to work together, share ideas, identify challenges and, most importantly, develop solutions; and on the other hand, to build cross-functional networking.

On November 7, 2019, taking the opportunity of meeting in Lenovo Beijing campus, directors visited Lenovo Beijing Future Center, in which directors were provided with smart technology demonstrations and experiences. Lenovo Beijing Future Center showcases the various concepts of and the use of technologies in Big Data and Smart Vertical including Smart Home, Smart Office, Smart Manufacturing, Smart Healthcare, Smart Maintenance and Smart Education. Directors were also presented with the latest technologies of the enterprise business including Internet of Things (IoT), Data Center and High-Performance Computing (HPC), 5G, Data Intelligence and product showcases of PC, tablets, smartphones and Social IoT etc. The visit provided the Board insights into the businesses of the Company and the technologies development of the market.

Corporate governance report

EXPERTS BRIEFING AND SEMINAR

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

Mr. Max Baucus, former United States Ambassador to China and the longest-serving Senator in Montana, was invited to be a guest speaker to give directors an update of US/China relations.

During the year, the Company arranged experts briefing and in-house seminar for directors on topics relating to Global Economy – US and China Business Relationship and US/China relations.

Mr. William E. Ford, CEO of General Atlantic, a private equity firm providing capital and strategic support for growth companies, shared his thoughts with directors on Global Economy – US and China Business Relationship.

REGULATORY UPDATES

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

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

The Board considers the aforementioned training attended and/or participated in by the directors, and the continuing legal updates provided to the directors, as adequate to enhance the directors' skills and knowledge to carry out their duties as directors.

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

In addition to directors' attendance at meetings and review of relevant materials provided by senior management during the year, the professional trainings attended by the directors are set out as follows:

Type of training / Name of directors	Reading regulatory updates/ Company policies	Visiting the place of operations, Company's facilities and meeting with local management	Attending experts briefing/ seminar/ conference relevant to the Company's business or director's duties
Executive director			
Mr. Yang Yuanqing	√	√	√
Non-executive directors			
Mr. Zhu Linan	√	√	√
Mr. Zhao John Huan	√	√	√
Independent non-executive directors			
Mr. Nicholas C. Allen	√	√	√
Mr. Nobuyuki Idei	√	√	√
Mr. William O. Grabe	√	–	√
Mr. William Tudor Brown	√	√	√
Mr. Yang Chih-Yuan Jerry	√	√	√
Mr. Gordon Robert Halyburton Orr	√	√	√
Mr. Woo Chin Wan Raymond	√	√	√
Dr. Tian Suning (retired as an independent non-executive director on July 9, 2019)	√	–	√
Ms. Ma Xuezheng (passed away on August 31, 2019)	√	√	–

Remuneration of Directors and Senior Management

A formal and transparent procedure for fixing the remuneration packages of directors and senior management is in place. Details of remuneration policies, remuneration payable to senior management and other relevant information are set out in the Compensation Committee Report of this annual report on pages 114 to 124.

Company Secretary

The Company Secretary, Mr. Mok Chung Fu, Eric is responsible for facilitating the Board process, as well as communications among Board members with shareholders and management. During the year, the Company Secretary undertook appropriate professional training to update his skills and knowledge.

EFFECTIVENESS

Board's Responsibilities and Delegation

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

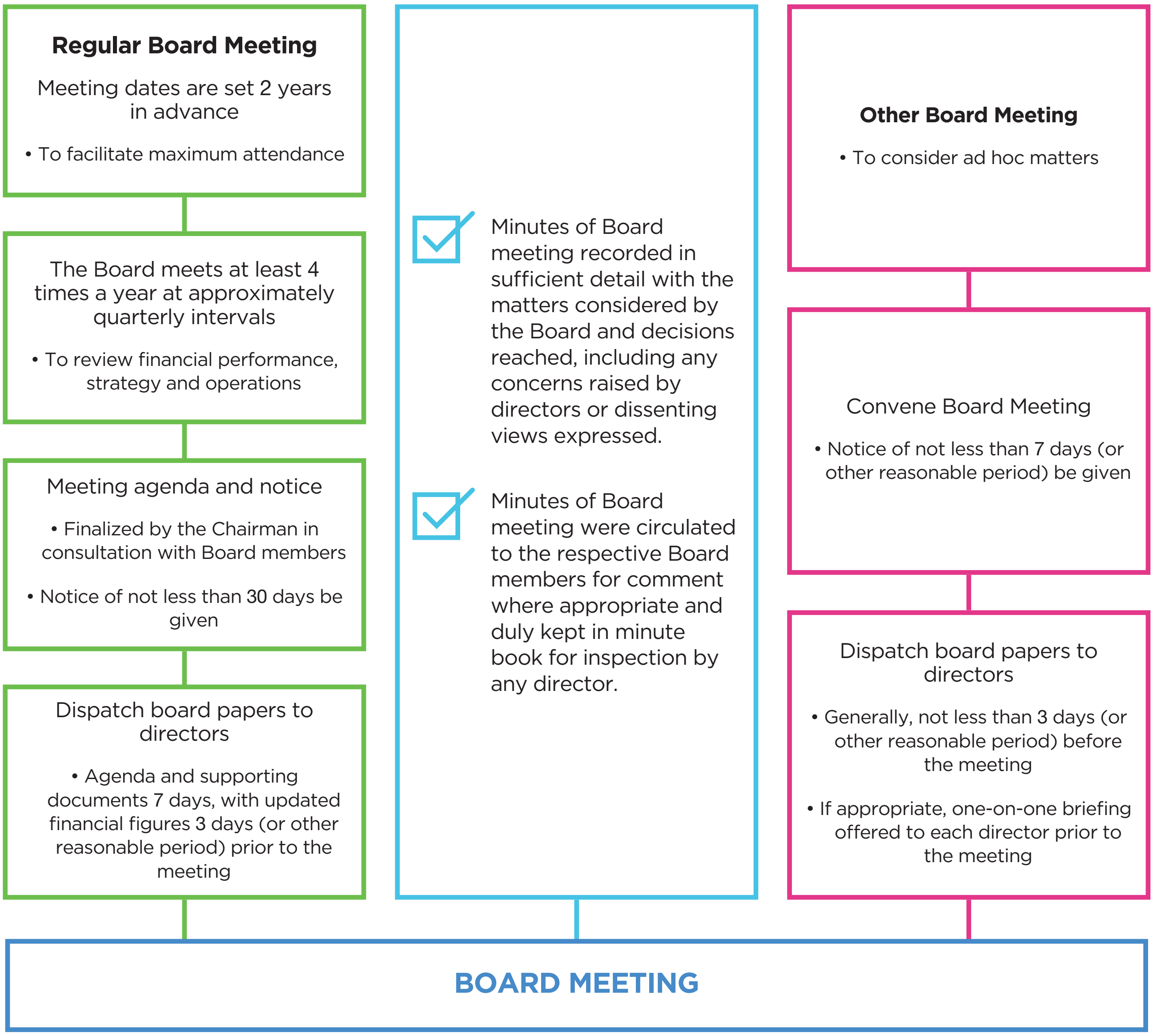
The Company has a formal schedule of matters specifically reserved to the Board and those delegated to management. The management is responsible for the daily operations and administration function of the Group under the leadership of the CEO. The Board has given clear directions to management as to the matters that must be approved by the Board before decisions are made on behalf of the Company or entering into any commitments on behalf of the Group. The types of decisions to be delegated by the Board to management include implementation of the strategy and direction determined by the Board, operation of the Group's businesses, preparation of financial statements and operating budgets, and compliance with applicable laws and regulations. These arrangements will be reviewed periodically to ensure that they remain appropriate to the Company's needs. A list of senior management and their biographies are set out on pages 152 to 154 of this annual report.

Key Matters Reserved for Board Approval

Group strategy and management	Financial
• formulation of the Group's strategy and long term objectives • approval of changes to capital structure • approval of major capital and equity transactions • approval of major disposals and acquisitions	• approval of the Group's financial statements and results announcements • recommendation on appointment or re-appointment of external auditor • recommendation or declaration of dividend • monitoring the Group's businesses against plan and budget
Board membership and committees	**Corporate governance and sustainability**
• appointment to the Board • setting the terms of reference of Board committees	• review the performance of Board and its committees • approval of shareholder communications, circular and notices of meetings • review sustainability practices and approval of sustainability report of the Group • review and approval of certain Group's policies, including Nomination Policy, Board Diversity Policy, Dividend Policy, Continuous Disclosures Policy and Shareholders Communication Policy

Board Process

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



Corporate governance report

Other Key Features of Board Process	
Timely updates and discussion	The directors are supplied in a timely manner with all relevant documentation and financial information to assist them in the discharge of their duties. Monthly updates of the financial performance of the Company are furnished to the Board between regular Board Meetings.
	In addition to standing agenda items, there may be discussions on "deep-dive" topics. During the year, "deep-dive" presentations included the Group's specific strategy, business unit and function. In addition to the quarterly regular Board meetings (earnings), generally, board meetings focusing on the Group's strategy will be held on the day before each regular Board meeting (earnings) starting from the fiscal year 2017/18. During the year, three Board meetings on strategy and one with earnings and strategy sessions combined were held.
	Senior management are invited to attend Board meetings, where appropriate, to report on matters relating to their areas of responsibility, and also to brief and present details to the directors on recommendations submitted for the Board's consideration. Additional information or clarification may be required to be furnished, particularly with respect to complex and technical issues tabled to the Board.
	The Company has established continuous disclosure policy (the "Continuous Disclosure Policy") and its implementation guideline on monitoring, reporting and disseminating inside information. The critical concerns of the Group's operations and developments are communicated and addressed to the Board in a timely manner.
Executive sessions	As a good corporate governance practice, separate executive sessions were arranged for (i) the Chairman to meet with independent non-executive directors in the absence of management; and (ii) the Lead Independent Director to meet with other independent non-executive directors in the absence of executive director and management to discuss matters relating to any issue or other matters such persons would like to raise. At the request of the Lead Independent Director, other directors may be invited to attend this session to answer questions from independent non-executive directors.
	To enhance communication with and contribution from all the directors, the Chairman meets with each non-executive director on a one-on-one basis at least once a year. As a follow up action item from FY2017/18 Board evaluation, the Company has started to arrange one-on-one meeting at least once a year for (1) the Lead Independent Director to meet with each independent non-executive director; and (2) the Committee Chairman to meet with each Committee member.

Other Key Features of Board Process	
Professional advices	All directors have direct access to the Chief Legal Officer and the Company Secretary of the Company who are responsible for advising the Board on corporate governance and compliance issues.
	Written procedures are in place for directors to seek, at the Company's expense, independent professional advice in performing directors' duties. No request was made by any director for such advice during the year.
Access to information	All directors were provided with a tablet and/or a notebook to gain access to meeting materials of the Board and Board committees meetings through an electronic platform.
Communication with senior management	To enhance the communication between directors and senior management and understand management planning, directors are invited to attend Lenovo's GLT event and participate in small group discussions with relevant senior management.
Indemnification and insurance	As permitted by the Articles of Association, a director or a former director of the Company may be indemnified out of the Company's assets against any liability incurred by the director to a person other than the Company or an associated company of the Company that attaches to such director in his/her capacity as a director of the Company, to the extent permitted by law.
	The Company has arranged appropriate insurance to cover the liabilities of the directors arising from corporate activities. The insurance coverage is reviewed on an annual basis.

Corporate governance report

Board Activities

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

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

FINANCIAL AND OPERATIONAL PERFORMANCE

- CEO and Chief Financial Officer reports
- Financial and operational updates
- Annual budget
- Treasury items

STRATEGY AND RISKS

- Discussion of main strategic issues relating to business groups', geographic and structural areas
- Review of processes and controls for strategic and operational risks

GOVERNANCE AND SUSTAINABILITY

- Review and discussion of the practices of governance and sustainability matters
- Sustainability Report
- Board and Board Committees' effectiveness review
- Board diversity and succession planning
- Board Committees' reports

OTHERS

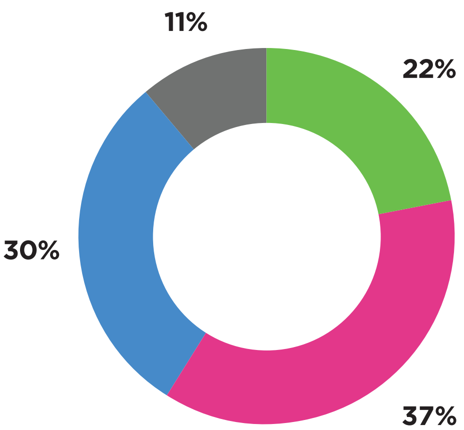
- COVID-19 impact
- Ad hoc projects

Main activities during FY2019/20

During the fiscal year 2019/20, a total of eight Board meetings were held, of which four Board meetings were primarily to review quarterly business performance and strategy execution (including one combining strategy session), three Board meetings focused on reviewing strategy in the business or other relevant areas and the remaining one for updating the directors of the impact of the COVID-19 on the Group's business. Given the geographical spread of the Group's businesses, the Company held face-to-face meetings in Hong Kong S.A.R. of China, New York and Beijing during the year and due to the global travelling restrictions in the later part of the year, the Company held the third-quarter Board meeting making use of the Company's well-established video conferencing facilities in Beijing, Raleigh and Hong Kong S.A.R. of China offices and other teleconferencing facilities. The below chart shows how the Board allocated its agenda time during the year.

The Board

Allocation of agenda time



	FY2019/20	FY2018/19
Financial and operational performance	22%	16%
Strategic matters	37%	45%
Governance, sustainability, training and Board Committee's reports	30%	35%
Other matters (including Ad hoc projects and human resources matters)	11%	4%

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

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

Corporate governance report

The main matters and areas that the Board reviewed and considered at its eight meetings (including three specific meetings focusing on strategy) during the year were as follows:

FY2019/20 Matters considered by the Board	Financial and Operational Performance	Strategic Items	Governance and Sustainability	HR/Ad hoc projects
May 2019	• CEO and CFO Report • Annual results announcement and annual report • Final dividend • General Mandate to buy-back shares and to issue shares, re-election of directors and notice of annual general meeting • Reports from Chairmen of Audit Committee, Compensation Committee and Nomination & Governance Committee • Re-appointment of external auditor • Board composition, diversity and other follow-up actions of Board evaluation	• Strategy progress update • Smart Vertical Strategy • Big Data and Smart Manufacturing	• Sustainability update • Executive session for Board Chairman to meet with all Directors without management • Delegation of Authority update	• Organization human resources planning • US Tariff Status Review • Data Center Group China
August 2019	• CEO and CFO Report • Quarterly results announcement • Reports from Chairmen (or acting Chairmen) of Audit Committee and Compensation Committee	• Mobile business update • US/China Trade update	• Sustainability update and Sustainability Report • Executive session for Board Chairman to meet with all Directors without management • External speaker sharing on Global Economy – US and China Business Relationship	
November 2019	• CEO and CFO Report • Interim results announcement and interim report • Interim dividend • Reports from Chairmen of Audit, Compensation and Nomination & Governance Committees	• Data Center Group – China • Intelligent Devices Group – China	• Executive session for Board Chairman to meet with all Directors without management • External speaker giving an update on US and China Relationship • Appointment of the Chairman of Compensation Committee	• LCIG Investments • Funding activities • Update of new business in China
February 2020	• CEO and CFO Report • Quarterly results announcement • FY2020/21 budget • Reports from Chairmen of Audit Committee and Compensation Committee • Update on COVID-19 Impact and Mitigation	• Data Center Group strategy		• Fujitsu continuing connected transactions • NEC continuing connected transactions
March 2020	• Update on COVID-19 Impact and Mitigation			

Board Committees

As at the date of this annual report, the Company has preserved three Board committees (the "Board Committees") with defined terms of reference (which are posted on the Company's website and HKEx's website) – Audit Committee, Compensation Committee, and Nomination and Governance Committee. The terms of reference of the Audit Committee, Compensation Committee, and Nomination and Governance Committee reference those set out in the CG Code prevailing from time to time.

Board of directors

Key Responsibilities

- Set strategy, mission and values
- Provide leadership of the Company and direction for management
- Collective responsibility and accountability to shareholders for the long term success of the Group
- Review the performance of management and the operating and financial performance of the Group

Audit committee

Key responsibilities

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

Compensation committee

Key responsibilities

- Assist the Board to assess and making recommendation on the compensation policy; and to determine the compensation level and package for the Chairman of the Board, CEO, other directors and senior management

Nomination and governance committee

Key responsibilities

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

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

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

Corporate governance report

Audit Committee

The Audit Committee is delegated by the Board to perform its duties within its terms of reference. Details of the Audit Committee, including its membership, responsibilities and main activities during the fiscal year 2019/20, are summarized in the Audit Committee Report as stated on pages 107 to 113 of this annual report.

Compensation Committee

The Compensation Committee is delegated by the Board to perform its duties within its terms of reference. Details of the Compensation Committee, including its membership, responsibilities and work done during the fiscal year 2019/20, are summarized in the Compensation Committee Report as stated on pages 114 to 124 of this annual report.

Nomination and Governance Committee

Membership

The Nomination and Governance Committee (defined as "Committee" in this section) of the Board of the Company as at the date of this annual report is comprised of three members, two of whom are independent non-executive directors of the Company.

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

Chairman	Mr. Yang Yuanqing	Chairman, CEO and executive director
Member	Mr. Nobuyuki Idei	Independent non-executive director
Member	Mr. William O. Grabe	Independent non-executive director and Lead Independent Director
Member	Dr. Tian Suning	Independent non-executive director (retired on July 9, 2019)

More information on the skills and experience of the members of the Committee may be found in the directors' biographies set out on pages 148 to 152 of this annual report.

Responsibilities

The Committee is delegated by the Board with responsibility to review the composition of the Board and Board Committees to ensure they are properly constituted and balanced in terms of skills, experience and diversity. In addition to this, it is also responsible for:

- making recommendation to the Board on succession planning for directors and CEO;
- assessment of the performance of the Chairman and/or CEO and making proposals to the Compensation Committee;
- monitoring corporate governance issues and developments to ensure that the Company is in line with the international best practices;
- reviewing the policies and practices on corporate governance, and the compliance with legal and regulatory requirements of the Company;
- reviewing and determining the director induction and continuous professional development programs; and
- reviewing and monitoring the Board and Board Committees' evaluation and the progress of the implementation actions.

Key Features

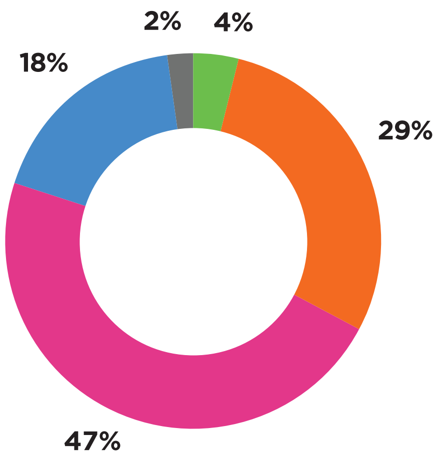
- The Committee's terms of reference which clearly deal with its membership, authority, duties and frequency of meetings are published on the Company's website and HKEx's website.
- The Committee is provided with sufficient resources to perform its duties.
- The Committee is authorised to obtain outside legal or other independent professional advice in performing its duties at the Company's expense. No request was made by any member for such advice during the year.
- Chief Legal Officer and Company Secretary are invited to attend the Committee meetings in order to provide insight and enhance the Committee's awareness of corporate governance issues and developments.
- The chairman of the Committee being also the Chairman and CEO, is required to excuse himself from the agenda items relating to succession planning of the Chairman and/or CEO and the assessment of performance of the Chairman and/or CEO.

Main Activities During FY2019/20

In the fiscal year ended March 31, 2020, the Committee held two meetings. The attendance record of the Committee's members is set out on page 83 in this report and the chart below shows how the Committee allocated its time during the fiscal year 2019/20.

Nomination and Governance Committee

Allocation of agenda time



	FY2019/20	FY2018/19
Board and Board Committees' compositions	4%	35%
Assessment of the performance of the Chairman and CEO	29%	24%
Corporate Governance	47%	32%
Board and Board Committees' evaluation	18%	8%
Others	2%	1%

Corporate governance report

The main matters and areas that the Committee reviewed and considered during the year were as follows:

Board and Board Committees' compositions	• Reviewed and recommended to the Board on the structure, size and composition of the Board including the diversity and balance of skills, knowledge and experience of the directors. • Discussed the requirements of candidate(s) as new board member(s) from the perspectives of gender, skills, knowledge, qualifications, experience. • Considered and recommended the appointment of Mr. William Tudor Brown as the Chairman of Compensation Committee. • Reviewed and discussed the progress against Board diversity targets.
Assessment of the performance of the Chairman and CEO	• Assessed the performance of the Chairman and CEO for the fiscal year 2018/19 and provided recommendation to the Compensation Committee. • Reviewed the arrangement of same person acting as Chairman and CEO.
Corporate Governance	• Reviewed corporate governance disclosures in 2018/19 annual report and 2019/20 interim report. • Reviewed and assessed the independence of independent non-executive directors and affirmed the Committee's view over their independence. • Reviewed and discussed the continuous professional development programs for the directors of the Company. • Reviewed the policies and practices on corporate governance, and the compliance with legal and regulatory requirements of the Group.
Board and Board Committees' evaluation	• Discussed the progress of the follow-up actions of the Board evaluation. • Discussed and agreed the proposal of Board evaluation for FY2019/20.

Board and Board Committees Meetings

During the year ended March 31, 2020, the overall attendance rate of directors at Board and Board Committees meetings was 92% (2018/19: 93%).

The individual attendance records of each director at the meetings of the annual general meeting, Board, Audit Committee, Compensation Committee and Nomination and Governance Committee during the year ended March 31, 2020 are set out below:

	Meetings attended/held				
Name of directors	Board *(Notes 1 & 2)*	Audit Committee *(Notes 1 & 4)*	Compensation Committee *(Note 1)*	Nomination and Governance Committee *(Notes 1 & 5)*	Annual General Meeting *(Notes 3 & 4)*
Executive director					
Mr. Yang Yuanqing *(Chairman & CEO)*	8/8	–	–	2/2	1/1
Non-executive directors					
Mr. Zhu Linan	7/8	–	–	–	0/1
Mr. Zhao John Huan	7/8	–	4/4	–	0/1
Independent non-executive directors					
Mr. Nicholas C. Allen	8/8	4/4	–	–	1/1
Mr. Nobuyuki Idei	8/8	–	–	2/2	1/1
Mr. William O. Grabe *(Lead Independent Director)*	8/8	–	4/4	2/2	0/1
Mr. William Tudor Brown	8/8	4/4	4/4	–	0/1
Mr. Yang Chih-Yuan Jerry	6/8	–	–	–	0/1
Mr. Gordon Robert Halyburton Orr	7/8	4/4	4/4	–	0/1
Mr. Woo Chin Wan, Raymond	8/8	4/4	–	–	1/1
Dr. Tian Suning(6)	2/2	–	–	0/1	–
Ms. Ma Xuezheng(7)	2/4	1/2	1/2	–	1/1

Notes:

(1) The attendance figure represents actual attendance/the number of meetings a director is entitled to attend.

(2) The Board held four regular meetings, three strategic meetings and one special teleconference during the year.

(3) The Company held the annual general meeting on July 9, 2019.

(4) Representatives of the external auditor participated in every Audit Committee meeting and the annual general meeting held during the year.

(5) For corporate governance reasons, Mr. Yang Yuanqing was required to excuse himself from the agenda item relating to assessment of the performance of the Chairman and CEO of the Nomination and Governance Committee meeting to avoid conflict of interest.

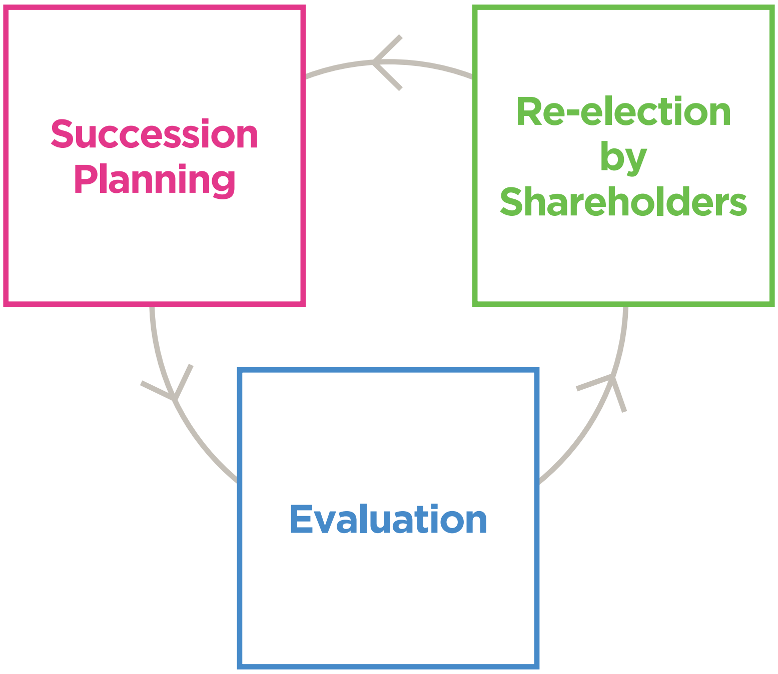
(6) Dr. Tian Suning retired as an independent non-executive director and a member of the Nomination & Governance Committee after conclusion of the 2019 annual general meeting held on July 9, 2019.

(7) Ms. Ma Xuezheng served as an independent non-executive director, the Chairman of the Compensation Committee and a member of the Audit Committee till she passed away on August 31, 2019.

Corporate governance report

Board and Board Committees' Effectiveness Review

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



Succession Planning

The Board is ultimately responsible for succession planning for directorships and key management roles. During the year, the Board and the Nomination and Governance Committee have discussed and reviewed Board composition and succession planning to ensure that the successors for key roles are identified and their performance are also assessed.

Evaluation

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

Mr. William O. Grabe, the Lead Independent Director, is delegated with authority to take a key role in the Board evaluation process. Mr. Grabe, in consultation with the Chairman and supported by the Chief Legal Officer and the Company Secretary, will compile and circulate a comprehensive electronic questionnaire for completion by all directors, the aim of which is to evaluate the performance and effectiveness of the Board and its committees.

The evaluation covered:

- Board processes and their effectiveness
- Time management of Board meetings
- Board composition and dynamics
- Strategic and operational oversight
- Succession planning
- Board support
- Communications with shareholders and stakeholders

Evaluation process

The evaluation process involves the following three stages:

Stage 1

DETERMINE THE SCOPE

- Board and its Committees

DETERMINE THE APPROACH

- Conducted by completing a comprehensive questionnaire

Stage 2

DISCUSS AND REVIEW THE RESULTS

- Preparing the draft results report
- Discussing the draft results report between the Lead Independent Director and the Chairmen of Audit Committee and Compensation Committee
- Review of the results report by the Nomination and Governance Committee
- Finalizing the results report
- Reporting to the Board in a manner that did not identify individuals' specific responses, ensuring that these responses could be as open, frank and informative as possible

Stage 3

ACTION PLAN AGREED

- Following review of the results, the Board drew conclusions and agreed proposed implementation or action plan

MONITOR AND FOLLOW-UP MEETINGS

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

Evaluation results

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

Re-election by Shareholders

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

Corporate governance report

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board acknowledges its responsibility for presenting a balanced, clear and comprehensive assessment of the Group's performance, position and prospects. The Board is also responsible for the preparation of financial statements for each financial year which gives a true and fair view of the state of affairs of the Group on going concern basis while the external auditor's responsibilities to shareholders are set out in the Independent Auditor's Report on pages 175 to 180 of this annual report.

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

Annual Results
• Announced within 2 months
• Published the annual report within 15 days following the annual results announcement
Interim Results
• Announced within 1.5 months
• Published the interim report within 15 days following the interim results announcement
Quarterly Results
• Announced within 8 weeks following quarter end

Risk Management and Internal Control

At Lenovo, risk is defined as a potential action, event or circumstance that could impact the Company's ability, favorably or unfavorably, to meet its strategic goals. Risk is an inherent part of the Company and needs to be understood and managed properly to provide a foundation for the Company's sustained growth.

In line with the commitment to deliver sustainable value, Lenovo adopts a holistic risk management and internal controls framework to proactively manage risks. This framework is put into effect by Lenovo's Board of Directors and the Audit Committee to support the Board in monitoring risk exposures, the design and operating effectiveness of the underlying risk management and internal controls systems.

Board	• Has overall responsibility for the Lenovo's risk management and internal control systems. • Oversees and monitors the overall effectiveness of the risk management system and internal audit function through the Audit Committee.
Audit Committee	• Supports the Board in reviewing and monitoring the performance of the risk management system and key risks and internal control systems. • Reviews the process for identifying, assessing and reporting key risks and control issues of the Company. • Reviews the adequacy and efficiency of the Company's internal audit function. • Reviews the enterprise risk management approach. • Reviews risks raised during annual risk registration exercise, and other risks and concerns. • Approves the Company's risk tolerance.
Internal Audit (IA)	• Supports the Audit Committee in reviewing effectiveness of internal controls system. • Capitalizes on the audit processes to independently assess the effectiveness of established system of controls. • Independent investigations regarding certain allegations of fraud and violations of Lenovo's Code of Conduct ("the Code") and other company policies.
Senior Management	• Provides leadership and guidance for the balance of risk and return. • Designs, implements and reviews Lenovo's risk management framework. • Ensures that salient risks are highlighted to the Audit Committee, along with the status of actions taken to manage these risks.
Enterprise Risk Management (ERM)	• Responsible to design, implement, review and update Lenovo ERM framework. • Coordinates the risk identification and assessment process, highlights identified risks to the Audit Committee, along with the status of actions taken to manage these risks. • Risk projects.
Business Functions	• ERM Risk Champions are appointed in each function where risk ownership is established. • Identify risk, assess and initiate control and mitigation measures in their areas of responsibility. • Establish group-wide policies and guidelines where appropriate. • Quarterly management disclosure and certification process trigger reporting of unusual items, occurring in of the ordinary course of our business, which raise significant financial or business risks.

This risk management and internal control framework is in place to enhance communication of identified risks with management, measure the impact of the identified risks and facilitate implementation of coordinated mitigating measures.

Internal Control

For many years, the Company has had an integrated approach for internal control which is consistent with the Committee of Sponsoring Organizations of the Treadway Commission (COSO) internal control framework.

Monitoring:

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

Control Environment:

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

Information and Communication:

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

Control Activities:

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

Risk Assessment:

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

Within this framework, management is responsible for setting the appropriate tone from the top, performing risk assessments, and owning the design, implementation and maintenance of internal control. Other teams such as Finance, Legal, and Human Resources provide assistance and expertise to management to assist it in undertaking its responsibilities. The Board and the Audit Committee oversee the actions of management and monitor the effectiveness of the established controls, assisted by assurance provided by the external and internal auditors. Lenovo's internal control framework is designed to manage rather than eliminate the risk of failure to achieve business objectives, and as such, provides reasonable (rather than absolute) assurance against material misstatement or loss.

Management of internal control

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

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

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

In keeping with best practices, Lenovo has also developed and implemented numerous policies to provide more detailed guidance to employees regarding compliance with rules and laws related to the prevention and detection of bribery and corruption. Additional policies include Anti-Bribery and Anti-Corruption Policy, Conflicts of Interest Policy, and Gift, Entertainment, Corporate Hospitality and Travel Policy.

Lenovo recognizes that an environment where employees feel empowered to bring concerns to management is required to make the Company's internal control system successful. Lenovo provides employees with confidential and anonymous methods for raising concerns or reporting suspected misconduct, as permitted by applicable law. Lenovo is committed to maintaining the confidentiality of reports, investigating all alleged misconduct, and non-retaliation. Lenovo does not tolerate retaliation against any employee, consultant or contractor for reporting an issue or raising a concern he or she believes to be true, cooperating with an investigation or audit, or refusing to participate in activities that violate the Code, laws or company policies.

Another feature of Lenovo's internal control system is the execution of key control self-testing by management to reasonably assure that internal controls are working as intended and that necessary actions have been taken to address control weaknesses. Specific employees with controls knowledge and expertise have been identified within the business to further assist management with designing, executing, and monitoring controls. The Group Controller oversees controls related activities of these individuals across organizations and process owners.

This comprehensive internal control framework established by the Company covers all activities and transactions. Management performs periodic enterprise wide risk assessments and continuously monitors and reports progress of action plans to address these key risks. Management also assesses business risks when formulating corporate strategies, and tracks and reports on the implementation of strategic initiatives, business plans, budgets and financial results regularly to the Board. Additionally, as part of Lenovo's commitment to financial integrity, all relevant senior executives regularly verify the accuracy and completeness of the quarterly financial statements and confirm compliance with key internal controls.

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

- Independent and objective assessment of Lenovo's system of internal controls;

- Guidance to Lenovo stakeholders for improving risk management;

- Proactive support to improve Lenovo's control posture; and
- Independent investigations regarding certain allegations of fraud and violations of the Code and other company policies.

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

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

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

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

Inside information

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

(i) is aware of its obligations under the SFO and the Listing Rules and the overriding principle that inside information should be announced immediately if it is the subject to the requirements and the safe harbors as provided in SFO;

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

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

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

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

Control effectiveness

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

Enterprise Risk Management

Lenovo's ERM framework is effected by Lenovo's Board of Directors and management team, and is applied in strategy setting and across all major functions of the Company. It involves:–

- The ERM team, who is responsible to design, implement, review, and update Lenovo ERM framework.
- All Lenovo major functions, where risk ownership is established via the appointment of ERM Champions in each function.

Lenovo recognizes that risk management is the responsibility of everyone within Lenovo, and that risk is best managed when business functions take responsibility and are accountable for risks. Rather than being a separate and standalone process, risk management is therefore incorporated as part of Lenovo annual strategic planning process across all major functions of the Company. During strategy planning, all business functions are required to identify material risks that may impact their strategy objectives. They also identify, assess and evaluate operational risks. Many aspects of risks are considered.

Plans to mitigate the identified risks are, at the same time, developed for implementation, to continuously deliver sustainable value.

With this practical and effective framework, risk management features are integrated into each function. Critical and major risks of the business functions, especially in view of the changing business environment, are identified and assessed based on risk assessment matrix that helps to rank the risks and prioritize risk management effort to determine the appropriate risk mitigation plans.

Risk Rating Matrix

IMPACT					
4	Extreme	H	H	VH	VH
3	High	M	M	H	H
2	Moderate	L	L	M	M
1	Low	L	L	L	L
		Remote	Unlikely	Possible	Almost Certain
		1	2	3	4
		LIKELIHOOD			

Risk Rating

VH - Very High	H - High	M - Moderate	L - Low

The risks are monitored and reviewed by each business function as well as at the group level. And at least annually, the ERM team coordinates the risk identification and assessment process and the identified risks are highlighted to the Audit Committee, along with the status of actions taken to manage these risks.

Risk Champions

- Identify risks
- Assess
- Manage
- Monitor
- Review

ERM Team

- Risk registration
- Report risks to Audit Committee
- Risk projects
- Engage actuarial work
- Recommend risk tolerance

Audit Committee

- Review risks
- Raise concerns
- Approve risk tolerance

Board of Directors

Details of some of these risks may be found under "Material Risks of the Group" on pages 23 to 35. This framework will continue to be strengthened to create a robust and holistic risk management culture to safeguard the value of the Company.

At the enterprise level, Lenovo's risk tolerance is also reviewed periodically, and changes are approved by the Audit Committee. The ERM team engages actuarial studies to quantify risks, and the Company's risk tolerance is adjusted when appropriate. The risk tolerance represents the amount of risk the Company is willing to undertake in the pursuit of its strategic and business objectives. Where necessary, ERM employs risk transfer strategies through insurance management. ERM also initiates risk projects to improve risk awareness.

External Auditor

Independence of external auditor

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

During the year, PwC provided audit and non-audit services to the Group.

Remuneration of external auditor

The fees paid or payable to PwC for audit and non-audit services for the financial year ended March 31, 2020 and the comparative figures for the financial year ended March 31, 2019 are as follows:

Nature of services	2020 US$ million	2019 US$ million
Audit services	8.6	9.2
Non-audit services		
– Tax	0.5	0.9
– IT	1.4	2.8
– Advisory	–	0.3
– Other services	0.7	0.7
Total	11.2	13.9

Corporate governance report

INVESTOR RELATIONS

Lenovo is devoted to developing an effective two-way communication with shareholders, investors and equity analysts to enhance the transparency of the Company. The investor relations ("IR") team is committed to maintaining interactive communications with the capital market to facilitate better understanding by the investment community of Lenovo's intelligent transformation strategy, business operations, and latest developments. The IR team also proactively responds to major issues of concern to the capital market to offer all necessary information in a timely and accurate manner.

Communication with Investors

During the fiscal year 2019/20, the Company continued to facilitate effective communications with its shareholders, investors, and analysts through multiple channels including investor conferences, roadshows, one-on-one and group meetings, teleconferences, company visits, an investor relations website, social media, IR newsletters, and IR alerts.

Beijing Experience Center Tour

June 12, 2019, July 16, 2019 and September 24, 2019 | Beijing

During FY2019/20, Lenovo hosted several investor tours to its Future Center in Beijing. Buy-sell side investors and analysts were given in-depth tours of the first and second levels of the building which showcase *Intelligent Lifestyles and Smart Technology for All*. This was followed by a discussion session with the Group's Chief Financial Officer.

Results Announcements

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

Lenovo Tech World

November 14-15, 2019 | Beijing

Lenovo organized its fifth Tech World event in Beijing in 2019 following the success of its events in Beijing, San Francisco, and Shanghai in previous years. Under the theme "*Smarter Technology for All*", Lenovo demonstrated what Intelligent Transformation means for partners, customers, and consumers today-and for the future.

The IR team invited global investors and equity analysts to the Tech World event. IR breakouts were arranged, and the attending analysts and investors had the opportunity for face-to-face interaction with the Company's C-suite management team and leaders of the Company's different business units. This helped the attendees to gain a more thorough understanding of the future plans of the businesses. A roundtable dinner for top management of the Data Center Group to meet with sell-side analysts was organized during the Tech World event. The attending investors and analysts found the event useful and it clearly positioned Lenovo's mission of becoming a Leader and Enabler in the age of Intelligent Transformation.

Corporate governance report

Virtual Key Investor Meetings

Due to the limitations on traveling caused by the outbreak of COVID-19, we converted our NDRs into virtual meetings and continued our efforts to build effective communication channels with the investment community.

IR Webpage and News Alerts

In this fiscal year, the IR team continued to use its webpage and news alerts to inform its buy-sell side investors and analysts when there were new developments.

Social Media

Lenovo is devoted to leveraging various social media platforms to blast out updates on results announcements and key company events, with the aim of enjoying multi-point engagement via social media with the Company's stakeholders. The team also proactively pushed out updates and key event news wrap ups, e.g. Lenovo Tech World, CES, MWC, and results announcements, to provide one-stop snapshots to investors. During the fiscal year, the followers and mentions of the Company's social media platforms have continued to increase.

Please follow Lenovo at:

Investor Conferences

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

Investor Conferences Attended FY2019/20

Date	Conference	Location
May 2019	Citi Regional Tech Conference	Taipei
May 2019	Merrill Lynch Innovate China Conference	Shenzhen
May 2019	Nomura Asia Corporate Day	Singapore
June 2019	Merrill Lynch Global Tech Conference	San Francisco
June 2019	Citi China Corporate Day	Sydney
August 2019	Greater China TMT Corporate Day	Hong Kong S.A.R. of China
September 2019	Credit Suisse 19th Asian Technology Conference	Taipei
September 2019	CLSA Investors' Forum	Hong Kong S.A.R. of China
January 2020	UBS Greater China Conference	Shanghai
January 2020	Morgan Stanley China New Economy Summit	Beijing
March 2020	Daiwa Investment Conference	Virtual
March 2020	Merrill Lynch APAC TMT Conference	Virtual
March 2020	Morgan Stanley Hong Kong S.A.R. of China Investor Summit	Virtual
March 2020	BlackRock China Virtual Forum*	Virtual

* Mr. WONG Wai Ming, the Chief Financial Officer of the Group, was invited as a keynote speaker at the BlackRock China Virtual Forum to talk about global supply chains.

Corporate governance report

Market Recognition

Lenovo has devoted continuous efforts to investor relations and the Company has been well-recognized by the investment community.

Forbes 2019 Global Top Regarded Companies 2000

Lenovo was named one of the Global 2000 – Top Regarded Companies by Forbes. The award is based on the results of an independent survey and the companies receiving the highest total scores are awarded Best Regarded Companies recognition within the Global 2000 list. The evaluation was based on the criteria of Trustworthiness/Honesty, Social Conduct, the Company as an Employer and Performance of the Product/Services.

Zhitong Finance 2019 Golden Hong Kong S.A.R. of China Equities Awards – The Best Value TMT Company Awards and Best Investor Relations Management Awards

Lenovo was awarded The Best Value TMT Company and Best IR Management at the Golden Hong Kong S.A.R. of China Equities Awards co-organized by China's leading financial media Zhitong Finance and Tonghuashun Finance. The judging included results from online polling and a review by a judging panel made up of renowned securities firms and economists.

HKIRA Investor Relations Awards

Lenovo received a Certificate of Excellence at the Investor Relations Awards organized by the Hong Kong S.A.R. of China Investor Relations Association (HKIRA).

HKMA Best Annual Reports Awards

Lenovo's annual report for the fiscal year 2018/19 under the theme of Leading and enabling intelligent transformation won the Excellence Award for H Share & Red Chip Entries at the HKMA Best Annual Reports Awards organized by The Hong Kong S.A.R. of China Management Association (HKMA). This award clearly demonstrates the leading international best practices of our Annual Report.

New Fortune Best IR in Companies Listed in Hong Kong S.A.R. of China
Lenovo was awarded the Best IR in Companies Listed in Hong Kong S.A.R. of China. Candidates for this award were nominated by a group of expert committees and voted on by around 200 analysts, institutional investors, and others from the investment community.

IR Magazine Best IR Website
Lenovo was recognized with the Best IR website (Large Cap) award and received the Certificate of Excellence in Investor Relations from IR Magazine – one of the most prestige publications in the global IR field.

HKICPA Best Corporate Governance Awards 2019
Lenovo was honored with the Corporate Governance Platinum Award and the Sustainability and Social Responsibility Reporting Award at the annual Best Corporate Governance Awards organized by the Hong Kong S.A.R. of China Institute of Certified Public Accountants (HKICPA).

