

Lenovo Group Limited | 2018/19 Interim Report

Stock Code 992

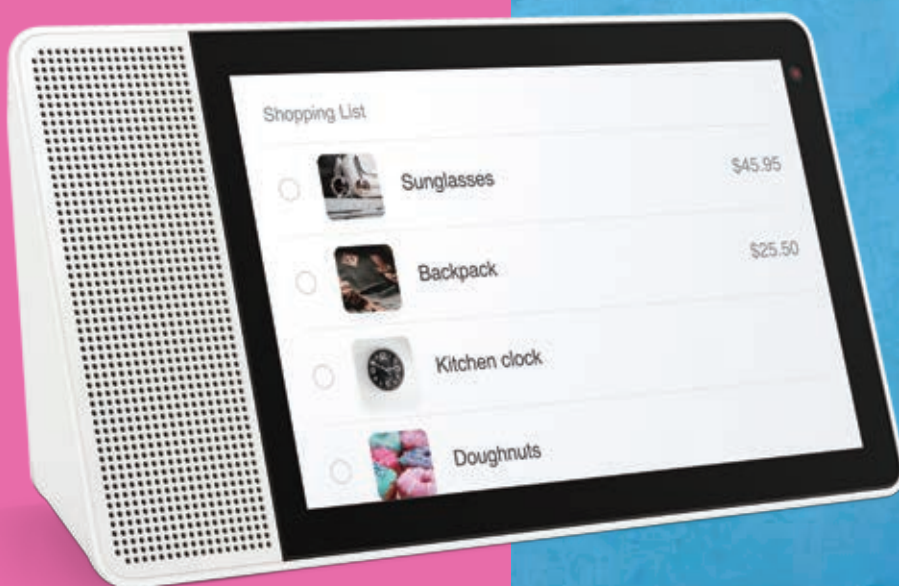
Lenovo™

# Empowering Intelligent Transformation



At this time it is the best smart speaker with screen that you can buy.”

CNET, Jul 31

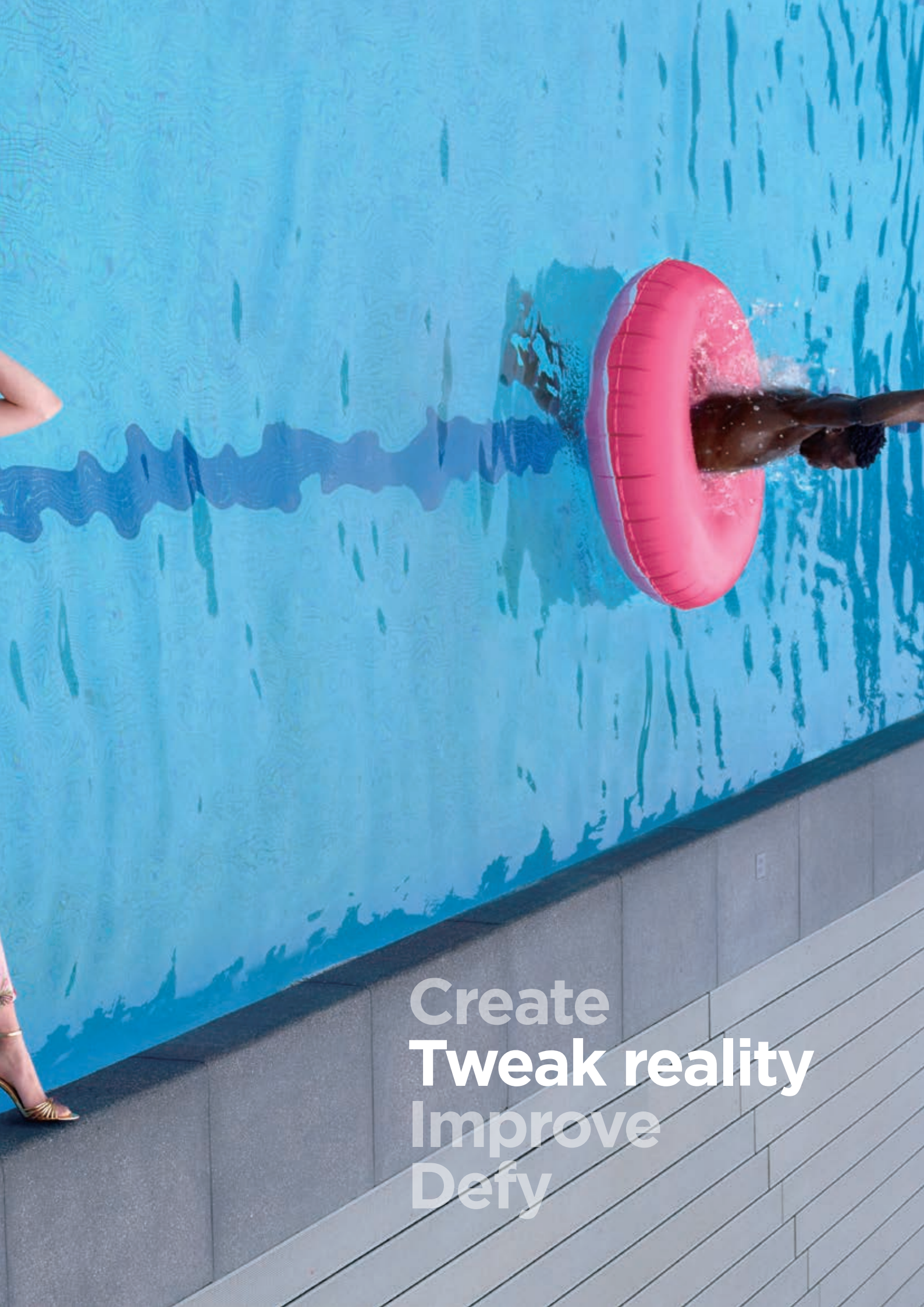


Lenovo Smart Display



This interim report is printed on environmentally friendly paper manufactured from elemental chlorine-free pulp  
Printed on chemistry free plate system and soy ink





Create  
Tweak reality  
Improve  
Defy

The Lenovo and NetApp partnership will help customers modernize IT and accelerate their digital transformation. The all-flash ThinkSystem DE is among the first products from the partnership.

Create  
Tweak  
Improve  
Defy can't



ThinkSystem DE

# CONSOLIDATED INCOME STATEMENT

		<b>3 months ended September 30, 2018 (unaudited) US\$'000</b>	<b>6 months ended September 30, 2018 (unaudited) US\$'000</b>	3 months ended September 30, 2017 (unaudited) US\$'000	6 months ended September 30, 2017 (unaudited) US\$'000
	Note				
Revenue	2	<b>13,379,809</b>	<b>25,292,534</b>	11,760,888	21,773,102
Cost of sales		<b>(11,585,705)</b>	<b>(21,866,758)</b>	(10,148,366)	(18,795,968)
Gross profit		<b>1,794,104</b>	<b>3,425,776</b>	1,612,522	2,977,134
Other income - net		-	-	15	15
Selling and distribution expenses		<b>(654,739)</b>	<b>(1,308,943)</b>	(795,644)	(1,460,671)
Administrative expenses		<b>(514,955)</b>	<b>(1,000,134)</b>	(387,309)	(847,837)
Research and development expenses		<b>(312,341)</b>	<b>(622,236)</b>	(310,933)	(602,498)
Other operating (expenses)/income - net		<b>(22,522)</b>	<b>(24,543)</b>	(30,968)	15,427
Operating profit	3	<b>289,547</b>	<b>469,920</b>	87,683	81,570
Finance income	4(a)	<b>6,176</b>	<b>11,474</b>	8,471	17,659
Finance costs	4(b)	<b>(81,732)</b>	<b>(153,580)</b>	(59,530)	(131,574)
Share of losses of associates and joint ventures		<b>(694)</b>	<b>(1,721)</b>	(1,277)	(1,570)
Profit/(loss) before taxation		<b>213,297</b>	<b>326,093</b>	35,347	(33,915)
Taxation	5	<b>(39,815)</b>	<b>(67,291)</b>	117,827	133,224
Profit for the period		<b>173,482</b>	<b>258,802</b>	153,174	99,309
Profit/(loss) attributable to:					
Equity holders of the Company		<b>168,403</b>	<b>245,447</b>	139,042	66,752
Perpetual securities holders		<b>13,440</b>	<b>26,880</b>	13,553	26,800
Other non-controlling interests		<b>(8,361)</b>	<b>(13,525)</b>	579	5,757
		<b>173,482</b>	<b>258,802</b>	153,174	99,309
Earnings per share attributable to equity holders of the Company					
Basic	6(a)	<b>US1.41 cents</b>	<b>US2.06 cents</b>	US1.26 cents	US0.61 cents
Diluted	6(b)	<b>US1.40 cents</b>	<b>US2.06 cents</b>	US1.26 cents	US0.61 cents
Dividend	7		<b>92,071</b>		85,434

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	3 months ended September 30, 2018 (unaudited) US\$'000	6 months ended September 30, 2018 (unaudited) US\$'000	3 months ended September 30, 2017 (unaudited) US\$'000	6 months ended September 30, 2017 (unaudited) US\$'000
Profit for the period	173,482	258,802	153,174	99,309
Other comprehensive income/(loss):				
Items that have been reclassified or may be subsequently reclassified to profit or loss				
Fair value change on available-for-sale financial assets, net of taxes	-	-	2,787	2,599
Fair value change on financial assets at fair value through other comprehensive income, net of taxes	1,504	(3,784)	-	-
Fair value change on cash flow hedges from foreign exchange forward contracts, net of taxes				
- Fair value gain/(loss), net of taxes	32,911	224,158	(73,811)	(171,531)
- Reclassified to consolidated income statement	(78,085)	(171,455)	116,938	164,906
Currency translation differences	(178,881)	(550,973)	92,216	111,990
Other comprehensive (loss)/income for the period	(222,551)	(502,054)	138,130	107,964
Total comprehensive (loss)/income for the period	(49,069)	(243,252)	291,304	207,273
Total comprehensive (loss)/income attributable to:				
Equity holders of the Company	(54,148)	(256,607)	277,172	174,716
Perpetual securities holders	13,440	26,880	13,553	26,800
Other non-controlling interests	(8,361)	(13,525)	579	5,757
	(49,069)	(243,252)	291,304	207,273

# CONSOLIDATED BALANCE SHEET

	Note	September 30, 2018 (unaudited) US\$'000	March 31, 2018 (audited) US\$'000
<b>Non-current assets</b>			
Property, plant and equipment	8	1,232,127	1,304,751
Prepaid lease payments		458,781	507,628
Construction-in-progress		282,542	382,845
Intangible assets	8	8,286,321	8,514,504
Interests in associates and joint ventures		52,066	35,666
Deferred income tax assets	8	1,674,742	1,530,623
Available-for-sale financial assets		-	373,077
Financial assets at fair value through profit or loss		373,778	-
Financial assets at fair value through other comprehensive income		80,796	-
Other non-current assets		118,744	181,759
		<b>12,559,897</b>	12,830,853
<b>Current assets</b>			
Inventories		4,280,931	3,791,691
Trade receivables	9(a)	6,097,261	4,972,722
Notes receivable		35,258	11,154
Derivative financial assets		97,164	24,890
Deposits, prepayments and other receivables	10	5,298,712	4,703,335
Income tax recoverable		193,296	227,203
Bank deposits		112,303	84,306
Cash and cash equivalents		2,212,532	1,848,017
		<b>18,327,457</b>	15,663,318
<b>Total assets</b>		<b>30,887,354</b>	28,494,171

# CONSOLIDATED BALANCE SHEET

	Note	September 30, 2018 (unaudited) US\$'000	March 31, 2018 (audited) US\$'000
Share capital	14	3,185,923	3,185,923
Reserves		(164,625)	332,697
Equity attributable to owners of the Company		3,021,298	3,518,620
Perpetual securities		993,670	993,670
Other non-controlling interests		381,001	246,598
Put option written on non-controlling interests	11(a)(ii),12(b)	(442,657)	(212,900)
<b>Total equity</b>		<b>3,953,312</b>	<b>4,545,988</b>
<b>Non-current liabilities</b>			
Borrowings	13	1,820,129	2,648,725
Warranty provision	11(b)	265,339	278,908
Deferred revenue		652,201	583,405
Retirement benefit obligations		419,140	413,482
Deferred income tax liabilities		328,520	230,609
Other non-current liabilities	12	856,733	333,332
		<b>4,342,062</b>	<b>4,488,461</b>
<b>Current liabilities</b>			
Trade payables	9(b)	7,281,937	6,450,792
Notes payable		619,883	801,974
Derivative financial liabilities		56,011	62,694
Other payables and accruals	11(a)	10,279,652	9,217,764
Provisions	11(b)	774,416	858,475
Deferred revenue		715,268	732,552
Income tax payable		225,043	168,779
Borrowings	13	2,639,770	1,166,692
		<b>22,591,980</b>	<b>19,459,722</b>
<b>Total liabilities</b>		<b>26,934,042</b>	<b>23,948,183</b>
<b>Total equity and liabilities</b>		<b>30,887,354</b>	<b>28,494,171</b>



# CONSOLIDATED CASH FLOW STATEMENT

	Note	6 months ended September 30, 2018 (unaudited) US\$'000	6 months ended September 30, 2017 (unaudited) US\$'000
Cash flows from operating activities			
Net cash generated from operations	16	659,597	92,153
Interest paid		(152,167)	(116,911)
Tax paid		(104,354)	(189,013)
Net cash generated from/(used in) operating activities		403,076	(213,771)
Cash flows from investing activities			
Purchase of property, plant and equipment		(72,116)	(101,307)
Purchase of prepaid lease payments		-	(10,908)
Sale of property, plant and equipment		90,523	5,335
Interest acquired in an associate		-	(2,205)
Acquisition of subsidiaries, net of cash acquired	17	(107,002)	-
Net proceeds from disposal of a joint venture		-	160,564
Payment for construction-in-progress		(119,769)	(155,826)
Payment for intangible assets		(83,730)	(73,124)
Purchase of available-for-sale financial assets		-	(69,355)
Purchase of financial assets at fair value through profit or loss		(24,919)	-
Purchase of financial assets at fair value through other comprehensive income		(1,744)	-
Net proceeds from sale of financial assets at fair value through profit or loss		33,996	-
Net proceeds from disposal of an available-for-sale financial asset		-	165
Repayment of deferred consideration		-	(686,301)
(Increase)/decrease in bank deposits		(27,997)	78,505
Dividends received		163	-
Interest received		11,474	17,659
Net cash used in investing activities		(301,121)	(836,798)
Cash flows from financing activities			
Capital contribution from other non-controlling interests		32,485	1,003
Contribution to employee share trusts		(18,823)	(26,154)
Issue of perpetual securities		-	149,625
Dividends paid		(312,980)	(291,673)
Distribution to perpetual securities holders		(26,880)	(26,432)
Proceeds from borrowings		3,390,000	3,364,540
Repayments of borrowings		(2,690,000)	(3,763,166)
Net cash generated from/(used in) financing activities		373,802	(592,257)
Increase/(decrease) in cash and cash equivalents		475,757	(1,642,826)
Effect of foreign exchange rate changes		(111,242)	32,061
Cash and cash equivalents at the beginning of the period		1,848,017	2,754,599
Cash and cash equivalents at the end of the period		2,212,532	1,143,834

