联想控股
LEGEND HOLDINGS

BUILDING GREAT COMPANIES

(A joint stock limited company incorporated in the People's Republic of China with limited liability)

Stock Code: 03396

2019
ANNUAL REPORT

CONTENTS

Definitions

In this report, unless the context otherwise requires, the following terms shall have the meanings set forth below:

"ABS"	asset-backed securitization, a kind of tradable security based on basic assets (specific asset portfolio or cash flows), which is issued in the form of similar bonds
"associate(s)"	for the purpose of this report, all entities over which the Group has significant influence. Significant influence represents the power to participate in the financial and operational policy decision of the investees, but without control or joint control rights over these policies
"Audit Committee"	Audit Committee under the Board
"B2B"	business-to-business
"Better Education"	Better Education Group Corporation (三育教育集團股份有限公司), an exempted limited liability company incorporated under the laws of Cayman Islands, and our subsidiary
"BIL"	Banque Internationale à Luxembourg S.A., a credit institution in the form of a Luxembourg limited liability company (société anonyme) and our subsidiary
"Board"	board of directors of the Company
"Bybo Dental"	Bybo Dental Group Co., Ltd. (拜博醫療集團有限公司) (formerly known as Guangdong Bybo Dental Investment Management Co., Ltd. (廣東拜博口腔醫療投資管理有限公司), a limited liability company incorporated under the laws of the PRC, and our associate
"CAR"	CAR Inc., an exempted company incorporated in the Cayman Islands with limited liability and listed on the Main Board of the Hong Kong Stock Exchange (Stock Code:699), and our associate
"CAS Holdings"	Chinese Academy of Sciences Holdings Co, Ltd. (中國科學院控股有限公司), a substantial Shareholder
"China Oceanwide"	China Oceanwide Holdings Group Co., Ltd. (中國泛海控股集團有限公司), a substantial Shareholder
"Company", "our Company" or "Legend Holdings"	Legend Holdings Corporation (聯想控股股份有限公司), a joint stock limited liability company incorporated under the laws of PRC and its overseas listed shares are listed on the Main Board of the Hong Kong Stock Exchange (Stock Code: 03396)
"CSRC"	China Securities Regulatory Commission
"Director(s)"	the director(s) of the Company
"DMTO"	the technique for using coal or natural gas instead of oil for production of ethylene and propene

"Domestic Shares"	domestic share(s) in the ordinary share capital of the Company with the nominal value of RMB1.00 each
"EAL"	Eastern Air Logistics Co., Ltd. (東方航空物流股份有限公司), a joint stock limited liability company incorporated under the laws of the PRC, and our associate
"EOD"	ethylene oxide derivatives
"EVA"	ethylene-vinylacetate copolymer
"Golden Wing Mau"	Golden Wing Mau Agricultural Produce Corporation (深圳市鑫榮懋農產品股份有限公司), a large fruit supply chain enterprise in China. It is a joint stock limited liability company incorporated under the laws of the PRC, and a subsidiary of Joyvio Group
"Group", "our", "we" or "us"	our Company and all of its subsidiaries, or any one of them as the context may require or, where the context refers to any time prior to its incorporation, the business which its predecessors or the predecessors of its present subsidiaries, or any one of them as the context may require, were or was engaged in and which were subsequently assumed by it
"H Share(s)"	overseas listed share(s) in the ordinary share capital of the Company with a nominal value of RMB1.00 each, listed on the main board of the Hong Kong Stock Exchange and trade in HKD
"Hankou Bank"	Hankou Bank Co., Ltd. (漢口銀行股份有限公司), a joint stock limited liability company incorporated under the laws of the PRC, and our associate
"Hebei Hengshui Laobaigan"	Hebei Hengshui Laobaigan Liquor Co., Ltd. (河北衡水老白干酒業股份有限公司), a joint stock limited liability company incorporated under the laws of the PRC and listed on the Shanghai Stock Exchange (A Share Stock Code: 600559)
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Hony Capital" or "Hony"	a series of private equity investment funds, together with their respective management companies/general partner
"Hortifrut"	Hortifrut S.A., a limited liability company incorporated under the laws of Chile
"Huawen Food"	Huawen Food Co., Ltd. (華文食品股份有限公司), a joint stock limited liability company incorporated under the laws of the PRC, and our associate
"Internet"	a global network of interconnected, separately administered public and private computer networks that uses the Transmission Control Protocol/Internet Protocol for communications
"IPO"	Initial Public Offering
"IT"	information technology

"JC Finance & Leasing"	JC International Finance & Leasing Company Limited (君創國際融資租賃有限公司), a limited liability company incorporated under the laws of the PRC, and our subsidiary
"Joyvio Agriculture"	Joyvio Agriculture Development Co., Ltd. (佳沃農業開發股份有限公司) (formerly known as Wanfu Shengke (Hunan) Agriculture Development Co., Ltd. 萬福生科(湖南)農業開發股份有限公司) a joint stock limited liability company incorporated under the laws of the PRC, listed on the ChiNext board on Shenzhen Stock Exchange (A Share Stock Code: 300268), and a subsidiary of Joyvio Group
"Joyvio Group" or "Joyvio"	Joyvio Group Co., Ltd. (佳沃集團有限公司), a limited liability company incorporated under the laws of the PRC, and our subsidiary
"Kaola Technology"	Tibet Kaola Science & Technology Development Co., Ltd. (西藏考拉科技發展有限公司), a limited liability company incorporated under the laws of the PRC, and our subsidiary
"KB Food"	KB Food International Holding (Pte.) Limited, a limited liability company established under the laws of Singapore, and our subsidiary
"Lakala Payment"	Lakala Payment Corporation (拉卡拉支付股份有限公司) (formerly known as Lakala Payment Co., Ltd. (拉卡拉支付有限公司), a joint stock limited liability company incorporated under the laws of the PRC, and our associate, listed on the ChiNext Board of the Shenzhen Stock Exchange (A share stock code: 300773)
"Leap Wave"	Leap Wave Limited, a wholly-owned subsidiary of the Company
"Legend Capital"	a series of venture capital funds, together with their respective management companies/partners
"Legend Star"	a series of angel investment funds, together with their respective management companies/partners
"Lenovo"	Lenovo Group Limited (聯想集團有限公司), a limited liability company incorporated under the laws of Hong Kong and listed on the Main Board of the Hong Kong Stock Exchange (Stock Code: 992), and our subsidiary
"Lenovo Finance"	Beijing Lenovo Finance Co., Ltd. (北京聯想金服科技有限公司), a limited liability company incorporated under the law of the PRC, and our subsidiary
"Levima Group"	Levima Group Limited (聯泓集團有限公司), a limited liability company incorporated under the laws of the PRC, and our subsidiary
"Levima Advanced Materials"	Levima Advanced Materials Corporation (聯泓新材料科技股份有限公司) (formerly known as Levima New Materials Limited (聯泓新材料有限公司)), a joint stock limited liability company incorporated under the laws of the PRC, a subsidiary of Levima Group and our subsidiary

"Liquor Easy"	Henan Liquor Easy Commercial Corporation (河南酒便利商業股份有限公司), a joint stock limited liability company incorporated under the laws of the PRC, and our associate, listed on the NEEQS in 2016
"Listing Rules"	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange, as amended, supplemented or otherwise modified from time to time
"N/A"	not applicable
"NEEQS"	National Equities Exchange and Quotations System (全國中小企業股份轉讓系統), a platform established for the sale of existing shares or private placing of new shares by SMEs
"neurology specialist"	the collective term of the clinical discipline studying organic and functional diseases of central nervous system (brain, spinal cord). Clinically, the correspondent branch is neurosurgery and neurology depending on the types of disease and treatment methods
"Nine Masters"	Nine Masters (Shanghai) Catering Service Co., Ltd. (九橙(上海)餐飲服務有限公司), a limited liability company incorporated under the laws of the PRC and a subsidiary of Joyvio Group
"Nomination Committee"	Nomination Committee under the Board
"Oceanwide Group"	Oceanwide Group Co., Ltd. (泛海集團有限公司), a substantial Shareholder
"ordinary shares" or "shares"	ordinary shares issued by the Company
"PE"	private equity
"PP"	polypropylene
"Qingdao Starfish"	China Starfish Co., Ltd. (青島國星食品股份有限公司), a joint stock limited liability company incorporated under the laws of the PRC, and a subsidiary of Joyvio Agriculture
"Raycom Property"	Raycom Property Investment Co., Ltd. (融科物業投資有限公司), a limited liability company incorporated under the laws of the PRC, and our subsidiary
"Raycom Real Estate"	Raycom Real Estate Development Co., Ltd. (融科智地房地產股份有限公司), a joint stock limited liability company incorporated under the laws of the PRC, and our subsidiary
"Reporting Period"	for the twelve months ended December 31, 2019
"Remuneration Committee"	Remuneration Committee under the Board
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) as amended, supplemented or otherwise modified from time to time

"Shanghai Neuromedical Center"	Shanghai Neuromedical Center Co., Ltd. (上海德濟醫院有限公司), a limited liability company incorporated under the laws of the PRC, and our subsidiary
"Shanghai Stock Exchange"	Shanghai Stock Exchange
"Shareholders"	holders of the shares of the Company
"Shenzhen Stock Exchange"	Shenzhen Stock Exchange
"SME(s)"	small and medium-sized enterprise(s)
"Strategy Committee"	Strategy Committee under the Board
"subsidiary"	has the meaning ascribed thereto under the Listing Rules
"Supervisor(s)"	the supervisor(s) of the Company
"Taikang Life Insurance"	Taikang Life Insurance Co., Ltd.
"TMT"	technology, media and telecom
"Tohigh"	Tohigh Holdings Co., Ltd. (通海控股有限公司), a substantial Shareholder
"UCAR"	UCAR Inc (神州優車股份有限公司), a joint stock limited liability company incorporated under the PRC law and listed on the NEEQS in 2016
"Union Insurance"	Union Insurance Broker Group Co., Ltd. (聯保投資集團有限公司), a limited liability company incorporated under the laws of the PRC, and our associate
"VA"	vinyl acetate
"Xinguojiayuan"	Shenzhen Xinguojiayuan Modern Agriculture Co., Ltd. (深圳市鑫果佳源現代農業有限公司), a limited liability company incorporated under the laws of the PRC and a subsidiary of Joyvio Group
"Zeny Supply Chain"	Zeny Supply Chain Co., Ltd. (增益供應鏈有限公司), a limited liability company incorporated under the laws of the PRC, and our subsidiary
"Zhengqi Financial"	Zhengqi Financial Holdings Corporation (正奇金融控股股份有限公司) (formerly known as Zhengqi Anhui Financial Holdings Co., Ltd. (正奇安徽金融控股有限公司)), a joint stock limited liability company incorporated under the laws of the PRC, and our subsidiary

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. NING Min *(Chairman)*
Mr. LI Peng

Non-executive Directors

Mr. ZHU Linan
Mr. ZHAO John Huan
Mr. WU Lebin
Mr. SUO Jishuan
Mr. WANG Yusuo

Independent Non-executive Directors

Mr. MA Weihua
Mr. ZHANG Xuebing
Ms. HAO Quan
Mr. YIN Jian'an

BOARD OF SUPERVISORS

Supervisors

Mr. GAO Qiang *(Chairman)*
Mr. LUO Cheng
Ms. FENG Ling

NOMINATION COMMITTEE

Mr. NING Min *(Chairman)*
Mr. MA Weihua
Mr. ZHANG Xuebing
Mr. WANG Yusuo
Mr. YIN Jian'an

AUDIT COMMITTEE

Ms. HAO Quan *(Chairperson)*
Mr. ZHANG Xuebing
Mr. SUO Jishuan

REMUNERATION COMMITTEE

Mr. YIN Jian'an *(Chairman)*
Mr. NING Min
Ms. HAO Quan

SECRETARY OF THE BOARD

Mr. WANG Wei

JOINT COMPANY SECRETARIES

Mr. WANG Wei
Ms. YEUNG Yee Har

H SHARE REGISTRAR

Link Market Services
(Hong Kong) Pty Limited
Suite 1601, 16/F Central Tower,
28 Queen's Road Central,
Hong Kong

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor

COMPLIANCE ADVISOR

Somerley Capital Limited

REGISTERED OFFICE

Room 1701, 17/F, Block 1
Court No. 2, Ke Xue Yuan Nanlu
Haidian District, Beijing, PRC

HEAD OFFICE IN THE PRC

Room 1701, 17/F, Block 1
Court No. 2, Ke Xue Yuan Nanlu
Haidian District, Beijing, PRC

PRINCIPAL BANKS

China Construction Bank, Beijing Zhongguancun Branch
Bank of China, Beijing Branch
Agricultural Bank of China, Head Office
Industrial and Commercial Bank of China,
Beijing Branch

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

27/F, One Exchange Square, Central, Hong Kong

COMPANY'S WEBSITE

www.legendholdings.com.cn

STOCK CODE

03396

Dear shareholders of Legend Holdings,

The year 2019 was a special year for us, as it marked the 35th anniversary of Legend Holdings. Looking back on these 35 years, we have made some brave yet prudent moves, leading to groundbreaking changes in our business. In the first 15 years, we were dedicated to the IT business; in the following decade, we extended into the financial investment sector; in the past decade, we have been exploring the diversified investment holding model. All the changes are made based on the comprehensive evaluation and prudent decision by the Board of Directors and the management, including analysis of the external environment, industry development trend, and more importantly, assessment on our long-term value, organization ability and human resources system. Thirty-five years is only a drop in the ocean of time, but I believe as a Chinese company of independent business startup and development, Legend Holdings has accumulated some experience worth sharing in innovating the shareholding structure, management philosophy and corporate culture. Our exploration in these aspects has laid a solid foundation for the smooth leadership transition was completed this year, marking another milestone in the company history.

Handover at the helm

On December 18, 2019, Mr. Liu Chuanzhi and Mr. Zhu Linan stepped down as Chairman and President of Legend Holdings and handed the helm to Mr. Li Peng and me.

Mr. Liu Chuanzhi is the founder and architect of Legend. In 1984, Mr Liu led the entrepreneurial team of Legend and seized the opportunities brought by the reform and opening up, composing a prelude to Legend's development. Mr. Liu is one of the witnesses and pioneers of China's technology industrialization. Under his leadership, Legend has made rewarding attempts in "international operation" and "diversified investment". As the founder of Legend's lasting cause, he has placed particular emphasis on building institutions and mechanisms, refining management rules, and forging corporate culture, and strived to create a platform for young employees where only the sky is the limit, paving the way for Legend's long-term development. Mr. Liu has also set an example for other entrepreneurs on exerting good social influence. With profound patriotism, he earnestly practices the commercial civilization as he advocates, supports private entrepreneurs and leads the Company to fulfill its corporate social responsibility. Wherever he is, he gives out positive energy. Mr. Zhu Linan is the main force that has driven and realized many strategic transformations and upgrades of Legend. Together with Mr. Liu, he founded the investment arm of the Company; based on his insight and experience in business operation and investment, he invented the "two-wheel-drive" business model between strategic investments and financial investments, enabling a continuous evolution of the Company's strategies and businesses. Besides, Mr. Zhu has helped Legend build new capacities in investment, post-investment management, organization and human resources. On behalf of the Board of Directors, I would like to express the sincerest gratitude towards Mr. Liu Chuanzhi and Mr. Zhu Linan for their contributions to Legend.

This is a vital leadership transition between the two generations of Legend Holdings, yet the new march has just begun. It is an honor for me to witness and join in this exciting cause. Today Legend Holdings already has strong mechanisms, managerial and cultural foundations, good business presence, and a rich talent pool. Looking into the future, we are thinking over two important questions: what to uphold and what to innovate.

What to uphold and what to innovate

The most important things to uphold are our original aspiration, the Legend-style management philosophy and corporate culture.

In the past 35 years, Legend Holdings has been committed to serving our country by boosting industrial development. From Lenovo Group, the first to lift up the banner of national industry, to venture capital, CEO training and angel investment made by Legend Holdings, we have been active in promoting the commercialization of China's high-tech companies. Today, however, Legend Holdings is still generations away from the noble vision of "building leading enterprises in multiple industries with global influence". We will continue to formulate and implement strategies in phases and march towards our vision step by step.

Our diversified shareholding structure and modern corporate governance, the result of the shareholding reform, have laid a solid institutional foundation for the Company's long-term development. The "Three Elements of Legend-style Leadership", namely, forming the core leading group, setting strategies, and building the team, have repeatedly proved effective in steering our own development and in supporting our portfolio companies, regarded as universal management rules to some extent. "Giving top priority to the Company's interests and staying pragmatic, ambitious and people-oriented" are our core values, and "extremely clear purpose, phased implementation and business review" is our methodology. These two aspects have fostered Legend's tenacity to be "humble in success and gracious in defeat". Under the leadership of the Board, the management will continue to build on top of these treasures accumulated in practice over the years and incorporate them into our investment holding business, bringing our strategies and businesses to a higher level.

In this ever-changing world, the macro political and economic situation is full of uncertainties, the constant swing between "conflict" and "reconciliation" is also likely to alter choices at both micro and macro levels, and the advancement in science and technology is reshaping our understandings of the world, consumption behavior and driving business innovations. Facing the unknown and all these changes, we are enclosed by a sense of urgency and crisis all the time. While upholding the fine traditions, what should we do to ensure a healthy, sustainable corporate development? And what innovative breakthroughs should we make to create new value? These are the two imperative issues for us, to answer which we will focus on two aspects: strategies and people.

At the strategic level, we will continue to steadily advance work on all fronts in accordance with existing strategies. Meanwhile, we will draw experience and lessons objectively, embrace internal and external changes with open-mindedness and acuteness, continue to deepen our understandings about the diversified investment holding business, and formulate innovation-oriented strategies in the future. To this end, the Board has formed a strategy committee to study and review the Company's mid-to-long-term strategies and major investment decisions, as well as assist in major strategic decisions. Mr. Liu Chuanzhi and Mr. Zhu Linan will sit on the committee and play their part in the making of future strategies.

As to people, we have formed a new core management team in the prime of their life with innovative spirit and international background. The Board will encourage them to learn, grow and mature as fast as they can. We will make big breakthroughs in organizational development and employee training, improve the organization to dynamically adapt to strategic business needs, and stimulate organizational vitality through incentives and corporate culture. We hope that each and every of our employees will work like an "engine" to inject their individual pursuits into the Company's long-term development.

The year 2020 marks the first year for the new management team and the closing year of the current strategic cycle of the Company. At the threshold of a new strategic cycle, the existing business still needs optimizing, while challenges might come up anytime on the way. But as always, we will continue to pursue long-term development and consolidate business fundamentals.

Tackle challenges and consolidate fundamentals

In 2019, Lenovo Group, BIL, Joyvio Group and Levima Advanced Materials all registered a good record, meeting our expectation for their value and role as business pillars; our financial investment platforms Legend Capital and Legend Star continued to launch fund-raising and value added services in the primary market, generating cash flows back into Legend Holdings; Lakala got listed on the ChiNext Board and saw remarkable growth in profit and value; and we strengthened the intra-synergy of the Legend family and realized the win-win cooperation among the portfolio companies. But we must be aware of the challenges facing our business as a whole: our financial service segment is not deft enough to adjust effectively to the new regulatory policies and ever-changing macro-environment; the valuation changes of some financial investment projects have significant negative impacts on our balance sheet; and we still need to polish up our ability to manage and smoothen the value fluctuation of the investment portfolio.

When China was hit by the COVID-19 outbreak in early 2020, Legend Holdings responded swiftly to help fight the epidemic. Many of our subsidiaries sent the best professionals to the frontline of epidemic control across the country, contributing their expertise and fulfilling social responsibility. For example, Lenovo Group supplied IT equipment and technical services for Huoshenshan and Leishenshan Hospitals in Wuhan immediately after the outbreak; Joyvio Group delivered fresh fruits and sea food to Hubei Province; EAL shipped epidemic prevention materials; Shanghai Neuromedical Center was the first private hospital in Shanghai to send a medical assistance team to Wuhan; Lakala earmarked three billion yuan to mitigate the liquidity crunch of micro, small and medium-sized enterprises hit by the outbreak; and many medical enterprises in the portfolio of Legend Capital and Legend Star were battling the coronavirus on the frontline … However, it is inevitable that COVID-19 will cause impacts on our portfolio companies in the short term and some pressure on the operation of our investment sectors including SME finance, medical services, education, travel, agriculture & food and logistics.

Nevertheless, we believe that the temporary epidemic will not jeopardize the long-term growth of China's consumer group, their consumption demand and spending power, will not reverse the development trend of China's supply chain, and will not drain China's gigantic pool of high-quality professionals. "If you look farther or from high above, the sea will look calmer," as an ancient Chinese scholar advised. Likewise, taking a long-term view, we have full confidence in the potential, momentum and resilience of China's economic fundamentals.

This year, we will actively respond to the current extraordinary circumstances caused by the outbreak, track the business operation, assess the situation in a dynamic manner, and closely follow the latest government policies. We will also go all out to manage our investment and tide our portfolio companies over the crisis while helping them with summaries, reviews, and necessary guidance on transformation and upgrading. Meanwhile, we will conduct a thorough review on the previous strategic cycle as planned and lay down the goals and paths for the next cycle. In the past decade, we have travelled a bumpy road in the exploration of diversified investment holding business. Along the way we have calibrated strategic investment to certain industries, built pillar business, and nurtured some competitive enterprises and investment platforms in our investment portfolio. But challenges remain: how can we help our portfolio companies better cope with risks and changes and make great leaps forward? How can we adjust our investment portfolio more flexibly to keep our business layout in pace with the times? And how can we increase our portfolio value and win market recognition? Whenever there is a crisis, there is an opportunity. We have noticed the consumer behavior changes forced by the epidemic. Internet-based services are diversifying and extending into more scenarios such as online education, telemedicine, telecommuting and intelligent upgrading of the manufacturing industry, all with soaring market demands. Moreover, the Internet of Everything promotes cloud computing and gives birth to edge computing. More scenarios for the 5G commercial use will emerge, incubating "unicorns" of the new era. Following these new changes will surely enrich our reference frame and broaden our horizon in formulating the new strategy.

As long as we are better prepared and have a stronger footing than others, we will go farther at steady paces. On the way forward, with the deeply-rooted mechanisms, corporate culture and like-minded team, Legend Holdings will definitely create a future with distinct possibilities.

Last but not least, I would like to express a heartfelt gratitude to our shareholders for the constant support, and to the management and employees for the full dedication and brilliant job!

Legend Holdings Corporation
Ning Min
Chairman of the Board

CEO Statement

The year 2019 is complicated and ever-changing, but China's economy has retained its resilience despite the changes and uncertainties in both internal and external environments. The technology innovations and consumption upgrading have boosted the industrial restructuring and optimization, injecting new energy into a sustainable economic development and creating opportunities for the quality growth of enterprises. This requires enterprises to take a comprehensive and prudent approach in evaluating the resource allocation and risks, together with a more systematic thinking about future strategies.

During the Reporting Period, Legend Holdings upheld our business philosophy of seeking long-term development and stable operation. Though the net profit attributable to equity holders of the Company declined, the strategic investments saw the upbeat performance of several portfolio companies with sound fundamentals for growing into pillar assets, thanks to years of business investment and operational improvement. Meanwhile, the financial investments presented good results and contributed a significant amount of cashback to Legend Holdings.

OPERATIONAL HIGHLIGHTS

We reinforced the efforts to build pillar assets and made progress in advancing the strategic development of key portfolio companies. We regard building pillar assets as our primary strategic task. In 2019, we continued to support several key portfolio companies in marching toward their core strategic objectives and achieved excellent performance.

- Lenovo has accelerated its intelligent transformation by implementing the 3S strategy (smart Internet of Things, smart vertical, and smart infrastructure), paving a new way for long-term sustainable growth. In 2019, thanks to its outstanding operation and strong strategic execution, Lenovo delivered a record high performance, with the record-high pre-tax income and RMB1.608 billion of net profit attributable to equity holders of the Company. In particular, its PC and smart device business continued to lead the industry with a record high pre-tax income rate. In addition to business growth, Lenovo has made strategic investments in such areas as telecommunications, edge computing and artificial intelligence, making steady progress in exploring and nurturing future growth opportunities.

- BIL also did a brilliant job in the first full fiscal year after Legend Holdings' acquisition. Its retail banking, corporate banking and wealth management all recorded good results. The assets under management increased by 10.3% year on year to EUR43.5 billion, and profit before tax from core businesses increased by 20% year on year to EUR136 million. The CET-1 ratio rose to 12.47%. BIL has formulated the new five-year strategic plan "Together 2025", in which its new businesses in China will become a strategic focus. In September 2019, BIL opened its Beijing Representative Office; in October, it obtained the approval from European and Hong Kong regulators for acquiring a Hong Kong-based wealth management platform. An international service network of BIL is taking shape connecting Luxembourg, Beijing, the Greater Bay Area and Switzerland.

- In 2019, Joyvio Group took another step forward in establishing a business presence along the whole industrial chain with global footprint. Joyvio Agriculture, its high-end animal protein operating platform, acquired a Chilean salmon asset, turning the first Chinese company to acquire high-quality salmon upstream assets overseas. The deal has allowed Joyvio Agriculture to consolidate and substantially enhance its control over upstream high-quality resources in short supply and to further expand its domestic distribution channels. The fruit supply chain platform Joy Wing Mau further consolidated its leading position in the industry and successfully built up the high-end fruit brand "Joyvio" with extensive brand influence in China. Joy Wing Mau filed for domestic IPO counseling in September 2019. Joyvio Group's annual revenue increased by 21% year on year, and net profit attributable to equity holders of Legend Holdings increased by 12% year on year.

- In 2019, Levima Group saw its profit increase by 147% year on year to RMB523 million, the highest since it was put into full production. In the past year, Levima Advanced Materials has actively extended to the upstream and downstream value chain, acquiring 17.5% equity interest of Xinneng Fenghuang (Tengzhou) Energy Co., Ltd., a methanol supplier in the upstream, and 51.01% equity interest of Jiangsu Chaoli Electric Co., Ltd., a downstream water-reducing agent producer, thus creating an initial presence along the industrial chain. Levima is a greenfield investment cultivated all by Legend Holdings. A green hand in the chemical industry, Levima has grown into what it is today thanks to the professional management team and the commercialization of the technologies and resources from China Academy of Sciences (CAS), demonstrating Legend Holdings' ability of developing successful businesses. Levima is actively preparing for its A-share listing. It will further integrate the advantages given by CAS and make new breakthroughs in the downstream fine chemicals.

- Lakala was listed on the ChiNext Board and saw rapid growth in performance and value. Lakala is one of the successful "two-wheel-drive" examples between Legend Holdings and Legend Capital. Legend Holdings is its single largest shareholder. Lakala went public on the ChiNext Board on April 25, 2019, becoming the first A-share public third-party payment company. In 2019, the net profit attributable to its shareholders increased by 34% year on year to RMB806 million, and its fast-growing market capitalization also boosted the fair value of the equities we hold in it.

The financial investments emphasized the backflow of resources by capturing the right window, and the fund management platforms successfully raised funds, bucking the market recession. The financial investments segment plays a key role in our overall resource allocation and is one of our core means to realize investment returns. In 2019, facing the capital market turmoil and the cooling down of the primary market, the three financial investment platforms sized up the situation, slowed down the investment pace, and exited from their projects in a timely and decisive manner, generating over RMB5 billion of cash back. Meanwhile, Legend Capital and Legend Star bucked the market trend to raise funds and attracted investors by virtue of their excellent track records and reputation.

- Legend Capital newly raised two USD funds and one RMB fund in 2019, namely, the 8th USD fund, the 2nd USD medical fund, and the 3rd RMB TMT innovation fund. The total amount raised during the Reporting Period stood at RMB9.391 billion, with the newly raised amount of over RMB4.2 billion. During the Reporting Period, Legend Capital completed investments in 29 new project and full or partial exits from 40 projects. In 2019 alone, it created nearly RMB10 billion cashback for its LPs and over RMB2 billion for Legend Holdings. In 2019, 10 portfolio companies of Legend Capital went IPO and got listed.

- Legend Star maintained steady growth in 2019. It has forged competitiveness and influence in frontier technologies and healthcare. In 2019, Legend Star kicked off the fundraising and finished the first closing of the 4th RMB fund and the 4th USD fund. The number of follow-up financing and post-investment value growth both registered new records. Nearly 60 projects had follow-up financing during the Reporting Period and almost 20 projects were exited.

- Hony Capital completed the final closing of its cultural industry fund, and the 3rd property fund sent the notice for the first closing. Hony Horizon launched together 4 new funds. Investments sand project exits were conducted in an orderly manner, contributing over RMB1.2 billion to Legend Holdings.

Collaboration within the portfolio was strengthened, leading to win-win cooperation among portfolio companies. During the Reporting Period, we promoted the intra-portfolio synergy to a strategic level. For example, BIL and Legend Capital teamed up to establish the BIL PE Fund of Funds, which raised about USD43 million from BIL's wealth management clients to invest in three VC funds of Legend Capital, offering the clients products and opportunities to invest in the Chinese equity market. Joyvio Group and EAL also stepped up the cooperation in international high-end fresh food transportation. For example, EAL can help ship high-end seafood products such as lobsters of KB Food, an Australian seafood company under Joyvio Group, directly from the place of origin to improve the delivery efficiency and survival rate.

Facing a challenging external environment, the risk awareness and resilience cannot be overemphasized to preserve a company's long-term competitiveness. In 2019, ensuring safe and steady business operation was our top priority. The Head Office has strengthened its diverse financing ability, introduced flexible and innovative financing means, and opened unimpeded financing channels at home and abroad. By the end of the Reporting Period, our cash reserve stood at RMB62.3 billion, and the unused bank line of credit of the Head Office stood at RMB89.2 billion, sufficient to meet the demand for business development. Meanwhile, we encourage and help our portfolio companies to improve their own financing capacity and raise funds by such means as spin-off and listing as well as issuing innovative financial products.

BUSINESS REVIEW

In 2019, our revenue stood at RMB389.218 billion, up by 8% year on year, mainly contributed by the growth of IT, financial services, and agriculture and food segments. Net profit attributable to equity holders of the Company stood at RMB3,607 million, down by 17% year on year: specifically, the contribution from strategic investments dropped by 22% year on year to RMB4,095 million, while that from financial investments increased by 68% year on year to RMB906 million.

- Revenue of the IT segment increased by 8% year on year to RMB357.212 billion, and net profit attributable to equity holders of the Company increased by 48% to RMB1.608 billion, a record high driven by Lenovo's strategy implementation and operation improvement;

- Revenue of the financial services segment increased by 27% year on year to RMB8,815 million, mainly contributed by the consolidated revenue of BIL in the whole year of 2019; net profit attributable to equity holders of the Company dropped by 19% year on year to RMB2,076 million, mainly due to the strategic downsizing of businesses of companies in the segment and the fair value changes of relevant portfolio companies;

- Revenue of the innovative consumption and services segment decreased by 30% year on year to RMB905 million, mainly due to the deconsolidation of Bybo Dental's revenue since it was transformed into an associate of the Company; net loss attributable to equity holders of the Company was RMB295 million, basically equal to that of 2018 on the operational level (excluding the one-off gains from the equity financing of Bybo Dental in 2018);

- Revenue of the agriculture and food segment increased by 21% year on year to RMB15.695 billion, mainly contributed by Joy Wing Mau and the newly consolidated revenue from the acquisition of the Chilean Australis project; net profit attributable to equity holders of the Company increased by 10% year on year to RMB230 million;

- Revenue of the advanced manufacturing and professional services segment decreased by 6% year on year to RMB5.947 billion, mainly due to the supply chain business adjustments; net profit attributable to equity holders of the Company increased by 82% year on year to RMB476 million, mainly driven by the growth of Levima Advanced Materials;

- Net profit attributable to equity holders of the Company of the financial investments segment increased by 68% year on year to RMB906 million. Though the portfolio value of Legend Star and Legend Capital increased in 2019 and contributed considerable realized gains, the fair value downgrade of certain projects offset the aforementioned gains.

OUTLOOK

The COVID-19 and capital market turmoil at the beginning of 2020 have compounded the challenges and uncertainties of the business environment. While ensuring prevention and fight against the disease, Legend Holdings immediately provided support to the portfolio companies, helping them to make dynamic assessments on the business operation and to adopt measures to survive the epidemic. In 2020, Legend Holdings will continue to consolidate and refine the current businesses, and will also dynamically formulate work plans for the next few years based on the external business environment and the proprietary resources.

We will accelerate building pillar assets. Lenovo Group is always a pillar asset of Legend Holdings, while BIL, acquired in 2018, has provided important support from assets and profits; Joyvio Group has taken initial shape in the main businesses, and Levima New Materials has begun to make a deep dive into fine chemicals. Both Joyvio and Levima are preparing to raise more fund from the capital market and to release their value. We are confident to build new business pillars and leading companies in niche markets in finance, agriculture and food, and new materials other than IT.

We will further focus on main businesses and accelerate the backflow of resources. In 2020, based on the external environment and the Company's resource allocation needs, Legend Holdings will further focus on the main businesses. We will also exit from some portfolio companies to enable more backflow of resources and to accumulate resources for the upcoming business layout in the new strategic cycle.

We will continue to build up the synergy under the "two-wheel-drive" model. Our strategic investments have formed some industry focuses, and the financial investments platforms have accumulated in-depth industry insights and project resources in multiple sectors. This makes it possible for us to source from the portfolio companies under financial investments the projects in line with strategic investment standards with higher success probability, particularly in TMT, artificial intelligence, healthcare, high-end manufacturing and other specific sectors.

Meanwhile, with the "two-wheel-drive" model, the portfolio companies have built extensive commercial networks in common, which is also the unique advantage of our value-added services. We will establish internal mechanisms to commercialize this advantage to create cooperation between our portfolio companies, to reduce the cost of communication, to realize the real returns, and to strengthen Legend Holdings' business framework.

We will make greater efforts in team building. Talent is the most important asset of a company. At the end of 2019, we completed the leadership transition and formed the new core leadership. By means of recruitment, cultivation and optimization, we will probe into the business logics, reform the corresponding performance appraisal and incentives, optimize the organizational structure, and build an outstanding management and professional team to create the core competitiveness for the Company's future sustainable development.

Legend Holdings Corporation
LI Peng
Executive Director and Chief Executive Officer

Revenue contributions from the Group's businesses

Unit: RMB million

	2019	2018	Change in amount	Change %
Strategic investments	**388,574**	358,301	30,273	8%
IT	**357,212**	330,780	26,432	8%
Financial services	**8,815**	6,962	1,853	27%
Innovative consumption and services	**905**	1,288	(383)	(30%)
Agriculture and Food	**15,695**	12,940	2,755	21%
Advanced manufacturing and professional services	**5,947**	6,331	(384)	(6%)
Financial investments	**704**	651	53	8%
Elimination	**(60)**	(32)	(28)	N/A
Total	**389,218**	358,920	30,298	8%

Net profit contributions attributable to equity holders of the Company from the Group's businesses

Unit: RMB million

	2019	2018	Change in amount	Change %
Strategic investments	**4,095**	5,223	(1,128)	(22%)
IT	**1,608**	1,085	523	48%
Financial services	**2,076**	2,567	(491)	(19%)
Innovative consumption and services	**(295)**	1,099	(1,394)	(127%)
Agriculture and Food	**230**	210	20	10%
Advanced manufacturing and professional services	**476**	262	214	82%
Financial investments	**906**	540	366	68%
Unallocated	**(1,390)**	(1,401)	11	N/A
Elimination	**(4)**	–	(4)	N/A
Total	**3,607**	4,362	(755)	(17%)

Asset allocation of the Group's businesses

Unit: RMB million

	2019	2018	Change in amount	Change %
Strategic investments	**544,159**	484,418	59,741	12%
IT	**230,079**	202,593	27,486	14%
Financial services	**271,978**	250,982	20,996	8%
Innovative consumption and services	**7,007**	6,335	672	11%
Agriculture and Food	**24,378**	13,221	11,157	84%
Advanced manufacturing and professional services	**10,717**	11,287	(570)	(5%)
Financial investments	**64,299**	60,833	3,466	6%
Unallocated	**19,456**	17,969	1,487	8%
Elimination	**(3,839)**	(4,953)	1,114	N/A
Total	**624,075**	558,267	65,808	12%

Business Review

For the year ended December 31, 2019, Legend Holdings realised a revenue of RMB389.218 billion, representing an increase of 8% as compared with the corresponding period of last year; the net profit attributable to equity holders of the Company amounted to RMB3,607 million, representing a decrease of 17% as compared with the corresponding period of last year. The strategic investment segment recorded positive revenue growth in 2019, of which the revenue from IT, financial services and agriculture and food recorded a remarkable increase. The change in the net profit attributable to equity holders of the Company was due to the followings: 1) the decrease in the net profit attributable to equity holders of the Company from innovative consumption and services segment, which was mainly due to the investment gains generated from the strategic introduction of Taikang Life Insurance as the controlling shareholder of Bybo Dental in the corresponding period of last year; 2) the decrease in the net profit attributable to equity holders of the Company from financial services segment, which was mainly due to the strategic downsizing of businesses of companies in the segment and the fair value changes of relevant portfolio companies; 3) the significant increase in Lenovo's net profit attributable to equity holders of the Company, which was mainly due to the increasing proportion of high growth and high premium products in the sales portfolio of PCSD, leading to higher profit margin of Lenovo.

Strategic Investments

IT

We engage in IT businesses mainly through our subsidiary Lenovo. Lenovo is a Fortune Global 500 company which develops, manufactures and sells high-end technology products and provides related services to corporate and individual consumers. As of December 31, 2019, we held 29.10% equity interest in Lenovo.

Lenovo set new performance records on the back of strong operational excellence and strategy execution in the fourth quarter of 2019 and delivered the highest pre-tax profit in its history. Specifically, the PC and Smart Device (PCSD) business achieved record-breaking pre-tax margin, while Mobile Business Group (MBG) remained profitable. Data Center Group (DCG) continued to improve. In addition to maintaining growth, Lenovo made steady progress in exploring and developing future growth opportunities. The 3S (Smart IoT, Smart Verticals, and Smart Infrastructure) strategy is accelerating Lenovo's Intelligent Transformation and is paving a new path towards delivering long-term sustainable growth.

During the Reporting Period, the revenue and net profit of IT segment are set out as follows:

Unit: RMB million

	2019	2018
Revenue	**357,212**	330,780
Net profit	**6,026**	3,787
Net profit attributable to equity holders of Legend Holdings	**1,608**	1,085

During the reporting period, the IT segment's revenue increased by 8% year over year to record high RMB357,212 million, and net profit attributable to equity holders of Legend Holdings increased by 48% year over year to RMB1,608 million. The profit growth is mainly contributed by the improvement of gross margin thanks to the continued sales mix shift of PCSD into high growth and premium segments, consecutive profitability of MBG, and the reduced losses of DCG.

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

In the fourth quarter of 2019, the PCSD business was not only the largest PC brand in the world with a 24.8% market share but also the sector leader in terms of profitability. The PC business continued its growth trajectory in the fourth quarter of 2019 with an all-time high revenue and shipments on a quarterly basis, despite severe shortages of a key component. The success of this business is rooted in its execution, which enabled a strategic shift towards high-growth and premium segments. PCSD enjoyed double-digit revenue and shipment growth across the Workstation, Thin and Light, Visual, and Gaming PC segments. These high-growth and premium segments now contribute over half of the business' top-line scale. Together with a higher attach rate for its highly profitable Software and Services offerings, PCSD further expanded its industry-leading profitability to set a record pre-tax margin of 6.2% in the fourth quarter of 2019.

Intelligent Devices Group – Mobile Business Group (MBG)

Lenovo's mobile business has continued its focused strategy to invest and develop in regions and/or countries where it has notable competitive advantages. Leveraging this focused strategy, the MBG business again delivered on its promise, marking its fifth profitable quarter in a row. Operations in its biggest core market, Latin America, remained robust and the region's pre-tax margin further expanded. However, the business' performance in other geographical markets faced challenges arising from shortage of components.

Data Center Group (DCG)

During the reporting period, the primary challenge to the DCG business was in the hyperscale segment where the commodity price correction has negatively impacted average selling prices (ASP). There was also softness in demand from its hyperscale customers.

In the fourth quarter of 2019, the DCG Group staged a notable improvement from a multiple-quarter setback with a double digit percent shipment growth year-on-year on products including servers, its traditional core business, and storage.

Despite challenges in the hyperscale segment, the business reported double-digit year-on-year growth in the second half of 2019 for its non-hyperscale segment. The most notable success is seen in Data Center Infrastructure (DCI), Software Defined Infrastructure (SDI), storage, and Software and Services. The DCI business resume growth year-on-year in the second half of 2019 as DCG in China seized the opportunity to broaden its sales coverage and product portfolio. Its storage revenue grew at a strong, double-digit rate in the second half of 2019 thanks to the NetApp Joint Venture and new product growth in entry- and mid-range flash arrays. SDI sales also increased at a strong double-digit rate year-on-year in the second half of 2019 as its product performance helped win market share. The robust growth of Software and Services business was driven by an increasingly diversified portfolio and strength in selective regional markets such as China.

The strategy to focus on profitability protection continued to pay off for the DCG business, allowing it to balance between return on investment and the need to build a sustainable and profitable business model via additional investments. The reduced losses were achieved despite investments into expanding product portfolio and pursuing growth opportunities in Telecom, Edge computing and Artificial Intelligence.

Outlook

Macro risk factors, especially the outbreak of the Novel coronavirus, could bring short-term volatility and challenges. Nevertheless, given its extensive global footprint, the company is well positioned to address the supply challenges by leveraging its strength as a global company with worldwide manufacturing capabilities and supply chain efficiency. Lenovo's immediate priorities remain the welfare and health of its workforce, continuity of manufacturing and rebuilding capacity, working with its supply chain to drive recovery and assisting those working to contain the outbreak. The Group is leveraging the full strength of its global manufacturing and distribution networks to minimize any potential impact on its customers. Demand in China is expected to rebound after stabilization of the coronavirus outbreak, and new demand drivers could emerge to bode well for the businesses.