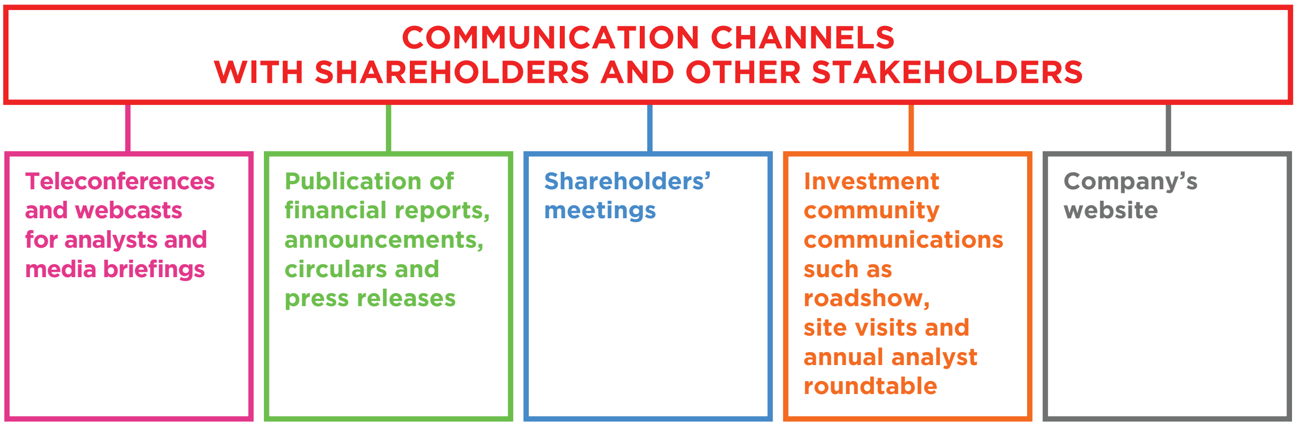
Index Recognition
Lenovo has always been well recognized by the capital market and the Company is currently a constituent stock of the following indexes:

- Bloomberg Asia Pacific Computers Index
- Bloomberg Asia Pacific Technology Index
- Bloomberg Asia Pacific – World Index
- Bloomberg ESG Data Index
- CSI HK Dividend Index
- CSI Hong Kong S.A.R. of China 100 Index
- Emerging Markets High Dividend Yield Index
- Hang Seng China (Hong Kong S.A.R. of China-listed) 100 Index
- Hang Seng Composite Index
- Hang Seng Composite Information Technology Index
- Hang Seng Composite Large Cap Index
- Hang Seng Corporate Sustainability Index
- Hang Seng Mainland and HK Corporate Sustainability Index
- MSCI AC Asia Pacific ESG Leaders Index
- S&P Asia Pacific Emerging BMI (US Dollar)
- S&P China 500 USD Index

SHAREHOLDERS

Communications with Shareholders

The Company is committed to safeguard shareholders' interests and believes that effective communication with shareholders and other stakeholders is essential for enhancing investor relations and investor understanding of the business performance and strategies of the Group. To achieve this, the Company has established the shareholders communication policy (the "Shareholders Communication Policy") setting out various formal channels of communication with shareholders and other stakeholders for ensuring fair disclosure and comprehensive and transparent reporting of the Company's performance and activities. The Nomination and Governance Committee of the Company reviews the Shareholders Communication Policy on a regular basis to ensure its effectiveness.



Constructive use of the general meetings

The annual general meeting and other general meetings of the Company are the primary forum for communication by the Company with its shareholders and for shareholders' participation. The Board encourages shareholders to participate in general meetings as it provides a valuable opportunity to discuss the Company, its corporate governance and other important matters. Notice of the annual general meeting and related papers are sent to shareholders at least 20 clear business days prior to the date of the annual general meeting. The information sent to shareholders includes a summary of the business to be covered at the annual general meeting, where a separate resolution is prepared for each substantive matter.

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

__2019 Annual General Meeting__

The annual general meeting of the Company held on July 9, 2019 (the "2019 Annual General Meeting") was attended by, among others, the CEO, Chief Financial Officer, chairpersons of the Audit Committee, Compensation Committee and Nomination and Governance Committee or his/her delegates, the Lead Independent Director and representatives of the external auditor PwC to answer questions raised by shareholders at the meeting.

Corporate governance report

Separate resolutions were proposed on each issue, including the re-election of individual retiring directors. The matters resolved and the percentages of votes cast in favour of the resolutions are summarised below:

Matters Being Voted Upon	Percentage of Affirmative Votes
Received and considered the audited consolidated financial statements and the reports of the directors and the independent auditor for the year ended March 31, 2019	99.99%
Declaration of a final dividend for the issued shares of the Company for the year ended March 31, 2019	99.99%
Re-election of retiring directors, approval of not filling up vacated office resulting from the retirement of a director and authorization of the Board to fix directors' fees	92.75% to 99.99% with respect to each individual resolution
Re-appointment of PricewaterhouseCoopers as auditor and authorization of the Board to fix auditor's remuneration	97.05%
Approval of granting the general mandate to the directors to allot, issue and deal with additional shares not exceeding 20% of the aggregate number of shares in issue of the Company	69.02%
Approval of granting the general mandate to the directors to buy back shares not exceeding 10% of the aggregate number of shares in issue of the Company	99.85%
Approval of extending the general mandate to the directors to issue new shares by adding the number of shares bought back	69.45%
Approval of the Award Plans and the California Sub-Plans	72.04%

All of the resolutions proposed at the 2019 Annual General Meeting were decided by way of poll voting. Procedures for conducting the poll were explained by the Chairman at the commencement of the meeting. The poll was conducted by Tricor Abacus Limited, the Company's share registrar, as scrutineer and the details of poll voting results were posted on the Company's website (https://investor.lenovo.com/en/publications/news.php) and HKEx's website (www.hkex.com.hk) on July 9, 2019.

2020 Annual General Meeting

To encourage shareholders' participation at the Company's 2020 annual general meeting under the impact on the COVID-19 outbreak, shareholders will be provided with the option of attending or joining the annual general meeting online. Same as attending the meeting in person, the registered shareholders who join the meeting online will have the right to vote and submit questions online. Details of the proposed resolutions for the 2020 annual general meeting and arrangements of the hybrid meeting are set out in the circular which will be dispatched to the Company's shareholders with this annual report.

Shareholders' Rights

Procedures for convening a general meeting

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

Procedures for putting forward proposals at an annual general meeting

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

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

Constitutional documents

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

Dividend Policy

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

Shareholding Structure

Shareholding Structure as of March 31, 2020

According to the register of members of the Company as of March 31, 2020, there were 875 registered shareholders of whom 98.40% had their registered addresses in Hong Kong S.A.R. of China and the remaining in Mainland China, United Kingdom, Canada and Macau. Based on the best available data from external research company, the shareholders comprised institutions, private investors and related parties including substantial shareholders, directors and employees of the Company.

(i) Details of shareholders by category as of March 31, 2020 are as follows:

Type	Number of shares held	Percentage of the total number of shares in issue
Institutions	4,444,301,540	36.99%
Private Investors	1,401,887,531	11.67%
Related Parties	5,478,249,353	45.60%
Others including brokers, custodians and nominees etc.	690,353,190	5.74%
Total	**12,014,791,614**	**100.00%**

(ii) Details of institutional shareholders by domicile as of March 31, 2020 are as follows:

Domicile	Number of institutional Shareholders	Percentage of institutional Shareholders	Number of shares held	Percentage of the total number of shares in issue
Hong Kong S.A.R. of China	56	10.71%	578,490,455	4.81%
United Kingdom	55	10.52%	583,619,847	4.86%
Europe (excluding United Kingdom)	144	27.53%	577,796,488	4.81%
North America	165	31.55%	1,879,395,200	15.64%
Asia (excluding Hong Kong S.A.R. of China)	93	17.78%	784,534,744	6.53%
Rest of World	10	1.91%	40,464,806	0.34%
Subtotal of institutional shareholders	**523**	**100%**	**4,444,301,540**	**36.99%**

Remarks:

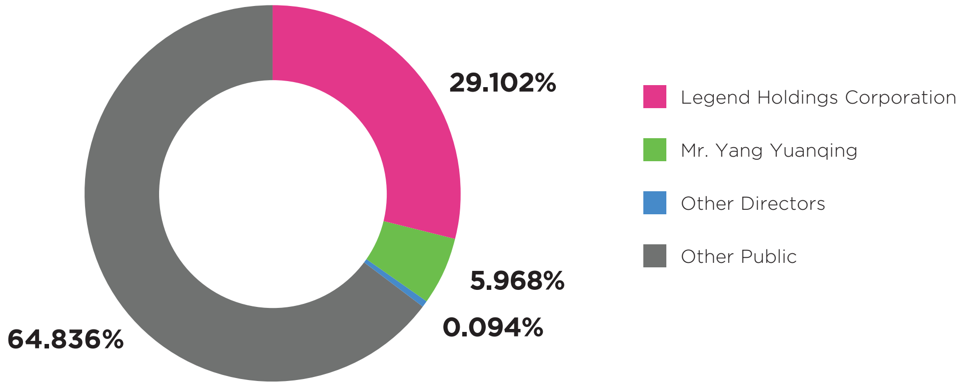
(i) A board lot size comprises 2,000 Shares.

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

(iii) 73.12% of all the issued Shares were held through HKSCC Nominees Limited.

Shareholding structure according to the interest disclosed under the Securities and Futures Ordinance as of March 31, 2020

Shareholding Structure As Of March 31, 2020



Remarks:

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

(ii) The approximate percentage of shareholding is calculated on the basis of 12,014,791,614 Shares of the Company in issue as of March 31, 2020.

KEY SHAREHOLDERS INFORMATION

Listing Information

Lenovo Group Limited's shares are listed on the Stock of Exchange of Hong Kong S.A.R. of China. In addition, shares are traded in the United States through an American Depositary Receipt (ADR) Level 1 Programme.

Market Capitalization and Public Float

As at March 31, 2020, the market capitalization of listed shares of the Company was approximately HK$49.98 billion, based on the total number of 12,014,791,614 issued Shares of the Company and the closing price of HK$4.16 per share.

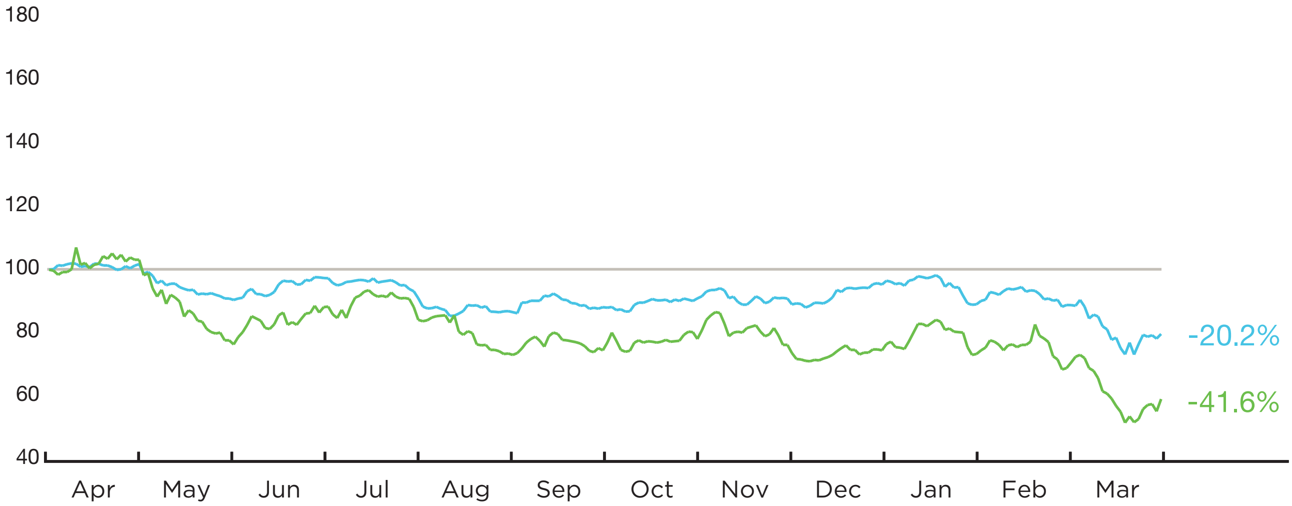
The daily average number of traded Shares was approximately 40.31 million Shares over an approximate free float of 7,790 million Shares in the fiscal year 2019/20. The highest closing price for the share was HK$7.58 per share on April 10, 2019 and the lowest was HK$3.54 per share on March 19, 2020.

Ordinary Shares (as at March 31, 2020)	
Listing	Hong Kong S.A.R. of China Stock Exchange
Stock code	992
Board lot size	2,000 shares
Ordinary shares outstanding as of March 31, 2020	12,014,791,614 shares
Free float	approximately 7,790 million shares
Market capitalization as of March 31, 2020	HK$49.98 billion (approximately US$6.39 billion)

Corporate governance report

Lenovo's share price from April 1, 2019 to March 31, 2020

During the fiscal year, Lenovo's share price underperformed the Hang Seng Index by 21.4 points.



(source: Nasdaq)

American Depositary Receipts Level I Program	
Ordinary share to ADR	20:1
Stock code	LNVGY
Basic Earnings per Share	
Basic earnings per share for the year ended March 31, 2020	US5.58 cents
Dividend per Share	
Dividend per ordinary share for the year ended March 31, 2020	
– Interim	HK6.3 cents
– Final[1]	HK21.5 cents
Financial Calendar 2019/20 (Hong Kong S.A.R. of China Time)	
First Quarter Results Announcement	August 14, 2019
Interim Results Announcement	November 7, 2019
Third Quarter Results Announcement	February 20, 2020
Annual Results Announcement	May 20, 2020
Annual General Meeting	July 9, 2020

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

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

Audit committee report

THE AUDIT COMMITTEE

The audit committee (the "Audit Committee") of the board of directors (the "Board") of Lenovo Group Limited (the "Company") has been established since 1999 and as at the date of this annual report, is comprised of four members, all of whom including the Audit Committee chairman are independent non-executive directors of the Company (the "Independent Non-executive Directors").

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

Chairman	Mr. Nicholas C. Allen	Independent Non-executive Director
Member	Mr. William Tudor Brown	Independent Non-executive Director
Member	Mr. Gordon Robert Halyburton Orr	Independent Non-executive Director
Member	Mr. Woo Chin Wan Raymond	Independent Non-executive Director
Member	Ms. Ma Xuezheng	Independent Non-executive Director (passed away and ceased to be member on August 31, 2019)

Both Mr. Allen and Mr. Woo, being the chairman and a member of the Audit Committee respectively, have appropriate professional qualifications and experience in accounting or related financial management expertise as required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong S.A.R. of China Limited (the "Listing Rules"). More information on the skills and experience of the members of Audit Committee may be found in the directors' biographies set out on pages 148 to 152 of this annual report.

RESPONSIBILITIES

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

AUDIT COMMITTEE
Main areas of oversight

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

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

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

OTHERS
- Tax and treasury matters
- Key litigation and legal exposures
- Compliance with ethical rules and concerns

Audit committee report

Key Features

- The Audit Committee's terms of reference which clearly deal with its membership, authority, duties and frequency of meetings are published on the websites of the Company and Hong Kong S.A.R. of China Exchanges and Clearing Limited.
- The Audit Committee meets with external auditor, Chief Financial Officer, Chief Legal Officer, Chief Auditor and management of the accounting and financial reporting functions of the Company at least four times a year at quarterly intervals and is provided with sufficient resources to perform its duties.
- The Audit Committee is authorised to obtain outside legal or other independent professional advice in performing its duties at the Company's expense. No request was made by any member for such advice during the year.
- Other management from the business is also invited to attend certain meetings from time to time in order to provide insight and enhance the Audit Committee's awareness of key issues and developments.
- Separate executive sessions were arranged for the Audit Committee to meet with external auditor, Chief Auditor and Chief Legal Officer in the absence of management to discuss matters relating to any issues arising from the audit and any other matters such persons would like to raise.
- External auditor, Chief Auditor and Chief Legal Officer have direct access to the Audit Committee should they wish to raise any concerns outside formal meetings.
- In addition to standing agenda items, the Audit Committee may also request to discuss on particular "deep-dive" topics.
- The chairman will report back to the Board after each of the Audit Committee meeting on its decisions or recommendations.
- The company secretary will circulate a list of follow-up actions together with the minutes of the last meeting to management and the Audit Committee within a reasonable time after such meeting is held.

MAIN ACTIVITIES DURING FY2019/20

The work of the Audit Committee follows an agreed annual work plan and principally falls under three main areas: financial reporting; risk management and internal control; the oversight of external audit and the management of the Company's relationship with PwC, the external auditor. The timetable of the Audit Committee for the fiscal year 2019/20 is set out in the below diagram.

SPECIFIC ITEMS

MAY

- **Annual results, including review of:**
  - reports to the Audit Committee from Chief Financial Officer, Chief Auditor and external auditor
  - draft annual report incorporating directors' report, corporate governance report and financial statements
  - draft results announcement
- Review and assess of enterprise risk management
- Review of the performance and independence of external auditor
- Review of annual agenda of the Audit Committee
- Meeting with external auditor in the absence of management
- Meeting with Chief Auditor and Chief Legal Officer in the absence of management
- **Recommendations to the Board on:**
  - the annual results, annual report and related results announcement
  - re-appointment of external auditor

AUGUST/FEBRUARY

- **Quarterly results, including review of:**
  - reports to the Audit Committee from Chief Financial Officer, Chief Auditor and external auditor
  - draft results announcement
- Review of the Ethics and Compliance program of the Group including the whistleblowing arrangements
- **Recommendations to the Board on the quarterly results and related results announcement**

NOVEMBER

- **Interim results, including review of:**
  - reports to the Audit Committee from Chief Financial Officer, Chief Auditor and external auditor
  - draft interim report
  - draft results announcement
- Meeting with external auditor in the absence of management
- Meeting with Chief Auditor and Chief Legal Officer in the absence of management
- **Recommendations to the Board on the interim results, interim report and related results announcement**

STANDING ITEMS

FINANCIAL REPORTING

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

RISK MANAGEMENT AND INTERNAL CONTROL

- Internal audit planning methodology/ approach
- Summary of internal audit and investigations
- Non-audit services provided by the external auditor
- Internal control of the Group including key control issues

EXTERNAL AUDIT

- Audit plan
- Scope and status of the audit work
- Area of key audit focus
- Significant accounting matters

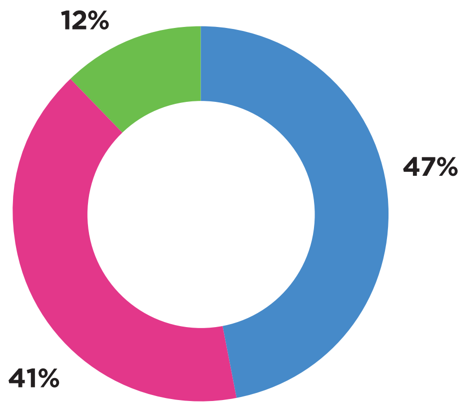
OTHERS

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

Audit committee report

In the fiscal year ended March 31, 2020, the Audit Committee held four meetings. The attendance record of the Audit Committee's members is set out in the Corporate Governance Report on page 83 and the chart below shows how the Audit Committee allocated its time during the fiscal year 2019/20.

AUDIT COMMITTEE
Allocation of agenda time



	FY2019/20	FY2018/19
Financial reporting	**47%**	41%
Risk management and internal control and others (including compliance, tax and treasury matters)	**41%**	46%
External audit	**12%**	13%

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

Financial Reporting

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

- Reviewed and recommended to the Board for approval the audited financial results of the Company and its subsidiaries (collectively, the "Group") for the year ended March 31, 2019 together with the related annual results announcement and the annual report incorporating the directors' report and corporate governance report after discussion with the management and external auditor;
- Reviewed and recommended to the Board for approval the unaudited interim financial results of the Group for the six months ended September 30, 2019 together with the related interim results announcement and the interim report after discussion with the management and external auditor;
- Reviewed and recommended to the Board for approval the unaudited financial results of the Group for the three months ended June 30, 2019 and for the nine months ended December 31, 2019 together with its respective results announcements after discussion with the management and external auditor;
- Received reports from and met with external auditor and internal auditor to discuss the scope of their review and findings;
- Reviewed the impairment assessment of goodwill and other intangible assets with indefinite useful lives; and
- Reviewed and discussed with management on significant judgements and key assumptions together with presentational and disclosure issues associated with accounting standards and interpretive guidance affecting the Group's financial statements and financial results announcements; items reviewed and discussed included (a) net current liabilities position and deferred income tax assets; (b) the accounting treatment for strategic business developments; (c) the accounting treatment for material transactions and projects; (d) the accounting treatment on the Group's goodwill; and (e) the accounting provisions and treatments for indirect tax receivables, inventories, and employees benefit plans.

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

- Discussed the yearly internal audit plan of the Group to ensure adequate scope, coverage over the activities of the Group and the resource requirements of internal audit to carry out its functions and also reviewed the results of the internal audit work quarterly;

- Reviewed the effectiveness of the internal control system (including the adequacy of resources, staff qualification and experience, training programmes and budget of the Group's internal audit, accounting and financial reporting function) operating in the Group and reviewed the corrective actions taken by management;

- Reviewed the enterprise risk management (the "ERM") of the Group including Group ERM approach, risk management status and conclusion, risk registration results for fiscal year 2019/20, top 5 risks from 2010 to 2019 and risk management updates;

- Reviewed the management letter point status of the Group and reviewed the actions/processes undertaken by the Group; and

- Reviewed the cyber security concerns and actions taken/to be taken by the Group.

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

- Reviewed and considered the external auditor's statutory audit scope and results for the fiscal year 2018/19, including their plan and the terms of engagement, and the letter of representation to be given by the Board in respect of the financial year ended March 31, 2019;

- Reviewed and considered the external auditor's audit plan and scope for the fiscal year 2019/20;

- Reviewed the results of the audit and the reports submitted by external auditor, which summarised matters arising from their audit on the Group during the year ended March 31, 2020, together with management's responses and/or comments to the findings;

- Assessed the external auditor's independence and objectivity including a review of the non-audit services provided by the external auditor; and

- Evaluated the performance of PwC and recommended to the Board for approval of the re-appointment of PwC as the external auditor of the Group for the year ended March 31, 2020.

Audit committee report

Others
During the fiscal year 2019/20, the Audit Committee also:

- Reviewed the succession planning of the finance organization of the Group;
- Received and reviewed the reports from Chief Legal Officer regarding key litigation and other legal matters of the Group;
- Reviewed the Ethics and Compliance program including the whistleblowing procedure of the Group for employees to raise concerns about possible improprieties in financial reporting, internal control or other matters, and the enhancements to this program;
- Reviewed updates on treasury items, including hedging, liquidity and cash forecasts;
- Reviewed updates on China cyber security law;
- Reviewed and approved the Audit Committee report for incorporating into the annual report for the fiscal year 2018/19; and
- Reviewed and approved the annual agenda of the Audit Committee for the fiscal year 2019/20.

REVIEW OF FINANCIAL RESULTS

At the meeting held on May 19, 2020, the Audit Committee:

- reviewed the key accounting judgements and policies adopted by the Group and confirmed that these are appropriate. The significant areas of judgement identified by the Audit Committee, in conjunction with management and the external auditor, together with a number of other areas that the Audit Committee deemed to be significant in the context of the consolidated financial statements of the Group for the year ended March 31, 2020 are set out in the Independent Auditor's Report on pages 175 to 180;
- after discussion with management and the external auditor, and having considered the Group's financial position, the Audit Committee satisfied that the Group and the Company had adequate resources to continue in operational existence for the foreseeable future and confirmed to the Board that it was appropriate for the consolidated financial statements of the Group for the year ended March 31, 2020 to be prepared on a going concern basis; and
- reviewed the consolidated financial statements of the Group for the year ended March 31, 2020 in conjunction with the narrative sections of this annual report. The Audit Committee was satisfied that, taken as a whole, this annual report was present a balanced, clear and comprehensible assessment of the Group's performance, position and prospects.

Based on the reviews and discussions referred to above, the Audit Committee recommended to the Board the approval of the audited consolidated financial statements of the Group for the year ended March 31, 2020 together with the related annual results announcement and this annual report incorporating the directors' report and corporate governance report.

REVIEW OF RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

The Group's internal control system covers every activity and transaction. Within this framework, management performs periodic enterprise wide risk assessments and continuously monitors and reports the progress of actions plans to address the key risks. Further information about the risk management and internal control framework and control processes are set out in the Corporate Governance Report on pages 86 to 92.

Based on the information and confirmation received from management, external auditor and internal auditor, the Audit Committee concluded that for the year ended March 31, 2020, the Group's risk management and internal control systems were adequate and effective. The Audit Committee also confirmed that the Group had, in the fiscal year 2019/20, satisfactorily complied with the code provisions on risk management and internal control as set forth in the Corporate Governance Code and Corporate Governance Report in Appendix 14 to the Listing Rules.

RECOMMENDATION FOR RE-APPOINTMENT OF THE EXTERNAL AUDITOR

The Audit Committee recognizes the importance of maintaining the independence of the external auditor. Consistent with its terms of reference, the Audit Committee has evaluated PwC's qualifications, performance, and independence, including that of the lead audit partner. The Company has established a policy pursuant to which non-audit services, provided by the external auditor must be pre-approved by the Audit Committee. This policy is more fully described in the Corporate Governance Report on page 93. The Audit Committee has concluded that provision of the non-audit services described in that section was compatible with maintaining the independence of PwC. In addition, PwC has provided the Audit Committee an independence statement confirming that for the year ended March 31, 2020 and thereafter to the date of this annual report, they are independent of the Group in accordance with the independence requirements of the Hong Kong S.A.R. of China Institute of Certified Public Accountants.

Based on the review and discussions referred to above, the Audit Committee was satisfied with the external auditor's work, its independence and objectivity, and therefore recommended to the Board the re-appointment of PwC as the Group's external auditor for the financial year ending March 31, 2021 for shareholders' approval at the forthcoming annual general meeting to be held on July 9, 2020.

PRIORITIES FOR FY2020/21

Looking ahead, the priorities of the Audit Committee for the fiscal year 2020/21 are:

- To stay focused on financial accounting and reporting, audit quality, risk management and internal control.

- To remain vigilant on the impacts of the economic conditions on the Group.

Compensation committee report

THE COMPENSATION COMMITTEE

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

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

Chairman	Mr. William Tudor Brown	Independent Non-executive Director (appointed as chairman on November 7, 2019)
Member	Mr. William O. Grabe	Independent Non-executive Director and Lead Independent Director
Member	Mr. Gordon Robert Halyburton Orr	Independent Non-executive Director
Member	Mr. Zhao John Huan	Non-executive Director
Member	Ms. Ma Xuezheng	Independent Non-executive Director (passed away and ceased to be chairman on August 31, 2019

More information on the skills and experience of the members of the Compensation Committee may be found in the directors' biographies set out on pages 148 to 152 of this annual report.

RESPONSIBILITIES

The Compensation Committee is delegated by the Board with the responsibility to (i) review the Company's structure and aggregate value of compensation programs for the chairman of the Board ("Chairman"), chief executive officer ("CEO"), other directors and senior management; (ii) establish a formal and transparent procedure for developing policy on compensation; (iii) determine the compensation level and package paid to the Chairman, CEO, other directors and senior management; and (iv) review the recommendation from independent consultant on the compensation of Non-executive Directors.

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

SUMMARY OF WORK IN 2019/20

In the fiscal year ended March 31, 2020, the Compensation Committee held four meetings. The attendance record of the Compensation Committee's members is set out in the Corporate Governance Report on page 83.

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

Review of Company and Market Information

- Reviewed overall compensation strategy;
- Reviewed and approved the peer group for the top 4 senior executives;
- Reviewed the market positioning for the compensation of CEO and senior management including pay levels and pay mix;
- Reviewed pay efficiency to support understanding of pay affordability and sustainability for entire company;
- Reviewed the compensation and remuneration trends and regulatory developments in technology industry.

Compensation Program

- Reviewed the CEO pay and performance evaluation process;
- Reviewed and approved FY2018/19 bonus, long-term incentive ("LTI") and FY2019/20 proposed target compensation for Chairman and CEO;
- Reviewed and approved FY2018/19 bonus, LTI and FY2019/20 proposed target compensation for senior management;
- Reviewed and approved the FY2020/21 bonus and LTI plans;
- Reviewed and approved the FY2020/21 LTI budget;
- Reviewed proposed changes to LTI plan including award vehicles, performance metrics, grant and vesting schedules, etc;
- Reviewed the holding power and share ownership positions of both senior management and Non-executive Directors;
- Reviewed the analysis and recommendations from an independent consultant on the FY2019/20 Non-executive Directors' compensation package;
- Reviewed and approved the LTI Sub-Plan for California for approval at the shareholders' meeting, in accordance with securities laws in California.

Others

- Reviewed the Compensation Committee Report for incorporating into the annual report for the FY2018/19; and
- Reviewed and approved the annual agenda of the Compensation Committee for the FY2019/20.

Compensation committee report

COMPENSATION POLICY

Overall Principles

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

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

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

Balance short and long-term focus, ensuring alignment with shareholder value creation

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

Pay competitiveness against peer companies, enabling the Company to recognize contribution of key talent

Flexibility to adjust to diverse businesses and talent markets

Support effective corporate governance practices

Non-executive Directors

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

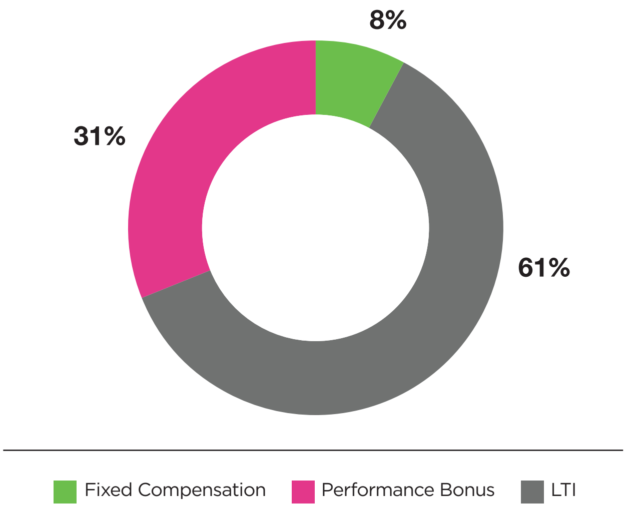
Chairman/CEO and Senior Management

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

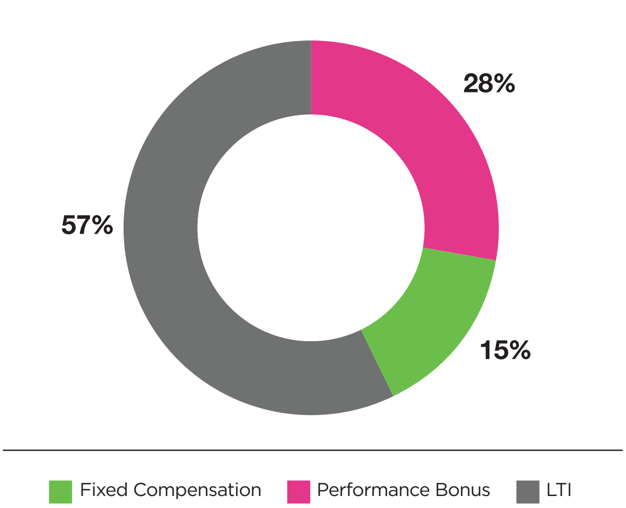
The compensation structure of Lenovo's Chairman/CEO and senior management consists of base salaries, allowances, performance-based bonuses, LTI, retirement benefits, and benefits-in-kind. These components and their mix are described below.

The Chairman/CEO pay mix chart reflects FY2019/20 emoluments disclosed in note 10 to the financial statements. The senior management pay mix chart reflects average FY2019/20 emoluments including LTI that were awarded in June 2019.

Chairman / CEO pay mix



Senior management pay mix (Average)



Fixed Compensation

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

Performance Bonus

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

Long-Term Incentive Program ("LTI Program")

The Company operates a LTI Program which was adopted by the Company in 2005 and amended in 2008 and 2016 respectively. The purpose of the LTI Program is to attract, retain, reward and motivate executive and Non-executive Directors, senior management and selected top-performing employees of the Company and its subsidiaries, while reinforcing direct alignment with shareholders.

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

(i) Share Appreciation Rights ("SARs")

SARs entitle the holder to receive the appreciation in value of the Company's share price above a predetermined level. SARs are typically subject to a vesting schedule of up to four years.

(ii) Restricted Share Units ("RSUs")

RSU is equivalent to the value of one ordinary share of the Company. Once vested, RSU is converted to an ordinary share, or its cash equivalent. RSUs are typically subject to a vesting schedule of up to four years. Dividends are typically not paid on RSUs.

The Company reserves the right to settle any awards under the LTI Program in cash or in ordinary shares at its discretion. The Company has created and funded a trust to pay shares to eligible recipients. In the case of SARs, shares are due after exercise by the recipient. In the case of RSUs, shares are due after the employee satisfies any vesting conditions.

The number of units awarded under the LTI Program is set and reviewed annually, reflecting competitive market positioning, market practices, especially those among Lenovo's competitors, as well as the Company's performance and each individual's actual and expected contribution to the business. In certain circumstances, awards under the LTI Program may be made to support the attraction of new hires. Award levels and mix may vary by individual, role and level.

In fiscal year 2019/20, the Company did not issue any new shares under this program, and the program is currently operated through purchasing existing shares from the market.

Retirement Benefits

The Company operates a number of retirement schemes for its employees, including executive directors and senior management. These schemes are reviewed regularly and are intended to deliver benefit levels that are consistent with local market practices. Details of the retirement schemes are set out in the directors' report on pages 158 to 161.

General Employees

As at March 31, 2020, the Group had a headcount of approximately 63,000 worldwide.

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

EMPLOYEE COMPENSATION PACKAGE

Fixed Compensation

Performance Bonus

Long-Term Incentive Program

Similar to senior management, employees at Lenovo are eligible for fixed compensation including base salary, allowances and benefits-in-kind. Eligible employees would also receive performance bonus based on individual and company performance. In addition, selected top-performing employees are eligible to participate in the LTI Program.

REMUNERATION REVIEWS

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

Fiscal Year 2019/20 Non-executive Directors Review

In May 2019, the Compensation Committee engaged an independent international compensation consulting firm to conduct an analysis of the compensation package of the Non-executive Directors to ensure its appropriateness considering the Non-executive Directors' time commitment, workload, job requirements and responsibilities versus Lenovo's peer companies and the broader market. After remaining constant for 4 years, cash retainer was increased by 8% to US$100,000, and annual LTI award was increased by 15% to US$230,000*. Final recommendations as subsequently approved by the Board (comprising executive director of the Company only) based on the delegation from shareholders of the Company are summarized in the table below:

Compensation Element	2019/20 (US$)	2018/19 (US$)
Cash Retainer	**100,000**	92,500
LTI Award	**230,000**	200,000
Total Remuneration	**330,000**	292,500

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

Consistent with prior practice, the chairman of the Audit Committee of the Company received an additional cash payment equal to US$27,500 (approximately HK$214,500), while the chairman of the Compensation Committee of the Company received an additional cash payment equal to US$20,000 (approximately HK$156,000), and the Lead Independent Director received an additional cash payment equal to US$35,000 (approximately HK$273,000) per year.

Further details of the compensation of the Non-executive Directors are included in note 10 to the financial statements. SAR and RSU awards outstanding for Non-executive Directors as of March 31, 2020 under this scheme are presented in the "Long-Term Incentive Scheme" section of this report.

Fiscal Year 2019/20 Chairman/CEO and Senior Management Review

Fixed Compensation

As a part of its annual review process, the Compensation Committee had reviewed and approved base pay for the Chairman/CEO and senior management in May 2019, with effect from July 1, 2019.

Base salary for the Chairman/CEO remained constant at RMB8,808,815 (approximately US$1,265,307 (Note: the translation of RMB into USD is based on the exchange rate of RMB1.00 to USD0.143641 and is for information purposes only) (actual pay delivered in local currency)). Base salaries for senior management were increased by an average of 1.9% to account for changes in role, scope and market pay levels and in consideration of individual performance and contributions.

Performance Bonus

Chairman/CEO and senior management's fiscal year 2019/20 performance bonus payouts were approved in the May 2019 Compensation Committee meeting. Final bonus payouts for Chairman/CEO and senior management were determined based on overall pre-tax income, total revenue, customer experience as well as individual performance.

Overall PTI

Total Revenue

Customer Experience

Individual Performance

Approved performance bonus payments for the fiscal year 2019/20 will be delivered in June 2020.

LTI Program

The most recent full cycle of LTI awards including both SARs and RSUs was made in June 2019. Selected executives, including the Chairman/CEO and senior management, received LTI awards based on Company's and individual's performance during fiscal year 2018/19. The next cycle of LTI awards including SARs and RSUs is expected to be in June 2020.

Employee Share Purchase Plan (ESPP)

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

For fiscal year 2019/20, the Company did not issue any new shares under this plan, and the plan is currently operated through purchasing existing shares from the market.

Compensation committee report

Remuneration of Senior Management

The remuneration of senior management fell within the following bands for the year ended March 31, 2020:

Remuneration bands	Number of senior management
US$2,750,617 to US$2,814,584	1
US$4,285,845 to US$4,349,812	1
US$4,413,781 to US$4,477,747	1
US$4,733,620 to US$4,797,587	1
US$5,437,266 to US$5,501,233	1
US$8,315,818 to US$8,379,785	1
US$9,851,046 to US$9,915,013	1
US$28,657,589 to US$28,721,556	1

Emoluments of Directors for FY2019/20 and Five Highest Paid Individuals

Details of the emoluments of directors and the five highest paid individuals are set out in note 10 to the financial statements.

Fiscal Year 2019/20 Employees Review

Fixed Compensation

Each year, management conducts a market review to ensure fixed compensation changes are aligned and competitive with market trends. The review incorporates input from several external survey providers and formal assessments of individual performance. Any approved market-based merit increases were effective from July 1, 2019.

Performance Bonus

Performance bonus for general employees is based on individual performance and performance of their respective business unit or "Performance Groups". For fiscal year 2019/20, there were a total of approximately 114 different Performance Groups within the Company each with its unique performance metrics and targets, which consist of a financial component and a customer experience component. For the fiscal year 2019/20 performance bonus, mid-year progress payment was made in December 2019, and full payment based on annual business outcomes will be trued-up in June 2020 based on approved final bonus funding.

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

Performance Group scores may range from 0% to 320% based on final results against targets. Individual Performance Modifiers range from 0% to 150% and are linked to the employee Performance Ratings and progress against established Key Performance Indicators (KPIs).

LTI Program

For fiscal year 2019/20, 22.7% of eligible employees (excluding executive directors) received an award under the LTI Program. These awards were granted in June 2019.

LONG-TERM INCENTIVE PROGRAM

The Company implemented the LTI Program to attract, retain, reward and motivate Executive and Non-executive Directors, senior management and selected top-performing employees of the Company and its subsidiaries.