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Attributable to equity holders of the Company

	Share capital (unaudited) US\$'000	Investment revaluation reserve (unaudited) US\$'000	Employee share trusts (unaudited) US\$'000	Share-based compensation reserve (unaudited) US\$'000	Hedging reserve (unaudited) US\$'000	Exchange reserve (unaudited) US\$'000	Other reserve (unaudited) US\$'000	Retained earnings (unaudited) US\$'000	Perpetual securities (unaudited) US\$'000	Other non-controlling interests (unaudited) US\$'000	Put option written on non-controlling interests (unaudited) US\$'000	Total (unaudited) 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/(loss) for the period	-	-	-	-	-	-	-	245,447	26,880	(13,525)	-	258,802
Other comprehensive (loss)/income	-	(3,784)	-	-	52,703	(550,973)	-	-	-	-	-	(502,054)
Total comprehensive (loss)/income for the period	-	(3,784)	-	-	52,703	(550,973)	-	245,447	26,880	(13,525)	-	(243,252)
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	115,443	-	115,443
Vesting of shares under long-term incentive program	-	-	86,321	(95,142)	-	-	-	-	-	-	-	(8,821)
Share-based compensation	-	-	-	99,626	-	-	-	-	-	-	-	99,626
Termination of put option written on non-controlling interests	-	-	-	-	-	-	11,913	-	-	-	212,900	224,813
Put option written on non-controlling interests	-	-	-	-	-	-	-	-	-	-	(442,657)	(442,657)
Contribution to employee share trusts	-	-	(18,823)	-	-	-	-	-	-	-	-	(18,823)
Dividends paid	-	-	-	-	-	-	-	(312,980)	-	-	-	(312,980)
Capital contribution from other non-controlling interests	-	-	-	-	-	-	-	-	-	32,485	-	32,485
Distribution to perpetual securities holders	-	-	-	-	-	-	-	-	(26,880)	-	-	(26,880)
At September 30, 2018	3,185,923	(23,901)	(34,204)	236,341	35,797	(1,488,880)	83,362	1,026,860	993,670	381,001	(442,657)	3,953,312
At April 1, 2017	2,689,882	(2,965)	(111,228)	123,493	(5,328)	(1,226,618)	62,751	1,693,614	843,677	240,844	(212,900)	4,095,222
Profit for the period	-	-	-	-	-	-	-	66,752	26,800	5,757	-	99,309
Other comprehensive income/(loss)	-	2,599	-	-	(6,625)	111,990	-	-	-	-	-	107,964
Total comprehensive income/(loss) for the period	-	2,599	-	-	(6,625)	111,990	-	66,752	26,800	5,757	-	207,273
Transfer to statutory reserve	-	-	-	-	-	-	15,097	(15,097)	-	-	-	-
Vesting of shares under long-term incentive program	-	-	60,956	(79,864)	-	-	-	-	-	-	-	(18,908)
Share-based compensation	-	-	-	98,451	-	-	-	-	-	-	-	98,451
Contribution to employee share trusts	-	-	(26,154)	-	-	-	-	-	-	-	-	(26,154)
Dividends paid	-	-	-	-	-	-	-	(291,673)	-	-	-	(291,673)
Issue of perpetual securities	-	-	-	-	-	-	-	-	149,625	-	-	149,625
Capital contribution from other non-controlling interests	-	-	-	-	-	-	-	-	-	1,003	-	1,003
Distribution to perpetual securities holders	-	-	-	-	-	-	-	-	(26,432)	-	-	(26,432)
At September 30, 2017	2,689,882	(366)	(76,426)	142,080	(11,953)	(1,114,628)	77,848	1,453,596	993,670	247,604	(212,900)	4,188,407

# NOTES

## 1 GENERAL INFORMATION AND BASIS OF PREPARATION

The financial information relating to the year ended March 31, 2018 that is included in the interim report as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company has delivered the consolidated financial statements for the year ended March 31, 2018 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

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

### **Basis of preparation**

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

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

The Group has adopted the following new standards, interpretation and amendments to an existing standard that are mandatory for the year ending March 31, 2019 which the Group considers is appropriate and relevant to its operations:

- HKFRS 9, Financial instruments
- HKFRS 15, Revenue from contracts with customers
- HK (IFRIC) - Int 22, Foreign currency transactions and advance consideration
- Amendments to HKFRS 2, Share-based payment

Except for the two new standards, the adoption of the newly effective interpretation and the amendments to an existing standard did not result in substantial changes to the Group's accounting policies or financial results. The following describes the key changes arising from the adoption of the two new standards that impact the consolidated financial statements of the Group.

# NOTES

## 1 GENERAL INFORMATION AND BASIS OF PREPARATION *(continued)*

### **Basis of preparation** *(continued)*

#### **HKFRS 9, Financial instruments**

The new standard addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

HKFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through other comprehensive income (“FVOCI”) and fair value through profit or loss (“FVPL”). The basis of classification depends on the entity’s business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at FVPL with the irrevocable option at inception to present changes in fair value in other comprehensive income in which case the accumulated fair value changes in other comprehensive income will not be recycled to the profit or loss in the future.

For financial liabilities there were no changes to classification and measurement, except for the recognition of changes in own credit risk in other comprehensive income for liabilities designated at FVPL. The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under HKAS 39. Under the new hedge accounting rules, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach.

Under HKFRS 9, trade receivables of the Group are to be classified as FVOCI instruments with earlier recognition of loss expected, and the amount of any relevant impairment provision may be revised when ECL is referenced. The Group currently holds certain investments in equity instruments which are classified as FVOCI instruments. Gains or losses realized on the sale of financial assets at FVOCI will no longer be transferred to profit or loss on sale, but instead will be reclassified below the line from the investments revaluation reserve to retained earnings.

#### *Impact of adoption*

The adoption of HKFRS 9 resulted in changes in accounting policies and adjustments to the amounts recognized in the financial statements. In accordance with the transitional provisions in HKFRS 9, comparative figures have not been restated.

The total impact on the Group’s retained earnings as at April 1, 2018 is as follows:

	<b>US\$’000</b>
Closing retained earnings at March 31, 2018	<b>1,088,647</b>
Reclassify investments from available-for-sale financial assets to financial assets at FVPL	<b>17,376</b>
Bond refinancing	<b>(11,630)</b>
Opening retained earnings at April 1, 2018	<b>1,094,393</b>

## 1 GENERAL INFORMATION AND BASIS OF PREPARATION *(continued)*

### **Basis of preparation** *(continued)*

#### **HKFRS 9, Financial instruments** *(continued)*

##### *Impact of adoption (continued)*

##### Classification and measurement

On April 1, 2018, the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate HKFRS 9 categories. The main effects resulting from this reclassification are as follows:

(a) Reclassification from available-for-sale financial assets to financial assets at FVPL

Certain investments were reclassified from available-for-sale financial assets to financial assets at FVPL (US\$294,601,000 as at April 1, 2018). They do not meet the HKFRS 9 criteria for classification at amortized cost, because their cash flows do not represent solely payments of principal and interest. Related fair value gains of US\$17,376,000 were transferred from the investment revaluation reserve to retained earnings on April 1, 2018. During the six months ended September 30, 2018, net fair value gains of US\$71,511,000 relating to these investments were recognized in profit or loss.

(b) Equity investments previously classified as available-for-sale financial assets

The Group elected to present in OCI the changes in fair value of certain of its equity investments previously classified as available-for-sale, because these investments are held as long-term strategic investments that are not expected to be sold in the short to medium term. As a result, assets with a fair value of US\$78,476,000 as of April 1, 2018 were reclassified from available-for-sale financial assets to financial assets at FVOCI.

(c) Bond refinancing

Following the adoption of HKFRS 9, the Group could no longer defer the recognition of a loss from the refinancing of a borrowing. Under the Group's previous accounting policies, this loss would have been recognized over the remaining life of the borrowing by adjusting the effective interest rate, on the basis that the terms and conditions of the facility remained largely unchanged. A related loss of US\$11,630,000 was adjusted to retained earnings on April 1, 2018.

(d) Impairment of financial assets

The Group applies the HKFRS 9 simplified approach to measuring ECL which uses a lifetime expected loss allowance for all trade receivables. The Group has concluded that there is no material variance between the ECL and the allowance recorded as at April 1, 2018.

#### **HKFRS 15, Revenue from contracts with customers**

This standard replaced HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognized when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption. Under HKFRS 15, revenue arising from channel sales of the Group may be subject to a different timing of recognition, which may impact the amount of revenue recognized by the Group for a given period.

The Group has assessed the effects of applying the new standard on the consolidated financial statements and has not identified any significant impact to the Group.

# NOTES

## 1 GENERAL INFORMATION AND BASIS OF PREPARATION *(continued)*

### **New standards, interpretation and amendments to existing standards not yet effective**

The following new standards, interpretation and amendments to existing standards, which are considered appropriate and relevant to the Group's operations, have been issued but are not effective for the year ending March 31, 2019 and have not been early adopted:

	<b>Effective for annual periods beginning on or after</b>
HKFRS 16, Leases	January 1, 2019
HKFRS 17, Insurance contracts	January 1, 2021
HK (IFRIC) – Int 23, Uncertainty over income tax treatments	January 1, 2019
Amendments to HKFRS 10 and HKAS 28, Consolidated financial statements and investments in associates	To be determined
Amendments to HKAS 19, Employee benefits	January 1, 2019
Amendments to HKAS 28, Investments in associates and joint ventures	January 1, 2019

Among the above, HKFRS 16 is of higher relevancy to the Group's operations. The following describes the key changes that may impact the consolidated financial statements of the Group.

#### ***HKFRS 16, Leases***

HKFRS 16 requires almost all leases of lessees to be recognized on the 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 duty 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 will affect primarily the accounting for operating leases of the Group. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Upon adoption of HKFRS 16 the majority of operating lease commitments will be recognized in the consolidated balance sheet as lease liabilities and right-of-use assets. The lease liabilities would subsequently be measured at amortized cost and the right-of-use asset will be depreciated on a straight-line basis during the lease term.

The Group does not intend to adopt the standard before its effective date. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

Based on the assessment performed, the Group is in the opinion that the adoption of above new standards, interpretation and amendments to existing standards will not result in a significant effect on its consolidated financial statements.

## 2 SEGMENT INFORMATION

The Group has formed the Intelligent Devices Group (“IDG”), combining PC and Smart Device Business Group (“PCSD”) and Mobile Business Group (“MBG”) together. The new business group structure, namely IDG and Data Center Group (“DCG”), replaces the Group’s original segment by geography and is designed to align the Group more closely with its strategic direction and market dynamics to better serve customers.

The Group has adopted the new business group structure as the reporting format effective for the year ending March 31, 2019 and the comparative segment information has been presented to reflect the current organizational structure. 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.

The LEC assesses the performance of the operating segments based on a measure of adjusted pre-tax income/(loss). This measurement basis excludes the effects of non-recurring expenditure such as restructuring costs from the operating segments. The measurement basis also excludes the effects of unrealized gains/(losses) on financial instruments. Certain interest income and expenditure are not allocated to segments, as this type of activity is driven by the central treasury function, which manages the cash position of the Group.

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

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

	6 months ended September 30, 2018		6 months ended September 30, 2017	
	Revenue from external customers US\$'000	Adjusted pre-tax income/(loss) US\$'000	Revenue from external customers US\$'000	Adjusted pre-tax income/(loss) US\$'000
IDG	22,119,735	793,992	19,826,573	326,754
DCG	3,172,799	(123,457)	1,946,529	(275,335)
Segment total	25,292,534	670,535	21,773,102	51,419
Unallocated:				
Headquarters and corporate (expenses)/ income - net		(219,575)		(17,428)
Depreciation and amortization		(62,972)		(45,192)
Finance income		1,285		3,246
Finance costs		(60,792)		(26,376)
Share of losses of associates and joint ventures		(1,721)		(1,570)
(Loss)/gain on disposal of property, plant and equipment		(667)		1,986
Consolidated profit/(loss) before taxation		326,093		(33,915)

# NOTES

## 2 SEGMENT INFORMATION *(continued)*

### (b) Segment assets for reportable segments

	September 30, 2018 US\$'000	March 31, 2018 US\$'000
IDG	20,842,389	18,955,347
DCG	4,542,347	4,729,617
Segment assets for reportable segments	25,384,736	23,684,964
Unallocated:		
Deferred income tax assets	1,674,742	1,530,623
Financial assets at fair value through profit or loss	373,778	-
Financial assets at fair value through other comprehensive income	80,796	-
Derivative financial assets	97,164	24,890
Available-for-sale financial assets	-	373,077
Interests in associates and joint ventures	52,066	35,666
Unallocated bank deposits and cash and cash equivalents	2,324,835	1,932,323
Unallocated deposits, prepayments and other receivables	278,298	242,899
Income tax recoverable	193,296	227,203
Other unallocated assets	427,643	442,526
Total assets per consolidated balance sheet	30,887,354	28,494,171

### (c) Segment liabilities for reportable segments

	September 30, 2018 US\$'000	March 31, 2018 US\$'000
IDG	19,995,962	17,287,630
DCG	1,482,307	1,809,529
Segment liabilities for reportable segments	21,478,269	19,097,159
Unallocated:		
Deferred income tax liabilities	328,520	230,609
Derivative financial liabilities	56,011	62,694
Unallocated borrowings	4,459,899	3,815,417
Unallocated other payables and accruals	348,739	538,972
Unallocated provisions	8,634	1,399
Unallocated other non-current liabilities	28,927	33,154
Income tax payable	225,043	168,779
Total liabilities per consolidated balance sheet	26,934,042	23,948,183



## 2 SEGMENT INFORMATION *(continued)*

### (d) Analysis of revenue by geography

	<b>6 months ended September 30, 2018 US\$'000</b>	6 months ended September 30, 2017 US\$'000
China	<b>6,268,642</b>	5,533,525
AP	<b>4,726,400</b>	3,600,549
EMEA	<b>6,074,567</b>	5,854,616
AG	<b>8,222,925</b>	6,784,412
	<b>25,292,534</b>	21,773,102

### (e) Other segment information

	<b>IDG</b>		<b>DCG</b>		<b>Total</b>	
	<b>2018</b>	2017	<b>2018</b>	2017	<b>2018</b>	2017
	<b>US\$'000</b>	US\$'000	<b>US\$'000</b>	US\$'000	<b>US\$'000</b>	US\$'000
For the six months ended September 30						
Depreciation and amortization	<b>228,961</b>	211,951	<b>102,790</b>	97,987	<b>331,751</b>	309,938
Finance income	<b>10,093</b>	14,413	<b>96</b>	-	<b>10,189</b>	14,413
Finance costs	<b>83,871</b>	98,670	<b>8,917</b>	6,528	<b>92,788</b>	105,198
Additions to non-current assets (Note)	<b>484,027</b>	302,067	<b>48,488</b>	39,098	<b>532,515</b>	341,165

Note: Other than financial instruments and deferred income tax assets; excluding other non-current assets and including non-current assets acquired through acquisition of subsidiaries (Note 17).