Lenovo will continue to target premium-to-market revenue growth and thereby industry-leading profitability in its PCSD business through further expansion in the high-growth and premium segments. Building capabilities to drive sales growth in software and services will also remain a key strategy focus. For its Mobile business, Lenovo will further strengthen its competitiveness in target markets to sustain profitable growth while extending its technology leadership.

The improvement of DCG business is at an early stage. The trend of data growth is expected to accelerate and fuel growth in sales for DCG business following the debut of more products and applications featuring new technologies including 5G. Lenovo will tap into this opportunity to drive continued revival of its hyperscale business and to forge its DCG business as a full stack industry leader through the introduction of solution capabilities and a reliable end-to-end product portfolio.

Moving forward, Lenovo will continue to drive growth in enterprise servers, Software Defined Infrastructure, storage, and services and software. For hyperscale business, Lenovo will leverage its differentiated in-house design and manufacturing capability to expand product coverage from the heritage server products to storage, and broaden its customer base to build a profitable business model in the future.

Financial Services

Overview

Our subsidiaries and associates in the financial services mainly include:

- Banque Internationale à Luxembourg S.A. (BIL), our subsidiary, mainly provides comprehensive banking services, including corporate and institutional banking, retail banking, private banking, capital markets and other businesses;

- Zhengqi Financial, our subsidiary, mainly provides SMEs with comprehensive financial solutions such as direct loans, financial leasing, commercial factoring and equity investments;

- JC Finance & Leasing, our subsidiary, mainly provides financial leasing services;

- Kaola Technology, our subsidiary, mainly provides innovative financial services;

- Lakala Payment, our associate, mainly provides services such as payment technology, financial technology, e-commerce technology, information technology, etc. for micro, small and medium businesses;

- Hankou Bank, our associate, mainly engages in commercial banking services; and

- Union Insurance, our associate, mainly provides insurance brokerage and related services.

During the Reporting Period, the global economic growth slackened, leading to uncertainties both domestically and abroad. In the face of the changes from the external environment, we have scaled up our overall support and provided strong power to our portfolio companies in the financial industry. At the same time, we pay close attention to the portfolio companies' strategy risk, credit risk, liquidity risk, investment risk, etc., so as to help them enhance the overall risk management system and capacities.

Meanwhile, we actively facilitate our portfolio companies to go public. During the Reporting Period, Lakala Payment successfully got listed on the ChiNext Board of Shenzhen Stock Exchange.

In the future, based on our industrial resources and technology advantages, we will continue to promote the development of the financial segment from several aspects: first, to maintain our existing businesses and to consolidate their advantages; second, to further optimize our investment portfolio in the financial services segment with further strategic focus; third, to promote synergic development of our financial businesses to consolidate our overall competitiveness.

During the Reporting Period, the revenue and net profit of the financial services segment are set out as follows:

Unit: RMB million

	2019	2018
Revenue	**8,815**	6,962
Net profit	**2,294**	2,896
Net profit attributable to equity holders of Legend Holdings	**2,076**	2,567

During the Reporting Period, the revenue from the financial services segment of Legend Holdings increased from RMB6,962 million in the corresponding period of last year to RMB8,815 million, representing an increase of approximately 27%, which was mainly attributable to the increase in revenue resulting from the consolidation of the financial statements of BIL. Net profit of the financial services segment decreased from RMB2,896 million in the corresponding period of last year to RMB2,294 million, representing a decrease of 21% year on year, which was mainly attributable to the strategic downsizing of businesses of companies in the segment and the fair value changes of relevant portfolio companies.

Operating Highlights:

- BIL recorded good results in its retail, corporate and wealth management businesses. The assets under management of BIL reached EUR 43.5 billion, representing a year-on-year increase of 10.3%, while customer deposits and loans recorded a 10% year-on-year growth. The pre-tax profit from core businesses (excluding non-recurring items) of EUR 136 million, marking a 20% year-on-year growth despite all difficulties caused by the negative interest rate policy of the European banking sector. The Core Equity Tier 1 ratio of BIL improved to 12.47%. During the Reporting Period, BIL has furthered its strategic move in China, established teams specializing in serving Chinese customers in Luxembourg and Switzerland respectively, and set up the Beijing Representative Office, and gained the regulatory approval for its acquisition of a wealth management company in Hong Kong. In the future, an international service network linking up Luxembourg, Beijing, the Guangdong-Hong Kong-Macao Greater Bay Area and Switzerland will be formed to provide Chinese customers with a global and diversified package of financial services.

- Lakala Payment completed its initial public offering and listing on the ChiNext Board of the Shenzhen Stock Exchange on April 25, 2019. Lakala has grown into a leading enterprise in the domestic payment industry with strong customer reach, product innovation and technology research and development capabilities. With the implementation of its Strategy 4.0, the merchant operation business will become a second essential engine next to the payment business to support the rapid growth of Lakala. During the Reporting Period, Lakala achieved rapid growth in performance, as the 2019 net profit attributable to shareholders of Lakala reached RMB806 million, representing an increase of 34.45% compared with the corresponding period last year.

BIL

After the closing of the acquisition of BIL on July 2, 2018 and a capital increase in December 2019, we held 89.98% equity interest in BIL as at December 31, 2019. The Bank's shareholders approved the capital increase of EUR 58 million to support the implementation of the new strategic five-year plan "Create Together 2025". This will allow BIL to boost its commercial activities, including the loan portfolio, and to further grow its business in selected international markets. The new shares were issued to the existing shareholders in proportion with the capital represented by their shares.

Founded in 1856, BIL is one of the oldest financial institutions in Luxembourg. It has always played an active role in the main stages of Luxembourg's economic development. It is the third-biggest bank in Luxembourg in terms of market share and is recognized as systemically important by the European Central Bank, with a total balance sheet size of EUR 28.1 billion as of the end of 2019. Employing more than 2,000 people, BIL is present in the financial centers of Luxembourg, Switzerland (since 1984), Denmark (since 2000), the Middle East (since 2005) and Beijing (since 2019).

Legend Holdings and BIL intensified their cooperation after the launch of the private equity fund "BIL PE I" in collaboration with BIL and Legend Capital. Wealth management remains a key factor in the development of BIL's China strategy, and in early 2019, two dedicated wealth management China desks were opened in Luxembourg and Switzerland. In September 2019, BIL became the first Luxembourgish Bank to open a Representative Office in Beijing, China. This will enable the bank to provide tailored support to companies, business owners, and individuals who want to invest and develop their business in Europe. On February 5, 2020, BIL acquired 100% of Sino Suisse Financial Group (Hong Kong) Limited. Founded in 2017, Sino Suisse Financial Group (Hong Kong) Limited is an external wealth management firm based in Hong Kong, which provides financial advice to high-net-worth individuals, entrepreneurs and their families. As part of the transaction, Sino Suisse Financial Group (Hong Kong) Limited will be renamed BIL Wealth Management Ltd. In the future, an international service network linking up Luxembourg, Beijing, the Guangdong-Hong Kong-Macao Greater Bay Area and Switzerland will be formed to provide Chinese customers with a global and diversified package of financial services.

In Luxembourg, BIL aims to meet the evolving needs of its diverse client base through its comprehensive range of retail and corporate banking, wealth management and financial market services. At the international level, BIL intends to strengthen its wealth management activities in a selected number of target markets and expand its offering for Chinese clients by enhancing synergies within the group. Besides, BIL will continue to upgrade its core banking system which will require significant IT investments. At the same time, digital capabilities are constantly being enhanced. All of these activities will be carried out with prudent risk management and in compliance with regulations. Legend Holdings will constantly support BIL's development as the pillar asset.

BIL currently operates in retail, private and corporate banking, as well as in capital markets, of which:

- Retail and affluent clients have access to a network of 41 branches to meet all their banking, financing, saving and investment needs. BIL has made its mark as an innovator when it comes to the early introduction of new technologies such as mobile banking, cardless cash withdrawals, contactless payments and fingerprint recognition;

- BIL is a strong partner of companies of all sizes, financial and institutional clients and provides a comprehensive range of banking services and advice, primarily for Luxembourg-based businesses;

- BIL helps private banking clients to manage and structure their wealth and financial sector professionals to develop their activities. BIL offers private very high net worth clients integrated financial and non-financial solutions such as asset structuring, life insurances, credit solutions, wealth and estate planning as well as capital protection.

The "Retail, Corporate and Wealth Management" business areas delivered a solid performance in 2019[1]:

- Assets under Management (AuM) increased by 10.3% reaching EUR 43.5 billion compared with EUR 39.5 billion at the end of 2018. This increase was resulted from new net inflows of EUR 1.4 billion across all the business lines and from a highly positive market effect of EUR 2.6 billion following the favorable market conditions in 2019;

- Customer deposits increased by 10%, reaching EUR 19 billion compared with EUR 17.3 billion at year-end 2018. Nevertheless, the Bank continued to encourage cash conversion for clients and further strengthened its good reputation as an investment advisor;

- Customer loans increased by 9.9% to EUR 14.7 billion compared with EUR 13.4 billion at year-end 2018 essentially due to the commercial activities' contribution which increased by EUR 1.4 billion (+10.3% compared with year-end 2018 excluding impairment), proof of BIL's ongoing support of the local economy;

- BIL reported a net income after tax of EUR 113 million versus EUR 131 million at year-end 2018 mainly influenced by the non-recurring items evolution. The core operating net income before tax (excluding non-recurring items) reached EUR 136 million compared with EUR 114 million in 2018, which represents an increase of EUR 23 million (20%); This positive result was marked by a solid performance in commercial business lines in line with the commercial franchise evolution, cost containment measures and a limited impact in terms of cost of risk;

- CET-1 ratio 12.47% as the end of 2019 versus 12.04% end of 2018;

- In 2019, both Moody's and Standard & Poor's affirmed BIL's ratings of A2/Stable/P-1 and A-/Stable/A-2 respectively.

During the Reporting Period, the revenue and net profit of BIL are set out as follows:

Unit: RMB million

	2019	For the six months from July to December 2018
Revenue	**4,477**	2,165
Net profit	**833**	510

[1] Percentages calculated on accurate numbers may lead to rounding differences.

Zhengqi Financial

Zhengqi Financial is a leading innovative provider of integrated financial services in China which helps SMEs to enhance their value. It operates with the core strategic theme of "investment bank thinking and integrated solutions", providing a basket of comprehensive services for SMEs. Under the guidance of "investment bank thinking", Zhengqi Financial has developed in-depth understanding of and closely monitored the development strategy and business model of its customers, and analysed their extensive needs in financing, operation and strategic expansion, thus actively serving SMEs. At the same time, relying on a comprehensive product portfolio including loans, financial leasing, credit enhancement, equity and mezzanine investment, asset management, factoring, supply chain management, as well as start-ups counseling and business incubator services, Zhengqi Financial provides customers with tailor-made "integrated solutions".

During the Reporting Period, we increased our capital to Zhengqi Financial to support its business development and strategic transformation. As of December 31, 2019, we held 84.22% equity interest in Zhengqi Finance, representing an increase of 1.7% from the beginning of the period.

During the Reporting Period, based on its evaluation on the macro-environment and the building-up of its risk resistance, Zhengqi Financial reduced its scale of long-duration capital-based business, withdrew from private placement businesses that are more vulnerable to market fluctuations, and instead focused on high-tech, healthcare, high-end equipment manufacturing, new materials, new energy, energy conservation, environmental protection industries and relevant ecological chains, as well as the adjustment of business mix. As of December 31, 2019, the balance of all debt investment businesses amounted to RMB11,004 million, representing a year-on-year decrease of RMB1,428 million or 11.5%; the balance of equity investment business amounted to RMB2,096 million, representing a year-on-year decrease of 12.9%.

During the Reporting Period, Zhengqi Financial thoroughly implemented the strategy of "investment bank thinking and investment-loan linkage ("投行思維、投貸聯動")" and adhered to the concepts of value investment and boutique investment, carried out investments in key industries and key projects. As of December 31, 2019, driven by the equity investment in the investment-loan linkage business, the scale of loan business increased by 13% year on year, and some of the invested companies are preparing for their IPOs.

Zhengqi Financial now has various financing methods such as bank borrowings, trust loans, insurance fund financing, asset securitization and issuance of corporate bonds. In the meantime, it proactively explores new financing channels such as medium-term notes, short-term financing bills, and overseas financing. During the Reporting Period, Zhengqi Financial has successively completed the issuance of major financing projects including RMB500 million worth of Debt Financing Plan on CFAE, RMB1,000 million worth of Insurance and Trust Loan of CITIC Trust, and a total of RMB900 million worth of two tranches of corporate bonds. Zhengqi Financial also successively landed overseas borrowings of HKD150 million, a major breakthrough in cross-border financing. In general, Zhengqi Financial has smooth financing channels, controllable cost of capital, and comparative advantages in financing among its peers.

During the Reporting Period, the revenue and net profit of Zhengqi Financial are set out as follows:

Unit: RMB million

	2019	2018
Revenue	**1,271**	1,831
Net profit	**217**	720

During the Reporting Period, Zhengqi Financial achieved a revenue of RMB1,271 million, representing a decrease of RMB560 million compared with the corresponding period of last year or a year-on-year decrease of 31%; the net profit amounted to RMB217 million, representing a decrease of RMB503 million compared with the corresponding period of last year or a year-over-year decrease of 70%, mainly due to the debt business downsizing as well as the drop in the fair value gain from equity investments as a result of the capital market fluctuations.

JC Finance & Leasing

JC Finance & Leasing was established in November 2015 and specializes in financial leasing and relevant financial businesses under Legend Holdings. Backed by the brand and the management expertise of Legend Holdings, JC Finance & Leasing has initiated cooperation with both domestic and international well-known equipment manufacturers, focused on industries and industrial chain, and conducted financial leasing business relating to sectors that reflect new economic trends in China, such as advanced manufacturing, energy conservation and environmental protection, agriculture and food, electronic information, medical services, public services and transportation, aiming to develop itself into a leading enterprise in the financial leasing industry. As of December 31, 2019, the Company held 99.01% equity interest in JC Finance & Leasing.

During the Reporting Period, in spite of the slowing down economic growth, increasing risks of the SMEs and other challenges, JC Finance & Leasing has actively adjusted its business strategy and controlled the overall risks. As of December 31, 2019, the total assets of JC Finance & Leasing and the closing balance of receivables of its financial leasing business amounted to RMB13.1 billion and RMB12.2 billion, respectively. The revenue of JC Finance & Leasing in 2019 amounted to RMB1,044 million, representing a year-on-year increase of 15.6%; net profit attributable to the shareholders of JC Finance & Leasing stood at RMB207 million, representing a year-on-year decrease of 10%.

During the Reporting Period, JC Finance & Leasing continued to reinforce its business presence and market expansion. While the traditional financial leasing business progressed steadily, retail financial leasing business represented by heavy truck and SME leasing accelerated, of which the balance as at the end of the year increased by over 140% compared with the beginning of the year. As of December 31, 2019, the balance accounted for nearly 10% of its AUM, and the business has turned into an important business driver for the Company.

During the Reporting Period, JC Finance & Leasing continued to explore external financing. Its corporate bond, a total of two tranches amounting to RMB700 million, was issued via public offering for the first time in 2019. Another RMB1.135 billion was issued under the asset-backed securities special project. The first syndicated loan from foreign banks was also successfully issued. At the same time, JC Finance & Leasing established cooperation with a number of financial institutions and opened up new cooperation on bond investment with various commercial banks and securities companies, further diversifying its financing channels.

During the Reporting Period, the revenue and net profit of JC Finance & Leasing are set out as follows:

Unit: RMB million

	2019	2018
Revenue	**1,044**	903
Net profit	**207**	230

Kaola Technology

Kaola Technology continued to provide services to customers of inclusive finance such as personal consumption and SMEs in compliance with its licenses and further strengthened its fin-tech service abilities. As of December 31, 2019, the Company held 51% equity interest in Kaola Technology.

Thanks to the technology advantages in the Internet technology and big data, as of December 31, 2019, Kaola Technology has received over tens of millions of loan applications for its inclusive finance business, a year-on-year increase of 29.82%, while the amount of loans granted increased by 9.59% year on year, with the credit balance of over RMB6,000 million. The risk control system is sound and the credit assets are of good quality.

Besides, Kaola Technology has accumulated advantages in risk management model and data-based crediting model, extended the technology-empowered credit business from a few successful cases to a broader range. It accelerated the export of full-life cycle credit technology products and services, including standard products such as Tianqiong Anti-fraud (天穹反欺詐) and Hawkeye Risk Management (鷹眼風險管理) and diversified tailor-made product and service portfolios, to small and medium-sized banks, consumer finance companies and other licensed financial institutions, and facilitated inclusive finance by innovative technologies. The revenue from the financial technology business recorded a year-on-year growth of 155.33%.

In the future, with the development of new technology-driven credit business, Kaola Technology will continue to deepen inclusive financial services. Meanwhile, it will further expand and strengthen cooperation with various types of financial institutions with the aim of contributing to the industry.

During the Reporting Period, the revenue and net profit of Kaola Technology are set out as follows:

Unit: RMB million

	2019	2018
Revenue	**1,898**	1,950
Net Profit	**227**	453

During the Reporting Period, net profit decreased to RMB227 million from RMB453 million in the same period of last year, which was primarily due to the proactive optimization of the product mix and the implementation of differentiated pricing services for high-quality customers, plus the gain and loss from its investment.

Associates in Financial Services Segment

Lakala Payment

Lakala is a renowned comprehensive financial technology company in China. It regards payment as an initial penetration, consolidates information technology, and provides services to medium, small and micro enterprises such as payment technology, financial technology, e-commerce technology and information technology, etc., in an all-round manner. On April 25, 2019, Lakala Payment was duly listed on the ChiNext Board of the Shenzhen Stock Exchange (stock abbreviation: "Lakala", stock code: 300773). Prior to listing, we held 31.38% equity interest of Lakala Payment, and the shareholding proportion was diluted to 28.24% upon listing. Meanwhile, we obtained equity dilution gains of RMB265 million.

Lakala has grown into a leading enterprise in the domestic payment industry with its strong customer reach, product innovation and technology research and development capabilities. The domestic payment industry is still at a relatively diversified stage of development, and industry leading enterprises have huge room for growth amidst increasing industry concentration in the future. In addition, as a leader in the industry, Lakala actively pursued global presence, aligned mergers and acquisitions with organic growth, continued to expand the matrix of merchant services products, enhanced the level of application of advanced technologies such as block chain, artificial intelligence and big data, and expanded its operations and to consolidate its industry leading position.

Lakala is in liaison with more than 22 million merchants, covering production and consumption scenarios both online and offline. With the arrival of its Strategy 4.0, Lakala continuously launched onto the market the cloud-service-based SaaS products such as Yunshoudan (雲收單)、Yunxiaodian (雲小店)、Huiguandian (匯管店)、Shoukuanma (收款碼), etc., so as to provide customers with differentiated operation solutions and promote rapid growth of the merchant service businesses. Merchant operations will become a second essential engine for rapid growth of Lakala's performance next to its payment business.

According to Lakala's 2019 annual report, the 2019 net profit attributable to shareholders of Lakala reached RMB806 million, representing an increase of 34.50% compared with the corresponding period last year.

Hankou Bank

Hankou Bank conducts commercial banking businesses including corporate banking, retail banking and financial market. It generates revenue primarily from net interest income and fee and commission income. The network of Hankou Bank basically covers the whole Hubei Province and also extends to Chongqing.

In 2019, the businesses operated by Hankou Bank grew steadily, with all key indicators fulfilling the operation goals. The total assets registered a year-on-year growth of 27.31%, while the equity and the net profit attributable to the parent company achieved a year-on-year growth of 8.66% and 26.74%, respectively. During the Reporting Period, Hankou Bank successfully issued the first individual residential mortgage asset-backed securities among banking institutions in Hubei Province, becoming the first SWIFT GPI legal banking entity in Hubei Province, and also conducted the first independently lead bond underwriting. The bank received awards such as Top Ten Mobile Banking Innovation Award, the Model Unit of Card-less Business Cooperation, Top Ten Urban Commercial Bank in 2019, 2019 Outstanding Competitiveness Brand Building Bank and 2019 Urban Commercial Bank of the Year, etc.

Hankou Bank will continue to enhance the corporate banking, innovate the financial market business, and expand the small and micro retail business, turning one of the most innovative and reliable cooperative banks among regional banks.

Union Insurance

Union Insurance is a leading professional insurance intermediary service group in China. As of December 31, 2019, we held 48.0% equity interest in Union Insurance. The major clients of Union Insurance come from the education sector. Union Insurance provides risk advisory services to schools, local and provincial educational institutions and offers insurance products and services to students. Through two insurance brokers (legal persons) and an insurance actuarial advisory service institution and over 160 branches, Union Insurance has formed a nationwide service network. It provides risk management and insurance brokerage services to teachers and students from schools of all levels and kinds across China every year. During the Reporting Period, the risk management and insurance brokerage of Union Insurance maintained a leading position in China's education-related insurance brokerage business.

Innovative Consumption and Services

Overview

Our subsidiaries and associates in the innovative consumption and services mainly include:

- Better Education, our subsidiary, mainly provides pre-school education services;
- Shanghai Neuromedical Center (德濟醫院), our subsidiary, mainly provides neurology specialist and other comprehensive medical healthcare services;
- CAR, our associate, mainly provides comprehensive car rental services including car rentals, fleet rentals and financial leasing, as well as sales of used cars; and
- Bybo Dental, our associate, mainly provides dental healthcare services through chain operations.

The year 2019 is challenging for innovative consumption and service industries. The divergence of business sentiment across multiple segments has become more and more apparent. During the Reporting Period, we continued to seek new investment opportunities. Emphasizing on sub-sector industries and in response to the growing uncertainty on economic development, we have paid more attention to sub-sectors in the consumer service sector with relatively higher certainty, less volatility to economic cycles and higher stability. We have carried out in-depth research and continuous tracking to explore investment opportunities systematically; at the same time, we have started to focus on the relevant areas of modern services (B2B) for commercial customers and search for potential investment opportunities. In the process of finding new investment opportunities, more emphasis is placed on strategic orientation. We set our goal to create a considerable amount of core pillar assets with prudence and careful research. Meanwhile, we have been constantly strengthening the two-wheel-drive model of our companies in the financial investment segment including Legend Star, Legend Capital and Hony Investment, so as to explore a variety of joint investment opportunities.

At the same time, we continued to promote the development and value creation of our existing businesses, maintain reasonable input of resources, and promote the steady business development of our portfolio companies. In view of the changing policies, Better Education has maintained healthy development and has explored transformations in management service model; Shanghai Neuromedical Center continued to strengthen discipline construction, upgrade medical technology, introduce medical talents, and has achieved annual positive profit for the first time; CAR further improved the level of intelligent and online businesses and significantly accelerated the disposal of used automobiles; Bybo Dental continued to strengthen its medical teams and to deepen its synergy with insurance resources, achieved double-digit income growth and further narrowed its operating losses.

During the Reporting Period, the revenue and net (loss)/profit of the innovative consumption and services segment are set out as follows:

Unit: RMB million

	2019	2018
Revenue	**905**	1,288
Net (loss)/profit	**(264)**	1,005
Net (loss)/profit attributable to equity holders of Legend Holdings	**(295)**	1,099

During the Reporting Period, the revenue of the innovative consumption and services segment decreased by 30% year on year to RMB905 million, mainly due to the deconsolidation of Bybo Dental's financial statement since April 2018. The net profit drop during this Reporting Period was mainly due to the investment gain from the introduction of Taikang Life Insurance as a strategic investor of Bybo Dental during the corresponding period of last year.

Better Education

Better Education, our subsidiary, is a leading kindergarten group with direct operation networks of middle and high-end kindergartens in China and is mainly engaged in the pre-school education for kids. As of December 31, 2019, we held, through our subsidiaries, 51% equity interest in Better Education, and Hony Capital of our Group held another 29% of its equity interest.

After over a decade's operation, Better Education has established a standardized operation model and developed an operation team with extensive experience in management. At present, its kindergarten network has covered 39 cities in 16 provinces in China. As of December 31, 2019, Better Education directly ran 112 kindergartens, 10 early learning centers and training schools, and 11 new kindergartens in preparation in Shanghai, Suzhou, Nanjing, Chongqing, Changsha, Guangzhou and other cities with about 34,000 enrolled students and about 5,400 staff members. It is a leading kindergarten group with direct operation networks of middle and high-end kindergartens and ranks among the top tier in respect of business scale in China.

The following table sets forth the main business information of Better Education:

	As of December 31, 2019	As of December 31, 2018
Number of kindergartens, early learning centers and training schools	**122**	119
Number of students enrolled	**about 34,000**	about 31,000
Number of teaching staff in-service	**about 5,400**	about 5,100

During the Reporting Period, the revenue and net profit of Better Education are set out as follows:

Unit: RMB million

	2019	2018
Revenue	**603**	497
Net Profit	**58**	51

Since the second half of 2018, the Central Committee of the Communist Party of China, the State Council, and the Ministry of Education have promulgated a number of policies and regulations concerning pre-school education, causing impacts on the future development model and capitalization path of Better Education. Based on the current structure and operation of kindergartens and schools of Better Education, we believe that the business fundamentals of Better Education remain positive, with steady operation of their kindergartens and upbeat potential of future performance.

On the basis of maintaining steady business development, Better Education will continue to transform its service management and gradually adjust the operation management of its products and services, as well as the organization structure. In 2020, Better Education will further promote the above-mentioned work.

Better Education will also actively respond to the national policy call for the reform and development of pre-school education, and actively cooperate with governments and education authorities at all levels to explore kindergarten operation under a multi-level model. Better Education strives to provide children with abundant and quality pre-school education to contribute to the healthy development of pre-school education and education operated by private capital.

Shanghai Neuromedical Center

Shanghai Neuromedical Center, our subsidiary medical institution, mainly provides neurology specialist medical service. As of December 31, 2019, We held through our subsidiaries 58% equity interest in Shanghai Neuromedical Center.

Founded in 2013, Shanghai Neuromedical Center is a specialist hospital built according to the scale of AAA specialized hospital standards and excels in several comprehensive areas, especially clinical neuroscience. The key strategic development areas of Shanghai Neuromedical Center include neurosurgery, functional neurosurgery, internal neurology, epilepsy treatment center, cerebrovascular disease treatment center, cardiovascular disease treatment center, emergency intensive healthcare center, nerve electrophysiology center and neuro-rehabilitation center, with the support of comprehensive subjects such as surgery and internal medicine.

During the Reporting Period, Shanghai Neuromedical Center continued to strengthen its discipline construction, medical technology improvement and introduction of medical talents, taking the lead in the introduction of disciplines in neurosurgery, neurology, neuropsychology, cardiology and general medicine, increase the proportion of surgical operations, and constantly optimize the business mix on the foundation of highlighting the characteristics of neurology. Meanwhile, the hospital catered to the needs of its patients, continued to improve its brand recognition and patient satisfaction by improving service quality. In May 2019, Shanghai Neuromedical Center added the listing of "Shanghai Clinical Academy of Medicine of Qingdao University" (青島大學上海臨床醫學院) and "Shanghai Neurology Medical Center of Qingdao University" (青島大學上海腦科醫學中心).

The following table sets forth the number of hospital beds available and key business statistics:

	As of December 31, 2019	As of December 31, 2018
Number of hospital beds available	**324**	324
Outpatient visits *(10,000 visits)*	**15.7**	17.1
Discharged patients *(discharges)*	**6,864**	6,634
Number of operations	**2,050**	1,363

During the Reporting Period, the revenue and net profit/(loss) of Shanghai Neuromedical Center are set out as follows:

Unit: RMB million

	2019	2018
Revenue	**302**	273
Net profit/(loss)	**8**	(9)

During the Reporting Period, Shanghai Neuromedical Center's earlier investments in disciplines, technologies and services delivered tangible fruits. The revenue of Shanghai Neuromedical Center steadily increased to RMB302 million, representing an increase of 10.6% as compared to the corresponding period of last year; the net profit amounted to RMB8 million, achieving positive profit for the first time. The growing number of discharged patients and operations conducted contributed to the business development.

Although recent health care reform policies may affect short-term results, such as the removal of price mark-up of medicine and medical equipment, Shanghai Neuromedical Center has responded to the impact of policies, kept optimizing its business mix, and treated the technology and service improvement as the foundation of its development, thus achieving stable and long-term growth for the hospital.

Associates of Innovative Consumption and Services

CAR

CAR, our associate, provides comprehensive car rental services including car rental, fleet rental and financial leasing, and sales of used car services. Through its strategic partner, UCAR Inc., it provides an on-demand chauffeured cars services based on mobile Internet technology and the strong brand of "UCAR". As of December 31, 2019, the Company held 26.59% equity interest in CAR.

During the Reporting Period, CAR continued to demonstrate strong cash generating capability. However, due to various factors, the overall performance was not satisfactory, mainly because of the lower-than-expected demands in key tourist cities, higher depreciation rate for disposal of more retired vehicles, additional cost paid to extend the maturity of the US dollar-denominated senior notes due in 2020, etc.. CAR has thoroughly tested the smart assistant management system and optimized the smart application on the basis of massive usage. An enhanced version is expected to launch in the second quarter of 2020 to further improve the operational efficiency. Such measures are crucial to sustaining the business and strengthening CAR's financial conditions throughout the business cycle, and also important to the fight against the novel coronavirus outbreak in January 2020.

As of December 31, 2019, the total size of CAR's fleet reached 148,894, and the number of used cars disposed was 29,203, representing a year-on-year increase of 132%. During the Reporting Period, the average daily car rental fleet increased by 21.6% to 111,636 units; 94% of the car rental bookings were made on the CAR Mobile App. In December 2019, self-service orders accounted for 88% of the total booking orders.

During the Reporting Period, the revenue and net profit of CAR are set out as follows:

Unit: RMB million

	2019	2018
Revenue	**7,691**	6,444
Net Profit	**31**	290

During the Reporting Period, the revenue of CAR increased by 19% year on year, mainly attributable to the stable growth of revenue from the car rental business, and significant increase of disposals of used automobiles. The net profit decreased by 89% year on year, mainly due to the reduced average daily income per vehicle and the increase in depreciation cost and financial cost. After deducting the non-recurring factors such as the impact of exchange rate changes on the book value of US dollar debt and the option fee, the adjusted net profit was RMB292 million, representing a year-on-year decrease of 57%.

Bybo Dental

Bybo Dental, our associate, provides dental healthcare services. We made a strategic investment in Bybo Dental in July 2014 and became its controlling shareholder. In January 2018, in order to support the development of Bybo Dental, Taikang Life Insurance was strategically introduced to the investment in Bybo Dental. As of December 31, 2019, we held 36.469% equity interest in Bybo Dental.

During the Reporting Period, Bybo Dental continued to strengthen its medical teams. While recruiting quality medical personnel, it also improved the overall level of healthcare through discipline training and cultivation of teams. In December 2019, Bybo Dental and Shanghai Stomatological Hospital of Fudan University (上海復旦大學附屬口腔醫院) entered into a strategic partnership for the collaboration on and innovation in areas of training of stomatologists, stomatology education, scientific research and innovation, transformation of achievement, clinical collaboration and academic exchange. In addition, Bybo Dental has continuously enhanced the standard stomatology service system, established standards of quality and service procedures for the process and scenarios of medical services, and provided customers with quality dental treatment. In December 2019, the CDSO (China Dental Service Organizations) was founded by four well-known dental chain organizations including Bybo Dental, Enjoy Dental Clinic, Malo Clinic Dental Care and Jinsong Dental Hospital, which achieved synergistic cooperation in various aspects from procurement of materials, research and development of technology, clinical management and control and resource integration, etc., so as to control medical expenses and improve the quality of medical services at the same time.

Meanwhile, Bybo Dental's collaboration with insurance resources has also been deepened. Bybo Dental has been carrying out customer and resources interactions nationwide with Taikang Life Insurance. It has also cooperated with several dental insurance products, including group insurance, launched by Taikang, to offer a variety of payment options and value-added services.

As at December 31, 2019, Bybo Dental had 207 outlets, comprising 51 hospitals and 156 clinics, covering 24 municipalities directly affiliated to the central government or provinces. Bybo Dental also had a total of 2,571 dental chairs.

During the Reporting Period, the revenue of Bybo Dental amounted to RMB2,071 million, representing an increase of RMB261 million as compared to the corresponding period of last year, or a year-on-year increase of 14.4%. By improving the level of healthcare with emphasis on standardization and refinement of its management, Bybo Dental further narrowed its losses and improved the operating conditions.

In the future, Bybo Dental will continue to optimize operations of its hospital and clinics, improve its medical technology and quality, and focus on service quality for its customers.

Agriculture and Food

Overview

Joyvio Group, our subsidiary, is an agricultural and food industry group specially established by us to pursue Legend Holdings' vision in agriculture and food. Joyvio Group categorizes fruit and high-end animal protein from seafood as its two main business lines, and actively plans its business layout in fresh semi-finished products and agro-food technology. During the Reporting Period, Joyvio Group has introduced an external strategic investor, Saturn Agriculture Investment Co., Limited, a company registered in Hong Kong which is a subsidiary controlled by SK Holdings Co., Ltd. of South Korea, to increase the capital of Joyvio Group, and the capital has been fully paid. As of December 31, 2019, the Company held 81.72% equity interest in Joyvio Group.

We believe there are vast development opportunities in the agriculture and food industry in China: with China's increasing per capita disposable income and consequential changes in spending concepts and habits, China has entered into a stage of quick upgrading of food consumption; since the agricultural and food industrial chains in China only have traditional models with relatively low level of professional division of labor, the product quality, food safety, operating efficiency, profitability and sustainability of the agricultural and food industry can be significantly enhanced by overall design and synergistic network across the industrial chains. Joyvio Group has seized the abovementioned opportunities and utilized the advantages in resources, product varieties and technologies to source investment opportunities and connect them with the consumer market in China.

Joyvio Group is committed to the construction of a resource integration platform, focusing on two supply chain systems of fruits and seafood. In respect of the supply chain of fresh fruits, Joy Wing Mau continued to deploy its resources in the global supply chain and its all-channel distribution network. "Joyvio", its high-end fruit brand, has gained broader influence and achieved upgrade and diversification of its product categories, leading to the rapid year-on-year growth of supermarket delivery and distribution channel business. In respect of the seafood supply chain, domestically, we have acquired Joyvio Agriculture, an A-share listed company with controlling shareholding in Qingdao Starfish, a leading Chinese enterprise engaged in seafood; overseas, we own Australis Seafoods S.A., Chile's leading salmon company under Joyvio Agriculture, and KB Food, a leading Australian seafood supplier, based on which the expansion and integration of global animal protein supply chain system will be carried out.

We hope to develop Joyvio Group into an agricultural and food industry group under Legend Holdings. Taking "global resources + Chinese consumption" as the core industry model, we will continue to improve operational efficiency and provide consumers with products and services of better quality through industrial integration and our global presence.

Operating Highlights

- In the fruit business, during the Reporting Period, benefiting from the upgrade of consumption and rapid development of new retail, Joy Wing Mau achieved rapid growth year on year in both revenue and net profit. The split-off company, Xinguojiayuan has realized professional operation, and its profits have been further released. Joyvio Group is constantly positive about the growth prospects of Joy Wing Mau and continued to increase the shareholding in the former. This further enhances the strategic value of Joy Wing Mau as a fruit business platform of Joyvio Group and reinforces the determination of Joyvio Group to focus its resources on developing into a world-leading fruit industry company.

- In the animal protein business, Joyvio Agriculture completed in July the delivery of the control in Australis Seafoods S.A. a leading salmon company in Chile and the first successful project involving cross-border merger and acquisition of upstream high-quality salmon resources overseas by a Chinese enterprise, which further consolidated and substantially enhanced its ability to control scarce and high-quality upstream resources as well as its domestic channels.

During the Reporting Period, the revenue and net profit of the agriculture and food segment are set out as follows:

Unit: RMB million

	2019	2018
Revenue	**15,695**	12,940
Net profit	**322**	435
Net profit attributable to equity holders of Legend Holdings	**230**	210

During the Reporting Period, the revenue of the agriculture and food segment increased from RMB12,940 million in the corresponding period of last year to RMB15,695 million, mainly attributable to the year-on-year revenue growth of Joy Wing Mau and the incorporation of Australis Seafoods S.A. by Joyvio Agriculture. Net profit decreased from RMB435 million to RMB322 million year on year, mainly due to the impact of the relatively large amount of transaction costs of the acquisition of material assets by Joyvio Agriculture.

(1) Fruit business

During the Reporting Period, benefiting from the upbeat trend of fruit consumption, the consumption of imported fruits and domestic quality fruits increased significantly, which accelerated the revenue growth of Joy Wing Mau whose main products are quality fruits. While domestic fruit prices have experienced significant fluctuations in an inverted "U" shape, the company's profit grew steadily, benefiting from its long-term branding strategy. Its high-end fruit brand "Joyvio" has become a national well-known fruit brand, hence a steady increase of the market premium rates of Joyvio blueberry and Joyvio durian. At the same time, Joy Wing Mau continued to deploy its resources in the global supply chain and expand its all-channel sales network. The market shares of core products such as kiwifruit and blueberry improved, and the sales network covering both supermarket systems and cities continued to increase. In respect of supermarket and retailer service, the retail industry exerted greater efforts to sell fresh, quality and standardized food, and the concentration in the retail industry continued to increase with greater demands for quality fruits and nationwide suppliers, enabling Joy Wing Mau to gain further market share. In respect of distribution, Joy Wing Mau has achieved a business layout in 16 first-class and second-class fruit markets in China and has become the largest importer and distributor of kiwifruits, apples, blueberries, cherries and grapes in China.

The newly established plantation company Xinguojiayuan has achieved fruitful cooperation with HORTIFRUT, a world-leading blueberry company, in new varieties and plantation technologies of blueberries, and realized out-of-season production of domestic blueberries from November to March. As a result, the price of blueberries increased significantly compared with that of domestic in season blueberries, and the joint venture's cultivation area has also expanded quickly.

Meanwhile, as the growth of the fruit industry and the prospects of Joy Wing Mau and Xinguojiayuan continue to be optimistic, Joyvio Group has further increased its shareholdings in them during this period. As of December 31, 2019, Joyvio Group held 44.13% equity interest in Joy Wing Mau and 48.35% equity interest in Xinguojiayuan.

(2) Animal protein business

During the Reporting Period, the "global resources + China's market ("全球資源+中國市場")" strategy of Joyvio Agriculture has made a major breakthrough: the delivery of control of Australis Seafoods S.A., a leading salmon company of Chile, was completed in July, which successfully materialized the first project involving cross-border merger and acquisition of upstream high-quality salmon resources overseas by a Chinese enterprise. This acquisition consolidated and substantially enhanced Joyvio Agriculture's ability to control scarce and high-quality upstream resources, as well as further expanding its domestic channels. With stable operation of the current businesses, Joyvio Agriculture maintained the industry-leading position as the largest importer and distributor of arctic sweet shrimp, supplier of Pollock and brand owner of all-channel imported animal protein products.

KB Food has been awarded the nomination for Best Seafood Supplier in 2019 by Woolworths, Australia's largest supermarket chain operator. During the Reporting Period, both parties entered into the largest local shrimp contract in history. In respect of the catering industry, KB Food covers more than 90% of the seafood wholesale channels on the east coast of Australia and has entered into a long-term contract with the world's largest food and beverage service provider, while supplying fast food giants in Australia. KB is the second largest exporter of lobsters in Australia. During the Reporting Period, the Company invested in the expansion of the lobster pool, greatly increasing the holding capacity and significantly improving the lobsters' survival rate and unpacking quality. As of December 31, 2019, Joyvio Group held 90% equity interest in KB Food.

(3) Ready-to-Cook (RTC) business

During the Reporting Period, the sales revenue of Nine Masters grew steadily on a year-on-year basis, while product research and development, channel expansion and operational management capabilities were further enhanced. On the one hand, Nine Masters continued to expand its group meal customers, optimize its organizational structure, enhance its refined management of group meal business and consolidate its market position; on the other hand, it has exerted more efforts in research and development, introduced best-selling products such as bullfrogs, gradually strengthened the construction of core competitiveness such as technology and channels, further expanded its customer base, and strengthened the leading position of Nine Masters in the domestic RTC industry. As of December 31, 2019, Joyvio Group held 99.99% equity interest in Nine Masters.

(4) Drinks business

Joyvio Group is a shareholder of the well-known wine and liquor chain retail enterprise, Liquor Easy, and Chinese liquor enterprise Hebei Hengshui Laobaigan.

During the Reporting Period, Liquor Easy's sales revenue grew steadily as compared to the corresponding period of last year. By further tapping the market potential to increase customer loyalty, Liquor Easy enhanced the sales volume in Henan Province's market, leading to a higher market share. Liquor Easy optimized the layout of outlets and distribution stations, strengthened internal delicacy management and improved capital utilization efficiency and customer satisfaction, sustaining its profitability during the Reporting Period. As of December 31, 2019, Joyvio Group held 26.80% equity interest in Liquor Easy.

(5) Packaged food business

Joyvio Group invested in Hunan Huawen Food, a well-known snack food producer in China. During the Reporting Period, Huawen Food actively promoted the construction of terminal channels and the penetration into broader urban and rural areas, optimized market-end product spectrum, extended the sales channels to second and third-tier cities and below, and expanded its share in the snack food market there. Meanwhile, Huawen Food attached great importance to the investment in brand building to enhance the brand recognition. As of December 31, 2019, Joyvio Group held 19.80% equity interest in Huawen Food. Having completed the IPO counseling and inspection, Huawen Food has completed the A-share IPO application which was formally accepted by CSRC as of December 31, 2019.