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

				Number of units							
Name	Award type	Fiscal year of award	Effective price (HK$)	As at April 1, 2019 (Unvested)	Awarded during the period	Vested during the period	Exercised during the period	Lapsed/ nullified during the period *(Note 1)*	As at March 31, 2020 (Unvested)	Total outstanding as at March 31, 2020	Vesting period (mm.dd.yyyy)
Mr. Yang Yuanqing	SAR	12/13	8.22	-	-	-	-	14,059,573	-	-	02.04.2014 - 02.04.2017
	SAR	13/14	9.815	-	-	-	-	-	-	14,520,062	06.03.2015 - 06.03.2018
	SAR	15/16	12.29	3,175,916	-	3,175,916	-	-	-	12,703,664	06.01.2016 - 06.01.2019
	SAR	16/17	4.90	31,743,117	-	31,743,117	-	-	-	126,972,471	06.01.2017 - 06.01.2019
	SAR	17/18	4.95	30,595,849	-	15,297,924	-	-	15,297,925	45,893,773	06.01.2018 - 06.01.2020
	SAR	18/19	4.00	39,305,643	-	19,652,822	-	-	19,652,821	39,305,643	06.01.2019 - 06.01.2021
	SAR	19/20	5.79	-	79,451,149	-	-	-	79,451,149	79,451,149	06.03.2020 - 06.03.2022
	RSU	15/16	12.29	1,220,503	-	1,220,503	-	-	-	-	06.01.2016 - 06.01.2019
	RSU	17/18	4.95	7,930,443	-	3,965,221	-	-	3,965,222	3,965,222	06.01.2018 - 06.01.2020
	RSU	18/19	4.00	9,368,500	-	4,684,250	-	-	4,684,250	4,684,250	06.01.2019 - 06.01.2021
	RSU	19/20	5.79	-	15,564,480	-	-	-	15,564,480	15,564,480	06.03.2020 - 06.03.2022
Mr. Zhu Linan	SAR	13/14	7.88	-	-	-	-	-	-	242,723	08.16.2014 - 08.16.2016
	SAR	14/15	11.48	-	-	-	-	-	-	275,884	08.15.2015 - 08.15.2017
	SAR	15/16	7.49	-	-	-	-	-	-	403,970	08.14.2016 - 08.14.2018
	SAR	16/17	5.38	205,253	-	205,253	-	-	-	205,253	08.19.2017 - 08.19.2019
	SAR	17/18	4.74	636,877	-	318,439	-	-	318,438	636,877	08.21.2018 - 08.21.2020
	SAR	18/19	4.39	1,125,232	-	375,077	-	-	750,155	1,125,232	08.17.2019 - 08.17.2021
	RSU	16/17	5.38	48,030	-	48,030	-	-	-	-	08.19.2017 - 08.19.2019
	RSU	17/18	4.74	110,053	-	55,026	-	-	55,027	55,027	08.21.2018 - 08.21.2020
	RSU	18/19	4.39	178,799	-	59,600	-	-	119,199	119,199	08.17.2019 - 08.17.2021
	RSU	19/20	5.48	-	328,629	-	-	-	328,629	328,629	09.19.2020 - 09.19.2022
Mr. Zhao John Huan	SAR	13/14	7.88	-	-	-	-	-	-	364,084	08.16.2014 - 08.16.2016
	SAR	14/15	11.48	-	-	-	-	-	-	275,884	08.15.2015 - 08.15.2017
	SAR	15/16	7.49	-	-	-	-	-	-	403,970	08.14.2016 - 08.14.2018
	SAR	16/17	5.38	205,254	-	205,254	-	-	-	615,761	08.19.2017 - 08.19.2019
	SAR	17/18	4.74	636,877	-	318,439	-	-	318,438	955,316	08.21.2018 - 08.21.2020
	SAR	18/19	4.39	1,125,232	-	375,077	-	-	750,155	1,125,232	08.17.2019 - 08.17.2021
	RSU	16/17	5.38	48,030	-	48,030	-	-	-	-	08.19.2017 - 08.19.2019
	RSU	17/18	4.74	110,053	-	55,026	-	-	55,027	55,027	08.21.2018 - 08.21.2020
	RSU	18/19	4.39	178,799	-	59,600	-	-	119,199	119,199	08.17.2019 - 08.17.2021
	RSU	19/20	5.48	-	328,629	-	-	-	328,629	328,629	09.19.2020 - 09.19.2022

				Number of units							
Name	Award type	Fiscal year of award	Effective price (HK$)	As at April 1, 2019 (Unvested)	Awarded during the period	Vested during the period	Exercised during the period	Lapsed/ nullified during the period *(Note 1)*	As at March 31, 2020 (Unvested)	Total outstanding as at March 31, 2020	Vesting period (mm.dd.yyyy)
Mr. Nicholas C. Allen	SAR	12/13	6.36	-	-	-	-	274,316	-	-	07.03.2013 - 07.03.2015
	SAR	13/14	7.88	-	-	-	-	-	-	364,084	08.16.2014 - 08.16.2016
	SAR	14/15	11.48	-	-	-	-	-	-	275,884	08.15.2015 - 08.15.2017
	SAR	15/16	7.49	-	-	-	-	-	-	403,970	08.14.2016 - 08.14.2018
	SAR	16/17	5.38	205,254	-	205,254	-	-	-	615,761	08.19.2017 - 08.19.2019
	SAR	17/18	4.74	636,878	-	318,439	-	-	318,439	955,316	08.21.2018 - 08.21.2020
	SAR	18/19	4.39	1,125,232	-	375,077	-	-	750,155	1,125,232	08.17.2019 - 08.17.2021
	RSU	16/17	5.38	48,030	-	48,030	-	-	-	-	08.19.2017 - 08.19.2019
	RSU	17/18	4.74	110,053	-	55,026	-	-	55,027	55,027	08.21.2018 - 08.21.2020
	RSU	18/19	4.39	178,799	-	59,599	-	-	119,200	119,200	08.17.2019 - 08.17.2021
	RSU	19/20	5.48	-	328,629	-	-	-	328,629	328,629	09.19.2020 - 09.19.2022
Mr. Nobuyuki Idei	SAR	12/13	6.36	-	-	-	-	274,316	-	-	07.03.2013 - 07.03.2015
	SAR	13/14	7.88	-	-	-	-	-	-	364,084	08.16.2014 - 08.16.2016
	SAR	14/15	11.48	-	-	-	-	-	-	275,884	08.15.2015 - 08.15.2017
	SAR	15/16	7.49	-	-	-	-	-	-	403,970	08.14.2016 - 08.14.2018
	SAR	16/17	5.38	205,254	-	205,254	-	-	-	615,761	08.19.2017 - 08.19.2019
	SAR	17/18	4.74	636,878	-	318,439	-	-	318,439	955,316	08.21.2018 - 08.21.2020
	SAR	18/19	4.39	1,125,232	-	375,077	-	-	750,155	1,125,232	08.17.2019 - 08.17.2021
	RSU	16/17	5.38	48,030	-	48,030	-	-	-	-	08.19.2017 - 08.19.2019
	RSU	17/18	4.74	110,053	-	55,026	-	-	55,027	55,027	08.21.2018 - 08.21.2020
	RSU	18/19	4.39	178,799	-	59,599	-	-	119,200	119,200	08.17.2019 - 08.17.2021
	RSU	19/20	5.48	-	328,629	-	-	-	328,629	328,629	09.19.2020 - 09.19.2022
Mr. William O. Grabe	SAR	12/13	6.36	-	-	-	-	274,316	-	-	07.03.2013 - 07.03.2015
	SAR	13/14	7.88	-	-	-	-	-	-	364,084	08.16.2014 - 08.16.2016
	SAR	14/15	11.48	-	-	-	-	-	-	275,884	08.15.2015 - 08.15.2017
	SAR	15/16	7.49	-	-	-	-	-	-	403,970	08.14.2016 - 08.14.2018
	SAR	16/17	5.38	205,254	-	205,254	-	-	-	615,761	08.19.2017 - 08.19.2019
	SAR	17/18	4.74	636,878	-	318,439	-	-	318,439	955,316	08.21.2018 - 08.21.2020
	SAR	18/19	4.39	1,125,232	-	375,077	-	-	750,155	1,125,232	08.17.2019 - 08.17.2021
	RSU	16/17	5.38	48,030	-	48,030	-	-	-	-	08.19.2017 - 08.19.2019
	RSU	17/18	4.74	110,053	-	55,026	-	-	55,027	55,027	08.21.2018 - 08.21.2020
	RSU	18/19	4.39	178,799	-	59,599	-	-	119,200	119,200	08.17.2019 - 08.17.2021
	RSU	19/20	5.48	-	328,629	-	-	-	328,629	328,629	09.19.2020 - 09.19.2022
	RSU (Deferral)	18/19	5.48	-	46,883	46,883	-	-	-	-	Note 2
	RSU (Deferral)	19/20	5.48	-	46,883	46,883	-	-	-	-	Note 2
	RSU (Deferral)	19/20	5.05	-	52,131	52,131	-	-	-	-	Note 2

				Number of units							
Name	Award type	Fiscal year of award	Effective price (HK$)	As at April 1, 2019 (Unvested)	Awarded during the period	Vested during the period	Exercised during the period	Lapsed/ nullified during the period *(Note 1)*	As at March 31, 2020 (Unvested)	Total outstanding as at March 31, 2020	Vesting period (mm.dd.yyyy)
Mr. William Tudor Brown	SAR	12/13	8.07	-	-	-	-	53,476	-	-	01.31.2014 - 01.31.2016
	SAR	13/14	7.88	-	-	-	-	-	-	364,084	08.16.2014 - 08.16.2016
	SAR	14/15	11.48	-	-	-	-	-	-	275,884	08.15.2015 - 08.15.2017
	SAR	15/16	7.49	-	-	-	-	-	-	403,970	08.14.2016 - 08.14.2018
	SAR	16/17	5.38	205,254	-	205,254	-	-	-	615,761	08.19.2017 - 08.19.2019
	SAR	17/18	4.74	636,878	-	318,439	-	-	318,439	955,316	08.21.2018 - 08.21.2020
	SAR	18/19	4.39	1,125,232	-	375,077	-	-	750,155	1,125,232	08.17.2019 - 08.17.2021
	RSU	16/17	5.38	48,030	-	48,030	-	-	-	-	08.19.2017 - 08.19.2019
	RSU	17/18	4.74	110,053	-	55,026	-	-	55,027	55,027	08.21.2018 - 08.21.2020
	RSU	18/19	4.39	178,799	-	59,599	-	-	119,200	119,200	08.17.2019 - 08.17.2021
	RSU	19/20	5.48	-	328,629	-	-	-	328,629	328,629	09.19.2020 - 09.19.2022
Mr. Yang Chih-Yuan Jerry	SAR	12/13	8.63	-	-	-	-	24,593	-	-	02.20.2014 - 02.20.2016
	SAR	13/14	7.88	-	-	-	-	-	-	245,757	08.16.2014 - 08.16.2016
	SAR	14/15	11.48	-	-	-	-	-	-	186,221	08.15.2015 - 08.15.2017
	SAR	14/15	11.07	-	-	-	-	-	-	37,202	11.16.2015 - 11.16.2017
	SAR	15/16	7.49	-	-	-	-	-	-	403,970	08.14.2016 - 08.14.2018
	SAR	16/17	5.38	205,254	-	205,254	-	-	-	615,761	08.19.2017 - 08.19.2019
	SAR	17/18	4.74	636,878	-	318,439	-	-	318,439	955,316	08.21.2018 - 08.21.2020
	SAR	18/19	4.39	1,125,232	-	375,077	-	-	750,155	1,125,232	08.17.2019 - 08.17.2021
	RSU	16/17	5.38	48,030	-	48,030	-	-	-	-	08.19.2017 - 08.19.2019
	RSU	17/18	4.74	110,053	-	55,026	-	-	55,027	55,027	08.21.2018 - 08.21.2020
	RSU	18/19	4.39	178,799	-	59,599	-	-	119,200	119,200	08.17.2019 - 08.17.2021
	RSU	19/20	5.48	-	328,629	-	-	-	328,629	328,629	09.19.2020 - 09.19.2022
Mr. Gordon Robert Halyburton Orr	SAR	15/16	7.25	-	-	-	-	-	-	224,107	09.18.2016 - 09.18.2022
	SAR	16/17	5.38	205,254	-	205,254	-	-	-	615,761	08.19.2017 - 08.19.2023
	SAR	17/18	4.74	636,878	-	318,439	-	-	318,439	955,316	08.21.2018 - 08.21.2020
	SAR	18/19	4.39	1,125,232	-	375,077	-	-	750,155	1,125,232	08.17.2019 - 08.17.2021
	RSU	16/17	5.38	48,030	-	48,030	-	-	-	-	08.19.2017 - 08.19.2019
	RSU	17/18	4.74	110,053	-	55,026	-	-	55,027	55,027	08.21.2018 - 08.21.2020
	RSU	18/19	4.39	178,799	-	59,599	-	-	119,200	119,200	08.17.2019 - 08.17.2021
	RSU	19/20	5.48	-	328,629	-	-	-	328,629	328,629	09.19.2020 - 09.19.2022
Mr. Woo Chin Wan Raymond	RSU	19/20	5.48	-	358,380	-	-	-	358,380	358,380	09.19.2020 - 09.19.2022

Note 1: These units were nullified in accordance with the operation of the SAR plan rules.

Note 2: Proceeds in respect of quarterly deferral grants to be paid only at point of termination from the board of directors or unforeseen emergency.

OTHER SHAREHOLDER ORIENTED FEATURES

Share Ownership Guidelines

Lenovo maintains share ownership guidelines for selected executives, including the Chairman/CEO and senior management. The guidelines help to align executives with shareholders and focus executives on the long-term performance of Lenovo by requiring certain levels of share ownership. The guidelines (expressed as a multiple of base salary) vary by role and level and are expected to be achieved within 5 years of becoming an eligible executive. If the guidelines are not achieved, executives are required to retain a minimum portion of vested shares delivered through Lenovo's incentive plans until the guidelines are met. The guidelines are then expected to be maintained throughout the executives' remaining employment. As of fiscal year end, 98% of executives covered by the guidelines have achieved the targeted level of ownership, and with the upcoming annual LTI grant in June 2020, 100% of executives covered by the guidelines will achieve the targeted level of ownership. Additionally, the Non-executive Directors are subject to similar guidelines and are in full compliance.

Claw Back Policy

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

Sustainability overview

ESG OVERVIEW

Lenovo's systemic approach to manage Environmental, Social and Governance (ESG) programs creates a competitive advantage in a rapidly changing economy. The integration of a strong ESG program addresses the growing concerns of individual consumers and large enterprise customers around the globe. At Lenovo, the growth of our program is measured across the three pillars of our ESG strategy – Environmental, Social and Governance.

Our environmental programs extend beyond the ecolabels and the carbon footprint of the products that we manufacture to programs that also identify climate mitigation opportunities in our operations, our supply chain, product end-of-life management, and many others. We set strategic environmental goals and we regularly assess and manage climate-related risks and opportunities.

Our social programs are framed with a global mindset which inspires diversity and inclusion. We are committed to advancing diversity across our workforce – starting with our top executives, and advancing STEM education, increasing access to opportunities for diverse populations, and empowering employees to improve global communities. This is done through various programs, including the Lenovo Foundation and Lenovo Foundation Beijing.

Lenovo's Corporate governance framework includes a Corporate Sustainability Policy, signed by Chairman and CEO, Mr. Yang Yuanqing, which outlines the ESG principles that guide the Company's operations. Our governance structure provides a solid foundation for the ESG program with internal control procedures, while our Ethics and Compliance Office promotes the highest ethical standards of business conduct and legal compliance. Lenovo maintains strong commitments to responsible ESG practices in all its activities. These are important commitments critical for the future of the Company in meeting expectations from customers and the communities with which the Company interacts.

Working closely with the board of directors (the "Board"), senior leadership oversees ESG related policies and programs that are executed by the business units. Lenovo's Board of Directors, Leadership Team, and all major functions of the Company utilize the Enterprise Risk Management framework and process to regularly evaluate and address ESG risks. In May and August 2019, the Lenovo Board of Directors reviewed updates on ESG, which included a review of Lenovo's Annual Report ESG content, which was approved by the Board.

As one of the largest advanced-manufacturing companies globally, our focus on ESG helps make a significant impact in markets around the world. Lenovo has continued its role as a signatory to the United Nations Global Compact, a public-private strategic initiative for businesses committed to aligning operations and strategies with ten universally accepted principles in the areas of human rights, labor, environment, and anti-corruption. Lenovo's business strategies, policies and procedures support the Global Compact's Ten Principles, and establish a culture of integrity. Lenovo upholds a basic responsibility to people and planet, while setting the stage for long-term success. Many of Lenovo's ESG initiatives align with the United Nations Sustainable Development Goals (SDGs), which are detailed in the FY 2018/19 Sustainability (ESG) Report.

Excellence in ESG practices begins at the top with the support and endorsement of the Chairman and CEO, Mr. Yang Yuanqing. At Lenovo, we are proud to be recognized by professionals and prominent programs worldwide as a leader in ESG practices. Below contains a selection of Lenovo's FY 2019/20 achievements. More details will be provided in the FY 2019/20 Sustainability (ESG) Report.

Sustainability overview

Key ESG Recognitions from the Global Community:

Environmental

- **2019 CDP** (formerly Carbon Disclosure Project) – Lenovo scored A-, "Leadership Level" on CDP's climate questionnaire and an A on the CDP Supplier Engagement Rating, assessing progress toward environmental stewardship through climate change mitigation and adaptation.

- **2019 EcoVadis** – Lenovo received CSR Gold level rating with an overall score in the top 2 percent of companies assessed in the communication equipment industry.

- **2020 Green Freight Asia** – Lenovo is the first shipper to ever qualify for 3-Leaf Certification from Green Freight Asia (GFA) for our performance in China and was also awarded 2-Leaf Certification by GFA for our efforts in India.

- **2019 SmartWay Transport Partner** – Lenovo was recognized in the top five percent of all SmartWay shippers meeting the emissions and carrier selection criteria to make the SmartWay High Performer list.

Social

- **2020 Bloomberg Gender Equality Index** – For the second consecutive year, Lenovo received a perfect score of 100, and is one of 325 companies across 50 industries to be featured in the Bloomberg GEI, which tracks the financial performance of global organizations, committed to supporting gender equality through policy development, representation, and transparency.

- **2019 Corporate Equality Index** – For the second consecutive year, Lenovo received a perfect score of 100 for efforts in satisfying all the criteria for the Human Rights Campaign Foundation's CEI, while earning the recognition as a Best Place to Work for LGBTQ Equality.

- **2019 Inclusion Index** – Earning a score of 72 percent, Lenovo was recognized as one of 80 outstanding U.S. companies promoting diversity and inclusion across the business. Now in its third year, the index recognizes leading companies in their fields with policies and programs in place to support diversity initiatives across the organization.

- **Forbes China's 2019 Top Women in Tech** also named two Lenovo female executives, Vice President and head of the Lenovo A.I. Research Lab, and Lenovo's Vice President of Innovation Management for Lenovo Research, to its list of women leaders making significant contributions in technology.

Governance

- **2019 Hang Seng Corporate Sustainability Index** – Lenovo was rated AA by the Hong Kong S.A.R. of China Quality Assurance Agency, achieving the best overall score in the IT industry. This is the ninth consecutive year that Lenovo has been included in this ranking, showing Lenovo's ongoing commitment to sustainability. This year's rankings featured 30 Hong Kong S.A.R. of China listed companies from 10 different industries.

- **2019 Platinum Awards in Best Corporate Governance and Sustainability and Social Responsibility Reporting Award** from the Hong Kong S.A.R. of China Institute of Certified Public Accountants ("HKICPA"). This is the seventh consecutive year that Lenovo was presented with the Corporate Governance award and the second consecutive year receiving the Sustainability and Social Responsibility reporting award, highlighting once again the Company's outstanding efforts and commitment in Corporate governance and in ESG reporting.

ETHICS AND COMPLIANCE

Trust and integrity form key cultural foundations for Lenovo. Lenovo promotes a culture that strives to attain the highest ethical standards of business conduct and compliance with all laws and regulations wherever it operates. Its policies and programs align with its objective to operate ethically in all Lenovo business activities.

Lenovo has an Ethics and Compliance Office (ECO) that works in partnership with its business units across the globe to ensure they operate within legal and ethical obligations. Led by Lenovo's Chief Corporate Responsibility Officer, ECO plays a critical role in providing the resources and information employees need to make well-informed choices and decisions.

The ECO continually reviews and assesses Lenovo's internal policies and procedures, conducts in-person training sessions, and provides communications to our business teams to improve employee education on ethics and compliance issues. Additionally, the ECO maintains and monitors confidential reporting lines that employees and third parties may use to report misconduct. The ECO also leads Lenovo's efforts to conduct ethics and reputational due diligence on Lenovo business partners.

Lenovo's Code of Conduct is an integral part of its ethics and compliance program. The Code establishes clear expectations for compliance with policies related to lawful and ethical business conduct and behavior. The Code is made available in nine languages and accessible on Lenovo's website along with other Corporate policies. Regular training on the Code and related policies is provided to reinforce the Company's commitment to compliance and conducting business with integrity.

Lenovo is committed to conducting business legally, ethically and with integrity. Lenovo has a clear non-retaliation policy that protects employees who seek guidance on ethical or compliance issues or report any information pertaining to potential violations of law, Company policy, or the Code of Conduct. Lenovo provides formal, confidential mechanisms for reporting such concerns, all of which are addressed and tracked to resolution.

Lenovo Ethics and Compliance Office can be reached by contacting ethics@lenovo.com.

Sustainability overview

Privacy
Lenovo is committed to protecting the privacy and confidentiality of the personal information it collects and maintains about its customers, employees, business partners, and other identifiable individuals. To support its commitment to be a responsible custodian of personal information, Lenovo maintains a Global Privacy Program, led by the Legal Department.

Lenovo applies a layered approach to protecting personal information that utilizes a cross-functional privacy working group comprised of key partners drawn from Information Security, Product Security, Product Development, Marketing, E-Commerce, Service and Repair, Human Resources, Legal and other groups.

Key elements of Lenovo's layered approach to ensuring privacy compliance include:

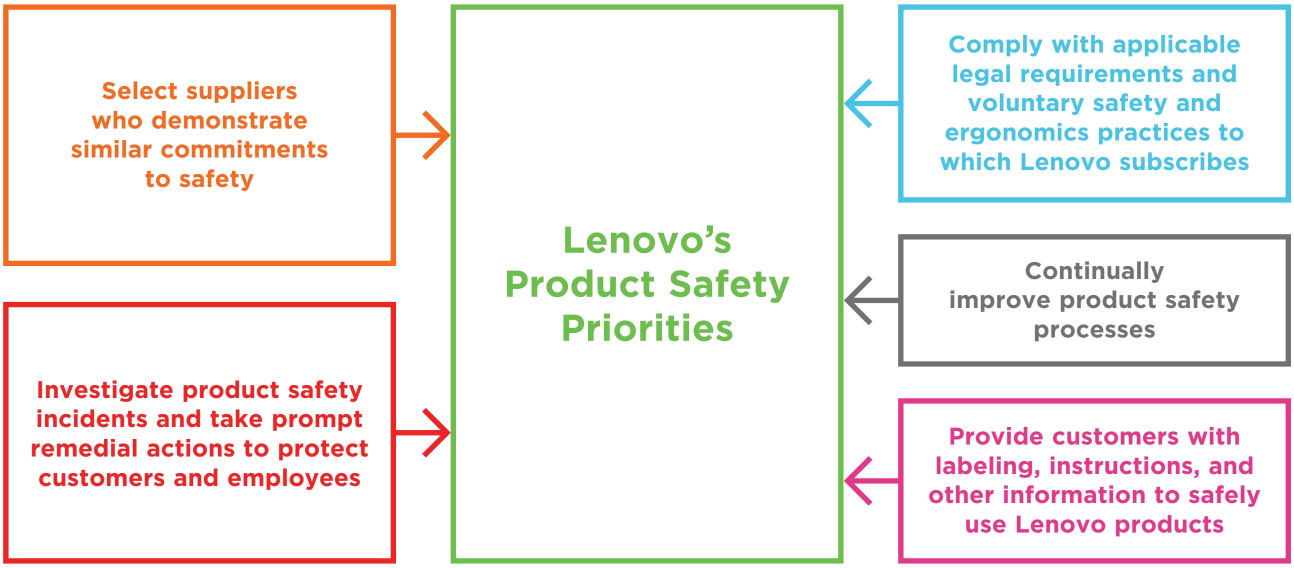
- Monitoring privacy regulatory trends and improvements to best privacy practices
- Harmonizing global data privacy requirements into a corporate-wide set of privacy principles intended to drive how Lenovo handles personal information
- Developing and updating Lenovo privacy policies and procedures
- Providing contractual support to ensure that risks associated with any dataflows are covered by appropriate contractual terms
- Providing early input to product development teams by incorporating privacy checkpoints into formal product development plans
- Preparing privacy impact assessments and conducting pre-launch privacy compliance reviews of products, software, websites, marketing programs, internal systems, and vendor relationships
- Responding to data subject requests regarding their personal information
- Developing and delivering focused privacy training programs
- Working closely with the Corporate Information Security Office to timely identify and respond to information incidents involving personal information

Lenovo's Privacy Program can be reached by contacting privacy@lenovo.com.

PRODUCT REGULATIONS AND SAFETY

Lenovo provides high-quality products that are safe to operate throughout their lifecycle. Lenovo's corporate strategies, policies and guidelines are designed to support this commitment. Our products meet and in many cases, exceed applicable legal requirements as well as voluntary safety and ergonomics practices to which Lenovo subscribes wherever our products are marketed and sold. See Lenovo's product safety priorities below.

Lenovo's Quality Policy forms the foundation of its Quality Management System and business processes that ensure we meet customer, legal and regulatory responsibilities, and meet the requirements of ISO 9001:2015 standard. To maintain the highest level of product quality, Lenovo employs an active, closed-loop process whereby feedback mechanisms provide quick resolution to customer issues. When we discover a product issue, we perform root cause analysis and feed the results back into manufacturing, development, and test organizations to ensure similar issues do not arise again with current or future products.



MANUFACTURING AND SUPPLY CHAIN OPERATIONS

Lenovo's manufacturing business model combines both Company-owned manufacturing capabilities with original design manufacturer (ODM) partnerships and joint-venture (JV) manufacturing. This hybrid model gives us a competitive advantage by allowing us to bring new innovations to market fast while we maintain strong control over product development and supply chain operations. Given our global manufacturing operation, we can tailor our products to regional markets.

All Lenovo global manufacturing locations, including JV locations, are ISO 9001 (Quality) and ISO 14001 (Environmental) certified. The certification body for Lenovo outside of China is DEKRA and CESI for China locations. As required by these globally accepted standards, we implement objectives and targets annually at each Lenovo manufacturing facility for continual improvement and an environmentally conscience work environment for our employees.

Occupational Health and Safety

We want to provide a safe and healthy working environment for all Lenovo employees. The Company's Global Occupational Health and Safety (OHS) organization adheres to world-class standards for employee workplace safety at our Manufacturing locations through our Occupational Safety and Health Management System. This System delivers health and safety programs and processes throughout our global manufacturing footprint through education, prevention, checks, and controls that are vital to achieving the Company's objectives for innovation, productivity and continual improvement. We quickly and fully integrate and measure new facilities into our system to meet our strict health and safety standards. All Lenovo global manufacturing locations, including JV locations, are ISO 45001 (or are being transitioned from OHSAS 18001) certified by SGS, a leading independent certification body.

Lenovo is committed to ensuring that working conditions in our manufacturing locations are safe, that workers are treated with respect and dignity, and that business operations are environmentally responsible and conducted ethically. We attain that by implementing the Responsible Business Alliance (RBA) code of conduct, program and tools at all manufacturing locations. We exceed our RBA membership requirements in that all locations receive independent third-party RBA audits biennially.

Lenovo focuses on continually improving the sustainability performance of its manufacturing organizations guided by programs and tools of the Responsible Business Alliance (RBA). Lenovo upholds compliance with the RBA Code of Conduct by embedding responsible business conduct into policies and management systems with implementation and tracking at all internal global manufacturing locations to ensure that working conditions in supply chains are safe, that workers are treated with respect and dignity, and that business operations are environmentally responsible and ethical.

Sustainability overview

Many Lenovo sites were audited during FY 2019/20 as part of our audit plan including ISO certifications, RBA audits, and other customer or Lenovo audits. Lenovo has three internal manufacturing locations that have undergone RBA Validated Audit Program (VAP) audits, of which two were rated gold level and one platinum level. We plan to have all manufacturing sites RBA VAP audited within two years.

Lenovo and our industry continue to be challenged by the issue of working hours. During this fiscal year, the electronics industry faced substantial supply shortages which drove record skew, creating significant challenges in terms of managing overtime and consecutive days worked. Lenovo is working to put better technology tools and information in place to allow employees and managers to make informed decisions about overtime work. RBA VAP audits of our Shenzhen and Monterrey plants showed significant progress in this area and we are rolling out developments at these locations to other sites to drive improvements. Other areas of improvement include labor practices for interns, establishing more communications channels for employee/management discussions, decreasing the amount of time employees who leave Lenovo have to wait before they receive their final paychecks, and rolling out tools to all original design and manufacturing (ODM) partners to move to a monthly data reporting cadence.

Lenovo employees and SGS auditors at Shenzhen Plant following a successful ISO 45001 on-site audit in October 2019.

Countries with health & safety-certified (ISO 45001) Lenovo manufacturing locations

- Brazil
- China
- India
- Japan
- Mexico
- U.S.A.

Supply Chain Operations

Lenovo expects its suppliers to provide the highest quality parts, products, and services while conducting business ethically, responsibly, and sustainably. We measure our top 100 suppliers, which constitutes approximately 95 percent of our procurement spend, across 25 key ESG indicators. A large majority of our procurement spend suppliers are ISO 9001, ISO 14001, and ISO 45001 certified, issue public Sustainability (ESG) Reports, and receive quarterly scorecards from Lenovo which include ESG performance.

We require all suppliers contractually through purchase order terms and formal agreements to comply with all legal, regulatory, and Lenovo's ESG requirements, in addition to observing all laws regarding environmental and workplace conditions, comply with restricted materials requirements, and provide necessary declarations. This includes compliance to our comprehensive Supplier Code of Conduct as well as anti-bribery and anti-corruption stipulations.

Lenovo implements the RBA Code of Conduct with suppliers, which covers elements of labor, environmental, and health concerns. It specifically addresses child labor, forced labor, working hours, overtime, time off, recruitment fees, and ensures these requirements are passed on to all levels of the supply chain. We ensure our Tier 1 suppliers and the most critical Tier 2 and Tier 3 suppliers comply with the code through formal RBA tools and program self-assessments and independent third-party audits. More than 75 percent of our procurement spend across Tier 1 and critical Tier 2 and 3 suppliers is with suppliers who are formal RBA members.

Regarding supplier environmental impacts, we conduct two major programs. First, we identify areas of environmental risk based on specific criteria and then conduct prescribed actions to mitigate risk. We audit suppliers with the highest potential risk before we use them, and we later audit on a regular schedule. Additionally, we require suppliers annually to report their policy goals, greenhouse gas (GHG) emissions, water usage, waste generation, and renewable energy use, and we track their reduction efforts.

About 90 percent of our procurement spend suppliers have public GHG, water and waste reduction goals, utilize independent third-party verification of their reporting, and disclose through the Carbon Disclosure Project (CDP) for public publishing of their Climate Change and Water scores. As a result of these efforts, Lenovo has received a top CDP Supplier Engagement Leadership Board score of A. For more information on the survey and Lenovo's 2019 response, please visit the CDP website at www.cdp.net.

Lenovo recognizes the importance of responsible sourcing of materials including tin, tantalum, tungsten, gold (3T/G), and cobalt. When we source these materials from regions experiencing political and social conflict, which may include the Democratic Republic of the Congo or surrounding countries, commonly referred to by the industry as "conflict minerals". We support efforts of the RBA Responsible Minerals Initiative (RMI) and participate in their conflict mineral conferences, smelter engagement teams, and other work groups.

Our specific due diligence efforts regarding responsible sourcing of raw materials include:

- A comprehensive Conflict Minerals Policy as well as a specific Cobalt Policy
- Employing the Conflict Minerals Reporting Template (CMRT) and Cobalt Reporting Template (CRT) for Reasonable Country of Origin Inquiry (RCOI)
- Utilizing the Responsible Materials Assurance Process (RMAP) to audit and certify smelters as being conflict-free conformant
- Directly validating suppliers' due diligence efforts via independent third-party RBA audits communicating expectations and program updates semi-annually
- Holding regular education sessions for employees, publishing quarterly newsletters, and providing supplier training as needed
- Reporting publicly our conflict minerals report, the smelters and refiners in our supply chain and their country of location
- In FY 2019/20, we achieved 95 percent conflict-free with respect to conflict minerals

More information is available on our Responsible Sourcing website.

Sustainability overview

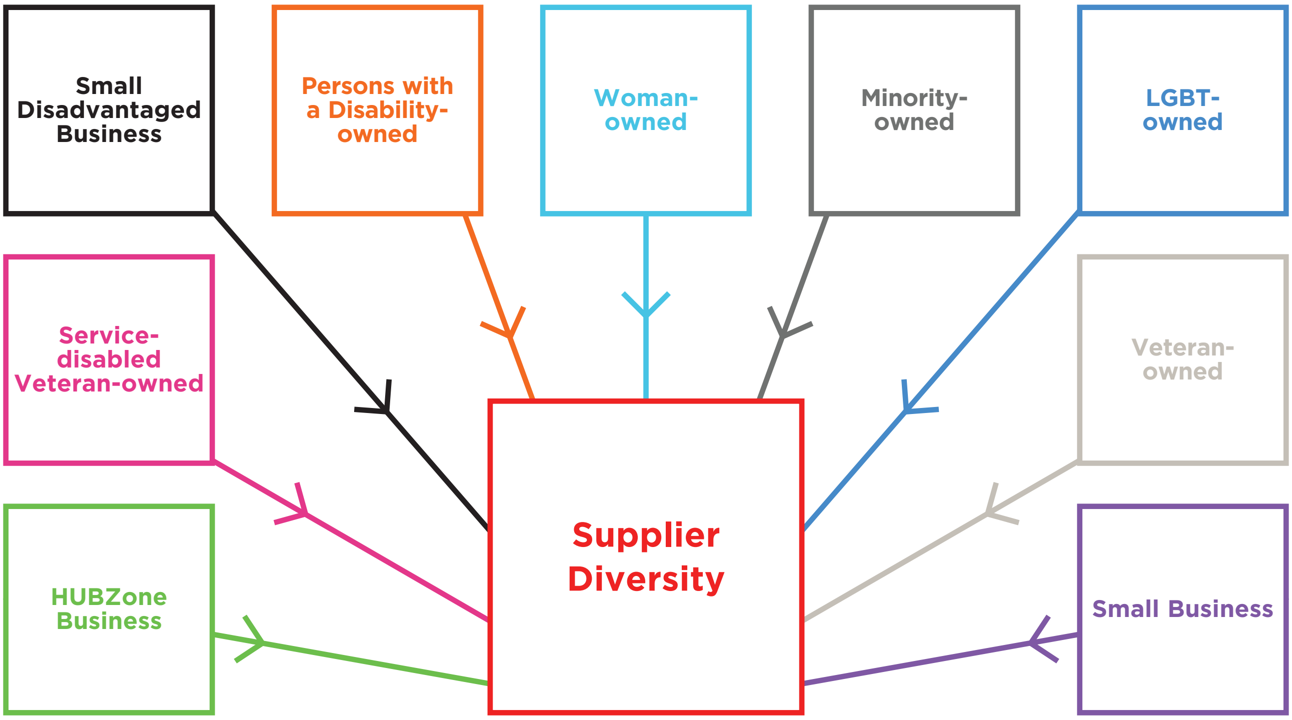
Supplier Diversity

Lenovo is dedicated to including small and diverse businesses in our sourcing and procurement opportunities. At Lenovo, we recognize the importance of supplier diversity and we are committed to ensuring that it is an integral part of our strategic sourcing and procurement processes. We believe that the success of the organization and society depends on enabling small and diverse businesses to share in the nation's economic growth. We are committed to maximizing the inclusion of Small-, Minority-, Women-, Veteran-, Service-Disabled Veteran-, Disabled-, LGBT–owned businesses as well as business located in Historically Underutilized Business Zones (HUB Zones) within our procurement activities.

Our diverse supplier objectives are twofold: increase the number of small and diverse suppliers doing business with us and increase our spend with them around the world. To do this, we are embedding supplier diversity in our procurement processes globally and gathering market insights to expand our pool of diverse suppliers.

Lenovo continues to partner with advocacy organizations such as the National Minority Supplier Development Council (NMSDC), Women's Business Enterprise National Council (WBENC) and the US Hispanic Chamber of Commerce (USHCC) to engage and grow our diverse supply base.

Annually, Lenovo conducts approximately 12 percent of our procurement spend in business with certified small suppliers and over 18 percent with certified diverse suppliers in the United States. For more information, please visit our Supplier Diversity website.



THE ENVIRONMENT

Lenovo's long-term, comprehensive approach to environmental management encompasses everything from site operations and product design to recycling and product end-of-life management. Lenovo's Environmental Affairs Policy, which applies to all operations and forms the foundation of Lenovo's Environmental Management System (EMS), provides the backbone for Lenovo's strategy.

We describe our approach to managing environmental risk and ensuring compliance in the Management Discussion & Analysis section on pages 36 to 38 and Supply Chain Operations section on pages 130 and 131.

Climate Change
Lenovo has identified climate change as a significant environmental risk and opportunity. We evaluate it as part of the processes described below.

1. As part of Lenovo's Enterprise Risk Management (ERM) system process, we evaluate and prioritize climate change at least annually with regards to internal manufacturing and external supply chain risks.

2. As part of Lenovo's ISO 14001 EMS, we evaluate and assign a quantified score at least annually for environmental risks including climate change for use in establishing objectives and targets under the EMS.

3. We consider climate change as part of Lenovo's ESG Reporting Materiality Assessment process.

Lenovo's Climate and Energy Policy forms the foundation of our climate change strategy. This Policy supports the conclusions of the scientific community described in the latest Assessment Reports of the Intergovernmental Panel on Climate Change.

Lenovo's climate change strategy receives input from the very highest levels of our organization. Lenovo's Executive Committee and Board of Directors directed Lenovo to establish a second-generation Scope 1 and 2 GHG emissions reductions goal. We released this new goal in FY 2015/16. It calls upon Lenovo to reduce Scope 1 and 2 GHG emissions by 40 percent by 2020 relative to our FY 2009/10 adjusted baseline. This second-generation target for GHG emission reductions aligns with our customers' and investors' expectations and follows the latest scientific findings of climate science. In support of this goal, in May 2015 the Lenovo Board of Directors recommended that Lenovo achieve 30 megawatts of direct renewable generation by 2020.

With a continued focus on energy efficiency, Lenovo's global teams identified and implemented energy reduction, renewable energy, and carbon offset opportunities to provide a cost-effective path to meeting our second- generation targets.

Lenovo submitted preliminary third- generation targets for 2020 and beyond to the Science Based Targets initiative (SBTi) for review. During FY 2019/20, our proposed Scope 1, 2 and 3 targets were unofficially validated as science based by SBTi. In addition to addressing these high-level Corporate goals, Lenovo established more detailed climate change-related goals as part of Lenovo's EMS. We will discuss Lenovo's progress in this area in more detail in the FY 2019/20 Sustainability (ESG) Report.

Lenovo responded to the 2019 CDP climate change survey and received an A-, placing Lenovo in the Leadership category globally and across multiple industries. We make our annual climate change report, including a climate change risk and opportunities analysis, available at www.cdp.net.

Lenovo's GHG emissions are third-party verified by TÜV SÜD to a reasonable level of assurance. For additional details on Lenovo's GHG emissions inventory and management, visit Lenovo's climate change web pages and the FY 2019/20 Sustainability (ESG) Report.

Solar panel installation at Lenovo Morrisville, North Carolina facility – February 2020.

Corporate Offices – Buildings 6 and 7, Morrisville, NC (USA)

Sustainability overview

Transport and Packaging

Minimizing the Environmental Impact of Lenovo's Logistics

It is recognized within Lenovo Global Logistics that by enhancing freight management practices and considering the environmental impact of our decisions, significant opportunities exist to reduce our carbon footprint. Key to this principle is removal and reduction, not just off-setting.

ESG practices are a key component of Lenovo's logistics strategy. Lenovo's targets are aggressive, and commitment is high. They challenge our internal practices and stakeholders just as much as they challenge the logistics industry overall and our third-party logistics partners.

Lenovo's logistics teams work closely with logistics partners to ship products responsibly. Lighter and smaller products, more compact and reusable packaging materials, bulk shipping alternatives, and regional distribution facilities allow for lighter loads, load consolidation, and full truckload shipments.

Lenovo's focus over the last year, and into 2020 include:

- Mode of transport
- Consolidation and utilization
- Network optimization
- Packaging (size, weight, dimensions, recyclable)
- Technology and automation
- Reward and recognition from our partners

More information about Lenovo's Global Logistics accomplishments will be provided in the FY 2019/20 Sustainability (ESG) Report.

Waste and Water

Reducing and recycling waste and conserving water represent key areas of commitment. Lenovo tracks waste metrics and works to identify and implement opportunities to reduce waste quantities. Lenovo operations generate minimal quantities of hazardous waste. Lenovo tracks and monitors water withdrawals and discharge in its operations even though it does not have any wet processes; water use only involves human consumption and sanitation. Lenovo developed a water risk map for sites that are currently in Lenovo's environmental data inventory. Details on performance relative to waste and water are available in Lenovo's Sustainability (ESG) Report. For additional details on Lenovo's waste and water inventory, see Lenovo's Sustainability (ESG) Report and website: https://www.lenovo.com/us/en/sustainability-water-waste.

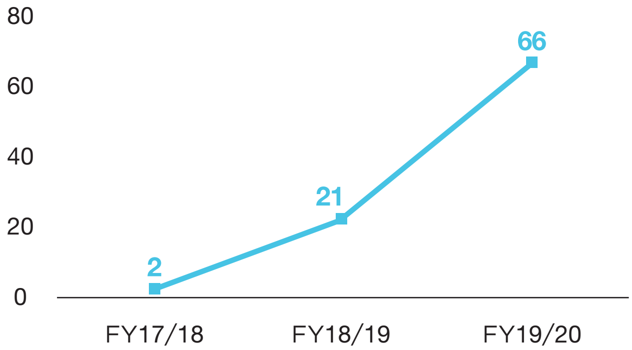
Lenovo responded to the 2019 CDP water survey and received a B-, placing Lenovo in the Management category. For more information on the CDP water survey and Lenovo's responses for 2019, please visit the CDP website at www.cdp.net. Lenovo's waste and water data are third-party verified by TÜV SÜD to a reasonable level of assurance. Please see verification statements at www.lenovo.com/waterandwaste.

Product energy efficiency	Includes developing and offering tools such as Lenovo Efficiency Mode (LEM), which helps servers operate at peak efficiency when the OS is running
Product carbon footprint	Includes identifying hotspots for targeted emissions reductions on high-volume mainstream products in each business unit
Product packaging	Includes refining packaging design to increase pallet density
Environmentally preferred materials	Includes efforts to steadily increase the percentage of recycled plastic used in manufacturing Lenovo products

Environmentally Conscious Products Program
Lenovo includes its Environmentally Conscious Products Program in its EMS and incorporates an expectation for continual improvement. We reflect our commitment to product environmental leadership in our Environmental Affairs Policy, which includes product-specific commitments related to responsible materials usage, energy efficiency, and recycling. Lenovo's product environmental standards and specifications require the designers of all Lenovo products to consider certain environmentally conscious design practices to facilitate and encourage reuse and recycling and to minimize resource consumption.

Lenovo prioritizes using environmentally preferable materials whenever possible. Lenovo continues to drive innovation in using recycled content materials, and in FY17/18 we released our first products made with closed-loop post-consumer recycled content (CL-PCR), the V410z All-in-One Desktop and the ThinkVision T22v-10 monitor. Today, Lenovo uses closed loop post-consumer recycled content in 66 products and has used more than 21 million pounds (gross) of CL-PCR as part of our overall use of 241 million pounds (gross) of PCC overall since 2005. In 2019 alone, Lenovo used 17 million pounds (gross) of PCC plastics.

Products made with CL-PCR*



*1%-85% CL-PCR

Sustainability overview

Product Type	Model Name	% CL-PCR
Monitor	T27P-10	84%
Monitor	Y27GQ-25	83%
Monitor	Y27GQ-20	83%
Monitor	Y27Q-20	83%
Monitor	D27-20	2%
Monitor	C27-20	2%
Monitor	D32Q-20	4%
Monitor	C32Q-20	4%
Monitor	P24H-20	82%
Monitor	P24Q-20	82%
Monitor	T24H-20	71%
Monitor	T34W-20	85%
Monitor	D32QC-20	3%
Monitor	C32QC-20	3%
Monitor	T25D-10	85%
Monitor	P25D-10	85%
Monitor	T25M-10	85%
Monitor	P25M-10	85%
Monitor	T24i-20	80%
Monitor	L27Q-30	82%
Monitor	S27Q-10	82%
Monitor	L24Q-30	82%
Monitor	S24Q-10	82%
Monitor	Q24H-10	85%
Monitor	P27H-20	76%
Monitor	P27Q-20	76%
Monitor	T22i-20	82%
Monitor	P22i-20	82%
Monitor	T22V-20	85%
Monitor	T24V-20	85%
Monitor	M14	61%
Monitor	C19-10	84%
Monitor	D19-10	84%
Monitor	Q24i-10	72%

Product Type	Model Name	% CL-PCR
Monitor	Q27Q-10	72%
Monitor	X24i-20	76%
Monitor	X27Q-20	75%
Monitor	G34W-10	25%
Monitor	G32QC-10	25%
Monitor	G27C-10	30%
Monitor	P32U-10	83%
Monitor	T2054P	85%
Monitor	T24i-10	84%
Monitor	T24i-19	84%
Monitor	T24M-10	84%
Monitor	S28U-10	84%
Monitor	L28U-30	84%
Monitor	T27Q-20	78%
Monitor	T27H-20	78%
Monitor	T32H-20	67%
Monitor	T32P-20	78%
Monitor	G25-10	84%
Monitor	G24-10	85%
Monitor	T2324C	85%
Monitor	TE23-10	85%
Monitor	P24i-10	84%
Notebook	X1 Carbon 7th Gen	1%
Desktop	ThinkCentre M75s-1	23%
Desktop	iDeaCentre 510A-15ICK	17%
Desktop	iDeaCentre 510-15ICK	17%
Desktop	iDeaCentre 510S-07ICK	24%
Desktop	Lenovo V530S-07ICR	23%
Desktop	ThinkCentre M720E	30%
Desktop	iDeaCentre A340-22ICK	3%
Desktop	iDeaCentre A340-24ICK	6%
Desktop	IDeaCentre T540-15AMA G	24%
Desktop	IDeaCentre T540-15ICK G	16%
Desktop	ThinkCentre M75Q-1	82%

Sustainability overview

Take Back and Recycling
Lenovo offers Product take-back and recycling programs in most major markets where it does business, and with many of those programs free to consumers. Lenovo's Asset Recovery Services (ARS) provides business customers with customizable solutions for computers and servers including take-back, data destruction, refurbishment, and recycling services.

OUR PEOPLE

Operating in a continually changing technology industry, we value a well-trained and educated workforce. As such, we focus heavily on training and education. Being a successful employer and hiring/retaining excellent employees fuels our business success. We design our human resource efforts and initiatives to make Lenovo a desirable place to work. Lenovo measures employment success across five key elements: compensation and benefits; work-life balance; performance and recognition; development and career opportunities; and retention. Additionally, we are committed to supporting our diverse workforce and creating an inclusive environment with the intended outcome of each employee feeling valued, respected, and a sense of belonging. During FY 2019/20, Lenovo was recognized for the outstanding performance of our diversity and inclusion initiatives across the organization, including the 2020 Bloomberg Gender Equality Index, and the 2019 Human Rights Campaign Corporate Equality Index.

Lenovo's Commitment to Diversity and Nondiscrimination policy documents and formalizes Lenovo's commitments to ensuring equal opportunity and maintaining a diverse workforce. We are also an Affirmative Action – Equal Opportunity Employer in the United States. Lenovo's employee-related standards, policies, and benefits are designed to be best-in-class, attracting and retaining top talent and enabling them to achieve their full potential.

Lenovo's diversity and inclusion practices play an instrumental role in advancing the employee experience and helps to drive the Lenovo vision of intelligent transformation by fostering inclusion and collaboration across our diverse workforce. The foundation of our respect for employees comes in our commitment to non-discrimination and a work environment free from harassment on the basis of race, color, religion, gender, gender identity or expression, national origin, ethnicity, sexual orientation, sex, age, disability, veteran status, or any other characteristic protected by law.

Diversity factors into who we are, what we make, and everything we do: we represent more than 60 countries; we work with suppliers of different types; we give back in different ways to local communities where our employees live and work; and customers across 180 markets around the world count on our products. Since releasing our first Diversity and Inclusion (D&I) Report in November 2018, we've launched a Diversity and Inclusion Board consisting of 10 top executives who have committed to increasing women's representation among our leadership. More information about Lenovo's Diversity and Inclusion accomplishments are available in the 2019 D&I Report.