# NOTES

## 2 SEGMENT INFORMATION *(continued)*

(f) Included in segment assets for reportable segments are goodwill and trademarks and trade names with indefinite useful lives with an aggregate amount of US\$6,111 million (March 31, 2018: US\$6,362 million). The carrying amounts of goodwill and trademarks and trade names with indefinite useful lives are presented below:

### At September 30, 2018

	China US\$ million	AP US\$ million	EMEA US\$ million	AG US\$ million	Mature Market US\$ million	Emerging Market US\$ million	Total US\$ million
Goodwill							
- PCSD	1,031	618	230	318	-	-	2,197
- MBG	-	-	-	-	672	896	1,568
- DCG	476	158	90	352	-	-	1,076
Trademarks and trade names							
- PCSD	209	59	105	67	-	-	440
- MBG	-	-	-	-	121	339	460
- DCG	162	54	31	123	-	-	370

### At March 31, 2018

	China US\$ million	AP US\$ million	EMEA US\$ million	AG US\$ million	Mature Market US\$ million	Emerging Market US\$ million	Total US\$ million
Goodwill							
- PCSD	1,117	574	247	334	-	-	2,272
- MBG	-	-	-	-	717	959	1,676
- DCG	503	161	123	353	-	-	1,140
Trademarks and trade names							
- PCSD	209	59	109	67	-	-	444
- MBG	-	-	-	-	121	339	460
- DCG	162	54	31	123	-	-	370

Prior to the announcement of a new organizational structure in May 2018 by combining PCSD and MBG under IDG, MBG has adopted new reporting business units based upon a market structure, namely MBG Mature Market and MBG Emerging Market. MBG's goodwill and trademarks and trade names with indefinite useful lives have been reallocated to the CGU affected using a relative value approach in accordance with HKAS 36 "Impairment of assets".

The directors are of the view that there was no indication of impairment of goodwill and trademarks and trade names as at September 30, 2018 (March 31, 2018: nil).

### 3 OPERATING PROFIT

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

	<b>3 months ended September 30, 2018 US\$'000</b>	<b>6 months ended September 30, 2018 US\$'000</b>	3 months ended September 30, 2017 US\$'000	6 months ended September 30, 2017 US\$'000
Depreciation of property, plant and equipment and amortization of prepaid lease payments	<b>78,496</b>	<b>144,256</b>	62,521	124,905
Amortization of intangible assets	<b>128,275</b>	<b>250,467</b>	117,744	230,225
Employee benefit costs, including	<b>945,813</b>	<b>1,946,453</b>	870,101	1,726,447
- <i>long-term incentive awards</i>	<b>52,811</b>	<b>99,626</b>	51,099	98,340
Rental expenses under operating leases	<b>35,798</b>	<b>71,774</b>	35,898	74,500
Loss on disposal of property, plant and equipment	<b>1,523</b>	<b>2,456</b>	472	4,560
Fair value gain on financial assets at fair value through profit or loss	<b>(42,448)</b>	<b>(71,511)</b>	-	-
Gain on disposal of financial assets at fair value through profit or loss	<b>(766)</b>	<b>(32,896)</b>	-	-
Dilution gain on interest in an associate	<b>(18,121)</b>	<b>(18,121)</b>	-	-

# NOTES

## 4 FINANCE INCOME AND COSTS

### (a) Finance income

	<b>3 months ended September 30, 2018 US\$'000</b>	<b>6 months ended September 30, 2018 US\$'000</b>	3 months ended September 30, 2017 US\$'000	6 months ended September 30, 2017 US\$'000
Interest on bank deposits	5,666	10,752	7,733	15,688
Interest on money market funds	510	722	738	1,971
	<b>6,176</b>	<b>11,474</b>	8,471	17,659

### (b) Finance costs

	<b>3 months ended September 30, 2018 US\$'000</b>	<b>6 months ended September 30, 2018 US\$'000</b>	3 months ended September 30, 2017 US\$'000	6 months ended September 30, 2017 US\$'000
Interest on bank loans and overdrafts	23,148	46,884	10,668	20,613
Interest on notes	29,658	59,797	31,869	62,690
Interest on promissory note	-	-	-	11,589
Factoring costs	26,961	42,627	15,591	33,692
Commitment fee	-	360	83	404
Interest on contingent/deferred considerations and put option liabilities	1,357	3,025	556	1,110
Others	608	887	763	1,476
	<b>81,732</b>	<b>153,580</b>	59,530	131,574

## 5 TAXATION

The amount of taxation in the consolidated income statement represents:

	<b>3 months ended September 30, 2018 US\$'000</b>	<b>6 months ended September 30, 2018 US\$'000</b>	3 months ended September 30, 2017 US\$'000	6 months ended September 30, 2017 US\$'000
Current tax				
Hong Kong profits tax	2,040	8,766	1,378	8,488
Taxation outside Hong Kong	99,586	175,776	87,267	152,227
Deferred tax	(61,811)	(117,251)	(206,472)	(293,939)
	<b>39,815</b>	<b>67,291</b>	(117,827)	(133,224)

Hong Kong profits tax has been provided for at the rate of 16.5% (2017/18: 16.5%) on the estimated assessable profit for the period. Taxation outside Hong Kong represents income and irrecoverable withholding taxes of subsidiaries operating in the Chinese Mainland and overseas, calculated at rates applicable in the respective jurisdictions.

## 6 EARNINGS PER SHARE

### (a) Basic

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

	<b>3 months ended September 30, 2018</b>	<b>6 months ended September 30, 2018</b>	3 months ended September 30, 2017	6 months ended September 30, 2017
Weighted average number of ordinary shares in issue	12,014,791,614	12,014,791,614	11,108,654,724	11,108,654,724
Adjustment for shares held by employee share trusts	(50,086,866)	(122,719,181)	(91,162,587)	(125,135,304)
Weighted average number of ordinary shares in issue for calculation of basic earnings per share	<b>11,964,704,748</b>	<b>11,892,072,433</b>	11,017,492,137	10,983,519,420
	<b>US\$'000</b>	<b>US\$'000</b>	US\$'000	US\$'000
Profit attributable to equity holders of the Company	<b>168,403</b>	<b>245,447</b>	139,042	66,752

# NOTES

## 6 EARNINGS PER SHARE *(continued)*

### (b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding due to the effect of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares, namely long-term incentive awards and bonus warrants. Long-term incentive awards were dilutive for the three and six months ended September 30, 2018 and 2017. Bonus warrants were anti-dilutive for the three and six months ended September 30, 2018.

	<b>3 months ended September 30, 2018</b>	<b>6 months ended September 30, 2018</b>	3 months ended September 30, 2017	6 months ended September 30, 2017
Weighted average number of ordinary shares in issue for calculation of basic earnings per share	<b>11,964,704,748</b>	<b>11,892,072,433</b>	11,017,492,137	10,983,519,420
Adjustment for long-term incentive awards	<b>43,153,981</b>	<b>17,668,381</b>	32,228	357,590
Weighted average number of ordinary shares in issue for calculation of diluted earnings per share	<b>12,007,858,729</b>	<b>11,909,740,814</b>	11,017,524,365	10,983,877,010
	<b>US\$'000</b>	<b>US\$'000</b>	US\$'000	US\$'000
Profit attributable to equity holders of the Company used to determine diluted earnings per share	<b>168,403</b>	<b>245,447</b>	139,042	66,752

For the adjustment for dilutive potential ordinary shares of long-term incentive awards, a calculation is performed to determine whether the long-term incentive awards are dilutive, and the number of shares that are deemed to be issued.

For the bonus warrants, a calculation is performed to determine the number of shares that could have been acquired at fair value (determined as the average periodic market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding bonus warrants. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise in full of the bonus warrants.

There is no adjustment to profit attributable to equity holders of the Company used for the calculation of diluted earnings per share.

## 7 DIVIDEND

	<b>6 months ended September 30, 2018 US\$'000</b>	6 months ended September 30, 2017 US\$'000
Interim dividend, declared after period end – HK6.0 cents (2017/18: HK6.0 cents) per ordinary share	<b>92,071</b>	85,434

## 8 NON-CURRENT ASSETS

Analysis of the movements in major non-current assets is as follows:

	<b>Property, plant and equipment US\$'000</b>	<b>Intangible assets US\$'000</b>	<b>Deferred income tax assets US\$'000</b>
Year ended March 31, 2018			
At the beginning of the year	1,236,250	8,349,145	1,490,977
Exchange adjustment	55,425	288,721	24,404
Additions	217,849	156,390	-
Transfers	73,470	200,359	-
Disposals	(17,451)	(710)	-
Depreciation/amortization	(256,184)	(479,401)	-
Impairment recognized	(4,608)	-	-
Credited to consolidated income statement	-	-	496,648
Credited to other comprehensive income	-	-	488
Charged to share-based compensation reserve	-	-	(2,196)
Effect of change in tax rate	-	-	(430,013)
At the end of the year	1,304,751	8,514,504	1,580,308
Six months ended September 30, 2018			
At the beginning of the period	<b>1,304,751</b>	<b>8,514,504</b>	<b>1,580,308</b>
Exchange adjustment	<b>(67,352)</b>	<b>(369,370)</b>	<b>(33,223)</b>
Additions	<b>72,116</b>	<b>83,730</b>	-
Acquisition of subsidiaries	<b>34,345</b>	<b>230,123</b>	<b>25,898</b>
Transfers	<b>35,088</b>	<b>77,801</b>	-
Disposals	<b>(3,979)</b>	-	-
Depreciation/amortization	<b>(142,842)</b>	<b>(250,467)</b>	-
Credited to consolidated income statement	-	-	<b>131,095</b>
At the end of the period	<b>1,232,127</b>	<b>8,286,321</b>	<b>1,704,078</b>

The movements in deferred income tax assets presented above are prior to offsetting of balances within the same jurisdiction. 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 amounts shown in the consolidated balance sheet are determined after appropriate offset.

# NOTES

## 9 AGEING ANALYSIS

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

	<b>September 30, 2018 US\$'000</b>	March 31, 2018 US\$'000
0 - 30 days	3,685,720	3,046,240
31 - 60 days	1,570,565	1,169,286
61 - 90 days	373,574	320,183
Over 90 days	565,602	545,629
	<b>6,195,461</b>	5,081,338
Less: provision for impairment	<b>(98,200)</b>	(108,616)
Trade receivables - net	<b>6,097,261</b>	4,972,722

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

	<b>September 30, 2018 US\$'000</b>	March 31, 2018 US\$'000
0 - 30 days	4,377,713	3,694,507
31 - 60 days	1,907,982	1,793,380
61 - 90 days	823,695	727,029
Over 90 days	172,547	235,876
	<b>7,281,937</b>	6,450,792

## 10 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

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

	<b>September 30, 2018 US\$'000</b>	March 31, 2018 US\$'000
Deposits	18,376	15,818
Other receivables	4,184,083	3,346,475
Prepayments	1,096,253	1,341,042
	<b>5,298,712</b>	4,703,335

Majority of other receivables of the Group are amounts due from subcontractors for parts components sold in the ordinary course of business.



## 11 PROVISIONS, OTHER PAYABLES AND ACCRUALS

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

	<b>September 30, 2018 US\$'000</b>	March 31, 2018 US\$'000
Accruals	<b>1,754,733</b>	1,865,507
Allowance for billing adjustments (i)	<b>1,690,363</b>	1,634,287
Written put option liability (ii)	-	224,813
Other payables (iii)	<b>6,834,556</b>	5,493,157
	<b>10,279,652</b>	9,217,764

Notes:

- (i) Allowance for billing adjustments relates primarily to allowances for future volume discounts, price protection, rebates, and customer sales returns.
- (ii) Pursuant to the joint venture agreement entered into between the Company and Compal Electronics, Inc. ("Compal") to establish a joint venture company ("JV Co") to manufacture notebook computer products and related parts, the Company and Compal are respectively granted call and put options which entitle the Company to purchase from Compal and Compal to sell to the Company the 49% Compal's interests in the JV Co. The call and put options will be exercisable at any time after October 1, 2019 and October 1, 2017 respectively.
- During the period, the Company entered into a put option termination agreement with Compal, while Compal signed a share purchase agreement with Hefei Zhi Ju Sheng Bao Equity Investment Co., Ltd. ("ZJSB") to dispose the 49% equity interest in JV Co to ZJSB. Please refer to note 12(b) for details of the put option granted.
- The financial liability that may become payable under the put option is initially recognized at fair value within other non-current liabilities with a corresponding charge directly to equity, as a put option written on non-controlling interest.
- The put option liability shall be re-measured as a result of the change in the expected performance of the JV Co at each balance sheet date, with any resulting gain or loss recognized in the consolidated income statement. In the event that the put option lapses unexercised, the liability will be derecognized with a corresponding adjustment to equity.
- (iii) Majority of other payables are obligations to pay for finished goods that have been acquired in the ordinary course of business from subcontractors.
- (iv) The carrying amounts of other payables and accruals approximate their fair values.