Advanced Manufacturing and Professional Services

Overview

Our subsidiaries and associates in the advanced manufacturing and professional services include:

- Levima Group, our subsidiary, mainly engages in the research and development and production of advanced polymer materials and special chemicals;

- Zeny Supply Chain, our subsidiary, mainly provides logistics services; and

- EAL, our associate, mainly engages in air logistics related businesses.

Legend Holdings is committed to developing China's leading manufacturing and related professional services, and has currently deployed businesses in various fields such as advanced materials and high-end logistics. In 2019, the global trade frictions intensified and the macroeconomic growth slowed down, creating both greater challenges to businesses in the sector and new opportunities for corporate growth. Faced with the uncertain external environment, Legend Holdings actively encouraged its portfolio companies to extend to the upstream and downstream of the value chain in order to grasp the quality resources while reaching the end customers and capturing the ever-changing downstream demands. It has also been ushering the portfolio companies towards innovation, iteration and transformation, so as to maintain sustainable development of the businesses amidst an increasingly fierce market competition. At the same time, Legend Holdings leveraged on the ecological advantages of its industry-leading portfolio companies in the strategic and financial investments to fully exploit cooperation and synergistic opportunities and to achieve complementary advantages and alliances, so as to achieve the rapid and organic growth of individual enterprises while building up the Legend industrial ecosystem with unique strategic resources and advantages, laying a significant strategic foundation for the subsequent development.

During the Reporting Period, the revenue and net profit of advanced manufacturing and professional services segment are set out as follows:

Unit: RMB million

	2019	2018
Revenue	**5,947**	6,331
Net profit	**693**	355
Net profit attributable to equity holders of Legend Holdings	**476**	262

During the Reporting Period, the revenue of advanced manufacturing and professional services segment decreased from RMB6,331 million year on year by approximately 6% to RMB5,947 million, mainly because Zeny Supply Chain suspended its supply chain financial business during this period to actively control risks. The net profit increased by 95% from RMB355 million in the corresponding period of last year to RMB693 million, mainly due to the profit growth of Levima Group.

Operating highlights:

- Benefiting from the safe and stable operation, continuous reduction in material and energy consumption of its devices, constant optimization of its product mix, and significant decrease in cost of major raw materials, Levima Group achieved a year-on-year increase of profit by 147% to RMB523 million in 2019, being the historical high since full production;

- Levima Advanced Materials Corporation, a subsidiary of Levima Group, has actively extended upstream and downstream of the value chain. It has acquired 17.5% equity interest in Xinneng Fenghuang (新能鳳凰) upstream, a methanol raw material supplier, and 51.01% equity interest in Jiangsu Chaoli (江蘇超力) downstream, a water-reducing agent producer. The two investment acquisitions have effectively improved the company's ability to withstand the volatility risk of raw materials, provided direct access to the industry's end customers, enabled the company to flexibly and efficiently provide customized products and services to end customers in the industry, and greatly improved customer loyalty and profitability of the company.

Levima Group

Through Levima Group, our wholly-owned subsidiary, we engage in the research and development and production of chemical new materials, such as advanced polymer materials and special chemicals. During the Reporting Period, benefiting from the continuous improvement in operation, further optimization of its product mix and decrease in cost of major raw materials, Levima Group recorded an excellent performance with a profit of RMB523 million in 2019, representing a year-on-year increase of 147%.

In respect of operation, the DMTO integrated device of Levima maintained safe and stable operation. The key raw material consumption per unit, such as methanol and catalyst consumption per unit of DMTO device, kept decreasing, realizing the best level since the operation of the device. The various operational indicators continued to improve and maintained the leading level in the industry.

In respect of market, by strengthening product development and market channel expansion, Levima optimized its product mix. In particular, its market share continued to rank first in China in terms of PP, EVA, EOD and other product segments. The proportion of thin-walled polypropylene injection molding products accounted for 100% in PP products, which allowed the company to maintain its leading market share in China. In order to capture the product demand brought about by the new consumption, the company endeavored to develop new special polypropylene products that have currently been applied to areas such as bubble tea cups, winning praises from customers. In EVA, products with a high content of VA reached 100%, and the market share of cable material products continued to rank first in China. The proportion of special EOD products further increased, and the influence of water-reducing agents and special surfactants kept increasing.

In respect of innovation, Levima Advanced Materials Corporation, subsidiary of Levima Group has made positive progress in scientific and technological innovation. Levima Advanced Materials was awarded the honorary titles of Shandong Province Outstanding Enterprise, Shandong Top 100 Private Enterprises, China Top 100 Private Enterprises in Petroleum and Chemical Industry and Shandong Top 10 New Energy and New Materials Industry Leading Private Enterprises, etc. It has also been recognized as one of the Top 100 Enterprises of the Petroleum and Chemical Industry in Shandong Province and Ton 10 Enterprises of the Chemical and New Material Industry in Shandong Province for four consecutive years, and has been appraised by the Ministry of Industry and Information Technology as "Green Factory".

In addition, Levima Advanced Materials Corporation has been preparing for its A-share listing. On May 31, 2019, Levima Advanced Materials submitted it's A-share IPO application to CSRC; on June 6, 2019, CSRC issued the "Notice of Acceptance of Administrative Permit"; on August 12, 2019, first feedback from CSRC was given; on November 5, 2019, reply to the first feedback was submitted to CSRC; on December 12, 2019, pre-disclosure updates were made.

During the Reporting Period, the revenue and net profit of Levima Group are set out as follows:

Unit: RMB million

	2019	2018
Revenue	**5,822**	5,945
Net Profit	**523**	212

During the Reporting Period, the revenue of Levima Group was RMB5,822 million, representing a decrease of 2% year on year, which was mainly due to the impact of product price fluctuations; the net profit reached RMB523 million, up by 147% year on year, mainly due to the optimized product mix, continuous improvement in operation and reduced cost of major raw materials.

Zeny Supply Chain

We engage in the frozen food supply chain business through our subsidiary, Zeny Supply Chain. We endeavor to build a leading company of frozen foods supply chain business. Zeny Supply Chain currently manages 500,000 tonnes of cold-chain storage infrastructure in three wholesale markets respectively in Wuhan City, Zhengzhou City and Jilin Province, and strives to use the e-commerce platform to promote online transactions and cold-chain storage services. As of December 31, 2019, we held 99.20% equity interest in Zeny Supply Chain.

In 2019, as the macro-economy slowed down, the pressure on merchants in the wholesale market intensified, and the cost of capital also increased significantly. In order to control risks, Zeny Supply Chain suspended its supply chain financial business in Wuhan market. In terms of operation, the commissioning of 70,000 tonnes of storage capacity of the phase-III frozen storage has brought more revenue to the operations in Wuhan. The management proactively improved the operating environment of the frozen wholesale market in Wuhan to cope with the competition of supply from new wholesale markets. During the Reporting Period, the frozen product wholesale markets in Baishazhou, Wuhan maintained an occupancy rate of 93%. In Jilin, as a result of the adjustments to the grain reserve policy, the management adjusted the grain depot leasing model in the early stage and explored new value-added businesses. The branch company in Jilin have entered into intensive cooperation with large scale agricultural platforms such as Liangdawang, and expanded the value-added logistic services with multi-model transport to cope with the impact of policy changes.

During the Reporting Period, the revenue and net profit/(loss) of Zeny Supply Chain are set out as follows:

Unit: RMB million

	2019	2018
Revenue	**125**	386
Net profit/(loss)	**13**	(60)

During the Reporting Period, the decline of revenue of Zeny Supply Chain was mainly caused by the suspension of supply chain financial business; the year turned loss into profit as compared to 2018 mainly attributable to the company's investment gains from the disposal of its assets in Dongguan.

Associates of advanced manufacturing and professional services

EAL

We engage in air logistics business through EAL, our associate. Faced with the continuous impact from the intensified Sino-U.S. trade friction, the global demand for air freight transportation continued to decline. The cargo and mail turnover of international routes and the cargo and mail throughputs of airports in eastern China have both declined during the Reporting Period, posing a challenge to the domestic air freight market.

In terms of business operations, faced with the severe challenges in the air freight market, EAL has sped up its transformation and development, fully demonstrating its operational resilience during the industrial downturn and significantly enhancing its capabilities against fluctuations. For air express segment, EAL fully optimized the layout of the cargo airline network, reduced the flight capacity of Sino-US routes, increased the flight capacity of the Sino-Europe routes, cooperated with Air France-KLM to establish the Asia-Europe-Africa and the Asia-Europe-South America logistic systems, arranged additional flights for the Shanghai-Osaka and Shanghai-Frankfurt routes, introduced the Shanghai-Tokyo flight route, consolidating the foundation of air express operations. For the ground integrated service segment, featured products were invented through the extension of service chains, while the potential of the system was further tapped, work shifts were optimized and work efficiency was improved, achieving cost reduction and improvement in efficiency. As for the integrated logistics segment, the rapid growth of revenue was achieved through continuous expansion into the chartered-plane direct fresh food air freight and cross-border e-commerce import and export businesses in South and North America markets.

In terms of the strategic layout, EAL has actively assisted the coordinated development of Beijing-Tianjin-Hebei. Relying on the freight logistics base in Beijing Daxing International Airport, it resolved to develop the air freight customers in northern China and continuously explored the transportation capacity of the transferring European and American flights to meet the needs of customers. Meanwhile, EAL promoted the construction of the Logistics Park of Xi’an Western Xianyang New Area Airport (西安西鹹新區空港物流園) to ensure that the construction commenced on schedule. In addition, EAL has strived to support the regional integration strategy in Yangtze River Delta and the establishment of the Shanghai Free Trade Zone, and to continuously extend and upgrade its service capabilities, including the optimization of strategic cooperation with Suzhou Industrial Park and Shanghai Zhangjiang Free Trade Zone, promotion of the supervision of direct businesses through air freight and free-trade businesses. EAL prepared for the opening of the second phase of cargo terminal for the Western District of Pudong Airport, optimized the terminal’s functional positioning to give full play to its advantages. In cross-border fresh products, EAL continued to strengthen the leading position of chartered cherry air freight in China, exerted great efforts to expand South American salmon and North American lobster flights, gradually expanded the air freight business of seafood products from Europe, and extended to the upstream and downstream in order to create a platform of “global fresh food supply chain” that provides global, full-season and multi-category fresh products to the Chinese market.

In terms of capital market, during the Reporting Period, EAL successfully passed the IPO counseling and inspection of the Shanghai Securities Regulatory Bureau, submitted to CSRC the official IPO application, and received the notice of administrative approval and acceptance of the application on June 28. Currently, EAL’s IPO project is progressing smoothly as planned.

Financial Investments

Overview

We are a pioneer in China's asset management sector, seeking equity investment opportunities at various stages of a company's development. We seek for financial returns by leveraging on various financial investment platforms, which include angel investment, venture capital, private equity investment and other types of investments. Each of our investment platforms has a specialized focus and risk appetite, which allows us to target a broad range of investments. In our financial investments business, we also seek synergies and share resources with our strategic investments business. Through Legend Star, Legend Capital and Hony Capital, we have obtained a deep understanding of the target industries and accessed to numerous investment opportunities. Through investments in our associate funds in various asset classes, we are able to build a wide network in the investment community, expand information sources, capture more investment opportunities and diversify our investment risks. At the same time, we also have other types of investments, in particular, our own direct financial investments. Through the minority equity investments in primary and secondary markets, we have achieved sound cash returns. During such processes, we also place great importance to cooperating with our associate funds and sharing information and related resources to maximize the efficiency of financial investments.

In 2019, we saw that the global economic growth slowed down, volatility in major secondary markets intensified, and uncertainties caused by trade frictions and geopolitical issues. Therefore, the domestic private equity market went through a persisting low ebb, and our funds and direct investment also faced greater challenges. In response to such challenges, we have improved our ability to identify, assess, measure and analyze various types of risks in the macro-political and economic environment, the financial condition of the portfolio companies and the volatility of the secondary market. We have also adopted a more prudent investment strategy and a more proactive post-investment management to reduce the impact of external uncertainties on the funds we manage. Under such proactive measures, our funds such as Legend Capital continued to gain good returns against the trend and successfully completed its fundraising.

We selectively hold office buildings as investment properties to seek long-term returns. Our properties held for investments mainly include Raycom Info Tech Park Tower A, Tower B and Tower C located in Zhongguancun area, Beijing.

During the Reporting Period, the revenue and net profit of financial investment segment are set out as follows:

Unit: RMB million

	2019	2018
Revenue	**704**	651
Investment income and gains	**908**	615
Net profit	**954**	466
Net profit attributable to equity holders of Legend Holdings	**906**	540

Legend Star

Founded in 2008, Legend Star is one of China's leading angel investment institutions and focuses on three major areas, namely, TMT, healthcare and smart technology.

As of December 31, 2019, Legend Star managed seven funds, of which the total AUM was nearly RMB2.5 billion with cumulatively over 260 onshore or offshore investment projects, including iDreamsky Games, Megvii, AISpeech, Yunding Tech, Pony.AI, Surestar, Burning Rock Dx, Kintor Pharmaceuticals, PegBio, Conmed Biosciences, Axonics, HiFiBio and other high quality projects. During the Reporting Period, Legend Star invested in nearly 30 onshore or offshore investment projects covering different niche segments such as artificial intelligence, biotechnology, new medical services, and new consumption. Among the projects under management, nearly 60 projects had follow-on financing, while nearly 20 projects were exited.

In 2019, Legend Star newly raised the 4th RMB fund and the 4th USD fund, and its assets under management was thus enlarged. As of December 31, 2019, both the 4th RMB fund and the 4th USD fund have completed their first closing.

Based on its unique brand strengths and resources, Legend Star has systematically deployed in the three areas of focus since its inception.

Since 2014, Legend Star was ranked among top tier of the Annual Angel Investment/Early Stage Investment Institutions in successive years by the professional institutions in the industry, namely Zero2IPO Group and China Venture Group.

Legend Capital

Legend Capital is one of the leading private equity investment institutions in China. As of December 31, 2019, Legend Capital totally managed eight USD general funds (two of which were settled), five RMB general growth funds, three RMB TMT innovation funds (one of which was the sub-fund of Junruiqi and was not listed separately in the list below.), two USD funds specialized in healthcare sector, two RMB funds specialized in healthcare sector, two RMB funds specialized in the culture and sports sector and one fund specialized in the red-chip return concept. In 2019, Legend Capital launched two new USD funds and one new RMB fund, namely LC Fund VIII, L.P. ("8th USD fund"), LC Healthcare Fund II, L.P. ("2nd USD medical fund") and Shanghai Legend Shenghao Venture Investment, L.P. (上海君聯晟灝創業投資合夥企業(有限合夥)) ("3rd TMT RMB innovation fund"). As of December 31, 2019, the raised fund amounted to RMB9,391 million during the Reporting Period, including an equivalent of RMB2,388 million raised from the new 8th USD fund, an equivalent of RMB1,059 million raised from the 2nd USD medical fund and a total of RMB804 million raised from the 3rd TMT RMB innovation fund.

In 2020, Legend Capital plans to raise the 3rd RMB medical fund and to complete the final closing of the 3rd TMT innovative RMB fund, 8th RMB general medical fund and 2nd USD fund. The newly raised funds will basically maintain the continuity of the investment strategy, focus on Chinese enterprises and cross-border opportunities at the start-up stage and growing stage in TMT, innovative consumption, intelligent manufacturing, professional services, healthcare, and culture and sports sectors. In addition, in 2020, Legend Capital will promote the exit from projects under management to ensure better return in cash for investors.

During the Reporting Period, Legend Capital accumulatively completed 29 new project investments, covering start-up and growing stage enterprises in TMT and innovative consumption, healthcare, corporate services and intelligent manufacturing sectors.

During the Reporting Period, Legend Capital fully or partially exited from 40 projects, contributing a cash back of over RMB2,000 million, contributing good cash returns to Legend Holdings. Among its portfolio companies, 10 enterprises were listed on the domestic and overseas capital markets through IPO, namely, Pharmaron Beijing Co., Ltd. (康龍化成(北京)新藥技術股份有限公司) (A+H Shares), Jiangsu Lihua Animal Husbandry Co., Ltd. (江蘇立華牧業股份有限公司), Maoyan Entertainment, Ruhnn Holding Limited, Qingdao Huicheng Environmental Technology Co., Ltd. (青島惠城環保科技股份有限公司), Shenzhen Colibri Technologies Co., Ltd. (深圳科瑞技術股份有限公司), Youdao Inc, Zinus Inc. and Renrui Human Resources Technology Holdings Limited (人瑞人才科技控股有限公司), etc. Meanwhile, Shengyue Network Technology (Shanghai) Co., Ltd. was acquired by Zhejiang Century Huatong Group Co., Ltd. through major asset restructuring. In addition, Ucloud Technology Co., Ltd. was listed on the Science and Technology Innovation Board of the SSE on January 20, 2020. The applications for the A-share listing of of QuantumCTek Co., Ltd. and Suzhou Cybrid Technologies Inc. have been approved. As of December 31, 2019, a total of 69 of Legend Capital's portfolio companies have been successfully listed (excluding those listed on NEEQS).

The following table sets forth the information of Legend Capital's funds in which Legend Holdings and its subsidiaries held direct or indirect interests in their capacity as a limited partner as of December 31, 2019:

Name of Fund	Fund Term Commencement Date *(month/day/year)*	End Date *(month/day/year)*	Total Commitment	Investment Sector	Interests held by Legend Holdings as a limited partner *(%)*
USD Funds (in USD million)					
LC Fund III, L.P.	4/27/2006	N/A	170	IT and related sectors (investment in extension period involves the non-IT sector)	68.64%
LC Fund IV, L.P.	4/15/2008	4/15/2020	350	TMT, healthcare, consumer goods, modern services, clean technology and advanced manufacture	29.77%
LC Fund V, L.P.	5/31/2011	5/30/2021	515	TMT, healthcare, consumer goods, modern services, etc.	19.42%
LC Fund VI, L.P.	1/30/2014	4/17/2024	500	TMT, healthcare, modern services, etc.	23.20%
LC Healthcare Fund I, L.P.	9/29/2015	2/4/2025	250	Healthcare	20.00%
LC Fund VII, L.P.	2/5/2016	2/4/2024	448	TMT, innovative consumption, modern services, intelligent manufacture	22.31%
LC Healthcare Fund II, L.P.	1/31/2019	n.a.*	151	Healthcare	39.64%
LC Fund VIII, L.P.	2/15/2019	2/14/2029	342	TMT and innovative consumption, 2B enterprise services, hard technology	26.38%
Great Unity Fund I, L.P.	7/26/2018	n.a.*	600	Investment in LC Fund VIII, LC Healthcare Fund II, etc.	50.00%
LC Continued Fund IV, L.P.	12/18/2019	12/31/2024	187	TMT, healthcare, consumer goods, modern services, clean technology and advanced manufacture	2.67%

Name of Fund	Fund Term Commencement Date (month/day/year)	End Date (month/day/year)	Total Commitment	Investment Sector	Interests held by Legend Holdings as a limited partner (%)
RMB Funds (in RMB million)					
Beijing Legend Capital Ruizhi Venture Investment Center, L.P. (北京君聯睿智創業投資中心(有限合夥))	9/18/2009	9/18/2019	1,000	TMT, healthcare, consumer goods, modern services, clean technology and advanced manufacture	31.00%
Tianjin Junruiqi Equity Investment, L.P. (天津君睿祺股權投資合夥企業(有限合夥))	3/31/2011	3/31/2021	3,632	TMT, healthcare, consumer goods, modern services, clean technology and advanced manufacture	31.67%
Beijing Legend Capital Maolin Equity Investment, L.P. (北京君聯茂林股權投資合夥企業(有限合夥))	9/9/2014	9/8/2022	3,204	innovative consumption, modern services, TMT, healthcare, etc.	31.21%
Shanghai Qiji Venture Investment, L.P. (上海祺跡創業投資合夥企業(有限合夥))	5/30/2015	5/29/2023	500	TMT and innovative consumer service sector	16.00%
Beijing Legend Capital Mingde Equity Investment, L.P. (北京君聯名德股權投資合夥企業(有限合夥))	7/31/2015	7/30/2021	1,247	Culture entertainment, sports	20.05%
Beijing Legend Capital Xinhai Equity Investment, L.P. (北京君聯新海股權投資合夥企業(有限合夥))	8/11/2015	8/10/2020	1,698	Return of red-chip, cross-border investment and other high-growth projects	17.67%
Beijing Legend Capital Yikang Equity Investment, L.P. (北京君聯益康股權投資合夥企業(有限合夥))	2/5/2016	2/4/2024	1,621	Healthcare	18.50%
Beijing Legend Capital Huicheng Equity Investment, L.P. (北京君聯慧誠股權投資合夥企業(有限合夥))	8/30/2016	8/29/2024	4,500	TMT and innovative consumption, intelligent manufacturing, professional services and healthcare services	22.22%
Suzhou JunJunde Equity Investment, L.P. (蘇州君駿德股權投資合夥企業(有限合夥))	6/30/2017	6/29/2025	1,315	Culture entertainment, sports, innovative consumption	28.52%
Suzhou Junlian Xinkang Venture Investment, L.P. (蘇州君聯欣康創業投資合夥企業(有限合夥))	4/16/2018	4/15/2026	1,600	Healthcare	25.00%
Beijing Junlian Shengyuan Equity Investment, L.P. (北京君聯晟源股權投資合夥企業(有限合夥))	7/9/2018	7/8/2026	7,000	TMT, innovative consumption, intelligent manufacturing	18.57%
Shanghai Junlian Shenghao Venture Investment, L.P. (上海君聯晟灝創業投資合夥企業(有限合夥))	12/18/2018	12/17/2026	804	Industrial technology, industry internet, enterprise information technology	34.20%

* *The termination date of the fund is 10 years from the final delivery date. As of December 31, 2019, the final delivery of the fund has yet to be completed.*

Note:

(1) The end date is extendable in accordance with the relevant limited partnership agreement.

Hony Capital

Hony Capital is one of the leading investment and management institutions in China and now covers PE, real estate, public fund management, hedge fund and innovative investment businesses.

As of December 31, 2019, Hony Capital mainly invested in and managed eight equity investment funds, three property funds and one cultural industry fund in total. During the Reporting Period, the cultural industry fund completed the final round of closing with the three property funds issuing their first closing notice. Hony Horizon Fund Management Co., Ltd., a public fund management company specializing in secondary market investment and management business under Hony Capital, completed the subscription of 4 new funds during the Reporting Period, which included 2 mixed funds and 2 index funds.

Hony Capital's PE funds focus on digital economy, cross-border mergers and acquisitions, SOE reforms, development of large-scale private enterprises with specific industry concentration on consumption, services, healthcare, advanced manufacturing, mobile Internet, etc.

The property funds focus strategically on the office buildings in first-tier cities to create excess return over the market average by applying various value-added means such as renovation, enhanced operation and functional adjustment to these office buildings and other commercial buildings with potential to be converted into office ones.

The cultural industry fund will focus on the integrated investment, cross-border investment and investment in early stage projects in the new trend sectors in the cultural industry. It will prioritize the investments in film and television industry, entertainment and sports industry, and keep close eyes on online games and new media businesses driven by new technologies.

Hony Capital's public fund management company will focus on leveraging Hony Capital's expertise in consumer services, catering, medical and other industries, as well as in SOE reforms and cross-border investments, focusing on value investment and committed to creating public fund products with distinctive characteristics and excellent performance.

Hony Capital's overseas secondary market investment platform, Goldstream Investment, focuses on liquid assets investment. Currently, it operates a variety of strategies including Greater China long and short position, Greater China long position, global macro, global healthcare industry, bonds and asset securitizations, CTA/quantitative and special opportunity securities.

During the Reporting Period, the new investment projects of various business segments and additional investments in existing projects have been conducted in an orderly manner. There were also listing of portfolio companies, and exits on projects were relatively active, contributing a constant and steady cash back to Legend Holdings.

The following table sets forth the main information of the funds managed by Hony Capital in which Legend Holdings and its subsidiaries held direct interests in their capacity as of December 31, 2019:

Name of Fund	Fund Term Commencement Date *(month/day/year)*	End Date *(month/day/year)*	Total Commitment	Investment Sector	Interests held by Legend Holdings as a limited partner *(%)*
USD Funds (in USD million)					
Hony International Limited	N/A	N/A	29	In view of China's economic environment and policy direction, Hony Capital's equity investment funds strategically focus on the opportunities of SOE reforms, private enterprise and cross-border M&As. In terms of industry selection, the funds focus on industries directly benefiting from China's macro trends, including consumption, health, services and high-end manufacturing, as well as transformation from mobile Internet.	40%
Hony Capital II, L.P.	7/26/2004	8/31/2014	87		41%
Hony Capital Fund III, L.P.	9/19/2006	11/10/2016	580		34%
Hony Capital Fund 2008, L.P.	5/27/2008	6/26/2020	1,398		14%
Hony Capital Fund V, L.P.	8/10/2011	12/15/2021	2,368		11%
Hony Capital Fund VIII (Cayman), L.P.	8/18/2015	10/30/2025	1,647		16%
Goldstream Capital Master Fund I	12/1/2017	N/A	31	Goldstream Greater China long and short position fund starts from the fundamentals, systematically covering a group of industries and enterprises with Hony's cognitive advantages. It seeks opportunities for value and growth investment in line with its requirements for investment risks and returns by in-depth, careful, timely, comprehensive research to build a long and short position combination and create excellent long-term risk-adjusted returns for investors.	82%

Name of Fund	Fund Term Commencement Date *(month/day/year)*	End Date *(month/day/year)*	Total Commitment	Investment Sector	Interests held by Legend Holdings as a limited partner *(%)*
RMB Funds (in RMB million)					
Hony Capital RMB I, L.P. (弘毅投資產業一期基金(天津)(有限合夥))	4/24/2008	4/23/2019	5,026		30%
Hony Capital RMB Fund 2010, L.P. (北京弘毅貳零壹零股權投資中心(有限合夥))	8/12/2010	8/11/2020	9,965		20%
Hony Capital Fund 2015, L.P. (弘毅貳零壹伍(深圳)股權投資基金中心(有限合夥))	10/13/2015	10/12/2025	3,596		9%
Hony Capital Real Estate Fund 2015, L.P. (弘毅貳零壹伍(深圳)地產投資中心(有限合夥))	9/28/2016	9/27/2021	2,563	The property funds focus strategically on office buildings in first-tier cities to create excess return by applying various value-added means such as renovation, enhanced operation and functional adjustment to the office buildings in first-tier cities or other commercial buildings with the potential to be converted into office buildings.	20%
Beijing Haidian Technology Industry Space Optimization Fund, L.P. (北京海淀科技產業空間優化基金中心(有限合夥))	12/8/2016	6/30/2022	2,157		2%
Shenzhen Hony 2019 Corporate Management Center (Limited. Partnership) (深圳弘毅貳零壹玖企業管理中心(有限合夥))	7/9/2019	1/15/2025	1,600		50%
Hony Horizon state-owned enterprise transformation and upgrading hybrid securities investment fund (弘毅遠方國企轉型升級混合型發起式證券投資基金)	10/31/2018	N/A	109	The fund focuses on the investment opportunities contained in the process of transformation and upgrading of Chinese state-owned enterprises and pursues long-term appreciation of fund assets on the basis of strict control on investment risks.	17%
Hony Horizon consumption upgrading hybrid fund (弘毅遠方消費升級混合型發起式證券投資基金)	1/30/2019	N/A	132	The fund looks for opportunities in the consumption upgrade driven by per capita income and demographic features and pursues stable and sustainable value growth of the fund's assets on the premise of strict Control on portfolio risks.	38%
Hony Horizon Guozheng consumption 100 ETF (弘毅遠方國證消費100交易型開放式指數證券投資基金)	12/19/2019	N/A	211	The fund mainly adopts the full replication method, i.e. the fund portfolio of is constructed solely in accordance with the composition and weight of the constituents of the CSI100 Index, and is adjusted according to changes in the constituents of the underlying index and their weights.	43%

Notes:

(1) The end date is extendable in accordance with the relevant limited partnership agreement.

(2) Total commitment represents the aggregate capital commitment by partners of limited partnerships or investors for the funds in the form of limited liability companies, if applicable, as of the final closing date.

(3) Hony Capital Fund VIII (Cayman), L.P. and Hony Capital Fund 2015, L.P. (弘毅貳零壹伍(深圳)股權投資基金中心(有限合夥)) are collectively named as "Hony RMB Fund VIII" in the above table.

(4) Goldstream Capital Master Fund I, Hony Horizon state-owned enterprise transformation and upgrading hybrid securities investment fund (弘毅遠方國企轉型升級混合型發起式證券投資基金), Hony Horizon consumption upgrading hybrid fund (弘毅遠方消費升級混合型發起式證券投資基金) and Hony Horizon Guozheng consumption 100 ETF (弘毅遠方國證消費100交易型開放式指數證券投資基金) in the above table are all public funds. The total commitment is presented as the total share of the fund, and the proportion of the share of the fund held by Legend Holdings is the ratio of the share held by Legend Holdings to the total share of the fund.

Investment Properties

The investment properties that we hold mainly include the high-end office buildings, i.e. Raycom Info Tech Park Tower A, Tower B and Tower C in Zhongguancun *(Note)*. As of December 31, 2019, the occupancy rate was about 97%. We hold Tower A and Tower C of Raycom Info Tech Park through Raycom Property, a wholly-owned subsidiary of the Company, and hold Tower B through Raycom Real Estate, a subsidiary. Tower A, B and C are mainly used for rent as premium offices and shops, as well as self-use offices, which have successfully attracted a number of leading enterprises in industries such as technology and finance, with 80% of them being multinational corporations, and nearly 10 of them being world's top 500 enterprises. The buildings also received the "Leadership in Energy and Environmental Design (LEED)" certification from the U.S. Green Building Council for its high standards of energy saving and environmental protection design. As of December 31, 2019, the fair value of these investment properties amounted to RMB11.53 billion (excluding the self-use portions).

Note: Tower A, B and C are located at No. 2 Ke Xue Yuan Nanlu, Haidian District, Beijing, Postal Code: 100190. The terms of land use rights of these properties will expire in the years of 2051, 2057 and 2053, respectively.

Financial Review

Finance costs

Finance costs after deducting capitalized amounts increased from RMB5,306 million for the year ended 2018 to RMB6,725 million for the year ended 2019. Increase in finance costs was mainly due to the increase in the average total borrowings.

Taxation

Our taxation increased from RMB1,360 million for the year ended 2018 to RMB1,894 million for the year ended 2019. Increase in the amount of taxation was mainly due to the increase in profit before tax as compared to that of last year.

Capital expenditures and capital commitments

Our capital expenditures mainly arise from purchases of property, plant and equipment, new construction in progress and intangible assets, and payment for investment. Capital expenditures were mainly funded by internally generated resources and external borrowings. Details of capital expenditures for each of the business segments are set out in Note 5 to the financial statements.

As of December 31, 2019, we had RMB4,602 million of capital expenditures contracted but not yet generated. Such capital commitments were mainly used for purchases of property, plant and equipment, and investment. Details of capital commitments are set out in Note 54 to the financial statements.

Liquidity and financial resources

Our principal sources of funds have been, and we expect to continue to utilize, cash generated from operations, various short-term and long-term bank borrowings, credit facilities and debt financing including corporate bonds and private placement bonds, to satisfy our future funding needs.

Cash and cash equivalents

As of December 31, 2019, our cash and cash equivalents were RMB62,340 million, among which, RMB, CHF, USD, EUR, HKD and other currencies accounted for 31%, 30%, 20%, 3%, 6% and 10%, respectively, while the amount as of December 31, 2018 was RMB60,023 million, among which, RMB, CHF, USD, EUR, HKD and other currencies accounted for 35%, 28%, 14%, 13%, 5% and 5%, respectively. It is our policy to place our cash in interest-bearing principal-protected demand or short-term deposits in reputable PRC and foreign banks.

Due to our business nature, we have relied on bank loans, other loans and the issuance of corporate bonds to fund a substantial portion of our capital requirements and we expect to continue to maintain finance portions of our capital expenditures with bank loans, other loans and corporate bonds at a proper scale in the foreseeable future.

Indebtedness

The following table sets forth our outstanding bank loans, other loans and corporate bonds as of the dates indicated:

Unit: RMB million

	As of December 31, 2019	As of December 31, 2018
Bank loans		
– Unsecured loans	**35,226**	35,198
– Guaranteed loans	**22,178**	17,154
– Collateralised loans	**11,214**	5,486
Other loans		
– Unsecured loans	**2,750**	3,125
– Guaranteed loans	**5,455**	7,791
– Collateralised loans	**817**	2,112
Corporate bonds		
– Unsecured	**55,075**	57,256
– Guaranteed	**103**	103
– Convertible bonds	**5,087**	–
	137,905	128,225
Less: non-current portion	**(85,704)**	(68,548)
Current portion	**52,201**	59,677

As of December 31, 2019, among our total borrowings, 55% was denominated in RMB (December 31, 2018: 58%), 29% was denominated in USD (December 31, 2018: 26%) and 16% was denominated in other currencies (December 31, 2018: 16%). If categorized by whether the interest rates were fixed or not, the fixed interest rates borrowings and the floating interest rates borrowings accounted for 69% and 31% of our total borrowings, respectively, while as of December 31, 2018 accounted for 93% and 7%, respectively. Increase in our indebtedness was mainly due to growth and expansion of our strategic investment business.

The following table sets forth the maturity profile of our indebtedness as of each of the dates indicated:

Unit: RMB million

	As of December 31, 2019	As of December 31, 2018
Within 1 year	**52,201**	59,677
After 1 year but within 2 years	**23,015**	19,813
After 2 years but within 5 years	**50,879**	42,055
After 5 years	**11,810**	6,680
	137,905	128,225

As of December 31, 2019, we had the following major corporate bonds outstanding:

Issuer	Type of bonds	Currency	Issuance date	Term	Principal amount
The Company	Corporate bonds	RMB	November 30, 2012	10 years	RMB1,984 million
The Company	Corporate bonds	RMB	July 6, 2016	5 years	RMB1,500 million
The Company	Corporate bonds	RMB	July 6, 2016	10 years	RMB2,000 million
The Company	Corporate bonds	RMB	July 5, 2017	5 years	RMB2,500 million
The Company	Corporate bonds	RMB	January 31, 2018	5 years	RMB1,000 million
The Company	Corporate bonds	RMB	June 29, 2018	3 years	RMB1,600 million
The Company	Corporate bonds	RMB	December 3, 2018	5 years	RMB1,500 million
The Company	Corporate bonds	RMB	January 15, 2019	3 years	RMB2,000 million
The Company	Corporate bonds	RMB	January 15, 2019	5 years	RMB1,000 million
The Company	Corporate bonds	RMB	June 21, 2019	5 years	RMB2,000 million
The Company	Private placement bonds	RMB	September 25, 2019	1 year	RMB1,000 million
The Company	Corporate bonds	RMB	October 18, 2019	3 years	RMB1,600 million
Lenovo	Long term notes	RMB	June 10, 2015	5 years	RMB4,000 million
Lenovo	Medium term notes	USD	March 16, 2017	5 years	USD500 million
Lenovo	Medium term notes	USD	March 29, 2018	5 years	USD750 million
Lenovo	Convertible bonds	USD	January 24, 2019	5 years	USD675 million
Zhengqi Financial	Corporate bonds	RMB	September 27, 2019	3 years	RMB600 million
Zhengqi Financial	Corporate bonds	RMB	December 20, 2019	3 years	RMB300 million
JC Finance & Leasing	Asset backed securities	RMB	November 17, 2016	3–4 years	RMB24 million
JC Finance & Leasing	Private placement bonds	RMB	March 28, 2017	3 years	RMB500 million
JC Finance & Leasing	Asset backed securities	RMB	June 23, 2017	3–4 years	RMB353 million
JC Finance & Leasing	Private placement bonds	RMB	January 5, 2018	2 years	RMB300 million
JC Finance & Leasing	Asset backed securities	RMB	January 30, 2018	2–3 years	RMB162 million
JC Finance & Leasing	Asset backed securities	RMB	November 27, 2018	1–2 years	RMB230 million
JC Finance & Leasing	Corporate bonds	RMB	September 6, 2019	2 years	RMB400 million

Issuer	Type of bonds	Currency	Issuance date	Term	Principal amount
JC Finance & Leasing	Asset backed securities	RMB	October 16, 2019	1–3 years	RMB550 million
JC Finance & Leasing	Corporate bonds	RMB	November 21, 2019	2 years	RMB300 million
BIL	Bank subordinate bonds	EUR	June 30, 2014	25.5 years	EUR31 million
BIL	Bank subordinate bonds	EUR	June 8, 2016	12 years	EUR50 million
BIL	Bank subordinate bonds	USD	October 18, 2016	12 years	USD100 million
BIL	Medium term notes	JPY	December 19, 2002	20 years	JPY500 million
BIL	Medium term notes	EUR	2013 to 2019	2–20 years	EUR1,970 million
BIL	Medium term notes	USD	2018 to 2019	2–5 years	USD45 million
BIL	Medium term notes	CHF	2016 to 2019	6–6.5 years	CHF250 million
Lenovo Finance	Asset backed securities	RMB	September 26, 2018	1.5 years	RMB103 million
Joyvio Agriculture	Convertible bonds	USD	June 14, 2019	5 years	USD125 million

The annual interest rates of our bonds listed above as of December 31, 2019 ranged from 0% to 7.50%.

As of December 31, 2019, the Company had undrawn banking facilities of RMB89.2 billion. The Company has entered into formal or informal cooperation agreements with various major banks in China. According to these agreements, those banks granted the Company general banking facilities to support its capital needs. Prior approval of individual projects from banks in accordance with bank regulations of China must be obtained with respect to the use of these banking facilities.

Current ratio and net debt to equity ratio

	As of December 31, 2019	As of December 31, 2018
Current ratio (times)	**0.7**	0.7
Net debt to equity ratio	**82.3%**	82.2%

Current ratio

Current ratio is our current assets divided by our current liabilities at the end of each financial period. Our current ratio at the end of the reporting period remained stable as compared with December 31, 2018. Current ratio of less than 1 was mainly due to the effect of acquisition of BIL. The measures used to gauge liquidity risk in the banking industry differ from those commonly used in other non-banking industries. BIL is not required to classify and present separately the current and non-current portion of its assets and liabilities on its standalone statement of financial position. Nonetheless, such classification was effected to the extent that uniform accounting policies on consolidated accounts are required, which may not reflect the underlying liquidity characteristics of the banking business of the Company. As at the end of the reporting period, the Core Equity Tier 1 ratio of BIL stood at 12.47%, bespeaking robust business stability. Moreover, despite of a current ratio of less than 1, we have confidence to honor maturing debts when they fall due in consideration of our operating cash flow forecast, undrawn credit facilities of the Company and its subsidiaries.

Net debt to equity ratio

Net debt to equity ratio is calculated by dividing our net debt (total borrowings less cash and cash equivalents) as a percentage of total equity at the end of each financial period. The net debt to equity ratio at the end of the reporting period remained stable as compared with that as of December 31, 2018.

Pledged assets

As of December 31, 2019, we pledged the assets of RMB16.8 billion (December 31, 2018: RMB16.5 billion) for obtaining borrowings.

Contingencies

Our contingencies primarily comprise (i) guarantees we provided in respect of the borrowings provided by commercial banks and other financial institutions to associates and third parties for their business expansion; and (ii) financial guarantees provided by our subsidiaries in the financial services business to third parties for their borrowings from certain financial institutions.

We evaluated the financial position of financial guarantees provided in connection with our financial services business periodically and made provision accordingly. As of December 31, 2019 and December 31, 2018, the provision made by us was RMB116 million and RMB26 million, respectively.

The table below sets forth our total contingent liabilities as of the dates indicated:

Unit: RMB million

	As of December 31, 2019	As of December 31, 2018
Financial guarantee of guarantee business	**10,736**	10,468
Other guarantee		
– Related parties	**3,768**	3,720
– Unrelated parties	**4,221**	6,376

The guarantee balances to unrelated parties are mainly related to real estate business, which was disposed in historic period during the validity period of the guarantee. The guaranteed companies provided counter guarantee correspondingly.

Major Risks and Response Management

As a diversified investment holding company, both Legend Holdings and its portfolio companies should identify, assess and manage various kinds of risks. In particular, the portfolio companies risk management is one of the key tasks of our post-investment management, and we coordinate and standardize risk management through effective management control and services.

Our business operations involve certain major risks, for example:

Macro economy and market environment risk

The Company's subsidiaries are engaged in information technology, financial services and other industries. The macroeconomic environment and market fluctuation may affect the business and profitability of our subsidiaries, which results in risk on the fluctuation of the Company's overall operating results.

We continually monitor the changes in macro economy, regulatory policies and market environment, predict possible problems and make feasible adjustments rapidly, including requiring our subsidiaries to adjust business structures, change operation strategies and inject capital. The Company also regularly appraises risks on overall portfolio, and optimizes and adjusts those risks based on the appraisal results when appropriate.

Investment business risk

The Company adopts the two-wheel-drive business model under which strategic investments and financial investments serve as two wheels. Due to the wide range of investments, our judgment on the industry development trend may differ from the actual conditions, which results in risks on lower-than-expected return of investments.

After making sufficient researches on domestic and overseas industrial development trends and national industrial policies, we focus our strategic investments on information technology, financial services, innovative consumption and services, agriculture and food as well as other industries with long-term development potentials. Meanwhile, we conduct long-term industry tracking to ensure that we can keep abreast of the industry trends and make timely and dynamic adjustments to investment strategies in response to the changes in conditions.