We understand that an unhealthy or dangerous workplace could have significant negative implications for our employees, the quality of our products, and the Company's standing as a legally compliant and responsible corporate citizen. With this in mind, Lenovo's OHS organization is committed to ensuring the implementation of an effective health and safety management system. Please see the Manufacturing and Supply Chain Operations section for more information.

SOCIAL IMPACT

We direct our social investments to empower diverse and under-represented populations with access to products and opportunities that support science, technology, engineering, and math (STEM) education. This is provided through the global work of our Corporate Philanthropy, the Lenovo Foundation and Lenovo Foundation Beijing.

We execute our social investments through strategically aligned charitable partnerships tailored to the unique education and technology needs of Lenovo's geographies. Lenovo's major partnerships around the world include NAF, Laboratoria, United Way Europe, the Indigenous Reading Project, and Horizon Corporate Volunteer Consultancy. Lenovo seeks out new and impactful partnerships through the Lenovo Foundation's annual global grant round. In 2019, Lenovo provided grants to strategically aligned finalists and semi-finalists in celebration of Lenovo's 35th Birthday.

In addition to an annual grant round, Lenovo engages employees around the world in strategically aligned volunteerism through 'Love On 31', which represents Lenovo's global month of service. In 2019, Love On 31 grew to include 55 different offices in 37 countries across six continents, directly impacting nearly 56,000 people in the month of May. The Lenovo Foundation is proud of Love On 31's impact on the community and Lenovo's workforce. Project reports show that 99 percent of office-based project leaders saw a boost in morale, and 93 percent of volunteers felt a strong sense of pride in working for Lenovo after a day of volunteerism.

In addition to STEM education, Lenovo engages with local communities and provides relief in times of natural disaster. Lenovo uses a metric based evaluation process to ensure an appropriate and consistent response to disasters around the world, regardless of the media attention that a disaster may or may not receive. Lenovo implements its response and provides ongoing aid through trusted disaster response partners, like American Red Cross and their international affiliates.

Employees in Argentina had some fun embracing the Lenovo Foundation's tag line while refurbishing a school during the Love on 31 Global Month of Service Project.

Sustainability overview

Employee Engagement in the Community
In addition to philanthropic initiatives, Lenovo empowers employees to give back to their communities through volunteerism. In May 2019, nearly 3,000 employees around the world were able to take a day to volunteer through Love On 31, Lenovo's global month of service. Employees gave more than 13,000 hours in volunteer service focused on empowering underprivileged populations with STEM education and technology, through efforts that met the unique needs of their communities. The Company provides time off for volunteerism and offers employees in North America a 100 percent match for their charitable donations, up to $10,000 USD per employee each year.

Lenovo global employee engagement is led by employee champions at the office level, directed by a leader in each geography, and centralized across business units and geographies to maximize impact and provide continuity at the global level. Employee volunteerism at Lenovo is anchored by Love On 31, an employee-driven global month of service that has grown by 43 percent in employee participation since it began in 2017. For more information about social investments, please see Lenovo's Sustainability (ESG) Report and Storyhub. Lenovo.com.

A Lenovo employee near Johannesburg high-fives a student during the school renovations that took place for Love On 31 in South Africa.

Love On 31 Projects in China provided STEM education and a day at the Lenovo office for children from under resourced communities.

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Directors' report

The directors of Lenovo Group Limited (the "Company") submit their report together with the audited consolidated financial statements of the Company and its subsidiaries (collectively the "Group") for the year ended March 31, 2020.

PRINCIPAL BUSINESS AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

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

Details of the analyses of the Group's performance for the year by operating segment are set out in note 5 to the financial statements.

BUSINESS REVIEW

A discussion and analysis of the activities as required by Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong S.A.R. of China), including a fair review of the business and a discussion of the principal risks and uncertainties facing the Group, particulars of important events affecting the Group that have occurred since the end of the financial year 2019, and an indication of likely future development in the Group's business, can be found in the "Five-Year Financial Summary", "Chairman & CEO Statement", "Management's Discussion & Analysis" and "Sustainability Overview" sections of this annual report. These discussions form part of this directors' report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated income statement on page 181 of this annual report.

The state of affairs of the Group and of the Company as at March 31, 2020 is set out in the consolidated balance sheet on pages 183 and 184 of this annual report and the balance sheet of the Company in note 30(a) to the financial statements respectively.

The cash flows of the Group for the year are set out in the consolidated cash flow statement on pages 185 and 186 of this annual report.

An interim dividend of HK6.3 cents (2019: HK6.0 cents) per share, amounting to a total of approximately HK$756.9 million (approximately US$96.6 million) (2019: approximately HK$720.9 million (approximately US$92.1 million)), was paid to shareholders during the year.

The Board has resolved to recommend the payment of a final dividend of HK21.5 cents per share for the year ended March 31, 2020 (2019: HK21.8 cents). Subject to shareholders' approval at the forthcoming annual general meeting of the Company to be held on July 9, 2020 ("AGM"), the proposed final dividend will be payable on July 24, 2020 to the shareholders whose names appear on the register of members of the Company on July 15, 2020.

For the purposes of determining shareholders' eligibility to attend and vote at the AGM, and entitlement to the proposed final dividend, the register of members of the Company will be closed. Details of such closures are set out below:

(i) For determining shareholders' eligibility to attend and vote at the AGM:

Latest time to lodge transfer documents for registration	4:30 p.m. on July 2, 2020
Closure of register of members	From July 3 to July 9, 2020
Record date	July 3, 2020

RESULTS AND APPROPRIATIONS *(continued)*

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

Latest time to lodge transfer documents for registration	4:30 p.m. on July 14, 2020
Closure of register of members	July 15, 2020
Record date	July 15, 2020

During the above closure periods, no transfer of shares will be registered. To be eligible to attend and vote at the AGM, and to qualify for the proposed final dividend, all properly completed transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar, Tricor Abacus Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong S.A.R. of China not later than the aforementioned latest times.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results for the year and of the assets and liabilities of the Group as at March 31, 2020 and for the last four financial years are set out on page 291 of this annual report.

DISTRIBUTABLE RESERVES

As at March 31, 2020, the distributable reserves of the Company amounted to US$1,227,188,000 (2019: US$1,014,943,000).

BANK BORROWINGS

Particulars of bank borrowings as at March 31, 2020 are set out in note 26 to the financial statements.

DONATIONS

Charitable and other donations made by the Group during the year amounted to US$6,811,000 (2019: US$1,678,000).

SHARE CAPITAL

Details of movement of share capital of the Company during the year are set out in note 28 to the financial statements.

CONVERTIBLE BONDS

On January 24, 2019, the Company issued US$675,000,000 3.375% convertible bonds ("Bonds") due 2024 to third party professional investors only and the Bonds were listed on The Stock Exchange of Hong Kong S.A.R. of China Limited (the "Stock Exchange") on January 25, 2019.

The market price of the Company's shares on January 15, 2019, being the date on which the terms of the issuance of the Bonds were determined, was HK$5.710 per share. As at March 31, 2020, the Bonds are convertible into a maximum of 694,709,646 ordinary shares at the adjusted conversion price of HK$7.62 per share ("Conversion Shares"), which represents (i) approximately 5.78% of the existing issued share capital of the Company as at the date of issue; and (ii) approximately 5.47% of the issued share capital of the Company, as enlarged by full conversion of the Bonds (assuming there will be no other changes in the Company's shares).

The Conversion Shares issued upon conversion of the Bonds will be fully paid and in all respects rank *pari passu* with the Company's shares in issue on the relevant registration date. The Conversion Shares (if and when issued) will be issued under the general mandate granted to the directors pursuant to an ordinary resolution of the Company passed at the annual general meeting held on July 5, 2018.

There had not been any conversion of the Bonds, and no redemption right had been exercised by the bondholders or the Company for the period ended March 31, 2020 since the issue date of the Bonds. As at March 31, 2020, the total outstanding principal amount of the Bonds was US$675 million.

Assuming the Bonds were fully exercised on March 31, 2020, the shareholdings of the Company immediately before and after the full exercise of the Bonds are set out below for illustration purposes:

Shareholders	**Shareholding immediately before the full exercise of the Bonds**		**Upon full conversion of the Bonds at the adjusted conversion price of HK$7.62 each**	
	Number of Shares	**Approximate % of the total issued share capital**	**Number of Shares**	**Approximate % of the total issued share capital**
LHL[(1)]	2,867,636,724	23.87%	2,867,636,724	22.56%
RLL[(2)]	388,819,317	3.24%	388,819,317	3.06%
LEL[(3)]	240,100,000	2.00%	240,100,000	1.89%
SHL[(4)]	622,804,000	5.18%	622,804,000	4.90%
Union Star[(5)]	996,750,579	8.30%	996,750,579	7.84%
Directors of the Company[(6)]	104,795,449	0.87%	104,795,449	0.82%
Subscribers of the Bonds	–	–	694,709,646	5.47%
Other public Shareholders	6,793,885,545	56.54%	6,793,885,545	53.46%
Total	12,014,791,614	100.00%	12,709,501,260	100.00%

CONVERTIBLE BONDS *(continued)*

Notes:

(1) Legend Holdings Corporation ("LHL"), a company incorporated in the PRC, the H shares of which are listed on the Stock Exchange (stock code: 3396).

(2) Right Lane Limited ("RLL"), a company incorporated in Hong Kong S.A.R. of China with limited liability and a wholly owned subsidiary of LHL.

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

(4) Sureinvest Holdings Limited ("SHL"), a company incorporated in the British Virgin Islands and an investment holding company held as to 86.99% by Mr. Yang Yuanqing, 4.66% by Mr. Wong Wai Ming (chief financial officer of the Company) and 8.34% by eight other individuals.

(5) Union Star Limited ("Union Star"), a company incorporated in the Cayman Islands and is held as to 21.00%, 32.00% and 47.00% by SHL, LHL (through LEL) and Red Eagle Group (PTC) Limited (through Harvest Star Limited), respectively. Harvest Star Limited is a company incorporated in the Cayman Island and a wholly owned subsidiary of Red Eagle Group (PTC) Limited (a company incorporated in the British Virgin Islands and a trust holding company of an employee benefit trust of the Company).

(6) Without taking into account of the share awards held by the Directors.

Based on the cash and cash equivalents as at March 31, 2020 and the cash flow from operating activities of the Company, the Company has the ability to meet its redemption obligation under the Bonds.

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

Conversion date	Company's share price HK$	Implied rate of return of Bondholders
September 30, 2020	7.23	15%
March 31, 2021	7.30	12%

Please refer to note 26 to the consolidated financial statements and the Company's 2018/19 annual report and the announcement of the Company dated January 15, 2019 for further details of the Bonds.

DEBENTURES ISSUED

The Company issued US$650,000,000 5.875% unsecured notes due 2025 on April 24, 2020 under the medium term note programme established by the Company on March 8, 2020. The Company has received a consideration of US$649,846,340 from the issuance of 2025 Note, and the proceeds of this issue was applied for refinancing and general corporate purposes.

The Company further issued US$350,000,000 5.875% unsecured notes due 2025 (together with the notes issued on April 24, 2020, the "2025 Note") on May 12, 2020.

The Company has received a consideration of US$354,493,125 and the proceeds of this issue was applied for refinancing and general corporate purposes. The 2025 Note was listed on the Stock Exchange.

EQUITY-LINKED AGREEMENTS

Pursuant to the subscription agreement entered into between the Company and the subscriber dated September 29, 2017, the Company issued and the subscriber subscribed for 90,613,689 units of bonus warrants ("Bonus Warrants") at the initial exercise price of HK$5.17 per Bonus Warrant on November 17, 2017. The exercise in full of the subscription rights attaching to the Bonus Warrants will result in the issue of 90,613,689 ordinary shares of the Company. As at March 31, 2020, all the units of Bonus Warrants remain outstanding. For further details of the Bonus Warrants, please refer to note 11 to the financial statements, and also the Company's announcements dated September 29, 2017 and November 17, 2017 and circular dated October 16, 2017 in relation to, among other things, issuance of the Bonus Warrants.

Save as disclosed above and the "Long-Term Incentive Program" and the "Employee Share Purchase Plan" as disclosed in the Compensation Committee Report and note 28 to the financial statements, no equity-linked agreements were entered into by the Company during the year or subsisted at the end of the year.

SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Particulars of the Company's principal subsidiaries, associates and joint ventures as at March 31, 2020 are set out in notes 36 and 17 to the financial statements respectively.

MANAGEMENT CONTRACTS

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

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group sold less than 10% of its goods and services to its five largest customers. The percentages of purchases for the year attributable to the Group's major suppliers are as follows:

The largest supplier	19%
Five largest suppliers combined	33%

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

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

During the year ended March 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 219,414,416 shares from the market for award to employees upon vesting. Details of these program and plan are set out under sections headed "Long-Term Incentive Program" and "Employee Share Purchase Plan" in the Compensation Committee Report on page 117 and page 119 respectively of this annual report.

DIRECTORS

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

Chairman and Executive Director

Mr. Yang Yuanqing

Non-executive Directors

Mr. Zhu Linan
Mr. Zhao John Huan

Independent Non-executive Directors

Mr. Nicholas C. Allen
Mr. Nobuyuki Idei
Mr. William O. Grabe
Mr. William Tudor Brown
Mr. Yang Chih-Yuan Jerry
Mr. Gordon Robert Halyburton Orr
Mr. Woo Chin Wan Raymond
Ms. Yang Lan (appointed on May 15, 2020)
Dr. Tian Suning (retired on July 9, 2019)
Ms. Ma Xuezheng (passed away on August 31, 2019)

In accordance with article 95 of the Company's articles of association, Ms. Yang Lan who was appointed as a director during the year, shall hold office until the forthcoming AGM and, being eligible, has offered herself for re-election.

In accordance with article 107 of the Company's articles of association, Mr. Yang Yuanqing, Mr. Nobuyuki Idei, Mr. William O. Grabe and Mr. William Tudor Brown will retire by rotation at the AGM and, being eligible, have offered themselves for re-election, except for Mr. Nobuyuki Idei who will not stand for re-election after having served as an independent non-executive director of the Company for nearly 9 years.

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

The list of directors who have served on the boards of directors of the subsidiaries of the Company during the year ended March 31, 2020 or during the period from April 1, 2019 to the date of this report is available on the Company's website (https://investor.lenovo.com/en/publications/list_directors.php).

Directors' report

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

Honorary Chairman

Mr. Liu Chuanzhi, 76, has been the Honorary Chairman and Senior Advisor of the Company since November 3, 2011. Mr. Liu is the founder of the Group and held the positions of executive director, non-executive director and chairman of the Board at different times from 1993 until his resignation from the Board on November 3, 2011. As our Honorary Chairman, Mr. Liu is not a director or an officer of the Company or of any subsidiary of the Company, and does not have any management role in the Company or any of its subsidiaries. In 1966, he graduated from the Radar Navigation Department of People's Liberation Army Institute of Telecommunication Engineering (中國人民解放軍軍事電信工程學院雷達導航系) (now known as Xidian University) in China and has substantial experiences in corporate management. Mr. Liu was previously the chairman of the board and executive director of Legend Holdings Corporation (HKSE listed), a company holding substantial interests in the issued shares of the Company. He is the honorary chairman of the board of directors and a senior advisor of Legend Holdings Corporation.

Biography of directors

Chairman and executive director

Mr. Yang Yuanqing, 55, is the Chairman of the Board, Chief Executive Officer and an executive director of the Company. He is also a director and a shareholder of Sureinvest Holdings Limited which holds interests in the issued shares of the Company. Mr. Yang assumed the duties of chief executive officer of the Company on February 5, 2009. Prior to that, he was the chairman of the Board from April 30, 2005. Before taking up the office as chairman, Mr. Yang was the chief executive officer and has been an executive director of the Company since December 16, 1997.

Mr. Yang has over 30 years of experience in IT industry. Under his leadership, Lenovo has been China's best-selling PC brand since 1997 and is the leading PC vendor, one of the major players in global smartphone and server markets. Mr. Yang holds a master's degree from the Department of Computer Science at the University of Science and Technology of China. Mr. Yang is currently a director of Baidu, Inc. (NASDAQ listed) and an independent director of Taikang Insurance Group Inc. Mr. Yang is also a guest professor at the University of Science and Technology of China and a member of the International Advisory Council of Brookings Institute.

Non-executive directors

Mr. Zhu Linan, 57, has been a non-executive director of the Company since April 30, 2005. Mr. Zhu graduated with a master's degree in electronic engineering from Shanghai Jiao Tong University and has more than 20 years of management experience. He was previously a senior vice president of the Group. Mr. Zhu has been re-designated as a non-executive director with effect from January 1, 2020 and prior to that, he was executive director, president and member of executive committee of Legend Holdings Corporation (HKSE listed), a company holding substantial interests in the issued shares of the Company. He is a non-executive director of CAR Inc. (HKSE listed).

Biography of directors *(continued)*

Non-executive directors *(continued)*

Mr. Zhao John Huan, 57, has been a non-executive director of the Company since November 3, 2011. Mr. Zhao holds a master's degree in business administration from the Kellogg School of Management at Northwestern University, dual master's degrees in electric engineering and physics from Northern Illinois University and a bachelor's degree in physics from Nanjing University. He has been re-designated as a non-executive director with effect from January 1, 2020 and prior to that, he was an executive director, executive vice president and member of executive committee of Legend Holdings Corporation (HKSE listed), a company having substantial interests in the issued shares of the Company. He is also the chairman and president of Hony Capital Limited.

In addition, he currently holds the following positions: non-executive director of China Glass Holdings Limited, the chairman of the board and executive director of Best Food Holding Company Limited, chairman of the board and non-executive director of Hospital Corporation of China Limited, chairman and executive director of Goldstream Investment Limited (formerly known as "International Elite Ltd.") (all HKSE listed), a director of Shanghai Jin Jiang International Hotels Development Co., Ltd. 上海錦江國際酒店發展股份有限公司 and ENN Ecological Holdings Co., Ltd 新奥生態控股股份有限公司 (both listed on the Shanghai Stock Exchange), a non-executive director of Zoomlion Heavy Industry Science and Technology Co., Ltd. 中聯重科股份有限公司 (HKSE and Shenzhen Stock Exchange listed).

Mr. Zhao was previously the deputy chairman of Shanghai Chengtou Holding Co., Ltd. 上海城投控股股份有限公司 and Shanghai Environment Group Co., Ltd. 上海環境集團股份有限公司.

Independent non-executive directors

Mr. Nicholas C. Allen, 65, has been an independent non-executive director of the Company since November 6, 2009. Mr. Allen received a bachelor of arts degree in economics/social studies from Manchester University, United Kingdom. He is a fellow of the Institute of Chartered Accountants in England and Wales and a member of the Hong Kong S.A.R. of China Institute of Certified Public Accountants. Mr. Allen has extensive experience in accounting and auditing and was a partner of PricewaterhouseCoopers until his retirement in June 2007. Mr. Allen is an independent non-executive director and the chairman of the board of directors of Link Real Estate Investment Trust (HKSE listed), an independent non-executive director of CLP Holdings Limited (HKSE listed). He was previously an independent non-executive director of Hysan Development Company Limited and VinaLand Limited.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT *(continued)*

Biography of directors *(continued)*

Independent non-executive directors *(continued)*

Mr. Nobuyuki Idei, 82, has been an independent non-executive director of the Company since September 28, 2011. Mr. Idei is the founder, representative director and chairman (previously as the chief executive officer) of Quantum Leaps Corporation, an executive advisory company. Until retiring in June 2005, for more than a decade, Mr. Idei held a wide variety of leadership positions at Sony Corporation, including chairman and group chief executive officer. He was also the chairman of Sony's advisory board from June 2005 to June 2012.

Mr. Idei currently serves on the boards of directors of FreeBit Co., Ltd. and Monex Group, Inc. (both Tokyo Stock Exchange listed). He is also the chairman of the National Conference on Fostering Beautiful Forests in Japan. Mr. Idei holds a bachelor's degree in political science and economics from Waseda University in Tokyo.

He has served on the boards of directors of Nestlé S.A., Electrolux, General Motors Company, Accenture plc and Baidu, Inc. and also served in a number of other advisory positions including as counselor to the Bank of Japan, vice chairman of Nippon Keidanren (Japan Business Federation) and chairman of the IT Strategy Council, an advisory committee to Japan's Prime Minister.

Mr. William O. Grabe, 82, has been an independent non-executive director of the Company since February 8, 2012 and was appointed as the lead independent director of the Company on May 23, 2013. Before that, he was a non-executive director of the Company since May 17, 2005. Mr. Grabe is currently a director of the following listed companies: Gartner Inc. and QTS Realty Trust, Inc. (both NYSE listed). He was previously an independent director of Compuware Corporation and a director of Covisint Corporation. Mr. Grabe is an advisory director of General Atlantic LLC. He formerly served as a managing director of General Atlantic LLC and has been associated with General Atlantic Group since 1992. Prior to that, he served as a corporate vice president and officer of IBM.

Mr. William Tudor Brown, 61, has been an independent non-executive director of the Company since January 30, 2013. Mr. Brown is a Chartered Engineer and holds an MA (Cantab) Degree in electrical sciences from Cambridge University. He is a fellow of the Institution of Engineering and Technology and a fellow of the Royal Academy of Engineering. He was awarded as Member of the Order of the British Empire (MBE) on June 15, 2013.

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

Mr. Brown is currently an independent non-executive director of Semiconductor Manufacturing International Corporation (HKSE listed) and a director of Marvell Technology Group Ltd. (NASDAQ listed). He was previously an independent non-executive director of P2i Limited and Xperi Corporation. He also served on the UK Government Asia Task Force until May 2012.

Biography of directors *(continued)*

Independent non-executive directors *(continued)*

Mr. Yang Chih-Yuan Jerry, 51, has been an independent non-executive director of the Company since November 6, 2014. Prior to that, he was the board observer of the Company since February 20, 2013. He holds a master's degree and a bachelor's degree of science in electrical engineering from Stanford University, where he served on the Board of Trustees from June 2005 until September 2015 and from October 2017 to the present.

Mr. Yang co-founded Yahoo! Inc. (NASDAQ listed) and served as its chief executive officer from June 2007 to January 2009. He also served as a member of the board of directors of Yahoo! Inc. until January 17, 2012. During such appointment, Mr. Yang focused on corporate strategy and technology vision. Mr. Yang was also instrumental in building strategic business partnerships, international joint ventures and recruiting key talent.

Mr. Yang also served as a director of Yahoo! Japan Corporation from January 1996 to January 2012, an independent director of Cisco Systems, Inc. from July 2000 to November 2012. Mr. Yang is currently an independent director of Workday Inc. (Nasdaq listed) and Alibaba Group Holding Limited (NYSE and HKSE listed).

Mr. Gordon Robert Halyburton Orr, 57, was re-designated as an independent non-executive director of the Company on September 1, 2016. Prior to that, he was a non-executive director of the Company since 2015. He holds a Master of Arts degree in Engineering Science from Oxford University, United Kingdom and a Master of Business Administration degree from Harvard University.

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

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

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT *(continued)*

Biography of directors *(continued)*

Independent non-executive directors *(continued)*

Mr. Woo Chin Wan Raymond, aged 65, has been appointed as an independent non-executive director of the Company since February 22, 2019. Mr. Woo is a retired partner of Ernst & Young ("Ernst & Young"). Before his retirement in June 2015, he had held various senior positions with Ernst & Young in the Greater China area. He was a director and the general manager of Ernst & Young Hua Ming CPA, a member of Ernst & Young's Greater China Leadership Team, and the managing partner of Ernst & Young's Greater China Operations. He has more than 30 years of professional experience, specializing in audit, corporate restructuring, IPO, risk management, and mergers and acquisitions. Mr. Woo is a Canadian Chartered Accountant and a Hong Kong S.A.R. of China Certified Public Accountant. He obtained his master's degree in Business Administration from York University (Canada) in 1982.

Mr. Woo is currently an independent non-executive director of Bank of Communications Co., Ltd. (HKSE listed). He was previously an independent non-executive director of Great Wall Pan Asia Holdings Limited and an independent non-executive director of Dah Chong Hong Holdings Limited.

Ms. Yang Lan, aged 52, was appointed as an independent non-executive director of the Company on May 15, 2020. Ms. Yang is currently a broadcast journalist and media entrepreneur with approximately 30 years' experience in the industry. She is the co-founder and chairperson of Sun Media Group and Sun Culture Foundation. Sun Media Group is a private media group in China with businesses ranging from production of high-quality programmes and integrated marketing in film & television, education, women's community, publishing and location-based entertainment and sports across Mainland China, Hong Kong S.A.R. of China and the United States, while Sun Culture Foundation is a non-profit organization aiming to improve education and promote philanthropy. Ms. Yang obtained her bachelor's degree in English Language & Literature from Beijing Foreign Studies University, China in 1990 and her master's degree in International Affairs from Columbia University, the United States of America in 1996.

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

Biography of senior management

Mr. Gianfranco Lanci, 65, joined the Group in April 2012 and is currently the Corporate President and Chief Operating Officer of the Company responsible for the principal operations of all the Group's five geographies, and the Intelligent Device Group, which includes the Company's PC, Smart Devices and Mobile Device businesses. Before taking up the office as Corporate President, Mr. Lanci was Chief Operating Officer and Executive Vice President of the Company and President of the PC Group, EMEA and AP. Mr. Lanci has substantial experience across the PC business, including leadership roles at Texas Instruments and Acer. He was appointed as President of Acer Inc. in 2005 and in 2008 became Chief Executive Officer and President. Under his leadership, he led Acer to the number two position globally and number one in EMEA while recording record profitability for three consecutive years. He holds a degree in engineering from the Politecnico of Turin.

Biography of senior management *(continued)*

Ms. Gao Lan, 54, joined the Group in 2009 and is currently the Senior Vice President of Human Resources of the Company, responsible for human resources, organizational development, global talent, compensation and benefits, as well as nurturing the Company's culture. Prior to this, Ms. Gao held several Vice President roles leading the HR functions of many teams, including Emerging Markets Group, APLA & China Geography, People & Organization Capability and HR Strategy & Operations. Before joining the Group, Ms. Gao held senior positions in HR in various multinational companies. Ms. Gao holds a bachelor degree of science from Nankai University, studied M.Phil. degree from Cambridge University in the UK, completed human resource management course at the Western Management Institute of Beijing and the Leadership Excellence for Business HR Program at Stanford University in the US.

Mr. He Zhiqiang, 57, joined the Group in 1986 and is currently the Senior Vice President of the Company and President of Lenovo Capital and Incubator Group. This group is responsible for driving innovation through investment in startups, spinning off new businesses and exploring new technologies. Prior to that, Mr. He held various leadership positions in the Group including the President of the Ecosystem and Cloud Services Business Group and was the Chief Technology Officer overseeing Lenovo's Research & Technology initiatives and systems. Mr. He holds a bachelor's degree in computer communication from Beijing University of Posts and Telecommunications and a master's degree in computer engineering from the Institute of Computing Technology of the Chinese Academy of Sciences.

Ms. Qiao Jian, 52, joined the Group in 1990 and is currently the Senior Vice President and Chief Strategy Officer and Chief Marketing Officer of the Company, overseeing Lenovo's strategy and planning, global brand, marketing and communications. Before that, Ms. Qiao was Co-President of the Mobile Business Group focusing on Lenovo's Mobile business in China. Prior to that, Ms. Qiao was the Senior Vice President of Human Resources. Ms. Qiao held various senior positions in the Group including Senior Vice President of Strategy and Planning and Vice President of Human Resources in China – both before and after the acquisition of IBM's PC Division. Ms. Qiao has extensive experience in strategy, marketing and branding, and human resources. She holds a bachelor's degree in management science from Fudan University and holds an EMBA from the China Europe International Business School.

Ms. Laura G. Quatela, 62, joined the Group in October 2016 as a Senior Vice President and the Chief Legal Officer responsible for the Group's legal, IP, litigation, government relations and ESG (environmental, social and governance) matters globally. Before joining the Group, Ms. Quatela had a 15-year career with Eastman Kodak Company ("Kodak") holding a broad range of leadership positions including Chief Intellectual Property Officer, General Counsel, Senior Vice President, Co-Chief Operating Officer and President of the company. She had responsibility for licensing Kodak's technology, patents and trademarks and leading Kodak's consumer film, photographic paper, retail photo kiosk, event imaging and OLED businesses. Prior to joining Kodak, Ms. Quatela worked for Clover Capital Management, Inc., SASIB Railway GRS, and Bausch & Lomb. In private law practice, she was a defense litigator specializing in mass tort cases. Ms. Quatela is a graduate of Denison University, B.A., International Politics and Case Western Reserve University School of Law, J.D., where she was inducted into the Society of Benchers. Ms. Quatela is conversant in Mandarin.

Dr. Yong Rui, 50, joined the Group in 2016 as Senior Vice President and Corporate Chief Technology Officer. He oversees Lenovo's corporate technical strategy, research and development directions, and leads the Lenovo Research organization. He drives Lenovo's effort in AI, AR, 5G, MEC, Device Innovation, and various smart vertical solutions. Before joining the Group, he had an 18-year career with Microsoft, where he held various leadership roles in R&D strategy, basic research, technology incubation and product development. Dr. Rui is a world-renowned technologist in computer science and artificial intelligence, a Fellow of ACM, IEEE, IAPR, and SPIE, and a Foreign Member of Academia Europaea. He received his BS from Southeast University, his MS from Tsinghua University, and his PhD from University of Illinois at Urbana-Champaign (UIUC).

Directors' report

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT *(continued)*

Biography of senior management *(continued)*

Mr. Kirk Skaugen, 49, joined the Group in November 2016 as an Executive Vice President of the Company and the President of the Data Center Group. In this capacity he leads the end-to-end data center business including Hyperscale & Cloud, High Performance Computing & Artificial Intelligence, Software Defined Infrastructure, Edge/IOT servers, Telecommunications, and Lenovo's server, storage, software and services business units. This includes strategic planning, architecture, hardware and software engineering, supply chain and procurement, quality, customer service, sales and marketing across Lenovo DCG's five geographies with business in 180 countries. Prior to Lenovo, Mr. Skaugen worked at Intel for 24 years where in his most recent positions he led the Data Center Group and Client Computing Groups as senior vice president. As head of Client Computing, Mr. Skaugen was responsible for Intel's largest revenue and profit contributor including Intel's PC, tablet, and phone businesses. He has also served as general manager of Intel's Asia Pacific Solutions Group responsible for software development, system integrator and CIO relationships across the Asia region. Mr. Skaugen holds a bachelor of science in electrical engineering from Purdue University.

Mr. Wong Wai Ming, 62, is currently the Executive Vice President and the Chief Financial Officer of the Company. He was previously an investment banker for more than 15 years and also held senior management positions in listed companies in Hong Kong S.A.R. of China. He was an independent non-executive director of the Company from March 30, 1999 until his appointment to the position of Chief Financial Officer in 2007. Mr. Wong is a member of the Hong Kong S.A.R. of China Institute of Certified Public Accountants and the Institute of Chartered Accountants in England and Wales and holds a bachelor's degree in management sciences from the Victoria University of Manchester in the United Kingdom.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

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

DIRECTORS' INDEMNITIES AND INSURANCE

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

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

DIRECTORS' INTERESTS

As at March 31, 2020, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register maintained by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in the Listing Rules were as follows:

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

Name of director	Capacity and number of shares/underlying shares held				Approximate percentage of interests *(Note 2)*
	Interests in shares/underlying shares *(Note 1)*	Personal interests	Corporate interests	Aggregate long position	
Mr. Yang Yuanqing	Ordinary shares	94,294,387	622,804,000 *(Note 3)*	717,098,387	
	Share awards	343,060,714	–	343,060,714	
				1,060,159,101	8.82%
Mr. Zhu Linan	Ordinary shares	2,762,986	–	2,762,986	
	Share awards	3,392,794	–	3,392,794	
				6,155,780	0.05%
Mr. Zhao John Huan	Ordinary shares	766,093	–	766,093	
	Share awards	4,243,102	–	4,243,102	
				5,009,195	0.04%
Mr. Nicholas C. Allen	Ordinary shares	1,223,465	–	1,223,465	
	Share awards	4,243,103	–	4,243,103	
				5,466,568	0.045%
Mr. Nobuyuki Idei	Ordinary shares	778,391	–	778,391	
	Share awards	4,243,103	–	4,243,103	
				5,021,494	0.042%
Mr. William O. Grabe	Ordinary shares	3,291,873	744,281	4,036,154	
	Share awards	4,243,103	–	4,243,103	
				8,279,257	0.069%
Mr. William Tudor Brown	Ordinary shares	700,900	–	700,900	
	Share awards	4,243,103	–	4,243,103	
				4,944,003	0.041%
Mr. Yang Chih-Yuan Jerry	Ordinary shares	588,632	–	588,632	
	Share awards	4,072,315	–	4,072,315	
				4,660,947	0.039%
Mr. Gordon Robert Halyburton Orr	Ordinary shares	388,722	–	388,722	
	Share awards	3,423,272	–	3,423,272	
				3,811,994	0.032%
Mr. Woo Chin Wan Raymond	Ordinary shares	–	–	–	
	Share awards	358,380	–	358,380	
				358,380	0.003%

DIRECTORS' INTERESTS *(continued)*

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

Name of director	Name of associated corporations	Long position/ short position	Capacity/ nature of interests	Number and class of shares/underlying shares/registered capital held	Approximate percentage of interests *(Note 4)*
Mr. Yang Yuanqing	SHAREit Technology Holdings Inc.	Long position	Personal interests held as beneficial owner	4,996,633 series A preferred shares	16.06%
	北京平安聯想智慧醫療信息技術有限公司 (formerly known as 北京聯想智慧醫療信息技術有限公司)	Long position	Personal interests held as beneficial owner	registered capital of RMB2,400,000	1.25% *(Note 5)*
	國民認證科技(北京)有限公司	Long position	Personal interests held as beneficial owner	registered capital of RMB1,097,144	4.72% *(Note 5)*
	北京聯想雲科技有限公司	Long position	Personal interests held as beneficial owner	registered capital of RMB3,200,000	5.33% *(Note 5)*
	深圳聯想懂的通信有限公司	Long position	Personal interests held as beneficial owner	registered capital of RMB2,584,615	3.93% *(Note 5)*
	聯想教育科技(北京)有限公司	Long position	Personal interests held as beneficial owner	registered capital of RMB1,000,000	2.00% *(Note 5)*

Notes:

1. Share awards represent underlying shares convertible into ordinary shares. Details of share awards are set out under the section headed "Long-Term Incentive Program" in the Compensation Committee Report.
2. The approximate percentage of interests is based on the shares/underlying shares comprising the interests held as a percentage of the total number of shares in issue of the Company of the same class immediately after the relevant event and as recorded in the register maintained under section 352 of the SFO.
3. The shares are held by Sureinvest Holdings Limited in which Mr. Yang Yuanqing holds more than one-third of the voting power at its general meetings. Therefore, Mr. Yang is taken to have an interest in 622,804,000 shares under the SFO and such interest is also reported under the below section headed "Substantial Shareholders' and Other Persons' Interests".
4. The approximate percentage of interests is based on the shares comprising the interests held as a percentage of the total number of shares in issue of the associated corporation of the same class immediately after the relevant event and as recorded in the register maintained under section 352 of the SFO.
5. Mr. Yang Yuanqing holds the interests of RMB2,400,000 (being 1.25%), RMB1,097,144 (being 4.72%), RMB3,200,000 (being 5.33%), RMB2,584,615 (being 3.93%) and RMB1,000,000 (being 2.00%) in the registered capital in 北京平安聯想智慧醫療信息技術有限公司, 國民認證科技(北京)有限公司, 北京聯想雲科技有限公司, 深圳聯想懂的通信有限公司 and 聯想教育科技(北京)有限公司 respectively.

Save as disclosed above, as at March 31, 2020, none of the directors or chief executive of the Company or their associates had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register maintained by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

Details of the movements in the share awards for the year ended March 31, 2020 are set out under the section headed "Long-Term Incentive Scheme" in the Compensation Committee Report and in the note 28 to the financial statements.

Save as disclosed in the sections headed "Directors' Interests" of this report, and "Long-Term Incentive Program" of the Compensation Committee Report, at no time during the year ended March 31, 2020 was the Company or a specified undertaking of the Company a party to any arrangements to enable the directors of the Company to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS

As at March 31, 2020, the following persons (other than the directors and chief executive of the Company as disclosed above) had interests or short positions in the shares and/or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

		Capacity and number of shares/ underlying shares held			
Name	**Long position/ Short position**	**Beneficial owner**	**Corporate interests**	**Aggregate long and short positions** *(Note 1)*	**Approximate percentage of interests**
Legend Holdings Corporation	Long position	2,867,636,724	628,919,317 *(Note 2)*	3,496,556,041	29.10%
Right Lane Limited	Long position	388,819,317	240,100,000 *(Note 3)*	628,919,317	5.23%
Red Eagle Group (PTC) Limited	Long position	–	996,750,579	996,750,579 *(Notes 4 & 6)*	8.30%
Harvest Star Limited	Long position	–	996,750,579	996,750,579 *(Notes 5 & 6)*	8.30%
Union Star Limited	Long position	996,750,579	–	996,750,579	8.30%
Sureinvest Holdings Limited	Long position	622,804,000	–	622,804,000 *(Note 7)*	5.18%

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS *(continued)*

Notes:

1. The interests include underlying shares as follows:–

Name	Convertible instruments unlisted equity derivatives
Red Eagle Group (PTC) Limited	90,613,689
Harvest Star Limited	90,613,689
Union Star Limited	90,613,689

2. Out of 628,919,317 shares, 388,819,317 shares are directly held by Right Lane Limited ("Right Lane"), a direct wholly-owned subsidiary of Legend Holdings Corporation, and 240,100,000 shares are indirectly held by Right Lane through its wholly-owned subsidiary, Legion Elite Limited ("Legion Elite").
3. These shares are held by Legion Elite.
4. These shares/underlying shares of the Company are indirectly held by Harvest Star Limited through Union Star Limited ("Union Star").
5. These shares/underlying shares of the Company are directly held through Union Star.
6. The interests represent 906,136,890 shares and 90,613,689 units of bonus warrants issued to Union Star under the subscription agreement dated September 29, 2017 entered into between the Company and Union Star and as disclosed in the Company's announcements dated September 29, 2017 and November 17, 2017 and circular dated October 16, 2017.
7. Mr. Yang Yuanqing holds more than one-third of the voting power at general meetings of Sureinvest Holdings Limited ("Sureinvest"). Accordingly, Mr. Yang is deemed to have interests in those 622,804,000 shares of the Company held by Sureinvest under the SFO. This interest is also included as corporate interests of Mr. Yang in the above section headed "Directors' Interests".

Save as disclosed above, as at March 31, 2020, no other persons (other than the directors and chief executive of the Company, whose interests are set out in the above section headed "Directors' Interests") had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

RETIREMENT SCHEME ARRANGEMENTS

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

Defined Benefit Pensions Plans

Chinese Mainland – Retirement Schemes

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

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

RETIREMENT SCHEME ARRANGEMENTS *(continued)*

Defined Benefit Pensions Plans *(continued)*

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

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

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

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

For the year ended March 31, 2020, an amount of US$1,643,177 was charged to the consolidated income statement with respect to the qualified and non-qualified plans.

The principal results of the most recent actuarial valuation of the plan at March 31, 2020 were the following:

- The actuarial valuation was prepared by Fidelity. The actuaries involved are fully qualified under the requirements of US law.

- The actuarial method used was the Projected Unit Credit Cost method and the principal actuarial assumptions were:

– Discount rate:	1.50%
– Expected return on plan assets:	3.25%
– Future salary increases:	N/A

- The qualified plan was 59% funded at the actuarial valuation date.

- There was a net liability of US$48,709,424 under the qualified plan for this reason at the actuarial valuation date.

Japan – Pension Plan

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

For the year ended March 31, 2020, an amount of JPY1,205,890,073 was charged to the consolidated income statement with respect to this plan.

RETIREMENT SCHEME ARRANGEMENTS *(continued)*

Defined Benefit Pensions Plans *(continued)*

Japan – Pension Plan *(continued)*

The principal results of the most recent actuarial valuation of the plan at March 31, 2020 were the following:

- The actuarial valuation was prepared by JP Actuary Consulting Co., Ltd. The actuaries involved are fully qualified under the requirements of Japanese law.

- The actuarial method used was the Projected Unit Credit Cost method and the principal actuarial assumptions were:

  - Discount rate: 0.50%
  - Expected return on plan assets: 0.50%
  - Future salary increases: Age-group based

- The plan was 66% funded at the actuarial valuation date.

- There was a net liability of JPY10,475,986,025 under this plan at the actuarial valuation date.

Germany – Pension Plan

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

Employees hired by IBM before January 1, 1992 have a defined benefit based on a final pay formula. Employees hired from 1992 to 1999 have a combination of a defined benefit based on a final pay formula and a defined contribution plan with employee required contributions of 7% of pay above the social security ceiling and a 100% company match. Employees hired in or after 2000 have a combination of a cash balance plan with an employer contribution of 2.95% of pay below the social security ceiling, and a voluntary defined contribution plan where employees can contribute specific amounts through salary sacrifice. Employees of Motorola Mobility have a defined benefit based on a final pay formula.

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

For the year ended March 31, 2020, an amount of EUR2,924,732 was charged to the consolidated income statement with respect to this plan.

The principal results of the most recent actuarial valuation of the plan at March 31, 2020 were the following:

- The actuarial valuation was prepared by Kern, Mauch & Kollegen (Motorola Mobility valuation prepared by WillisTowersWatson). The actuaries involved are fully qualified under German law.

- The actuarial method used was the Projected Unit Credit Cost method and the principal actuarial assumptions were:

  - Discount rate: 0.50%
  - Future salary increases: Age-group based
  - Future pension increases: 2.00%

RETIREMENT SCHEME ARRANGEMENTS *(continued)*

Defined Benefit Pensions Plans *(continued)*

Germany – Pension Plan *(continued)*

- The plans were 28% funded at the actuarial valuation date.

- There was a net liability of EUR180,621,772 under this plan at the actuarial valuation date.

Defined Contribution Plans

United States of America ("US") – Lenovo Savings Plan

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

US Lenovo Executive Deferred Compensation Plan

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

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

United Kingdom ("UK") – Lenovo Stakeholders Plan

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

Canada – Defined Contribution Pension Plan

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

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

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

CONTINUING CONNECTED TRANSACTIONS

During the year, the Group conducted certain continuing connected transactions with certain connected persons (as defined in the Listing Rules) which are required to be disclosed pursuant to rules 14A.49 and 14A.71 of the Listing Rules.

(i) Continuing connected transactions with NEC Corporation and its associates

During the year, the Group conducted the following continuing connected transactions with NEC Corporation and its associates, details of which are set out as follows:

Lenovo NEC Holdings B.V. ("JVCo", together with its subsidiaries the "JVCo Group"), is a joint venture company held as to 66.6% by the Company (through Lenovo International Coöperatief U.A. (formerly known as Lenovo (International) B.V.), an indirect wholly-owned subsidiary of the Company and 33.4% by NEC Corporation ("NEC", together with its subsidiaries the "NEC Group") to own and operate their respective personal computer businesses in Japan pursuant to the Business Combination Agreement entered into between the Company and amongst others, NEC dated January 27, 2011 and became effective on July 1, 2011 (the "Closing Date") and as amended on October 7, 2014.