# NOTES

## 11 PROVISIONS, OTHER PAYABLES AND ACCRUALS *(continued)*

(b) The components of provisions are as follows:

	Warranty US\$'000	Environmental restoration US\$'000	Restructuring US\$'000	Total US\$'000
Year ended March 31, 2018				
At the beginning of the year	1,061,906	8,390	89,652	1,159,948
Exchange adjustment	24,577	638	3,794	29,009
Provisions made	895,939	9,662	100,775	1,006,376
Amounts utilized	(901,204)	(9,771)	(140,168)	(1,051,143)
	1,081,218	8,919	54,053	1,144,190
Long-term portion classified as non-current liabilities	(278,908)	(6,807)	-	(285,715)
At the end of the year	802,310	2,112	54,053	858,475
Period ended September 30, 2018				
At the beginning of the period	<b>1,081,218</b>	<b>8,919</b>	<b>54,053</b>	<b>1,144,190</b>
Exchange adjustment	<b>(39,348)</b>	<b>(1,093)</b>	<b>(2,107)</b>	<b>(42,548)</b>
Provisions made	<b>411,286</b>	<b>8,933</b>	<b>-</b>	<b>420,219</b>
Amounts utilized	<b>(448,148)</b>	<b>(5,030)</b>	<b>(19,192)</b>	<b>(472,370)</b>
Acquisition of subsidiaries	<b>-</b>	<b>24,510</b>	<b>-</b>	<b>24,510</b>
	<b>1,005,008</b>	<b>36,239</b>	<b>32,754</b>	<b>1,074,001</b>
Long-term portion classified as non-current liabilities	<b>(265,339)</b>	<b>(34,246)</b>	<b>-</b>	<b>(299,585)</b>
At the end of the period	<b>739,669</b>	<b>1,993</b>	<b>32,754</b>	<b>774,416</b>

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

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

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

## 12 OTHER NON-CURRENT LIABILITIES

Details of other non-current liabilities are as follows:

	<b>September 30, 2018 US\$'000</b>	March 31, 2018 US\$'000
Contingent consideration (a)	<b>65,854</b>	-
Deferred consideration (a)	<b>25,072</b>	25,072
Written put option liabilities (b)	<b>443,962</b>	-
Environmental restoration (Note 11(b))	<b>34,246</b>	6,807
Government incentives and grants received in advance (c)	<b>50,971</b>	58,988
Deferred rent liabilities	<b>89,607</b>	94,377
Others	<b>147,021</b>	148,088
	<b>856,733</b>	333,332

- (a) Pursuant to the completion of a business combination, the Group is required to pay in cash to the then respective sellers contingent consideration with reference to certain performance indicators as written in the respective agreements with the sellers; and deferred consideration. Accordingly, non-current liability in respect of the present value of contingent and deferred considerations have been recognized. The contingent considerations are subsequently re-measured at their 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 measured at amortized cost.

As at September 30, 2018, 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 Limited ("Fujitsu")	JPY2.55 billion to JPY12.75 billion

- (b) 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, 49% interest in Fujitsu Client Computing Limited and its subsidiary, Shimane Fujitsu Limited (together "FCCL"). Both options will be exercisable following the fifth anniversary of the date of completion. The exercise price for the call and put options will be determined based on the fair value of the 49% interest as of the day of exercising the option.

During the period, the Company through Lenovo (Beijing) Limited, a wholly-owned subsidiary, further entered into an option agreement with Hefei Yuan Jia Start-up Investment LLP ("Yuan Jia"), which holds 99.31% equity interest in ZJSB, to which the Group and Yuan Jia are respectively granted call and put options which entitle the Group to purchase from Yuan Jia and Yuan Jia to sell to the Group the 99.31% Yuan Jia's interests 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 would be determined in accordance with the joint venture agreement, and up to a maximum of RMB2,300 million (approximately US\$334 million).

# NOTES

## 12 OTHER NON-CURRENT LIABILITIES *(continued)*

(b) *(continued)*

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

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

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

## 13 BORROWINGS

	<b>September 30, 2018 US\$'000</b>	March 31, 2018 US\$'000
Current liabilities		
Short-term loans (i)	<b>1,854,274</b>	1,166,692
Note (ii)	<b>785,496</b>	-
	<b>2,639,770</b>	1,166,692
Non-current liabilities		
Notes (ii)	<b>1,820,129</b>	2,648,725
	<b>4,459,899</b>	3,815,417

(i) The majority of the short-term bank loans are denominated in United States dollar. As at September 30, 2018, the Group has total revolving and short-term loan facilities of US\$2,596 million (March 31, 2018: US\$1,896 million) which has been utilized to the extent of US\$1,870 million (March 31, 2018: US\$1,170 million).

(ii)

Issue date	Principal amount	Term	Interest rate per annum	Due date	September 30, 2018 US\$'000	March 31, 2018 US\$'000
May 8, 2014	US\$786 million	5 years	4.7%	May 2019	<b>785,496</b>	774,341
June 10, 2015	RMB4 billion	5 years	4.95%	June 2020	<b>579,672</b>	635,015
March 16, 2017	US\$500 million	5 years	3.875%	March 2022	<b>496,986</b>	496,590
March 29, 2018	US\$750 million	5 years	4.75%	March 2023	<b>743,471</b>	742,779
					<b>2,605,625</b>	2,648,725

### 13 BORROWINGS (continued)

The exposure of all the borrowings of the Group to interest rate changes and the contractual repricing dates as at September 30, 2018 and March 31, 2018 are as follows:

	<b>September 30, 2018 US\$'000</b>	March 31, 2018 US\$'000
Within 1 year	<b>2,639,770</b>	1,166,692
Over 1 to 3 years	<b>579,672</b>	1,409,356
Over 3 to 5 years	<b>1,240,457</b>	1,239,369
	<b>4,459,899</b>	3,815,417

### 14 SHARE CAPITAL

	<b>September 30, 2018</b>		March 31, 2018	
	<b>Number of Shares</b>	<b>US\$'000</b>	Number of shares	US\$'000
<i>Issued and fully paid:</i>				
Voting ordinary shares:				
At the beginning of the period/year	<b>12,014,791,614</b>	<b>3,185,923</b>	11,108,654,724	2,689,882
Issue of ordinary shares	-	-	906,136,890	496,041
At the end of the period/year	<b>12,014,791,614</b>	<b>3,185,923</b>	12,014,791,614	3,185,923

On November 17, 2017, the Company has issued 906,136,890 shares at a price of HK\$4.31 per share through a subscription agreement entered into by the Company and Union Star Limited.

### 15 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. The distributions are at the Group's discretion, if the issuer and the Company, as guarantor of the securities, do not (a) declare or pay dividends to their shareholders or (b) cancel or reduce their share capital within each distribution payment period. As the perpetual securities do not contain any contractual obligation to pay cash or other financial assets, 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.

# NOTES

## 16 RECONCILIATION OF PROFIT/(LOSS) BEFORE TAXATION TO NET CASH GENERATED FROM OPERATIONS

	<b>6 months ended September 30, 2018 US\$'000</b>	6 months ended September 30, 2017 US\$'000
Profit/(loss) before taxation	<b>326,093</b>	(33,915)
Share of losses of associates and joint ventures	<b>1,721</b>	1,570
Finance income	<b>(11,474)</b>	(17,659)
Finance costs	<b>153,580</b>	131,574
Depreciation of property, plant and equipment and amortization of prepaid lease payments	<b>144,256</b>	124,905
Amortization of intangible assets	<b>250,467</b>	230,225
Share-based compensation	<b>99,626</b>	98,340
Impairment of property, plant and equipment	-	4,608
Loss on disposal of property, plant and equipment	<b>2,456</b>	4,560
Loss on disposal of intangible assets	-	33
Gain on disposal of financial assets at fair value through profit or loss	<b>(32,896)</b>	-
Net gain on disposal of available-for-sale financial assets	-	(15)
Dilution gain on interest in an associate	<b>(18,121)</b>	-
Fair value change on bonus warrants	<b>6,683</b>	-
Fair value change on financial instruments	<b>(32,937)</b>	(2,532)
Fair value change on financial assets at fair value through profit or loss	<b>(71,511)</b>	-
Dividend income	<b>(163)</b>	-
Increase in inventories	<b>(349,565)</b>	(805,955)
Increase in trade receivables, notes receivable, deposits, prepayments and other receivables	<b>(1,208,265)</b>	(2,218,962)
Increase in trade payables, notes payable, provisions, other payables and accruals	<b>1,323,480</b>	2,718,388
Effect of foreign exchange rate changes	<b>76,167</b>	(143,012)
Net cash generated from operations	<b>659,597</b>	92,153

## 16 RECONCILIATION OF PROFIT/(LOSS) BEFORE TAXATION TO NET CASH GENERATED FROM OPERATIONS *(continued)*

### Reconciliation of financing liabilities

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

<b>Financing liabilities</b>	<b>September 30,</b>		<b>March 31,</b>		
	<b>2018</b>		<b>2018</b>		
	<b>US\$'000</b>		<b>US\$'000</b>		
Short-term loans – current	1,854,274		1,166,692		
Note – current	785,496		–		
Notes – non-current	1,820,129		2,648,725		
Financing liabilities	4,459,899		3,815,417		
Short-term loans – variable interest rates	1,854,274		1,166,692		
Notes – fixed interest rates	2,605,625		2,648,725		
Financing liabilities	4,459,899		3,815,417		
	<b>Short-term</b>	<b>Long-term</b>	<b>Note</b>	<b>Notes</b>	<b>Total</b>
	<b>loans</b>	<b>loans</b>	<b>current</b>	<b>non-current</b>	<b>Total</b>
	<b>current</b>	<b>non-current</b>	<b>current</b>	<b>non-current</b>	<b>Total</b>
	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>
Financing liabilities as at April 1, 2017	70,003	397,687	–	2,569,005	3,036,695
Proceeds from borrowings	7,413,740	12,000	–	–	7,425,740
Repayments of borrowings	(6,324,406)	(400,000)	–	–	(6,724,406)
Issue of notes	–	–	–	749,119	749,119
Repayment of notes	–	–	–	(723,389)	(723,389)
Foreign exchange adjustments	–	–	–	56,175	56,175
Other non-cash movements	7,355	(9,687)	–	(2,185)	(4,517)
Financing liabilities as at March 31, 2018	1,166,692	–	–	2,648,725	3,815,417
Financing liabilities as at April 1, 2018	1,166,692	–	–	2,648,725	3,815,417
Proceeds from borrowings	3,390,000	–	–	–	3,390,000
Repayments of borrowings	(2,690,000)	–	–	–	(2,690,000)
Transfer	–	–	774,341	(774,341)	–
Foreign exchange adjustments	–	–	–	(55,713)	(55,713)
Other non-cash movements	(12,418)	–	11,155	1,458	195
Financing liabilities as at September 30, 2018	1,854,274	–	785,496	1,820,129	4,459,899

# NOTES

## 17 BUSINESS COMBINATION

On May 2, 2018, the Group acquired 51% of FCCL. FCCL is principally engaged in manufacturing and distribution of PC products.

Immediately following completion, the Company, Fujitsu Corporation (“Fujitsu”), and Development Bank of Japan (“DBJ”) respectively owns 51%, 44%, and 5% of the interest in FCCL.

The acquisition provides the Group with efficiencies and economies of scale to benefit the development, manufacture and distribution of Fujitsu-branded personal computer products, while enabling improved global penetration of the Fujitsu personal computer brand for the benefit of both consumer and enterprise market customers.

The estimated total consideration for the business combination activity completed during the period is approximately US\$197 million, including initial and contingent consideration.

Set forth below is the preliminary calculation of goodwill:

- (a) At completion date, cash payment comprising cash consideration of JPY17,988,210,000 (US\$163,812,130) net of a downward adjustment of JPY3,722,999,906 (US\$33,904,016) calculated based on the actual working capital amount and the actual net debt as at the completion date was paid to Fujitsu Limited.
- (b) The contingent consideration are to be payable in cash after March 31, 2020. The present value of contingent consideration is included in other non-current liabilities in the balance sheet.

	US\$'000
Purchase consideration:	
- Cash paid (a)	129,908
- Present value of contingent consideration (b)	67,492
Total purchase consideration	197,400
Less: Fair value of net assets acquired	(120,145)
Goodwill	77,255

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

	US\$'000
Cash and cash equivalents	22,906
Property, plant and equipment	34,345
Deferred tax assets less liabilities	(20,059)
Intangible assets	152,868
Other non-current assets	8,674
Net working capital except cash and cash equivalents	76,129
Non-current liabilities	(39,285)
Fair value of net assets of FCCL	235,578
Less: share of other non-controlling interest	(115,433)
Fair value of net assets attributable to 51% interest acquired	120,145



## 17 BUSINESS COMBINATION *(continued)*

Intangible assets arising from the business combination activity mainly represent customer relationships. The Group has engaged an external valuer to perform fair value assessments on these intangible assets in accordance with HKAS 38 “Intangible Assets” and HKFRS 3 (Revised) “Business Combination”.

At September 30, 2018, the Group has not finalized the fair value assessments for net assets acquired (including intangible assets) from the business combination activity. The relevant fair values of net assets stated above are on a provisional basis.

## 18 COMMITMENTS

At September 30, 2018, the Group had the following capital commitments:

	<b>September 30, 2018 US\$'000</b>	March 31, 2018 US\$'000
Contracted but not provided for:		
- Property, plant and equipment	<b>93,127</b>	154,658
- IT consulting services	-	1,092
- Investment in subsidiaries	<b>48,600</b>	188,692
- Investment in financial assets	<b>7,952</b>	13,776
	<b>149,679</b>	358,218

## 19 CONTINGENT LIABILITIES

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

## FINANCIAL REVIEW

### Results

For the six months ended September 30

	2018 US\$'000	2017 US\$'000
Revenue	25,292,534	21,773,102
Gross profit	3,425,776	2,977,134
Gross profit margin	13.5%	13.7%
Operating expenses	(2,955,856)	(2,895,564)
Operating profit	469,920	81,570
Other non-operating expenses - net	(143,827)	(115,485)
Profit/(loss) before taxation	326,093	(33,915)
Profit for the period	258,802	99,309
Profit attributable to equity holders of the Company	245,447	66,752
Earnings per share attributable to equity holders of the Company (US cents)		
- Basic	2.06	0.61
- Diluted	2.06	0.61
EBITDA*	964,269	535,025
Dividend per ordinary share (HK cents)		
- Interim dividend	6.0	6.0

\* Excluding other income - net

For the six months ended September 30, 2018, the Group achieved total sales of approximately US\$25,293 million. Profit attributable to equity holders for the period was approximately US\$245 million, representing an increase of US\$178 million as compared with the corresponding period of last year. Gross profit margin for the period was 0.1 point down from 13.7 percent reported in the corresponding period of last year. Basic earnings per share and diluted earnings per share were US2.06 cents, representing an increase of US1.45 cents as compared with the corresponding period of last year.