Post-investment management risk

The Company carries out strategic investments in various industries at home and abroad and conducts strategic management and control over the acquired enterprises after completion of the acquisition, which exposes the Company to risks on post-investment management and consolidation in operation and management as well as cultural integration with the portfolio companies.

The Company conducts in-depth analysis on the corporate culture and management team of portfolio companies before making investments to ensure that they have common philosophies on development strategies and operational management with us and their cultures are able to be integrated with us. Meanwhile, we adopt various measures to strengthen the management control and service capabilities of the portfolio companies. In particular, we improve the corporate governance structure and realize strategy management through effective corporate governance. The post-investment management team continuously collect information about the operation of the portfolio companies and assists them in improving operational and management efficiencies, corporate values and achieving effective risk management. We also provide the portfolio companies with trainings on management methods, financial and tax related professional services, culture building and trainings related to other fields.

Safe production and HSE risk

The subsidiaries of the Company are engaged in the research and development and production of advanced polymer materials, some of the products and raw materials are flammable and contain explosive substances, which have special requirements for storage and transportation, and some of the production processes under high temperature and high pressure are dangerous to a certain extent. Production-based enterprises have higher requirements for safe production, and if a major safety production accident occurs during construction, equipment installation, and manufacturing, it will not only result in property loss or damage to the lives and health of related personnel, but will also adversely affect the business and reputation of the Company and its subsidiaries.

The Company has always attached great importance to safe production and environmental protection, and has made safety management a top priority in its daily management. The Company has established and strictly implemented the ISO14001 environmental management system to monitor all operations and activities with significant environmental impact to ensure the realization of environmental policies, targets and indicators. The subsidiaries also have dedicated departments for safe production and HSE management, and has invested heavily in labour protection equipment.

Raw material prices and finished goods sales prices fluctuations risk

The products produced and raw materials used by the Company's subsidiaries are highly correlated with oil, and the price of oil fluctuated significantly in 2019 and will remain volatile in the foreseeable future. In the event of significant fluctuations in oil prices, there is a risk that operating results will decline if the Company fails to respond effectively in areas such as pricing of products and inventory cost control.

The Company's subsidiaries mitigate the impact of raw material price fluctuations by enhancing their operational level and industry layout, while staying close to the end market. They have also been optimizing their production processes and product structures, focusing on the development of specialized and high-end materials, actively developing marketable applications, enriching their product structures, improving profitability, effectively resisting the risks of price fluctuations of raw materials and finished products, and maintaining a stable profitability.

Cyber attack and security risk

The Company's subsidiaries may be impacted negatively if they sustain cyber-attacks and other data security breaches that disrupt their operations or damage its reputation.

The Company's subsidiaries manage and store various proprietary information and sensitive or confidential data relating to their operations. In addition, The Company's subsidiaries cloud computing business routinely process, store and transmit large amounts of data for their customers, including sensitive and personally identifiable information. The Company's subsidiaries may be subject to attack from hackers and other malicious software programs that attempt to penetrate their networks and exploit any security vulnerability in their systems and products.

Hardware, operating system software, product software and applications that the Company's subsidiaries produce or procure from third parties may contain "bugs" that may unexpectedly interfere with the operation of the system or may present unidentified security risk.

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

The Company's subsidiaries are subject to laws and regulations in countries where they operate relating to the collection, use, and security of customers', consumers' and employees' data. The Company's subsidiaries need to conduct normal business activities which include the collection, use and retention of personal data pursuant to these activities. The Company's subsidiaries are required to notify individuals or regulators of a data security breach.

To mitigate cyber attack and security risk, the Company's subsidiaries will continue to invest in the following:

a) continue to develop and maintain a robust cyber security culture by developing sound policies and processes and by training their employees to follow vital data protection practices;

b) enhanced cyber security controls and information security, product security and privacy awareness;

c) compliance with mandatory privacy and security standards and protocols imposed by laws, regulations, industry standards, or contractual obligations; and

d) policies and processes to ensure hardware, operating system software, product software and applications that the Company's subsidiaries produce or procure from third parties protect and responsibly use customer data.

Intellectual property risk (IP risk)

The Company's subsidiaries could suffer if they do not develop and protect their own intellectual property or their suppliers are not able to develop or protect desirable technology or obtain any necessary technology licenses.

The risks include:

- higher business costs as a result of increased licensing demands from patent holders;
- loss or diminished value of intellectual property as an asset, as a result of legal findings of unenforceability and challenges to title or ownership;
- higher legal costs to defend against claims of intellectual property infringement and potential settlement or damages;
- product design-around costs and negative impacts to customer or supplier relationships;
- risk of interruption of the Company's subsidiaries ability to ship products due to injunctions or exclusion orders, in particular, countries resulting from adverse judgments in IP infringement cases filed against the Company's subsidiaries; and
- the Company's subsidiaries reputational harm if found to infringe a third party's valid patents.

To mitigate intellectual property risk, the Company's subsidiaries will continue to:

a) take appropriate legal measures to protect know-how and trade secrets, apply for and enforce patents, and register and protect trademarks and copyrights;

b) licensed IP as appropriate and monitor its continued validity and value to the Company's subsidiaries;

c) obtain IP indemnification from, or otherwise transfer responsibility for IP coverage to suppliers;

d) monitor, develop and execute IP litigation defense strategy; and

e) use the Company's subsidiaries patent portfolio if appropriate to decrease potential damages.

Financial risks

The Group's activities are exposed to a variety of financial risks, which consist of market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. Our overall financial risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on our financial performance. We have implemented a unified and hierarchical financial control management system. We guide and supervise major aspects of the financial management of the subsidiaries and each subsidiary manages its financial risks at their own levels. We and certain of our subsidiaries use derivative financial instruments to hedge certain risk exposures.

- ### Foreign exchange risk

  The Group operates internationally and is exposed to foreign currency risk arising from various currency exposures, primarily with respect to USD, RMB, EUR and CHF. Foreign currency risks arise from the future business transactions, recognized assets and liabilities and net investment in foreign operations denominated in a currency other than the functional currency of the Company and our subsidiaries. The Company and each of our subsidiaries monitor the amount of assets and liabilities and transactions denominated in foreign currencies closely in order to minimize the foreign exchange risk and enter into forward exchange contracts to mitigate the foreign currency risk.

- ### Price risk

  The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated balance sheets either at fair value through profit or loss or fair value through other comprehensive income. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio and constantly judges and deals with the potential impacts of price changes.

  Our investments in equity of other entities that are publicly traded in the following capital investment markets: Hong Kong, China, Europe, US and Japan.

- ### Interest rate risk

  The Group's interest rate risk arises from the mismatches between contractual maturities or re-pricing dates of interest-generating assets and interest-bearing liabilities. Each of our operating entities has formulated its own interest risk management policies and procedures covering identification, measurement, monitoring and control of risks. We manage interest rate risk to control potential loss from interest rate risk at an acceptable level.

- ### Credit risk

  Credit risk is the risk of suffering financial loss, should any of the Group's customers, clients or market counterparties fail to fulfill their contractual obligations to the Group. Credit risk arises mainly from exposure of loans to customers raised by the subsidiaries engaged in banking business and non-banking business of financial investments segment, exposure from receivables, as well as the credit risks arising from investments in debt securities, other exposures arising from its trading investment activities and the activities provided off-balance sheet commitment and guarantee business to customers.

  We use internal credit risk ratings that reflect its assessment of the probability of default of individual counterparties. This is supplemented with external data such as credit bureau scoring information on individual borrowers. In addition, the models enable expert judgement from the credit risk officer to be fed into the final internal credit rating for each exposure. This allows for considerations which may not be captured as part of the other data inputs into the model. For the credit risk raising from receivables, our relevant subsidiaries have established credit policies under which individual credit evaluations are performed on all customers to determine the credit limit and terms applicable to the customers.

- Liquidity risk

  Cash flow forecasting is performed by the Company and each of our subsidiaries. We monitor the subsidiaries' rolling forecasts of short-term and long-term liquidity requirements to ensure it has sufficient cash and securities that are readily convertible to cash to meet operational needs, while maintaining sufficient headroom on its undrawn committed borrowing facilities from major financial institutions so that it does not breach borrowing limits or covenants on any of its borrowing facilities to meet the short-term and long-term liquidity requirements.

Compliance risk

Compliance risk refers to the risk of the Company and each of our subsidiaries and their Directors, Supervisors, senior management and its employees being subject to legal obligations, regulatory penalties, financial or reputation losses due to operation and management or practice in violation of regulations. As our business activities and investments cover, including but not limited to, the PRC, Hong Kong, Europe, Australia and South America, we are also subject to the laws and regulatory rules of different jurisdictions. The Board of the Company will monitor our compliance policies, review the effectiveness of our internal control and risk management and seek for advice from the compliance advisor and internal and external lawyers on compliance matters from time to time. During the Reporting Period, the Group has complied with relevant regulations which have significant impacts on our business and operation in all material respects.

Events after the Reporting Period

On March 8, 2020, Lenovo made an application for listing of USD3 billion medium term note programme. The programme is only issued to professional investors and would be listed within 12 months after March 8, 2020.

Since the outbreak of novel coronavirus, COVID-19, from the beginning of 2020, the prevention and control activities of the pandemic have been going on across the world. For the strategic investment business, the subsidiaries of the Company are challenged by resumption of factory production, supply chain management and logistics and transportation, etc. For the financial investment business, the Group is exposed to the risk of fluctuations in global capital market. As at the date of this report, since the pandemic is ongoing, the Group will continue to assess the impact on its financial position and operating results.

Details about the number of employees, remuneration policy and bonus and remuneration standards for Directors

As at December 31, 2019, the Company and its subsidiaries had approximately 87,000 employees. The Company acknowledges that a top-notch professional team with high efficiency is vital to a first-class investment holdings company for fully supporting the Company's strategic and business development. To attract and retain top-notch talents, the overall remuneration level has to be fairly competitive in the market. Therefore, the Company established a general remuneration system for core management members and employees with market competitiveness which is compatible with the business features of the Company:

1. In respect of the Company's core management members ("core management"), the overall remuneration comprises annual remuneration, mid-term to long-term incentives and benefits. Annual remuneration as well as mid-term to long-term incentives of core management of the Company is determined by the Board based on the overall performance of the Company and the duties undertaken by the core management and their performance. The Company will then determine performance results according to the Company's performance and the performance appraisal of core management. Annual remuneration comprises annual basic salaries (determined based on the duties undertaken by core management) and target bonus (calculated based on a certain proportion of the basic salaries of core management with reference to the overall performance of the Company and performance appraisal of core management). Benefits include basic social benefits and supplemental benefits of the Company.

2. In respect of the employees of the Company, the overall remuneration consists of annual remuneration, mid-term to long-term incentives and benefits. Annual remuneration comprises basic salaries and target bonus. Basic salaries represent salaries determined based on duties undertaken by the employees, their performance and capabilities. Target bonus is determined based on a certain proportion of the employees' basic salaries and calculated based on the annual operating results of the Company and the annual performance appraisal of employees. Meanwhile, in order to attract and motivate mid-to-senior talents to create values for the sustainable development of the Company, the March 2016, June 2016 and June 2019 mid-term to long-term share incentive schemes were respectively approved by the Board and the general meetings of the Company. In addition, the Company also establishes a system of basic social benefits and supplemental benefits (which match with the social benefits) with a view to enhance its benefits level.

3. The remuneration for Independent Non-executive Directors is determined based on the time devoted, workload, duties undertaken thereby and prevailing market level. The Remuneration Committee reviews the remuneration for Independent Non-executive Directors on a regular basis.

4. In accordance with the relevant regulations of China, the Company provides various statutory benefits to our employees, including basic pension insurance, basic medical insurance, employment injury insurance, unemployment insurance, maternity insurance and housing provident fund. In addition, in order to provide our employees with more comprehensive benefits, the Company also provides supplemental benefits on its own, including supplement to pension insurance, medical insurance and housing provident fund as well as physical medical examination.

Recommendation of final dividend

The Board has recommended a final cash dividend of RMB0.33 per ordinary share (before tax) for the year ended December 31, 2019 (2018: RMB0.30). The proposed final dividend is subject to the approval of the Shareholders at the 2019 annual general meeting of the Company (the "2019 AGM") to be held on Friday, June 12, 2020. The proposed cash dividend will be paid to the Shareholders (whose names appear on the register of members of the Company on Wednesday, June 17, 2020) on or before Wednesday, July 15, 2020. The specific arrangement for the distribution of final dividend (including arrangement of withholding and payment of income tax for the Shareholders) will be disclosed separately in the notice of 2019 AGM. The dividends for Domestic Shares will be paid in RMB, and the dividends for H Shares will be denominated in RMB and paid in HKD (the exchange rate for RMB to HKD shall be calculated based on the average selling price for RMB to HKD released by the People's Bank of China for a calendar week before the date of the 2019 AGM).

Closure of register of members

In order to determine the Shareholders entitled to attend and vote at the 2019 AGM, the register of members of the Company will be closed from Monday, June 8, 2020 to Friday, June 12, 2020 (both days inclusive), during which time no transfer of the H Shares will be registered. Accordingly, unregistered H Shareholders shall lodge relevant share transfer documents with the Company's H share registrar, Link Market Services (Hong Kong) Pty Limited, at Suite 1601, 16/F Central Tower, 28 Queen's Road Central, Hong Kong not later than 4:30 p.m. on Friday, June 5, 2020.

In order to determine the entitlement of the H Shareholders to the final dividend for 2019, the H share register of the Company will be closed from Thursday, June 18, 2020 to Friday, June 19, 2020 (both days inclusive). The H Shareholders who wish to receive the final dividend for 2019 shall deliver the share certificates accompanied by the transfer documents to the H share registrar of the Company, Link Market Services (Hong Kong) Pty Limited, at Suite 1601, 16/F Central Tower, 28 Queen's Road Central, Hong Kong not later than 4:30 p.m. on Wednesday, June 17, 2020.

Mr. NING Min *Chairman and Executive Director*

Mr. NING Min (寧旻), aged 50, was appointed as the Chairman of the Board and the Chairman of Nomination Committee of the Company on January 1, 2020. He has been appointed as an Executive Director and a member of the Remuneration Committee of the Company since December 27, 2018 and is currently the Chairman of the Strategy Committee of the Company. Mr. NING served as a member of the Executive Committee and the Chief Financial Officer of the Company for an extensive period of time, during which he was fully responsible for the Company's financial and funds management, risk control and auditing, as well as the affairs relating to the capital markets and public relations. He was in charge of the operation and management of financial investment business of Legend Holdings, and made profound contributions in the formulation of corporate strategy, business development, organizational construction of the Company. Currently, Mr. NING also serves as a director of Hony Capital, Legend Star, EAL, Joyvio Group and Levima Advanced Materials and various members of the Company.

Mr. NING joined the Company in 1991 and served consecutively as the deputy head of the Corporate Planning Office, the secretary of the Board and the deputy head of the Corporate Planning Office, the general manager, assistant president and senior vice president of the Asset Management Department. Mr. NING is currently a director of Xi'an Shaangu Power Co., Ltd. (西安陝鼓動力股份有限公司) and Beijing Electronics Zone Investment and Development Co., Ltd. (北京電子城投資開發集團股份有限公司) (both listed on the Shanghai Stock Exchange). He was a non-executive director of China Glass Holdings Limited (中國玻璃控股有限公司) (listed on the Hong Kong Stock Exchange) from 2011 to 2015.

Mr. NING obtained his bachelor's degree in economics from Renmin University of China (中國人民大學) in 1997. Mr. NING completed courses of master of business administration offered by Graduate School of Renmin University of China (中國人民大學研究生院) in China in 2001.

Mr. LI Peng *Executive Director and CEO*

Mr. LI Peng (李蓬), aged 48, was appointed as an Executive Director and the Chief Executive Officer of the Company on February 13, 2020 and is currently a member of the Strategy Committee of the Company. Mr. LI served as a member of the Executive Committee and a senior vice president of the Company for a long time during which he was dedicated to the development of strategic investment business and post-investment management of the Company. MR. LI currently holds directorships in various members of the Company, he currently serves as a director of Lakala Payment Co., Ltd., (拉卡拉支付股份有限公司) (listed on the Shenzhen Stock Exchange) and a non-executive director of Hospital Corporation of China Limited (listed on the Hong Kong Stock Exchange). Mr. LI also serves as the vice chairman of BIL, and as director in various members of the Company such as Zhengqi Financial and Kaola Technology.

Mr. LI joined Legend Holdings in 2003, he successively served as the deputy general manager of the Investment Management Department, general manager, strategic investment director, assistant president, vice president, senior vice president and president of the Company. Prior to joining Legend Holdings, Mr. LI has successively held positions in Sinotrans Corporation (中國對外貿易運輸總公司) and Teradyne Connection Systems, US.

Mr. LI obtained his bachelor's degree in international finance from University of International Business & Economics (對外經濟貿易大學) in China in 1994, and a master's degree in business administration from the University of New Hampshire State University (新罕布什爾州立大學) in the United States in 2001.

Mr. ZHU Linan *Non-executive Director*

Mr. ZHU Linan (朱立南), aged 57, was redesignated from an Executive Director to a Non-executive Director of the Company on January 1, 2020 and is currently a member of the Strategy Committee of the Company. Mr. ZHU joined the Company since 2001 and served consecutively as a Director and executive vice president and executive Director and president. Mr. ZHU first joined the Company's subsidiary in 1989 and served as the general manager of Shenzhen Legend Computer Co., Ltd. (深圳聯想電腦有限公司). From 1997 to 2001, he joined Lenovo and served consecutively as a general manager of Business Development Department, an assistant president, deputy head and head of Corporate Planning Office and a senior vice president. He was a founder of Legend Investment Limited (聯想投資有限公司), the predecessor of Legend Capital Co., Ltd. (君聯資本管理股份有限公司) in 2001 and held position as its director since establishment. Mr. ZHU is currently a non-executive director of Lenovo and CAR Inc. (both listed on the Hong Kong Stock Exchange).

Mr. ZHU obtained his master's degree in Electronic Engineering from Shanghai Jiao Tong University in China in 1987.

Mr. ZHAO John Huan *Non-executive Director*

Mr. ZHAO John Huan (趙令歡), aged 57, was redesignated from an Executive Director to a Non-executive Director of the Company on January 1, 2020 and is currently a member of the Strategy Committee of the Company. Mr. ZHAO joined the Company in 2003 when he founded Hony Capital. From 2003 to 2011, he served consecutively as executive vice president, senior vice president and a director and executive vice president of the Company. He is currently the chairman of Hony Capital.

Mr. ZHAO has extensive experiences in corporate management and held senior management positions at several companies in the United States and the PRC. From 2002 to 2003, Mr. ZHAO was the advisor to chief executive officer of Lenovo. Prior to joining Legend Holdings, he also served as the research & development director and senior manager of Shure Brothers, Inc., vice president of US Robotics Inc. (listed on NASDAQ Stock Market), chairman of the board and president of Vadem, Inc., chairman of the board and president of Infolio Inc. and a managing partner and chief executive officer of eGarden Ventures, Ltd.

Mr. ZHAO is currently a non-executive director of Lenovo and a non-executive director of China Glass Holdings Limited, the chairman of the board and executive director of Best Food Holding Company Limited and the chairman of the board and non-executive director of Hospital Corporation of China Limited, and the chairman of the board of directors and executive director of Goldstream Investment Limited (all listed on the Hong Kong Stock Exchange), the director of Shanghai Jin Jiang International Hotels Development Co., Ltd. (上海錦江國際酒店發展股份有限公司) and ENN Ecological Holdings Co., Ltd. (新奧生態控股股份有限公司) (both listed on the Shanghai Stock Exchange) and a non-executive director of Zoomlion Heavy Industry Science & Technology Development Co., Ltd. (中聯重科股份有限公司) (listed on the Hong Kong and Shenzhen Stock Exchanges). He previously served as the chairman of the board of China Glass Holdings Limited (listed on the Hong Kong Stock Exchange), a director of New China Life Insurance Company Ltd., Chinasoft International Limited and CSPC Pharmaceutical Group Limited (all listed on the Hong Kong Stock Exchange), the vice chairman of Shanghai Chengtou Holding Co., Ltd. (上海城投控股股份有限公司) and the vice chairman and director of Shanghai Environmental Group Co., Ltd. (上海環境集團股份有限公司) (both listed on the Shanghai Stock Exchange) and a director of Fiat Industrial S.p.A. (listed on MTA Italian Stock Exchange).

Mr. ZHAO obtained his bachelor's degree in science from Nanjing University in China in 1984 and a master of electronic engineering and science degree from Northern Illinois University in the United States in 1990 and a master of business administration degree from the J.L. Kellogg Graduate School of Management at Northwestern University in the United States in 1996.

Mr. WU Lebin *Non-executive Director*

Mr. WU Lebin (吳樂斌), aged 57, was appointed as a Director of the Company on September 4, 2014. He is the chairman of the board of directors and executive director of Biosino Bio-Technology and Science Incorporation (listed on the Hong Kong Stock Exchange). He previously served as the chairman of the board of directors of CAS Holdings, a substantial Shareholder, and a deputy head of the Institute of Biophysics of CAS (中國科學院生物物理研究所), the chief of Public Relations Coordination Office of CAS General Office (中國科學院辦公廳公共關係協調處), and an engineer of Strategic Vision Office of CAS Technology Policy Bureau (中國科學院科技政策局戰略遠景處).

Mr. WU obtained his bachelor's degree in medicine from Jiangxi Medical College (江西醫學院) (now known as Medical College of Nanchang University (南昌大學醫學院)) in China in 1983 and a master's degree in science from the Institute of Vertebrate Paleontology and Paleoanthropology of Chinese Academy of Sciences (中國科學院古脊椎動物與古人類研究所) in China in 1988. He also completed an EMBA study program jointly offered by the branch of University of Wisconsin-Madison in the United States and CAS in 2002.

Mr. SUO Jishuan *Non-executive Director*

Mr. SUO Jishuan (索繼栓), aged 56, was appointed as a Director and a member of Audit Committee of the Company on June 5, 2018. Mr. SUO served as the Supervisor of the Company from September 4, 2014 to June 5, 2018. Mr. SUO is the chairman of the board of directors of CAS Holdings, our substantial Shareholder. Mr. SUO worked for Lanzhou Institute of Chemical Physics, Chinese Academy of Sciences (中國科學院蘭州化學物理研究所) ("**LICP**") from 1991 to 2003 and served consecutively as deputy head of the State Key Laboratory for Oxo Synthesis and Selective Oxidation (羰基合成和選擇氧化國家重點實驗室), the head of the National Engineering Research Center of Fine Petrochemical Intermediates (精細石油化工中間體國家工程研究中心), assistant to the chief of LICP, deputy chief of LICP and vice president of Lanzhou Branch of Chinese Academy of Sciences. He was the chairman of the board of directors of Chengdu Organic Chemicals Co., Ltd., Chinese Academy Sciences (中國科學院成都有機化學有限公司) from 2003 to 2009, deputy general manager of CAS Holdings from 2009 to 2014, the chairman of the board of Software Engineering Center, Chinese Academy Sciences (北京中科院軟件中心有限公司) from 2011 to 2014 and the chairman of the board of Shenzhen CAS IP Investment Co., Ltd. (深圳中科院知識產權投資有限公司) from 2011 to 2015. Mr. SUO currently serves as a director of China Science Publishing & Media Ltd. (中國科技出版傳媒股份有限公司) (listed on Shanghai Stock Exchange) and a director Chengdu Information Technology Of Chinese Academy Of Sciences Co., Ltd. (中科院成都信息技術股份有限公司) (listed on the ChiNext market of Shenzhen Stock Exchange).

Mr. SUO obtained his bachelor's degree in science from Inner Mongolia University in China in 1986 and a doctoral degree in science from LICP in China in 1991.

Mr. WANG Yusuo *Non-executive Director*

Mr. WANG Yusuo (王玉鎖), aged 56, appointed as a Director of the Company on February 13, 2020. Mr. WANG has over 30 years of experience in investment and management of clean energy business in the PRC. Mr. WANG is currently the founder, the chairman of the board, executive director and the chairman of the Nomination Committee of ENN Energy Holdings Limited (listed on the Hong Kong Stock Exchange), the chairman of ENN Ecological Holdings Co., Ltd. (新奧生態控股股份有限公司) (listed on the Shanghai Stock Exchange) and a director of ENC Data Technology Co., Ltd (新智認知數字科技股份有限公司) (listed on the Shanghai Stock Exchange) where he served as the chairman between December 2010 to May 2018 and a director of ENN Group International Investment Limited.

Mr. WANG obtained his doctor's degree in Enterprise Management from Tianjin University of Finance and Economics (天津財經大學) in 2007.

Mr. MA Weihua *Independent Non-executive Director*

Mr. MA Weihua (馬蔚華), aged 71, was appointed as a Director of the Company on March 15, 2015 with effect from June 29, 2015, the listing date of the Company. He was also appointed as a member of Nomination Committee on June 29, 2015. He was the Chairman of Remuneration Committee of the Company from June 29, 2015 to February 13, 2020.

Mr. MA currently serves as an independent director of China World Trade Center Co., Ltd. (中國國際貿易中心股份有限公司) (listed on the Shanghai Stock Exchange), and the chairman and a non-executive director of Bison Finance Group Limited (listed on the Hong Kong Stock Exchange).

Mr. MA previously served as the president, chief executive officer and executive director of China Merchants Bank Co., Ltd. (listed on the Hong Kong and Shanghai Stock Exchange), an independent non-executive director of China Petroleum & Chemical Corporation (listed on the Hong Kong, Shanghai, New York and London Stock Exchanges), independent non-executive director of China Eastern Airlines Corporation Limited (listed on the Hong Kong and the Shanghai Stock Exchanges), an independent non-executive director of Postal Savings Bank of China Co., Ltd. (listed on the Hong Kong Stock Exchange), an independent non-executive director of Winox Holdings Limited and China Resources Land Limited (both listed on the Hong Kong Stock Exchange) and the chairman of board of supervisors of Taikang Insurance Group Co., Ltd.. In addition, Mr. MA is a member of the Standing Council of China Society for Finance and Banking (中國金融學會常務理事), the director-general of One Foundation (壹基金公益基金會理事長) and the director-general of Council of National Fund for Technology Transfer and Commercialization (國家科技成果轉化引導基金理事會理事長). Mr. MA is a member of the Twelfth National Committee of the Chinese People's Political Consultative Conference.

Mr. MA was awarded the doctor of philosophy degree in economics from Southwest Finance and Economics University in China in 1999.

Mr. ZHANG Xuebing *Independent Non-executive Director*

Mr. ZHANG Xuebing (張學兵), aged 54, was appointed as a Director of the Company on March 15, 2015 with effect from June 29, 2015, the listing date of the Company. He was also appointed as a member of the Audit Committee and a member of the Nomination Committee of the Company on June 29, 2015. Mr. ZHANG established Zhong Lun Law Firm (中倫律師事務所) in 1993 and is the managing partner to present. He is currently an external director of China Southern Airlines Group Co., Ltd. (中國南方航空集團有限公司), the independent director of Huafa Industrial Co., Ltd. Zhuhai (珠海華發實業股份有限公司) and the Council of China University of Political Science and Law (中國政法大學) in China. In addition, Mr. ZHANG was the former chairman of the Eighth and Ninth Beijing Lawyers Association (北京市律師協會). He is now the vice-chairman of the All China Lawyers Association (中華全國律師協會), and an arbitrator of the China International Economic and Trade Arbitration Commission (中國國際經濟貿易仲裁委員會).

Mr. ZHANG obtained his bachelor of laws degree from China University of Political Science and Law in China in 1986, master of laws degree from China University of Political Science and Law in China in 1991 and master of laws degree from Duke University in the United States in 1998. Mr. ZHANG was admitted as a PRC qualified lawyer in 1989 by Beijing Municipal Bureau of Justice (北京市司法局) and was granted the qualification of lawyer for engaging in securities law business by the China Securities Regulatory Commission in 1996.

Ms. HAO Quan *Independent Non-executive Director*

Ms. HAO Quan (郝荃), aged 61, was appointed as a Director of the Company on March 15, 2015 with effect from June 29, 2015, the listing date of the Company. She was also appointed as the Chairperson of the Audit Committee and a member of the Remuneration Committee of the Company on June 29, 2015. Ms. HAO previously served as a lecturer of the Renmin University of China from 1982 to 1989. She first joined KPMG (USA) in 1993 and became a partner of KPMG Huazhen (Special General Partnership) and its predecessor from 2001 to 2015. Ms. HAO is currently an independent director of BEST Inc. (listed on New York Stock Exchange) and HSBC Bank (China) Company Limited.

Ms. HAO obtained her bachelor of economics degree from the Renmin University of China in 1982 and the master of business administration degree from Temple University in the United States in 1993. Ms. HAO obtained the qualification of certified public accountant in California, the United States in 1995 and as a PRC certified public accountant in 2002.

Mr. YIN Jian'an *Independent Non-executive Director*

Mr. YIN Jian'an (印建安), aged 62, was appointed as a Director of the Company, the Chairman of the Remuneration Committee and a member of the Nomination Committee of the Company on February 13, 2020. Mr. YIN joined Xi'an Shaangu Power Co., Ltd. (listed on the Shanghai Stock Exchange in April 2010) in June 1999 and served as the Chairman from May 2001 to August 2017. Mr. YIN served as the Chairman of Shaanxi Blower (Group) Co., Ltd. (陝西鼓風機(集團)有限公司) from May 2001 to June 2017, as the Chairman of Shaanxi Qin Feng Gases Technology (陝西秦風氣體股份有限公司) from November 2012 to July 2015, as President of Shaangu Power and Automation Engineering Academy (陝鼓能源動力與自動化工程研究院) from August 2008 to August 2017.

Mr. YIN obtained his doctor's degree and master's degree in Fluid Mechanics from Zhejiang University (浙江大學) in 2004 and 1992, respectively.

Mr. GAO Qiang *Supervisor*

Mr. GAO Qiang (高強), aged 51, was appointed as the Chairman of the Board of Supervisor of the Company on February 13, 2020. Mr. Gao is currently the dean of the Management Institute of the Company, the Deputy Secretary to the Communist Party Committee, and Vice Chairman of the Trade Union. He is fully responsible for the corporate culture affairs, the daily management of the communist party office and trade union of the Company. Mr. GAO joined Legend Holdings in 2006 and he has successively served as the deputy general manager of the Public Relations Department, general manager of the human resources department, and executive dean of the management institute.

Mr. GAO obtained an MBA degree from CEIBS (中歐國際工商學院) in 2016.

Mr. LUO Cheng *Supervisor*

Mr. LUO Cheng (羅成), aged 41, was appointed as a Supervisor of the Company on January 16, 2018. He is the assistant president of China Oceanwide Ltd., a substantial Shareholder. He obtained a master of art degree from the University of Leeds in 2002, majoring in accounting and finance. Mr. LUO is currently a director of Oceanwide Investment Group Co., Ltd. (泛海投資集團有限公司) and a supervisor of Mingsheng Holdings Co., Ltd. (民生控股股份有限公司) (listed on the Shenzhen Stock Exchange). He also served as a supervisor of Oceanwide Holdings Co., Ltd. (泛海控股股份有限公司) (listed on the Shenzhen Stock Exchange).

Ms. FENG Ling *Supervisor*

Ms. FENG Ling (馮玲), aged 55, was appointed as a Supervisor of the Company on June 5, 2018. Ms. FENG Ling is the chief financial officer of CAS Holdings, a substantial Shareholder and a supervisor of Levima New Material, a subsidiary of the Company. She served as deputy general manager of the finance and auditing department, general manager of the asset operation department, and general manager of the finance and auditing department of CAS Holdings. She is currently a supervisor of China Science Publishing & Media Ltd. (中國科技出版傳媒股份有限公司), a supervisor of China Sciences Group Co., Ltd. (中科實業集團(控股)有限公司) and a director of Beijing Corona Science & Technology Co., Ltd. (北京科諾偉業科技股份有限公司).

Ms. FENG obtained the senior advanced engineer qualification granted by the Chinese Academy of Sciences in 2013, the senior accountant qualification issued by the Senior Professional and Technical Evaluation Committee of the Ministry of Housing and Urban-Rural Development of the PRC (中國住房和城鄉建設部高級專業技術職務評審委員會) in 2009, and the certified public accountant qualification issued by the Chinese Association of Certified Public Accountants in 2001. Ms. FENG obtained a bachelor’s degree from Xi’an College of Architecture and Technology (西安冶金建築學院) in 1985.

Principal Businesses

The principal businesses of the Company comprise strategic investment business (investment in five major segments: IT, financial services, innovative consumption and services, agriculture and food, and advanced manufacturing and professional services) and financial investment business (mainly includes angel investments, venture capital investments, private equity investments and other investments).

Reserve

During the Reporting Period, the changes in reserve of the Company and its subsidiaries are set out in the consolidated statement of changes in equity of the financial statements prepared in accordance with the International Financial Reporting Standards in this annual report. The changes in reserve of the Company are set out in the note 52(b) to the financial statements.

Distributable Reserve

According to the Articles of Association of the Company, dividend can only be distributed in accordance with the distributable profit determined by the China Accounting Standards for Business Enterprises or the International Financial Reporting Standards or the accounting standards of the place where the Company is listed (whichever is lower).

As of December 31, 2019, the distributable reserve of the Company amounted to RMB1,393 million (2018: RMB1,546 million) which was calculated pursuant to the accounting policy under the China Accounting Standards for Business Enterprises.

Results and Appropriations

The results of the Company and its subsidiaries for the year are set out in the consolidated income statement on pages 105 to 106 of this annual report.

The overall financial position of the Company and its subsidiaries as at December 31, 2019 are set out in the consolidated balance sheet on pages 107 to 109 of this annual report, and the financial position of the Company as at December 31, 2019 in note 52(a) to the financial statements, respectively.

The consolidated cash flow statement of the Company and its subsidiaries for the year is set out in the consolidated cash flow statement on pages 112 to 113 of this annual report.

The Board has recommended a final cash dividend of RMB0.33 per ordinary share (before tax) for the year ended December 31, 2019 (2018: RMB0.30). The proposed final dividend is subject to the approval of the Shareholders at the 2019 AGM to be held on Friday, June 12, 2020. The proposed cash dividend will be paid to the Shareholders (whose names appear on the register of members of the Company on Wednesday, June 17, 2020) on or before Wednesday, July 15, 2020. The specific arrangement for the distribution of final dividend (including arrangement of withholding and payment of income tax for the Shareholders) will be disclosed separately in the notice of 2019 AGM. The dividends for Domestic Shares will be paid in RMB, and the dividends for H Shares will be denominated in RMB and paid in HKD (the exchange rate for RMB to HKD shall be calculated based on the average selling price for RMB to HKD released by the People's Bank of China for a calendar week before the date of the 2019 AGM).

Dividend Policy

1. The Company has adopted a Dividend Policy (the "Dividend Policy"), which provides Shareholders with sustainable returns every year. Dividends shall be determined according to the net profits attributable to equity holders of the Company (after adjustments for restructuring or other one-off non-cash items, if any) during relevant financial period, and shall be subject to the criteria set out in paragraphs 3 and 4 below. The Company does not intend to set any dividend distribution ratio. The Company strives to maintain financial flexibility as well as to strike a balance between Shareholders' interests and prudent capital management.

2. The Company may consider declaring and paying special dividends from time to time in addition to the annual dividend paid to the Shareholders.

3. The Company's ability to pay dividends will depend on, among other things, the Company's operations, business plans and strategies, cash flows, financial positions, operating and capital requirements and contractual restrictions, as well as dividends received from the subsidiaries and associates of the Company, while in turn will depend on the ability of such subsidiaries and associates to pay a dividend. The payment of dividend is also subject to the provisions of the Articles of Association the Company and any other applicable laws and regulations, and other factors impacting the Company that the Board may consider relevant.

4. The Dividend Policy reflects the current view of the Board on the financial and cash flow positions of the Company and its subsidiaries. The Board will continue to review the Dividend Policy from time to time and there will be no assurance that dividends will be paid in any particular amount in any given period. Whenever, the Board recommends a dividend, the distribution manner, frequency and amount, will depend on the Company's operations and profits, business plans and strategies, cash flow, operating and capital requirements, general financial positions, contractual restrictions and other factors impacting the Company that the Board may consider relevant.

Shares Issued

The Company did not issue any new Shares for the year ended December 31, 2019. The details of Shares issued of the Company are set out in note 35 to the financial statements.

Bonds Issued

During the year ended December 31, 2019, the Company issued a total of three tranches of corporate bonds. All bonds were listed on the Shanghai Stock Exchange and were issued to eligible domestic investors. The proceeds from such three issuances after deducting the issue expenses were fully utilized towards repayment of interest-bearing debts. The details are as follows:

1. On January 15, 2019, the Company completed the public offering of 2019 corporate bonds of a total amount of RMB3 billion (Tranche 1), the actual issuance size of the 3-year bonds is RMB2 billion, with a final coupon rate of 4.50%. The actual issuance size of the 5-year bonds is RMB1 billion, with a final coupon rate of 5.30%.

2. On June 21, 2019, the Company completed the public offering of 2019 corporate bonds of a total amount of RMB2 billion (Tranche 2), with a term of 5 years, and a final coupon rate of 5.50%.

3. On October 18, 2019, the Company completed the public offering of 2019 corporate bonds of a total amount of RMB1.6 billion (Tranche 3), with a basic term of 3 years, and a final coupon rate of 3.90%.

Equity-linked Agreements

No equity-linked agreement was entered into by the Company during the year ended December 31, 2019 or as at December 31, 2019.

Donations

During the year, donations for charity or other purposes made by the Company and its subsidiaries amounted to RMB50 million (2018: RMB39 million).

Business Review

Under the Disclosure of Financial Information set out in Appendix 16 to the Listing Rules, the Company is required to include a business review in the Directors' Report. According to Schedule 5 to the Companies Ordinance of Hong Kong, a business review shall cover certain aspects, the details of which are as follows:

1. A fair review of the business of the Company and its subsidiaries
   "Management Discussion and Analysis" on pages 16 to 55 of this annual report.

2. A description of the principal risks and uncertainties facing the Company and its subsidiaries
   "Major Risks and Response Management" on pages 49 to 54 of this annual report.

3. Particulars of important events affecting the Company and its subsidiaries that have occurred subsequent to the Reporting Period
   "Events after the Reporting Period" on pages 54 of this annual report.

4. An estimation of the potential development in the business of the Company and its subsidiaries
   "Management Discussion and Analysis" on pages 16 to 55 of this annual report.

5. An analysis on financial key performance indicators
   "Financial Review" on pages 45 to 49 of this annual report.

6. Environmental policies and performance
   The Company and its subsidiaries are committed to environmental protection, energy conservation and emission reduction and reasonable and efficient utilization of resources and energy in day-to-day operational activities and ensure the observation of local environmental laws and regulations and relevant industry emission standards in different regions. We are committed to constantly practicing environmental management and improving corresponding measures, including establishing a complete environmental emergency response system for specific business, providing feasible support for prevention and control of environmental accidents, and improving factory production process and equipping resource recycling system to effectively reduce energy consumption. In the meantime, we attach great importance to the environmental management in the office area. We actively cultivate staff's awareness of protecting the environment and saving office resources and energy and actively promote greening layout in plant areas and green building rating of office buildings. The Company and its subsidiaries will continue to strictly abide by relevant regulations on environmental protection, develop sustainability policies and design and strive to strike a balance among economic, social and environmental benefits.

   As Legend Holdings makes strategic investments on all fronts, the environmental impact of the Company's activities has also become an increasingly important factor considered by investors. Legend Holdings requires its subsidiaries in all strategic investment sectors to ensure their strict compliance with local environmental laws and regulations where they operate. In 2019, the Company and its subsidiaries did not violate any laws and regulations relating to waste gas and greenhouse gas emissions, discharges into water and land, and generation of hazardous and nonhazardous waste. Please refer to Appendix I for relevant laws and regulations that have a significant impact on the Company and the Company complies with.

   In order to carry out environmental management and continuously improve relevant measures, Legend Holdings requires its subsidiaries in all strategic investment sectors to establish a sound environmental emergency system for specific businesses, provide solid support for prevention and control of environmental emergencies, and improve the factory processes and establish waste recycling system to reduce energy consumption. In addition, the Company has also formulated and implemented more detailed environmental protection policies in line with the local conditions of subsidiaries in all strategic investment segment, made gradual development of environmental sustainability policies, so as to achieve the harmony among economic, social and environmental benefits.

Pursuant to the requirements of the Listing Rules, the Company is required to disclose information regarding environmental, social and governance of the Company and its subsidiaries. The 2019 Environmental, Social and Governance Report containing such information will be published by way of a separate report to be posted on the Hong Kong Stock Exchange website (www.hkexnews.hk) and the Company website (www.legendholdings.com.cn) in due course. The detailed performances of the Company and its subsidiaries in the aspect of environmental protection are disclosed in such report.

7. Key relationships with employees, customers, suppliers and other stakeholders

The philosophy and principles of the Company and its subsidiaries towards its employees, customers, suppliers and other stakeholders are set out in the 2019 Environmental, Social and Governance Report, which will be published by way of a separate report.

Principal Customers and Suppliers

During the year, the sales of products and services to the top five customers from the Company and its subsidiaries were less than 9%. The principal suppliers of the Company and its subsidiaries accounted for the following percentages of the procurement amount of the Company and its subsidiaries during the year:

The largest supplier 15%
The aggregate of the top five suppliers 28%

None of the Directors, their close associates or any Shareholders (who to the knowledge of the Directors owns more than 5% of the issued Shares) had interests in the aforementioned principal suppliers.

Property, Plant and Equipment and Investment Properties

Details of changes in the property, plant and equipment and investment properties of the Company and its subsidiaries during the Reporting Period are set out in notes 16 and 18 to the financial statements, respectively.