At or prior to the Closing Date, NEC or other members of the NEC Group entered into various agreements (the "CCT Agreements") with the Company, the JVCo or other members of the JVCo Group in respect of the provision of certain services and products to or by the JVCo Group to facilitate the operation of its personal computer business in Japan. Details of the CCT Agreements are set out in the announcement dated April 21, 2011 and the circular issued by the Company to the shareholders on May 11, 2011. The continuing connected transactions under the NEC Mobiling Agreement ceased subsequently in June 2013 following NEC's disposal of the shares in NEC Mobiling, Ltd..

Upon the Closing Date, JVCo became an indirect non-wholly-owned subsidiary of the Company. As NEC is a substantial shareholder of the JVCo and therefore a connected person of the Company, the transactions contemplated under the CCT Agreements constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

On May 25, 2017, the annual caps for the CCTs were set for the period from May 25, 2017 to March 31, 2018 and for the two financial years ended March 31, 2019 and 2020 given the established business relationship between the Company and NEC and the mutual business development needs and goals.

On February 21, 2020, the annual caps for the CCTs were set for the three financial years ending March 31, 2021, 2022 and 2023 (the "Revised Annual Caps") given the established business relationship between the Company and NEC and the mutual business development needs and goals. It was contemplated that the term of the CCT Agreements be automatically renewed for an additional year until a prescribed date or unless either party gives notice to the other of its intention to terminate such agreements (the "Automatic Renewal").

(i) Continuing connected transactions with NEC Corporation and its associates *(continued)*

Details of the CCT Agreements are set out below:

Supply Agreement

Date:	February 28, 2011 and amended on October 7, 2014
Parties:	NEC and NEC Embedded Products, Ltd. ("NECP") (formerly known as NEC Personal Products, Ltd.), a wholly-owned subsidiary of NEC (whose rights and obligations were transferred to NEC Personal Computers, Ltd. ("NECPC"), a member of the JVCo Group, on and following the Closing Date)
Services provided/received:	The supply of certain "NEC" branded personal computer products to NEC.
Term:	Commenced from July 1, 2011 and continued until July 1, 2016, subject to Automatic Renewal thereafter.
Revised Annual Cap(Note):	1/4/2020 – 31/3/2021: JPY167,606 million (approximately US$1,525,216,000) 1/4/2021 – 31/3/2022: JPY167,606 million (approximately US$1,525,216,000) 1/4/2022 – 31/3/2023: JPY167,606 million (approximately US$1,525,216,000)

NEC Fielding Agreement

Date:	January 15, 2004
Parties:	NEC Fielding, Ltd., a subsidiary of NEC, and NECP (whose rights and obligations were transferred to NECPC, a member of the JVCo Group, on and following the Closing Date)
Services provided/received:	NEC Fielding, Ltd. agreed to provide maintenance and other ancillary services for certain equipment sold or leased and used by the NECPC following the Closing Date.
Term:	The initial term ended on March 31, 2004 and had been automatically renewed for an additional one-year term until July 1, 2016, subject to Automatic Renewal thereafter.
Revised Annual Cap(Note):	1/4/2020 – 31/3/2021: JPY3,009 million (approximately US$27,382,000) 1/4/2021 – 31/3/2022: JPY3,009 million (approximately US$27,382,000) 1/4/2022 – 31/3/2023: JPY3,009 million (approximately US$27,382,000)

CONTINUING CONNECTED TRANSACTIONS *(continued)*

(i) Continuing connected transactions with NEC Corporation and its associates *(continued)*

NESIC Agreement

Date:	August 18, 2003
Parties:	NEC Networks & System Integration Corporation ("NESIC"), an associate of NEC, and NECP (whose rights and obligations were transferred to NECPC, a member of the JVCo Group, on and following the Closing Date)
Services provided/received:	NESIC agreed to provide NECPC with operation and maintenance services for intranet and other internal communication systems of NECPC following the Closing Date.
Term:	The initial term ended on March 31, 2004 and had been automatically renewed for an additional one-year term until July 1, 2016, subject to Automatic Renewal thereafter.
Revised Annual Cap(Note):	1/4/2020 – 31/3/2021: JPY123 million (approximately US$1,119,000) 1/4/2021 – 31/3/2022: JPY123 million (approximately US$1,119,000) 1/4/2022 – 31/3/2023: JPY123 million (approximately US$1,119,000)

NEC Newco Brand Licence Agreement and Ancillary Agreements

Date:	July 1, 2011 and amended on October 7, 2014
Parties:	NEC and NECPC (a member of the JVCo Group on and following the Closing Date)
Services provided/received:	NEC agreed to grant NECPC, JV Co and Lenovo Japan LLC (formerly known as Lenovo (Japan) Ltd.) (a member of JVCo Group) a licence to use certain rights in connection with the letters and the mark "NEC" at royalty payable to NEC by NECPC.
Revised Term:	Commenced from July 1, 2011 to June 30, 2018 and is subject to Automatic Renewal until up to June 30, 2026.
Revised Annual Cap(Note):	1/4/2020 – 31/3/2021: JPY338 million (approximately US$3,076,000) 1/4/2021 – 31/3/2022: JPY338 million (approximately US$3,076,000) 1/4/2022 – 31/3/2023: JPY338 million (approximately US$3,076,000)

CONTINUING CONNECTED TRANSACTIONS *(continued)*

(i) Continuing connected transactions with NEC Corporation and its associates *(continued)*

Transitional Services Agreement

Date:	May 30, 2011
Parties:	The Company and NEC
Services provided/received:	Services to be provided by NEC Group to JVCo Group and vice versa including business infrastructure related services, development & production services, sales related services, maintenance & support services, real estate services and information technology services.
Revised Term:	Commenced from July 1, 2011 and expired after June 30, 2016 but extended to June 30, 2017, subject to Automatic Renewal thereafter.
Revised Annual Cap*(Note)*:	Annual fees for services provided to JVCo Group by NEC Group (payable to NEC): 1/4/2020 – 31/3/2021: JPY17,779 million (approximately US$161,789,000) 1/4/2021 – 31/3/2022: JPY17,779 million (approximately US$161,789,000) 1/4/2022 – 31/3/2023: JPY17,779 million (approximately US$161,789,000) Annual fees for services provided to NEC Group by JVCo Group (payable from NEC): 1/4/2020 – 31/3/2021: JPY824 million (approximately US$7,498,000) 1/4/2021 – 31/3/2022: JPY824 million (approximately US$7,498,000) 1/4/2022 – 31/3/2023: JPY824 million (approximately US$7,498,000)

Note: The translation of Japanese yen into United States dollars is based on the exchange rate of JPY1.00 to US$0.0091 for information purposes only.

Full details of the above continuing connected transactions are set out in the announcements and circulars published by the Company on January 27, 2011, April 21, 2011, May 11, 2011, January 20, 2014, February 24, 2014, October 7, 2014, May 25, 2017 and February 21, 2020 and on the websites of the Company and Hong Kong S.A.R. of China Exchanges and Clearing Limited.

CONTINUING CONNECTED TRANSACTIONS *(continued)*

(ii) Continuing connected transactions with Fujitsu Limited and its associates

During the year, the Group conducted the following continuing connected transactions with Fujitsu Limited and its associates, details of which are set out as follows:

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

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

Upon the Completion Date, FCCL became an indirect non-wholly-owned subsidiary of the Company. As Fujitsu is a substantial shareholder of FCCL and therefore a connected person of the Company, the transactions contemplated under the Fujitsu CCT Agreements constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules and are subject to reporting requirements under the Listing Rules.

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

CONTINUING CONNECTED TRANSACTIONS *(continued)*

(ii) Continuing connected transactions with Fujitsu Limited and its associates *(continued)*

Details of the Fujitsu CCT Agreements are set out below:

Transitional Services Agreement

Date:	May 2, 2018
Parties:	FCCL and Fujitsu
Services provided/received:	Transitional services provided by Fujitsu to FCCL and vice versa including research and development, sales and marketing, information technology support, development and management, customer care support, manufacturing support, supply chain management, procurement and corporate management.
Term:	Commenced from May 2, 2018 and continues until the earlier of last date of terms of the Transitional Services Agreement or the fifth anniversary of May 2, 2018.
Annual cap(Note 1):	Expenses incurred from the use of services provided by Fujitsu to FCCL: 1/4/2018 – 31/3/2019: JPY21,300 million (approximately US$195 million) 1/4/2019 – 31/3/2020: JPY21,300 million (approximately US$195 million) 1/4/2020 – 31/3/2021: JPY21,300 million (approximately US$195 million) 1/4/2021 – 31/3/2022: JPY21,300 million (approximately US$195 million) 1/4/2022 – 31/3/2023: JPY21,300 million (approximately US$195 million) Incomes generated for services to Fujitsu by FCCL: 1/4/2018 – 31/3/2019: JPY1,300 million (approximately US$12 million) 1/4/2019 – 31/3/2020: JPY1,300 million (approximately US$12 million) 1/4/2020 – 31/3/2021: JPY1,300 million (approximately US$12 million) 1/4/2021 – 31/3/2022: JPY1,300 million (approximately US$12 million) 1/4/2022 – 31/3/2023: JPY1,300 million (approximately US$12 million)

CONTINUING CONNECTED TRANSACTIONS *(continued)*

(ii) Continuing connected transactions with Fujitsu Limited and its associates *(continued)*

Secondment Agreement

Date:	May 2, 2018
Parties:	FCCL and Fujitsu
Services provided/received:	Secondment by Fujitsu to FCCL of certain employees of Fujitsu.
Term:	Commenced from May 2, 2018 and continues until the earlier of employment of all the seconded employees being transferred from Fujitsu to FCCL (or otherwise terminated) or termination in accordance with the terms of the Joint Venture Agreement or the fifth anniversary of May 2, 2018.
Revised Annual cap(Note 2):	Expenses incurred from the use of services provided by Fujitsu to FCCL: 1/4/2018 – 31/3/2019: JPY6,500 million (approximately US$60 million) 1/4/2019 – 31/3/2020: JPY7,350 million (approximately US$67 million) 1/4/2020 – 31/3/2021: JPY8,350 million (approximately US$76 million) 1/4/2021 – 31/3/2022: JPY8,350 million (approximately US$76 million) 1/4/2022 – 31/3/2023: JPY8,350 million (approximately US$76 million)

Services Agreement

Date:	May 2, 2018
Parties:	FCCL, Fujitsu Technology Solutions GMBH ("FTS") and Fujitsu Technology Solutions IP GMBH
Services provided/received:	FTS agreed to provide FCCL product management services, VAT support services, purchasing and supply chain management services and IP support services.
Term:	Commenced from May 2, 2018 and shall continue for a period of five years, subject to extension by mutual agreement.
Annual cap(Note 1):	Expenses incurred from the use of services provided by FTS to FCCL: 1/4/2018 – 31/3/2019: JPY400 million (approximately US$4 million) 1/4/2019 – 31/3/2020: JPY400 million (approximately US$4 million) 1/4/2020 – 31/3/2021: JPY400 million (approximately US$4 million) 1/4/2021 – 31/3/2022: JPY400 million (approximately US$4 million) 1/4/2022 – 31/3/2023: JPY400 million (approximately US$4 million)

CONTINUING CONNECTED TRANSACTIONS *(continued)*

(ii) Continuing connected transactions with Fujitsu Limited and its associates *(continued)*

Manufacture Agreement (FPE)

Date:	May 2, 2018
Parties:	FCCL and Fujitsu Peripherals Limited ("FPE")
Services provided/received:	FPE agreed to provide manufacturing services to FCCL. FCCL agreed to provide component sourcing services to FPE.
Term:	Commenced from May 2, 2018 and shall continue for a period of five years. The term may be extended under same terms and conditions by agreement between the parties.
Annual cap[(Note 1)]:	Expenses incurred from the use of services provided by FPE to FCCL: 1/4/2018 – 31/3/2019: JPY300 million (approximately US$3 million) 1/4/2019 – 31/3/2020: JPY300 million (approximately US$3 million) 1/4/2020 – 31/3/2021: JPY300 million (approximately US$3 million) 1/4/2021 – 31/3/2022: JPY300 million (approximately US$3 million) 1/4/2022 – 31/3/2023: JPY300 million (approximately US$3 million) Incomes generated for services to FPE by FCCL: 1/4/2018 – 31/3/2019: JPY100 million (approximately US$1 million) 1/4/2019 – 31/3/2020: JPY200 million (approximately US$2 million) 1/4/2020 – 31/3/2021: JPY100 million (approximately US$1 million) 1/4/2021 – 31/3/2022: JPY100 million (approximately US$1 million) 1/4/2022 – 31/3/2023: JPY100 million (approximately US$1 million)

CONTINUING CONNECTED TRANSACTIONS *(continued)*

(ii) Continuing connected transactions with Fujitsu Limited and its associates *(continued)*

Manufacture Agreement (FIT)

Date:	May 2, 2018
Parties:	FCCL and Fujitsu Isotec Limited ("FIT")
Services provided/received:	FIT agreed to provide manufacturing services to FCCL. FCCL agreed to provide component sourcing services to FIT.
Term:	Commenced from May 2, 2018 and shall continue for a period of five years. The term may be extended under same terms and conditions by agreement between the parties.
Revised Annual cap(Note 2):	Expenses incurred from the use of services provided by FIT to FCCL: 1/4/2018 – 31/3/2019: JPY53,200 million (approximately US$488 million) 1/4/2019 – 31/3/2020: JPY55,700 million (approximately US$511 million) 1/4/2020 – 31/3/2021: JPY49,200 million (approximately US$451 million) 1/4/2021 – 31/3/2022: JPY50,800 million (approximately US$466 million) 1/4/2022 – 31/3/2023: JPY52,400 million (approximately US$481 million) Incomes generated for services to FIT by FCCL: 1/4/2018 – 31/3/2019: JPY22,000 million (approximately US$202 million) 1/4/2019 – 31/3/2020: JPY27,500 million (approximately US$250 million) 1/4/2020 – 31/3/2021: JPY31,250 million (approximately US$284 million) 1/4/2021 – 31/3/2022: JPY31,250 million (approximately US$284 million) 1/4/2022 – 31/3/2023: JPY31,250 million (approximately US$284 million)

CONTINUING CONNECTED TRANSACTIONS *(continued)*

(ii) Continuing connected transactions with Fujitsu Limited and its associates *(continued)*

Sales and Distribution Agreement

Date:	May 2, 2018
Parties:	FCCL and Fujitsu
Services provided/received:	FCCL agreed to supply Fujitsu-branded products and such other products and services as agreed between the parties and services to Fujitsu.
Term:	Commenced from May 2, 2018 and shall continue for a period of five years. The term may be extended under same terms and conditions by agreement between the parties.
Annual cap(Note 1):	Incomes generated for services to Fujitsu by FCCL: 1/4/2018 – 31/3/2019: JPY333,800 million (approximately US$3,062 million) 1/4/2019 – 31/3/2020: JPY337,600 million (approximately US$3,097 million) 1/4/2020 – 31/3/2021: JPY325,600 million (approximately US$2,987 million) 1/4/2021 – 31/3/2022: JPY336,000 million (approximately US$3,083 million) 1/4/2022 – 31/3/2023: JPY346,700 million (approximately US$3,181 million)

Fujitsu Trademark and Brand License Agreement

Date:	May 2, 2018
Parties:	FCCL and Fujitsu
Services provided/received:	Fujitsu granted FCCL licenses to use Fujitsu name and trademarks.
Term:	Commenced from May 2, 2018 and shall continue for a period of five years. The term may be extended under same terms and conditions by mutual agreement between the parties or for a period of three years at FCCL's option.
Revised Annual cap(Note 2):	Royalty payable to Fujitsu: 1/4/2018 – 31/3/2019: JPY500 million (approximately US$5 million) 1/4/2019 – 31/3/2020: JPY605 million (approximately US$6 million) 1/4/2020 – 31/3/2021: JPY685 million (approximately US$6 million) 1/4/2021 – 31/3/2022: JPY685 million (approximately US$6 million) 1/4/2022 – 31/3/2023: JPY685 million (approximately US$6 million)

CONTINUING CONNECTED TRANSACTIONS *(continued)*

(ii) Continuing connected transactions with Fujitsu Limited and its associates *(continued)*

Manufacturing and Services Agreement

Date:	May 2, 2018
Parties:	FCCL and FTS
Services provided/received:	FTS agreed to manufacture products and provide the purchasing and supply chain management services to FCCL. FCCL agreed to provide component sourcing services to FTS.
Term:	Commenced from May 2, 2018 and shall continue for a period of five years. The term may be extended under same terms and conditions by agreement between the parties.
Annual cap[(Note 1)]:	Expenses incurred from the use of services provided by FTS to FCCL: 1/4/2018 – 31/3/2019: JPY130,400 million (approximately US$1,196 million) 1/4/2019 – 31/3/2020: JPY139,700 million (approximately US$1,282 million) 1/4/2020 – 31/3/2021: JPY125,700 million (approximately US$1,153 million) 1/4/2021 – 31/3/2022: JPY129,700 million (approximately US$1,190 million) 1/4/2022 – 31/3/2023: JPY133,900 million (approximately US$1,228 million) Incomes generated for services to FTS by FCCL: 1/4/2018 – 31/3/2019: JPY52,400 million (approximately US$481 million) 1/4/2019 – 31/3/2020: JPY55,500 million (approximately US$509 million) 1/4/2020 – 31/3/2021: JPY45,600 million (approximately US$418 million) 1/4/2021 – 31/3/2022: JPY47,000 million (approximately US$431 million) 1/4/2022 – 31/3/2023: JPY48,500 million (approximately US$445 million)

CONTINUING CONNECTED TRANSACTIONS *(continued)*

(ii) Continuing connected transactions with Fujitsu Limited and its associates *(continued)*

R&D Services Agreement

Date:	May 2, 2018
Parties:	FCCL and FTS
Services provided/received:	FTS agreed to provide research and development services to FCCL.
Term:	Commenced from May 2, 2018 and remain in force for the Initial Business Plan Period. After Initial Business Plan Period, the terms shall be automatically renewed annually and expire at the fifth anniversary of May 2, 2018.
Annual cap(Note 1):	Expenses incurred from the use of services provided by FTS to FCCL: 1/4/2018 – 31/3/2019: JPY2,600 million (approximately US$24 million) 1/4/2019 – 31/3/2020: JPY2,600 million (approximately US$24 million) 1/4/2020 – 31/3/2021: JPY2,600 million (approximately US$24 million) 1/4/2021 – 31/3/2022: JPY2,600 million (approximately US$24 million) 1/4/2022 – 31/3/2023: JPY2,600 million (approximately US$24 million)

Notes:

(1) The translation of Japanese yen into United States dollars is based on the exchange rate of JPY1.00 to US$0.0092 for information purposes only.

(2) The translation of Japanese yen into United States dollars is based on the exchange rate of JPY1.00 to US$0.0091 for information purposes only.

Full details of the above continuing connected transactions are set out in the announcements published by the Company on November 2, 2017, May 2, 2018, and February 21, 2020 and on the websites of the Company and Hong Kong S.A.R. of China Exchanges and Clearing Limited.

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

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

(2) on normal commercial terms or better; and

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

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

Directors' report

SIGNIFICANT RELATED PARTY TRANSACTIONS

During the year, the Group entered into certain transactions with parties regarded as "related parties" under applicable accounting principles. Details of the significant related party transactions undertaken in the normal course of business are set out in note 31 to the financial statements. None of these transactions constitutes a discloseable connected transaction as defined under the Listing Rules.

AUDITOR

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

PUBLIC FLOAT

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

On behalf of the Board

Yang Yuanqing
Chairman and Chief Executive Officer
May 20, 2020

Independent auditor's report

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

(incorporated in Hong Kong S.A.R. of China with limited liability)

OPINION

What we have audited

The consolidated financial statements of Lenovo Group Limited (the "Company") and its subsidiaries (the "Group") set out on pages 181 to 290, which comprise:

- the consolidated balance sheet as at March 31, 2020;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at March 31, 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong S.A.R. of China Financial Reporting Standards ("HKFRSs") issued by the Hong Kong S.A.R. of China Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong S.A.R. of China Companies Ordinance.

BASIS FOR OPINION

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

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

Independence

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

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS *(continued)*

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

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

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of goodwill and other intangible assets with indefinite useful lives Refer to notes 4(a) and 16 to the consolidated financial statements As at March 31, 2020, the Group had goodwill and other intangible assets with indefinite useful lives totaling US$5,983 million. The Group tests at least annually whether goodwill and other intangible assets that have indefinite useful lives have suffered any impairment. For the purpose of assessing impairment, assets are grouped at the lowest level for which there are separately identified cash flows cash generating units ("CGUs"). The recoverable amount of each CGU was determined based on value in use calculations using cash flow projections. In carrying out the impairment assessments, significant management judgement was used to appropriately identify CGUs and to determine key assumptions, including revenue growth rates, operating margins, discount rates and the length of time and severity of the impact of COVID-19. Management are of the view that there was no evidence of impairment of goodwill or other intangible assets with indefinite useful lives as at March 31, 2020. We focused on this area because the value in use calculations required significant management judgements with respect to revenue growth rates, operating margins and discount rates.	Our procedures in relation to the Group's impairment assessment included: • Assessing management's identification of CGUs based on the Group's accounting policies and our understanding of the Group's business. • Assessing the value in use calculation methodology adopted by management. • Challenging the reasonableness of key assumptions such as revenue growth rates, operating margins, discount rates and the length of time and severity of the impact of COVID-19 with reference to the business and industry circumstances. • Reconciling input data to supporting evidence, such as approved forecasts of future profits and strategic plans. • Considering the reasonableness of the forecasts of future profits and strategic plans by comparing them against past results achieved. • Assessing management's sensitivity analysis around the key assumptions, to ascertain the extent to which adverse changes, both individually or in aggregate, might impact on the outcome of the impairment assessment of the goodwill and other intangible assets with indefinite useful lives. We found the judgements made by management in relation to the impairment assessment to be supportable based on the available evidence.

KEY AUDIT MATTERS *(continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter
Recognition of deferred income tax assets	
Refer to notes 4(b) and 19 to the consolidated financial statements As at March 31, 2020, the Group had deferred income tax assets of US$2,060 million. Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and expected to apply when the related deferred tax income asset is realized. Recognition of the deferred income tax assets involves judgement regarding the future financial performance of the entity in which the deferred income tax asset has been recognized. A number of factors are evaluated in considering whether there is evidence that it is probable the deferred income tax assets will be realized, including whether there will be sufficient taxable profits the length of time and severity of the impact of COVID-19 available during the utilization periods, existence of taxable temporary differences, group relief and tax planning strategies. Management has performed its assessment on the recognition of these deferred income tax assets and considers that the realization of these assets is probable as at March 31, 2020. We focused on this area because of the inherent uncertainties involved in forecasting future taxable profits and future reversals of taxable temporary differences.	Our procedures in relation to the recognition of deferred income tax assets included: • Evaluating management's assessment as to whether there will be sufficient taxable profits in future periods by reference to forecasts of future profits/strategic plans and future reversals of taxable temporary differences to support the recognition of deferred income tax assets. • Assessing the underlying assumptions used in management's approved forecasts of future profits such as revenue growth rates and operating margins by comparison to historical results and future strategic and tax plans and with reference to the business and industry circumstances. • Testing management's reconciliations of forecast profits to forecast taxable profits to supporting evidence on a sample basis. • Validating available tax losses, including the respective expiry periods to tax returns and tax correspondence of the relevant subsidiaries. • Testing the calculation of deferred income tax assets by reference to tax rates enacted or substantively enacted by the balance sheet date. We found the judgements made by management in relation to recognition of deferred income tax assets to be supportable based on the available evidence.

OTHER INFORMATION

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

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

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

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

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 405 of the Hong Kong S.A.R. of China Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Shia Yuen Yee.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong S.A.R. of China, May 20, 2020

Consolidated income statement

For the year ended March 31, 2020

	Note	**2020 US$'000**	2019 US$'000
Revenue	5	**50,716,349**	51,037,943
Cost of sales		**(42,359,045)**	(43,667,299)
Gross profit		**8,357,304**	7,370,644
Selling and distribution expenses		**(2,972,260)**	(2,657,965)
Administrative expenses		**(2,524,818)**	(2,209,340)
Research and development expenses		**(1,335,744)**	(1,266,341)
Other operating expenses – net		**(85,886)**	(59,181)
Operating profit	6	**1,438,596**	1,177,817
Finance income	7(a)	**47,850**	27,399
Finance costs	7(b)	**(454,194)**	(337,027)
Share of losses of associates and joint ventures	17	**(14,545)**	(11,525)
Profit before taxation		**1,017,707**	856,664
Taxation	8	**(213,204)**	(199,460)
Profit for the year		**804,503**	657,204
Profit attributable to:			
Equity holders of the Company		**665,091**	596,343
Perpetual securities holders		**53,760**	53,760
Other non-controlling interests		**85,652**	7,101
		804,503	657,204
Earnings per share attributable to equity holders of the Company			
Basic	11(a)	**US5.58 cents**	US5.01 cents
Diluted	11(b)	**US5.43 cents**	US4.96 cents
Dividends	12	**429,902**	425,764

Consolidated statement of comprehensive income

For the year ended March 31, 2020

	Note	2020 US$'000	2019 US$'000
Profit for the year		**804,503**	657,204
Other comprehensive (loss)/income:			
Items that will not be reclassified to profit or loss			
Remeasurements of post-employment benefit obligations, net of taxes	8, 35	**(46,275)**	(25,641)
Fair value change on financial assets at fair value through other comprehensive income, net of taxes	8, 20	**(10,925)**	(15,978)
Items that have been reclassified or may be subsequently reclassified to profit or loss			
Fair value change on cash flow hedges from foreign exchange forward contracts, net of taxes	8		
– Fair value gain, net of taxes		**177,545**	284,542
– Reclassified to consolidated income statement		**(142,296)**	(244,396)
Currency translation differences	8	**(424,422)**	(434,816)
Other comprehensive loss for the year		**(446,373)**	(436,289)
Total comprehensive income for the year		**358,130**	220,915
Total comprehensive income attributable to:			
Equity holders of the Company		**216,055**	160,845
Perpetual securities holders		**53,760**	53,760
Other non-controlling interests		**88,315**	6,310
		358,130	220,915

Consolidated balance sheet

At March 31, 2020

	Note	**2020 US$'000**	2019 US$'000
Non-current assets			
Property, plant and equipment	13	**1,712,856**	1,430,817
Prepaid lease payments	14	**497,819**	463,996
Construction-in-progress	15	**304,241**	232,097
Intangible assets	16	**7,984,582**	8,324,575
Interests in associates and joint ventures	17	**60,307**	79,061
Deferred income tax assets	19	**2,059,582**	1,862,902
Financial assets at fair value through profit or loss	20	**494,807**	449,363
Financial assets at fair value through other comprehensive income	20	**56,136**	71,486
Other non-current assets		**224,396**	187,985
		13,394,726	13,102,282
Current assets			
Inventories	21	**4,946,914**	3,434,660
Trade receivables	22(a)	**6,263,012**	6,661,484
Notes receivable	22(b)	**11,529**	46,454
Derivative financial assets		**138,813**	70,972
Deposits, prepayments and other receivables	22(c)	**3,559,239**	3,753,926
Income tax recoverable		**196,464**	185,643
Bank deposits	23	**66,480**	70,210
Cash and cash equivalents	23	**3,550,990**	2,662,854
		18,733,441	16,886,203
Total assets		**32,128,167**	29,988,485

Consolidated balance sheet

At March 31, 2020

	Note	**2020 US$'000**	2019 US$'000
Share capital	28	**3,185,923**	3,185,923
Reserves		**11,619**	210,530
Equity attributable to owners of the Company		**3,197,542**	3,396,453
Perpetual securities	29	**993,670**	993,670
Other non-controlling interests		**634,321**	473,178
Put option written on non-controlling interests	27(b)	**(766,238)**	(766,238)
Total equity		**4,059,295**	4,097,063
Non-current liabilities			
Borrowings	26	**1,564,619**	2,426,770
Warranty provision	25(b)	**258,840**	254,601
Deferred revenue		**864,805**	678,137
Retirement benefit obligations	35	**458,386**	434,246
Deferred income tax liabilities	19	**342,805**	359,679
Other non-current liabilities	27	**1,321,296**	1,247,646
		4,810,751	5,401,079
Current liabilities			
Trade payables	24(a)	**7,509,724**	6,429,835
Notes payable	24(b)	**1,458,645**	1,272,840
Derivative financial liabilities		**73,784**	74,426
Other payables and accruals	25(a)	**9,025,643**	8,942,336
Provisions	25(b)	**718,771**	738,688
Deferred revenue		**819,199**	780,951
Income tax payable		**357,375**	298,224
Borrowings	26	**3,294,980**	1,953,043
		23,258,121	20,490,343
Total liabilities		**28,068,872**	25,891,422
Total equity and liabilities		**32,128,167**	29,988,485

On behalf of the Board

Yang Yuanqing
Chairman and Chief Executive Officer

Zhu Linan
Director

Consolidated cash flow statement

For the year ended March 31, 2020

	Note	2020 US$'000	2019 US$'000
Cash flows from operating activities			
Net cash generated from operations	34	**3,006,556**	2,115,996
Interest paid		**(404,691)**	(324,427)
Tax paid		**(391,942)**	(318,996)
Net cash generated from operating activities		**2,209,923**	1,472,573
Cash flows from investing activities			
Purchase of property, plant and equipment		**(246,663)**	(234,682)
Sale of property, plant and equipment		**15,338**	129,683
Acquisition of subsidiaries, net of cash acquired		**-**	(99,298)
Disposal of subsidiaries, net of cash disposed		**(18,155)**	–
Deemed disposal of a subsidiary, net of cash disposed		**-**	(21,106)
Interest acquired in an associate and a joint venture		**(1,616)**	(5,349)
Prepaid lease payments		**(15,734)**	–
Payment for construction-in-progress		**(417,552)**	(303,045)
Payment for intangible assets		**(273,131)**	(163,094)
Purchase of financial assets at fair value through profit or loss		**(86,498)**	(73,836)
Purchase of financial assets at fair value through other comprehensive income		**(429)**	(4,739)
Loan to a joint venture		**(72,603)**	–
Net proceeds from sale of financial assets at fair value through profit or loss		**99,296**	33,996
Net proceeds from sale of financial assets at fair value through other comprehensive income		**2,803**	–
Decrease in bank deposits		**3,730**	14,096
Dividends received		**6,411**	230
Interest received		**47,850**	27,399
Net cash used in investing activities		**(956,953)**	(699,745)

Consolidated cash flow statement

For the year ended March 31, 2020

	Note	2020 US$'000	2019 US$'000
Cash flows from financing activities			
Capital contribution from other non-controlling interests		**76,357**	77,769
Contribution to employee share trusts		**(159,147)**	(157,343)
Issue of convertible preferred shares		**300,000**	–
Issue of convertible bonds		**-**	675,000
Issuing costs of convertible bonds		**-**	(10,107)
Repayment of a note		**(786,244)**	–
Principal elements of lease payments		**(130,993)**	–
Dividends paid		**(431,148)**	(404,350)
Dividends paid to other non-controlling interests		**(4,620)**	(4,758)
Dividends paid to convertible preferred shares holders		**(6,000)**	–
Distribution to perpetual securities holders		**(53,760)**	(53,760)
Proceeds from borrowings		**4,092,870**	5,700,215
Repayments of borrowings		**(3,135,800)**	(5,700,000)
Net cash (used in)/generated from financing activities		**(238,485)**	122,666
Increase in cash and cash equivalents		**1,014,485**	895,494
Effect of foreign exchange rate changes		**(126,349)**	(80,657)
Cash and cash equivalents at the beginning of the year		**2,662,854**	1,848,017
Cash and cash equivalents at the end of the year	23	**3,550,990**	2,662,854

Consolidated statement of changes in equity

For the year ended March 31, 2020

	Attributable to equity holders of the Company											
	Share capital US$'000	Investment revaluation reserve US$'000	Employee share trusts US$'000	Share-based compensation reserve US$'000	Hedging reserve US$'000	Exchange reserve US$'000	Other reserve US$'000	Retained earnings US$'000	Perpetual securities US$'000	Other non-controlling interests US$'000	Put option written on non-controlling interests US$'000	Total US$'000
At April 1, 2018	3,185,923	(2,741)	(101,702)	231,857	(16,906)	(937,907)	71,449	1,088,647	993,670	246,598	(212,900)	4,545,988
Change in accounting policy	-	(17,376)	-	-	-	-	-	5,746	-	-	-	(11,630)
Restated total equity	3,185,923	(20,117)	(101,702)	231,857	(16,906)	(937,907)	71,449	1,094,393	993,670	246,598	(212,900)	4,534,358
Profit for the year	-	-	-	-	-	-	-	596,343	53,760	7,101	-	657,204
Other comprehensive (loss)/income	-	(15,978)	-	-	40,146	(434,025)	-	(25,641)	-	(791)	-	(436,289)
Total comprehensive (loss)/income for the year	-	(15,978)	-	-	40,146	(434,025)	-	570,702	53,760	6,310	-	220,915
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	151,167	-	151,167
Vesting of shares under long-term incentive program	-	-	118,836	(137,317)	-	-	-	-	-	-	-	(18,481)
Deferred tax credit in relation to long-term incentive program	-	-	-	2,178	-	-	-	-	-	-	-	2,178
Deemed disposal of a subsidiary	-	-	-	-	-	-	-	-	-	(1,371)	-	(1,371)
Share-based compensation	-	-	-	214,822	-	-	-	-	-	-	-	214,822
Termination of put option written on non-controlling interests	-	-	-	-	-	-	11,913	-	-	-	212,900	224,813
Put option written on non-controlling interests	-	-	-	-	-	-	-	-	-	-	(766,238)	(766,238)
Contribution to employee share trusts	-	-	(157,343)	-	-	-	-	-	-	-	-	(157,343)
Dividends paid	-	-	-	-	-	-	-	(404,350)	-	-	-	(404,350)
Capital contribution from other non-controlling interests	-	-	-	-	-	-	-	-	-	77,769	-	77,769
Change of ownership of subsidiaries without loss of control	-	-	-	-	-	-	2,537	-	-	(2,537)	-	-
Dividends paid to other non-controlling interests	-	-	-	-	-	-	-	-	-	(4,758)	-	(4,758)
Distribution to perpetual securities holders (Note 29)	-	-	-	-	-	-	-	-	(53,760)	-	-	(53,760)
Issue of convertible bonds	-	-	-	-	-	-	77,342	-	-	-	-	77,342
At March 31, 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

Consolidated statement of changes in equity

For the year ended March 31, 2020

	Attributable to equity holders of the Company											
	Share capital US$'000	Investment revaluation reserve US$'000	Employee share trusts US$'000	Share-based compensation reserve US$'000	Hedging reserve US$'000	Exchange reserve US$'000	Other reserve US$'000	Retained earnings US$'000	Perpetual securities US$'000	Other non-controlling interests US$'000	Put option written on non-controlling interests US$'000	Total US$'000
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 year	-	-	-	-	-	-	-	665,091	53,760	85,652	-	804,503
Other comprehensive (loss)/income	-	(10,925)	-	-	35,249	(427,085)	-	(46,275)	-	2,663	-	(446,373)
Total comprehensive (loss)/income for the year	-	(10,925)	-	-	35,249	(427,085)	-	618,816	53,760	88,315	-	358,130
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	-	-	197,889	(275,551)	-	-	-	-	-	-	-	(77,662)
Deferred tax charge in relation to long-term incentive program	-	-	-	(7,025)	-	-	-	-	-	-	-	(7,025)
Disposal of subsidiaries	-	-	-	-	-	-	(267)	-	-	-	-	(267)
Share-based compensation	-	-	-	258,610	-	-	-	-	-	-	-	258,610
Contribution to employee share trusts	-	-	(159,147)	-	-	-	-	-	-	-	-	(159,147)
Dividends paid	-	-	-	-	-	-	-	(431,148)	-	-	-	(431,148)
Capital contribution from other non-controlling interests	-	-	-	-	-	-	-	-	-	79,121	-	79,121
Change of ownership of subsidiaries without loss of control	-	-	-	-	-	-	1,673	-	-	(1,673)	-	-
Dividends paid to other non-controlling interests	-	-	-	-	-	-	-	-	-	(4,620)	-	(4,620)
Distribution to perpetual securities holders	-	-	-	-	-	-	-	-	(53,760)	-	-	(53,760)
At March 31, 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

Notes to the financial statements

1 GENERAL INFORMATION AND BASIS OF PREPARATION

Lenovo Group Limited (the "Company") and its subsidiaries (together, the "Group") develop, manufacture and market reliable, high-quality, secure and easy-to-use technology products and services. Its product lines include legendary Think-branded commercial personal computers and Idea-branded consumer personal computers, as well as servers, workstations, and a family of mobile internet devices, including tablets and smartphones.

The Company is a limited liability company incorporated in Hong Kong S.A.R. of China. The address of its registered office is 23rd Floor, Lincoln House, Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong S.A.R. of China. The Company has its primary listing on The Stock Exchange of Hong Kong S.A.R. of China Limited.

The consolidated financial statements have been prepared in accordance with Hong Kong S.A.R. of China Financial Reporting Standards ("HKFRS"). 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, as explained in the significant accounting policies set out in Note 2.

The preparation of the consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

Changes in accounting policies and disclosures

The Group has adopted the following new standard, interpretation and amendments to existing standards that are mandatory for the year ended March 31, 2020 which the Group considers is appropriate and relevant to its operations:

- HKFRS 16, Leases
- HK (IFRIC) – Int 23, Uncertainty over income tax treatments
- Amendments to HKFRS 9, Prepayment features with negative compensation
- Amendments to HKAS 28, Long-term interests in associates and joint ventures
- Amendments to HKAS 19, Plan amendment, curtailment or settlement
- Annual improvements to HKFRS Standards 2015-2017 Cycle

Except for HKFRS 16, Leases, the adoption of the newly effective interpretation and amendments to existing standards does not have a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

The Group has initially applied HKFRS 16 from April 1, 2019. The Group has elected to use the simplified transition approach and therefore comparative information has not been restated and continues to be reported under HKAS 17, Leases. The reclassifications and the adjustments arising from the new standard are recognized in the opening consolidated balance sheet on April 1, 2019.

Notes to the financial statements

1 GENERAL INFORMATION AND BASIS OF PREPARATION *(continued)*

Changes in accounting policies and disclosures *(continued)*

HKFRS 16 requires almost all leases of lessees to be recognized in the consolidated balance sheet, as the distinction between operating and finance leases is removed. The accounting for lessors will not significantly change. Under the new standard, the right to use the leased item and the obligation to pay rent are recognized as an asset and a financial liability respectively. The only exceptions are short-term and low-value leases. The standard affects primarily the accounting for operating leases of the Group.

Adjustments recognized on adoption of HKFRS 16

On adoption of HKFRS 16, the Group recognized lease liabilities in relation to leases which had previously been classified as operating leases under the principles of HKAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of April 1, 2019. Different lessee's incremental borrowing rates were applied to the lease liabilities based on the geographical location, from 1% to 11%.

The following table reconciles the operating lease commitments as at March 31, 2019 to the opening balance for lease liabilities recognized as at April 1, 2019:

	US$'000
Operating lease commitments at March 31, 2019	**473,188**
Discounted using the lessee's incremental borrowing rate at April 1, 2019	**(62,487)**
Less: low-value leases recognized on a straight-line basis as expense	**(1,357)**
Lease liabilities recognized at April 1, 2019	**409,344**
Classified as:	
Current lease liabilities	**77,903**
Non-current lease liabilities	**331,441**
	409,344

The associated right-of-use assets were measured at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the consolidated balance sheet as at March 31, 2019. As at March 31, 2020, right-of-use assets of the Group within "property, plant and equipment" are solely related to leasehold land and buildings and amounted to US$314,416,000 (April 1, 2019: US$320,174,000). Prepaid lease payments of the Group are also classified as right-of-use assets.

The Group presents right-of-use assets within "property, plant and equipment" and "prepaid lease payments" and presents lease liabilities within "other payables and accruals" (for current portion) and "other non-current liabilities" (for non-current portion) in the consolidated balance sheet.

1 GENERAL INFORMATION AND BASIS OF PREPARATION *(continued)*

Changes in accounting policies and disclosures *(continued)*

Adjustments recognized on adoption of HKFRS 16 *(continued)*

The change in accounting policy affected the following items in the consolidated balance sheet on April 1, 2019:

- property, plant and equipment – increased by US$320,174,000

- lease liabilities within "other payables and accruals" (for current portion) and "other non-current liabilities" (for non-current portion) – increased by US$409,344,000

- deferred rent liabilities within "other payables and accruals" (for current portion) and "other non-current liabilities" (for non-current portion) – decreased by US$89,170,000

Segment assets and segment liabilities as at April 1, 2019 increased as a result of the change in accounting policy.

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics

- reliance on previous assessment on whether leases are onerous

- the exclusion of initial direct costs for the measurement of the right-of-use assets at the date of initial application, and

- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

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 ended March 31, 2020 and have not been early adopted:

	Effective for annual periods beginning on or after
Amendments to HKFRS 3, Definition of a business	January 1, 2020
Amendments to HKAS 1 and HKAS 8, Definition of material	January 1, 2020
Amendments to HKFRS 9, HKAS 39 and HKFRS 7, Interest rate benchmark reform	January 1, 2020
Amendments to HKFRS 10 and HKAS 28, Consolidated financial statements and investments in associates	Date to be determined

The Group is in the opinion that these new amendments to existing standards will not result in a significant effect on its consolidated financial statements.

Notes to the financial statements

2 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Principles of consolidation and equity accounting

(i) Subsidiaries

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries made up to March 31.

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to (ii)).

Intra-group transactions, balances, income and expenses on transactions are eliminated. Profits and losses resulting from intra-group transactions that are recognized in assets are also eliminated.

Adjustments have been made to the financial statements of subsidiaries when necessary to align their accounting policies to ensure consistency with the policies adopted by the Group.

For subsidiaries which adopted December 31 as their financial year end date for statutory reporting purposes, their financial statements for the years ended March 31, 2020 and 2019 have been used for the preparation of the Group's consolidated financial statements.

(ii) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(a) Principles of consolidation and equity accounting *(continued)*

(ii) Business combinations *(continued)*

If the business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognized in profit or loss.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in the consolidated income statement. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree and, in a business combination achieved in stages the acquisition-date fair value of any previous equity interest in the acquiree over the net identifiable assets acquired and liabilities assumed (Note 2(g)(i)). If it is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the consolidated income statement.

(iii) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognized in a separate reserve within equity attributable to owners of the Company.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is re-measured to its fair value with the change in carrying amount recognized in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequent accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income are reclassified to profit or loss where appropriate.

Notes to the financial statements

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(a) Principles of consolidation and equity accounting *(continued)*

(iii) Changes in ownership interests *(continued)*

The potential cash payments related to put options issued by the Group over the equity of a subsidiary are accounted for as financial liabilities. The amount that may become payable under the option on exercise is initially recognized at present value of redemption amount as a written put option liability with a corresponding charge directly to equity.

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

(iv) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognized in the consolidated income statement. The fair value is the initial carrying amount for the purposes of subsequent accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized as other comprehensive income or loss in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized as other comprehensive income or loss are reclassified to the consolidated income statement.

(v) Separate financial statements

Investments in subsidiaries in the Company's balance sheet are accounted for at cost less impairment. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

(b) Associates and joint arrangements

Associates are entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor, rather than the legal structures of the joint arrangements. The Group has assessed the nature of its joint arrangements and applied HKFRS 11 in preparing the consolidated financial statements.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Associates and joint arrangements *(continued)*

Associates and joint ventures

Interests in associates and joint ventures are accounted for using the equity method of accounting and are initially recognized at cost. The Group's interests in associates and joint ventures include goodwill identified on acquisition, net of any accumulated impairment losses.