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

Operating expenses analyzed by function for the six months ended September 30, 2018 and 2017 are as follows:

	6 months ended September 30, 2018 US\$'000	6 months ended September 30, 2017 US\$'000
Other income - net	-	15
Selling and distribution expenses	(1,308,943)	(1,460,671)
Administrative expenses	(1,000,134)	(847,837)
Research and development expenses	(622,236)	(602,498)
Other operating (expenses)/income - net	(24,543)	15,427
	(2,955,856)	(2,895,564)

## FINANCIAL REVIEW *(continued)*

### Results *(continued)*

Operating expenses for the period increased by 2 percent as compared with the corresponding period of last year. During the period, employee benefit costs increased by US\$161 million mainly due to the higher bonus accrual as a result of the outperformance this period as opposed to the less satisfactory results under the challenging market conditions in the corresponding period of last year. The Group has reduced advertising and promotional expenses by US\$120 million compared with the corresponding period of last year, and recorded gains on fair valuation and disposal of certain financial assets of US\$72 million and US\$33 million respectively. The impact of currency fluctuations during the period presented a challenge, the Group recording a net exchange loss of US\$59 million (2017/18: US\$13 million) for the period. Key expenses by nature comprise:

	<b>6 months ended September 30, 2018 US\$'000</b>	6 months ended September 30, 2017 US\$'000
Depreciation of property, plant and equipment and amortization of prepaid lease payments	<b>(85,632)</b>	(73,718)
Amortization of intangible assets	<b>(228,545)</b>	(211,511)
Employee benefit costs, including - <i>long-term incentive awards</i>	<b>(1,681,729)</b> <b>(99,626)</b>	(1,520,555) (98,340)
Rental expenses under operating leases	<b>(63,311)</b>	(67,084)
Net foreign exchange loss	<b>(59,320)</b>	(13,348)
Advertising and promotional expenses	<b>(358,617)</b>	(478,342)
Loss on disposal of property, plant and equipment	<b>(2,456)</b>	(4,560)
Fair value gain on financial assets at fair value through profit or loss	<b>71,511</b>	-
Gain on disposal of financial assets at fair value through profit or loss	<b>32,896</b>	-
Dilution gain on interest in an associate	<b>18,121</b>	-
Others	<b>(598,774)</b>	(526,446)
	<b>(2,955,856)</b>	(2,895,564)

Other non-operating expenses (net) for the six months ended September 30, 2018 and 2017 comprise:

	<b>6 months ended September 30, 2018 US\$'000</b>	6 months ended September 30, 2017 US\$'000
Finance income	<b>11,474</b>	17,659
Finance costs	<b>(153,580)</b>	(131,574)
Share of losses of associates and joint ventures	<b>(1,721)</b>	(1,570)
	<b>(143,827)</b>	(115,485)

Finance income mainly represents interest on bank deposits.

## FINANCIAL REVIEW *(continued)*

### Results *(continued)*

Finance costs for the period increased by 17 percent as compared with the corresponding period of last year. The change is a combined effect of the increase in interest expense on bank loans of US\$26 million and factoring costs of US\$9 million, partly offset by the decrease in interest on the promissory note issued to Google Inc. of US\$12 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”). Segment revenue and adjusted pre-tax income/(loss) for reportable segments are as follows:

	6 months ended September 30, 2018		6 months ended September 30, 2017	
	Revenue from external customers US\$'000	Adjusted pre-tax income/ (loss) US\$'000	Revenue from external customers US\$'000	Adjusted pre-tax income/ (loss) US\$'000
IDG	22,119,735	793,992	19,826,573	326,754
DCG	3,172,799	(123,457)	1,946,529	(275,335)
Segment total	25,292,534	670,535	21,773,102	51,419
Unallocated:				
Headquarters and corporate (expenses)/income - net		(219,575)		(17,428)
Depreciation and amortization		(62,972)		(45,192)
Finance income		1,285		3,246
Finance costs		(60,792)		(26,376)
Share of losses of associates and joint ventures		(1,721)		(1,570)
(Loss)/gain on disposal of property, plant and equipment		(667)		1,986
Consolidated profit/(loss) before taxation		326,093		(33,915)

Headquarters and corporate (expenses)/income in the current period comprise the gains on fair valuation and disposal of certain financial assets totaling US\$105 million (2017/18: nil), dilution gain of interest in an associate of US\$18 million (2017/18: nil), and various expenses, after appropriate allocation to business groups, attributable to headquarters and corporate of US\$266 million (2017/18: US\$17 million) such as employee benefit costs, legal and professional fees, and research and technology expenses. Employee benefit costs increased by US\$117 million which is mainly due to higher bonus accrual of US\$86 million (comprising breakthrough bonus accrual of US\$37 million in anticipation of outperformance) made as a result of the outperformance for this period as opposed to the less satisfactory results under the challenging market conditions in the corresponding period of last year, and the increase of severance and related costs by US\$21 million. The Group also recorded a net exchange loss of US\$51 million whereas a net exchange gain of US\$9 million was recognized in the corresponding period of last year as a result of the balance sheet hedges, and central research and technology expenses of US\$34 million which were not allocated to a business group (2017/2018: nil).

## FINANCIAL REVIEW *(continued)*

### Results *(continued)*

Moreover, the Group recognized fair value loss on bonus warrants of US\$7 million during the current period, and certain additional one-time charges, in connection with the execution of the resource actions announced in last year, at the corporate level including the disposal of certain inventories as a result of product portfolio simplification of US\$46 million, and onerous lease contracts and claims of US\$24 million.

### Financial Position

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

	September 30, 2018 US\$'000	March 31, 2018 US\$'000
Non-current assets		
Property, plant and equipment	1,232,127	1,304,751
Prepaid lease payments	458,781	507,628
Construction-in-progress	282,542	382,845
Intangible assets	8,286,321	8,514,504
Interests in associates and joint ventures	52,066	35,666
Deferred income tax assets	1,674,742	1,530,623
Available-for-sale financial assets	-	373,077
Financial assets at fair value through profit or loss	373,778	-
Financial assets at fair value through other comprehensive income	80,796	-
Other non-current assets	118,744	181,759
	<b>12,559,897</b>	<b>12,830,853</b>

### ***Property, plant and equipment***

Property, plant and equipment comprise mainly the Group's freehold land and buildings, leasehold improvements, plant and machinery and office equipment. Decrease of 6 percent is mainly attributable to current period depreciation and exchange adjustment, partly offset by the Group's further investments in headquarters in China, plant and machinery and office equipment.

### ***Prepaid lease payments***

Prepaid lease payments represent the land use rights in respect of the manufacturing sites and headquarters in China. Decrease of 10 percent is mainly due to the exchange adjustment.

### ***Construction-in-progress***

Construction-in-progress comprises mainly the Group's investments in headquarters in China, internal use software and research and development laboratories. Decrease of 26 percent is mainly attributable to the 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.

### ***Interests in associates and joint ventures***

Interests in associates and joint ventures increased by 46 percent, which is mainly due to the dilution gain on interest in an associate in the current period.

## FINANCIAL REVIEW *(continued)*

### Financial Position *(continued)*

#### **Deferred income tax assets**

Deferred income tax assets amounted to US\$1,675 million as at current period end, representing an increase of 9 percent over March 31, 2018, which is mainly attributable to tax losses and temporary differences arising in the normal course of business.

#### **Available-for-sale financial assets/financial assets at fair value through profit or loss/financial assets at fair value through other comprehensive income**

Upon the adoption of the new financial reporting standard that is effective at the beginning of the period, available-for-sale financial assets have been reclassified to either financial assets at fair value through profit or loss or financial assets at fair value through other comprehensive income.

Increment in financial assets at fair value through profit or loss during the period is mainly attributable to fair value gain and additional investments, partly offset by exchange adjustment.

#### **Other non-current assets**

Other non-current assets amounted to US\$119 million as at current period end, representing a decrease of 35 percent over March 31, 2018, which is mainly attributable to the decrease of indirect tax recoverable.

	<b>September 30, 2018</b>	March 31, 2018
	<b>US\$'000</b>	US\$'000
Current assets		
Inventories	<b>4,280,931</b>	3,791,691
Trade receivables	<b>6,097,261</b>	4,972,722
Notes receivable	<b>35,258</b>	11,154
Derivative financial assets	<b>97,164</b>	24,890
Deposits, prepayments and other receivables	<b>5,298,712</b>	4,703,335
Income tax recoverable	<b>193,296</b>	227,203
Bank deposits	<b>112,303</b>	84,306
Cash and cash equivalents	<b>2,212,532</b>	1,848,017
	<b>18,327,457</b>	15,663,318

#### **Inventories**

Inventories increased by 13 percent which is in line with the Group's business growth and seasonality.

#### **Trade receivables and Notes receivable**

Trade receivables and notes receivable increased by 23 percent, which is due to seasonality of which higher sales were recognized during the second quarter of the current period as compared with the fourth quarter of the previous 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.

## FINANCIAL REVIEW *(continued)*

### Financial Position *(continued)*

#### **Deposits, prepayments and other receivables**

Majority of other receivables of the Group are amounts due from subcontractors for parts and components sold in the ordinary course of business. Increase is due to seasonality whereby more parts and components were sold during the second quarter of the current period as compared with the fourth quarter of the previous year.

#### **Total equity**

Total equity amounted to US\$3,953 million as at current period end. The decrease in total equity is mainly due to payment of final dividend, put option written on non-controlling interests and currency translation difference, partly offset by profit for the period.

	<b>September 30, 2018</b>	March 31, 2018
	<b>US\$'000</b>	US\$'000
Non-current liabilities		
Borrowings	<b>1,820,129</b>	2,648,725
Warranty provision	<b>265,339</b>	278,908
Deferred revenue	<b>652,201</b>	583,405
Retirement benefit obligations	<b>419,140</b>	413,482
Deferred income tax liabilities	<b>328,520</b>	230,609
Other non-current liabilities	<b>856,733</b>	333,332
	<b>4,342,062</b>	4,488,461

#### **Borrowings**

Borrowings (classified as non-current) decreased by US\$829 million mainly attributable to the reclassification of a note from non-current to current as it will be due within the next 12 months after the period end date.

#### **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 reevaluates 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. Increase of 42 percent over March 31, 2018 is mainly attributable to accelerated tax depreciation arising in the normal course of business.

## FINANCIAL REVIEW *(continued)*

### Financial Position *(continued)*

#### **Other non-current liabilities**

Other non-current liabilities mainly comprise liabilities arising from written put options granted, contingent consideration, deferred rent for offices and government incentives and grants received in advance. The increase of 157 percent is mainly due to the recognition of liabilities arise from written put options granted to non-controlling interests and contingent consideration.

	<b>September 30, 2018</b>	March 31, 2018
	<b>US\$'000</b>	US\$'000
Current liabilities		
Trade payables	<b>7,281,937</b>	6,450,792
Notes payable	<b>619,883</b>	801,974
Derivative financial liabilities	<b>56,011</b>	62,694
Other payables and accruals	<b>10,279,652</b>	9,217,764
Provisions	<b>774,416</b>	858,475
Deferred revenue	<b>715,268</b>	732,552
Income tax payable	<b>225,043</b>	168,779
Borrowings	<b>2,639,770</b>	1,166,692
	<b>22,591,980</b>	19,459,722

#### **Trade payables and Notes payable**

Increase in trade payables and notes payable is due to seasonality such that more purchases were made during the second quarter of the current period as compared with the fourth quarter of the previous year.

#### **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 balances increased in line with seasonality of which more purchases from subcontractors during the second quarter of the current period as compared with the fourth quarter of the previous year.

#### **Provisions**

Provisions comprise warranty liabilities (due within one year), environmental restorations and restructuring provision. The decrease of 10 percent over March 31, 2018 is mainly due to the utilisation of the warranty provision, settlement of severance costs and exchange adjustment during the period.

#### **Borrowings**

Borrowings (classified as current) increased by 126 percent, which is mainly due to the reclassification of a note from non-current to current as it will be due within the next 12 months after the period end date, and the drawdown of short term loans.



## FINANCIAL REVIEW *(continued)*

### Capital Expenditure

The Group incurred capital expenditure of US\$276 million (2017/18: US\$341 million) during the six months ended September 30, 2018, mainly for the acquisition of property, plant and equipment, prepaid lease payments, additions in construction-in-progress and intangible assets.

### Liquidity and Financial Resources

At September 30, 2018, total assets of the Group amounted to US\$30,887 million (March 31, 2018: US\$28,494 million), which were financed by equity attributable to owners of the Company of US\$3,021 million (March 31, 2018: US\$3,519 million), perpetual securities of US\$994 million (March 31, 2018: US\$994 million) and other non-controlling interests (net of put option written on non-controlling interest) of -US\$62 million (March 31, 2018: US\$33 million), and total liabilities of US\$26,934 million (March 31, 2018: US\$23,948 million). At September 30, 2018, the current ratio of the Group was 0.81 (March 31, 2018: 0.80).

At September 30, 2018, bank deposits, cash and cash equivalents totaled US\$2,325 million (March 31, 2018: US\$1,932 million), of which 31.1 (March 31, 2018: 28.8) percent was denominated in US dollar, 42.1 (March 31, 2018: 45.6) percent in Renminbi, 8.9 (March 31, 2018: 6.1) percent in Euro, 6.4 (March 31, 2018: 7.4) percent in Japanese Yen, and 11.5 (March 31, 2018: 12.1) percent in other currencies.

The Group adopts a conservative policy to invest the surplus cash generated from operations. At September 30, 2018, 100 (March 31, 2018: 99.6) percent of cash are bank deposits, while at March 31, 2018, 0.4 percent were 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.

The Group entered into a 5-Year revolving loan facility agreement with syndicated banks for US\$1,500 million on March 28, 2018. The facility was utilized to the extent of US\$1,500 million as at September 30, 2018 (March 31, 2018: not utilized). The outstanding revolving loan of US\$800 million utilized from another revolving loan facility as at March 31, 2018 was re-financed and prepaid in April 2018 by this 5-Year revolving loan facility.

In addition, on May 26, 2015, the Group entered into a 5-Year loan facility agreement with a bank for US\$300 million. The facility was utilized to the extent of US\$300 million as at September 30, 2018 (March 31, 2018: US\$300 million).

On May 8, 2014, the Group completed the issuance of 5-Year US\$1.5 billion notes bearing annual interest at 4.7% due in May 2019 ("2019 Note"); and on June 10, 2015, the Group completed the issuance of 5-Year RMB4 billion notes bearing annual interest at 4.95% due in June 2020. The proceeds have been used for general corporate purposes including working capital and acquisition activities.

On March 16, 2017, the Group completed the issuance of 5-Year US\$500 million notes bearing annual interest at 3.875% due in March 2022; and completed the issuance of US\$850 million perpetual securities in the form of cumulative preferred shares bearing annual dividend at 5.375%, with a performance guarantee from the Company. Moreover, on April 6, 2017, the Group completed the issuance of an additional US\$150 million perpetual securities under the same terms. The proceeds were used for repayment of the outstanding amount under the promissory note issued to Google Inc. and for general corporate purposes including working capital.

## FINANCIAL REVIEW *(continued)*

### **Liquidity and Financial Resources** *(continued)*

On March 29, 2018, the Group completed the issuance of 5-Year US\$750 million notes bearing annual interest at 4.75% due in March 2023. The proceeds were mainly used to repurchase the principal amount of US\$714 million of the 2019 Note, and for general corporate purpose including working capital.