Borrowings

Details of the borrowings of the Company and its subsidiaries are set out in note 45 to the financial statements.

Contingencies

Details of the contingencies of the Company and its subsidiaries are set out in note 51 to the financial statements.

Five-year Financial Summary

The results and summary of assets and liabilities of the Company and its subsidiaries for the year ended December 31, 2019 and in the latest four fiscal years are set out on pages 271 to 272 of this annual report.

Substantial Subsidiaries and Associates

Details of substantial subsidiaries and associates of the Company are set out in notes 12 and 13 to the financial statements.

Corporate Governance Code

The Company has complied with all code provisions of the Corporate Governance Code (the "Corporate Governance Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules") during the year ended December 31, 2019, other than provision A.5.5 of the code.

The circular to the Shareholders attached to the notice of the extraordinary general meeting of the Company dated December 27, 2019 containing, among others, information of the proposed election of Mr. YIN Jian'an ("Mr. YIN") as an independent non-executive Director. The following information was not included:

Mr. YIN is recommended by the members of the Board. After the deliberation and review of the Nomination Committee and the Board considers that it is in the interests of the Company and its Shareholders to recommend Mr. YIN as an independent non-executive director. Mr. YIN has an outstanding professional background. He was the Chairman of Shaanxi Blower (Group) Co., Ltd. (listed on the Shanghai Stock Exchange) for over six years. He has profound experience in the management over domestic manufacturing companies and won multiple national awards for the projects that he presided over or participated. Based on Mr. YIN's personal qualification, educational background, management experience, skills and expertise, the Board considers that Mr. YIN will be complementary to other members of the Board and leading to a promotion of the diversity of the Board members. He can also provide valuable opinions and perspectives to the Board and management with his years of experience and expertise of operation, management and corporate governance that he has accumulated in domestic listed companies. Considering the independence factors set out in Rule 3.13(1) to (8) of the Listing Rules as a basis, Mr. YIN has confirmed that there are no circumstances that may impair his independence. The Directors consider that Mr. YIN is independent. Given the above, the Board concludes that it is in the interests of the Company and the Shareholders to propose the nomination of Mr. YIN as an independent non-executive director.

The Company reviews the compliance of the Corporate Governance Code and the Corporate Governance Report on an annual basis in order to ensure that the Company has complied with the code provisions. Efforts have been made to continuously enhance corporate governance with reference to the best recommended practices.

Compliance with the Relevant Laws and Regulations

The Company and its subsidiaries operate and invest in, among others, China, Hong Kong, Europe, Australia and South America. During the Reporting Period, the Company complied with the relevant laws and regulations which had material impacts on Legend Holdings' business and operations in material respects.

Purchase, Sale or Redemption of the Listed Securities

For the year ended December 31, 2019, the Company purchased an aggregate of 8,777,900 H Shares through custodian for granting as incentives pursuant to the medium and long-term incentive plans. Save as the aforesaid purchases, during the year ended December 31, 2019, neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Sufficient Public Float

As at the date of this report, in accordance with the public information that the Company could obtain and as far as the Directors are aware, the Directors confirmed that the Company had been maintaining the sufficient public float as prescribed by the Listing Rules.

Pre-emptive Rights

There are no provisions for pre-emptive rights according to the Company's Articles of Association and the Company Law of PRC.

Tax Relief

Shareholders are required to submit to the tax authorities the Information Reporting Form for Non-resident Taxpayers Claiming Treaty Benefits (chapter II of the announcement [2019] No. 35 State Administration of Taxation) if they are requested by the PRC tax authorities to claim refund of overpaid taxes fees through the Company in accordance with the relevant requirements of the Administrative Measures for Non-resident Taxpayers to Benefit from the Taxation Treaties (《非居民納稅人享受稅收協定待遇管理辦法》) (please refer to the announcement [2019] No. 35 State Administration of Taxation (website: http://www.chinatax.gov.cn/chinatax/n810341/n810765/n4182981/201910/c5141954/content.html)), they shall also collect and retain the relevant reference materials on their own.

Save as disclosed above, the Company is not aware of any details concerning tax relief arising from holding the securities of the Company. Please refer to the circular of the Company dated April 24, 2020 for details of the profit distribution proposal, dividend policy and the details of the Shareholders in relation to taxation.

Information of Directors and Supervisors

During the year and as at the date of this report, the Directors of the Company are as follows:

Mr. NING Min *(Chairman) (appointed as the Chairman on January 1, 2020)*
Mr. LI Peng *(appointed on February 13, 2020)*
Mr. ZHU Linan#
Mr. ZHAO John Huan#
Mr. WU Lebin#
Mr. SUO Jishuan#
Mr. WANG Yusuo# *(appointed on February 13, 2020)*
Mr. MA Weihua*
Mr. ZHANG Xuebing*
Ms. HAO Quan*
Mr. YIN Jian'an* *(appointed on February 13, 2020)*
Mr. LIU Chuanzhi* *(resigned at the end of December 31, 2019)*

\# *Non-executive Director*
* *Independent Non-executive Director*

The Company has received annual confirmations which are made by each of existing Independent Non-executive Directors to ensure their independence in the Company pursuant to Rule 3.13 of the Listing Rules; and the Company is of the view that such Directors are independent of the Company.

During the year and as at the date of this report, the Supervisors are as follows:

Mr. GAO Qiang *(Chairman of the Supervisors) (appointed on January 1, 2020)*
Mr. LUO Cheng
Ms. FENG Ling
Mr. LI Qin *(resigned at the end of December 31, 2019)*

Permitted Indemnity Provision

The Company has maintained liability insurances for its Directors, Supervisors and senior management to provide protection to them for liability that might arise in the course of their performance of duties according to law and facilitate them to fully discharge their duties.

Management Contracts

No contract in relation to the management and administration work of the Company or its any major business was entered into or subsisted during the year (other than the service contracts entered into with Directors and Supervisors or persons engaged by the Company).

Directors' Interests in Acquisition of Shares or Debentures

For the year ended December 31, 2019, there was no arrangement to enable the Directors to acquire benefits by means of acquisition of Shares in, or debentures of, the Company or any of its subsidiaries.

Directors' and Supervisors' Interests in Transactions, Arrangements or Contracts

Save as disclosed in the section "Interests of the Directors and Supervisors" in note 53(b) to financial statements, at any time during the year ended December 31, 2019 or the year end date, any Directors and Supervisors or their connected entities directly or indirectly have no material interests in other important transactions, arrangements or contracts entered into by the Company or any of its subsidiaries.

Directors' and Supervisors' Emoluments and Five Highest Paid Individuals

The Directors' and Supervisors' emoluments are determined by the Board with reference to their duties, responsibilities and performance and the results of the Company and its subsidiaries. Details of the Directors' and Supervisors' emoluments and the five highest paid individuals are set out in notes 53(a) and 10 to the financial statements, respectively.

Directors' Interests in Competing Business

During the Reporting Period, none of the Directors (excluding the Independent Non-executive Directors) had any interests in businesses which constitute competition or may constitute direct or indirect competition in the businesses of the Company and its subsidiaries.

Connected Transactions, Continuing Connected Transactions and Material Related Party Transactions

For the year ended December 31, 2019, the Company and its subsidiaries had entered into the following transactions, which had constituted connected transactions or continuing connected transactions of the Company under the Listing Rules and shall be disclosed pursuant to Chapter 14A of the Listing Rules:

Connected Transactions

1. On December 24, 2019, Xizang Dongfangqihui Investment Co., Ltd. (西藏東方企慧投資有限公司) ("Dongfangqihui", a subsidiary of the Company) (as one of the limited partners), together with other limited partners and Hony Capital Management (Tianjin) (Limited Partnership) ("Hony Capital Management") (as an ordinary partner and manager), entered into a Partnership Agreement to set up a fund. Pursuant to the Partnership Agreement, the total amount of the final capital commitment of Dongfangqihui shall not exceed RMB800 million, and the proportion of its commitment shall not exceed 20% of the total size of the fund. As Mr. ZHAO John Huan ("Mr. ZHAO"), a Director of the Company, is a connected person of the Company and he also indirectly controls over 30% of interests in Hony Capital Management. Therefore, Hony Capital Management is deemed to be an associate of Mr. ZHAO. Under Chapter 14A of the Listing Rules, the transaction contemplated under the Partnership Agreement constitutes a connected transaction of the Company (For details, please refer to the announcement of the Company dated December 24, 2019).

2. On November 1, 2019, the Company (as the lender) and Mr. SUN Taoran (as the borrower and the guarantor), by mutual consent, entered into a supplemental agreement, pursuant to which, the Company, on the basis of the terms set out in the Original Loan Agreement dated November 2, 2016, in which the Company (as the lender) agreed to grant a loan to the borrower (also as the guarantor) in a principal amount of RMB660,000,000 for a term of 3 years to be used solely as a capital contribution to Kaola Technology. The Company agreed to extend the repayment term of the loan that had been previously granted to the borrower in the principal amount of RMB660,000,000 to December 31, 2021. At the time when the Original Loan Agreement was entered into, Kaola Technology was regarded as an insignificant subsidiary of the Company under Rule 14A.09(1) of the Listing Rules. Kaola Technology, however, is no longer eligible as an insignificant subsidiary of the Company under Rule 14A.09(1) of the Listing Rules, as the borrower is a director of Kaola Technology, and he is therefore a connected person at the subsidiary level of the Company. Pursuant to Chapter 14A of the Listing Rules, the entering into of the aforementioned supplemental agreement constitutes a connected transaction of the Company (For details, please refer to the announcement of the Company dated November 1, 2019)

3. On August 2, 2019, Right Lane Limited ("Right Lane"), a wholly-owned subsidiary of the Company and as the guarantor, entered into the Facility Agreement relating to a term loan facility with a maximum amount of US$130,000,000 with Well Faith Management Limited ("Well Faith"), an associate of the Company and as the borrower, and certain banks, as the lenders. Under the Facility Agreement and the associated finance documents, Right Lane shall provide a guarantee to secure the whole amount of such term loan together with any interest and other fees payable by Well Faith. Guarantee fees will be received from Well Faith continuously in respect of the guarantee liability assumed by Right Lane for the provision of guarantee starting from the date of the Facility Agreement until the date when the obligations of Right Lane have been released. Under Rule 14A.24(4) of the Listing Rules, Mr. ZHAO is a connected person of the Company. Well Faith, a company which was held indirectly by Mr. ZHAO for over 30% interests, is therefore an associate of Mr. ZHAO under Rule 14A.12(1)(c) of the Listing Rules and therefore a connected person of the Company. Under Rule 14A.24(4) of the Listing Rules, the provision of guarantee (including the receipt of the guarantee fees) constitutes a connected transaction of the Company (For details, please refer to the announcement of the Company dated August 2, 2019).

4. On December 21, 2018, Leap Wave Limited ("Leap Wave"), a subsidiary of the Company, as the subscriber, and Hospital Corporation of China Limited ("Hospital Corporation"), as the issuer, entered into the Subscription Agreement, pursuant to which Hospital Corporation has conditionally agreed to issue and Leap Wave has conditionally agreed to subscribe for the Convertible Bonds in the aggregate principal amount of HK$800,000,000 for a total consideration equal to the aggregate principal amount of the convertible bonds. As Mr. ZHAO controls over 30% interest in Hospital Corporation, it is therefore is deemed to be an associate of Mr. ZHAO. As such, the subscription of bonds constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. All of the conditions precedent to the Subscription Agreement were completed on February 27, 2019, upon its completion, Leap Wave subscribed and was granted convertible bonds in the aggregate principal amount of HK$800,000,000 by Hospital Corporation at an initial conversion price of HK$20.00 per conversion share (For details, please refer to the announcements of the Company dated December 21, 2018 and February 27, 2019).

Continuing Connected Transactions

5. On August 30, 2018, Tengzhou Guozhuang Mining Co., Ltd. ("Guozhuang Mining"), a subsidiary of the Company and Levima Advanced Materials entered into the Coal and Administrative Services Agreement, pursuant to which during a term of three years Guozhuang Mining shall provide Levima Advanced Materials with coal and related administrative services and the annual transactions amount shall not exceed the agreed annual caps (2018 annual cap: RMB130 million; 2019 annual cap: RMB150 million, and 2020 annual cap: RMB170 million). As CAS Holdings, a substantial Shareholder of the Company, holds 29.50% equity interest in Levima Advanced Materials, Levima Advanced Materials is a connected subsidiary of the Company. The provision of the coal and related administrative services to Levima Advanced Materials constituted continuing connected transactions of the Company under Chapter 14A of the Listing Rule (For details, please refer to the announcement of the Company dated August 30, 2018).

   During the year ended December 31, 2019, pursuant to the Coal and Administrative Services Agreement, the actual aggregate amount of the coal and related administrative services provided by Guozhuang Mining to Levima Advanced Materials amounted to RMB110 million, and did not exceed the cap prescribed in the agreement (RMB150 million).

6. On August 30, 2018, the Company and Better Education entered into the Financial Assistance Agreement, pursuant to which the Company has agreed to, at the written request of Better Education and within a term of three years, provide continuing financial assistance in the amount of no more than USD250 million or its equivalent in Renminbi to Better Education or its subsidiaries, subject to the then financial positions of the Company and compliance with the Listing Rules. As Mr. ZHAO, indirectly controls over 30% equity interests in Hony Capital Fund VIII, Hony Capital Fund VIII is deemed as an associate of Mr. ZHAO, and as Hony Capital Fund VIII indirectly holds 29% of the issued share capital of Better Education, Better Education is a connected subsidiary of the Company. As such, the provision of continuing financial assistance to Better Education constituted continuing connected transactions of the Company under Chapter 14A of the Listing Rules (For details, please refer to the announcement of the Company dated August 30, 2018).

   During the year ended December 31, 2019, pursuant to the Financial Assistance Agreement, the actual aggregate amount of financial assistance provided by the Company to Better Education amounted to RMB205 million, and did not exceed the annual cap prescribed in the agreement (USD250 million or its equivalent in Renminbi).

7. On May 2, 2018, Fujitsu Client Computing Limited ("FCCL"), a subsidiary of Lenovo, a subsidiary of the Company and Fujitsu Limited ("Fujitsu") and members of the Fujitsu Group entered into (i) the Transitional Services Agreement; (ii) Secondment Agreement; (iii) Services Agreement; (iv) Manufacturing Agreement (FPE); (v) Manufacturing Agreement (FIT); (vi) Sales and Distribution Agreement; (vii) Fujitsu Trademark and Brand License Agreement; (viii) Manufacturing and Services Agreement; and (ix) R&D Services Agreement. As Fujitsu is a substantial shareholder of FCCL, a subsidiary of Lenovo, Fujitsu is a connected person of Lenovo which Lenovo is in turn a subsidiary of the Company, and accordingly, Fujitsu (and its associates) become connected persons of the Company. Transactions contemplated under above agreements are connected transactions of the Company under Chapter 14A of the Listing Rules. All agreements are valid for more than three years.

   During the year ended December 31, 2019, the actual aggregate transaction amount of the above continuing connected transactions was RMB40,431 million, which did not exceed relevant annual cap prescribed in the above agreements (For details, please refer to the announcement of the Company dated May 3, 2018).

8. On May 8, 2017, the Company and Levima Advanced Materials entered into the Continuing Financial Assistance Framework Agreement, pursuant to which the Company agreed to grant financial assistance to Levima Advanced Materials not exceeding RMB5,200 million in aggregate upon the written requests made by Levima Advanced Materials during a term of 36 months from June 16, 2017, subject to the then financial positions of the Company and compliance with the Listing Rules. Levima Advanced Materials is a connected subsidiary of the Company. As CAS Holdings, a substantial Shareholder and a connected person of the Company, holds 29.50% equity interest in Levima Advanced Materials, the provisions of the financial assistance to Levima Advanced Materials under the Continuing Financial Assistance Framework Agreement therefore constituted continuing connected transactions of the Company in accordance with Chapter 14A of the Listing Rules. The Continuing Financial Assistance Framework Agreement (including the cap of the financial assistance) has been approved by the independent Shareholders at the Company's annual general meeting held on June 16, 2017.

   For the year ended December 31, 2019, the actual aggregate amount of the financial assistance provided to Levima New Materials by the Company pursuant to the Continuing Financial Assistance Framework Agreement amounted to RMB4,116 million, not exceeding the cap stipulated in the agreement (being RMB5,200 million) (For details, please refer to the announcement of the Company dated May 8, 2017 and the circular of the Company dated May 26, 2017).

In accordance with Rule 14A.55 of the Listing Rules, the Independent Non-executive Directors had reviewed the continuing connected transactions as referred to in the paragraphs (5) to (8) above, and confirmed that those transactions had been entered into (i) in the ordinary and usual course of business of Legend Holdings; (ii) on normal commercial terms or better; and (iii) according to the agreements governing them, the terms of which were fair and reasonable and in the interests of the Shareholders as a whole.

The Company has engaged an auditor to report on the continuing connected transactions of the Company and its subsidiaries in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has reviewed the continuing connected transactions referred to in the paragraphs (5) to (8) above and confirmed to the Board that nothing has come to their attention that causes them to believe that they have not been approved by the Board; that they were not, in all material respects, in accordance with the pricing policies of the Company and its subsidiaries if the transactions involve the provision of goods or services by the Company and its subsidiaries; that they were not entered into, in all material respects, in accordance with the relevant agreements governing the transactions; and that they have exceeded the caps in accordance with Rule 14A.56 of the Listing Rules.

During the year ended December 31, 2019, the Company and its subsidiaries have complied with the relevant policies and guidelines issued by the Stock Exchange when determining the price and terms of the continuing connected transactions and have complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules in relation to the connected transactions entered therein.

Save for the connected transactions and continuing connected transactions as disclosed above also constitute the related party transactions, the related party transactions as set out in the note 57 to the financial statements do not constitute connected transactions under Chapter 14A of the Listing Rules.

Pension Schemes

Details of pension benefit of the Company and its subsidiaries are set out in notes 9 and 47 to the financial statements, respectively.

Auditor

PricewaterhouseCoopers ("PricewaterhouseCoopers") has been appointed by the Company as the independent auditor for the year ended December 31, 2019. The consolidated financial statements for 2019 of the Company which were prepared in accordance with the International Financial Reporting Standards have been audited by PricewaterhouseCoopers. A resolution for the re-appointment of PricewaterhouseCoopers as the independent auditor of the Company will be proposed at the 2019 AGM.

Directors' Interests in Securities

As at December 31, 2019, the interests or short positions of the Directors, Supervisors 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 SFO) as notified to our Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or as recorded in the register maintained by the Company under Section 352 of the SFO, or as notified to our Company and the Hong Kong Stock Exchange pursuant to the "Model Code for Securities Transactions by Directors of Listed Issuers" as set out in Appendix 10 to the Listing Rules, were as follows:

(i) Interests in the Shares of the Company

Name of Director/ Chief Executive	Nature of interest	Class of Shares/ underlying Shares	Number of Shares/underlying Shares held	Total number of long positions	Approximate percentage holding in the relevant class of Shares[i]	Approximate percentage holding in the total issued Shares [ii]
LIU Chuanzhi[v]	Beneficial owner	H Shares Restricted Shares[iii] Share Options[iv]	68,000,000 1,900,000 3,700,000	73,600,000	5.78%	3.12%
NING Min	Beneficial owner	H Shares Restricted Shares[iii] Share Options[iv]	36,000,000 1,000,000 1,900,000	38,900,000	3.05%	1.65%
LI Peng[vi]	Beneficial owner	H Shares Restricted Shares[iii] Share Options[iv]	544,100 1,000,000 1,900,000	3,444,100	0.27%	0.14%
ZHU Linan	Beneficial owner	H Shares Restricted Shares[iii] Share Options[iv]	48,000,000 1,800,000 3,600,000	53,400,000	4.19%	2.26%
ZHAO John Huan	Beneficial owner	Restricted Shares[iii] Share Options[iv]	600,000 1,200,000	1,800,000	0.14%	0.07%

Notes:

(i) As of December 31, 2019, the number of H Shares issued was 1,271,853,990 and the number of Domestic Shares issued was 1,084,376,910.

(ii) Calculated based on the total number of 2,356,230,900 Shares in issue as at December 31, 2019

(iii) Refers to the restricted Shares issued under the medium to long-term incentive plan for the year 2019 approved by the Shareholders of the Company on June 13, 2019. Please refer to the circular dated April 18, 2019 for details of the rules of the restricted Shares incentive plan.

(iv) Refers to the Share options granted under the medium to long-term incentive plan for the year 2019 approved by the Shareholders of the Company on June 13, 2019 for a term commencing on January 1, 2021 and ending on December 31, 2025, at an exercise price of HK$16.856. Please refer to the circular dated April 18, 2019 for details of the rules of the share options incentive plan.

(v) Mr Liu Chuanzhi resigned as the Chairman of the Board and Executive Director of the Company with effect from the end of December 31, 2019.

(vi) Mr Li Peng, the Chief Executive Officer of the Company, has been appointed as an Executive Director of the Company with effect from February 13, 2020.

(ii) Interests in our associated corporations

Name of Director/ Supervisor	Name of associated corporation	Nature of interest	Long Position/ Short Position	Number of shares/ underlying shares held	Approximate percentage of shareholding in the total issued shares[d]
LIU Chuanzhi	Lenovo	Beneficial owner	Long Position	4,184,960[a]	0.03%
ZHU Linan	Lenovo	Beneficial owner	Long Position	6,155,780[b]	0.05%
ZHAO John Huan	Lenovo	Beneficial owner	Long Position	5,009,195[c]	0.04%
NING Min	Lenovo	Beneficial owner	Long Position	1,370,401	0.01%
LI Qin[e]	Lenovo	Beneficial owner	Long Position	1,724,000	0.01%

Notes:

(a) Mr. LIU Chuanzhi owns 3,494,960 ordinary shares directly and is deemed to be interested in 690,000 ordinary shares held by his spouse through a trust.

(b) Mr. ZHU Linan owns 2,600,330 ordinary shares and 3,555,450 units of share awards which are convertible into ordinary shares.

(c) Mr. ZHAO John Huan owns 603,437 ordinary shares and 4,405,758 units of share awards which are convertible into ordinary shares.

(d) The calculation is based on the total number of 12,014,791,614 shares issued by Lenovo as at December 31, 2019.

(e) Mr Li Qin resigned as the Chairman of the Supervisory Board of the Company with effect from the end of December 31, 2019.

Interests of the Substantial Shareholders

As at December 31, 2019, so far as the Directors are aware, the following persons or corporations had an interest and/or a short position in the Shares or underlying Shares of the Company which are required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, and an interest and/or a short position as recorded by the Company in the register required to be kept under section 336 of the SFO:

Name of Shareholder	Class of Shares/ underlying Shares	Nature of interest	Number of Shares/ underlying Shares held	Approximate percentage holding in the relevant class of Shares[(1)]	Approximate percentage holding in the total issued Shares[(2)]
CAS Holdings	Domestic Shares	Beneficial owner	684,376,910	63.11%	29.04%
Beijing Lian Chi Zhi Yuan Management Consulting Center Limited Partnership (北京聯持志遠管理諮詢中心(有限合夥)) ("Lian Chi Zhi Yuan")	H Shares-Long Position	Beneficial owner	480,000,000	37.74%	20.37%
Beijing Lian Chi Zhi Tong Management Consulting Limited (北京聯持志同管理諮詢有限責任公司) ("Lian Chi Zhi Tong")[(3)]	H Shares-Long Position	Interest in controlled corporation	480,000,000	37.74%	20.37%
LU Zhiqiang[(4)]	Domestic Shares	Interest in controlled corporation	400,000,000	36.88%	16.97%
China Oceanwide	Domestic Shares	Beneficial owner	400,000,000	36.88%	16.97%
Oceanwide Group[(4)]	Domestic Shares	Interest in controlled corporation	400,000,000	36.88%	16.97%
Tohigh[(4)]	Domestic Shares	Interest in controlled corporation	400,000,000	36.88%	16.97%
Beijing Lian Heng Yong Xin Investment Center Limited Partnership (北京聯恒永信投資中心(有限合夥)) ("Lian Heng Yong Xin")[(5)]	H Shares-Long Position	Beneficial owner	123,910,000	9.74%	5.25%
Beijing Lian Heng Yong Kang Management Consulting Limited (北京聯恒永康管理諮詢有限公司) ("Lian Heng Yong Kang")[(5)]	H Shares-Long Position	Interest in controlled corporation	123,910,000	9.74%	5.25%
LIU Chuanzhi	H Shares-Long Position Restricted Shares-Long Position Share Options-Long Position	Beneficial owner	73,600,000	5.78%	3.12%

Notes:

(1) The calculation is based on the percentage of shareholding in Domestic Shares or H Shares as at December 31, 2019. As of December 31, 2019, the Company has issued 1,271,853,990 H Shares and 1,084,376,910 Domestic Shares.

(2) The calculation is based on the total number of 2,356,230,900 Shares in issue as at December 31, 2019.

(3) Lian Chi Zhi Tong is the sole general partner of Lian Chi Zhi Yuan and has de facto control over it. Accordingly, Lian Chi Zhi Tong is deemed to be interested in the 480,000,000 H Shares.

(4) Oceanwide Group and Tohigh are corporations controlled by Mr. Lu Zhiqiang. Tohigh holds the entire equity interest in the Oceanwide Group which in turn holds 98% equity interest in China Oceanwide. Accordingly, Mr. Lu Zhiqiang is deemed to be interested in the 400,000,000 Domestic Shares held by China Oceanwide.

(5) Lian Heng Yong Kang is the sole partner of Lian Heng Yong Xin and has de facto control over it. Accordingly, Lian Heng Yong Kang is deemed to be interested in 123,910,000 H Shares.

As at December 31, 2019, save as disclosed above, there was no other person or corporations who held interests and/or short positions in the Shares or underlying Shares which are required to be recorded in the register to be kept under section 336 of Part XV of the SFO, or was a substantial Shareholder of the Company.

By order of the Board
Legend Holdings Corporation
NING Min
Chairman

March 26, 2020

Supervisor's Report

The Board of Supervisors of Legend Holdings Corporation complies with the regulations of the "Company Law of the PRC (《中華人民共和國公司法》)", the Company's Articles of Association, "Rules of Procedures of the Board of Supervisors" and Listing Rules, earnestly fulfilling their supervisory duties, safeguarding Shareholders' rights, upholding the interests of the Company, observing the principles of integrity, trying their best to fulfill their duties, and discharging their duties with reasonable care, diligence and initiative.

The Board of Supervisors comprises three members. The Chairman of the Board of Supervisors is Mr. GAO Qiang (representative of the employees), Mr. LUO Cheng (representative of Shareholders), and Ms. FENG Ling (representative of Shareholders).

Mr. GAO Qiang was appointed as the Supervisor to replace Mr. LI Qin with effect from January 1, 2020.

The following matters were approved and passed by resolutions of the Board of Supervisors in 2019. The approval of such resolutions were in compliance with relevant laws, regulations and the provisions of the Company's Articles of Association:

1. On March 25, 2019, the audited consolidated financial statements of the Company for the year ended December 31, 2018, the Company's profit distribution plan for the year 2018 as well as the 2018 Supervisor's Report of the Company were considered and passed.

2. On August 29, 2019, the unaudited consolidated financial statements of the Company for the six months ended June 30, 2019 (prepared in accordance with the International Accounting Standards), interim results announcement of the Company for the six months ended June 30, 2019, the 2019 interim report of the Company as well as the Company's unaudited consolidated financial statements for the six months ended June 30, 2019 (prepared in accordance with China Accounting Standards for Business Enterprises) were considered and passed.

In 2019, the members of the Board of Supervisors also attended all Board meetings and meetings of the Audit Committee as well as the annual general meeting of the Company for the year ended 2018, in order to supervise the lawfulness and the compliance procedures in relation to the matters considered in the respective meetings of the Board, and the Audit Committee and the annual general meetings.

The Board of Supervisors is of the opinion that in 2019, the Board and management of the Company are both operating in strict compliance with the laws, regulations and the provisions of the Articles of Association of the Company; whereas the decision-making processes were legal, the principle of good faith and due diligence was complied, and the authority was exercised in good faith in the best interests of the Shareholders.

In 2020, the Board of Supervisors will continue to strictly abide by the Articles of Association of the Company and the relevant provisions, safeguard the interests of Shareholders and properly discharge its various duties.

By order of the Board of Supervisors
Legend Holdings Corporation
GAO Qiang
Chairman of the Board of Supervisors

March 26, 2020

The Company believes that effective corporate governance structure is the principle factor to promote and safeguard the rights and interests of Shareholders and other stakeholders and improve the values of Shareholders. Therefore, the Company strives to achieve and maintain a high corporate governance level which most satisfies the needs and interests of the Company and its subsidiaries.

The Company has complied with all code provisions of the Corporate Governance Code (the "Corporate Governance Code") contained in Appendix 14 of the Listing Rules during the year ended December 31, 2019, other than provision A.5.5 of the code.

The circular to the Shareholders attached to the notice of the extraordinary general meeting of the Company dated December 27, 2019 containing, among others, information of the proposed election of Mr. YIN Jian'an ("Mr. YIN") as an independent non-executive Director. The following information was not included:

Mr. YIN is recommended by the members of the Board. After the deliberation and review of the Nomination Committee and the Board considers that it is in the interests of the Company and its Shareholders to recommend Mr. YIN as an independent non-executive director. Mr. YIN has an outstanding professional background. He was the Chairman of Shaanxi Blower (Group) Co., Ltd. (listed on the Shanghai Stock Exchange) for over six years. He has profound experience in the management over domestic manufacturing companies and won multiple national awards for the projects that he presided over or participated. Based on Mr. YIN's personal qualification, educational background, management experience, skills and expertise, the Board considers that Mr. YIN will be complementary to other members of the Board and leading to a promotion of the diversity of the Board members. He can also provide valuable opinions and perspectives to the Board and management with his years of experience and expertise of operation, management and corporate governance that he has accumulated in domestic listed companies. Considering the independence factors set out in Rule 3.13(1) to (8) of the Listing Rules as a basis, Mr. YIN has confirmed that there are no circumstances that may impair his independence. The Directors consider that Mr. YIN is independent. Given the above, the Board concludes that it is in the interests of the Company and the Shareholders to propose the nomination of Mr. YIN as an independent non-executive director.

The Company reviews the compliance of the Corporate Governance Code and the Corporate Governance Report on an annual basis in order to ensure that the Company has complied with the code provisions. Efforts have been made to continuously enhance corporate governance with reference to the best recommended practices.

Composition of the Board

As at the date of this report, the Board comprises eleven members, including two Executive Directors, five Non-executive Directors and four Independent Non-executive Directors. Details are as follows:

Executive Directors:

Mr. NING Min *(Chairman)*
Mr. LI Peng *(Chief Executive Officer)*

Non-executive Directors:

Mr. ZHU Linan
Mr. ZHAO John Huan
Mr. WU Lebin
Mr. SUO Jishuan
Mr. WANG Yusuo

Independent Non-executive Directors:

Mr. MA Weihua
Mr. ZHANG Xuebing
Ms. HAO Quan
Mr. YIN Jian'an

Biographical details of members of the Board are set out on pages 56 to 63 in the section of "Biography of Directors and Supervisors" of this annual report. To the best knowledge of the Company, there are no financial, business, family or other significant relationships among members of the Board and the Board of Supervisors.

During the reporting period, the Board has complied with the requirements of the Listing Rules and appointed at least three independent non-executive directors, being one-third of the Board, and one of them has appropriate professional qualifications in accounting. The Company has received, from each of the independent non-executive directors, an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules and considers that all of the independent non-executive directors are independent as at the date of this report in accordance with the terms of the independence guidelines set out in Rule 3.13 of the Listing Rules. The respective capacity of independent non-executive director is expressly identified in all corporate communications that disclose the names of the directors of the Company.

Appointment, Re-election and Retirement of Directors

Each of the members of directors (including non-executive directors) of the Company is elected or changed by the shareholders' general meeting for a term of three years, renewable upon re-election. The Nomination Committee of the Board is responsible for evaluating the appointment of new directors or filling the vacancies of directors, advising to the Board and submitting for approval at the shareholders' general meeting upon approval by the Board.

Duties and Authorities of the Board and Management

Pursuant to the Articles of Association of the Company, the Board is a standing decision-making body of the Company and its main duties include (but not limited to) the following:

- Convening shareholders' general meetings and implementing resolutions passed at such meetings;
- Determining medium to long-term development strategies;
- Deciding operating plans and investment plans, establishing internal management body and basic management systems;
- Formulating plans for annual financial budget, final accounts and profit distribution plans;
- Formulating plans for increasing or decreasing the registered capital of the Company, plans for issuing bonds or other securities of the Company and plans for listing;
- Formulating plans for material asset purchase and disposal, or plans for merger, spin-off, dissolution and change of corporate form;
- Preparing and monitoring the financial systems and financial reports of the Company;
- Appointing or dismissing the Chief Executive Officer and core management personnel as the Board of Directors consider appropriate;
- Formulating plans for share buybacks by the Company and proposing appropriate resolutions;

- Making decisions on the investment, acquisition or disposal of assets, financing and connected transactions that require the decision of the Board pursuant to the Listing Rules;

- Authorizing the Chairman to participate in the consideration of important business and management affairs and related matters;

- Optimizing and improving corporate governance policies and standards of the Company; and

- Supervising the Company in respect of compliance and reviewing the effectiveness of internal control and risk management of the Company.

Save for the above-mentioned matters that are required to be considered and approved by the Board, the authorization and responsibilities of daily operational management of the Company are assigned to the Chief Executive Officer and the core senior management led by the Chief Executive Officer. Details of main duties of the Chief Executive Officer are set out in the paragraph of "Chairman of the Board and the Chief Executive Officer". In addition, the Board approved the delegation of authority to the Investment Decision-Making Committee, whose members include, but are not limited to, all executive Directors, to consider and approve on behalf of the Board the investment and financing projects, subject to the established strategic objectives of the Company or the development of the strategic plans formulated by the Strategy Committee from time to time. However, if the investments or financing transactions trigger disclosure obligations under the Listing Rules, such transactions shall be subject to the approval by the Board.

The Board also assigns certain specific responsibilities to its special committees in accordance with the corresponding Terms of Reference of respective committees under the Board. The Board established the Audit Committee, Remuneration Committee and Nomination Committee. Their scope of responsibilities and Terms of Reference are stipulated in writing and published on the websites of the Hong Kong Stock Exchange and the Company. The Strategy Committee of the Board has also been established by the Board in December 2019, its terms of reference have been published on the website of the Company.

The Company has insured Director's liability insurances for the Directors, which provided protection to the Directors for liabilities that might arise in the course of their performance of duties according to law and facilitate Directors to fully perform their duties.

Chairman of the Board and the Chief Executive Officer

The positions of the Chairman of the Board and the Chief Executive Officer of the Company are assumed by Mr. NING Min and Mr. LI Peng respectively. They are two distinctly different positions, details of which are in the Articles of Associations of the Company.

Pursuant to Article 108 of the Articles of Association of the Company, the functions of the Chairman of the Board include convening and presiding over the Shareholders' general meeting, presiding over meetings of the Board, leading and organizing the formulation of various systems for the Board's operation, coordinating the operation of the Board, reviewing regular and non-regular work reports from the Company's senior management, and providing the Board with guidance on the execution of Board resolutions, supervising and reviewing the implementation of the Board resolutions, ensuring the Board to act in the best interests of the Company, nominating candidates of the Chief Executive Officer and secretaries to the Board of the Company. The Chairman of the Board actively encourages the Directors to fully participate in the Board's affairs, and contribute to the functions of the Board. He also encourages the Directors with different views to voice their concerns, and allows sufficient time for discussion to ensure the Boards' decisions can fairly reflect the consensus of the Board. In this regard, apart from regular Board meetings, the Chairman of the Board also holds meetings with Independent Non-executive Directors in the absence of other Directors, respectively. Under the leadership of the Chairman of the Board, the Board has adopted sound corporate governance practices and procedures and has taken appropriate steps to keep effective communications with the Shareholders.

Pursuant to the Article 123 of the Articles of Association of the Company, the Chief Executive Officer of the Company is responsible to the Board. His functions and power include generally operating and managing the business of the Company, organizing the implementation of the resolutions of the Board of the Company and, the policies in relation to annual operation plans and investment plans of the Company, determining those projects such as investment, acquisition or disposal, financing unless otherwise required the approval of the Board meetings or Shareholders' general meetings. He has to ensure the Board's full understanding of the capital needs of the Company's business, formulate the proposed plans for annual financial budget and final accounts of the Company and make recommendations to the Board. The Chief Executive Officer of the Company, with the assistance of the head of finance and the senior management, ensures there is a sufficient supply of capital to the business, while closely monitoring the operating and financial performance of the Company according to the relevant plans and budgets. The Chief Executive Officer of the Company will take remedial measures and propose to convene extraordinary meeting for reporting and make recommendations to the Board in respect of significant issues.

The Chief Executive Officer and Chairman of the Board of the Company maintain close communications with all Directors to ensure the Directors fully understand the Company's business development status in all aspects. They are responsible for building and maintaining an effective executive team in order to discharge their duties. The Chief Executive Officer of the Company is responsible for proposing to the Board for appointing or dismissing senior management; coordinating with other Executive Directors and management teams of various departments, formulating the proposed plans for basic management systems and internal management structures of the Company, and formulating specific rules and regulations of the Company. The Chief Executive Officer of the Company determines other issues of the Company within the scope authorised by the Board.

Directors' and Supervisors' Professional Training and Continuous Professional Development

All Directors and Supervisors have received trainings and have been given reference materials and guidelines upon joining the Company to facilitate their familiarizing the history and business information of the Company and their understanding of all obligations they shall assume in accordance with the Company Law of the PRC, Listing Rules, applicable laws and other regulatory rules and the governance policies of the Company.

The Company encourages its Directors to participate in continuous professional development so as to update their knowledge and skills, and facilitate the discharge of their duties on a well-informed and satisfactory basis.

The Directors regularly receive the latest information on business of the Company and its subsidiaries, its operating rules and regulations, information about industrial specific environment as well as the legal obligations and responsibilities of being directors. All Directors and Supervisors had been provided with learning materials for reading and learning by the Company, such as video links, bulletins and reports. Summary of the contents of the Directors' training programs are as follows:

	Training Contents				
Name of Directors	**Laws and Regulations**	**Environmental, Social and Corporate Governance**	**Functions, Duties and Responsibilities of the Board**	**Corporate Risk Control**	**Economic Development**
Executive Directors					
NING Min	✔	✔	✔	✔	✔
LI Peng[1]	✔	✔	✔	✔	✔
Non-executive Directors					
ZHU Linan	✔	✔	✔	✔	✔
ZHAO John Huan	✔	✔	✔	✔	✔
WU Lebin	✔	✔	✔	✔	✔
SUO Jishuan	✔	✔	✔	✔	✔
WANG Yusuo[2]	✔	✔	✔	✔	✔
Independent Non-executive Directors					
MA Weihua	✔	✔	✔	✔	✔
ZHANG Xuebing	✔	✔	✔	✔	✔
HAO Quan	✔	✔	✔	✔	✔
YIN Jian'an[3]	✔	✔	✔	✔	✔

Notes:

(1) appointed as an Executive Director of the Company since February 13, 2020

(2) appointed as a Non-executive Director of the Company since February 13, 2020

(3) appointed as an Independent Non-executive Director of the Company since February 13, 2020

Model Code for Securities Transactions by Directors, Supervisors and Senior Management

The Board has adopted the Model Code for Securities Transactions by the Directors, Supervisors and the Senior Management (the "Model Code"), which is no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules.

Specific enquiry has been made of all the Directors and Supervisors, and all the Directors and Supervisors have confirmed that they had complied with the Model Code during the Reporting Period.

Accountability of Directors on the Financial Statements

The Directors are responsible for preparing financial statements for every financial year of the Company with the support of the finance team, and ensure that the preparation of financial statements has constantly adopted appropriate accounting policies and in accordance with the International Financial Reporting Standards so as to truly and fairly report the Company's status. In presenting the interim and annual financial statements of the Group, the Directors have considered whether suitable accounting policies have been applied consistently and that judgments and estimates are prudent and reasonable.

The management team recognizes the importance of providing the Board with sufficient explanations as well as appropriate and relevant information on an accurate and timely basis. Management presents to the Board the annual and interim business reviews and financial reports comparing the actual performance of the Group with the budget and highlights of major relevant matters to enable the Board to make a well-informed assessment on the performance, position and prospects of the Group.

The statement issued by the independent auditor on its reporting responsibilities is set out in the "Independent Auditor's Report" on pages 96 to 104 of this annual report.

Appointment and Remuneration of the External Independent Auditor

The external independent auditor currently appointed by the Company is PricewaterhouseCoopers. The Audit Committee is mandated to monitor the independence of the Company's external auditor, PricewaterhouseCoopers, to ensure objectivity in the financial statements.

During the year ended December 31, 2019, the remuneration paid and payable to the Company's external independent auditor, is set out below:

Type of Services	*RMB'000*
Audit services	97,768
Non-audit services	24,143

The above remuneration includes the charges paid for the provision of relevant services provided by the independent auditor to the Company and its subsidiaries whereas non-audit services are primarily information system and tax consultation service.

Audit Committee

The Audit Committee comprises three members and the majority are Independent Non-executive Directors. The Chairperson of the Audit Committee is Ms. HAO Quan, an Independent Non-executive Director, and the other two members are Mr. SUO Jishuan, a Non-executive Director, and Mr. ZHANG Xuebing, an Independent Non-executive Director. The Chairperson of the Audit Committee possesses accounting professional qualifications and has complied with the requirements of Rule 3.21 under the Listing Rules.