The Group's share of its associates' and joint ventures' post-acquisition profits or losses is recognized in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income or loss is recognized as other comprehensive income or loss with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate or a joint venture equals or exceeds its interest in the associate or the joint venture including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate or the joint venture.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate and joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognizes the amount adjacent to share of profit/(loss) of associates and joint ventures in the consolidated income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associates or joint ventures are recognized in the Group's consolidated financial statements only to the extent of unrelated investor's interests in the associates or the joint ventures. Unrealized losses are eliminated unless the transaction provides evidence of an impairment of the assets transferred.

Accounting policies of associates and joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

For associates and joint ventures which adopted December 31 as their financial year end date for statutory reporting purposes, their financial statements for the years ended March 31, 2020 and 2019 have been used for the preparation of the Group's consolidated financial statements.

Joint operation

Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. Investments in joint operations are accounted for such that each joint operator recognizes its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly). Each joint operator accounts for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation in accordance with the applicable standards.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Lenovo Executive Committee (the "LEC") that makes strategic decisions.

(d) Translation of foreign currencies

(i) Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements of the Company and of the Group are presented in United States dollars, which is the Company's functional and the Group's presentation currency.

(ii) Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in the income statement. They are deferred in equity if they are related to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

All foreign exchange gains and losses that relate to monetary assets and liabilities denominated in foreign currency are presented in the income statement within "Other operating expenses – net".

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on financial assets and liabilities carried at fair value are as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss ("FVPL") are recognized in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income ("FVOCI") are recognized in other comprehensive income or loss.

(d) Translation of foreign currencies *(continued)*

(iii) The results and financial position of all the group entities that have a functional currency different from the Group's presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rates on the dates of the transactions); and

- all resulting exchange differences are recognized as other comprehensive income or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognized as other comprehensive income or loss and included in the exchange reserve in equity.

(iv) On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary, loss of joint control of a joint venture, or loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the equity holders of the Company are reclassified to the consolidated income statement.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of the accumulated exchange differences are re-attributed to non-controlling interests and are not recognized in the consolidated income statement. For all other partial disposals (that is, reductions in the Group's ownership interest in an associate or a joint venture that do not result in the Group losing influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to the consolidated income statement.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(e) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognized when replaced. All other repairs and maintenance are charged in the consolidated income statement during the financial period in which they are incurred.

Freehold land and buildings comprise mainly factories and office premises. All freehold lands are located outside Hong Kong S.A.R. of China and are not depreciated. Depreciation of buildings, buildings related equipment and leasehold improvements is calculated using the straight-line method to allocate their costs to their estimated residual values over the unexpired periods of the leases or their expected useful lives to the Group ranging from 10 to 50 years whichever is shorter.

Right-of-use assets under "property, plant and equipment" comprise interest in leasehold land and buildings and are depreciated over shorter of the asset's useful life and the lease terms on a straight line basis (Note 2(z)).

Depreciation on other property, plant and equipment is calculated using the straight-line method to allocate their costs to their estimated residual values over their estimated useful lives to the Group. The principal annual rates used for this purpose are:

Plant and machinery	
Tooling equipment	50% – 100%
Other machinery	14% – 20%
Furniture and fixtures	20% – 25%
Office equipment	20% – 33%
Motor vehicles	20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2(h)).

Gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognized within "Other operating expenses – net" in the consolidated income statement.

(f) Construction-in-progress

Construction-in-progress represents buildings, plant and machinery and internal use software under construction and pending installation and is stated at historical cost, less any accumulated impairment losses. Historical cost comprises all direct and indirect costs of acquisition or construction or installation of buildings, plant and machinery or internal use software as well as interest expenses and exchange differences on the related funds borrowed during the construction, installation and testing periods and prior to the date when the assets were available for use. No depreciation or amortization is provided for on construction-in-progress. On completion, the carrying values of the buildings, plant and machinery or internal use software are transferred from construction-in-progress to property, plant and equipment or intangible assets.

Gain on disposal of construction-in-progress is the difference between the net sales proceeds and the carrying amount of the relevant asset and is recognized within "Other operating expenses – net" in the consolidated income statement.

(g) Intangible assets

(i) Goodwill

Goodwill represents the excess of the consideration of an acquisition transferred over the Group's interests in the fair value of the acquiree's identifiable assets acquired and liabilities assumed at the acquisition date. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates and joint ventures is included in interests in associates and joint ventures.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGU"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognized immediately as an expense and is not subsequently reversed.

(ii) Trademarks and trade names

Separately acquired trademarks and trade names are shown at historical cost. Trademarks and trade names acquired in a business combination are recognized at fair value at the acquisition date.

Trademarks and trade names that have an indefinite useful life are tested annually for impairment and carried at cost less accumulated impairment losses. They are considered to have an indefinite useful life as there is no foreseeable limit to the period over which they are expected to generate net cash inflows.

(iii) Customer relationships

Customer relationships acquired in a business combination are recognized at fair value at the acquisition date. Customer relationships have a definite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method over their estimated useful lives of not more than 15 years.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Intangible assets *(continued)*

(iv) Internal use software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software.

Development costs that are directly attributable to the design and testing of identifiable and unique software controlled by the Group are recognized as intangible assets when the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use;
- management intends to complete the software and use or sell it;
- there is an ability to use or sell the software;
- it can be demonstrated how the software will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software are available; and
- the expenditure attributable to the software during its development can be reliably measured.

Development costs include the employee costs incurred as a result of developing software and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

Costs associated with maintaining computer software are recognized as an expense as incurred.

Acquired computer software licenses costs and computer software development costs are amortized using the straight-line method over their estimated useful lives of not more than 8 years.

(v) Patents and technology

Expenditure on acquired patents and technology is capitalized at historical cost upon acquisition and amortized using the straight-line method over their estimated useful lives of not more than 10 years.

(vi) Exclusive right

An exclusive right acquired in a business combination is recognized at fair value at the acquisition date. An exclusive right has a definite useful life and is carried at cost less accumulated amortization. Amortization is calculated using the straight-line method over their estimated useful lives of not more than 15 years.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(h) Impairment of non-financial assets

Assets that have an indefinite useful life or are not yet available for use are not subject to depreciation or amortization and are tested annually for impairment. Assets that are subject to depreciation or amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

(i) Financial assets

(i) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss), and

- those to be measured at amortized cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investments at FVOCI.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(i) Financial assets *(continued)*

(iii) Measurement *(continued)*

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the assets and the cash flow characteristics of the assets. There are three measurement categories into which the Group classifies its debt instruments:

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets, impairment losses, foreign exchange gains and losses, and gain or loss arising on derecognition are recognized directly in profit or loss.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

- FVPL: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognized in profit or loss in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss when the Group's right to receive payments is established. On disposal of these equity investments, any related balance within the investment revaluation reserve is reclassified to retained earnings. Changes in the fair value of financial assets at FVPL are recognized in profit or loss as applicable.

Financial assets at FVOCI comprise equity investments which are not held for trading, and which the Group has irrevocably elected at initial recognition to recognize in this category. These are strategic investments and the Group considers this classification to be more relevant.

Financial assets at FVPL comprise equity investments which are held for trading, and which the Group has not elected to recognize fair value gains and losses through other comprehensive income.

Details on how the fair value of financial instruments is determined are disclosed in Note 3(d).

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(i) Financial assets *(continued)*

(iv) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

(j) Impairment of financial assets

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

Impairment losses on trade receivables are presented as net impairment losses in the consolidated income statement. Subsequent recoveries of amounts previously written off are credited against the same line item.

(k) Derivative financial instruments and hedging activities

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair values. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either: (i) hedges of the fair value of recognized assets or liabilities or a firm commitment (fair value hedge) or (ii) hedges of highly probable forecast transactions (cash flow hedges).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

(i) Fair value hedge

Changes in the fair value of derivatives that are designated and qualified as fair value hedges are recorded in the consolidated income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(k) Derivative financial instruments and hedging activities *(continued)*

(ii) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges is recognized as other comprehensive income or loss. The gain or loss relating to the ineffective portion is recognized immediately in the consolidated income statement.

Amounts accumulated in equity are reclassified to the consolidated income statement in the periods when the hedged item affects profit or loss (for example, when the forecast sale or purchase that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognized in the consolidated income statement within "Finance costs". The gain or loss relating to the ineffective portion is recognized in the consolidated income statement within "Other operating expenses – net".

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gains or losses on the hedging instrument that has been recognized as other comprehensive income from the period when the hedge was effective shall remain separately in equity until the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the cumulative gains or losses on the hedging instrument that has been recognized as other comprehensive income from the period when the hedge was effective shall be reclassified from equity to the consolidated income statement immediately.

(iii) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognized immediately in the consolidated income statement.

(l) Financial guarantee contracts

Financial guarantee contracts are recognized as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:

- the amount determined in accordance with the expected credit loss model under HKFRS 9 and

- the amount initially recognized less, where appropriate, the cumulative amount of income recognized in accordance with the principles of HKFRS 15.

The fair value of financial guarantees is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognized as part of the cost of the investment.

(m) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined on a weighted average basis. The cost of finished goods (except for trading products) and work-in-progress comprises direct materials, direct labour and an attributable proportion of production overheads. For trading products, cost represents invoiced value on purchases, less purchase returns and discounts. Net realizable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(n) Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. Majority of other receivables are amounts due from subcontractors for part components sold in the ordinary course of business. Trade receivables are recognized initially at fair value and subsequently measured at FVOCI, less loss allowance. Other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. See Note 2(i) for further information about the Group's accounting for trade receivables and Note 2(j) for a description of the Group's impairment policies.

If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

(o) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents mainly comprise cash on hand, deposits held at call with banks, other short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the consolidated balance sheet.

(p) Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received (net of any directly attributable incremental transaction costs and the related income tax effects) is included in equity attributable to the Company's equity holders.

(q) Borrowings and borrowing costs

Borrowings are recognized initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated income statement over the period of the borrowings using the effective interest method.

Notes to the financial statements

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(q) Borrowings and borrowing costs *(continued)*

Preferred shares, which are mandatory redeemable on a special date, are classified as liabilities. The dividends on these preferred shares are recognized in profit or loss as finance costs.

The Group designated the convertible preferred shares as financial liability at fair value through profit or loss ("FVPL"). Subsequent to initial recognition, the convertible preferred shares are carried at fair value with changes in fair value recognized in profit or loss in the period in which it arises.

The fair value of the liability portion of a convertible bond is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortized cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option. This is recognized and included in shareholders' equity, net of income tax effects.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

(r) Trade and other payables

Trade payables are obligations to pay for part components or services that have been acquired in the ordinary course of business from suppliers. Majority of other payables are obligations to pay for finished goods that have been acquired in the ordinary course of business from subcontractors. Trade and other payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

(s) Provisions

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(s) Provisions *(continued)*

(i) Warranty provision

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

(ii) Other provisions

Provisions for environmental restoration, restructuring costs and legal claims are recognized when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring costs provision comprises lease termination penalties and employee termination payments. Provisions are not recognized for future operating losses.

(t) Current and deferred income tax

The tax expense for the period comprises current and deferred income tax.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries, joint ventures and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, joint ventures and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same tax authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(u) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognized because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognized but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognized as a provision.

(v) Revenue

Income is classified by the Group as revenue when it arises from the sales of goods and the provision of services in the ordinary course of the Group's business.

(i) Sale of goods and provision of services

Revenue from sale of hardware, software, peripherals and mobile devices and the provision of services is recognized when control over such products or services is transferred to the customer at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value-added tax, an allowance for estimated returns, rebates and discounts.

The Group enters into different shipping terms with customers. Control of hardware, software, peripherals and mobile devices is transferred when delivery has occurred. Delivery is generally considered as occurred once the goods are shipped. For certain transactions that the Group retains control during the course of shipment, the Group defers the recognition of revenue and cost of such products until they are delivered to the designated locations. The Group's obligation to repair or replace faulty products under the standard warranty terms is recognized as a provision.

Control of systems integration service, information technology technical service and extended warranty service is transferred over time during the contract period or when services are rendered.

No element of financing is deemed present as the sales are made with a credit term of 0 – 120 days, which is consistent with market practice. A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(ii) Interest income

Interest income is recognized using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired receivables is recognized using the original effective interest rate.

(iii) Dividend income

Dividend income is recognized when the right to receive payment is established.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(w) Non-base manufacturing costs

Non-base manufacturing costs are costs that are periodic in nature as opposed to product specific. They are typically incurred after the physical completion of the product and include items such as outbound freight for in-country finished goods shipments, warranty costs, engineering charges, storage and warehousing costs, and contribute to bringing inventories to their present location and condition. Non-base manufacturing costs enter into the calculation of gross margin but are not inventoriable costs.

(x) Employee benefits

(i) Pension obligations

The Group operates various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Group has both defined benefit and defined contribution plans.

A defined benefit plan is a pension plan which defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognized in the consolidated balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. Significant portion of the defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the consolidated income statement.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized as other comprehensive income or loss in the year in which they arise. They are included in retained earnings in the consolidated statement of changes in equity and in the consolidated balance sheet.

Past service costs are recognized immediately in the consolidated income statement. Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognized immediately in profit or loss as past service costs.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions are recognized as employee benefit expense when they are due and are reduced by employer's portion of voluntary contributions forfeited by those employees who leave the scheme prior to vesting fully. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(x) Employee benefits *(continued)*

(i) Pension obligations (continued)

The Group's contributions to local municipal government retirement schemes in connection with retirement benefit schemes in the Mainland of China ("Chinese Mainland") are expensed as incurred. The local municipal governments in the Chinese Mainland assume the retirement benefit obligations of the qualified employees.

(ii) Post-employment medical benefits

The Group operates a number of post-employment medical benefit schemes, the largest being in the United States. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using an accounting methodology similar to that for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized as other comprehensive income or loss in the period in which they arise. The obligations of these schemes in the United States are valued annually by independent qualified actuaries.

(iii) Long-term incentive program

The Group operates a long-term incentive program to recognize employees' individual and collective contributions, and includes two types of awards, namely share appreciation rights and restricted share units ("Long-term Incentive Awards"). The Company reserves the right, at its discretion, to pay the award in cash or ordinary shares of the Company. The fair value of the employee services received in exchange for the grant of the Long-term Incentive Awards is recognized as employee benefit expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the Long-term Incentive Awards granted, including any market performance conditions (for example, an entity's share price); excluding the impact of any service and non-market performance vesting conditions (for example, profitability and sales growth targets); and including the impact of non-vesting conditions. Non-market performance and service conditions are included in assumptions about the number of Long-term Incentive Awards that are expected to become exercisable/vested. The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

At each balance sheet date, the Group revises its estimates of the number of Long-term Incentive Awards that are expected to become exercisable. It recognizes the impact of the revision of original estimates, if any, in the consolidated income statement, with a corresponding adjustment to share-based compensation reserve under equity.

Employee share trusts are established for the purposes of awarding shares to eligible employees under the long-term incentive program. The employee share trusts are administered by independent trustees and are funded by the Group's cash contributions and recorded as contributions to employee share trusts, an equity component. The administrator of the employee share trusts buys the Company's shares in the open market for award to employees upon vesting.

Upon vesting, the corresponding amounts in the share-based compensation reserve will be transferred to share capital for new allotment of shares to employees, or to the employee share trusts for shares awarded to employees by the employee share trusts.

(x) Employee benefits *(continued)*

(iv) Termination benefit

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognizes costs for a restructuring that is within the scope of HKAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(y) Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognized as "Other operating expenses – net" in the consolidated income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in other non-current liabilities as deferred government grants and are credited to the consolidated income statement on a straight-line basis over the expected lives of the related assets.

(z) Leases (as the lessee)

As explained in Note 1, the Group has changed its accounting policy for leases where the Group is the lessee. The new policy is described below and the impact of the change is in Note 1. The Group has initially applied HKFRS 16 from April 1, 2019. The Group has elected to use the simplified transition approach and therefore comparative information has not been restated and continues to be reported under HKAS 17, Leases.

Until March 31, 2019, leases where substantially all the rewards and risks of ownership of assets remained with the leasing company were accounted for as operating leases. All leases of property, plant and equipment of the Group were operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to the consolidated income statement on a straight-line basis over the lease term.

From April 1, 2019, leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Rental contracts of the Group are typically made for fixed periods of 1 to 9 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Notes to the financial statements

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(z) Leases (as the lessee) *(continued)*

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payments that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Some property leases contain variable payment terms that are linked to sales generated from stores. There is a wide range of sales percentages applied. Variable payment terms are used for a variety of reasons, including minimising the fixed costs base for newly established stores. Variable lease payments that depend on sales are recognized as a profit or loss in the period in which the event or condition that triggers those payments occurs.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liabilities
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Payments associated with leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Low-value assets comprise motor vehicles and office equipment.

Interest in leasehold land and building is presented within "property, plant and equipment" in the consolidated balance sheet and is depreciated over lease terms on a straight line basis, ranging from 1 to 9 years for the Group.

Interest in leasehold land is presented as "prepaid lease payments" in the consolidated balance sheet and is amortized over the lease terms on a straight line basis, ranging from 10 to 50 years for the Group.

Lease liabilities are presented within "other payables and accruals" (for current portion) and "other non-current liabilities" (for non-current portion) in the consolidated balance sheet.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(aa) Related party transactions

A related party transaction is a transfer of resources, services or obligations between the Group and a related party of the Group, regardless of whether a price is charged.

(i) A person, or a close member of that person's family, is related to the Group if that person:

- has control or joint control over the Group;
- has significant influence over the Group; or
- is a member of the key management personnel of the Group or the Group's parent.

(ii) An entity is related to the Group if any of the following conditions applies:

- The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- Both entities are joint ventures of the same third party.
- One entity is a joint venture of a third entity and the other entity is an associate of the third party.
- The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
- The entity is controlled or jointly controlled by a person identified in (i) above.
- A person, or a close member of that person's family, who has control or joint control over the Group, has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(ab) Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's and Company's financial statements in the period in which the dividends are approved by the Company's shareholders in case of final dividend and by the Company's directors in case of interim dividend.

3 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks, such as market risk (including foreign currency risk and cash flow interest rate risk), credit risk, and liquidity risk. The Group's overall financial risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures. Financial risk management is carried out by the centralized treasury department ("Group Treasury").

(a) Financial risk factors

(i) Foreign currency risk

The Group operates internationally and is exposed to foreign currency risk arising from various currency exposures, primarily with respect to United States dollar, Renminbi and Euro. Foreign currency risk arises from future commercial transactions, recognized assets and liabilities and net investment in foreign operations denominated in a currency that is not the group companies' functional currency.

Management has set up a policy to require group companies to manage their foreign currency risk against their functional currency. The Group's forward foreign currency contracts are either used to hedge a percentage of anticipated cash flows (mainly export sales and purchase of inventories) which are highly probable, or used as fair value hedges for the identified assets and liabilities.

For segment reporting purposes, external hedge contracts on assets, liabilities or future transactions are designated to each operating segment, as appropriate.

The following tables detail the Group's exposure at the balance sheet date to currency risk arising from recognized assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate, except for the currency risk between United States dollar and Hong Kong S.A.R. of China dollar given the two currencies are under the linked exchange rate system. For presentation purposes, the amounts of the exposure are shown in United States dollar, translated using the spot rate at the balance sheet date. Differences resulting from the translation of the financial statements of foreign operations into the Group's presentation currency are excluded.

3 FINANCIAL RISK MANAGEMENT *(continued)*

(a) Financial risk factors *(continued)*

(i) Foreign currency risk *(continued)*

	2020			2019		
	United States dollar US$'000	**Renminbi US$'000**	**Euro US$'000**	United States dollar US$'000	Renminbi US$'000	Euro US$'000
Trade and other receivables	**242,131**	**3,760**	**95,724**	271,290	12,181	11,172
Bank deposits and cash and cash equivalents	**20,703**	**3,790**	**175,614**	35,292	16,078	36,519
Trade and other payables	**(221,554)**	**(26,077)**	**(11,084)**	(352,175)	(67,591)	(12,420)
Borrowings	**-**	**(563,249)**	**-**	–	(594,747)	–
Intercompany balances before elimination	**(3,579,291)**	**468,450**	**(371,022)**	(3,506,479)	899,134	(413,895)
Gross exposure	**(3,538,011)**	**(113,326)**	**(110,768)**	(3,552,072)	265,055	(378,624)
Notional amounts of forward exchange contracts used as economic hedges	**3,516,807**	**204,153**	**91,638**	3,524,724	–	329,219
Net exposure	**(21,204)**	**90,827**	**(19,130)**	(27,348)	265,055	(49,405)

(ii) Cash flow interest rate risk

The Group's interest rate risk mainly arises from short-term and long-term borrowings denominated in United States dollar. It is the Group's policy to mitigate interest rate risk through the use of appropriate interest rate hedging instruments. Generally, the Group manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Under the interest rate swaps, the Group agrees with other parties to settle the difference between cash flow arising from fixed contract rates and floating-rate interest of the notional amounts at specified intervals (primarily quarterly).

The Group operates various trade financing programs. The Group is exposed to fluctuation of interest rates of all the currencies covered by those programs.

(iii) Credit risk

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers and subcontractors, including outstanding receivables and committed transactions.

Notes to the financial statements

3 FINANCIAL RISK MANAGEMENT *(continued)*

(a) Financial risk factors *(continued)*

(iii) Credit risk *(continued)*

For banks and other financial institutions, the Group controls its credit risk through monitoring their credit rating and setting approved counterparty credit limits that are regularly reviewed.

The Group has no significant concentration of customer credit risk. The Group has a credit policy in place and exposures to these credit risks are monitored on an ongoing basis.

No credit limits were exceeded by any customers during the reporting period, and management does not expect any significant losses from non-performance by these counterparties.

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected credit loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on the days past due. The gross carrying amount of the trade receivables and the loss allowance analyzed by aging band are set out below:

March 31, 2020	**Gross carrying amount US$'000**	**Loss allowance US$'000**	**Expected credit loss rate**
Not past due	**5,457,313**	**(42)**	**0%**
Past due less than 31 days	**521,561**	**(17)**	**0%**
Past due within 31 to 60 days	**149,097**	**(1)**	**0%**
Past due within 61 to 90 days	**72,908**	**(262)**	**0%**
Past due over 90 days	**157,589**	**(95,134)**	**60%**
	6,358,468	**(95,456)**	

March 31, 2019	Gross carrying amount US$'000	Loss allowance US$'000	Expected credit loss rate
Not past due	5,774,882	(172)	0%
Past due less than 31 days	513,051	(80)	0%
Past due within 31 to 60 days	125,345	(1)	0%
Past due within 61 to 90 days	59,705	(191)	0%
Past due over 90 days	288,843	(99,898)	35%
	6,761,826	(100,342)	

3 FINANCIAL RISK MANAGEMENT *(continued)*

(a) Financial risk factors *(continued)*

(iv) Liquidity risk

Cash flow forecasting at least for next 12 months of the Group is performed by Group Treasury. It monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational, financing and investing needs while maintaining sufficient headroom on its undrawn committed borrowing facilities (Note 26) at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, net current liabilities position, covenant compliance, compliance with internal balance sheet ratio targets, the COVID-19 impact and, if applicable external regulatory or legal requirements, for example, currency restrictions.

Surplus cash held by the operating entities over and above balances required for working capital management are transferred to Group Treasury. Group Treasury invests surplus cash in interest bearing current accounts, time deposits, money market funds and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the above-mentioned forecasts, At the balance sheet date, the Group held money market funds of US$522,379,000 (2019: US$583,924,000) (Note 23).

3 FINANCIAL RISK MANAGEMENT *(continued)*

(a) Financial risk factors *(continued)*

(iv) Liquidity risk *(continued)*

The tables below analyze the Group's non-derivative financial liabilities and derivative financial liabilities into relevant maturity groupings based on the remaining periods at the balance sheet date to the contractual maturity dates. Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows. The amounts disclosed in the tables are the contractual undiscounted cash outflows/(inflows).

	Repayable on demand or 3 months or less US$'000	Over 3 months to 1 year US$'000	Over 1 to 3 years US$'000	Over 3 to 5 years US$'000	Total US$'000
At March 31, 2019					
Borrowings	1,950,291	151,061	1,915,505	786,102	4,802,959
Trade, notes and other payables and accruals	14,308,820	685,965	–	–	14,994,785
Deferred consideration	–	–	25,072	–	25,072
Contingent consideration	–	–	115,093	–	115,093
Written put option liabilities	–	–	330,269	542,127	872,396
Others	–	–	32,253	127,697	159,950
Derivatives settled in net:					
Forward foreign exchange contracts	7,860	1,996	–	–	9,856
Derivatives settled in gross:					
Forward foreign exchange contracts					
– outflow	5,740,706	1,958,660	–	–	7,699,366
– inflow	(5,760,493)	(1,968,788)	–	–	(7,729,281)
At March 31, 2020					
Borrowings	**2,683,046**	**799,893**	**1,713,860**	**-**	**5,196,799**
Trade, notes and other payables and accruals	**13,293,339**	**2,872,936**	**-**	**-**	**16,166,275**
Deferred consideration	**-**	**-**	**25,072**	**-**	**25,072**
Contingent consideration	**117,387**	**-**	**-**	**-**	**117,387**
Written put option liabilities	**-**	**-**	**312,365**	**552,933**	**865,298**
Lease liabilities	**29,753**	**79,836**	**158,485**	**226,921**	**494,995**
Others	**-**	**-**	**27,382**	**34,993**	**62,375**
Derivatives settled in gross:					
Forward foreign exchange contracts					
– outflow	**7,040,808**	**672,034**	**-**	**-**	**7,712,842**
– inflow	**(7,093,967)**	**(676,556)**	**-**	**-**	**(7,770,523)**

3 FINANCIAL RISK MANAGEMENT *(continued)*

(b) Market risk sensitivity analysis

HKFRS 7 "Financial instruments: Disclosures" requires the disclosure of a sensitivity analysis for market risks that show the effects of a hypothetical change in the relevant market risk variable to which the Group is exposed to at the balance sheet date on profit or loss and total equity.

The sensitivity analysis for each type of market risks does not reflect inter-dependencies between risk variables. The sensitivity analysis assumes that a hypothetical change of the relevant risk variable had occurred at the balance sheet date and had been applied to the relevant risk variable in existence on that date. The bases and assumptions adopted in the preparation of the analyses will by definition, seldom equal to the related actual results.

The disclosure of the sensitivity analysis on market risks is solely for compliance with HKFRS 7 disclosure requirements in respect of financial instruments, and are for illustration purposes only; and it should be noted that the hypothetical amounts so generated do not represent a projection of likely future events and profits or losses of the Group.

(i) Foreign currency exchange rate sensitivity analysis

At March 31, 2020, if United States dollar had weakened/strengthened by one percent against the major currencies with all other variables held constant, pre-tax profit for the year would have been US$0.9 million higher/lower (2019: US$2.4 million higher/lower), mainly as a result of foreign exchange gains/losses on translation of unhedged portion of receivable and payable balances.

The analysis above is based on the assumption that United States dollar weakened or strengthened against all other currencies in the same direction and magnitude, but it may not be necessarily true in reality.

(ii) Interest rate sensitivity analysis

At March 31, 2020, if interest rate on borrowings had been 25 basis points higher/lower with all other variables held constant, pre-tax profit for the year would have been US$6.0 million lower/higher (2019: US$5.9 million lower/higher).

At March 31, 2020, if interest rates on trade financing programs had been 25 basis points higher/lower with all other variables held constant, pre-tax profit for the year would have been US$9.7 million lower/higher (2019: US$7.1 million lower/higher). This analysis is based on the assumption that the interest rates of all the currencies covered by the trade financing programs go up and down at the same time and with the same magnitude; however, such assumptions may not be necessarily true in reality.

(c) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

3 FINANCIAL RISK MANAGEMENT *(continued)*

(c) Capital risk management *(continued)*

Consistent with others in the industry, the Group monitors capital on the basis of gearing ratio. This ratio is calculated as total borrowings (including current and non-current borrowings) divided by total equity. The Group's strategy remains unchanged and the gearing ratios and net debt position of the Group as at March 31, 2020 and 2019 are as follows:

	2020 US$ million	2019 US$ million
Bank deposits and cash and cash equivalents	**3,617**	2,733
Less: total borrowings	**(4,860)**	(4,380)
Net debt position	**(1,243)**	(1,647)
Total equity	**4,059**	4,097
Gearing ratio	**1.20**	1.07

(d) Fair value estimation

The table below analyzes financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities

- Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)

- Level 3 Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs)

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

3 FINANCIAL RISK MANAGEMENT *(continued)*

(d) Fair value estimation *(continued)*

Specific valuation techniques used to value financial instruments include:

- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.

- The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.

- Other techniques, such as estimated discounted cash flows and recent transaction for similar instruments, are used to determine fair value for the remaining financial instruments.

The following table presents the assets and liabilities that are measured at fair value at March 31, 2020 and 2019.

	2020				2019			
	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
Assets								
Financial assets at FVPL								
Listed equity investments	77,539	-	-	77,539	196,225	-	-	196,225
Unlisted equity investments	-	-	417,268	417,268	-	-	253,138	253,138
Financial assets at FVOCI								
Listed equity investments	24,382	-	-	24,382	30,858	-	-	30,858
Unlisted equity investments	-	-	31,754	31,754	-	-	40,628	40,628
Trade receivables	-	6,263,012	-	6,263,012	-	6,661,484	-	6,661,484
Derivative financial assets	-	138,813	-	138,813	-	70,972	-	70,972
	101,921	6,401,825	449,022	6,952,768	227,083	6,732,456	293,766	7,253,305
Liabilities								
Derivative financial liabilities	-	73,784	-	73,784	-	74,426	-	74,426
Contingent consideration	-	-	117,387	117,387	-	-	113,283	113,283
Convertible preferred shares	-	-	317,826	317,826	-	-	-	-
	-	73,784	435,213	508,997	-	74,426	113,283	187,709

Notes to the financial statements

3 FINANCIAL RISK MANAGEMENT *(continued)*

(d) Fair value estimation *(continued)*

During the year ended March 31, 2019, there was a transfer of US$145,866,000 relating to financial assets at FVPL from Level 3 to Level 1 as those financial assets became listed in active markets.

The movements in the financial assets and liabilities included in Level 3 fair value hierarchy for the years ended March 31, 2020 and 2019 are as follows:

Equity securities

	Financial assets at FVPL		Financial assets at FVOCI	
	2020 US$'000	2019 US$'000	**2020 US$'000**	2019 US$'000
At the beginning of the year	**253,138**	–	**40,628**	–
Change in accounting policy	**-**	294,601	**-**	48,913
Exchange adjustment	**(11,687)**	(7,770)	**(1,587)**	(1,852)
Fair value change recognized in other comprehensive income	**-**	–	**(4,913)**	(11,172)
Fair value change recognized in profit or loss	**90,117**	87,497	**-**	–
Transfer to Level 1	**-**	(145,866)	**-**	–
Additions	**91,406**	58,672	**429**	4,739
Disposals	**(5,706)**	(33,996)	**(2,803)**	–
At the end of the year	**417,268**	253,138	**31,754**	40,628

No sensitivity analysis for unlisted equity investments is presented as a reasonably possible change in key assumptions used in the sensitivity analysis would not result in any significant potential financial impact.

3 FINANCIAL RISK MANAGEMENT *(continued)*

(d) Fair value estimation *(continued)*

Contingent consideration

	2020 US$'000	2019 US$'000
At the beginning of the year	**113,283**	–
Exchange adjustment	**2,254**	461
Additions	**-**	111,047
Fair value change recognized in profit or loss	**1,850**	1,775
At the end of the year	**117,387**	113,283
Total losses for the year included in profit or loss under "finance costs"	**1,850**	1,775

The contingent consideration is valued with reference to the performance indicators of Fujitsu Client Computing Limited and its subsidiary, Shimane Fujitsu Limited ("FCCL"), if the actual performance of FCCL had been 10% higher/lower than its expected performance, the contingent consideration would have been increased/decreased by approximately nil and US$23 million respectively (2019: nil and US$23 million respectively) with the corresponding gain recognized in the consolidated income statement.

Convertible preferred shares

	2020 US$'000
At the beginning of the year	**-**
Additions	**300,000**
Dividends paid	**(6,000)**
Fair value change recognized in profit or loss	**23,826**
At the end of the year	**317,826**

If the discount rate increased/decreased by 0.5%, the convertible preferred shares would have been decreased/increased by approximately US$12 million and US$14 million respectively with the corresponding gain/loss recognized in the consolidated income statement.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements often requires the use of judgment to select specific accounting methods and policies from several acceptable alternatives. Estimates and judgments used in preparing the financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The following are the more significant assumptions and estimates, as well as the accounting policies and methods used in the preparation of the financial statements:

(a) Impairment of non-financial assets

The Group tests at least annually whether goodwill and other assets that have indefinite useful lives have suffered any impairment. Other assets that are subject to depreciation and amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset exceeds its recoverable amount. The recoverable amounts of an asset or a cash-generating unit have been determined based on value-in-use calculations. These calculations require the use of estimates.

The value-in-use calculations use cash flow projection based on financial budgets approved by management covering a five-year period with a terminal value related to the future cash flows extrapolated using constant projection of cash flows beyond the five-year period. There are a number of assumptions and estimates involved for the preparation of cash flow projections for the period covered by the approved budget and the estimated terminal value. Key assumptions include the expected growth in revenues and operating margins, estimated compound growth rates, selection of discount rates and the COVID-19 impact.

Management prepared the financial budgets reflecting actual and prior year performance and market development expectations. Judgment is required to determine key assumptions adopted in the cash flow projections and changes to key assumptions can significantly affect these cash flow projections and therefore the results of the impairment reviews.

(b) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The tax liabilities recognized are based on management's assessment of the likely outcome taking into consideration precedent tax ruling in the relevant jurisdiction.

The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying values in the financial statements.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(continued)*

(b) Income taxes *(continued)*

Deferred income tax assets are mainly recognized for temporary differences such as warranty provision, accrued sales rebates, bonus accruals, and other accrued expenses, and unused tax losses carried forward to the extent it is probable that future taxable profits will be available against which deductible temporary differences and the unused tax losses can be utilized, based on all available evidence. Recognition primarily involves judgment regarding the future financial performance of the particular legal entity or tax group taking into consideration the COVID-19 impact in which the deferred income tax asset has been recognized. A variety of other factors are also evaluated in considering whether there is convincing evidence that it is probable that some portion or all of the deferred income tax assets will ultimately be realized, such as the existence of taxable temporary differences, group relief, tax planning strategies and the periods in which estimated tax losses can be utilized. The carrying amount of deferred income tax assets and related financial models and budgets are reviewed at each balance sheet date and to the extent that there is insufficient convincing evidence that sufficient taxable profits will be available within the utilization periods to allow utilization of the carry forward tax losses, the asset balance will be reduced and the difference charged to the consolidated income statement.

Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax provisions and deferred income tax assets and liabilities in the period in which such determination is made.

(c) Warranty provision

Warranty provision is based on the estimated cost of product warranties when revenue is recognized. Factors that affect the Group's warranty liability include the number of sold units currently under warranty, historical and anticipated rates of warranty claims on those units, and cost per claim to satisfy our warranty obligation. The estimation basis is reviewed on an on-going basis and revised where appropriate. Certain of these costs are reimbursable from the suppliers in accordance with the terms of relevant arrangements with the suppliers. These amounts are recognized as a separate asset, to the extent of the amount of the provision made, when it is virtually certain that reimbursement will be received if the Group settles the obligation.

(d) Revenue recognition

Application of various accounting principles related to the measurement and recognition of revenue requires the Group to make judgments and estimates. Specifically, complex arrangements with non-standard terms and conditions may require significant contract interpretation to determine the appropriate accounting, including whether the deliverables specified in a multiple element arrangement should be treated as separate performance obligations. Other significant judgments include determining whether the Group or a reseller is acting as the principal in a transaction and whether separate contracts are considered part of one arrangement.

The Group sells products to channels. Sales through channels are primarily made under agreements allowing for volume discounts, price protection and rebates, and marketing development funds. The Group monitors the channel inventory level with reference to historical data. Revenue recognition is also impacted by the Group's ability to estimate volume discounts, price protection and rebates, and marketing development funds. The Group considers various factors, including review of specific transactions, historical experience, market and economic conditions and channel inventory level when calculating these provisions and allowances. Revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(continued)*

(d) Revenue recognition *(continued)*

Revenue from sales of goods is recognized when the control of the goods is transferred to customers, which are generally occurred upon shipment. For certain transactions that the Group retains control during the course of shipment, the Group defers the recognition of revenue and cost of such products until they are delivered to the designated locations.

(e) Retirement benefits

Pension and other post-retirement benefit costs and obligations are dependent on various assumptions. The Group's major assumptions primarily relate to discount rate, expected return on assets, and salary growth. In determining the discount rate, the Group references market yields at the balance sheet date on high quality corporate bonds. The currency and term of the bonds are consistent with the currency and estimated term of the benefit obligations being valued. The expected return on plan assets is based on market expectations for returns over the life of the related assets and obligations. The salary growth assumptions reflect the Group's long-term actual experience and future and near-term outlook. Actual results that differ from the assumptions are generally recognized in the year they occur.

(f) Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at each balance sheet date.

(g) Fair value of identifiable assets and liabilities acquired through business combinations

The Group applies the acquisition method to account for business combinations, which requires the Group to record assets acquired and liabilities assumed at their fair values on the date of acquisition. Significant judgment is used to estimate the fair values of the assets and liabilities acquired, including estimating future cash flows from the acquired business, determining appropriate discount rates, asset lives and other assumptions.

5 SEGMENT INFORMATION

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

5 SEGMENT INFORMATION *(continued)*

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

	2020		2019	
	Revenue from external customers US$'000	**Pre-tax income/(loss) US$'000**	Revenue from external customers US$'000	Pre-tax income/(loss) US$'000
IDG	**45,216,190**	**2,301,621**	45,013,362	1,842,840
DCG	**5,500,159**	**(225,497)**	6,024,581	(230,600)
Segment total	**50,716,349**	**2,076,124**	51,037,943	1,612,240
Unallocated:				
Headquarters and corporate (expenses)/income – net		**(725,457)**		(640,542)
Depreciation and amortization		**(168,485)**		(136,263)
Finance income		**24,959**		4,121
Finance costs		**(216,106)**		(142,496)
Share of losses of associates and joint ventures		**(14,545)**		(11,525)
Loss on disposal of property, plant and equipment		**(9,423)**		(1,651)
Fair value gain on financial assets at FVPL		**66,036**		125,550
Fair value loss on a financial liability at FVPL		**(23,826)**		–
Gain on deemed disposal of a subsidiary		**-**		22,811
Dilution gain on interest in an associate		**-**		24,189
Gain on disposal of interest in an associate		**3,922**		–
Dividend income		**4,508**		230
Consolidated profit before taxation		**1,017,707**		856,664

Notes to the financial statements

5 SEGMENT INFORMATION *(continued)*

(b) Segment assets for reportable segments

	2020 US$'000	2019 US$'000
IDG	**20,045,317**	19,797,625
DCG	**4,656,685**	4,094,194
Segment assets for reportable segments	**24,702,002**	23,891,819
Unallocated:		
Deferred income tax assets	**2,059,582**	1,862,902
Financial assets at FVPL	**494,807**	449,363
Financial assets at FVOCI	**56,136**	71,486
Derivative financial assets	**138,813**	70,972
Interests in associates and joint ventures	**60,307**	79,061
Bank deposits and cash and cash equivalents	**3,617,470**	2,733,064
Unallocated deposits, prepayments and other receivables	**379,429**	166,874
Income tax recoverable	**196,464**	185,643
Other unallocated assets	**423,157**	477,301
Total assets per consolidated balance sheet	**32,128,167**	29,988,485

5 SEGMENT INFORMATION *(continued)*

(c) Segment liabilities for reportable segments

	2020 US$'000	2019 US$'000
IDG	**20,271,781**	19,045,230
DCG	**1,666,557**	1,456,268
Segment liabilities for reportable segments	**21,938,338**	20,501,498
Unallocated:		
Deferred income tax liabilities	**342,805**	359,679
Derivative financial liabilities	**73,784**	74,426
Borrowings	**4,859,599**	4,379,813
Unallocated other payables and accruals	**470,200**	246,467
Unallocated provisions	**-**	1,336
Unallocated other non-current liabilities	**26,771**	29,979
Income tax payable	**357,375**	298,224
Total liabilities per consolidated balance sheet	**28,068,872**	25,891,422

(d) Analysis of revenue by geography

	2020 US$'000	2019 US$'000
China	**10,857,955**	12,357,527
Asia Pacific ("AP")	**11,263,518**	9,764,456
Europe-Middle East-Africa ("EMEA")	**12,419,641**	12,502,510
Americas ("AG")	**16,175,235**	16,413,450
	50,716,349	51,037,943

(e) Analysis of revenue by timing of revenue recognition

	2020 US$'000	2019 US$'000
Point in time	**49,406,643**	50,052,707
Over time	**1,309,706**	985,236
	50,716,349	51,037,943

5 SEGMENT INFORMATION *(continued)*

(f) Revenue recognized in relation to deferred revenue and receipt in advance

Deferred revenue and receipt in advance (included in "other payables and accruals") amounting to US$1,866 million (2019: US$1,675 million) primarily relate to the Group's unfulfilled performance obligations for which consideration has been received at the reporting date. Revenue is recognized in the period when the performance obligations are fulfilled. US$997 million (2019: US$1,103 million) was recognized as revenue during the year that was included in such balance at the beginning of the year.

(g) Transaction price allocated to the remaining performance obligations

The following table includes revenue expected to be recognized in the future related to performance obligations that are unsatisfied or partially unsatisfied at the reporting date.

	2020 US$'000	2019 US$'000
Within one year	**1,001,557**	996,611
More than one year	**864,805**	678,137
	1,866,362	1,674,748

(h) Other segment information

	IDG		DCG		Total	
	2020 US$'000	2019 US$'000	**2020 US$'000**	2019 US$'000	**2020 US$'000**	2019 US$'000
Depreciation and amortization	**562,748**	452,511	**238,554**	209,846	**801,302**	662,357
Finance income	**20,101**	23,058	**2,790**	220	**22,891**	23,278
Finance costs	**218,726**	174,245	**19,362**	20,286	**238,088**	194,531
Additions to non-current assets (Note)	**919,914**	976,339	**244,487**	102,449	**1,164,401**	1,078,788

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

The total of non-current assets other than financial instruments, deferred income tax assets and post-employment benefit assets (there are no rights arising under insurance contracts) located in Chinese Mainland and other countries is approximately US$4,515,808,000 (2019: US$4,357,099,000) and US$6,268,393,000 (2019: US$6,361,432,000) respectively.

6 OPERATING PROFIT

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

	2020 US$'000	2019 US$'000
Depreciation of property, plant and equipment		
– Other property, plant and equipment	**276,453**	288,965
– Right-of-use assets	**100,886**	–
Amortization of prepaid lease payments	**2,714**	2,795
Amortization of intangible assets	**589,734**	506,860
Employee benefit costs (Note 9)	**4,446,884**	4,006,967
Cost of inventories sold	**40,097,169**	41,580,106
Auditor's remuneration		
– Audit services (Note)	**9,952**	10,383
– Non-audit services	**2,615**	4,701
Rental expenses under operating leases	**15,820**	131,918
Government grants (Note 27(c))	**(85,470)**	(69,391)
Net foreign exchange loss	**92,614**	111,529
Net gain on foreign exchange forward contracts for cash flow hedges reclassified from equity	**(142,296)**	(244,396)
Loss on disposal of property, plant and equipment	**11,467**	4,970
Loss on disposal of intangible assets	**1,067**	743
Fair value gain on financial assets at FVPL	**(66,036)**	(125,550)
Fair value loss on a financial liability at FVPL	**23,826**	–
Gain on disposal of subsidiaries	**(12,844)**	–
Gain on deemed disposal of a subsidiary	**–**	(22,811)
Dilution gain on interest in an associate	**–**	(24,189)
Gain on disposal of interest in an associate	**(3,922)**	–

Note: Of the above audit services fees, US$8,600,000 (2019: US$9,211,000) is payable to the Company's auditor.