The Group has also arranged other short-term credit facilities. At September 30, 2018, the Group's other total available credit facilities amounted to US\$12,092 million (March 31, 2018: US\$11,232 million), of which US\$1,472 million (March 31, 2018: US\$1,730 million) was in trade lines, US\$796 million (March 31, 2018: US\$796 million) in short-term and revolving money market facilities and US\$9,824 million (March 31, 2018: US\$8,706 million) in forward foreign exchange contracts. At September 30, 2018, the amounts drawn down were US\$920 million (March 31, 2018: US\$1,090 million) in trade lines, US\$9,703 million (March 31, 2018: US\$8,645 million) being used for the forward foreign exchange contracts, and US\$70 million (March 31, 2018: US\$70 million) in short-term bank loans.

At September 30, 2018, the Group's outstanding borrowings represented by short-term bank loans of US\$1,854 million (March 31, 2018: US\$1,166 million) and notes of US\$2,606 million (March 31, 2018: US\$2,649 million). When compared with total equity of US\$3,953 million (March 31, 2018: US\$4,546 million), the Group's gearing ratio was 1.13 (March 31, 2018: 0.84). The net debt position of the Group at September 30, 2018 is US\$2,135 million (March 31, 2018: US\$1,883 million).

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 adopts a consistent hedging policy for business transactions to reduce the risk of currency fluctuation arising from daily operations. At September 30, 2018, the Group had commitments in respect of outstanding forward foreign exchange contracts amounting to US\$9,703 million (March 31, 2018: US\$8,645 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.

## BUSINESS REVIEW AND OUTLOOK

### Business Review

During the six months ended September 30, 2018, Lenovo achieved record high revenue and improvement in profit before taxation year-on-year. This performance included the highest quarterly revenue in almost four years for the quarter ended September 30, 2018. The accelerated improvement in both revenue and profitability was driven by disciplined execution of Lenovo's "Intelligent Transformation" turnaround strategy. Decisive steps to restructure businesses and create new efficiencies taken in prior quarters have yielded significant growth and improved market strength across all Lenovo's businesses during the first half of the fiscal year. The diligent execution has created strong momentum, leading to Lenovo entering a sustainable growth phase.

The Intelligent Devices Group (IDG), composed of both the Group's PCSD and Mobile businesses, delivered another strong performance, while also building new capabilities in Smart IoT. IDG has realized synergies from its shared platform and resources, and achieved double-digit revenue growth with significant profit improvement year-on-year. Its PCSD business grew strongly with double-digit growth in revenue while maintaining its industry-leading profitability. The PC business returned to the top spot among global PC vendors, according to IDC, in fiscal quarter two. It is now the undisputed number one PC vendor according to both IDC and Gartner. The Mobile business outside of China and the Motorola brand globally achieved a significant milestone in attaining operational breakeven in fiscal quarter two with its core markets continuing to grow in revenue.

The Data Center Group (DCG) continued its hyper-growth driven by its product leadership while continuing to build next-generation capabilities to drive future growth. In the first half of the fiscal year, DCG delivered the strongest growth since the System x acquisition with a significant operating loss reduction.

As part of the "Intelligent Transformation" of Lenovo, the Group succeeded in growing vertical solutions and services. One part of this transformation, the Group achieved double-digit growth year-on-year in Software & Services revenue, IDG services booking revenue and DCG Software & Services revenue. In particular it saw breakthrough growth in Device-as-a-Service (DaaS) with a key win in a global financial organization during the first half of the fiscal year. The Group's big data and vertical solutions businesses also saw double-digit growth in revenue year-on-year. In addition, E-commerce business grew by double-digits in revenue for the second consecutive quarter. In China, the Group also established a Smart IoT User Devices and Services (UDS) platform to connect its users, devices and cloud services, and saw a strong double-digit quarter-to-quarter growth in monthly average users. During the six months under review, the Group also launched several new Smart Devices in Consumer Smart IoT including Mirage Solo, Mirage Camera with Daydream, Smart Display with Google, and in Commercial IoT including Smart Office (Hub 500). These smart device launches demonstrated the Group's innovation and technology leadership.

At its Tech Life event in August 2018, the Group unveiled a series of new Smart Home solutions, including Smart Plug, Smart Camera and Smart Bulb, offering a simple, one-stop shop for the smart home. Further, in September 2018, Lenovo successfully held the Transform and Tech World events to showcase its progress in becoming the leader and enabler of the intelligent era. These events were well received by key partners and customers, as well as attracting significant media interest as Lenovo demonstrated its progress in driving smart IoT solutions, smart infrastructure and smart vertical solutions.

## **BUSINESS REVIEW AND OUTLOOK** *(continued)*

### **Business Review** *(continued)*

For the six months ended September 30, 2018, the Group's consolidated revenue grew 16 percent year-on-year to US\$25,293 million. The Group's gross profit was US\$3,426 million, representing an increase of 15 percent year-on-year. Gross margin decreased by 0.13 percentage points year-on-year to 13.5 percent, due to changes in DCG's product mix. Operating expenses increased 2 percent year-on-year to US\$2,956 million, but the expense-to-revenue ratio was 11.7 percent, an improvement of 1.6 percentage points year-on-year, thanks to the expense savings from MBG. The Group's profit before taxation was US\$326 million for the first half of fiscal year under review, against a US\$34 million loss recorded in the previous year. The Group recorded profit attributable to equity holders of US\$245 million against US\$67 million profit recorded in the previous year.

### **Performance of Product Business Groups**

During the six months ended September 30, 2018, Lenovo's IDG achieved strong double-digit revenue growth year-on-year while improving profitability thanks to the strength of our PCSD business. In addition, the MBG business outside of China and the Motorola brand globally reached operational breakeven in fiscal quarter two. The transformation in DCG continued to show positive momentum.

#### ***Intelligent Devices Group***

For the six months ended September 30, 2018, IDG revenue was US\$22,120 million, representing approximately 87 percent of the Group's total revenue and an increase of 12 percent year-on-year, driven by the strong revenue performance from the PCSD business. IDG recorded a pre-tax profit of US\$794 million, up 143 percent year-on-year, thanks to strong profit improvement from PCSD and MBG's loss reduction during the six months under review. Pre-tax profit margin of IDG was 3.6 percent, up 1.9 percentage points year-on-year.

#### ***Intelligent Devices Group – PC and Smart Device Business***

During the six months under review, the global PC market continued to show signs of stabilization as the commercial refresh continued and consumer demand stabilized. The Group continued its strategy of prioritizing profitability and driving premium-to-market revenue growth in its PC business.

Through strong execution, the Group was the fastest growing PC vendor for the second consecutive quarter in fiscal quarter two; regained the number one position in worldwide PC shipments; and remained the leader in the PC-plus-tablet market, according to the latest IDC reports. PCSD achieved strong revenue growth of 18 percent year-on-year while delivering industry leading 5 percent pre-tax profit margin in the first half of the fiscal year. The Group continued to gain share in shipments and revenue in fiscal quarter two in commercial PC, which accounted for 63 percent of its PC unit mix. This is higher than the industry market mix of 55 percent in commercial PC, according to industry estimates. The Group continued to gain share in the Workstation segment, growing revenue at 27 percent year-on-year in fiscal quarter two. In consumer PC, the Group also continued to gain share in fiscal quarter two and focused on premium segments including Thin & Light, Visuals, and Gaming PC segments, each achieving strong double-digit revenue growth year-on-year in fiscal quarter two.

In driving its Intelligent Transformation, the Group has launched several new smart devices like Smart Display with Google Home Hub. In fiscal quarter two, the DaaS business saw booking revenue grow 1.5 times quarter-to-quarter as the dedicated sales team started to gain traction. The Group has also deployed premium services across 44 countries as of fiscal quarter two end. In addition, Lenovo has partnered with several companies to launch new retail stores in China since the beginning of 2018 to provide over 400 different IoT smart products. These new retail stores use AI technologies to provide retail efficiency and prompt service delivery, significantly enhancing customer satisfaction.

## **BUSINESS REVIEW AND OUTLOOK** *(continued)*

### **Performance of Product Business Groups** *(continued)*

#### **Intelligent Devices Group – PC and Smart Device Business** *(continued)*

In fiscal quarter two, the segment known as “Others” that included consumer electronic related businesses was reclassified to PCSD retrospectively to align with the corporate strategy.

For the six months ended September 30, 2018, revenue of the Group’s PCSD business was US\$18,873 million, an increase of 18 percent year-on-year and representing approximately 74 percent of the Group’s total revenue. The business recorded a pre-tax profit of US\$940 million, up 42 percent year-on-year, thanks to products mix improvement. Pre-tax profit margin was 5.0 percent, up 0.8 percentage point year-on-year.

#### **Intelligent Devices Group – Mobile Business**

In fiscal quarter two, the Mobile business outside of China and the Motorola brand globally achieved a key milestone in reaching operational breakeven, as the Group continued to execute its strategy to reduce expense, simplify its portfolio and focus on core markets in Latin and North America. The Group continued to grow in revenue in Latin America despite a volatile currency environment and maintained its strong number two market position during the six month period. Shipments in North America continued to see significant growth of 65 percent year-on-year driven by mainstream models including Moto G6 and E5, which were launched successfully along with carrier expansion during the six month period. In addition, Lenovo showcased its innovation with the launch of moto z<sup>3</sup>, the world’s first phone that is upgradable to 5G with 5G moto mod™.

In the first half of the fiscal year, overall shipments declined 20 percent year-on-year, as the Group continued to execute its simplification strategy and focus on selected markets. Currency fluctuations also affected demand, especially in emerging markets. In China, the Group continued to improve its brand and saw positive momentum while narrowing losses significantly.

Mobile business revenue was US\$3,247 million, representing approximately 13 percent of the Group’s total revenue, a decrease of 15 percent year-on-year for the six months ended September 30, 2018. The Group’s actions in reducing expenses were on track and resulted in an improved expense to revenue ratio. Reported loss before taxation for the six months under review was US\$146 million, a significant improvement from the US\$337 million loss a year prior.

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

The Data Center Group continued to build its capabilities in product leadership and sales, and as such it saw another quarter of hyper growth and continued profitability improvement in fiscal quarter two. This fiscal quarter two is DCG’s fourth consecutive quarter of double-digit revenue growth and pre-tax margin improvement year-on-year. Services deferred revenue continued to grow year-on-year for the seventh consecutive quarter as the Group drove smart solutions for customers. The Group’s previous transformation investments in building sales capabilities, strengthening the channel and product solutions, along with the right business models, continued to create strong momentum in the business. Lenovo moved one position up and became the worldwide number three server vendor in fiscal quarter one according to IDC’s latest release.

## **BUSINESS REVIEW AND OUTLOOK** *(continued)*

### **Performance of Product Business Groups** *(continued)*

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

The Group continued its triple-digit growth in its Hyperscale business thanks to its investments in improving in-house design and manufacturing capabilities, as well as improving its customer mix. According to IDC, Lenovo was the fastest growing vendor and jumped to worldwide number four in Cloud Infrastructure. In the Software Defined Infrastructure segment, the Group again saw triple-digit revenue growth with margin improvement during fiscal quarter two. The Group continued to be Nutanix's fastest growing partner and also entered into an exclusive OEM relationship with Cloudistics for next generation composable cloud solutions. In the High Performance Computing (HPC) segment, the Group became the worldwide number one player in the HPC TOP500 List in fiscal quarter one. In the Data Center Infrastructure segment, the Group extended its leadership as number one in x86 server performance with 121 current world record workloads as of September 2018. And in Flash Arrays Storage, Lenovo continued to significantly outpace the market with triple-digit year-on-year growth in fiscal quarter two. Lenovo also announced a global strategic partnership with NetApp, including a new joint venture in China, enabling Lenovo to cover nearly the entire storage and data management market now. As such, Lenovo announced the largest storage portfolio in its history at the Transform event in September 2018.

For the six months ended September 30, 2018, revenue of the Data Center business was US\$3,173 million, increasing 63 percent year-on-year and representing approximately 13 percent of the Group's total revenue. The loss from the Data Center business significantly narrowed year-on-year, owing to the strong execution of the transformation strategy. The Group recorded a reported loss before taxation of US\$123 million in the first half of the fiscal year, a significant improvement from the US\$275 million loss same period last fiscal year.

#### **Globally Balanced Business**

As a global company, Lenovo continues to perform well in the more than 160 countries in which it does business. The performance of each geography includes a combination of our IDG and DCG businesses.

#### **China**

China accounted for 25 percent of the Group's total revenue in the first half of the fiscal year. Under IDG, the PCSD business continued to improve the product mix and drive premium revenue growth to protect profitability. The Group continued its efforts in enhancing its smartphone brand in China and launched new models during the six months with positive momentum, while narrowing its losses.

In the Data Center business, the Group's transformation actions led to double digit year-on-year revenue growth and improved profitability in the first half of the fiscal year.

#### **Americas (AG)**

Americas accounted for 32 percent of the Group's total revenue in the first half of the fiscal year. Under IDG, the PCSD revenue outperformed the market while improving profitability on a better product mix. The Group's Moto brand smartphones continued to show solid momentum in Latin America while mitigating the impact from currency fluctuation during the six months period. In North America, the Group continued to see strong smartphone shipment growth of 65 percent year-on-year during the six month period.

The Group's Data Center business continued to show positive momentum as a result of its transformation actions. Notably, North America DCG saw revenue year-on-year growth for the sixth consecutive quarter.

## **BUSINESS REVIEW AND OUTLOOK** *(continued)*

### **Globally Balanced Business** *(continued)*

#### **Asia Pacific (AP)**

Asia Pacific accounted for 19 percent of the Group's total revenue in the first half of the fiscal year. Under IDG, the revenue of PCSD grew at a high double-digit rate year-on-year. Its smartphone business in the region continued to face fierce competition during the six months under review, hence the Group adjusted its strategy to focus on margin protection. As such, the Group saw smartphone shipments decline in the first half of the fiscal year.

The Group's transformation of its Data Center business continued to bring double-digit revenue growth while reducing losses year-on-year during the six months under review.

#### **Europe-Middle East-Africa (EMEA)**

EMEA accounted for 24 percent of the Group's total revenue in the first half of the fiscal year. Under IDG, the PCSD business in EMEA delivered moderate revenue growth to protect margin. In its smartphone business, the Group adjusted its strategy to focus on the mature markets of EMEA in order to protect profitability. As such, smartphone shipments in the region saw a decline during the six months under review.

The Group's Data Center business saw strong momentum in the region with double-digit revenue growth and loss reduction year-on-year during the six months under review. In fiscal quarter two, EMEA DCG saw revenue growth year-on-year for the sixth consecutive quarter.

#### **Outlook**

Looking ahead, the macro environment remains volatile due to ongoing geopolitical tensions. However, Lenovo is a global company with worldwide manufacturing capabilities that is world renowned for its leading supply chain and is experienced managing the impact of policy changes. The Group is confident it can still execute its intelligent transformation strategy and drive for long-term, sustainable, profitable growth.