The main duties of the Audit Committee include but not limited to monitoring the truthfulness of financial reports and the financial reporting procedures, the effectiveness of risk management and internal control systems and the effectiveness of internal audit functions, monitoring the engagement of the external independent auditor and its qualification, assessment on its independence and work performance, regular review of the financial reports and monitoring of annual audit of the Group, compliance with applicable accounting standards as well as legal and regulatory requirements on financial disclosures. Details of the Terms of Reference of the Audit Committee are available on the websites of the Company and the Hong Kong Stock Exchange respectively.

Pursuant to the requirements of Terms of Reference of the Audit Committee, the Audit Committee held three meetings during the Reporting Period. The matters that the Audit Committee has to review, discuss, consider and propose for the Board's approval (if applicable) are set out as follows:

- The audit related matters for 2018 (including but not limited to scope, audit method, principal accounting policies, key accounting estimates and assumptions, discussion on material accounting matters, independent auditor's recommendation to the management);
- 2018 annual profit distribution plan;
- The audit fee for 2018 and the re-appointment of the independent auditor for 2019;
- The annual results announcement for the year ended December 31, 2018 and the 2018 annual report of the Company and its subsidiaries;
- The unaudited consolidated financial statements for the three months ended March 31, 2019 and the nine months ended September 30, 2019 of the Company and its subsidiaries (prepared in accordance with China Accounting Standards for Business Enterprises);
- The interim results announcement for the six months ended June 30, 2019 and the 2019 interim report of the Company and its subsidiaries;
- Matters related to interim review for 2019 (including but not limited to scope, method of review, principal accounting policies, key accounting estimates and assumptions, discussion of material accounting matters, the independent auditor's recommendation to the management);
- Review on "Management's Statement of 2019 Interim Financial Information of the Company and Its Subsidiaries", "Management's Statement of 2019 Annual Audit of the Company and Its Subsidiaries" and management's comment;
- Annual audit planning for the financial year ended December 31, 2019 presented by the independent auditor and audit schedule;
- The latest revision of relevant accounting/audit standards, Hong Kong Companies Ordinance and Listing Rules and significant differences in standards affecting financial statements of the Company;
- Independence statement letter from the independent auditor;
- Risk management and internal control structure, annual work plan for risk management and internal control as well as its summary;
- Annual work plan for internal audit and its summary;
- The resources, employees' qualifications and experience of the Company's accounting, risk control, internal audit and financial reporting functions, and whether their training programs and budget are sufficient;
- Confirmation on the effectiveness of risk control and management and internal control systems by management; and
- Connected transactions and continuing connected transactions in 2019.

Concepts of Risk Management and Internal Control

The risk management and internal control system is designed to assist the Company in achieving its long-term vision and mission by identifying and evaluating the Company's risk exposures and formulating appropriate control measures to protect our business, the Shareholders, assets and capital. We believe that the risk management and internal control system embedded in each business will enhance its long-term Shareholders' values.

We pursue the core value of upholding corporate interests first, truth, ambition and employee-oriented to lay governing foundation for the Company's risk management and internal control with the cultural expression of accountability, professionalism, creativity and collaboration. The Company strongly believes that good corporate governance is usually related to the overall control environment. In order to ensure that each employee of the Company is also responsible for risk management, the Company has established formal codes of professional conduct and ethics to ensure that employees at all levels adhere to the business ethics and possess the corresponding competency. The Company attaches great importance to prevent non-compliance risks and has developed anti-corruption and whistleblowing policies.

The Company has formulated relatively comprehensive management policies and implementation rules of various functions of operation and management in order to formulate policies and procedures of various business functions and continue to streamline and improve the management policies standards according to the changes of internal and external business environment and the needs of business development, thereby ensuring the steady development of the Company. Currently, the documentation system of the Company covers the key management areas of and all business and supporting segments. The Company's risk management and internal control systems also include clear organizational structures and management responsibilities, reasonable and effective authorization mechanism, sound financial accounting system, regular performance analysis and review and other control activities, as well as good information and communication mechanism, and ensures the Company's the stability and effective operation of risk management and internal control systems through continuous risk assessment and supervision.

Main Features of Risk Management and Internal Control System

The Company formulated the risk management and internal control framework guided by the COSO framework:

1. Establish three lines of defence of risk management and internal control:

	For business of the headquarters of the Company	For business of subsidiaries	Duties
1st Line of Defence	Business divisions	Subsidiaries	Integrate the risk management concepts and control measures into the daily business process and undertake specific business risk prevention and control functions.
2nd Line of Defence	Relevant functional departments	Business divisions and relevant functional departments	Organize and promote the risk management activities, identify and supervise risk management and monitoring activities in the course of business and operation.
3rd Line of Defence	Audit Department	Audit Department	Monitor and evaluate the effectiveness of risk management and identify areas for improvement.

2. Adopt the following multi-assurance mode:

<table>
<tr><th></th><th>For business of the headquarters of the Company</th><th>For business of subsidiaries</th></tr>
<tr><td>Supervision of the Board and the Audit Committee</td><td colspan="2">• The Board regards risk management as an important task, and believes that effective risk management and internal control systems are important foundations for good corporate governance.
• The Board is fully responsible for the risk management and internal control systems, including assessing and determining the acceptable nature and extent of the risks in achieving the Company's strategic objectives, and is responsible for establishing and maintaining an appropriate and effective risk management and internal control systems to protect our business, the Shareholders, assets and capital.
• Audit Committee is responsible for supervising and monitoring the overall effectiveness of the risk management and internal control system.</td></tr>
<tr><td>Supervision and communication of Executive Committee</td><td colspan="2">• Assume the leadership role, and seek for the balance between risk and opportunity.
• Design, implement and review the risk management framework and system.
• Report the effectiveness of risk management and internal control systems to the Board and the Audit Committee half-yearly.</td></tr>
<tr><td>Risk accountability of business divisions</td><td>• Be responsible for identifying and assessing main risks within the scope of their duties, making effective risk management decisions and developing risk mitigation strategies.
• Execute and report work in daily operation, including identification of major risks and implementation of mitigation strategies.</td><td>• Develop relevant policies, standards, procedures and guidelines of Legend Holdings.
• Supervise over the risk management and monitoring activities of subsidiaries.
• Promote communication and reporting of risks.</td></tr>
<tr><td>Supervision and monitoring of relevant functional departments</td><td colspan="2">• Develop relevant policies, standards, procedures and guidelines of Legend Holdings.
• Supervise over the risk management and monitoring activities of business divisions in relation to relevant functions.
• Identify and evaluate the financial and other risks of the Company's different businesses from the aspects of strategic planning, investment review and legal compliance</td></tr>
</table>

	For business of the headquarters of the Company	For business of subsidiaries
Independent Assurance of Audit Department	• Adopt risk-oriented audit method, focus on areas with major risks or major changes in risks, and provide independent assurance on the adequacy and effectiveness of internal control to the Audit Committee.	
Independent assurance supplement of external audit	• Test the main monitoring measures on which external audit work relies, and report major risks that may affect the performance of the Company to the Audit Committee half-yearly.	
Subsidiaries		• Be responsible for identifying and assessing major risks in the company, making effective risk management decision and developing risk mitigation strategies.

3. The features and responsibility of the Audit Department:

The Audit Department reports to the Chairman regularly and to the Audit Committee quarterly, develops rectification and improvement plans with each department and the subsidiaries of the Company for the identified issues and deficiencies and follows up the implementation of the proposals. The rectification efforts were in line with expectations. The features and responsibility of the Audit Department include:

- being independent from the management of operations.
- to establish risk identification and assessment methods, unify the standards and procedures of risk assessment, organize, coordinate and take the lead in establishing the risk management and internal control systems of the Group.
- the Audit Department is fully authorized with the access to all operating data and information of the Group during the ordinary course and internal audit projects.
- to conduct risk-oriented audit work and special reviews on areas of concern identified by the Audit Committee and the management. To provide the Company with internal, independent and objective confirmation and consulting services to evaluate and improve the effectiveness of risk management and internal control processes.
- Follow up and check the rectifications of the problems found in the audit by promoting rectifications or implementing follow-up audit.

Procedures on Identifying, Evaluating and Managing Significant Risks

Risk management is a continuous process and requires regular monitoring and review. The Company's procedures on identifying, evaluating and managing significant risks are as follows:

- Determination of scope: determine the scope of risk management;

- Identification and analysis: identify risks that may potentially affect the business and operations; analyze potential consequences and probability of occurrence.

- Evaluation: use the evaluation standards developed by the management to evaluate risk level and take into account the impact of risks on the operations and the likelihood of occurrence, and consider whether existing monitoring measures are adequate; prioritize risks through comparing risk evaluation results.

- Mitigation and monitoring: develop monitoring and mitigation plan, to prevent, avoid or reduce risks; perform ongoing and periodic monitoring of the risk and ensures that appropriate internal control procedures are in place; revise the risk management policies and internal control procedures in case of any significant change.

- Monitoring and reporting: regular monitoring and review as well as reporting based on established risk management procedures.

- Integration: the above risk management processes are incorporated into our operations, including strategic planning, investment decisions, capital management, internal controls and other business or operational management.

We strive to enhance the Company's risk management and internal control structure and capability to ensure long-term growth and sustainable development for the Company's business. In this regard, we are required to implement consistently an effective risk management and internal control structure. We will continue to move towards the same direction, aiming to integrate risk management and internal control into our daily operations.

Risk Review Procedure and Control Effectiveness

1. Effectiveness and scope of review procedures

The Board is of the view that, based on the review found by the Audit Committee on the results submitted by management, the risk management and internal control systems of the Company for the Reporting Period ended December 31, 2019 were effective and sufficient and no material issues were identified.

The scope of review covers the controls in all significant aspects, including financial controls, operational controls and compliance controls. Meanwhile, the review also covers major changes in risks, the resources, employees' qualifications and experiences of the Company's internal audit, accounting and financial reporting functions as well as the employee training programs and budget.

Internal control systems are designed to manage, rather than eliminate, the risk of failure to achieve business objectives. In addition, it provides only a reasonable but not an absolute assurance on matters with no significant misrepresentations or loss.

2. Objectives of review procedures

Review procedures involve the overall processes from the top to the bottom and from the bottom to the top and aims at fully identifying all major risks within the Group, and prioritizing such risks; reporting major risks to appropriate management levels; facilitating effective communications among the management on risks; appropriately supervising risk mitigation work.

3. Implementation process of review procedures

The top down procedures include:

- At the quarterly business review meetings, the management of the Company, as the holding company, discuss and consider the business development, risk management and internal control of the subsidiaries, to early identify and respond to new risks and issues concerned.

- Major risks identified will be further evaluated and monitored by business divisions and relevant functional departments of the Company.

The bottom-up procedures include:

- Subsidiaries report the list of major risks identified to the Audit Department quarterly, and report the list of major risks semi-annually and review the effectiveness of risk mitigation measures.

- The Audit Department submits the reminders of major risks in each business segment to the Audit Committee quarterly after summarizing, screening, evaluating and consulting processes, and submits detailed reports or conduct in-depth discussions on individual risks.

- The operational and functional departments report to the management on a timely basis the material risks identified in their areas of responsibility and the implementation of the mitigation strategies in their daily operations.

For main risk exposures of the Company, and adverse impacts of such risks on business and financial positions, and the measures already taken, please refer to corresponding specific contents set out in the section Management Discussion and Analysis.

Procedures on and Internal Control of Handling and Disseminating Inside Information

In order to regulate its information disclosure, the Company strengthens the management of information disclosure and has developed the management system of information disclosure (the "System") in accordance with the principles and requirements under the laws and regulations such as the SFO and the Listing Rules as well as the Articles of Association together with the actual conditions of the Company, and implements the System accordingly. The System is applicable to the Directors, Supervisors, Chief Executive Officer, secretary to the Board, senior management, responsible person of each department and subsidiary, other persons having the duty for information disclosure and staff who can access to such inside information by virtue of his/her office or capacity. The System provides detailed guidelines on the appropriate timing, contents, formats, internal vetting processes and disseminating procedures of information under different circumstances, the review and disclosure procedures of releasing results announcements, various announcements, regular reports and circulars, duties of, confidentiality and penalty provisions for all management staff who are responsible for information disclosure. The "Code of Conduct for Employees" of the Company also explicitly requires that all staff be obliged to information confidentiality and comply with the System. In addition, the Company provides training to relevant staff on the System so as to ensure the effective implementation.

During the Reporting Period, the Company sought for advice from the compliance advisor in accordance with the requirements of information disclosure under the SFO and the Listing Rules from time to time. The Board is of the view that the Company's procedures on and internal control of handling and disseminating inside information are effective.

Remuneration Committee

The Remuneration Committee comprises three members and the majority of them are Independent Non-executive Directors. The Chairman of the Remuneration Committee is Mr. YIN Jian'an, an Independent Non-executive Director, and the other two members are Mr. NING Min, an Executive Director, and Ms. HAO Quan, an Independent Non-executive Director.

Mr. MA Weihua, an independent non-executive Director, resigned as the Chairman of the Remuneration Committee of the Company with effect from February 13, 2020.

The Remuneration Committee is principally responsible for studying the remuneration strategies and policies, performance appraisal and incentive mechanism and other related matters in relation to the Directors, Supervisors and senior management, and making relevant recommendations to the Board. Details of the scope of responsibilities of the Remuneration Committee of the Board are available on the websites of the Hong Kong Stock Exchange and the Company.

In accordance with the provision of Terms of Reference of the Remuneration Committee, the Remuneration Committee convened two meetings in the year.

In the year, the Remuneration Committee reviewed, discussed, considered and recommended the Board to grant approval on the following matters:

- 2019 bonus plan and 2020 remuneration plan for senior management;
- disclosure of the Directors', Supervisors' and senior management's remuneration in the 2019 annual report;
- Restricted Shares and Share options granted to Directors and senior management under the 2019 Medium to Long-Term Incentive Plan approved by the Shareholders of the Company on June 13, 2019;
- Remuneration plan and service contracts for newly appointed Directors and Supervisor.

For the year ended December 31, 2019, the remuneration categories of the senior management of the Company (excluding the senior management members who concurrently also serve as the Directors and Supervisors) are as follows:

Remuneration categories *(HKD)*	**Number of staff**
HKD20,000,001–HKD20,500,000	1
HKD21,000,001–HKD21,500,000	1
HKD21,500,001–HKD22,000,000	1

The details of remuneration of the Directors and Supervisors for the year ended December 31, 2019 are set out in note 53(a) to the financial statements.

Nomination Committee

The Nomination Committee comprises five members and the majority of them are Independent Non-executive Directors. The Chairman of the Nomination Committee is Mr. NING Min (the Chairman of Board) who replaced Mr. LIU Chuanzhi. The other four members are Mr. WANG Yusuo, a non-executive Director, and Mr. MA Weihua and Mr. ZHANG Xuebing and Mr. YIN Jian'an, all three are independent non-executive Directors.

The Nomination Committee is principally responsible for making recommendations on the appointment, reappointment and succession plan of the Directors, reviewing the structure, size, composition and diversity policy of the Board and assessing the independence of Independent Non-executive Directors, as well as fulfilling the relevant responsibilities with regard to corporate governance functions of the Board. Details of the scope of responsibilities of the Nomination Committee are available on the websites of the Company and the Hong Kong Stock Exchange.

In accordance with the provisions of Terms of Reference of the Nomination Committee, given the conditions that each member of the Nomination Committee made his own judgment based on sufficient reference materials and was provided channels and enough opportunities to raise questions and to discuss different views in advance during the processes of his reviews and assessments, the members of the Nomination Committee considered, approved and confirmed the following by way of written resolutions:

- Assessed the independence of Independent Non-executive Directors, confirmed if the structure of the Board was in compliance with the governing requirements of the Company and no existence of impacts affecting the independence of Independent Non-executive Directors;

- Reviewed and assessed the current structure, size and composition of the Board (including skills, knowledge, experiences), reviewed the Board diversity policy (please refer to the summary below), confirmed that all of the above were in line with the Company's operations, assets size and shareholding structure and that the Board maintained a balanced and sufficiently diversified composition, discharged its functions effectively and enhanced the quality of its deliberations and decision-making;

- Proposed the election of the new Chairman, Chief Executive Officer, new non-executive Directors and independent non-executive Directors to the Board (please refer to the procedures for nomination below);

- Upon the appointment of the new directors has been approved by the general meeting of shareholders, recommended to the Board about the joining of these new Directors to various committees of the Board to become their respective new members.

Board diversity of the Company is beneficial for enhancing the Company's comprehensive performance and operating capability, providing support to the Company in achieving strategic goals and maintaining its sustainable and balanced development. According to the board members diversity policy adopted by the Board, in respect of setting the measurable objectives of selecting candidates, diversified factors, including but not limited to, gender, age, cultural and educational background, ethnicity, professional experience, core skills, knowledge and term of service will be considered. Directors with management experience, technical speciality, legal, financial, management and audit background will offer extensive diverse business experiences to the Company. Meanwhile, based on its business model and specific needs, the Company will consider the aforesaid factors and make the ultimate decisions based on merits, values and contributions that the selected candidates will bring to the Board. The Nomination Committee of the Board makes recommendations or gives advice to the Board on the appointment of new Directors based on the principle of meritocracy. Candidates will be considered according to objective criteria and the benefits of diversity that would be brought to the Board. It is expected that Board members will make their own contributions from diversified perspectives.

During the year, the Nomination Committee received notices of the retirement and resignation of certain Directors and received a list of candidates, recommended by members of the Board, for the replacement and appointment of new Directors. The members of the Nomination Committee, based on their communication with individual candidates, conducted preliminary assessments and, after consolidating the assessment opinions of all the candidates, proposed to the Board about the nomination of new Directors. In the selection processes, in addition to assessing each candidate's personal characteristics, domain expertise, professional expertise, industry qualifications and management experience, the processes also assess: (i) in accordance with objectives of the diversity policy of the Board, whether the candidates are able to promote the integration of different opinions and views of the Board, reduce group thinking, improve the quality of the Board's discussions and decisions so as to be able to benefit the Company in return; (ii) whether the candidates have extensive experience, professional qualifications and diversified viewpoints in management of investment business, equity investment, financial management, accounting, internal control and legal issues. Candidates' knowledge with the major topics of the economic development of China in the long run would fulfill the sustainable development needs of the Company; (iii) whether candidates satisfy the principle of Directors' succession planning to ensure continuity of the Board; (iv) whether the non-executive Directors and independent non-executive Directors fulfill the role ensure that objective and independent judgement is exercised by the Board. The composition of each committee under the Board remains properly balanced and discharges its functions effectively. The Nomination Committee recommended that Mr. NING Min to be elected as the Chairman of the Board, Mr. LI Peng as an executive Director and the Chief Executive Officer, Mr. WANG Yusuo as a non-executive Director and Mr. YIN Jian'an as an independent non-executive Director.

Meanwhile, each member of the Nomination Committee also reviewed the following:

- the Corporate Governance Policies and Practices, the compliance with "Corporate Governance Code" and the disclosure in "Corporate Governance Report";
- the implementation of the professional training for Directors and Supervisors and continuing professional development program, and
- the policies regarding the compliance with laws and regulatory requirements and its implementation.

Corporate Governance Functions

The Nomination Committee of the Company is responsible for performing the duties on corporate governance functions set out below:

a. formulating the Company's corporate governance policies and practices, monitoring its implementation and making recommendations to the Board;

b. reviewing and monitoring the training and continuous professional development plans of the Directors, the Supervisors and senior management;

c. reviewing and monitoring the Company's policies and practices regarding compliance with laws and regulatory rules as well as their implementation;

d. formulating, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to the employees and Directors; and

e. reviewing the Company's compliance with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, together with the information disclosure in the Corporate Governance Report.

Strategy Committee

The Company established a Strategy Committee on December 18, 2019, which is composed of five members. The Strategy Committee is chaired by Mr. NING Min, the Chairman, and the other four members are Mr. LIU Chuanzhi, Mr. ZHU Linan, Mr. ZHAO John Huan and Mr. LI Peng.

The principle responsibilities of the Strategy Committee include:

- conduct research and review on the Company's medium to long-term strategic development plans;
- conduct research and review on material investment financing plans, business reorganization, external acquisitions, mergers and transfer of assets which are subject to approval of the Board as required by the Articles of Association;
- conduct research and review on major capital operation and asset management projects which are subject to approval of the Board as required by the Articles of Association;
- conduct research and review on other significant matters affecting the development of the Company;
- guide, supervise and inspect the implementation of relevant resolutions of the Board;
- other matters authorized by the Board.

Board, Board Committees and General Meetings

The Board has convened meetings regularly, of which at least four times every year. The Board has convened four meetings during the Reporting Period. All decisions made by the Board are voted by the Board and supplemented by circulating resolutions in writing during the periods between Board meetings. Upon signing by Directors in accordance with requirements of Articles of Association of the Company, the resolutions would become resolutions resolved by the Board.

The attendance at the Board meetings, the meetings of the Board Committee and general meeting for each Director during the Reporting Period is as follows:

	Number of attendance/ Number of meetings being convened(1)			
	The Board	Audit Committee	Remuneration Committee	General Meeting(2)
Executive Directors				
Mr. NING Min	4/4	–	2/2	2/2
Mr. LI Peng(2) *(appointed on February 13, 2020)*	3/4	–	–	–
Mr. LIU Chuanzhi *(resigned at the end of December 31, 2019)*	4/4	–	–	0/2
Non-executive Directors				
Mr. ZHU Linan *(re-designated on January 1, 2020)*	4/4	–	–	2/2
Mr. ZHAO John Huan *(re-designated on January 1, 2020)*	4/4	–	–	1/2
Mr. WU Lebin	3/4	–	–	1/2
Mr. SUO Jishuan	3/4	2/3	–	2/2
Mr. WANG Yusuo *(appointed on February 13, 2020)*	–	–	–	–
Independent Non-executive Directors				
Mr. MA Weihua	3/4	–	1/2	0/2
Mr. ZHANG Xuebing	3/4	3/3	–	2/2
Ms. HAO Quan	4/4	3/3	2/2	1/2
Mr. YIN Jian'an *(appointed on February 13, 2020)*	–	–	–	–

Notes:

(1) The Company held its 2019 First Domestic Shareholders' Meeting and the 2019 first H Shareholders' Class Meeting on the same date as the Company's First Extraordinary General Meeting held on February 19, 2019. The Company convened its 2018 Annual General Meeting on June 13, 2019.

(2) Mr. LI Peng has not been appointed as a Director in 2019, however, he attended the board meetings in the capacity as senior management of the Company.

Given the conditions that each member of the Nomination Committee made his own judgment based on sufficient reference materials and was provided with channels and enough opportunities to raise questions and to discuss different views in advance, during the processes of their reviews and assessments, the members of the Nomination Committee resolved matters in writing in lieu of holding a meeting during the year.

Board of Supervisors

The Board of Supervisors comprises three members. The Chairman of the Board of Supervisors is Mr. GAO Qiang (representative of the employees), and the other two members are Mr. LUO Cheng (representative of a shareholder) and Ms. FENG Ling (representative of a shareholder).

At the employee representative meeting held on December 16, 2019, Mr. LI Qin ("Mr. LI") resigned as the employee representative Supervisor and Chairman of the Board of Supervisors, Mr. GAO Qiang was elected to replace Mr. LI as the employee representative Supervisor and Chairman of the Board of Supervisors with effect from January 1, 2020.

In accordance with the Articles of Association of the Company, the Board of Supervisors is responsible for the Shareholders' general meeting, which is principally responsible for conducting supervision on compliance regarding the Directors, Chief Executive Officer and other senior management when carrying out their duties, reviewing the Company's financial situation and auditing financial information such as financial reports, business reports and profit distribution plan submitted to the general meeting and requiring for rectification when the behaviors acted by the Directors and senior management damage the interest of the Company, and proposing to convene extraordinary board meetings and general meetings.

During the Reporting Period, the Board of Supervisors performed its duties and safeguarded the legitimate interest of the Shareholders, Company and staff. For details of its work, please refer to the "Supervisor's Report" from page 76 of this annual report.

Communication with Shareholders

The Board is fully aware of the significance of maintaining clear, timely and effective communication with the Shareholders and potential investors of the Company. With the publication of annual reports, interim reports, announcements, circulars and press releases, the Group is committed to ensuring that the Shareholders and potential investors receive the information in a timely manner. All relevant contacts are made available to the Shareholders through publication on the Company's website.

The Company is of view that the general meetings provides a good opportunity for direct communication between the Board and the Shareholders. The Company encourages and welcomes the questions raised at the general meetings. The Company has formulated the Shareholders' Communications policy, ensuring to maintain ongoing communication between the Company and the Shareholders.

Investor Relations

We attach great importance to the communication with investors. We maintain good interactions with the capital market and investors through a variety of means, such as results presentations, non-deal roadshows, participation in strategy conferences of investment banks and other investor communication activities, acceptance of survey by analysts and investors, immediate delivery of the Company's updates, etc.

The investor relations team of the Company is committed to connecting the Company with the capital market, promoting the Company's value and facilitating its capitalization. In 2019, the investor relations team continued to promote communication with the investors, broaden investor coverage through performance roadshows, strategic meetings of investment banks and other activities; The team intensified the active communication with analysts from leading investment banks at home and abroad to broaden the coverage of intermediary resources. It kept up with the business development by updating the latest news of the Company frequently to ensure the investors' understanding of the business development of the Company. In the future, we aim to maintain adequate and smooth communication and establish deep trust with investors through clear strategies, efficient implementation, impressive operating results, transparent information disclosure, extensive channel coverage and innovative contents and means.

Articles of Association

The Shareholders approved the amendment to the Articles of Association of the Company at the extraordinary general meeting of the Company held on February 13, 2020. Please refer to the appendix set out in the circular of the Company dated December 27, 2019 for the relevant amendments.

The revised Articles of Association has been published on the websites of the Hong Kong Stock Exchange and the Company.

Shareholders' Rights

Extraordinary General Meeting and Class Meeting Convened upon the Shareholders' Requests

Pursuant to the Articles of Association of the Company, Shareholders individually or collectively holding in aggregate 10% or more of the Shares carrying the voting right at the proposed meeting shall sign one or more written requisitions in the same format and with the same content, requiring the Board to convene an extraordinary general meeting or class meeting, and stating the matters to be discussed at the proposed meeting.

Written notice of general meeting stating proposed matters to be discussed and the date and venue of the general meeting shall be dispatched to all Shareholders listed in the register of members no less than 20 days prior to the date of such meeting.

Proposing Motions at the General Meeting

When the Company convenes a general meeting, Shareholders individually or collectively holding in aggregate of 3% or more of the Shares carrying the voting rights shall be entitled to propose new motions to the Company and submitting the motions to the convener in writing no less than 10 days prior to such meeting. The convener shall serve a supplementary notice of general meeting within two days after receipt of such proposals, inform other Shareholders and list the motions which are within the authorities of the general meeting in the agenda of the meeting and submit them to the general meeting for consideration. The contents of the proposed motions shall fall into the authority of the general meeting, have definite topics and concrete issues for resolution and shall comply with relevant provisions of laws, regulations and the Articles of Association of the Company.

Shareholders' Proposals and Inquiries to the Board of Directors and Delivery Method

Shareholders can put forward proposals, inquiries and issues of concern to the Board and/or relevant specialized committees under the Board (if appropriate) in writing, state contact details and deliver to the registered office of the Company in Beijing, PRC (Room 1701, 17/F, Block 1, Court No. 2, Ke Xue Yuan Nanlu, Haidian District, Beijing 100190, PRC) or the principal place of business in Hong Kong (27/F, One Exchange Square, Central, Hong Kong). The investor relations team of the Company assists the Board to handle inquiries from the Shareholders and potential investors. The Company's website also contains the contact details of the Company for the Shareholders and potential investors to put forward inquiries. In 2020, under the continuously updating regulatory requirements, development trends of the Company and the feedback from the Shareholders, the Company will continue to focus on enhancing the Company's governance, ensuring steady development of the Company and creating values for the Shareholders.

羅兵咸永道

To the Shareholders of Legend Holdings Corporation
(incorporated in the People's Republic of China with limited liability)

Opinion

What we have audited

The consolidated financial statements of Legend Holdings Corporation (the "Company") and its subsidiaries (the "Group") set out on pages 105 to 270, which comprise:

- the consolidated balance sheet as at December 31, 2019;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code") issued by the International Ethics Standards Board for Accountants, and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Impairment assessment of goodwill and other intangible assets with indefinite useful lives
- Classification of investments
- Fair value measurement using of level 3 inputs for financial assets and financial liabilities
- Recognition of deferred income tax assets
- Measurement of expected credit loss of loans to customers of subsidiaries engaged in banking business

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of goodwill and other intangible assets with indefinite useful lives Refer to note 4.1(b) and note 20 to the consolidated financial statements	
As at December 31, 2019, the Group had goodwill of RMB39,645 million and other intangible assets with indefinite useful lives of RMB14,049 million, and in respect of which management is required to perform annual impairment assessment. For the purpose of assessing impairment, the management reviewed business performance of each business lines, identified the cash generating units ("CGUs") or the groups of CGUs, allocated the goodwill and other intangible assets with indefinite useful lives to the lowest level at which such assets is monitored for internal management purpose, and compared the recoverable amount with the carrying value of each CGUs as at December 31, 2019. The recoverable amount of CGU is determined by the higher of the fair value less disposal cost and value in use. Management has concluded that there is no impairment in respect of the goodwill and other intangible assets with indefinite useful lives. This conclusion was based on the recoverable amount of CGUs determined by the higher of the fair value less disposal cost and value in use. When the model of fair value less disposal cost was used, management made significant judgement over the active market price or the adjusted amount based on the observable data. When the model of value in use was used, management made significant assumptions and judgements, including forecast revenue growth rates, forecast operating margins and discount rates of each business line, etc.	Our procedures included: • We obtained the management's calculation sheets of impairment assessment to assess reasonableness of the classification of CGUs or groups of CGUs by business lines and allocation of goodwill and other intangible assets with indefinite useful lives by CGUs at suitable level. • In the cases of impairment assessment using the model of fair value less disposal cost, we agreed the fair value to observable unadjusted price in the active market, and agreed the input data to observable referenced data in the active market. • In the cases of impairment assessment using the model of value in use calculation, we challenged the appropriateness of the key assumptions including expected revenue growth rates, expected profit margins and discounted rates, with reference to the business and industry circumstances. We reconciled the input data of expected revenue growth rates and expected profit margins to the management's future profits forecast and strategic plans, and compared the input data with the history data. We compared the discounted rate with the comparable companies in the open market to assess reasonableness of the input data used. • We assessed management's sensitivity analysis around the key assumptions, to ascertain the extent to which adverse changes within a reasonable range, both individually and in aggregate, might impact on the outcome of the impairment assessment of the goodwill and other intangible assets with indefinite useful lives.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of goodwill and other intangible assets with indefinite useful lives (Continued) We focused on this area, because management made significant judgements to perform impairment assessments of goodwill and other intangible assets with indefinite useful lives under different models.	• We tested the accuracy of management's calculation sheet of impairment assessment. • We examined the adequacy of the Group's disclosure of goodwill and other intangible assets with indefinite useful lives. We found that the judgements made by management in relation to the assessment of impairment of goodwill and other intangible assets with indefinite useful lives were supported by the evidence we obtained.
Classification of investments Refer to note 2.15, 4.2(a), 13,22, 23 and 32 to the consolidated financial statements The Group holds a number of strategic and financial investments, amounting to RMB36,663 million of investment in associates and joint ventures(note 13), RMB2,882 million of derivative financial instruments(note 23), RMB11,334 million of financial assets at fair value through other comprehensive income(note 22), and RMB19,891 million of financial assets at fair value through profit or loss(note 32) at December 31, 2019. The classification of an investment is based on the commercial substance of the contractual arrangement, the purpose of the investment and the fact as to whether the Group is determined to have control, joint control or significant influence. In addition, the classification of an investment could also be influenced by certain terms stipulated in the investment agreements which may result in complex accounting treatments. We focused on this area because the classification requires significant management's judgement.	Our procedures included: • We examined significant investment agreements using audit sampling method. We focused on the key terms and contractual arrangements such as power in the board, the governance who charged, interest distribution policy, investment exit mechanism and whether priority rights exist, such as anti-dilution rights and liquidation priority rights, etc. We assessed management's analysis and determination on the classification of the investments in line with accounting policies adopted in the preparation of the consolidated financial statements, together with assessment over the management's influence level and the purpose of investment. • We examined the adequacy and accuracy of the Group's disclosure in respect of the classification of investments in the consolidated financial statements. We found that the judgements made by the management in relation to the classification of investments were supported by the evidence we obtained.

Key Audit Matter	How our audit addressed the Key Audit Matter
Fair value measurement using of level 3 inputs for financial assets and financial liabilities Refer to note 3.3, 4.1(c) and 4.1(d) to the consolidated financial statements As at December 31, 2019, the Group has financial assets measured at fair value with level 3 inputs of RMB36,071 million, mainly including associates measured at fair value through profit or loss, financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income; financial liabilities measured at fair value with level 3 inputs of RMB5,358 million, including contingent considerations, derivative financial liabilities and financial liabilities at fair value through profit or loss. Level 3 inputs for financial assets and liabilities were not based on active market prices, nor based on observable market data. Management assessed and measured the level 3 fair value of financial assets and financial liabilities using particular valuation techniques, with assistance from external valuers, if any, by using the models of fair value less disposal cost and value in use calculation. The determination of the model adopted, input data and key assumptions require significant management judgement and estimation. We have therefore focused on this area.	Our procedures included: • We obtained the calculation sheets of fair value estimation of financial assets and financial liabilities measured at fair value of level 3 inputs, evaluated the appropriateness of the model used and tested the accuracy of the calculation sheets. • We evaluated the independent external valuers' competence, capability and objectivity. • In the cases of fair value estimation using the model of fair value less disposal cost, we selected samples to assess the appropriateness of the methodologies and key assumptions adopted by management through comparing with fair value used in the latest financing activities, etc. • In the cases of fair value estimation using the model of value in use calculation, we challenged the appropriateness of the key assumptions on a sample basis. We reconciled the input data of expected revenue growth rates and expected profit margins to the management's future profit forecast and strategic plans, and compared the input data with the history data. We compared the discounted rate with the comparable companies in the open market to assess whether reasonableness of the key input data used. We found that the valuations made by management in the fair value assessment using of level 3 inputs for financial assets and financial liabilities were supported by the evidence we obtained.

Key Audit Matter	How our audit addressed the Key Audit Matter
Recognition of deferred income tax assets Refer to note 2.25(b), 4.1(e) and note 46 to the consolidated financial statements As at December 31, 2019, the Group had deferred income tax assets of RMB17,508 million. In addition, the Group had unrecognized temporary difference and tax loss of RMB9,738 million and RMB19,628 million respectively as at December 31, 2019. The recognition of the deferred income tax assets involves significant management judgement as to the likelihood and the period of its realization that is dependent on a number of factors, including whether there will be sufficient taxable profits and reversals of taxable temporary differences in future periods. Management has performed its assessment on the recognition of deferred income tax assets as at December 31, 2019 and consider that the realization of such assets is probable. We focused on this area because of significant management's judgement and estimation involved in forecasting future taxable profits and period of future reversals of taxable temporary differences.	Our procedures included: • We obtained management's calculation sheets of deferred income tax assets and tested the accuracy of the calculation sheets. • We tested and agreed available deductible tax losses, including the respective expiry periods, to tax returns and tax correspondences of the relevant subsidiaries on a sample basis. • We challenged the appropriateness of the input data, including the significant assumptions of forecast revenue growth rates and forecast profit margins, etc. We reconciled the input data of forecast revenue growth rates and forecast profit margins to the management's future profits forecast, strategic plan and tax planning strategies, and compared the input data with the historic data and industry data. We tested the reasonableness of management's reconciliations of forecasted profits to forecasted taxable profits. • We evaluated the reasonableness of the deferred tax assets by comparing the estimation of taxable profits in future periods to deductible temporary differences and tax losses as at December 31, 2019, with the consideration of the expiry periods of the deductible tax losses. • We tested the calculation of deferred income tax assets by reference to tax rates enacted or substantively enacted at the balance sheet date. We found that the forecast of taxable profits in future periods, calculation of taxable temporary differences and the estimation of reversal periods of such deferred income tax were supported by the evidence we obtained.

Key Audit Matter	How our audit addressed the Key Audit Matter
Measurement of expected credit loss of loans to customers of subsidiaries engaged in banking business Refer to note 2.15.4, 3.1(b) and 27(i) to the consolidated financial statements.	
At 31 December 2019, the gross balance of loans to customers of the subsidiaries engaged in banking business of RMB117,521 million against which a corresponding allowance for expected credit loss ("ECL") of RMB2,114 million was recorded. The measurement of ECL allowance under IFRS 9 "Financial Instruments" involved complex and subjective judgments and estimation by the management. The subsidiaries engaged in bank business used the following methods to assess the ECL allowance: • The ECL allowance was measured for all loans based on the principles laid down by IFRS 9 and adapted by the subsidiaries engaged in banking business in its ECL calculation process, model and tool; • For defaulted and credit-impaired loans, impairment was assessed individually on a regular basis;	We evaluated and tested the design and operating effectiveness of key controls across the processes relevant to the ECL calculation, included: • Entity level controls over the ECL modelling process, including model review and governance; • Controls over allocation of loans into stages, including quarterly movements between stages, and the identification of defaulted and credit-impaired loans; • Inputs and assumptions used to estimate the impact of multiple economic scenarios and related weightings; • Controls over data accuracy and completeness.

Key Audit Matter	How our audit addressed the Key Audit Matter
Measurement of expected credit loss of loans to customers of subsidiaries engaged in banking business (Continued) The determination of ECL against loans to customers required judgments and estimation: • Designation and setup of the internal rating system and the basis of the allocation of loans to customers within the 3 stages; • Accounting interpretations and modelling assumptions used to build the models that serve as a basis to calculate the ECL; • Assumptions and inputs used to estimate the impact of multiple economic scenarios and related weightings; • The amount and timing of future cash flows as well as the value and recoverability of related collateral for defaulted and credit-impaired loans. We focused on this area because the measurement of ECL under IFRS 9 requires complex and subjective judgments and estimates by the management.	We also performed the following substantive audit procedures: • With the support of our internal modelling specialists, we tested the assumptions, key inputs and formulas used in ECL models. This included assessing the appropriateness of model design and formulas used, as well as challenging the forward looking macro-economic scenarios; • We verified that the data used as a basis to calculate the ECL were complete and accurate, tested extractions of data used in the model on a sample basis, and recalculated the Probability of Default, Loss Given Default and Exposure at Default; • We tested the allocation of loans to customers on a sample basis (including rating of loans, movements between various ratings and an extended sample of loans included into the Credit Watchlist) to form our own assessment as to whether they are classified in the appropriate stage; • We performed an overall assessment of the ECL provision levels by stage considering the Group's portfolio, risk profile, credit risk management practices and the macroeconomic environment; • We performed substantive audit procedures on defaulted and credit-impaired loans on a sample basis. We examined in a critical manner the assumptions used by the management to determine expected cash flows and estimated recovery from any underlying collateral. We found that the models, key assumptions, related significant judgement and estimation and the calculated ECL were supported by the evidence we obtained, considering the inherent uncertainty in the measurement of ECL of loans to customers of subsidiaries engaged in banking business.