Notes to the financial statements

7 FINANCE INCOME AND COSTS

(a) Finance income

	2020 US$'000	2019 US$'000
Interest on bank deposits	**40,050**	21,927
Interest on money market funds	**7,800**	5,472
	47,850	27,399

(b) Finance costs

	2020 US$'000	2019 US$'000
Interest on bank loans and overdrafts	**87,859**	92,103
Interest on convertible bonds	**39,488**	7,109
Interest on notes	**90,529**	123,428
Interest on lease liabilities	**17,270**	–
Factoring costs	**189,363**	96,730
Interest on contingent consideration and written put option liabilities	**26,556**	14,758
Others	**3,129**	2,899
	454,194	337,027

8 TAXATION

The amount of taxation in the consolidated income statement represents:

	2020 US$'000	2019 US$'000
Current tax		
– Hong Kong S.A.R. of China profits tax	**73,957**	37,162
– Taxation outside Hong Kong S.A.R. of China	**398,905**	432,094
Deferred tax (Note 19)		
– Credit for the year	**(259,658)**	(269,796)
	213,204	199,460

8 TAXATION *(continued)*

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

The Group has been granted certain tax concessions by tax authorities in the Chinese Mainland and overseas whereby the subsidiaries operating in the respective jurisdictions are entitled to tax concessions.

The differences between the Group's expected tax charge, calculated at the domestic rates applicable to the countries concerned, and the Group's tax charge for the year are as follows:

	2020 US$'000	2019 US$'000
Profit before taxation	**1,017,707**	856,664
Tax calculated at domestic rates applicable in countries concerned	**333,430**	283,106
Income not subject to taxation	**(408,883)**	(386,175)
Expenses not deductible for taxation purposes	**307,631**	237,604
Recognition/utilization of previously unrecognized temporary differences/tax losses	**(50,924)**	(914)
Deferred income tax assets not recognized	**32,278**	61,930
(Over)/under-provision in prior years	**(328)**	3,909
	213,204	199,460

The weighted average applicable tax rate for the year was 32.8% (2019: 33.0%). The decrease is caused by changes in tax concessions and profitability of the Group's subsidiaries in respective countries they are operating.

8 TAXATION *(continued)*

The tax credit relating to components of other comprehensive income is as follows:

	2020			2019		
	Before tax US$'000	**Tax credit US$'000**	**After tax US$'000**	Before tax US$'000	Tax credit US$'000	After tax US$'000
Fair value change on financial assets at FVOCI	**(11,305)**	**380**	**(10,925)**	(16,304)	326	(15,978)
Fair value change on cash flow hedges	**35,249**	**-**	**35,249**	39,480	666	40,146
Remeasurements of post-employment benefit obligations (Note 35)	**(46,275)**	**-**	**(46,275)**	(25,641)	–	(25,641)
Currency translation differences	**(424,422)**	**-**	**(424,422)**	(434,816)	–	(434,816)
Other comprehensive (loss)/ income	**(446,753)**	**380**	**(446,373)**	(437,281)	992	(436,289)
Deferred tax (Note 19)		**380**			992	

9 EMPLOYEE BENEFIT COSTS

	2020 US$'000	2019 US$'000
Wages and salaries	**3,401,087**	3,057,257
Social security costs	**266,126**	241,280
Long-term incentive awards granted (Note 28)	**258,610**	214,822
Pension costs		
– Defined contribution plans	**197,318**	192,184
– Defined benefit plans (Note 35)	**21,610**	23,302
Others	**302,133**	278,122
	4,446,884	4,006,967

The Group contributes to respective local municipal government retirement schemes which are available to all qualified employees in the Chinese Mainland. Contributions to these schemes are calculated with reference to the monthly average salaries as set out by the local municipal government.

The Group participates in various defined contribution schemes, either voluntary or mandatory, for all qualified employees. The assets of those defined contribution schemes are held separately from those of the Group in independently administered funds.

The Group also contributes to certain defined benefit pension schemes, details of which are set out in Note 35.

Notes to the financial statements

10 EMOLUMENTS OF DIRECTORS AND HIGHEST PAID INDIVIDUALS

(a) Directors' and senior management's emoluments

Directors' emoluments comprise payments by the Group to directors of the Company in connection with the management of the affairs of the Company and its subsidiaries. The remuneration of each director and the chief executive who is also a director, for the years ended March 31, 2020 and 2019 is set out below:

	2020						
Name of Director	Fees US$'000	Salaries US$'000	Discretionary bonuses (i) US$'000	Long-term incentive awards (ii) US$'000	Retirement payments and employer's contribution to pension schemes US$'000	Other benefits in-kind US$'000	Total US$'000
Executive director							
Mr. Yang Yuanqing (CEO)	-	1,270	7,533	15,041	133	686	24,663
Non-executive directors							
Mr. Zhu Linan	98	-	-	204	-	-	302
Mr. Zhao John Huan	98	-	-	204	-	-	302
Independent non-executive directors							
Dr. Tian Suning	74	-	-	178	-	-	252
Mr. Nicholas C. Allen	125	-	-	204	-	-	329
Mr. Nobuyuki Idei	98	-	-	204	-	-	302
Mr. William O. Grabe	135	-	-	204	-	-	339
Mr. William Tudor Brown	101	-	-	204	-	-	305
Ms. Ma Xuezheng	78	-	-	431	-	-	509
Mr. Yang Chih-Yuan Jerry	98	-	-	204	-	-	302
Mr. Gordon Robert Halyburton Orr	98	-	-	204	-	-	302
Mr. Woo Chin Wan Raymond	85	-	-	76	-	-	161
	1,088	1,270	7,533	17,358	133	686	28,068

10 EMOLUMENTS OF DIRECTORS AND HIGHEST PAID INDIVIDUALS *(continued)*

(a) Directors' and senior management's emoluments *(continued)*

	2019						
Name of Director	Fees US$'000	Salaries US$'000	Discretionary bonuses (i) US$'000	Long-term incentive awards (ii) US$'000	Retirement payments and employer's contribution to pension schemes US$'000	Other benefits in-kind US$'000	Total US$'000
Executive director							
Mr. Yang Yuanqing (CEO)	–	1,314	1,478	11,833	140	606	15,371
Non-executive directors							
Mr. Zhu Linan	93	–	–	208	–	–	301
Mr. Zhao John Huan	93	–	–	208	–	–	301
Independent non-executive directors							
Dr. Tian Suning	93	–	–	208	–	–	301
Mr. Nicholas C. Allen	121	–	–	208	–	–	329
Mr. Nobuyuki Idei	93	–	–	208	–	–	301
Mr. William O. Grabe	128	–	–	208	–	–	336
Mr. William Tudor Brown	93	–	–	208	–	–	301
Ms. Ma Xuezheng	113	–	–	208	–	–	321
Mr. Yang Chih-Yuan Jerry	93	–	–	210	–	–	303
Mr. Gordon Robert Halyburton Orr	93	–	–	207	–	–	300
Professor Shoucheng Zhang	11	–	–	454	–	–	465
Mr. Woo Chin Wan Raymond	10	–	–	–	–	–	10
	1,034	1,314	1,478	14,368	140	606	18,940

Notes to the financial statements

10 EMOLUMENTS OF DIRECTORS AND HIGHEST PAID INDIVIDUALS *(continued)*

(a) Directors' and senior management's emoluments *(continued)*

Notes:

(i) Discretionary bonuses paid for the two years ended March 31, 2020 and 2019 represent the amounts in connection with the performance bonuses for the two years ended March 31, 2019 and 2018 respectively.

(ii) Details of the long-term incentive program of the Company are set out in Note 28. The fair value of the employee services received in exchange for the grant of the long-term incentive awards is recognized as an expense. The total amount to be amortized over the vesting period is determined by reference to the fair value of the long-term incentive awards at the date of grant. The amounts disclosed above represent the amortized amounts for the two years ended March 31, 2020 and 2019.

(iii) Mr. William O. Grabe has elected to defer his receipt of the cash of director's fee into fully vested share units under the long-term incentive program (Note 28) for the two years ended March 31, 2020 and 2019.

(iv) During the years ended March 31, 2020 and 2019, annual pension payment of US$1.5 million was made to Mr. Liu Chuanzhi, a retired director.

(v) Professor Shoucheng Zhang was appointed as an independent non-executive director on August 17, 2018. Professor Zhang passed away on December 1, 2018 and ceased to be a director of the Company from the same day. Mr. Woo Chin Wan Raymond was appointed as an independent non-executive director on February 22, 2019.

(vi) Dr. Tian Suning retired from the position of an independent non-executive director on July 9, 2019. Ms. Ma Xuezheng passed away and ceased to be an independent non-executive director of the Company on August 31, 2019.

During the year, no retirement benefits, payments or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors; nor any are payable (2019: nil). No consideration was provided to or receivable by third parties for making available directors' service (2019: nil). There are no loans, quasi-loans or other dealings in favour of the directors, their controlled body corporate and connected entities (2019: nil).

No director of the Company had a material interest, directly or indirectly, in any significant transactions, arrangements and contracts in relation to the Company's business to which the Company was or is a party that subsisted at the end of the year or at any time during the year (2019: nil).

10 EMOLUMENTS OF DIRECTORS AND HIGHEST PAID INDIVIDUALS *(continued)*

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include one (2019: one) director whose emoluments are reflected in the analysis presented above. The emoluments of the remaining four (2019: four) individuals during the year are as follows:

	2020 US$'000	2019 US$'000
Basic salaries, allowances, and other benefits-in-kind	**4,400**	4,276
Discretionary bonuses (i)	**18,503**	6,502
Retirement payments and employer's contribution to pension schemes	**5,828**	2,292
Long-term incentive awards	**26,094**	20,205
Others	**503**	962
	55,328	34,237

Note:

(i) Discretionary bonuses paid for the two years ended March 31, 2020 and 2019 represent the amounts in connection with the performance bonuses for the two years ended March 31, 2019 and 2018 respectively.

The emoluments fell within the following bands:

	Number of individuals	
	2020	2019
Emolument bands		
US$5,437,266 – US$5,501,233	**-**	1
US$5,949,009 – US$6,012,975	**-**	1
US$8,315,818 – US$8,379,785	**1**	–
US$8,379,786 – US$8,443,753	**1**	–
US$8,891,529 – US$8,955,496	**-**	1
US$9,851,046 – US$9,915,013	**1**	–
US$13,817,052 – US$13,881,019	**-**	1
US$28,657,589 – US$28,721,556	**1**	–

Notes to the financial statements

11 EARNINGS PER SHARE

(a) Basic

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

	2020	2019
Weighted average number of ordinary shares in issue	**12,014,791,614**	12,014,791,614
Adjustment for shares held by employee share trusts	**(92,013,352)**	(121,750,794)
Weighted average number of ordinary shares in issue for calculation of basic earnings per share	**11,922,778,262**	11,893,040,820

	2020 US$'000	2019 US$'000
Profit attributable to equity holders of the Company used to determine basic earnings per share	**665,091**	596,343

(b) Diluted

The calculation of the diluted earnings per share is based on the profit attributable to ordinary 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 year, 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.

11 EARNINGS PER SHARE *(continued)*

(b) Diluted *(continued)*

The Group has five (2019: four) 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 (2019: long-term incentive awards, bonus warrants, put option written on non-controlling interests and convertible bonds). Long-term incentive awards were dilutive for the years ended March 31, 2020 and 2019. Bonus warrants and convertible bonds were dilutive for the year ended March 31, 2020 and anti-dilutive for the year ended March 31, 2019. Put option written on non-controlling interests were anti-dilutive for the years ended March 31, 2020 and 2019. Convertible preferred shares were anti-dilutive for the year ended March 31, 2020.

	2020	2019
Weighted average number of ordinary shares in issue for calculation of basic earnings per share	**11,922,778,262**	11,893,040,820
Adjustment for long-term incentive awards	**233,802,440**	136,193,366
Adjustment for bonus warrants	**7,856,832**	–
Adjustment for convertible bonds	**694,709,646**	–
Weighted average number of ordinary shares in issue for calculation of diluted earnings per share	**12,859,147,180**	12,029,234,186

	2020 US$'000	2019 US$'000
Profit attributable to equity holders of the Company used to determine basic earnings per share	**665,091**	596,343
Adjustment for interest on convertible bonds, net of tax	**32,972**	–
Profit attributable to equity holders of the Company used to determine diluted earnings per share	**698,063**	596,343

On September 29, 2017, the Company as issuer and Union Star Limited as subscriber ("the Subscriber") entered into a subscription agreement in relation to issuance of new shares and bonus warrants. On November 17, 2017, the Company issued and the Subscriber subscribed for 90,613,689 units of bonus warrants at exercise price of HK$5.17. The gross proceeds from the share subscription is approximately HK$3,905,450,000. Upon certain changes in the shareholding of the Subscriber immediately before or after the subscription, 32% of the Subscriber will be indirectly held by Legend Holdings Corporation (through Legion Elite Limited) and 68% of the Subscriber will be indirectly held by senior management of the Group.

11 EARNINGS PER SHARE *(continued)*

(b) Diluted *(continued)*

The subscription and issuance of bonus warrants increase the total number of shares in issue of the Company ("the Company's shares"). Shares from the subscription represent (i) approximately 8.16% of the Company's shares and (ii) approximately 7.54% of the Company's shares as enlarged by the subscription. The exercise in full of the subscription rights attaching to the bonus warrants will result in the issue of 90,613,689 shares which represent (i) approximately 0.75% of the Company's shares as enlarged by the subscription and (ii) approximately 0.75% of the Company's shares as enlarged by the subscription and the full exercise of the bonus warrants (assuming there will be no other changes in the Company's shares). As at March 31, 2020, all of bonus warrants remains outstanding.

12 DIVIDENDS

	2020 US$'000	2019 US$'000
Interim dividend of HK6.3 cents (2019: HK6.0 cents) per ordinary share, paid on December 6, 2019	**96,640**	92,071
Proposed final dividend – HK21.5 cents (2019: HK21.8 cents) per ordinary share	**333,262**	333,693
	429,902	425,764

13 PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings US$'000	Right-of-use-leasehold land and buildings US$'000	Leasehold improvements US$'000	Plant and machinery US$'000	Furniture and fixtures US$'000	Office equipment US$'000	Motor vehicles US$'000	Total US$'000
At April 1, 2018								
Cost	714,053	-	449,194	735,491	67,796	636,074	9,393	2,612,001
Accumulated depreciation and impairment losses	91,889	-	213,988	502,965	50,991	442,312	5,105	1,307,250
Net book amount	622,164	-	235,206	232,526	16,805	193,762	4,288	1,304,751
Year ended March 31, 2019								
Opening net book amount	622,164	-	235,206	232,526	16,805	193,762	4,288	1,304,751
Exchange adjustment	(32,223)	-	(1,527)	(3,353)	(216)	(7,264)	(136)	(44,719)
Acquisition of subsidiaries	17,743	-	232	15,690	349	178	72	34,264
Deemed disposal of a subsidiary	-	-	-	(138)	-	-	-	(138)
Additions	14,394	-	14,146	100,462	7,111	95,481	3,088	234,682
Transfers	150,629	-	53,931	1,460	5,101	3,373	-	214,494
Disposals	(242)	-	(9,970)	(7,709)	(237)	(5,014)	(380)	(23,552)
Depreciation	(23,725)	-	(60,474)	(105,167)	(9,352)	(88,171)	(2,076)	(288,965)
Closing net book amount	748,740	-	231,544	233,771	19,561	192,345	4,856	1,430,817
At March 31, 2019								
Cost	858,096	-	479,171	788,336	76,589	650,985	9,736	2,862,913
Accumulated depreciation and impairment losses	109,356	-	247,627	554,565	57,028	458,640	4,880	1,432,096
Net book amount	748,740	-	231,544	233,771	19,561	192,345	4,856	1,430,817
Year ended March 31, 2020								
Opening net book amount	**748,740**	**-**	**231,544**	**233,771**	**19,561**	**192,345**	**4,856**	**1,430,817**
Change in accounting policy	**-**	**320,174**	**-**	**-**	**-**	**-**	**-**	**320,174**
Adjusted net book amount	**748,740**	**320,174**	**231,544**	**233,771**	**19,561**	**192,345**	**4,856**	**1,750,991**
Exchange adjustment	**(35,966)**	**(8,592)**	**(4,187)**	**(6,161)**	**(973)**	**(12,505)**	**(1,010)**	**(69,394)**
Disposal of subsidiaries	**-**	**-**	**-**	**-**	**-**	**(152)**	**-**	**(152)**
Additions	**13,861**	**148,440**	**11,652**	**118,532**	**4,884**	**95,966**	**1,768**	**395,103**
Transfers	**8,331**	**-**	**43,320**	**6,386**	**26,689**	**446**	**-**	**85,172**
Disposals	**(5,690)**	**(44,720)**	**(253)**	**(13,748)**	**(1,188)**	**(5,701)**	**(225)**	**(71,525)**
Depreciation	**(22,586)**	**(100,886)**	**(49,482)**	**(104,489)**	**(14,983)**	**(83,565)**	**(1,348)**	**(377,339)**
Closing net book amount	**706,690**	**314,416**	**232,594**	**234,291**	**33,990**	**186,834**	**4,041**	**1,712,856**
At March 31, 2020								
Cost	**833,471**	**411,315**	**515,678**	**837,614**	**92,798**	**677,408**	**8,210**	**3,376,494**
Accumulated depreciation and impairment losses	**126,781**	**96,899**	**283,084**	**603,323**	**58,808**	**490,574**	**4,169**	**1,663,638**
Net book amount	**706,690**	**314,416**	**232,594**	**234,291**	**33,990**	**186,834**	**4,041**	**1,712,856**

14 PREPAID LEASE PAYMENTS

	2020 US$'000	2019 US$'000
At the beginning of the year	**463,996**	507,628
Exchange adjustment	**(23,522)**	(29,240)
Additions	**69,616**	–
Amortization	**(12,271)**	(14,392)
At the end of the year	**497,819**	463,996

Prepaid lease payments represent the payments for land use rights held by the Group in the Chinese Mainland under term leases between 10 to 50 years.

15 CONSTRUCTION-IN-PROGRESS

	Buildings under construction		Internal use software		Others		Total	
	2020 US$'000	2019 US$'000	2020 US$'000	2019 US$'000	2020 US$'000	2019 US$'000	2020 US$'000	2019 US$'000
At the beginning of the year	**38,056**	218,025	**174,878**	153,242	**19,163**	11,578	**232,097**	382,845
Exchange adjustment	**(21,348)**	(29,326)	**(13,018)**	(6,607)	**(2,524)**	(8,395)	**(36,890)**	(44,328)
Additions	**80,002**	90,890	**297,315**	152,676	**40,235**	59,479	**417,552**	303,045
Transfers	**(33,792)**	(178,606)	**(230,941)**	(124,433)	**(43,785)**	(43,373)	**(308,518)**	(346,412)
Disposals	**-**	(62,927)	**-**	-	**-**	(907)	**-**	(63,834)
Acquisition of subsidiaries	**-**	-	**-**	-	**-**	781	**-**	781
At the end of the year	**62,918**	38,056	**228,234**	174,878	**13,089**	19,163	**304,241**	232,097

16 INTANGIBLE ASSETS

(a)

	Goodwill (b) US$'000	Trademarks and trade names (b) US$'000	Internal use software US$'000	Customer relationships US$'000	Patent and technology (c) US$'000	Exclusive right US$'000	Total US$'000
At April 1, 2018							
Cost	5,088,221	1,313,745	1,171,245	1,433,773	1,846,553	-	10,853,537
Accumulated amortization and impairment losses	-	39,344	810,930	471,743	1,017,016	-	2,339,033
Net book amount	5,088,221	1,274,401	360,315	962,030	829,537	-	8,514,504
Year ended March 31, 2019							
Opening net book amount	5,088,221	1,274,401	360,315	962,030	829,537	-	8,514,504
Exchange adjustment	(275,347)	(5,817)	(7,662)	(26,396)	(5,038)	-	(320,260)
Acquisition of subsidiaries	129,415	-	9,413	153,483	2,011	48,600	342,922
Additions	-	-	20,206	-	142,888	-	163,094
Transfer from construction-in-progress	-	110	128,814	-	2,994	-	131,918
Disposals	-	-	(363)	-	(380)	-	(743)
Amortization	-	(109)	(129,343)	(140,737)	(236,671)	-	(506,860)
Closing net book amount	4,942,289	1,268,585	381,380	948,380	735,341	48,600	8,324,575
At March 31, 2019							
Cost	4,942,289	1,307,330	1,288,725	1,544,885	1,988,698	48,600	11,120,527
Accumulated amortization and impairment losses	-	38,745	907,345	596,505	1,253,357	-	2,795,952
Net book amount	4,942,289	1,268,585	381,380	948,380	735,341	48,600	8,324,575
Year ended March 31, 2020							
Opening net book amount	**4,942,289**	**1,268,585**	**381,380**	**948,380**	**735,341**	**48,600**	**8,324,575**
Exchange adjustment	**(226,976)**	**(871)**	**(12,081)**	**(5,256)**	**(7,161)**	**(2,324)**	**(254,669)**
Additions	**-**	**-**	**21,888**	**-**	**260,243**	**-**	**282,131**
Transfer from construction-in-progress	**-**	**-**	**197,515**	**-**	**25,831**	**-**	**223,346**
Disposals	**-**	**-**	**(196)**	**-**	**(871)**	**-**	**(1,067)**
Amortization	**-**	**-**	**(151,989)**	**(141,940)**	**(292,160)**	**(3,645)**	**(589,734)**
Closing net book amount	**4,715,313**	**1,267,714**	**436,517**	**801,184**	**721,223**	**42,631**	**7,984,582**
At March 31, 2020							
Cost	**4,715,313**	**1,304,568**	**1,467,163**	**1,528,255**	**2,269,831**	**46,159**	**11,331,289**
Accumulated amortization and impairment losses	**-**	**36,854**	**1,030,646**	**727,071**	**1,548,608**	**3,528**	**3,346,707**
Net book amount	**4,715,313**	**1,267,714**	**436,517**	**801,184**	**721,223**	**42,631**	**7,984,582**

Notes to the financial statements

16 INTANGIBLE ASSETS *(continued)*

(a) *(continued)*

Amortization of US$16,127,000 (2019: US$27,743,000), US$8,366,000 (2019: US$8,437,000), US$413,894,000 (2019: US$368,189,000) and US$151,347,000 (2019: US$102,491,000) are included in the 'cost of sales', 'selling and distribution expenses', 'administrative expenses' and 'research and development expenses' in the consolidated income statement respectively.

(b) Impairment tests for goodwill and intangible assets with indefinite useful lives

The carrying amounts of goodwill and trademarks and trade names with indefinite useful lives are presented below:

	China US$ million	AP US$ million	EMEA US$ million	AG US$ million	Mature Market US$ million	Emerging Market US$ million	Total US$ million
At March 31, 2020							
Goodwill							
- PC and Smart Device Business Group ("PCSD")	**1,002**	**686**	**215**	**297**	**-**	**-**	**2,200**
- Mobile Business Group ("MBG")	**-**	**-**	**-**	**-**	**666**	**799**	**1,465**
- DCG	**471**	**159**	**77**	**343**	**-**	**-**	**1,050**
Trademarks and trade names							
- PCSD	**209**	**59**	**103**	**67**	**-**	**-**	**438**
- MBG	**-**	**-**	**-**	**-**	**197**	**263**	**460**
- DCG	**162**	**54**	**31**	**123**	**-**	**-**	**370**
At March 31, 2019							
Goodwill							
- PCSD	1,051	679	221	320	-	-	2,271
- MBG	-	-	-	-	679	905	1,584
- DCG	490	158	88	351	-	-	1,087
Trademarks and trade names							
- PCSD	209	59	104	67	-	-	439
- MBG	-	-	-	-	197	263	460
- DCG	162	54	31	123	-	-	370

(b) Impairment tests for goodwill and intangible assets with indefinite useful lives *(continued)*

The Group completed its annual impairment test for goodwill allocated to the Group's various CGUs by comparing their recoverable amounts to their carrying amounts as at the reporting date. The recoverable amount of a CGU is determined based on value in use. These assessments use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period with a terminal value related to the future cash flow of the CGU extrapolated using constant projection of cash flows beyond the five-year period. The estimated growth rates adopted do not exceed the long-term average growth rates for the businesses in which the CGU operates.

Future cash flows are discounted at the rate of 9%, 11% and 10% for PCSD, MBG and DCG respectively (2019: 9%, 11% and 10% respectively). The estimated compound annual growth rates used for value-in-use calculations under the five-year financial budgets period are as follows:

	2020			2019		
	PCSD	**MBG**	**DCG**	PCSD	MBG	DCG
China	**2%**	**N/A**	**29%**	-1%	N/A	18%
AP	**-3%**	**N/A**	**22%**	-1%	N/A	14%
EMEA	**0%**	**N/A**	**23%**	0%	N/A	12%
AG	**-2%**	**N/A**	**29%**	0%	N/A	15%
Mature Market	**N/A**	**30%**	**N/A**	N/A	24%	N/A
Emerging Market	**N/A**	**17%**	**N/A**	N/A	16%	N/A

Management determined budgeted gross margins based on past performance and its expectations for the market development. The budgeted growth rates are based on management expectations taking into consideration the COVID-19 impact, and where considered appropriate, with adjustments made with reference to industry reports which are more conservative for the purpose of goodwill impairment test. The discount rates are pre-tax and reflect specific risks relating to the relevant segments.

The directors are of the view that there was no impairment of goodwill and trademarks and trade names based on impairment tests performed as at March 31, 2020 (2019: nil).

The Group has performed a sensitivity analysis on key assumptions used for the annual impairment test for goodwill. A reasonably possible change in key assumptions used in the impairment test for goodwill would not cause any CGU's carrying amount to exceed its respective recoverable amount.

(c) At March 31, 2020, patent and technology of US$34,545,000 (2019: US$48,029,000) is under development.

17 INTERESTS IN ASSOCIATES AND JOINT VENTURES

	2020 US$'000	2019 US$'000
Share of net assets		
– Associates	**53,291**	66,672
– Joint ventures	**7,016**	12,389
	60,307	79,061

The following is a list of the principal associates and joint ventures:

Company name	Place of incorporation/ establishment	Interest held indirectly 2020	Interest held indirectly 2019	Principal activities
Associates				
北京閃聯雲視信息技術有限公司 (Beijing Shanlian Yunshi Information Technology Limited) (ii)	Chinese Mainland	**23.7%**	23.7%	Distribution and development of IT technology
成都諦聽科技有限公司 (Chengdu Diting Technology Limited) (ii)	Chinese Mainland	**17.3%**	17.3%	Distribution and development of IT technology
茄子技術控股有限公司 (Shareit Technology Holdings Inc.) (ii)	Cayman Islands	**43.7%**	43.7%	Software development
深圳視見醫療科技有限公司 (Imsight Medical Technology Inc.) (ii)	Chinese Mainland	**17.6%**	16.5%	Development of techniques applied to clinical medical image analysis
北京平安聯想智慧醫療信息技術有限公司 (Beijing Lenovo Healthcare Information Technology Ltd.) (ii)	Chinese Mainland	**25.4%**	25.4%	Development of hospital and regional healthcare information system
河南聚聯智慧大數據科技有限公司 (Henan Ju Lian Smart Big Data Technology Limited) (ii)	Chinese Mainland	**19.9%**	19.9%	Construction and operation of education-related informatization project
Joint ventures				
聯想新視界(北京)科技有限公司 (Lenovo New Vision (Beijing) Technology Co., Ltd.) (ii)	Chinese Mainland	**37.1%**	35.1%	Software development
聯想教育科技(北京)有限公司 (Lenovo Education Technology (Beijing) Co., Ltd. (ii)	Chinese Mainland	**49.0%**	49.0%	Talent development in vocational education

Notes:

(i) All the above associates and joint ventures operate principally in their respective places of incorporation or establishment.

(ii) The English name of the company is a direct translation or transliteration of its Chinese registered name.

17 INTERESTS IN ASSOCIATES AND JOINT VENTURES *(continued)*

The following sets out the aggregate amount of the Group's share of associates and joint ventures:

	2020 US$'000	2019 US$'000
Share of losses of associates	**13,381**	10,677
Share of losses of joint ventures	**1,164**	848
	14,545	11,525

18 FINANCIAL INSTRUMENTS BY CATEGORY

	Financial assets at amortized cost US$'000	Financial assets at FVPL US$'000	Derivatives used for hedging US$'000	Financial assets at FVOCI (non-recycling) US$'000	Other financial assets at FVOCI (recycling) US$'000	Total US$'000
Assets						
At March 31, 2020						
Financial assets at FVPL	-	494,807	-	-	-	494,807
Financial assets at FVOCI	-	-	-	56,136	-	56,136
Derivative financial assets	-	-	138,813	-	-	138,813
Trade receivables	-	-	-	-	6,263,012	6,263,012
Notes receivable	11,529	-	-	-	-	11,529
Deposits and other receivables	2,394,352	-	-	-	-	2,394,352
Bank deposits	66,480	-	-	-	-	66,480
Cash and cash equivalents	3,550,990	-	-	-	-	3,550,990
	6,023,351	494,807	138,813	56,136	6,263,012	12,976,119

18 FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

	Financial assets at amortized cost US$'000	Financial assets at FVPL US$'000	Derivatives used for hedging US$'000	Financial assets at FVOCI (non-recycling) US$'000	Other financial assets at FVOCI (recycling) US$'000	Total US$'000
Assets						
At March 31, 2019						
Financial assets at FVPL	–	449,363	–	–	–	449,363
Financial assets at FVOCI	–	–	–	71,486	–	71,486
Derivative financial assets	–	–	70,972	–	–	70,972
Trade receivables	–	–	–	–	6,661,484	6,661,484
Notes receivable	46,454	–	–	–	–	46,454
Deposits and other receivables	2,602,071	–	–	–	–	2,602,071
Bank deposits	70,210	–	–	–	–	70,210
Cash and cash equivalents	2,662,854	–	–	–	–	2,662,854
	5,381,589	449,363	70,972	71,486	6,661,484	12,634,894

18 FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

	Financial liabilities at amortized cost US$'000	Financial liabilities at FVPL US$'000	Derivatives used for hedging US$'000	Total US$'000
Liabilities				
At March 31, 2020				
Trade payables	**7,509,724**	**-**	**-**	**7,509,724**
Notes payable	**1,458,645**	**-**	**-**	**1,458,645**
Derivative financial liabilities	**-**	**10,052**	**63,732**	**73,784**
Other payables and accruals	**7,197,906**	**-**	**-**	**7,197,906**
Lease liabilities	**438,782**	**-**	**-**	**438,782**
Borrowings	**4,541,773**	**317,826**	**-**	**4,859,599**
Deferred consideration	**25,072**	**-**	**-**	**25,072**
Contingent consideration	**-**	**117,387**	**-**	**117,387**
Written put option liabilities	**802,273**	**-**	**-**	**802,273**
Others	**62,375**	**-**	**-**	**62,375**
	22,036,550	**445,265**	**63,732**	**22,545,547**
Liabilities				
At March 31, 2019				
Trade payables	6,429,835	–	–	6,429,835
Notes payable	1,272,840	–	–	1,272,840
Derivative financial liabilities	–	23,423	51,003	74,426
Other payables and accruals	7,292,110	–	–	7,292,110
Borrowings	4,379,813	–	–	4,379,813
Deferred consideration	25,072	–	–	25,072
Contingent consideration	–	113,283	–	113,283
Written put option liabilities	783,505	–	–	783,505
Others	159,950	–	–	159,950
	20,343,125	136,706	51,003	20,530,834

Notes to the financial statements

19 DEFERRED INCOME TAX ASSETS AND LIABILITIES

Deferred income tax is calculated in full on temporary differences under the liability method using the rates applicable in the respective jurisdictions.

Deferred income tax assets and liabilities are netted off when the taxes relate to the same tax authority and where offsetting is legally enforceable. The following amounts, determined after appropriate offsetting, are shown separately on the consolidated balance sheet:

	2020 US$'000	2019 US$'000
Deferred income tax assets:		
Recoverable within 12 months	**745,307**	775,932
Recoverable after 12 months	**1,314,275**	1,086,970
	2,059,582	1,862,902
Deferred income tax liabilities:		
Recoverable after 12 months	**(342,805)**	(359,679)
Net deferred income tax assets	**1,716,777**	1,503,223

The movements in the net deferred income tax assets are as follows:

	2020 US$'000	2019 US$'000
At the beginning of the year	**1,503,223**	1,300,014
Reclassification and exchange adjustment	**(39,459)**	(33,864)
Credited to consolidated income statement (Note 8)	**259,658**	269,796
Credited to other comprehensive income (Note 8)	**380**	992
(Charged)/credited to share-based compensation reserve	**(7,025)**	2,178
Acquisition of subsidiaries	**-**	(35,893)
At the end of the year	**1,716,777**	1,503,223

19 DEFERRED INCOME TAX ASSETS AND LIABILITIES *(continued)*

(a) The movements in deferred income tax assets (prior to offsetting of balances within the same tax jurisdiction), analyzed by major components, during the year are as follows:

	Provisions and accruals US$'000	Tax losses US$'000	Tax depreciation allowance US$'000	Deferred revenue US$'000	Share-based payment US$'000	Others US$'000	Total US$'000
At April 1, 2018	502,822	946,557	28,294	81,627	16,630	4,378	1,580,308
Reclassification and exchange adjustments	(36,949)	(5,963)	8,211	8,698	–	(1,241)	(27,244)
Credited/(charged) to consolidated income statement	68,432	148,757	37,064	19,642	17,709	(1,589)	290,015
Credited to share-based compensation reserve	–	–	–	–	2,178	–	2,178
Acquisition of subsidiaries	25,898	–	–	–	–	–	25,898
At March 31, 2019 and April 1, 2019	**560,203**	**1,089,351**	**73,569**	**109,967**	**36,517**	**1,548**	**1,871,155**
Reclassification and exchange adjustments	**(21,961)**	**(8,150)**	**(3,053)**	**(2,566)**	**-**	**(579)**	**(36,309)**
(Charged)/credited to consolidated income statement	**(15,628)**	**233,598**	**13,734**	**44,520**	**(11,921)**	**267**	**264,570**
Charged to share-based compensation reserve	**-**	**-**	**-**	**-**	**(7,025)**	**-**	**(7,025)**
At March 31, 2020	**522,614**	**1,314,799**	**84,250**	**151,921**	**17,571**	**1,236**	**2,092,391**

Deferred income tax assets are recognized for deductible temporary differences and tax losses carried forward to the extent that realization of the related tax benefit through the future taxable profits is probable.

19 DEFERRED INCOME TAX ASSETS AND LIABILITIES *(continued)*

(a) *(continued)*

At March 31, 2020, the Group did not recognize deferred income tax assets in respect of deductible temporary differences of approximately US$1,247,291,000 (2019: US$1,324,199,000) and tax losses of approximately US$2,420,630,000 (2019: US$2,383,242,000) that can be carried forward against future taxable income, of which, tax losses of US$1,062,078,000 (2019: US$937,153,000) can be carried forward indefinitely. The remaining balances of tax losses will expire as follows:

	2020 US$'000	2019 US$'000
Expiring in		
– 2019	**-**	55,850
– 2020	**54,107**	125,895
– 2021	**137,612**	141,492
– 2022	**380,786**	403,808
– 2023	**128,383**	423,072
– 2024	**185,843**	227,102
– 2025	**326,975**	37,406
– 2026	**9,577**	11,530
– 2027	**18,364**	18,166
– 2028	**528**	1,768
– 2029	**116,377**	–
	1,358,552	1,446,089

19 DEFERRED INCOME TAX ASSETS AND LIABILITIES *(continued)*

(b) The movements in deferred income tax liabilities (prior to offsetting of balances within the same tax jurisdiction), analyzed by major components, during the year are as follows:

	Intangible valuation US$'000	Undistributed earnings US$'000	Property valuation US$'000	Accelerated tax depreciation US$'000	Others US$'000	Total US$'000
At April 1, 2018	112,435	84,995	3,613	79,251	–	280,294
Reclassification and exchange adjustments	13,415	–	(1,460)	(6,538)	1,203	6,620
(Credited)/charged to consolidated income statement	(38,503)	(4,266)	11	63,222	(245)	20,219
Credited to other comprehensive income	–	–	–	–	(992)	(992)
Acquisition of subsidiaries	59,483	–	–	–	2,308	61,791
At March 31, 2019 and April 1, 2019	**146,830**	**80,729**	**2,164**	**135,935**	**2,274**	**367,932**
Reclassification and exchange adjustments	**(10,737)**	**466**	**(427)**	**13,668**	**180**	**3,150**
(Credited)/charged to consolidated income statement	**(7,825)**	**599**	**-**	**11,399**	**739**	**4,912**
Credited to other comprehensive income	**-**	**-**	**-**	**-**	**(380)**	**(380)**
At March 31, 2020	**128,268**	**81,794**	**1,737**	**161,002**	**2,813**	**375,614**

20 FINANCIAL ASSETS

(a) Financial assets at FVPL

	2020 US$'000	2019 US$'000
At the beginning of the year	**449,363**	–
Change in accounting policy	**–**	294,601
Exchange adjustment	**(12,702)**	(10,628)
Fair value change recognized in profit or loss	**66,036**	125,550
Additions	**91,406**	73,836
Disposals	**(99,296)**	(33,996)
At the end of the year	**494,807**	449,363
Listed equity securities:		
– In Hong Kong S.A.R. of China	**34,345**	56,226
– Outside Hong Kong S.A.R. of China	**43,194**	139,999
	77,539	196,225
Unlisted equity securities	**417,268**	253,138
	494,807	449,363

20 FINANCIAL ASSETS *(continued)*

(b) Financial assets at FVOCI

	2020 US$'000	2019 US$'000
At the beginning of the year	**71,486**	–
Change in accounting policy	**–**	78,476
Exchange adjustment	**(1,671)**	(3,940)
Fair value change recognized in other comprehensive income	**(11,305)**	(16,304)
Additions	**429**	4,739
Disposals	**(2,803)**	–
Acquisition of subsidiaries	**–**	8,515
At the end of the year	**56,136**	71,486
Listed equity securities:		
– In Hong Kong S.A.R. of China	**7,845**	11,516
– Outside Hong Kong S.A.R. of China	**16,537**	19,342
	24,382	30,858
Unlisted equity securities	**31,754**	40,628
	56,136	71,486

Notes to the financial statements

21 INVENTORIES

	2020 US$'000	2019 US$'000
Raw materials and work-in-progress	**3,571,141**	1,796,880
Finished goods	**1,020,718**	1,016,132
Service parts	**355,055**	621,648
	4,946,914	3,434,660

22 RECEIVABLES

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

	2020 US$'000	2019 US$'000
0 – 30 days	**4,768,436**	4,560,771
31 – 60 days	**878,135**	1,332,471
61 – 90 days	**192,075**	430,207
Over 90 days	**519,822**	438,377
	6,358,468	6,761,826
Less: loss allowance	**(95,456)**	(100,342)
Trade receivables – net	**6,263,012**	6,661,484

Trade receivables that are not past due are fully performing and not considered impaired.

At March 31, 2020, trade receivables, net of loss allowance, of US$805,741,000 (2019: US$886,774,000) were past due. The ageing of these receivables, based on due date, is as follows:

	2020 US$'000	2019 US$'000
Within 30 days	**521,544**	512,971
31 – 60 days	**149,096**	125,344
61 – 90 days	**72,646**	59,514
Over 90 days	**62,455**	188,945
	805,741	886,774

22 RECEIVABLES *(continued)*

(a) *(continued)*

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

	2020 US$'000	2019 US$'000
At beginning of the year	**100,342**	108,616
Exchange adjustment	**(1,059)**	7,245
Increase in loss allowance recognized in profit or loss	**44,423**	43,858
Uncollectible receivables written off	**(14,926)**	(5,168)
Unused amounts reversed	**(33,324)**	(54,209)
At the end of the year	**95,456**	100,342

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

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

	2020 US$'000	2019 US$'000
Deposits	**14,502**	14,632
Prepayments	**1,164,887**	1,151,855
Other receivables	**2,379,850**	2,587,439
	3,559,239	3,753,926

Note: Majority of other receivables of the Group are amounts due from subcontractors for parts components sold in the ordinary course of business.

(d) The carrying amounts of trade receivables, notes receivable, deposits and other receivables approximate their fair values. The maximum exposure to credit risk at the balance sheet date is the fair value of each class of receivable mentioned above.

23 BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

	2020 US$'000	2019 US$'000
Bank deposits		
– maturing between three to twelve months	**15,930**	1,620
– restricted bank balances	**50,550**	68,590
	66,480	70,210
Cash and cash equivalents		
– cash at bank and in hand	**3,028,611**	2,078,930
– money market funds	**522,379**	583,924
	3,550,990	2,662,854
	3,617,470	2,733,064
Maximum exposure to credit risk	**3,617,470**	2,733,064
Effective annual interest rates	**0%-3.75%**	0%-6.5%

24 PAYABLES

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

	2020 US$'000	2019 US$'000
0 – 30 days	**4,793,837**	4,279,000
31 – 60 days	**1,699,192**	1,046,525
61 – 90 days	**596,027**	757,718
Over 90 days	**420,668**	346,592
	7,509,724	6,429,835

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

(c) The carrying amounts of trade payables and notes payable approximate their fair values.

25 PROVISIONS, OTHER PAYABLES AND ACCRUALS

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

	2020 US$'000	2019 US$'000
Accruals	**2,340,811**	1,969,914
Allowance for billing adjustments (i)	**1,618,374**	1,650,226
Contingent consideration (Note 27(a))	**117,387**	–
Other payables (ii)	**4,857,095**	5,322,196
Lease liabilities (iii)	**91,976**	–
	9,025,643	8,942,336

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) Lease liabilities were recognized upon the initial adoption of HKFRS 16 on April 1, 2019. Please refer to Note 1 for details.

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

Notes to the financial statements

25 PROVISIONS, OTHER PAYABLES AND ACCRUALS *(continued)*

(b) The components of provisions of the Group are as follows:

	Warranty US$'000	**Environmental restoration** US$'000	**Restructuring** US$'000	**Total** US$'000
Year ended March 31, 2019				
At the beginning of the year	1,081,218	8,919	54,053	1,144,190
Exchange adjustment	(37,163)	(274)	(1,991)	(39,428)
Provisions made	807,636	14,545	–	822,181
Amounts utilized	(875,413)	(14,403)	(36,576)	(926,392)
Acquisition of subsidiaries	–	24,510	–	24,510
	976,278	33,297	15,486	1,025,061
Long-term portion classified as non-current liabilities	(254,601)	(31,772)	–	(286,373)
At the end of the year	721,677	1,525	15,486	738,688
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**

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.