Lenovo strives to be the leader and enabler in the intelligent transformation era. The strong performance of IDG in the first half of the fiscal year is a testament to its capabilities in branding, operations and supply chain. It will leverage these existing strengths as well as add new AI capabilities to develop its Smart Internet of Things (IoT) offerings. Moreover, the Group aims to offer customers total solutions and increasing attach options in services and software that are recurring and high-margin. The Group remains confident in its core PC business, and aims to grow at a premium to the market in revenue without compromising profitability. Lenovo will leverage industry consolidation opportunities, and drive growth in high-growth segments such as gaming PCs, Thin & Light, Visuals, and workstations. The Group's iconic commercial brand, ThinkPad, will continue to drive growth in the ongoing commercial PC refresh.

In the smartphone market, Lenovo has also announced the world's first 5G-upgradable phone with its 5G moto mod to its new moto z<sup>3</sup> phone. The Group will continue to strengthen its core markets in Latin America and North America, focus on profitable markets, and continue to fine tune its strategy in selective key emerging markets like India and China. The Group's long-term vision for the IDG is to build an ecosystem around its devices and generate a healthy business model that comprises of a mixture of hardware, software and services revenues.

## BUSINESS REVIEW AND OUTLOOK *(continued)*

### **Outlook** *(continued)*

In the Data Center business, the Group will continue its transformation into a world-class, next-generation IT solutions provider by driving premium to market growth and to building technology leadership in the Software Defined segment and in artificial intelligence. In Hyperscale, the Group continues to leverage its world-class in-house design and manufacturing capabilities, and bring compelling offerings to global hyperscalers. In storage and networking, Lenovo will leverage its strategic partnerships, including NetApp, in storage. Further, in order to offer more comprehensive customer solutions, the Group will increase services attach options. The Group now has the most compelling ThinkSystem and ThinkAgile products, the largest storage portfolio in its history and the industry's best product reliability, all of which provide the foundation for sustainable, profitable growth.

The Group will also continue its Intelligent Transformation in driving Software & Services revenue, customer engagement and accelerating Device + Cloud and Infrastructure + Cloud expansion. It will continue to invest in AI, IoT, Big Data and VR/AR with sizable investments over time. With that, the Group is building capabilities in Device + Cloud and Infrastructure + Cloud in order to capture the growth in the smart IoT era. The Group has expanded its ecosystem across large enterprises as well as small and medium business customers with its Big Data and Lenovo Connect services, while also penetrating into consumer segments with its smart IoT platform to capture more opportunities in the IoT era.

Looking forward, Lenovo has a clear vision to drive sustainable, profitable growth. Through strong execution, the Group remains confident it will continue to build leading positions in every business the Group enters and drive profitable growth that, in turn, creates better value for shareholders.



## HUMAN RESOURCES

At September 30, 2018, the Group had a headcount of more than 54,000 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.

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 will be awarded one matching restricted share unit for every four ordinary shares of the Company purchased through qualified employee contributions. The matching restricted share unit are subject to a vesting schedule of up to two years. Executive and non-executive directors and senior management of the Company are not eligible to participate in the Plan.

## DIRECTORS’ RIGHTS TO ACQUIRE SHARES OR DEBENTURES

### Long-Term Incentive Program

The Company operates a Long-Term Incentive Program (“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 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 that are 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.

Details of the movements in the share awards of executive and non-executive directors of the Company as of September 30, 2018 under the LTI program are presented below.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES *(continued)*

### Long-Term Incentive Program *(continued)*

The movements in the share awards of the executive and non-executive directors of the Company during the period are as follows:

Name	Award type	Fiscal year of award	Effective price (HK\$)	Number of units							Total outstanding as at September 30, 2018	Vesting period (mm.dd.yyyy)
				As at April 1, 2018 (Unvested)	Awarded during the period	Vested during the period	Exercised during the period	Lapsed/ nullified during the period (Note 1)	As at September 30, 2018 (Unvested)			
Mr. Yang Yuanqing	SAR	11/12	6.80	-	-	-	-	-	-	11,132,358	02.13.2013 - 02.13.2016	
	SAR	12/13	8.22	-	-	-	-	-	-	14,059,573	02.04.2014 - 02.04.2017	
	SAR	13/14	9.815	3,630,011	-	3,630,011	-	-	-	14,520,062	06.03.2015 - 06.03.2018	
	SAR	15/16	12.29	6,351,832	-	3,175,916	-	-	3,175,916	12,703,664	06.01.2016 - 06.01.2019	
	SAR	16/17	4.90	63,486,235	-	31,743,118	-	-	31,743,117	126,972,471	06.01.2017 - 06.01.2019	
	SAR	17/18	4.95	45,893,773	-	15,297,924	-	-	30,595,849	45,893,773	06.01.2018 - 06.01.2020	
	SAR	18/19	4.00	-	39,305,643	-	-	-	39,305,643	39,305,643	06.01.2019 - 06.01.2021	
	RSU	13/14	9.815	1,332,396	-	1,332,396	-	-	-	-	06.03.2015 - 06.03.2018	
	RSU	15/16	12.29	2,441,008	-	1,220,505	-	-	1,220,503	1,220,503	06.01.2016 - 06.01.2019	
	RSU	17/18	4.95	11,895,664	-	3,965,221	-	-	7,930,443	7,930,443	06.01.2018 - 06.01.2020	
RSU	18/19	4.00	-	9,368,500	-	-	-	9,368,500	9,368,500	06.01.2019 - 06.01.2021		
Mr. Zhu Linan	SAR	12/13	6.36	-	-	-	-	-	-	91,438	07.03.2013 - 07.03.2015	
	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	134,656	-	134,656	-	-	-	403,970	08.14.2016 - 08.14.2018	
	SAR	16/17	5.38	410,508	-	205,254	-	-	205,254	615,761	08.19.2017 - 08.19.2019	
	SAR	17/18	4.74	955,316	-	318,439	-	-	636,877	955,316	08.21.2018 - 08.21.2020	
	SAR	18/19	4.39	-	1,125,232	-	-	-	1,125,232	1,125,232	08.17.2019 - 08.17.2021	
	RSU	15/16	7.49	34,499	-	34,499	-	-	-	-	08.14.2016 - 08.14.2018	
	RSU	16/17	5.38	96,059	-	48,029	-	-	48,030	48,030	08.19.2017 - 08.19.2019	
	RSU	17/18	4.74	165,079	-	55,026	-	-	110,053	110,053	08.21.2018 - 08.21.2020	
	RSU	18/19	4.39	-	178,799	-	-	-	178,799	178,799	08.17.2019 - 08.17.2021	
Mr. Zhao John Huan	SAR	11/12	5.78	-	-	-	-	-	-	103,913	11.03.2012 - 11.03.2014	
	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	134,656	-	134,656	-	-	-	403,970	08.14.2016 - 08.14.2018	
	SAR	16/17	5.38	410,508	-	205,254	-	-	205,254	615,761	08.19.2017 - 08.19.2019	
	SAR	17/18	4.74	955,316	-	318,439	-	-	636,877	955,316	08.21.2018 - 08.21.2020	
	SAR	18/19	4.39	-	1,125,232	-	-	-	1,125,232	1,125,232	08.17.2019 - 08.17.2021	
	RSU	15/16	7.49	68,998	-	34,499	-	-	34,499	34,499	08.14.2016 - 08.14.2018	
	RSU	16/17	5.38	96,059	-	48,029	-	-	48,030	48,030	08.19.2017 - 08.19.2019	
	RSU	17/18	4.74	165,079	-	55,026	-	-	110,053	110,053	08.21.2018 - 08.21.2020	
RSU	18/19	4.39	-	178,799	-	-	-	178,799	178,799	08.17.2019 - 08.17.2021		

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES (continued)

### Long-Term Incentive Program (continued)

Name	Award type	Fiscal year of award	Effective price (HK\$)	As at April 1, 2018 (Unvested)	Awarded during the period	Vested during the period	Exercised during the period	Number of units		As at September 30, 2018 (Unvested)	Total outstanding as at September 30, 2018	Vesting period (mm.dd.yyyy)
								Lapsed/ nullified during the period (Note 1)	As at September 30, 2018 (Unvested)			
Dr. Tian Suning	SAR	11/12	4.56	-	-	-	323,000	304,000	-	-	-	08.19.2012 - 08.19.2014
	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	134,656	-	134,656	-	-	-	-	403,970	08.14.2016 - 08.14.2018
	SAR	16/17	5.38	410,508	-	205,254	-	-	205,254	615,761	615,761	08.19.2017 - 08.19.2019
	SAR	17/18	4.74	955,316	-	318,439	-	-	636,877	955,316	955,316	08.21.2018 - 08.21.2020
	SAR	18/19	4.39	-	1,125,232	-	-	-	1,125,232	1,125,232	1,125,232	08.17.2019 - 08.17.2021
	RSU	15/16	7.49	34,499	-	34,499	-	-	-	-	-	08.14.2016 - 08.14.2018
	RSU	16/17	5.38	96,059	-	48,029	-	-	48,030	48,030	48,030	08.19.2017 - 08.19.2019
	RSU	17/18	4.74	165,079	-	55,026	-	-	110,053	110,053	110,053	08.21.2018 - 08.21.2020
	RSU	18/19	4.39	-	178,799	-	-	-	178,799	178,799	178,799	08.17.2019 - 08.17.2021
Mr. Nicholas C. Allen	SAR	11/12	4.56	-	-	-	323,000	304,000	-	-	-	08.19.2012 - 08.19.2014
	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	134,657	-	134,657	-	-	-	-	403,970	08.14.2016 - 08.14.2018
	SAR	16/17	5.38	410,508	-	205,254	-	-	205,254	615,761	615,761	08.19.2017 - 08.19.2019
	SAR	17/18	4.74	955,316	-	318,439	-	-	636,877	955,316	955,316	08.21.2018 - 08.21.2020
	SAR	18/19	4.39	-	1,125,232	-	-	-	1,125,232	1,125,232	1,125,232	08.17.2019 - 08.17.2021
	RSU	15/16	7.49	34,500	-	34,500	-	-	-	-	-	08.14.2016 - 08.14.2018
	RSU	16/17	5.38	96,059	-	48,029	-	-	48,030	48,030	48,030	08.19.2017 - 08.19.2019
	RSU	17/18	4.74	165,079	-	55,026	-	-	110,053	110,053	110,053	08.21.2018 - 08.21.2020
	RSU	18/19	4.39	-	178,799	-	-	-	178,799	178,799	178,799	08.17.2019 - 08.17.2021
Mr. Nobuyuki Idei	SAR	11/12	5.23	-	-	-	144,085	139,938	-	-	-	09.28.2012 - 09.28.2014
	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	134,656	-	134,656	-	-	-	-	403,970	08.14.2016 - 08.14.2018
	SAR	16/17	5.38	410,508	-	205,254	-	-	205,254	615,761	615,761	08.19.2017 - 08.19.2019
	SAR	17/18	4.74	955,316	-	318,439	-	-	636,877	955,316	955,316	08.21.2018 - 08.21.2020
	SAR	18/19	4.39	-	1,125,232	-	-	-	1,125,232	1,125,232	1,125,232	08.17.2019 - 08.17.2021
	RSU	15/16	7.49	34,500	-	34,500	-	-	-	-	-	08.14.2016 - 08.14.2018
	RSU	16/17	5.38	96,059	-	48,029	-	-	48,030	48,030	48,030	08.19.2017 - 08.19.2019
	RSU	17/18	4.74	165,079	-	55,026	-	-	110,053	110,053	110,053	08.21.2018 - 08.21.2020
	RSU	18/19	4.39	-	178,799	-	-	-	178,799	178,799	178,799	08.17.2019 - 08.17.2021

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES (continued)

### Long-Term Incentive Program (continued)

Name	Award type	Fiscal year of award	Effective price (HK\$)	As at April 1, 2018 (Unvested)	Awarded during the period	Vested during the period	Exercised during the period	Number of units		As at September 30, 2018 (Unvested)	Total outstanding as at September 30, 2018	Vesting period (mm.dd.yyyy)
								Lapsed/ nullified during the period (Note 1)	As at September 30, 2018			
Mr. William O. Grabe	SAR	11/12	4.56	-	-	-	323,000	304,000	-	-	-	08.19.2012 - 08.19.2014
	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	134,657	-	134,657	-	-	-	-	403,970	08.14.2016 - 08.14.2018
	SAR	16/17	5.38	410,508	-	205,254	-	-	205,254	615,761	615,761	08.19.2017 - 08.19.2019
	SAR	17/18	4.74	955,316	-	318,439	-	-	636,877	955,316	955,316	08.21.2018 - 08.21.2020
	SAR	18/19	4.39	-	1,125,232	-	-	-	1,125,232	1,125,232	1,125,232	08.17.2019 - 08.17.2021
	RSU	15/16	7.49	34,500	-	34,500	-	-	-	-	-	08.14.2016 - 08.14.2018
	RSU	16/17	5.38	96,059	-	48,029	-	-	48,030	48,030	48,030	08.19.2017 - 08.19.2019
	RSU	17/18	4.74	165,079	-	55,026	-	-	110,053	110,053	110,053	08.21.2018 - 08.21.2020
	RSU	18/19	4.39	-	178,799	-	-	-	178,799	178,799	178,799	08.17.2019 - 08.17.2021
	RSU (Deferral)	17/18	3.84	-	65,104	65,104	-	-	-	-	-	Note 2
	RSU (Deferral)	18/19	4.18	-	59,809	59,809	-	-	-	-	-	Note 2
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	134,657	-	134,657	-	-	-	-	403,970	08.14.2016 - 08.14.2018
	SAR	16/17	5.38	410,508	-	205,254	-	-	205,254	615,761	615,761	08.19.2017 - 08.19.2019
	SAR	17/18	4.74	955,316	-	318,439	-	-	636,877	955,316	955,316	08.21.2018 - 08.21.2020
	SAR	18/19	4.39	-	1,125,232	-	-	-	1,125,232	1,125,232	1,125,232	08.17.2019 - 08.17.2021
	RSU	15/16	7.49	34,500	-	34,500	-	-	-	-	-	08.14.2016 - 08.14.2018
	RSU	16/17	5.38	96,059	-	48,029	-	-	48,030	48,030	48,030	08.19.2017 - 08.19.2019
	RSU	17/18	4.74	165,079	-	55,026	-	-	110,053	110,053	110,053	08.21.2018 - 08.21.2020
RSU	18/19	4.39	-	178,799	-	-	-	178,799	178,799	178,799	08.17.2019 - 08.17.2021	
Ms. Ma Xuezheng	SAR	11/12	4.56	-	-	-	107,666	101,333	-	-	-	08.19.2012 - 08.19.2014
	SAR	12/13	6.36	-	-	-	-	-	-	-	182,877	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	134,656	-	134,656	-	-	-	-	403,970	08.14.2016 - 08.14.2018
	SAR	16/17	5.38	410,508	-	205,254	-	-	205,254	615,761	615,761	08.19.2017 - 08.19.2019
	SAR	17/18	4.74	955,316	-	318,439	-	-	636,877	955,316	955,316	08.21.2018 - 08.21.2020
	SAR	18/19	4.39	-	1,125,232	-	-	-	1,125,232	1,125,232	1,125,232	08.17.2019 - 08.17.2021
	RSU	15/16	7.49	34,499	-	34,499	-	-	-	-	-	08.14.2016 - 08.14.2018
	RSU	16/17	5.38	96,059	-	48,029	-	-	48,030	48,030	48,030	08.19.2017 - 08.19.2019
	RSU	17/18	4.74	165,079	-	55,026	-	-	110,053	110,053	110,053	08.21.2018 - 08.21.2020
	RSU	18/19	4.39	-	178,799	-	-	-	178,799	178,799	178,799	08.17.2019 - 08.17.2021