Other Information

The directors are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Audit Committee for the Consolidated Financial Statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Brian Ming Yan Choi.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, March 26, 2020

Consolidated Income Statement

For the year ended December 31, 2019

	Note	Year ended December 31, 2019 RMB'000	2018 RMB'000
Sales of goods and services	5	**384,241,810**	354,835,826
Interest income		**7,649,123**	5,401,298
Interest expense		**(2,672,669)**	(1,317,445)
Net interest income	5	**4,976,454**	4,083,853
Total revenue	5	**389,218,264**	358,919,679
Cost of sales and services	8	**(320,544,108)**	(303,813,715)
Gross profit		**68,674,156**	55,105,964
Selling and distribution expenses	8	**(22,376,957)**	(18,985,479)
General and administrative expenses	8	**(31,855,609)**	(26,335,388)
Impairment losses for financial assets	8	**(1,375,362)**	(1,200,700)
Investment income and gains	6	**2,766,083**	4,648,201
Other losses	7	**(304,758)**	(616,975)
Finance income	11	**1,244,658**	915,288
Finance costs	11	**(6,724,968)**	(5,306,315)
Share of profit of associates and joint ventures accounted for using the equity method		**476,743**	676,205
Profit before income tax		**10,523,986**	8,900,801
Income tax expense	14	**(1,894,460)**	(1,359,827)
Profit for the year		**8,629,526**	7,540,974
Profit attributable to:			
– Equity holders of the Company		**3,606,896**	4,361,525
– Perpetual securities holders		**370,390**	355,897
– Other non-controlling interests		**4,652,240**	2,823,552
		8,629,526	7,540,974
Earnings per share for the profit attributable to the equity holders of the Company *(expressed in RMB per share)*			
Basic earnings per share	15	**1.54**	1.87
Diluted earnings per share	15	**1.51**	1.85

Consolidated Statement of Comprehensive Income

For the year ended December 31, 2019

	Note	Year ended December 31, 2019 RMB'000	2018 RMB'000
Profit for the year		**8,629,526**	7,540,974
Other comprehensive loss:			
Items that will not be reclassified to income statement:			
Change in fair value of equity securities measured at fair value through other comprehensive income, net of taxes	14	**20,558**	(583,364)
Share of other comprehensive income/(loss) of associates using equity accounting, net of taxes	14	**113,695**	(353,699)
Remeasurements of post-employment benefit obligation, net of taxes	14,47	**(260,755)**	(194,435)
Revaluation of investment properties upon reclassification from property, plant and equipment, net of taxes	14,18	**52,656**	38,977
Items that may be reclassified subsequently to income statement:			
Change in fair value of debt securities measured at fair value through other comprehensive income, net of taxes	14	**(11,842)**	(83,023)
Currency translation differences	14	**306,557**	(84,911)
Share of other comprehensive income of associates using equity accounting	14	**8,979**	121,627
Share of other comprehensive income reclassified to consolidated income statement on disposal of associates using equity accounting	14	**–**	(76,469)
Fair value change on cash flow hedges, net of taxes	14	**(239,784)**	131,013
Other comprehensive loss for the year, net of taxes		**(9,936)**	(1,084,284)
Total comprehensive income for the year		**8,619,590**	6,456,690
Attributable to:			
– Equity holders of the Company		**3,999,992**	4,144,600
– Perpetual securities holders		**370,390**	355,897
– Other non-controlling interests		**4,249,208**	1,956,193
		8,619,590	6,456,690

Consolidated Balance Sheet

As at December 31, 2019

	Note	2019 RMB'000	2018 RMB'000
		As at December 31,	
ASSETS			
Non-current assets			
Leasehold land and land use rights	17	**–**	3,802,332
Property, plant and equipment	16	**23,927,948**	21,212,687
Right-of-use assets	2.1.1(a),17	**7,265,904**	–
Investment properties	18	**12,316,171**	11,707,510
Intangible assets	20	**70,021,402**	64,186,472
Consumable biological assets	19	**286,658**	–
Associates and joint ventures using equity accounting	13	**19,258,345**	18,700,363
Associates measured at fair value through profit or loss	13	**17,404,859**	18,069,535
Financial assets at fair value through other comprehensive income	22	**10,969,080**	12,198,089
Financial assets at fair value through profit or loss	32	**8,394,224**	8,210,584
Loans to customers	27	**82,212,421**	66,877,679
Loans to credit institutions	28	**690,241**	2,598,660
Derivative financial assets	23	**505,099**	457,356
Other financial assets at amortised cost	29	**48,052,348**	38,181,924
Deferred income tax assets	46	**17,507,825**	14,537,358
Other non-current assets	24	**11,849,898**	8,968,805
		330,662,423	289,709,354
Current assets			
Inventories	30	**30,166,081**	27,862,003
Consumable biological assets	19	**1,615,243**	–
Properties under development	31	**656,674**	439,355
Accounts and notes receivables	25	**74,180,577**	54,189,146
Prepayments, other receivables and other current assets	26	**43,691,837**	43,656,633
Loans to customers	27	**47,993,361**	53,518,460
Loans to credit institutions	28	**6,725,571**	3,734,588
Derivative financial assets	23	**2,377,292**	2,147,800
Financial assets at fair value through profit or loss	32	**11,496,627**	12,393,559
Financial assets at fair value through other comprehensive income	22	**364,768**	693,949
Other financial assets at amortised cost	29	**2,466,904**	1,712,559
Restricted deposits	33	**9,075,991**	6,504,353
Bank deposits	33	**262,286**	333,304
Cash and cash equivalents	33	**62,339,559**	60,023,193
		293,412,771	267,208,902
Completed properties held for sale	18	**–**	1,348,635
		293,412,771	268,557,537
Total assets		**624,075,194**	558,266,891

	Note	As at December 31, 2019 RMB'000	2018 RMB'000
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital	35	**2,356,231**	2,356,231
Reserves		**58,181,008**	55,116,523
Total equity attributable to equity holders of the Company		**60,537,239**	57,472,754
Perpetual securities	36	**8,161,897**	6,807,157
Other non-controlling interests		**28,149,657**	23,762,430
Put option written on non-controlling interests	41(c)(1)	**(5,024,368)**	(5,024,368)
Total equity		**91,824,425**	83,017,973
LIABILITIES			
Non-current liabilities			
Borrowings	45	**85,704,024**	68,548,293
Lease liabilities	2.1.1(a),17	**3,355,772**	–
Amounts due to credit institutions	42	**4,235,307**	6,275,997
Amounts due to customers	43	**4,634,959**	4,233,726
Derivative financial liabilities	23	**2,518,477**	1,965,909
Deferred revenue	38	**6,040,154**	4,667,751
Retirement benefit obligations	47	**3,112,233**	2,995,928
Provisions	48	**2,193,198**	2,045,103
Financial liabilities at fair value through profit or loss	44	**8,154,983**	5,221,173
Deferred income tax liabilities	46	**7,583,124**	6,044,310
Other non-current liabilities	41	**11,085,065**	10,106,305
		138,617,296	112,104,495
Current liabilities			
Trade and notes payables	37	**73,068,967**	59,786,285
Other payables and accruals	39	**82,962,737**	76,031,797
Amounts due to credit institutions	42	**19,960,243**	16,840,728
Amounts due to customers	43	**143,699,602**	131,201,865
Financial liabilities at fair value through profit or loss	44	**2,044,184**	2,112,274
Derivative financial liabilities	23	**2,786,684**	2,490,615
Provisions	48	**5,430,413**	5,591,777
Advance from customers	40	**2,090,890**	1,878,270
Deferred revenue	38	**5,928,919**	5,237,006
Income tax payables		**2,712,254**	2,297,002
Lease liabilities	2.1.1(a),17	**747,777**	–
Borrowings	45	**52,200,803**	59,676,804
		393,633,473	363,144,423
Total liabilities		**532,250,769**	475,248,918

		As at December 31,	
		2019	2018
	Note	***RMB'000***	*RMB'000*
Total equity and liabilities		**624,075,194**	558,266,891
Net current liabilities		**(100,220,702)**	(94,586,886)
Total assets less current liabilities		**230,441,721**	195,122,468

The financial statements on pages 105 to 270 were approved by the Board of Directors on March 26, 2020 and were signed on its behalf.

NING Min
Director

LI Peng
Director

Consolidated Statement of Changes in Equity

For the year ended December 31, 2019

	Attributable to the equity holders of the Company													
	Share capital *RMB'000*	Share premium *RMB'000*	Statutory surplus reserve *RMB'000*	Revaluation reserve *RMB'000*	Share-based compensation reserve *RMB'000*	Shares held for share scheme *RMB'000*	Hedging reserve *RMB'000*	Exchange reserve *RMB'000*	Other reserve *RMB'000*	Retained earnings *RMB'000*	Perpetual securities *RMB'000*	Other non-controlling interests *RMB'000*	Put option written on non-controlling interests *RMB'000*	Total *RMB'000*
As at December 31, 2018	2,356,231	11,281,940	460,852	(134,422)	2,456,936	(196,352)	22,443	(2,241,850)	3,903,548	39,563,428	6,807,157	23,762,430	(5,024,368)	83,017,973
Changes in accounting policies *(Note 2.1.1(a))*	–	–	–	–	–	–	–	–	–	–	–	–	–	–
As at January 1, 2019	2,356,231	11,281,940	460,852	(134,422)	2,456,936	(196,352)	22,443	(2,241,850)	3,903,548	39,563,428	6,807,157	23,762,430	(5,024,368)	83,017,973
Profit for the year	–	–	–	–	–	–	–	–	–	3,606,896	370,390	4,652,240	–	8,629,526
Other comprehensive income/(loss)														
Fair value changes on financial assets at fair value through other comprehensive income	–	–	–	57,794	–	–	–	–	–	–	–	(49,078)	–	8,716
Share of other comprehensive income/(loss) of associates using equity accounting	–	–	–	125,455	–	–	–	–	–	–	–	(2,781)	–	122,674
Fair value change on cash flow hedges	–	–	–	–	–	–	(52,197)	–	–	–	–	(187,587)	–	(239,784)
Currency translation differences	–	–	–	–	–	–	–	289,391	–	–	–	17,166	–	306,557
Remeasurements of post-employment benefit obligations	–	–	–	–	–	–	–	–	(75,433)	–	–	(185,322)	–	(260,755)
Revaluation of investment properties upon reclassification from property, plant and equipment	–	–	–	48,086	–	–	–	–	–	–	–	4,570	–	52,656
Total comprehensive income/(loss) for the year	–	–	–	231,335	–	–	(52,197)	289,391	(75,433)	3,606,896	370,390	4,249,208	–	8,619,590
Transfer to retained earnings	–	–	–	328,973	–	–	–	–	–	(328,973)	–	–	–	–
Total transactions with owners, recognised directly in equity														
Acquisition of subsidiaries *(Note 56)*	–	–	–	–	–	–	–	–	–	–	–	512,428	–	512,428
Disposal of subsidiaries	–	–	–	(535)	–	–	–	–	–	–	–	(71,851)	–	(72,386)
Transaction with other non-controlling interests *(Note 55)*	–	–	–	–	–	–	–	–	(562,474)	–	–	(936,990)	–	(1,499,464)
Contribution from other non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	1,693,265	–	1,693,265
Issuance of convertible bonds	–	–	–	–	–	–	–	–	151,487	–	–	369,050	–	520,537
Issuance of perpetual securities *(Note 36)*	–	–	–	–	–	–	–	–	–	–	1,354,740	–	–	1,354,740
Transfer to reserve	–	–	–	–	–	–	–	–	(618)	9,166	–	30,562	–	39,110
Share of other reserve of associates	–	–	–	–	–	–	–	–	(64,005)	–	–	495	–	(63,510)
Share-based compensation *(Note 34)*	–	–	–	–	371,777	71,700	–	–	(8,367)	–	–	870,188	–	1,305,298
Purchase of shares under share scheme *(Note 34)*	–	–	–	–	–	(134,502)	–	–	–	–	–	–	–	(134,502)
Distribution to contingent convertible bond holders	–	–	–	–	–	–	–	–	–	(62,267)	–	(6,968)	–	(69,235)
Transfer to statutory surplus reserve	–	–	48,927	–	–	–	–	–	–	(48,927)	–	–	–	–
Dividends paid *(Note 49)*	–	–	–	–	–	–	–	–	–	(706,869)	–	(2,322,160)	–	(3,029,029)
Distribution to perpetual securities holders	–	–	–	–	–	–	–	–	–	–	(370,390)	–	–	(370,390)
Total transactions with owners, recognised directly in equity	–	–	48,927	(535)	371,777	(62,802)	–	–	(483,977)	(808,897)	984,350	138,019	–	186,862
As at December 31, 2019	2,356,231	11,281,940	509,779	425,351	2,828,713	(259,154)	(29,754)	(1,952,459)	3,344,138	42,032,454	8,161,897	28,149,657	(5,024,368)	91,824,425

	Attributable to the equity holders of the Company												Put option written on non-controlling interests	
	Share capital	Share premium	Statutory surplus reserve	Revaluation reserve	Share-based compensation reserve	Shares held for share scheme	Hedging reserve	Exchange reserve	Other reserve	Retained earnings	Perpetual securities	Other non-controlling interests	Put option written on non-controlling interests	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at January 1, 2018	2,356,231	11,281,940	385,655	299,875	2,075,511	(259,842)	(10,767)	(2,842,279)	4,215,903	36,311,554	6,807,157	18,977,732	(1,343,399)	78,255,271
Profit for the year	–	–	–	–	–	–	–	–	–	4,361,525	355,897	2,823,552	–	7,540,974
Other comprehensive (loss)/income														
Fair value changes on financial assets at fair value through other comprehensive income	–	–	–	(514,340)	–	–	–	–	–	–	–	(152,047)	–	(666,387)
Reclassified to income statement on disposal of associates using equity accounting	–	–	–	(76,469)	–	–	–	–	–	–	–	–	–	(76,469)
Share of other comprehensive loss of associates using equity accounting	–	–	–	(212,944)	–	–	–	–	–	–	–	(19,128)	–	(232,072)
Fair value change on forward foreign exchange contracts	–	–	–	–	–	–	361,973	–	–	–	–	898,728	–	1,260,701
Reclassified to income statement on forward foreign exchange contracts	–	–	–	–	–	–	(328,763)	–	–	–	–	(800,925)	–	(1,129,688)
Currency translation differences	–	–	–	–	–	–	–	600,429	–	–	–	(685,340)	–	(84,911)
Remeasurements of post-employment benefit obligations	–	–	–	–	–	–	–	–	(85,788)	–	–	(108,647)	–	(194,435)
Revaluation of investment properties upon reclassification from property, plant and equipment	–	–	–	38,977	–	–	–	–	–	–	–	–	–	38,977
Total comprehensive (loss)/income for the year	–	–	–	(764,776)	–	–	33,210	600,429	(85,788)	4,361,525	355,897	1,956,193	–	6,456,690
Transfer to retained earnings	–	–	–	356,847	–	–	–	–	–	(356,847)	–	–	–	–
Total transactions with owners, recognised directly in equity														
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	3,606,490	–	3,606,490
Disposal of subsidiaries	–	–	–	(26,368)	–	–	–	–	–	–	–	582,105	–	555,737
Transaction with other non-controlling interests *(Note 55)*	–	–	–	–	–	–	–	–	(318,216)	–	–	(722,307)	–	(1,040,523)
Contribution from other non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	295,514	–	295,514
Put option written on non-controlling interests *(Note 41(c)(1))*	–	–	–	–	–	–	–	–	–	–	–	–	(5,024,368)	(5,024,368)
Termination of put option written on non-controlling interests	–	–	–	–	–	–	–	–	22,951	–	–	55,914	1,343,399	1,422,264
Transfer to reserve	–	–	–	–	–	–	–	–	55,000	(41,425)	–	3,434	–	17,009
Share of other reserve of associates	–	–	–	–	–	–	–	–	13,698	–	–	–	–	13,698
Share-based compensation *(Note 34)*	–	–	–	–	381,425	63,490	–	–	–	–	–	921,379	–	1,366,294
Transfer to statutory surplus reserve	–	–	75,197	–	–	–	–	–	–	(75,197)	–	–	–	–
Dividends paid *(Note 49)*	–	–	–	–	–	–	–	–	–	(636,182)	–	(1,914,024)	–	(2,550,206)
Distribution to perpetual securities holders	–	–	–	–	–	–	–	–	–	–	(355,897)	–	–	(355,897)
Total transactions with owners, recognised directly in equity	–	–	75,197	(26,368)	381,425	63,490	–	–	(226,567)	(752,804)	(355,897)	2,828,505	(3,680,969)	(1,693,988)
As at December 31, 2018	2,356,231	11,281,940	460,852	(134,422)	2,456,936	(196,352)	22,443	(2,241,850)	3,903,548	39,563,428	6,807,157	23,762,430	(5,024,368)	83,017,973

Consolidated Cash Flow Statement

For the year ended December 31, 2019

	Notes	Year ended December 31, 2019 RMB'000	Year ended December 31, 2018 RMB'000
Cash flows from operating activities			
Cash generated from operations	50	**12,755,534**	5,716,588
Income tax paid		**(3,548,563)**	(2,955,238)
Net cash generated from operating activities		**9,206,971**	2,761,350
Cash flows from investing activities			
Purchases of property, plant and equipment and intangible assets		**(7,898,955)**	(5,006,604)
Proceeds from sale of property, plant and equipment and intangible assets		**154,221**	858,694
Purchase of financial assets at fair value through profit or loss		**(15,331,056)**	(4,897,697)
Proceeds from the disposal of financial assets at fair value through profit or loss		**15,508,743**	1,689,696
Dividends from financial assets at fair value through profit or loss		**414,677**	213,826
Capital injection in associates measured at fair value through profit or loss		**(1,198,365)**	(1,529,718)
Distributions from associates measured at fair value through profit or loss		**2,757,699**	1,456,596
Acquisition of and capital injection in associates and joint ventures using equity accounting		**(298,636)**	(2,895,738)
Proceeds from disposal of associates using equity accounting		**1,157,962**	111,712
Dividends from associates using equity accounting		**432,469**	246,160
Purchase of financial assets at fair value through other comprehensive income		**(3,006,266)**	(26,670)
Disposal of financial assets at fair value through other comprehensive income		**1,665,169**	863,535
Dividends from financial assets at fair value through other comprehensive income		**37,853**	4,722
Acquisition of subsidiaries, net of cash acquired		**(6,438,246)**	19,668,239
Disposal of subsidiaries, net of cash disposed		**1,693,062**	547,877
Loans granted to related parties and third parties		**(926,018)**	(2,606,794)
Repayment of contingent consideration and deferred consideration		**(142,256)**	(218,330)
Interest received		**515,741**	442,695
Decrease in fixed deposits for more than 3 months		**333,752**	5,766,469
Net cash (used in)/generated from investing activities		**(10,568,450)**	14,688,670

	Notes	Year ended December 31, 2019 RMB'000	2018 RMB'000
Cash flows from financing activities			
Proceeds from borrowings		**88,063,552**	86,713,579
Repayments of borrowings		**(94,095,258)**	(81,084,034)
Repurchase of shares		**(134,502)**	–
Repayments of lease liabilities		**(896,151)**	–
Issue of perpetual securities	36	**1,379,787**	–
Issue of convertible bonds, net of issuance costs	45	**5,436,742**	–
Issue of other bonds, net of issuance costs		**10,558,181**	13,677,842
Issue of convertible preferred shares	44	**2,066,910**	–
Issue of financial liabilities at fair value through profit or loss		**–**	15,532
Capital contributions from other non-controlling interests		**2,852,792**	862,234
Distribution to perpetual securities holders		**(370,390)**	(355,897)
Distribution to other non-controlling interests		**(2,351,052)**	(1,891,292)
Transaction with other non-controlling interests		**(1,330,957)**	(1,207,848)
Dividends paid to equity holders of the Company	49	**(706,871)**	(636,182)
Interest paid		**(7,565,793)**	(6,637,402)
Net cash generated from financing activities		**2,906,990**	9,456,532
Net increase in cash and cash equivalents		**1,545,511**	26,906,552
Cash and cash equivalents at beginning of year		**60,023,193**	32,202,477
Exchange gains on cash and cash equivalents		**770,855**	914,164
Cash and cash equivalents at end of year	33	**62,339,559**	60,023,193

1. General information

Legend Holdings Corporation (the "Company") is a joint stock company with limited liability under Company Law of the People's Republic of China ("PRC"). It was incorporated in November 1984 under the name of Chinese Academy of Sciences Computer Technology Research Institute New Technology Development Company (中國科學院計算技術研究所新技術發展公司), as an enterprise owned by the whole people (全民所有制企業). Since then, the Company has completed a series of reorganizations and was converted into a joint stock limited liability company on February 18, 2014, the registered capital is RMB2,356 million now. The Company's H shares have been listed on the Main Board of the Hong Kong Stock Exchange since June 29, 2015.

The address of the Company's registered office is Room 1701, 17/F, Block 1, Court No. 2, Ke Xue Yuan Nanlu, Hai Dian District, Beijing, PRC.

The Company operates businesses through two principal business platforms, strategic investments and financial investments.

The strategic investments consist of operations in (a) Information technology ("IT") industry, which is primarily engaged in the development, manufacturing and marketing high-quality and easy-to-use technology products and services for customers and enterprises; (b) financial services industry, which offers services including banking, short-term financing, credit guarantees, entrusted loans, financial leasing, insurance brokerage services, third party payment, internet finance, trusts and customised financial solutions to customers; (c) innovative consumption and services industry, which operates mainly to provide comprehensive medical and health service, car rental business, internet healthcare services and education for kids; (d) agriculture and food industry, which is mainly engaged in the production and selling of salmon, planting and selling of premium fruit and tea products, producing and selling Chinese liquor, supplying seafood and accessory products and liquor direct sales chain; and (e) advanced manufacturing and professional services industry, which includes fine chemicals, energy materials production services, logistics services and aviation logistic related business services.

The financial investments platform conducts investment in private equity funds ("PE Funds") and venture capital funds ("VC Funds") as a limited partner and holds interest in the general partners of certain funds. The Group also makes early stage or "angel" investments in technology start-ups and minority investments in other entities. It also provides office rental services.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and requirements of the Hong Kong Companies Ordinance (Cap. 622) under the historical cost convention, as modified by the revaluation of financial assets at fair value through other comprehensive income, financial assets and financial liabilities at fair value through profit or loss (including derivative instruments), associates measured at fair value through profit or loss, investment properties and biological assets measured at fair value.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involve a higher degree of judgment or complexity, or the areas where assumptions and estimates that are significant to the consolidated financial statements are disclosed in note 4.

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

2.1.1 New standards and interpretations adopted

The Group has adopted the following amendments and interpretations to standards which are mandatory for the accounting period beginning on January 1, 2019:

IFRS 16	Lease
IFRS 9 (Amendment)	Prepayment Features with Negative Compensation
International Accounting Standard ("IAS") 19 (Amendment)	Employee benefits
International Financial Report interpretation ("IFRIC") 23	Uncertainty over Income Tax Treatment
IAS 28 (Amendment)	Investments in Associates
Annual Improvements to IFRSs 2015-2017 Cycle	

Amendments to IFRS and IAS effective for the financial year beginning on January 1, 2019 do not have a material impact on the Group's consolidated financial statements except the IFRS 16 disclosed as follows.

(a) IFRS 16 "Lease"

The Group has adopted IFRS 16 "lease" retrospectively from January 1, 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on January 1, 2019.

(i) IFRS 16 "Lease" – Impact of adoption

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of IAS 17 "Leases". These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of January 1, 2019. Different lessee's incremental borrowing rate was applied to the lease liabilities on January 1, 2019 from 1% to 11%. The relevant new accounting policies are set out in Note 2.9 below.

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

2.1.1 New standards and interpretations adopted (Continued)

(a) IFRS 16 "Lease" (Continued)

(i) IFRS 16 "Lease" – Impact of adoption (Continued)

	RMB'000
Operating lease commitments disclosed as at December 31, 2018	4,071,056
Less: discounted using the lessee's incremental borrowing rate of at the date of initial application	(540,967)
Less: short-term leases recognised on a straight-line basis as expense	(56,830)
Less: low-value leases recognised on a straight-line basis as expense	(20,741)
Lease liabilities recognized as at January 1, 2019	3,452,518
Of which are:	
Current lease liabilities	693,693
Non-current lease liabilities	2,758,825
	3,452,518

Right-of-use assets were measured at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at December 31, 2018. The recognised right-of-use assets is set out in Note 17.

Changes in accounting policies do not affect the net retained earnings as at January 1, 2019.

Adoption on practical expedients

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at January 1, 2019 as short-term leases;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

For contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and IFRIC 4 "Determining Whether an Arrangement contains a Lease".

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

2.1.2 New standards and interpretations not yet adopted

The following are new standards and amendments to standards that have been issued but are not yet effective for the financial year beginning on January 1, 2019 and have not been early adopted.

Revised Conceptual Framework for Financial Reporting	[1]
IAS 1 and IAS 8 (Amendment)	Definition of Material [1]
IFRS 3 (Amendment)	Definition of a Business [1]
IFRS 17	Insurance Contracts [2]
IFRS 10 and IAS 28 (Amendment)	Sale or contribution of assets between an investor and its associate or joint venture [3]

(1) Effective for the accounting period beginning on January 1, 2020
(2) Effective for the accounting period beginning on January 1, 2021 (likely to be extended to January 1, 2022)
(3) Applicable to reporting periods commencing on or after the given date

The Group will apply the above new standards and amendments to standards when they become effective.

Impact of new standard released not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for the financial year beginning on January 1, 2019 and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is still in progress.

2.2 Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) Business combination

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. The seller in a business combination may contractually indemnify the acquirer for the outcome of a contingency or uncertainty related to all or part of a specific asset or liability. The acquirer shall recognise an indemnification asset at the same time that it recognises the indemnified item measured on the same basis as the indemnified item, subject to the need for a valuation allowance for uncollectible amounts. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis at the non-controlling interest's proportionate share of the acquiree's net assets.

2. Summary of significant accounting policies (Continued)

2.2 Subsidiaries (Continued)

(a) Business combination (Continued)

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in consolidated income statement.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group will report in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the Group will retrospectively adjust the provisional amounts recognised at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognised as of that date. During the measurement period, the Group will also recognise additional assets or liabilities if new information is obtained about facts and circumstances that existed as of the acquisition date and, if known, would have resulted in the recognition of those assets and liabilities as of that date. The measurement period does not exceed one year from the acquisition date.

Any contingent consideration is recognised as equity or financial liability. Subsequent changes to the fair value of the contingent consideration that is classified as liability is recognised in income statement. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill (Note 2.11(a)). If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the identifiable net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains/losses on transactions between group companies are eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group. The financial statements of the parent and its subsidiaries used in the preparation of the consolidated financial statements have the same reporting date.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid/received and the relevant share acquired/disposed of the carrying value of net assets of the subsidiary is recorded in equity.

The potential cash payments related to put options issued by the Group over the equity of a subsidiary are accounted for as liabilities. The amount that may become payable under the option on exercise is initially recognised at the present value of redemption amount as a written put option liability with a corresponding charge directly to equity.

Written put option liability is subsequently re-measured as a result of the change in the expected performance at each balance sheet date, with any resulting gain or loss recognised in income statement. In the event that the option expires unexercised, the written put option liability is derecognised with a corresponding adjustment to equity.

2. Summary of significant accounting policies (Continued)

2.2 Subsidiaries (Continued)

(c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in income statement. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset at fair value. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may cause amounts previously recognised in other comprehensive income reclassified to income statement.

(d) Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable. Impairment testing of the investments in subsidiaries accounted for at cost is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 Associates

Associates are all entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

(a) Equity method of accounting

Investments in associates other than those investments in VC Funds, PE Funds and preferred shares investments of the Group are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the income statement of the investee after the date of acquisition. The Group's investment in associates using equity accounting includes goodwill identified on acquisition, net of any accumulated impairment losses.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to income statement where appropriate.

The Group's share of its associates' post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in the associates' other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

2. Summary of significant accounting policies (Continued)

2.3 Associates (Continued)

(a) Equity method of accounting (Continued)

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to "share of profit of associates and joint ventures accounted for using the equity method" in the consolidated income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associates are recognised in the Group's consolidated income statement only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in associates are recognised in the income statement.

(b) Fair value through profit or loss

The Group has invested as a limited partner in certain VC Funds and PE Funds and exerted significant influence. The Group has applied the measurement exemption within IAS 28 "Investment in Associates and Joint Ventures" for mutual funds, unit trusts and similar entities and such investments are measured at fair value through profit or loss, and presented as "associates measured at fair value through profit or loss" in the balance sheet.

The Group has invested in preferred shares of associates, which are designated at fair value through profit or loss at initial recognition and presented as "financial assets at fair value through profit or loss" in the consolidated balance sheet.

2.4 Joint arrangements

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income of the joint ventures. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as Board of Directors that makes strategic decisions.

2. Summary of significant accounting policies (Continued)

2.6 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in RMB, which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses that relate to monetary assets and liabilities denominated in foreign currency are presented in the consolidated income statement within "other losses".

Changes in the fair value of monetary securities denominated in foreign currency classified as fair value through other comprehensive income are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in income statement, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in income statement as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as fair value through other comprehensive income, are included in other comprehensive income.

(c) Group companies

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

- income and expenses for each income statement presented are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

- all resulting exchange differences are recognized in other comprehensive income.

(d) Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

2. Summary of significant accounting policies (Continued)

2.6 Foreign currency translation (Continued)

(e) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the equity owners of the Company are reclassified to the consolidated income statement.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in income statement. For all other partial disposals (that is, reductions in the Group's ownership interest in associates or jointly controlled entities that do not result in the Group losing significant influence or joint control) the proportionate share of the accumulated exchange difference is reclassified to the consolidated income statement.

2.7 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and accumulated impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred.

Depreciation of buildings, building-related equipment and leasehold improvements is calculated using the straight-line method to allocate their costs to their estimated residual values over the unexpired periods of the leases or their expected useful lives to the Group whichever is shorter.

Depreciation of other property, plant and equipment is calculated using the straight-line method to allocate their costs to their estimated residual values over their estimated useful lives to the Group. The principal annual rates used for this purpose are:

–	Land and buildings	10–50 years
–	Machinery and equipment	2–12 years
–	Motor & Vehicles	2–6 years
–	Furniture	3–10 years
–	Bearer plants	20–30 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.12).

Gains or losses on disposals of assets are determined by comparing the proceeds with the carrying amount and are recognised within "other losses" in the consolidated income statement.

2. Summary of significant accounting policies (Continued)

2.8 Construction-in-progress

Construction-in-progress represents buildings, plant and machinery and internal use software under construction and pending installation and is stated at historical cost, less any accumulated impairment losses. Historical cost comprises all direct and indirect costs of acquisition or construction or installation of buildings, plant and machinery or internal use software as well as interest expenses and exchange differences on the related funds borrowed during the construction, installation and testing periods and prior to the date when the assets were available for use. No depreciation or amortization is provided for construction-in-progress. On completion, the carrying values of the buildings, plant and machinery or internal use software are transferred from construction-in-progress to property, plant and equipment or intangible assets.

2.9 Lease

As lessee:

The Group leases various offices, teaching sites and equipments. Rental contracts are typically made for fixed periods of 1 to 20 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, leases of property, plant and equipment were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From January 1, 2019, leases are recognised as a right-of-use asset and a lease liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

2. Summary of significant accounting policies (Continued)

2.9 Lease (Continued)

As lessee: (Continued)

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture.

As lessor:

The Group continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently which is same as IAS 17.

2.10 Investment property

Investment property, principally comprising leasehold land and buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. Land held under operating leases are accounted for as investment properties when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases.

Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recorded in the consolidated income statement as part of a valuation gain or loss in "other losses".

Property that is being constructed or developed as investment property is carried at fair value. Where fair value is not reliably determinable, such property under construction is measured at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier).

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in light of current market condition.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the consolidated income statement during the financial period in which they are incurred.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes.

When the owner-occupied properties transferring to investment properties, a revaluation surplus is credited to other comprehensive income and accumulated in equity under the heading of revaluation surplus. The revaluation surplus included in equity may be transferred directly to retained earnings when the surplus is realised.

2. Summary of significant accounting policies (Continued)

2.11 Intangible assets

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures and represents the excess of the consideration transferred over the Group's interest in net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree and the non-controlling interest in the acquiree. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates and joint ventures is included in investments in associates and joint ventures.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGUs, or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

Goodwill impairment tests are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(b) Trademarks

Separately acquired trademarks and licences are shown at historical cost. Trademarks acquired in a business combination are recognised at fair value at the acquisition date. As for intangible assets like trademarks and fishing rights that have conclusive evidence that the useful life can not be estimated, they are subject to impairment testing annually. The Group have indefinite use rights to these trademarks and fishing rights.

(c) Customer relationships

Customer relationships acquired in a business combination are recognised at fair value at the acquisition date. Customer relationships have a definite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over their estimated lives, which are not more than 15 years.

(d) Computer software

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the software product so that it will be available for use;
- Management intends to complete the software product and use or sell it;
- There is an ability to use or sell the software product;
- It can be demonstrated how the software product will generate probable future economic benefits;

2. Summary of significant accounting policies (Continued)

2.11 Intangible assets (Continued)

(d) Computer software (Continued)

- Adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and

- The expenditure attributable to the software product during its development can be reliably measured.

Development costs include the employee costs incurred as a result of developing software and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Acquired computer software licences costs and computer software development costs recognised as assets are amortised over their estimated useful lives, which does not exceed 5 years.

(e) Patents, technology and marketing right

Expenditures on acquired patents, technology and marketing rights are capitalised at historical cost which is the fair value at acquisition and amortised using the straight-line method over their estimated useful lives of not more than 10 years.

(f) Aquaculture franchise and water right

Aquaculture franchise and water right acquired in business combination shall be recognized at fair value on the date of purchase. Aquaculture franchise and water right acquired individually is recognized at historical cost. Aquaculture franchise and most water right is intangible assets with indefinite useful life. Intangible assets with indefinite useful life shall not be amortized, whether there is any sign of impairment, impairment test shall be conducted at least annually.

2.12 Impairment of non-financial assets

Intangible assets that have an indefinite useful life or are not yet available for use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less disposal cost and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash flows ("CGUs"). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2. Summary of significant accounting policies (Continued)

2.13 Biological assets

The biological assets of the Group include bearer plants and consumable biological assets.

(a) Bearer plants

Bearer plants of the Group consist of blueberry and kiwi trees, which are recognised as property, plant and equipment and measured at cost less accumulated depreciation and impairment.

Agricultural products harvested from bearer plants are measured at its fair value less costs to sell at the point of harvest and recognised as inventory subsequently. The fair value of agricultural products is based on market prices of agricultural products of similar size and weight or alternative estimates of fair value.

(b) Consumable biological assets

(i) Classification of consumable biological assets

The Group's consumable biological assets mainly include Atlantic salmon, trout and coho salmon, which can be classified into roe, fry and juvenile fish in fresh water and fish on fatten stage in sea water by stage of production.

The Group shall recognise consumable biological assets when, and only when:

- The Group controls the asset as a result of past events;
- It is probable that future economic benefits associated with the assets will flow to the Group; and
- The fair value or cost of the assets can be measured reliably.

(ii) Initial recognition of consumable biological assets

The biological assets acquired by the Group are measured as its acquisition cost. The cost of purchased biological assets consists of the purchase price, the relevant taxes, freights, insurance and other expenses that is directly attributable to the purchase of the biological assets.

(iii) Subsequent measurement of consumable biological assets

The biological assets including roe, fry and juvenile fish in fresh water are measured as cost since no active market for selling such assets. For fish on fattening stage in sea water less than the minimum weight is measure at cost since the fair value cannot be determined reliably.

2. Summary of significant accounting policies (Continued)

2.13 Biological assets (Continued)

(b) Consumable biological assets (Continued)

(iii) Subsequent measurement of consumable biological assets (Continued)

The biological assets including Atlantic salmon, trout and coho salmon in the fattening stage in seawater are measured at the net value of fair value less the estimated costs at the point of sale applying the weight criteria, except when the fair value cannot be determined reliably.

The calculation of the fair value is based on market prices for harvested fish, adjusted for their own differences in total weight, gauge and quality distribution and weight ranges of the fish harvested, taking into account the weight criteria set out in the table below, and then adjusted by the cost for selling, including harvest cost, process costs and freight costs to destination.

The Group reviews the fair value of the biological asset in each feeding centre at the end of each reporting period. The fair value change of the biological assets measured at fair value is recognised in the consolidated income statement.

The measurement mode and weight criteria of biological assets of salmons are as follows:

Stage	Assets	Accounting measurement
Fresh water	Roe	Measured at direct and indirect costs incurred
Fresh water	Fry and juvenile fish	Measured at direct and indirect costs incurred
Sea water	Fish on fattening process	Criteria for fair value measurement mode: Atlantic salmon, with average harvest weight more than 4 kilos, by average price of HON(Head on, Gutted) and Trim. Coho salmon, with average harvest weight more than 2.3 kilos, by average price of H&G(Head off, Gutted). Trout, with average harvest weight more than 2.3 kilos, by average price of H&G and Trim.

2. Summary of significant accounting policies (Continued)

2.13 Biological assets (Continued)

(b) Consumable biological assets (Continued)

(iii) Subsequent measurement of consumable biological assets (Continued)

More information on relevant assumptions to confirm the fair value of salmon is set out in Note 4.1(m).

The consumable biological assets are transferred to finished products of inventory at the carrying value when harvest. When finished products are sold, the carrying value of the inventory is transferred to cost of sales and services, and the accumulated fair value change of the inventory is transferred to "other losses" from cost of sales and services.

(iv) impairment of biological assets

The Group reviews the consumable biological assets measured at cost at least annually at the end of each year. If there is conclusive evidences that the net realisable value of the consumable biological assets is lower than its carrying value due to natural disasters, pests or market demand changes, the provision for impairment of biological assets shall be recognised in the consolidated income statement at the amount of the differences between the carrying value and the net realisable value.

The provision of impairment of consumable biological assets shall be reversed through profit or loss limited to impairment made if the impairment factors of consumable biological assets has disappeared.

2.14 Non-current assets held-for-sale

Non-current assets (or disposal groups) are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. The non-current assets (except for certain assets as explained below), (or disposal groups), are stated at the lower of carrying amount and fair value less costs to sell. Deferred tax assets, assets arising from employee benefits, financial assets (other than investments in subsidiaries and associates) and investment properties, which are classified as held for sale, would continue to be measured in accordance with the policies set out elsewhere in Note 2.

2. Summary of significant accounting policies (Continued)

2.15 Investment and other financial assets

2.15.1 Classification and measurement

The Group classifies its financial assets depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.:

- those to be measured at amortised cost;
- those to be measured subsequently at fair value through OCI; and
- those to be measured subsequently at fair value through profit and loss.

The business model reflects how the Group manages the assets in order to generate cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. Factors considered by the Group in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

The contractual cash flow characteristics of financial assets refer to contractual terms as agreed in the financial instrument contracts that reflect the economic characteristics of the financial assets, i.e., the contractual cash flows arising at a specified date from the financial assets are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Of which, the principal is the fair value of the financial asset at initial recognition, and the amount of the principal may change over the life of the financial asset, if, e.g., there are repayments of principal; and the interest includes consideration for the time value of money, and credit risk, other basic lending risks and costs associated with holding the financial asset for a particular period of time.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are SPPI.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

At initial recognition, the Group measures a financial asset at its fair value. For financial assets that are at FVPL, the transaction costs are expensed in profit or loss; for financial assets with other categories, the transaction costs are recognised in the initial carrying amounts. For trade and other receivables arising from rendering goods or services with no significant financing component, the Group measures their initial carrying amount as the cash flows that the Group is entitled and expected to receive.

2. Summary of significant accounting policies (Continued)

2.15 Investment and other financial assets (Continued)

2.15.1 Classification and measurement (Continued)

(a) *Debt instruments*

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent SPPI are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in "other losses" together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent SPPI, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses on the instrument's amortised cost which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and recognised in "other losses". Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in "other losses" and impairment expenses are presented as separate line item in the statement of profit or loss.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within "investment income and gains" in the period in which it arises.

(b) *Equity instruments*

The Group subsequently measures all equity investments at FVPL, except where the Group has elected, at initial recognition, to irrevocably designate an equity investment at FVOCI. The Group's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is made, fair value gains and losses are recognised in other comprehensive income and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value.

For the Group's equity instruments not held for trading purposes and those designated at FVOCI, when they are derecognised, the difference between the carrying amount and the consideration is recognised in retained earnings, also, the cumulative gains or losses previously recognised in other comprehensive income are recycled to the retained earnings; for other financial assets measured at FVOCI, the difference between the carrying amount and the consideration is recognised in profit and loss, also, the cumulative gains or losses previously recognised in other comprehensive income are recycled to profit and loss.

2. Summary of significant accounting policies (Continued)

2.15 Investment and other financial assets (Continued)

2.15.2 Recognition and de-recognition

The Group derecognises a financial asset if one of the following conditions is met:

- The contractual rights to receive the cash flows from the financial asset expire;
- The financial asset has been transferred and the Group transfers substantially all the risks and rewards of ownership of such financial asset;
- The financial asset has been transferred, the Group has not retained any control over the financial asset, even if the Group neither transfers nor retains substantially all the risks and rewards of ownerships of the financial asset.

For the Group's equity instruments not held for trading purposes and designated at FVOCI, when they are derecognised, the difference between the carrying amount and the consideration is recognised in retained earnings, also, the cumulative gains or losses previously recognised in other comprehensive income are recycled to the retained earnings; for other financial assets measured at FVOCI, the difference between the carrying amount and the consideration is recognised in profit and loss, also, the cumulative gains or losses previously recognised in other comprehensive income are recycled to profit and loss.

The de-recognition of financial assets sold on condition of repurchase is determined by the economic substance of the transaction. If a financial asset is sold under an agreement to repurchase the same or substantially the same asset at a fixed price or at the sale price plus a reasonable return, the Group will not derecognise the asset. If a financial asset is sold together with an option to repurchase the financial asset at its fair value at the time of repurchase (in case of transferor sells such financial asset), the Group will derecognise the financial asset.

2.15.3 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet where the Group currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The Group has also entered into arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or the termination of a contract.

2.15.4 Impairment

The Group assesses on a forward-looking basis the ECL associated with its financial assets at amortised cost, debt instrument assets carried at FVOCI, trade and other receivables, lease receivable, contract assets, loan commitments and financial guarantee contracts for the issuer which are not measured at fair value through profit or loss.

When calculating the probability-weighted present value of the difference between the contractual and forecasted cash flows to be received, the Group takes reasonable and supportable information such as the past events, current conditions and forecasts of future economic conditions into consideration and uses probabilities of default as the weightings. The difference is recognised as the ECL.

2. Summary of significant accounting policies (Continued)

2.15 Investment and other financial assets (Continued)

2.15.4 Impairment (Continued)

At each balance sheet date, the Group calculates the ECL of financial instruments in different stages. Stage 1 refers to financial instruments that have not had a significant increase in credit risk since initial recognition; Stage 2 refers to financial instruments that have had a significant increase in credit risk since initial recognition but that do not have objective evidence of impairment; Stage 3 refers to financial assets for which there are objective evidence of impairment at the reporting date since initial recognition. For these assets at Stage 1, 12-month ECL are recognised and for assets at stage 2 and 3, life-time ECL are recognised.

For financial assets in stage 1 and stage 2, interest income is calculated based on the gross carrying amount of the asset, that is, without deduction for credit allowance, and the effective interest rates. For financial assets in stage 3, interest income is calculated on the net carry amount, that is, net of credit allowances, and the effective interest rates.

The Group recognises the provision and reversal of ECL in profit or loss. For debt instrument at FVOCI, the Group makes relevant adjustments to other comprehensive income at the same time as recognizing ECL in profit and loss.

For trade receivables, whether there is significant financial component or not, the Group recognises life-time ECL.

2.16 Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge);

- hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge);

- hedges of a net investment in a foreign operation.

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 23. Movements on the hedging reserve in shareholders' equity are shown in consolidated statements of changes in equity. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

2. Summary of significant accounting policies (Continued)

2.16 Derivative financial instruments and hedging activities (Continued)

(a) Fair value hedge

Changes in the fair value of derivatives that are designated and qualified as fair value hedges are recorded in the consolidated income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

(b) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the consolidated income statement within "other losses".