26 BORROWINGS

	2020 US$'000	2019 US$'000
Current liabilities		
Short-term loans (i)	**2,124,562**	1,166,907
Note (ii)	**563,249**	786,136
Convertible bonds (iii)	**607,169**	–
	3,294,980	1,953,043
Non-current liabilities		
Long-term loan (i)	**3,079**	–
Notes (ii)	**1,243,714**	1,836,264
Convertible bonds (iii)	**-**	590,506
Convertible preferred shares (iv)	**317,826**	–
	1,564,619	2,426,770
	4,859,599	4,379,813

Notes:

(i) The short-term and long-term loans are denominated in United States dollar. As at March 31, 2020 the Group has total revolving and short-term loan facilities of US$2,834 million (2019: US$2,501 million) which has been utilized to the extent of US$2,134 million (2019: US$1,181 million).

(ii)

Issue date	Principal amount	Term	Interest rate per annum	Due date	2020 US$'000	2019 US$'000
May 8, 2014	US$786 million	5 years	4.7%	May 2019	**-**	786,136
June 10, 2015	RMB4 billion	5 years	4.95%	June 2020	**563,249**	594,747
March 16, 2017	US$500 million	5 years	3.875%	March 2022	**498,225**	497,391
March 29, 2018	US$750 million	5 years	4.75%	March 2023	**745,489**	744,126
					1,806,963	2,622,400

(iii) 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$7.62 per share effective on November 30, 2019. Assuming full conversion of the Bonds at the adjusted conversion price of HK$7.62 per share, the Bonds will be convertible into 694,709,646 shares. The Group expects that it will be able to meet its redemption obligations based on the financial position of the Group.

26 BORROWINGS *(continued)*

(iii) *(continued)*

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 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.

(iv) 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 will be used by LETCL and its subsidiaries towards general corporate funding and capital expenditure of LETCL and its subsidiaries.

Key assumption used to determine the fair value of the convertible preferred shares includes discount rate.

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 March 31, 2020 and 2019 are as follows:

	2020 US$'000	2019 US$'000
Within 1 year	**3,294,980**	1,953,043
1 to 3 years	**1,564,619**	1,682,644
3 to 5 years	**-**	744,126
	4,859,599	4,379,813

The fair values of the notes and convertible bonds as at March 31, 2020 were US$1,848 million and US$656 million respectively (2019: US$2,626 million and US$779 million respectively). The carrying amounts of other borrowings are either at fair value or approximate their fair values as the impact of discounting is not significant.

26 BORROWINGS *(continued)*

Total bank facilities of the Group are as follows:

	Total facilities		Utilized amounts	
	2020 US$'000	2019 US$'000	**2020 US$'000**	2019 US$'000
Revolving loans	**1,800,000**	1,800,000	**1,800,000**	1,125,000
Short-term loans	**1,033,800**	701,437	**333,800**	55,800
Foreign exchange contracts	**9,278,064**	9,525,182	**9,221,635**	9,525,182
Other trade finance facilities	**2,547,270**	2,194,695	**2,046,845**	1,636,823
	14,659,134	14,221,314	**13,402,280**	12,342,805

All borrowings are unsecured and the effective annual interest rates at March 31, 2020 and March 31, 2019 are as follows:

	United States dollar	
	2020	2019
Short-term loans	**1.66%-5.84%**	3.93%-6.44%
Convertible bonds	**6.15%**	6.15%

27 OTHER NON-CURRENT LIABILITIES

	2020 US$'000	2019 US$'000
Contingent consideration (a)	**-**	113,283
Deferred consideration (a)	**25,072**	25,072
Written put option liabilities (b)	**802,273**	783,505
Lease liabilities (Note 25(a)(iii))	**346,806**	–
Environmental restoration (Note 25(b))	**32,832**	31,772
Government incentives and grants received in advance (c)	**51,938**	50,087
Deferred rent liabilities	**-**	83,977
Others	**62,375**	159,950
	1,321,296	1,247,646

27 OTHER NON-CURRENT LIABILITIES *(continued)*

Notes:

(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.

During the year, the contingent consideration to Fujitsu Limited ("Fujitsu") has been reclassified to current liabilities as it will fall due in May 2020. As at March 31, 2020, the potential undiscounted amounts of future payments in respect of the contingent and deferred considerations that the Group could be required to make to the then respective sellers under such arrangements are as follows:

Joint venture with NEC Corporation	US$25 million
Fujitsu	JPY2.55 billion to JPY12.75 billion

(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 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$324 million).

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

28 SHARE CAPITAL

	2020		2019	
	Number of shares	**US$'000**	Number of shares	US$'000
Issued and fully paid:				
Voting ordinary shares:				
At the beginning and end of the year	**12,014,791,614**	**3,185,923**	12,014,791,614	3,185,923

Long-term incentive program
A performance-related long-term incentive program was approved on May 26, 2005 for the purpose of rewarding and motivating directors, executives and top-performing employees of the Company and its subsidiaries (the "Participants"). The long-term incentive program is designed to enable the Company to attract and retain the best available personnel, and encourage and motivate Participants to work towards enhancing the value of the Company and its shares by aligning their interests with those of the shareholders of the Company.

The Company also approved a share-based compensation package for non-executive directors.

Under the long-term incentive program, the Company may grant awards, at its discretion, using any of the two types of equity-based compensation: (i) share appreciation rights and (ii) restricted share units, which are described below:

(i) Share Appreciation Rights ("SARs")
An SAR entitles the holder to receive the appreciation in value of the Company's share price above a predetermined level.

(ii) Restricted Share Units ("RSUs")
An RSU equals to the value of one ordinary share of the Company. Once vested, an RSU is converted to an ordinary share.

Under the two types of compensation, the Company reserves the right, at its discretion, to settle the award in cash or ordinary shares of the Company.

Notes to the financial statements

28 SHARE CAPITAL *(continued)*

Long-term incentive program *(continued)*

Movements in the number of units of award granted during the year and their related weighted average fair values are as follows:

	Number of units	
	SARs	RSUs
Outstanding at April 1, 2018	709,441,912	478,195,772
Granted during the year	669,166,505	381,949,708
Vested during the year	(307,893,000)	(208,171,494)
Lapsed/cancelled during the year	(81,211,905)	(51,594,394)
Outstanding at March 31, 2019 and at April 1, 2019	**989,503,512**	**600,379,592**
Granted during the year	**767,102,217**	**298,713,376**
Vested during the year	**(549,532,751)**	**(325,175,587)**
Lapsed/cancelled during the year	**(38,222,743)**	**(36,788,134)**
Outstanding at March 31, 2020	**1,168,850,235**	**537,129,247**
Average fair value per unit (HK$)		
– At March 31, 2019	0.76	4.57
– At March 31, 2020	**0.74**	**5.12**

The fair values of the SARs awarded under the long-term incentive program were calculated by applying a Black-Scholes pricing model. For the year ended March 31, 2020, the model inputs were the fair value (i.e. market value) of the Company's shares at the grant date, taking into account the expected volatility of 28.83 percent (2019: 31.47 percent), expected dividends during the vesting periods of 6.03 percent (2019: 5.49 percent), contractual life of 4.4 years (2019: 4.4 years), and a risk-free interest rate of 1.72 percent (2019: 1.85 percent).

The remaining vesting periods of the awards under the long-term incentive program as at March 31, 2020 ranged from 0.15 to 2.89 years (2019: 0.14 to 2.92 years).

29 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 proceed 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.

30 BALANCE SHEET AND MOVEMENT OF RESERVES OF THE COMPANY

(a) Balance sheet of the Company

	At March 31	
	2020 **US$'000**	2019 US$'000
Non-current assets		
Property, plant and equipment	**2,866**	1,080
Intangible assets	**609**	890
Interest in an associate	**1,887**	1,887
Investments in subsidiaries	**9,137,538**	9,017,668
Financial assets at FVPL	**45,628**	45,792
Financial assets at FVOCI	**11,851**	15,782
Other non-current assets	**22,500**	50,000
	9,222,879	9,133,099
Current assets		
Deposits, prepayments and other receivables	**242,929**	39,604
Amounts due from subsidiaries	**6,893,599**	5,626,654
Cash and cash equivalents	**12,198**	12,975
	7,148,726	5,679,233
Total assets	**16,371,605**	14,812,332

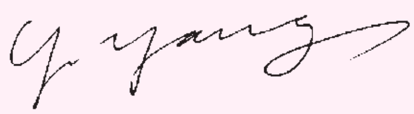
Notes to the financial statements

30 BALANCE SHEET AND MOVEMENT OF RESERVES OF THE COMPANY *(continued)*

(a) Balance sheet of the Company *(continued)*

	At March 31	
	2020 **US$'000**	2019 US$'000
Share capital	**3,185,923**	3,185,923
Reserves (Note 30(b))	**1,580,951**	1,389,578
Total equity	**4,766,874**	4,575,501
Non-current liabilities		
Borrowings	**1,243,714**	2,426,770
Amount due to a subsidiary	**1,000,000**	1,000,000
Deferred income tax liabilities	**1,106**	684
Other non-current liabilities	**26,472**	139,138
	2,271,292	3,566,592
Current liabilities		
Derivative financial liabilities	**10,052**	23,423
Other payables and accruals	**171,843**	70,330
Borrowings	**3,255,188**	1,897,243
Amounts due to subsidiaries	**5,896,356**	4,679,243
	9,333,439	6,670,239
Total liabilities	**11,604,731**	10,236,831
Total equity and liabilities	**16,371,605**	14,812,332

On behalf of the Board



Yang Yuanqing
Chairman and Chief Executive Officer

Zhu Linan
Director

30 BALANCE SHEET AND MOVEMENT OF RESERVES OF THE COMPANY *(continued)*

(b) Movement of reserves of the Company

The changes in the reserves of the Company during the years ended March 31, 2020 and 2019 are as follows:

	Investment revaluation reserve US$'000	Share-based compensation reserve US$'000	Exchange reserve US$'000	Other reserve US$'000	Retained earnings US$'000	Total US$'000
At April 1, 2018	(34,223)	227,011	10,204	2,215	776,657	981,864
Change in accounting policy	14,937	–	–	–	(26,567)	(11,630)
Restated total equity	(19,286)	227,011	10,204	2,215	750,090	970,234
Profit for the year	–	–	–	–	670,791	670,791
Other comprehensive loss	(356)	–	–	–	–	(356)
Total comprehensive (loss)/ income for the year	(356)	–	–	–	670,791	670,435
Vesting of shares under long-term incentive program	–	(137,317)	–	–	–	(137,317)
Share-based compensation	–	214,822	–	–	–	214,822
Issue of convertible bonds	–	–	–	77,342	–	77,342
Dividends paid	–	–	–	–	(405,938)	(405,938)
At March 31, 2019 and April 1, 2019	**(19,642)**	**304,516**	**10,204**	**79,557**	**1,014,943**	**1,389,578**
Profit for the year	**-**	**-**	**-**	**-**	**644,256**	**644,256**
Other comprehensive loss	**(3,931)**	**-**	**-**	**-**	**-**	**(3,931)**
Total comprehensive (loss)/ income for the year	**(3,931)**	**-**	**-**	**-**	**644,256**	**640,325**
Vesting of shares under long-term incentive program	**-**	**(275,551)**	**-**	**-**	**-**	**(275,551)**
Share-based compensation	**-**	**258,610**	**-**	**-**	**-**	**258,610**
Dividends paid	**-**	**-**	**-**	**-**	**(432,011)**	**(432,011)**
At March 31, 2020	**(23,573)**	**287,575**	**10,204**	**79,557**	**1,227,188**	**1,580,951**

Notes to the financial statements

31 SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) The Group had the following significant related party transactions in the normal course of business during the year:

	2020 US$'000	2019 US$'000
閃聯信息技術工程中心有限公司 (IGRS Engineering Lab Limited) (an associate) – Purchase of goods	**15,152**	10,280

Note: The English name of the company is a direct translation of its Chinese registered name.

(b) Key management compensation

Details on key management compensation are set out in Note 10.

32 COMMITMENTS

(a) Capital commitments

Apart from disclosed elsewhere in these financial statements, on March 31, 2020, the Group had the following other capital commitments:

	2020 US$'000	2019 US$'000
Contracted but not provided for:		
– Property, plant and equipment	**66,182**	92,948
– Intangible assets	**2,749**	–
– Investment in financial assets	**14,799**	10,924
	83,730	103,872

(b) Commitments under operating leases

The future aggregate minimum lease payments in respect of vehicles, office equipment and land and buildings under non-cancellable operating leases of the Group were as follows:

	2020 US$'000	2019 US$'000
Not later than one year	**445**	104,882
Later than one year but not later than five years	**416**	222,450
Later than five years	**-**	145,856
	861	473,188

From April 1, 2019, the Group has recognized right-of-use assets for its leases in respect of land and buildings and prepaid lease payments, except for low-value leases. Please refer to Note 1 for details.

33 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.

34 RECONCILIATION OF PROFIT BEFORE TAXATION TO NET CASH GENERATED FROM OPERATIONS

	2020 US$'000	2019 US$'000
Profit before taxation	**1,017,707**	856,664
Share of losses of associates and joint ventures	**14,545**	11,525
Finance income	**(47,850)**	(27,399)
Finance costs	**454,194**	337,027
Depreciation of property, plant and equipment		
– Other property, plant and equipment	**276,453**	288,965
– Right-of-use assets	**100,886**	–
Amortization of prepaid lease payments	**2,714**	2,795
Amortization of intangible assets	**589,734**	506,860
Share-based compensation	**258,610**	214,822
Loss on disposal of property, plant and equipment	**11,467**	4,970
Loss on disposal of intangible assets	**1,067**	743
Gain on disposal of subsidiaries	**(12,844)**	–
Gain on deemed disposal of a subsidiary	**-**	(22,811)
Gain on disposal of interest in an associate	**(3,922)**	–
Dilution gain on interest in associates	**-**	(24,189)
Fair value change on bonus warrants	**(20,856)**	18,598
Fair value change on financial instruments	**(12,378)**	(12,802)
Fair value change on financial assets at FVPL	**(66,036)**	(125,550)
Fair value change on a financial liability at FVPL	**23,826**	–
Dividend income	**(6,411)**	(230)
(Increase)/decrease in inventories	**(1,526,131)**	496,706
Decrease/(increase) in trade receivables, notes receivable, deposits, prepayments and other receivables	**674,050**	(326,932)
Increase/(decrease) in trade payables, notes payable, provisions, other payables and accruals	**1,128,570**	(163,698)
Effect of foreign exchange rate changes	**149,161**	79,932
Net cash generated from operations	**3,006,556**	2,115,996

Notes to the financial statements

34 RECONCILIATION OF PROFIT BEFORE TAXATION TO NET CASH GENERATED FROM OPERATIONS *(continued)*

(a) Reconciliation of financing liabilities

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

Financing liabilities	2020 US$'000	2019 US$'000
Short-term loans – current	**2,124,562**	1,166,907
Long-term loan – non-current	**3,079**	–
Note – current	**563,249**	786,136
Notes – non-current	**1,243,714**	1,836,264
Convertible bonds – current	**607,169**	–
Convertible bonds – non-current	**-**	590,506
Convertible preferred shares – non-current	**317,826**	–
Lease liabilities – current	**91,976**	–
Lease liabilities – non-current	**346,806**	–
Financing liabilities	**5,298,381**	4,379,813
Short-term loans – variable interest rates	**2,123,571**	1,166,907
Short-term loan – fixed interest rates	**991**	–
Long-term loan – fixed interest rates	**3,079**	–
Notes – fixed interest rates	**1,806,963**	2,622,400
Convertible bonds – fixed interest rates	**607,169**	590,506
Convertible preferred shares – fair value	**317,826**	–
Lease liabilities – fixed interest rates	**438,782**	–
Financing liabilities	**5,298,381**	4,379,813

34 RECONCILIATION OF PROFIT BEFORE TAXATION TO NET CASH GENERATED FROM OPERATIONS *(continued)*

(a) Reconciliation of financing liabilities *(continued)*

	Short-term loans current US$'000	Long-term loans non-current US$'000	Note 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, 2018	1,166,692	-	-	2,648,725	-	-	-	-	-	3,815,417
Proceeds from borrowings	5,700,215	-	-	-	-	-	-	-	-	5,700,215
Repayments of borrowings	(5,700,000)	-	-	-	-	-	-	-	-	(5,700,000)
Transfer	-	-	774,341	(774,341)	-	-	-	-	-	-
Issue of convertible bonds	-	-	-	-	-	675,000	-	-	-	675,000
Issuing cost of convertible bonds	-	-	-	-	-	(10,107)	-	-	-	(10,107)
Foreign exchange adjustments	-	-	-	(41,014)	-	-	-	-	-	(41,014)
Other non-cash movements	-	-	11,795	2,894	-	(74,387)	-	-	-	(59,698)
Financing liabilities as at March 31, 2019 and 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/ note	**(3,135,800)**	**-**	**(786,244)**	**-**	**-**	**-**	**-**	**-**	**-**	**(3,922,044)**
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	**2,124,562**	**3,079**	**563,249**	**1,243,714**	**607,169**	**-**	**317,826**	**91,976**	**346,806**	**5,298,381**

35 RETIREMENT BENEFIT OBLIGATIONS

	2020 US$'000	2019 US$'000
Pension obligation included in non-current liabilities		
Pension benefits	**430,272**	407,723
Post-employment medical benefits	**28,114**	26,523
	458,386	434,246
Expensed in consolidated income statement		
Pension benefits (Note 9)	**21,610**	23,302
Post-employment medical benefits	**1,389**	1,418
	22,999	24,720
Remeasurements for:		
Defined pension benefits	**45,937**	26,248
Post-employment medical benefits	**338**	(607)
	46,275	25,641

The Group's largest pension liabilities are now in Germany. Its defined benefit plan is closed to new entrants and now covers around 20% of employees. The defined benefit plan contains a large number of retirees and former employees with benefits which have vested, but where payment will be deferred until they retire.

The Group continues to maintain significant pension liabilities in Japan, where a cash balance benefit is provided for substantially all employees.

In the US, the defined benefit plan is closed to new entrants, and now covers only 1.0% of employees. There is also a supplemental defined benefit plan that covers certain executives.

The Group also operates final salary defined benefit plans in a number of countries as a result of past acquisitions.

The Group's major plans are valued by qualified actuaries annually using the projected unit credit method.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income in the period in which they arise.

35 RETIREMENT BENEFIT OBLIGATIONS *(continued)*

(a) Pension benefits

The amounts recognized in the consolidated balance sheet are determined as follows:

	2020 US$'000	2019 US$'000
Present value of funded obligations	**629,242**	568,780
Fair value of plan assets	**(396,192)**	(346,348)
Deficit of funded plans	**233,050**	222,432
Present value of unfunded obligations	**197,222**	185,291
Liability in the consolidated balance sheet	**430,272**	407,723
Representing:		
Pension benefits obligation	**430,272**	407,723

The principal actuarial assumptions used are as follows:

	2020	2019
Discount rate	**0.5%-2.0%**	0.5%-3.3%
Future salary increases	**0%-4.5%**	0%-4.5%
Future pension increases	**0%-2.5%**	0%-2%
Life expectancy for male aged 60	**25**	27
Life expectancy for female aged 60	**28**	28

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Impact on defined benefit obligation		
2020	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	**0.5%**	**Decrease by 7.7%**	**Increase by 8.7%**
Salary growth rate	**0.5%**	**Increase by 1.0%**	**Decrease by 0.9%**
Pension growth rate	**0.5%**	**Increase by 8.0%**	**Decrease by 7.2%**
Life expectancy	**1 year**	**Increase by 2.0%**	**Decrease by 2.0%**

35 RETIREMENT BENEFIT OBLIGATIONS *(continued)*

(a) Pension benefits *(continued)*

2019	Impact on defined benefit obligation Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.5%	Decrease by 10.6%	Increase by 10.7%
Salary growth rate	0.5%	Increase by 1.0%	Decrease by 0.9%
Pension growth rate	0.5%	Increase by 8.3%	Decrease by 7.5%
Life expectancy	1 year	Increase by 4.0%	Decrease by 3.9%

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognized within the consolidated balance sheet.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous year.

(b) Post-employment medical benefits

The Group operates a number of post-employment medical benefit schemes, principally in the US. The method of accounting, assumptions and the frequency of valuations are similar to those used for defined benefit pension schemes.

The US plan (Lenovo Future Health Account and Retiree Life Insurance Program) is currently funded by a trust that qualifies for tax exemption under US tax law, out of which benefits to eligible retirees and dependents will be made.

Changes in future medical cost trend rates has no effect on the liabilities for post-employment medical benefits.

The amounts recognized in the consolidated balance sheet are determined as follows:

	2020 US$'000	2019 US$'000
Present value of funded obligations	**27,414**	26,764
Fair value of plan assets	**(468)**	(1,453)
Deficit of funded plans	**26,946**	25,311
Present value of unfunded obligations	**1,168**	1,212
Liability in the consolidated balance sheet	**28,114**	26,523

35 RETIREMENT BENEFIT OBLIGATIONS *(continued)*

(c) Additional information on post-employment benefits (pension and medical)

Plan assets of the Group comprise:

	2020			2019		
	Quoted US$'000	**Unquoted US$'000**	**Total US$'000**	Quoted US$'000	Unquoted US$'000	Total US$'000
Pension plan						
Equity instruments						
Information technology	**2,472**	**-**	**2,472**	530	–	530
Energy	**199**	**-**	**199**	245	–	245
Manufacturing	**2,503**	**-**	**2,503**	4,845	–	4,845
Others	**8,099**	**-**	**8,099**	4,203	–	4,203
	13,273	**-**	**13,273**	9,823	–	9,823
Debt instruments						
Government	**65,074**	**-**	**65,074**	77,716	–	77,716
Corporate bonds (investment grade)	**59,022**	**-**	**59,022**	56,267	–	56,267
Corporate bonds (Non-investment grade)	**38,205**	**-**	**38,205**	780	–	780
	162,301	**-**	**162,301**	134,763	–	134,763
Others						
Property	**-**	**11,667**	**11,667**	–	13,181	13,181
Qualifying insurance policies	**-**	**59,801**	**59,801**	–	66,966	66,966
Cash and cash equivalents	**20,777**	**-**	**20,777**	30,664	–	30,664
Investment funds	**-**	**19,170**	**19,170**	–	38,503	38,503
Structured bonds	**-**	**104,833**	**104,833**	–	50,158	50,158
Others	**-**	**4,370**	**4,370**	–	2,290	2,290
	20,777	**199,841**	**220,618**	30,664	171,098	201,762
	196,351	**199,841**	**396,192**	175,250	171,098	346,348
Medical plan						
Cash and cash equivalents	**468**	**-**	**468**	1,453	–	1,453

The long term strategic asset allocations of the plans are set and reviewed from time to time by the plans' trustees taking into account the membership, liability profile and the liquidity requirements of the plans.

The weighted average duration of the defined benefit obligation is 16.9 years.

35 RETIREMENT BENEFIT OBLIGATIONS *(continued)*

(c) Additional information on post-employment benefits (pension and medical) *(continued)*

Expected maturity analysis of undiscounted pension and post-employments medical benefits:

At March 31, 2020	Less than a year US$'000	Between 1-2 years US$'000	Between 2-5 years US$'000	Over 5 years US$'000	Total US$'000
Pension benefits	23,673	48,299	92,173	789,751	953,896
Post-employment medical benefits	871	952	3,362	32,590	37,775
Total	24,544	49,251	95,535	822,341	991,671

Pension and medical plan assets do not include any of the Company's ordinary shares or US real estate occupied by the Group (2019: nil).

Reconciliation of fair value of plan assets of the Group:

	Pension		Medical	
	2020 US$'000	2019 US$'000	**2020 US$'000**	2019 US$'000
Opening fair value	**346,348**	334,597	**1,453**	2,391
Exchange adjustment	**9,148**	(21,483)	**(1)**	(15)
Interest income	**4,568**	5,156	**46**	79
Remeasurements:				
Experience gain/(loss)	**11,487**	3,661	**(11)**	(22)
Contributions by the employer	**38,385**	19,868	**34**	32
Contributions by plan participants	**1,130**	661	**–**	–
Benefits paid	**(14,874)**	(35,785)	**(1,053)**	(1,012)
Acquisition of subsidiaries	**–**	39,673	**–**	–
Closing fair value	**396,192**	346,348	**468**	1,453
Actual return on plan assets	**16,055**	8,817	**35**	57

Contributions of US$13,954,000 are estimated to be made for the year ending March 31, 2021.

(c) Additional information on post-employment benefits (pension and medical) *(continued)*

Reconciliation of movements in present value of defined benefit obligations of the Group:

	Pension		Medical	
	2020 US$'000	2019 US$'000	**2020 US$'000**	2019 US$'000
Opening defined benefit obligation	**754,071**	722,229	**27,976**	28,241
Exchange adjustment	**5,527**	(48,978)	**(103)**	(110)
Current service cost	**17,555**	17,447	**530**	586
Past service cost	**–**	(1,235)	**–**	–
Interest cost	**9,085**	11,564	**905**	911
Remeasurements:				
Loss/(gain) from changes in demographic assumptions	**3,377**	(1,024)	**25**	(201)
Loss/(gain) from changes in financial assumptions	**53,641**	27,538	**307**	(9)
Experience loss/(gain)	**406**	3,395	**(5)**	(419)
Contributions by plan participants	**359**	684	**–**	–
Benefits paid	**(17,095)**	(46,854)	**(1,053)**	(1,023)
Curtailment (gain)/loss	**(462)**	682	**–**	–
Acquisition of subsidiaries	**–**	68,623	**–**	–
Closing defined benefit obligations	**826,464**	754,071	**28,582**	27,976

During the year, benefits of US$2,221,000 were settled directly by the Group (2019: US$11,080,000).

Summary of pensions and post-retirement medical benefits of the Group:

	2020 US$'000	2019 US$'000	2018 US$'000	2017 US$'000	2016 US$'000
Present value of defined benefit obligations	**855,046**	782,047	750,470	674,647	739,805
Fair value of plan assets	**396,660**	347,801	336,988	304,440	296,931
Deficit	**458,386**	434,246	413,482	370,207	442,874
Actuarial (gains)/losses arising on plan assets	**(11,476)**	(3,639)	(5,962)	6,620	3,580
Actuarial losses/(gains) arising on plan liabilities	**57,751**	29,280	25,759	(49,398)	21,082
	46,275	25,641	19,797	(42,778)	24,662

Notes to the financial statements

35 RETIREMENT BENEFIT OBLIGATIONS *(continued)*

(c) Additional information on post-employment benefits (pension and medical) *(continued)*

The amounts recognized in the consolidated income statement are as follows:

	Pension		Medical	
	2020 US$'000	2019 US$'000	**2020 US$'000**	2019 US$'000
Current service cost	**17,555**	17,447	**530**	586
Past service cost	**–**	(1,235)	**–**	–
Interest cost	**9,085**	11,564	**905**	911
Interest income	**(4,568)**	(5,156)	**(46)**	(79)
Curtailment (gain)/loss	**(462)**	682	**–**	–
Total expense recognized in the consolidated income statement	**21,610**	23,302	**1,389**	1,418

36 PRINCIPAL SUBSIDIARIES

The following includes the principal subsidiaries directly or indirectly held by the Company and, in the opinion of the directors, are significant to the results of the year or form a substantial portion of the net assets of the Group. The directors consider that giving details of other subsidiaries would result in particulars of excessive length.

Company name	Place of incorporation/ establishment	Issued and fully paid up capital	Percentage of issued share capital held 2020	2019	Principal activities
Held directly:					
聯想(北京)有限公司 (Lenovo (Beijing) Limited)[1] (wholly foreign-owned enterprise)	Chinese Mainland	HK$250,000,000	**100%**	100%	Manufacturing and distribution of IT products and provision of IT services
聯想(上海)有限公司 (Lenovo (Shanghai) Co., Ltd.)[1] (wholly foreign-owned enterprise)	Chinese Mainland	HK$10,000,000	**100%**	100%	Distribution of IT products and provision of IT services

36 PRINCIPAL SUBSIDIARIES *(continued)*

Company name	Place of incorporation/ establishment	Issued and fully paid up capital	Percentage of issued share capital held 2020	2019	Principal activities
Held indirectly:					
Fujitsu Client Computing Limited	Japan	JPY400,000,000	**51%**	51%	Manufacturing and distribution of IT products
聯寶(合肥)電子科技有限公司 (LCFC (Hefei) Electronics Technology Co., Ltd.)[1] (wholly foreign-owned enterprise)	Chinese Mainland	US$265,000,000	**51%**	51%	Manufacturing and distribution of IT products
Lenovo (Asia Pacific) Limited	Hong Kong S.A.R. of China	HK$3,045,209,504.92	**100%**	100%	Investment holding and distribution of IT products
北京聯想軟件有限公司 (Beijing Lenovo Software Limited)[1] (wholly foreign-owned enterprise)	Chinese Mainland	HK$5,000,000	**100%**	100%	Provision of IT services and distribution of IT products
Lenovo (Australia & New Zealand) Pty Limited	Australia	AUD45,860,993.40	**100%**	100%	Distribution of IT products
Lenovo (Belgium) BV	Belgium	EUR1,317,700,834.94	**100%**	100%	Investment holding and distribution of IT products
聯想(北京)信息技術有限公司 (Lenovo (Beijing) Information Technology Limited) [1] (wholly foreign-owned enterprise)	Chinese Mainland	US$272,300,000.00	**100% (iv)**	100%	Investment holding and distribution of IT products
Lenovo (Canada) Inc.	Canada	CAD100	**100%**	100%	Distribution of IT products
Lenovo Computer Limited	Hong Kong S.A.R. of China	HK$2	**100%**	100%	Procurement agency and distribution of IT products
Lenovo (Danmark) ApS	Denmark	DKK126,000	**100%**	100%	Distribution of IT products

36 PRINCIPAL SUBSIDIARIES *(continued)*

Company name	Place of incorporation/ establishment	Issued and fully paid up capital	Percentage of issued share capital held 2020	2019	Principal activities
Lenovo (Deutschland) GmbH	Germany	EUR25,100	**100%**	100%	Distribution of IT products
Lenovo Enterprise Solutions (Singapore) Pte. Ltd.	Singapore	SGD55,958,592	**100%**	100%	Manufacturing and wholesaling of computers, computer hardware and peripheral equipment
Lenovo Enterprise Solutions LLC	Japan	JPY50,000,000	**100%**	100%	Distribution of IT products
Lenovo Enterprise Technology Company Limited	Hong Kong S.A.R. of China	US$1,200,000,010 ordinary shares and US$299,999,486 convertible preferred shares	**100% (iv)**	-	Investment holding and distribution of IT products
Lenovo (France) SAS	France	EUR1,837,000	**100%**	100%	Distribution of IT products
Lenovo HK Services Limited	Hong Kong S.A.R. of China	HK$2	**100%**	100%	Provision of business planning, management, global supply chain, finance, and administration support services
Lenovo Global Technology (Asia Pacific) Limited	Hong Kong S.A.R. of China	US$128,924.89	**100%**	100%	Investment holding and distribution of IT products
Lenovo Global Technology HK Limited	Hong Kong S.A.R. of China	US$10,000,001	**100%**	100%	Procurement agency and distribution of IT products
Lenovo Global Technology (Hong Kong S.A.R. of China) Distribution Limited	Hong Kong S.A.R. of China	US$1	**100%**	100%	Distribution of IT products
Lenovo (Hong Kong S.A.R. of China) Limited	Hong Kong S.A.R. of China	HK$74,256,023	**100%**	100%	Distribution of IT products

36 PRINCIPAL SUBSIDIARIES *(continued)*

Company name	Place of incorporation/ establishment	Issued and fully paid up capital	Percentage of issued share capital held 2020	2019	Principal activities
惠陽聯想電子工業有限公司 (Lenovo (Huiyang) Electronic Industrial Co., Ltd.)[1] (wholly foreign-owned enterprise)	Chinese Mainland	HK$31,955,500	**100%**	100%	Manufacturing and distribution of IT products
Lenovo (India) Private Limited	India	INR8,607,471,514	**100%**	100%	Manufacturing and distribution of IT products
聯想信息產品(深圳)有限公司 (Lenovo Information Products (Shenzhen) Co. Ltd.)[1] (limited liability company (wholly-owned entity))	Chinese Mainland	RMB643,966,800	**100%**	100%	Manufacturing and distribution of IT products
Lenovo (Israel) Ltd.	Israel	ILS132,853.12	**100%**	100%	Distribution of IT products
Lenovo (Italy) S.r.l	Italy	EUR100,000	**100%**	100%	Distribution of IT products
Lenovo Japan LLC	Japan	JPY100,000,000	**95.10% (v)**	95.10% (v)	Distribution of IT products
Lenovo Korea LLC	Korea	KRW3,580,940,000	**100%**	100%	Distribution of IT products
Lenovo Mexico, S. de R.L. de C.V.	Mexico	MXN1,424,048,114	**100%**	100%	Distribution of IT products
聯想移動通信科技有限公司 (Lenovo Mobile Communication Technology Ltd.)[1] (foreign-investment enterprise wholly-owned entity)	Chinese Mainland	RMB187,500,000	**100%**	100%	Manufacturing and distribution of IT products and provision of IT services

Notes to the financial statements

36 PRINCIPAL SUBSIDIARIES *(continued)*

Company name	Place of incorporation/ establishment	Issued and fully paid up capital	Percentage of issued share capital held 2020	2019	Principal activities
摩托羅拉(武漢)移動技術通信有限公司 (Motorola (Wuhan) Mobility Technologies Communication Company Limited)[1] 前稱"聯想移動通信(武漢)有限公司" (formerly known as "Lenovo Mobile Communication (Wuhan) Limited")[1] (foreign-investment enterprise wholly-owned entity)	Chinese Mainland	RMB60,000,000	**100%**	100%	Manufacturing of mobile products
聯想凌拓科技有限公司 (Lenovo NetApp Technology Limited)[1] (Chinese-foreign equity joint venture)	Chinese Mainland	US$10,000,000	**51% (iv)**	51%	Delivering IT products and data management solution
Lenovo PC HK Limited	Hong Kong S.A.R. of China	HK$2,377,934,829.50 ordinary shares and HK$1,000,000 non-voting deferred shares	**100%**	100%	Procurement agency and distribution of IT products
Lenovo PC International Limited	Hong Kong S.A.R. of China	HK$4,758,857,785	**100%**	100%	Intellectual properties
Lenovo (Schweiz) GmbH	Switzerland	CHF2,000,000	**100%**	100%	Manufacturing and distribution of IT products
Lenovo (Singapore) Pte. Ltd.	Singapore	SGD4,699,316,277.77	**100%**	100%	Manufacturing and wholesaling of computers, computer hardware and peripheral equipment

36 PRINCIPAL SUBSIDIARIES *(continued)*

Company name	Place of incorporation/ establishment	Issued and fully paid up capital	Percentage of issued share capital held 2020	2019	Principal activities
Lenovo (South Africa) (Pty) Limited	South Africa	ZAR177,500	**100%**	100%	Distribution of IT products
Lenovo (Spain), S.L.	Spain	EUR37,475,456.40	**100%**	100%	Distribution of IT products
Lenovo (Sweden) AB	Sweden	SEK200,200	**100%**	100%	Distribution of IT products
聯想系統集成(深圳)有限公司 (Lenovo Systems Technology Company Limited)[1] (有限責任公司(法人獨資)) (limited liability company (wholly-owned entity))	Chinese Mainland	RMB263,407,660	**100%**	100%	Manufacturing and distribution of IT products
Lenovo Technology (United Kingdom) Limited	United Kingdom	GBP8,629,510	**100%**	100%	Distribution of IT products
Lenovo Technology B.V.	Netherlands	EUR20,000	**100%**	100%	Distribution of IT products
Lenovo Technology Sdn. Bhd.	Malaysia	MYR1,000,000	**100%**	100%	Retail Sale of Computers, Computer Equipment and Supplies
Lenovo Tecnologia (Brasil) Ltda	Brazil	BRL4,424,321,818	**100%**	100%	Manufacturing and distribution of IT products
Lenovo (Thailand) Limited	Thailand	THB252,000,000	**100%**	100%	Distribution of IT products as well as mobile phone, smartphone and tablet, server and storage
Lenovo (United States) Inc.	United States	US$1	**100%**	100%	Distribution of IT products
Lenovo (Venezuela), SA	Venezuela	VEB717,184,632	**100%**	100%	Distribution of IT products

Notes to the financial statements

36 PRINCIPAL SUBSIDIARIES *(continued)*

Company name	Place of incorporation/ establishment	Issued and fully paid up capital	Percentage of issued share capital held 2020	2019	Principal activities
聯想(西安)有限公司 (Lenovo (Xian) Limited)[1] (Chinese-foreign equity joint venture)	Chinese Mainland	RMB10,000,000	**100%**	100%	Provision of IT services and distribution of IT products
LLC "Lenovo (East Europe/Asia)"	Russia	RUB1,910,000	**100%**	100%	Distribution and marketing of IT products
Medion AG	Germany	EUR48,418,400	**79.84%**	79.84%	Retail and service business for consumer electronic products and complementary digital services
Motorola Mobility Comércio de Produtos Eletronicos Ltda.	Brazil	BRL756,663,401	**100%**	100%	Distribution of communication products, developer, owner, licensor and seller of communications hardware and software
Motorola Mobility International Sales LLC	United States	-	**100%**	100%	Holding company
Motorola Mobility LLC	United States	-	**100%**	100%	Developer, owner, licensor and seller of communications hardware and software
NEC Personal Computers, Ltd.	Japan	JPY500,000,000	**95.10% (v)**	95.10% (v)	Manufacturing and distribution of IT products
深圳聯想海外控股有限公司 (Shenzhen Lenovo Overseas Holdings Limited)[1] (wholly-foreign owned enterprise)	Chinese Mainland	US$760,822,799.24	**100%**	100%	Investment management

36 PRINCIPAL SUBSIDIARIES *(continued)*

Company name	Place of incorporation/ establishment	Issued and fully paid up capital	Percentage of issued share capital held 2020	2019	Principal activities
Shimane Fujitsu Limited	Japan	JPY450,000,000	**51%**	51%	Manufacturing and distribution of IT products
Stoneware, Inc.	United States	US$1	**100%**	100%	Development and distribution of IT products
陽光雨露信息技術服務(北京)有限公司 (Sunny Information Technology Service, Inc.)[1] (Chinese-foreign equity joint venture)	Chinese Mainland	RMB50,000,000	**100%**	100%	Provision of repair services for computer hardware and software systems

Notes:

(i) All the above subsidiaries operate principally in their respective places of incorporation or establishment.

(ii) All the Chinese Mainland subsidiaries are limited liability companies. They have adopted December 31 as their financial year end date for statutory reporting purposes. For the preparation of the consolidated financial statements, financial statements of these Chinese Mainland subsidiaries for the years ended March 31, 2019 and 2020 have been used.

(iii) Medion AG is a publicly traded German stock corporation listed on the Frankfurt am Main stock exchange. The percentage of issued capital held is equivalent to approximately 86.52% (2019: 86.52%) excluding treasury shares.

(iv) At March 31, 2020, the Group held 100% in the ordinary shares of LETCL, the immediate holding company of Lenovo (Beijing) Information Technology Limited and intermediate holding company of Lenovo NetApp Technology Limited. US$299,999,486 convertible preferred shares issued by LETCL remain outstanding and held by independent third parties, please refer to Note 26(iv) for details.

(v) At March 31, 2019 and 2020, the Group held 95.10% in the ordinary shares of Lenovo NEC Holdings B.V., the immediate holding company of Lenovo Japan LLC and NEC Personal Computers, Ltd., while the remaining 4.90% ordinary shares and 42,700 deferred shares of Lenovo NEC Holdings B.V. were held by NEC Corporation.

(vi) The company whose English name ends with a "1" is a direct transliteration of its Chinese registered name.

Notes to the financial statements

36 PRINCIPAL SUBSIDIARIES *(continued)*

Material non-controlling interests

Set out below is the summarized financial information of FCCL. The amounts disclosed are before inter-company eliminations.

	2020 US$'000	Period from May 2, 2018 (date of acquisition) to March 31, 2019 US$'000
Revenue	**3,350,163**	2,760,549
Profit for the year/period	**186,148**	79,422
Other comprehensive income	**3,019**	7,548
Total comprehensive income	**189,167**	86,970
Net assets		
Non-current assets	**160,151**	113,050
Current assets	**1,112,946**	925,923
Current liabilities	**(795,108)**	(765,249)
Non-current liabilities	**(61,580)**	(46,297)
	416,409	227,427
Cash flows		
Net cash generated from operating activities	**118,644**	84,875
Net cash used in investing activities	**(50,953)**	(10,092)
Net cash used in financing activities	**(3,881)**	–
Effect of foreign exchange rate changes	**2,020**	(143)
Cash and cash equivalents at the beginning of the year/period	**97,546**	22,906
Cash and cash equivalents at the end of the year/period	**163,376**	97,546

37 NON-ADJUSTING POST BALANCE SHEET EVENT

On April 24, 2020, the Group completed the issuance of 5-Year US$650 million notes bearing annual interest at 5.875% due in April 2025. On May 12, 2020, the Group issued an additional US$350 million notes under the same terms, which have been consolidated and form a single series with the aforementioned US$650 million notes. The proceeds will be used for refinancing and general corporate purposes.

38 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on May 20, 2020.

Five-year financial summary

CONDENSED CONSOLIDATED INCOME STATEMENT

	2020 US$'000	2019 US$'000	2018 US$'000	2017 US$'000	2016 US$'000
Revenue	**50,716,349**	51,037,943	45,349,943	43,034,731	44,912,097
Profit/(loss) before taxation	**1,017,707**	856,664	153,202	489,927	(276,851)
Taxation	**(213,204)**	(199,460)	(279,977)	40,514	132,276
Profit/(loss) for the year	**804,503**	657,204	(126,775)	530,441	(144,575)
Profit/(loss) attributable to:					
Equity holders of the Company	**665,091**	596,343	(189,323)	535,084	(128,146)
Perpetual securities holders	**53,760**	53,760	53,680	1,872	–
Other non-controlling interests	**85,652**	7,101	8,868	(6,515)	(16,429)
	804,503	657,204	(126,775)	530,441	(144,575)
Earnings/(loss) per share attributable to equity holders of the Company (US cents)					
Basic	**5.58**	5.01	(1.67)	4.86	(1.16)
Diluted	**5.43**	4.96	(1.67)	4.86	(1.16)

CONDENSED CONSOLIDATED BALANCE SHEET

	2020 US$'000	2019 US$'000	2018 US$'000	2017 US$'000	2016 US$'000
Non-current assets	**13,394,726**	13,102,282	12,830,853	12,317,587	11,966,613
Current assets	**18,733,441**	16,886,203	15,663,318	14,868,387	12,966,776
Total assets	**32,128,167**	29,988,485	28,494,171	27,185,974	24,933,389
Non-current liabilities	**4,810,751**	5,401,079	4,488,461	4,756,906	6,146,880
Current liabilities	**23,258,121**	20,490,343	19,459,722	18,333,846	15,760,260
Total liabilities	**28,068,872**	25,891,422	23,948,183	23,090,752	21,907,140
Net assets	**4,059,295**	4,097,063	4,545,988	4,095,222	3,026,249

Corporate information

HONORARY CHAIRMAN
Mr. Liu Chuanzhi

BOARD OF DIRECTORS
Chairman and Executive Director
Mr. Yang Yuanqing

Non-executive Directors
Mr. Zhu Linan
Mr. Zhao John Huan

Independent Non-executive Directors
Mr. Nicholas C. Allen
Mr. Nobuyuki Idei
Mr. William O. Grabe
Mr. William Tudor Brown
Mr. Yang Chih-Yuan Jerry
Mr. Gordon Robert Halyburton Orr
Mr. Woo Chin Wan Raymond
Ms. Yang Lan

CHIEF FINANCIAL OFFICER
Mr. Wong Wai Ming

COMPANY SECRETARY
Mr. Mok Chung Fu, Eric

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Citibank, N.A.
DBS Bank Ltd.

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STOCK CODES
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