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES *(continued)*

### Long-Term Incentive Program *(continued)*

Name	Award type	Fiscal year of award	Effective price (HK\$)	Number of units							Total outstanding as at September 30, 2018	Vesting period (mm.dd.yyyy)
				As at April 1, 2018 (Unvested)	Awarded during the period	Vested during the period	Exercised during the period	Lapsed/ nullified during the period (Note 1)	As at September 30, 2018 (Unvested)			
Mr. Yang	SAR	12/13	8.63	-	-	-	-	-	-	24,593	02.20.2014 - 02.20.2016	
Chih-Yuan Jerry	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	134,657	-	134,657	-	-	-	403,970	08.14.2016 - 08.14.2018	
	SAR	16/17	5.38	410,508	-	205,254	-	-	205,254	615,761	08.19.2017 - 08.19.2019	
	SAR	17/18	4.74	955,316	-	318,439	-	-	636,877	955,316	08.21.2018 - 08.21.2020	
	SAR	18/19	4.39	-	1,125,232	-	-	-	1,125,232	1,125,232	08.17.2019 - 08.17.2021	
	RSU	15/16	7.49	34,501	-	34,501	-	-	-	-	08.14.2016 - 08.14.2018	
	RSU	16/17	5.38	96,059	-	48,029	-	-	48,030	48,030	08.19.2017 - 08.19.2019	
	RSU	17/18	4.74	165,079	-	55,026	-	-	110,053	110,053	08.21.2018 - 08.21.2020	
RSU	18/19	4.39	-	178,799	-	-	-	178,799	178,799	08.17.2019 - 08.17.2021		
Mr. Gordon Robert	SAR	15/16	7.25	74,703	-	74,703	-	-	-	224,107	09.18.2016 - 09.18.2022	
Halyburton Orr	SAR	16/17	5.38	615,761	-	205,254	-	-	410,507	615,761	08.19.2017 - 08.19.2023	
	SAR	17/18	4.74	955,316	-	318,439	-	-	636,877	955,316	08.21.2018 - 08.21.2020	
	SAR	18/19	4.39	-	1,125,232	-	-	-	1,125,232	1,125,232	08.17.2019 - 08.17.2021	
	RSU	15/16	7.25	19,139	-	19,139	-	-	-	-	09.18.2016 - 09.18.2018	
	RSU	16/17	5.38	96,059	-	48,029	-	-	48,030	48,030	08.19.2017 - 08.19.2019	
	RSU	17/18	4.74	165,079	-	55,026	-	-	110,053	110,053	08.21.2018 - 08.21.2020	
	RSU	18/19	4.39	-	178,799	-	-	-	178,799	178,799	08.17.2019 - 08.17.2021	

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.

## DIRECTORS' INTERESTS

As at September 30, 2018, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and 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 of Hong Kong Limited (the “Stock Exchange”) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) in the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) were as follows:

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

Name of director	Interests in shares/ underlying shares (Note 1)	Capacity and number of shares/ underlying shares held			Aggregate long position	Approximate percentage of interests (Note 2)
		Personal interests	Corporate interests			
Mr. Yang Yuanqing	Ordinary shares	84,424,413	622,804,000	707,228,413		
	Share awards	283,106,990	-	283,106,990		
			(Note 3)	990,335,403	8.24%	
Mr. Zhu Linan	Ordinary shares	3,024,267	-	3,024,267		
	Share awards	4,047,206	-	4,047,206		
				7,071,473	0.06%	
Mr. Zhao John Huan	Ordinary shares	579,702	-	579,702		
	Share awards	4,455,358	-	4,455,358		
				5,035,060	0.04%	
Dr. Tian Suning	Ordinary shares	1,112,777	-	1,112,777		
	Share awards	5,655,476	-	4,351,445		
				5,464,222	0.05%	
Mr. Nicholas C. Allen	Ordinary shares	994,906	-	994,906		
	Share awards	4,351,445	-	4,351,445		
				5,346,351	0.04%	
Mr. Nobuyuki Idei	Ordinary shares	612,320	-	612,320		
	Share awards	4,351,445	-	4,351,445		
				4,963,765	0.04%	

**DIRECTORS' INTERESTS** *(continued)***(i) Interests in the shares and underlying shares of the Company** *(continued)*

Name of director	Interests in shares/ underlying shares <i>(Note 1)</i>	Capacity and number of shares/ underlying shares held		Aggregate long position	Approximate percentage of interests <i>(Note 2)</i>
		Personal interests	Corporate interests		
Mr. William O. Grabe	Ordinary shares	2,754,233	744,281	3,498,514	0.07%
	Share awards	4,351,445	-	4,351,445	
				7,849,959	
Mr. William Tudor Brown	Ordinary shares	507,096	-	507,096	0.04%
	Share awards	4,130,605	-	4,130,605	
				4,637,701	
Ms. Ma Xuezheng	Ordinary shares	11,086,883	2,240,000	13,326,883	0.15%
	Share awards	4,260,006	-	4,260,006	
				17,586,889	
Mr. Yang Chih-Yuan Jerry	Ordinary shares	398,613	-	398,613	0.04%
	Share awards	3,930,934	-	3,930,934	
				4,329,547	
Mr. Gordon Robert Halyburton Orr	Ordinary shares	210,818	-	210,818	0.03%
	Share awards	3,257,298	-	3,257,298	
				3,468,116	

## 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
Mr. Yang Yuanqing	SHAREit Technology Holdings Inc.	Long position	Personal interests held as beneficial owner	5,500,000 series A preferred shares	15.98%
	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	2.68% (Note 4)
	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 4)
	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 4)
	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	4.80% (Note 4)

#### Notes:

- Share awards represent underlying shares convertible into ordinary shares. Details of share awards are set out under the section "Long-Term Incentive Program".
- 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.
- 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".
- Mr. Yang Yuanqing holds the interests of RMB2,400,000 (being 2.68%), RMB1,097,144 (being 4.72%), RMB3,200,000 (being 5.33%) and RMB2,584,615 (being 4.80%) in the registered capital in 北京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 and 深圳聯想懂的通信有限公司 respectively.

Save as disclosed above, as at September 30, 2018, 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 any of 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.



## SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS

As at September 30, 2018, 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:

Name	Long position/ Short position	Capacity and number of shares/ underlying shares held		Aggregate long and short positions (Note 1)	Approximate percentage of interests
		Beneficial owner	Corporate 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%
BlackRock, Inc.	Long position	-	855,161,614	855,161,614	7.12%
	Short position	-	35,392,000	35,392,000	0.29%

Notes:

- The interests or short positions include underlying shares as follows:

Name	Long position		Short position
	Convertible instruments unlisted equity derivatives	Cash settled unlisted equity derivatives	Cash settled unlisted equity derivatives
BlackRock, Inc.	-	7,244,000	19,144,000
Red Eagle Group (PTC) Limited	90,613,689	-	-
Harvest Star Limited	90,613,689	-	-
Union Star Limited	90,613,689	-	-

- 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").
- These shares are held by Legion Elite.
- These shares/underlying shares of the Company are indirectly held by Harvest Star Limited through Union Star Limited ("Union Star").
- These shares/underlying shares of the Company are directly held through Union Star.

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

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 an interest in those 622,804,000 shares of the Company held by Sureinvest under the SFO. This interest is also included as corporate interest of Mr. Yang in the above section headed "Directors' Interests".

Save as disclosed above, as at September 30, 2018, 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.

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

On April 3, 2018, the Company announced that it has repurchased US\$1,500,000,000 4.700% notes due 2019 of the Company (the "2019 Notes"), which are listed on the Stock Exchange, in the aggregate principal amount of US\$713,756,000 (the "Repurchased Notes") at a total price of US\$727,138,925 with the net proceeds from the issuance of new notes pursuant to a tender offer. After the cancellation of the Repurchased Notes, as at September 30, 2018, US\$786,244,000 in aggregate principal amount of the 2019 Notes remained outstanding.

Saved as disclosed above, during the six months ended September 30, 2018, 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 37,751,795 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 "Human Resources" in this interim report.

## **INTERIM DIVIDEND**

The Board has declared an interim dividend of HK6.0 cents (2017/18: HK6.0 cents) per share for the six months ended September 30, 2018, absorbing an aggregate amount of approximately HK\$720.9 million (approximately US\$92.1 million) (2017/18: approximately HK\$666.5 million (approximately US\$85.4 million)), to shareholders whose names appear on the register of members of the Company on Friday, November 23, 2018. The interim dividend will be paid on Friday, November 30, 2018.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed on Friday, November 23, 2018, during which no transfer of shares will be registered. In order to qualify for the interim dividend, all properly completed transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar, Tricor Abacus Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on Thursday, November 22, 2018. Shares of the Company will be traded ex-dividend as from Wednesday, November 21, 2018.

## CHANGES IN DIRECTORS' EMOLUMENTS AND INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in directors' emoluments and information of the Company subsequent to the date of the 2017/18 Annual Report or the latest pertaining publication of the Company (whichever later) are set out below:

<b>Director</b>	<b>Details of Changes</b>
Mr. Yang Yuanqing	<ul style="list-style-type: none"><li>- For the financial year ending March 31, 2019, the share awards of Mr. Yang Yuanqing under the long-term incentive program of the Company is of a value of US\$7,963,225 (or approximately RMB54,708,261). <i>(Note: The translation of RMB into USD is based on the exchange rate of RMB1.00 to USD0.145558 as at September 30, 2018 and is for information purposes only).</i></li><li>- Appointed as an independent director of Taikang Insurance Group Inc. with effect from August 22, 2018.</li></ul>
Mr. Zhao John Huan	<ul style="list-style-type: none"><li>- Resigned as a deputy chairman of Shanghai Environment Group Co., Ltd (Shanghai Stock Exchange listed) with effect from June 29, 2018.</li></ul>
Dr. Tian Suning	<ul style="list-style-type: none"><li>- Appointed as independent non-executive director of China Minsheng Banking Corp., Ltd (Hong Kong Stock Exchange listed and Shanghai Stock Exchange listed) with effect from June 21, 2018.</li><li>- Resigned as an independent director of Shanghai Pudong Development Bank Co., Ltd. with effect from March 14, 2018.</li></ul>
Mr. Gordon Robert Halyburton Orr	<ul style="list-style-type: none"><li>- Appointed as an independent non-executive director of Meituan Dianping (Hong Kong Stock Exchange listed) with effect from September 7, 2018.</li></ul>

Save as disclosed above, there is no other information to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

## COMPAL ELECTRONICS, INC. CEASED TO BE A CONNECTED PERSON OF THE COMPANY

Reference is made to the announcements of the Company dated May 22, 2015, September 9, 2015, April 1, 2016, March 31, 2017 and March 29, 2018 (the “Compal CCT Announcements”) and the news release of Compal Electronics, Inc. (“Compal”) dated August 7, 2018. Compal has ceased to be a substantial shareholder of LC Future Center Limited (“LCFC”), a non-wholly owned subsidiary of the Company, following the completion of the sale of its entire interest in LCFC, representing 49% of the total issued share capital of LCFC, to Hefei Zhi Ju Sheng Bao Equity Investment Co., Ltd. (合肥智聚晟寶股權投資有限公司) on August 31, 2018. As a result, Compal is no longer a connected person of the Company and the transactions contemplated under the Existing CCT Agreements (as defined in the Compal CCT Announcements) are no longer connected transactions of the Company.

## REVIEW BY AUDIT COMMITTEE

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

The Audit Committee of the Company has reviewed the unaudited interim results of the Group for the six months ended September 30, 2018. It meets regularly with the management, the external auditor and the internal audit personnel to discuss the accounting principles and practices adopted by the Group and internal control and financial reporting matters.

## COMPLIANCE WITH CORPORATE GOVERNANCE CODE

None of the directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not during the six months ended September 30, 2018, in compliance with the code provisions of the Corporate Governance Code and Corporate Governance Report (the “CG Code”) as set out in Appendix 14 to the Listing Rules, with the exception that the roles of the chairman of the Board (the “Chairman”) and the chief executive officer of the Company (the “CEO”) have not been segregated as required by code provision A.2.1 of the CG Code.

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

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

## COMPLIANCE WITH MODEL CODE

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules along with its guidance note to govern directors' securities transactions. Having made specific enquiry of the directors of the Company, all the directors of the Company have confirmed their compliance with the required standard set out in the Model Code and the guidance note at all applicable times during the six months ended September 30, 2018.

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.

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

November 8, 2018

## 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

Dr. Tian Suning

Mr. Nicholas C. Allen

Mr. Nobuyuki Idei

Mr. William O. Grabe

Mr. William Tudor Brown

Ms. Ma Xuezheng

Mr. Yang Chih-Yuan Jerry

Mr. Gordon Robert Halyburton Orr

Professor Shoucheng Zhang

### CHIEF FINANCIAL OFFICER

Mr. Wong Wai Ming

### COMPANY SECRETARY

Mr. Mok Chung Fu, Eric

### REGISTERED OFFICE

23rd Floor, Lincoln House, Taikoo Place  
979 King's Road, Quarry Bay, Hong Kong

### PRINCIPAL BANKERS

Bank of China

BNP Paribas

Citibank, N.A.

DBS Bank Ltd.

### INDEPENDENT AUDITOR

PricewaterhouseCoopers

*Certified Public Accountants*

22nd Floor, Prince's Building

Central, Hong Kong

### SHARE REGISTRAR

Tricor Abacus Limited

Level 22, Hopewell Centre

183 Queen's Road East, Hong Kong

### AMERICAN DEPOSITARY RECEIPTS

(Depositary and Registrar)

Citibank, N.A.

6th Floor, 388 Greenwich Street

New York, NY 10013, USA

### STOCK CODES

Hong Kong Stock Exchange: 992

American Depositary Receipts: LNVGY

### WEBSITE

[www.lenovo.com](http://www.lenovo.com)