Amounts accumulated in equity are reclassified to income statement in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the consolidated income statement within "finance cost". The gain or loss relating to the ineffective portion is recognised in the consolidated income statement within "other losses".

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss on the hedging instrument that has been recognised as other comprehensive income from the period when the hedge was effective shall remain separately in equity until the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the cumulative gain or loss on the hedging instrument that has been recognised as other comprehensive income from the period when the hedge was effective shall be immediately reclassified from equity to the consolidated income statement within "other losses".

(c) Net investment hedges in foreign operations

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss. Gains and losses accumulated in equity are reclassified to profit or loss when the foreign operation is partially disposed of or sold.

Hedge of the interest-rate risk exposure of a portfolio

The Group performs an overall analysis of interest-rate risk exposure. This involves assessing fixed-rate exposure, taking into account all the exposure coming from balance sheet and off-balance sheet items. This global analysis may exclude certain components of the exposure, such as financial market activities, provided that the risk exposure stemming from the excluded activities is monitored on an activity-by-activity basis.

The Group applies the same methodology to select which assets and/or liabilities will be entered into the portfolio's hedge of interest-rate risk exposure. Assets and liabilities are included in all the time buckets of the portfolio. Hence, when they are removed from the portfolio, they must be removed from all the time buckets in which they had an impact. Demand deposits and savings accounts may be included in the portfolio, based on behavioural study to estimate expected maturity date. The Group may designate as qualifying hedged items different categories of assets or liabilities.

2. Summary of significant accounting policies (Continued)

2.16 Derivative financial instruments and hedging activities (Continued)

(c) Net investment hedges in foreign operations (Continued)

Hedge of the interest-rate risk exposure of a portfolio (Continued)

On the basis of this gap analysis, which is carried out on a gross basis, the Group defines, at conception, the risk exposure to be hedged, the length of the time bucket, the test method and the frequency of the tests.

The hedging instruments are a portfolio of derivatives, which may contain offsetting positions. The Group recognizes the hedging items at fair value with adjustments accounted for in the consolidated statement of income.

2.17 Inventories, properties under development and completed properties held for sale

Inventories are stated at the lower of cost and net realisable value.

Cost of inventories is determined on a weighted average basis. The cost of finished goods (except for trading products) and work-in-progress comprises direct materials, direct labor and an attributable proportion of production overheads. For trading products, cost represents invoiced value on purchases, less purchase returns and discounts. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

Development cost of properties under development comprise land use rights, construction costs, borrowing costs and professional fees incurred during the development period. On completion, all development costs of the properties are transferred to completed properties held for sale. Net realisable value of properties under development is determined by reference to estimated sales proceeds of the properties sold in the ordinary course of business less costs to complete development and estimated selling expenses.

Completed properties held for sale are completed properties remaining unsold at year end and are stated at the lower of cost and net realisable values. Cost comprises development costs attributable to the unsold properties. Net realisable values are determined by reference to the estimated sales proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management estimates based on prevailing marketing conditions.

2.18 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. The majority of other receivables are arising from IT business and represent amounts due from subcontractors for part components sold in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Receivables are initially measured at consideration amounts with no additional conditions, with the exception that receivables containing material financing component should be initially measured at fair value. Receivables' cash flows represent SPPI. Trade and notes receivables that are held for collection of contractual cash flows and for selling the assets shall be measured at FVOCL. Receivables that are held for collection of contractual cash flows are measured at amortised cost using effective interest rate method. For more information on accounting treatment of account receivables of the Group, please see note 25.

The Group applies the IFRS 9 simplified approach to measuring ECL which uses a lifetime expected loss allowance for all trade receivables. Other receivables main include receivables from parts subcontractors and amounts due from related parties, etc. (Note 26). All of the entity's other receivables are considered to have low credit risk, and the loss allowance recognised during the period was therefore limited to 12 months expected losses. Other receivables are considered to be low credit risk when they have a low risk of default and the counterparty has a strong capacity to meet its contractual cash flow obligations in the near term. Critical estimates and key assumptions related to ECL are set out in Note 4.1(a).

2. Summary of significant accounting policies (Continued)

2.19 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. In the consolidated balance sheet, bank overdrafts are shown within borrowings in current liabilities.

2.20 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to equity holders of the Company until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

2.21 Financial liabilities

2.21.1 Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through the profit or loss include those classified as held for trading, and those designated by the Group upon recognition as at fair value through the profit or loss.

A financial liability is classified as held for trading if it is: (i) acquired or incurred principally for the purpose of repurchasing it in the near term; (ii) part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or (iii) a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Financial liabilities are designated at fair value through the profit or loss upon initial recognition when: (i) the financial liabilities or are managed, evaluated and reported internally on a fair value basis; (ii) the designation eliminates or significantly reduces an accounting mismatch in the gain and loss recognition arising from the difference in measurement bases of the financial liabilities; or (iii) a contract contains one or more embedded derivatives, i.e. an entire hybrid (combined) contract, unless: (i) the embedded derivative does not significantly modify the cash flows that otherwise would be required by the hybrid (combined) contract; or (ii) it is clear with little or no analysis when a similar hybrid (combined) instrument is first considered that separation of the embedded derivative is prohibited.

2.21.2 Other financial liabilities

Financial liabilities, other than trading liabilities and those designated at fair value through profit or loss, are measured at amortised cost using the effective interest method.

2.22 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2. Summary of significant accounting policies (Continued)

2.23 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.24 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the consolidated income statement in the period in which they are incurred.

2.25 Current and deferred income tax

The income tax expense for the period comprises current and deferred income tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

2. Summary of significant accounting policies (Continued)

2.25 Current and deferred income tax (Continued)

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statement. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, joint ventures and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same tax authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.26 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation can not be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

2. Summary of significant accounting policies (Continued)

2.27 Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of subsidiaries or associates to secure loans, overdrafts and other banking facilities.

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:

- the amount determined in accordance with the expected credit loss model under IFRS 9 Financial Instruments and
- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15 Revenue from Contracts with Customers.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of associates and joint venture are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

2.28 Employee benefits

The Group operates various post-employment schemes. The schemes are generally funded through payments to insurance companies or trustee-administrated funds, which are measured by periodic actuarial calculation. The Group has both defined benefit and defined contribution plans.

(a) Pension obligations

Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past service costs. Significant portion of the defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

The current service cost of the defined benefit plan, recognised in the consolidated income statement in employee benefit expense, except where included in the cost of an asset, reflects the increase in the defined benefit obligation results from employee service in the current year, benefit changes, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the consolidated income statement.

2. Summary of significant accounting policies (Continued)

2.28 Employee benefits (Continued)

(a) Pension obligations (Continued)

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income/expenses in the period in which they arise.

Past service costs are recognised immediately in the income statement, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortised on a straight-line basis over the vesting period.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee services in the current and prior periods. The contributions are recognised as employee benefit expense when they are due and are reduced by employer's portion of voluntary contributions forfeited by those employees who leave the scheme prior to vesting fully. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

The Group's contributions to local municipal government retirement schemes in connection with retirement benefit schemes in the Mainland of China are expensed as incurred. The local municipal governments in the Mainland of China assume the retirement benefit obligations of the qualified employees.

(b) Post-employment medical benefits

The Group operates a number of post-employment medical benefit schemes, the largest being in the United States. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using an accounting methodology similar to that for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised as other comprehensive income expense in the period in which they arise. The obligations of these schemes in the United States are valued annually by independent qualified actuaries.

2. Summary of significant accounting policies (Continued)

2.29 Share-based payments

The Group operates a number of equity-settled compensation plans, including the long-term incentive program adopted by a principal subsidiary, Lenovo Group Limited ("Lenovo"), and the restricted shares and share options plan granted by the Company (collectively referred to as "Incentive Awards") under which the Group receives services from employees as consideration for the Incentive Awards granted. The fair value of the employee services received in exchange for the grant of the Incentive Awards is recognised as employ benefit expense.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the Incentive Awards granted, including any market performance conditions (for example, an entity's share price); excluding the impact of any service and non-market performance vesting conditions (for example, profitability and sales growth targets); and including the impact of non-vesting conditions. Non-market performance and service conditions are included in assumptions about the number of Incentive Awards granted that are expected to become exercisable/vested. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

At each balance sheet date, the Group revises its estimates of the number of Incentive Awards granted that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the consolidated income statement, with a corresponding adjustment to share-based compensation reserve under equity.

2.30 Provisions

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

(a) Warranty provision

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

2. Summary of significant accounting policies (Continued)

2.30 Provisions (Continued)

(b) Provision for financial guarantee losses

Provision for financial guarantee business are measured at balance sheet date. Provision for financial guarantee business are the best estimate of the losses for all undue guarantee risk exposure and the probability of potential default but not compensated. The Group makes the best estimates of contractual cash flow to be paid to fulfil the contractual obligations of all undue guarantee contracts according to the risk exposure and judgement of the probability of default and loss given default.

(c) Other provisions

Provisions for environmental restoration, restructuring costs and legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring costs provision comprises lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

2.31 Revenue recognition

The Group recognizes revenue at designated expected transaction considerations of goods or services when our client gains control over the underlining goods or services. The Group allocates transaction considerations to each underlining obligations based on stand-alone sale prices. Revenue generated from each obligation is recognized when the Group delivers promised goods or performs underlining services. The Group's allocation is based on past years' rebate performance considering client classification, transaction clusters and special features of each arrangement.

(a) Sales of goods

Revenue from sale of hardware, software and peripherals, mobile devices, chemicals and energy materials, agriculture products and other products is recognised, net of value-added tax, an allowance for estimated returns, rebates and discounts, when the right of control is effectively transferred to customer, generally when there is a persuasive evidence that a sales arrangement exists, the price is fixed or determinable, collectability is reasonably assured and delivery has occurred. The Group enters into different shipping terms with customers. Delivery is generally considered as occurred once the goods are shipped. For certain transactions, the Group defers the recognition of revenue and cost of shipped products until the goods are delivered to designated locations and the transfer of right of control is completed.

The contract liability will continue for a period, the related revenue will be deferred and amortised as earned over the contract period ranging from one to four years. At the end of the reporting period, the excess of the cumulative consideration received from the contracted customer over the cumulative revenue recognized is recognized as a contract liability recorded in deferred revenue. Please refer to note 38 for more information.

Revenue associated with undelivered elements is deferred and recorded when both delivery occurs and right of control transfers.

2. Summary of significant accounting policies (Continued)

2.31 Revenue recognition (Continued)

(b) Guarantee income

Guarantee income is determined based on the total agreed fee in the guarantee contracts and is recognised in the consolidated income statement over the period of guarantee.

(c) Rental income

Revenue is recognised on a time proportion basis over the lease terms.

(d) Provision of service

Revenues from the provision of logistic services, property management services, dental care services, consultancy and commission income and management fees are all recognised in the accounting period in which the services are rendered. Revenues from provision of system integration services and IT technical services are recognised over the term of contract or when services are rendered.

(e) Interest income

Interest income is recognised using the effective interest method. When a financial asset is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income.

(f) Fee and commission income

Commissions and fees are recognised on an accrual basis over the life of the underlying transaction. Commissions and fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of the acquisition of loans, equity securities or other securities or the purchase or sale of businesses, are recognised when the significant act has been completed. For asset management operations, revenue consists principally of unit trust and mutual fund management and administration fees. Revenue from asset management is recognised as earned when the service is provided. Performance fees are recognized when all underlying conditions are met and thus acquired.

2. Summary of significant accounting policies (Continued)

2.31 Revenue recognition (Continued)

(g) Contractual assets/liabilities

The excess of the cumulative revenue recognized over the cumulative consideration received and due from the contracted customer is recognized as a contract asset on the consolidated balance sheet. On the contrary, the excess of the cumulative consideration received from the contracted customer over the cumulative revenue recognized is recognized as a contract liability recorded in deferred revenue (note 38) or advances from customers (note 40). As at December 31, 2019, the contract asset and the contract liability of the Group are classified as current and non-current portions based on their respective recovery or settlement periods. The time that the Group has the right to unconditionally obtain the consideration of the goods and service committed in the contract is almost the same as the time that right of control of the goods and service. Thus, as at December 31, 2019, the contract assets of the Group are not material.

2.32 Dividend income

Dividend income is recognised when the right to receive payment is established.

2.33 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised as "other losses" in the consolidated income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to assets are recognised in the consolidated income statement on a systematic basis over the periods in which the entity recognises as expenses the related assets for which the grants are intended to compensate.

2.34 Related party transactions

A related party transaction is a transfer of resources, services or obligations between the Group and a related party of the Group, regardless of whether a price is charged.

(a) A person, or a close member of that person's family, is related to the Group if that person:

- has control or joint control over the Company;
- has significant influence over the Company; or
- is a member of the key management personnel of the Company.

2. Summary of significant accounting policies (Continued)

2.34 Related party transactions (Continued)

(b) An entity is related to the Group if any of the following conditions applies:

- The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
- One entity is an associate or joint venture of the Group (or an associate or joint venture of a member of a group of which the other entity is a member);
- One entity with one entity of the Group are both joint ventures of the same third party;
- One entity is a joint venture of a third entity and the other entity is an associate of the third party;
- The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- The entity is controlled or jointly controlled by a person identified in (a) above;
- A person, or a close member of that person's family, who has control or joint control over the Company, has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

2.35 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

3. Financial risk management

3.1 Financial risk factors

The Group's activities expose to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group has implemented a unified and multi-tiered financial control management system. The Company guides and supervises major aspects of financial management of its subsidiaries and each subsidiary manages its financial risks locally. Certain subsidiaries of the Group use derivative financial instruments to hedge certain risk exposures.

(a) Market risk

(I) Foreign exchange risk

The Group operates internationally and is exposed to foreign currency risk arising from various currency exposures, primarily with respect to United States dollar ("USD"), Renminbi ("RMB"), Euro ("EUR") and Swiss Franc ("CHF"). Foreign currency risk arises from the future business transactions, recognised assets and liabilities and net investment in foreign operations denominated in a currency other than the functional currency of the Group's subsidiaries. Each subsidiary of the Group monitors the amount of assets and liabilities and transactions denominated in foreign currencies closely in order to minimise the foreign exchange risk and enter into forward exchange contracts to mitigate the foreign currency risk as appropriate.

3. Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(I) Foreign exchange risk (Continued)

The carrying amount in RMB equivalents of the financial assets and liabilities held by the Group denominated in the currencies other than their respective functional currencies are summarised below:

	As at December 31, 2019					
	USD	RMB	EUR	CHF	Other	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and other receivables	2,687,909	27,968	271,164	11,761	87,187	3,085,989
Bank deposits and cash and cash equivalents	2,765,726	44,549	191,737	14,811,698	1,757,894	19,571,604
Loans to customer and credit institutions	8,513,842	–	1,041,930	599,376	4,013,306	14,168,454
Other financial assets at amortized cost	5,702,036	–	1,091,788	–	–	6,793,824
Financial assets at fair value through profit or loss	3,642,146	–	–	190	3,779	3,646,115
Financial assets at fair value through other comprehensive income	1,929,677	–	168	14,080	2,003	1,945,928
Derivative financial assets	599,808	16,792	676,951	636,405	835,137	2,765,093
Other assets	177,868	–	–	–	11,438	189,306
Trade and other payables	(3,651,083)	(255,531)	(102,887)	(1,978)	(2,124,406)	(6,135,885)
Amount due to customers and credit institutions	(31,280,736)	–	(2,430,085)	(1,083,336)	(6,933,400)	(41,727,557)
Borrowings	(11,673,796)	(4,005,664)	(2,727,276)	–	(522,982)	(18,929,718)
Financial liabilities at fair value through profit or loss	(1,408,472)	–	–	–	(526,693)	(1,935,165)
Derivative financial liabilities	(454,293)	(42,527)	(149,877)	(837,947)	(765,545)	(2,250,189)
Other liabilities	(1,274,146)	–	(1,118)	(1,818,416)	(59,859)	(3,153,539)
Intercompany balances before elimination	(27,600,385)	2,646,337	(2,611,629)	–	–	(27,565,677)
Gross exposure	(51,323,899)	(1,568,076)	(4,749,134)	12,331,833	(4,222,141)	(49,531,417)
Notional amounts of contracts used as economic hedge	46,404,519	1,385,787	1,923,757	–	(7,485,733)	42,228,330
Net exposure	(4,919,380)	(182,289)	(2,825,377)	12,331,833	(11,707,874)	(7,303,087)

3. Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(I) Foreign exchange risk (Continued)

	As at December 31, 2018					
	USD *RMB'000*	RMB *RMB'000*	EUR *RMB'000*	CHF *RMB'000*	Other *RMB'000*	Total *RMB'000*
Trade and other receivables	3,153,578	239,113	261,046	–	47,931	3,701,668
Bank deposits and cash and cash equivalents	3,182,239	40,080	408,775	19,751,888	99,802	23,482,784
Loans to customer and credit institutions	9,414,821	–	–	1,051,668	5,944,004	16,410,493
Other financial assets at amortized cost	4,667,531	–	–	–	–	4,667,531
Financial assets at fair value through profit or loss	3,530,789	–	–	–	8,289	3,539,078
Financial assets at fair value through other comprehensive income	2,483,924	–	–	51,231	2,235	2,537,390
Derivative financial assets	1,123,961	–	–	156,854	282,955	1,563,770
Other assets	43,436	–	–	227,318	58,137	328,891
Trade and other payables	(2,160,446)	(375,190)	(74,468)	–	(12,137)	(2,622,241)
Amount due to customers and credit institutions	(26,509,676)	–	–	(1,944,456)	(8,821,628)	(37,275,760)
Borrowings	(6,071,479)	(3,982,173)	(2,062,966)	(695,821)	(120,364)	(12,932,803)
Financial liabilities at fair value through profit or loss	(1,517,070)	–	–	–	(424,896)	(1,941,966)
Derivative financial liability	(980,018)	–	–	(316,801)	(276,723)	(1,573,542)
Other liabilities	(79,863)	–	–	(32,770)	(54,322)	(166,955)
Intercompany balances before elimination	(22,389,460)	7,726,721	(3,011,263)	–	–	(17,674,002)
Gross exposure	(32,107,733)	3,648,551	(4,478,876)	18,249,111	(3,266,717)	(17,955,664)
Net off balance sheet position	38,801,666	–	3,386,259	(18,828,189)	3,589,599	26,949,335
Net exposure	6,693,933	3,648,551	(1,092,617)	(579,078)	322,882	8,993,671

As at December 31, 2019, if RMB had weakened/strengthened by 5% against the major currencies with all other variables held constant, the Group would generate extra exchange losses or gains of approximately RMB347 million (As at December 31, 2018, RMB136 million).

The analysis above is based on the assumption that RMB weakened or strengthened against all other currencies in the same direction and magnitude, but it may not be necessarily true in reality.

3. Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(II) Interest risk

The Group's interest rate risk arises from the mismatches between contractual maturities or re-pricing dates of interest-generating assets and interest-bearing liabilities. Each of the Group's operating entities has formulated its own interest risk management policies and procedures covering identification, measurement, monitoring and control of risks. The Group manages interest rate risk to control potential loss from interest rate risk at an acceptable level.

The tables below summarize the contractual maturity or re-pricing date, whichever is earlier, of the Group's financial assets and liabilities at the end of each reporting period.

A. Interest generating assets

	As at December 31, 2019					
	Less than 3 months *(i)*	**3 months to 1 year**	**1 year to 5 years**	**Over 5 years**	**No due time**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
Cash and cash equivalent, bank deposit and restricted deposit	**70,592,826**	**1,085,010**	**–**	**–**	**–**	**71,677,836**
Financial assets at fair value through other comprehensive income *(ii)*	**841,997**	**312,179**	**5,952,179**	**1,730,327**	**–**	**8,836,682**
Financial assets at fair value through profit or loss *(ii)*	**209,893**	**2,072,090**	**361,741**	**345,137**	**–**	**2,988,861**
Other financial assets at amortised cost	**5,833,696**	**1,175,016**	**18,506,658**	**25,003,882**	**–**	**50,519,252**
Loans to customers	**41,086,781**	**13,689,970**	**16,325,032**	**59,103,999**	**–**	**130,205,782**
Loans to credit institutions	**7,387,286**	**3,908**	**24,618**	**–**	**–**	**7,415,812**
Derivative financial assets	**11,360**	**88,163**	**–**	**–**	**2,605,434**	**2,704,957**
Receivables *(iii)*	**1,032,261**	**8,308,011**	**9,732,513**	**–**	**–**	**19,072,785**
Total	**126,996,100**	**26,734,347**	**50,902,741**	**86,183,345**	**2,605,434**	**293,421,967**

	As at December 31, 2018					
	Less than 3 months *(i)*	3 months to 1 year	1 year to 5 years	Over 5 years	No due time	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cash and cash equivalent, bank deposit and restricted deposit	62,217,210	4,643,640	–	–	–	66,860,850
Financial assets at fair value through other comprehensive income *(ii)*	1,071,558	274,388	5,906,912	3,990,153	–	11,243,011
Financial assets at fair value through profit or loss *(ii)*	2,661,381	776,874	199,813	6,203	–	3,644,271
Other financial assets at amortised cost	6,183,071	855,584	10,482,134	22,373,694	–	39,894,483
Loans to customers	41,819,715	11,698,745	12,339,080	54,538,599	–	120,396,139
Loans to credit institutions	6,303,436	–	2,597	27,215	–	6,333,248
Derivative financial assets	12,335	1,079	–	–	2,264,763	2,278,177
Receivables *(iii)*	247,217	4,601,091	7,035,664	–	–	11,883,972
Total	120,515,923	22,851,401	35,966,200	80,935,864	2,264,763	262,534,151

3. Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(II) Interest risk (Continued)

B. Interest bearing liabilities

	As at December 31, 2019					
	Less than 3 months *(i)* *RMB'000*	**3 months to 1 year** *RMB'000*	**1 year to 5 years** *RMB'000*	**Over 5 years** *RMB'000*	**No due time** *RMB'000*	**Total** *RMB'000*
Amounts due to customers	**137,578,200**	**6,214,880**	**4,536,971**	**4,510**	**–**	**148,334,561**
Amounts due to credit institutions	**17,175,138**	**2,785,105**	**3,816,778**	**418,529**	**–**	**24,195,550**
Financial liabilities at fair value through profit or loss	**2,556,301**	**1,369,494**	**4,282,047**	**1,991,325**	**–**	**10,199,167**
Borrowings	**24,828,545**	**45,874,540**	**57,298,171**	**9,903,571**	**–**	**137,904,827**
Derivative financial liabilities	**19,482**	**597**	**–**	**–**	**4,683,175**	**4,703,254**
Payables *(iv)*	**1,544,487**	**5,625,662**	**8,430,656**	**64,974**	**–**	**15,665,779**
Total	**183,702,153**	**61,870,278**	**78,364,623**	**12,382,909**	**4,683,175**	**341,003,138**

	As at December 31, 2018					
	Less than 3 months *(i)* *RMB'000*	3 months to 1 year *RMB'000*	1 year to 5 years *RMB'000*	Over 5 years *RMB'000*	No due time *RMB'000*	Total *RMB'000*
Amounts due to customers	128,884,564	2,324,124	4,211,357	15,546	–	135,435,591
Amounts due to credit institutions	16,163,385	679,155	5,825,298	448,887	–	23,116,725
Financial liabilities at fair value through profit or loss	2,620,776	1,320,199	1,479,726	1,912,746	–	7,333,447
Borrowings	48,734,525	33,661,232	39,670,922	6,158,418	–	128,225,097
Derivative financial liabilities	8,498	100	–	–	3,940,036	3,948,634
Payables *(iv)*	627,327	3,083,807	–	–	–	3,711,134
Total	197,039,075	41,068,617	51,187,303	8,535,597	3,940,036	301,770,628

3. Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(II) Interest risk (Continued)

C. Interest rate risk gap

	As at December 31, 2019				
	Less than 3 months *(i)* *RMB'000*	**3 months to 1 year *RMB'000***	**1 year to 5 years *RMB'000***	**Over 5 years *RMB'000***	**No due time *RMB'000***
Sensitivity gap	**(56,706,053)**	**(35,135,931)**	**(27,461,882)**	**73,800,436**	**(2,077,741)**

	As at December 31, 2018				
	Less than 3 months *(i)* *RMB'000*	3 months to 1 year *RMB'000*	1 year to 5 years *RMB'000*	Over 5 years *RMB'000*	No due time *RMB'000*
Sensitivity gap	(76,523,152)	(18,217,216)	(15,221,103)	72,400,267	(1,675,273)

(i) Including at sight and on demand.

(ii) These financial assets are debt securities.

(iii) Receivables are mainly composed of account and note receivable, other receivables and long-term receivables.

(iv) Payables are mainly composed of trade and note payables, other payables and long-term payables.

(III) Price risk

The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated balance sheets either at fair value through profit or loss or at fair value through other comprehensive income. The commodity price risk the Group exposed is not material. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio.

The Group's investments in equity of other entities that are publicly traded in the following capital markets: Hong Kong, China, Europe, US and Japan.

The table below summarises the impact of increases/decreases of the three capital markets on the Group's pre-tax profit and other comprehensive income for the year. The analysis is based on the assumption that the equity indexes had increased/decreased by 5% with all other variables held constant.

3. Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(III) Price risk (Continued)

Listed equity securities at fair value through profit and loss:

	Impact on pre-tax profit Year ended December 31,	
	2019	2018
	RMB'000	*RMB'000*
Listed equity securities		
– Hong Kong	**26,197**	22,946
– China	**63,151**	81,466
– Europe	**8,045**	7,157
– US	**18,683**	29,500
Fair value change of listed equity securities	**116,076**	141,069

Listed equity securities at fair value through other comprehensive income:

	Impact on other comprehensive income Year ended December 31,	
	2019	2018
	RMB'000	*RMB'000*
Listed equity securities		
– China	**–**	21,073
– Japan	**7,728**	6,625
– Hong Kong	**3,350**	3,626
Fair value change of listed equity securities	**11,078**	31,324

Pre-tax profit for the year would increase/decrease as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other comprehensive income would increase/decrease as a result of gains/losses on equity securities classified as at fair value through other comprehensive income.

Other market price risk also arises from the Group's investments in unlisted equity securities, including VC Funds and PE Funds.

3. Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk

(I) Credit risk management

Credit risk is the risk of suffering financial loss, should any of the Group's customers, clients or market counterparties fail to fulfil their contractual obligations to the Group. Credit risk arises mainly from exposure of loans to customers raised by the subsidiaries engaged in banking business and non-banking business of financial investments segment，and credit risk exposure of receivables.

The Group is also exposed to other credit risks arising from investments in debt securities and other exposures arising from its trading activities including non-equity trading portfolio assets and derivatives as well as settlement balances with market counterparties and reverse repurchase agreements.

In addition, the Group provides off-balance sheet commitment and guarantee business to customers, so it is possible for the Group to make payment on behalf of the customer in case of customer's default and bear risks similar to the loan. Therefore, the Group applies similar risk control procedures and policies to such business to reduce the credit risk.

The Group uses internal credit risk gradings that reflect its assessment of the probability of default of individual counterparties. This is supplemented with external data such as credit bureau scoring information on individual borrowers. In addition, the models enable expert judgement from the Credit Risk Officer to be fed into the final internal credit rating for each exposure. This allows for considerations which may not be captured as part of the other data inputs into the model.

The Group is also confronted with credit risk resulting from receivables that arising from sale of goods and rendering of services within the non-financial services segments. The relevant subsidiaries have established a credit policy under which individual credit evaluations are performed on all customers to determine the credit limit and terms applicable to the customers. These evaluations focus on the customers' financial position, the external ratings of the customers and their bank credit records where available. For other receivables, the Group makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records, past experience and forward-looking information.

3. Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(II) Expected credit loss measurement

Models

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarised below:

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Group.
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'.
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information.
- Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime basis.

The following diagram summarises the impairment requirements under IFRS 9 (other than purchased or originated credit-impaired financial assets).

Change in credit quality since initial recognition		
Stage 1	Stage 2	Stage 3
(Initial recognition)	(Significant increase in credit risk since initial recognition)	(Credit-impaired assets)
12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses

3. Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(II) Expected credit loss measurement (Continued)

Models (Continued)

ECL are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

- The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.
- The EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months or over the remaining lifetime.
- The LGD represents the Group's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of EAD. LGD is calculated on a 12-month or lifetime basis.

The assumptions underlying the ECL calculation-such as how the maturity profile of the PDs and how collateral values change etc. -are monitored and reviewed on a periodic basis.

Key Judgements and assumptions

As described in Note 2.15, the Group applies IFRS9 simplified approach to measuring ECL for all trade receivables and notes receivables. Different judgements and assumptions are adopted by the subsidiaries engaged in different business when ECL was measured under IFRS 9"Financial Instruments".

3. Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(II) Expected credit loss measurement (Continued)

Key Judgements and assumptions (Continued)

(1) Subsidiaries engaged in banking business of the financial services segment

A Significant increase in credit risk("SICR")

A first way to assess a SICR event consists in comparing the credit rating grade of a given exposure that is observed at two different dates: (i) at the time of origination and (ii) at the reporting date where one has to calculate an IFRS 9 provisioning amount. More precisely, a SICR is considered to be effective if the difference between the two previous ratings – (ii) minus (i) – is higher (or equal) than a predetermined threshold which is conditional to the exposure type (e.g. retail, corporates, debt investments and so on). Such thresholds correspond to expected average downgrades that were quantitatively defined by means of historical credit rating grades.

Some qualitative indicators also complement the SICR assessment. These latter rely on internal credit risk management practices which aim at targeting exposures that are subject to (i) forbearance measures, (ii) a non-performing status and (iii) the occurrence of past-due events (between 30 and 90 days for moving from Stage 1 to Stage 2).

B Definition of default and credit-impaired assets

Default is defined as the inability of a borrower or guarantor to meet his/its obligations vis-à-vis one or more creditors at a given moment or on a lasting basis. The Bank must include all products and positions that are potentially at risk. A default is considered to have occurred with regard to a particular obligor when either or both of the two following events have taken place: (i) The Bank considers that the obligor is unlikely to pay its credit obligations to the banking group in full, without recourse by the bank to actions such as realizing security. (ii) The obligor is past due more than 90 days on any material credit obligation to the bank group. A material credit obligation for default purposes for BIL are considered for Retail as a past due of EUR125 with an exposure at default of EUR1,250 or above. For non-Retail exposures, the exposure is considered material when the past due is EUR2,500 on an exposure at default of EUR25,000 or above.

The subsidiaries engaged in banking business of the financial services segment have setup of the internal rating system. A default is considered to have occurred when the loans classified as "Doubtful/Unlikely to Pay" or "Non-performing", which is subject to the final assessment by the as to the counterparty's repayment capacity.

As for the SICR (or Stage 2) assessment, some qualitative or backstop indicators aim at identifying credit-impaired (or Stage 3) exposures. Basically, three cases can be distinguished: (i) the counterparty experiences both a non-performing status and forbearance measures, (ii) the exposure is either in a default or in a (pre-) litigation status and (iii) a past-due event (higher than 90 days) occurs.

3. Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(II) Expected credit loss measurement (Continued)

Key Judgements and assumptions (Continued)

(1) Subsidiaries engaged in banking business of the financial services segment (Continued)

C Forward-looking Information

The subsidiaries engaged in banking business of the financial services segment has mainly identified strong dependencies between macroeconomic factors and historical default rates (or PD models) by distinguishing its high- and low-default portfolios. On one side, internal default rates were collected for both retail counterparts and small & medium sized enterprises (high-default portfolios) and for which the main relevant drivers are (i) labor market indicators (unemployment rate) and (ii) opinion surveys data amongst Luxembourgish private economic agents (households and manufacturing sector). On the other side, external data (source: Moody's) were used for low-default portfolios that are composed of two distinct types of exposures: large corporates and banking institutions. In this regard, the cyclical dynamics of corporate and banking default rates may be apprehended by means of equity prices measured at both the Eurozone and US levels, as well as by using monetary aggregates and market-based risk measures reflecting the buildup or the materialization of financial vulnerabilities in the euro area notably. The impact of these economic variables on the PD and LGD has been determined by performing statistical regression analysis to understand the impact changes in these variables have had historically on default rates and on the components of PD and LGD. In addition to providing a baseline economic scenario, the Group combines statistical analysis with experts' judgement to determine the weight of other possible scenarios. The weighted average credit loss is calculated by multiplying the ECL for each scenario by the weight of the corresponding scenario.

Additional forward-looking components are considered in the ECL modeling process, especially for addressing some credit risk mitigation effects in case of mortgage loans. Specifically, collateral valuation is directly impacted over time by residential property prices that are forecasted for these different countries (or zone): Luxembourg, Germany, France, Belgium and the euro area as a whole.

3. Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(II) Expected credit loss measurement (Continued)

Key Judgements and assumptions (Continued)

(2) Subsidiaries not engaged in banking business of the financial services segment

A Significant increase in credit risk ("SICR")

The Group considers a financial instrument to have experienced a SICR if the borrower meets one or more of the following criteria:

- Significant increase in credit spread
- Significant adverse changes in business, financial and/or economic conditions in which the borrower operates
- Actual or expected forbearance or restructuring
- Actual or expected significant adverse change in operating results of the borrower
- Significant change in collateral value (secured facilities only) which is expected to increase risk of default
- Early signs of cash flow/liquidity problems such as delay in servicing of trade creditors/loans
- Credit risk level falls 2 levels compared to the initial recognition of financial instruments

For the debtor's contractual payments (including principal and interest) that more than 30 days past due, the Group considers a financial instrument to have experienced a SCIR, and classifies it into Stage 2.

3. Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(II) Expected credit loss measurement (Continued)

Key Judgements and assumptions (Continued)

(2) Subsidiaries not engaged in banking business of the financial services segment (Continued)

B Definition of default and credit-impaired assets

The subsidiaries not engaged in banking business of the financial services segment defines a financial instruments as in default, which is fully aligned with the definition of credit-impaired when one or more of the following criteria have been met. Evidence that a financial instrument is default/credit-impaired include observable data about the following events:

- The borrower is in long-term forbearance
- The borrower is deceased
- The borrower is insolvent
- The borrower is in breach of financial covenant(s)
- An active market for that financial asset has disappeared because of financial difficulties
- Concessions have been made by the lender relating to the borrower's financial difficulty
- It is becoming probable that the borrower will enter bankruptcy
- Financial assets are purchased or originated at a deep discount that reflects the incurred credit losses
- The borrower is more than 90 days past due on its contracted payments.

3. Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(II) Expected credit loss measurement (Continued)

Key Judgements and assumptions (Continued)

(2) Subsidiaries not engaged in banking business of the financial services segment (Continued)

C Forward-looking Information

The Group has performed historical analysis and identified the key economic variables impacting credit risk and ECL for each portfolio. These economic variables and their associated impact on the PD and LGD vary by financial instrument. Expert judgment has also been applied in this process. The impact of these economic variables on the PD and LGD has been determined by performing statistical regression analysis to understand the impact changes in these variables have had historically on default rates and on the components of PD and LGD.

In addition to providing a baseline economic scenario, the Group combines statistical analysis with experts' judgement to determine the weight of upside and downside scenarios. Following this assessment, the Group measures ECL as either a probability weighted 12 month ECL (Stage 1), or a probability weighted lifetime ECL (Stages 2 and 3). The weighted average credit loss is calculated by multiplying the ECL for each scenario by the weight of the corresponding scenario.

(3) Other subsidiaries

The other subsidiaries of the Group applies the IFRS 9 simplified approach to measuring ECL which uses a lifetime expected loss allowance for all trade receivables.

To measure the ECL, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the historical payment profiles of sales and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The other subsidiaries of the Group has identified the GDP and the unemployment rate of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

3. Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(III) Credit risk exposure

Maximum exposure to credit risk-Financial instruments subject to impairment

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognized. The gross carrying amount of financial assets below also represents the Group's maximum exposure to credit risk on these assets.

	Maximum exposure to credit risk of the Group				
	2019				
	Stage 1 12 months expected credit loss *RMB'000*	Stage 2 Expected credit loss since purchased *RMB'000*	Stage 3 Expected credit loss since purchased *RMB'000*	Trade and notes receivables Expected credit loss since purchased *RMB'000*	Total *RMB'000*
Receivables *(i) (Note 21, 25)*	46,325,027	1,160,317	362,198	69,001,254	116,848,796
Loans to credit institutions *(Note 28)*	7,403,057	13,424	-	-	7,416,481
Loans to customers *(Note 27)*	106,835,871	20,517,934	5,932,163	-	133,285,968
Other financial assets at amortised cost *(Note 29)*	48,987,157	1,477,425	170,069	-	50,634,651
Financial assets at fair value through other comprehensive income *(ii) (Note 3.3, 22)*	8,412,930	424,459	-	-	8,837,389
Gross balance	217,964,042	23,593,559	6,464,430	69,001,254	317,023,285
Allowance for impairment losses	(820,869)	(333,704)	(2,589,333)	(872,899)	(4,616,805)
Net balance	217,143,173	23,259,855	3,875,097	68,128,355	312,406,480

3. Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(III) Credit risk exposure (Continued)

Maximum exposure to credit risk-Financial instruments subject to impairment (Continued)

	Maximum exposure to credit risk of the Group				
	2018				
	Stage 1 12 months expected credit loss *RMB'000*	Stage 2 Expected credit loss since purchased *RMB'000*	Stage 3 Expected credit loss since purchased *RMB'000*	Trade and notes receivables Expected credit loss since purchased *RMB'000*	Total *RMB'000*
Receivables *(i) (Note 21, 25)*	41,680,031	3,727,129	503,959	50,451,823	96,362,942
Loans to credit institutions *(Note 28)*	6,259,149	74,543	–	–	6,333,692
Loans to customers *(Note 27)*	98,356,015	19,256,584	5,827,689	–	123,440,288
Other financial assets at amortised cost *(Note 29)*	39,027,105	780,236	156,303	–	39,963,644
Financial assets at fair value through other comprehensive income *(ii) (Note 3.3, 22)*	9,784,662	1,458,654	–	–	11,243,316
Gross balance	195,106,962	25,297,146	6,487,951	50,451,823	277,343,882
Allowance for impairment losses	(693,520)	(408,715)	(2,539,065)	(782,873)	(4,424,173)
Net balance	194,413,442	24,888,431	3,948,886	49,668,950	272,919,709

3. Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(III) Credit risk exposure (Continued)

Maximum exposure to credit risk-Financial instruments subject to impairment (Continued)

(i) Receivables mainly composed of trade and note receivable, receivables generated from finance leasing, other receivables, long-term receivables, other current assets and other non-current assets.

(ii) These financial assets are debt securities.

IFRS9 has been adopted by the Group to measure the exposure. As at December 31, 2019, the maximum exposure to credit risk of the commitments in respect of loans granted and commitments in respect of guarantee given is RMB42,407 million (As at December 31, 2018, RMB36,322 million), ECL provision recognized is RMB90 million (As at December 21,2018, RMB72 million).

Maximum exposure to credit risk-Financial instruments not subject to impairment

The following table contains an analysis of the maximum credit risk exposure from financial assets not subject to impairment:

	As at December 31, 2019	As at December 31, 2018
	Maximum exposure to credit risk ***RMB'000***	Maximum exposure to credit risk RMB'000
Financial assets at fair value through profit or loss *(i)*	**2,988,861**	3,644,271
Derivative financial assets	**2,882,391**	2,605,156

(i) These financial assets are debt securities.

3. Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(III) Credit risk exposure (Continued)

Collateral and other credit enhancements

The Group uses a series specific policies and practice to reduce credit risk, among which the most widely use is collateral. The Group makes policies related acceptance of specific collateral and slow release of credit risk.

The following table contains an aging analysis of past due loans by natures of guarantee:

	As at December 31, 2019		
	Overdue 1–90 days *RMB'000*	**Overdue over 91 days** *RMB'000*	**Total** *RMB'000*
Unsecured	**988,775**	**453,683**	**1,442,458**
Guaranteed	**613,415**	**495,147**	**1,108,562**
Secured by collateral	**1,545,746**	**1,333,629**	**2,879,375**
Secured by pledge	**22,684**	**458,196**	**480,880**
	3,170,620	**2,740,655**	**5,911,275**

	As at December 31, 2018		
	Overdue 1–90 days *RMB'000*	Overdue over 91 days *RMB'000*	Total *RMB'000*
Unsecured	212,886	234,961	447,847
Guaranteed	39,234	334,554	373,788
Secured by collateral	1,527,959	5,175,881	6,703,840
Secured by pledge	–	39,621	39,621
	1,780,079	5,785,017	7,565,096

As at December 31, 2019 and 2018, the exposure covered by the fair value of collateral held of overdue loans is RMB4,271 million and RMB3,161 million.

(IV) Write-off policy

The Group writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include (i) ceasing enforcement activity and (ii) where the Group's recovery method is foreclosing on collateral is such that there is no reasonable expectation of recovering in full.

The Group may write-off financial assets that are still subject to enforcement activity. The outstanding contractual amounts of such assets written off during the year ended December 31, 2019 and 2018 is RMB766 million and RMB530 million. The Group still seeks to recover amounts it is legally owed in full, but which have been partially written off due to no reasonable expectation of full recovery.

3. Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk

Cash flow forecasting is performed by each subsidiary of the Group. The Group monitors its subsidiaries' rolling forecasts of short-term and long-term liquidity requirements to ensure it has sufficient cash and securities that are readily convertible to cash to meet operational needs, while maintaining sufficient headroom on its undrawn committed borrowing facilities from major financial institution so that it does not breach borrowing limits or covenants on any of its borrowing facilities to meet the short-term and long-term liquidity requirements.

The following tables provide an analysis of financial assets and liabilities of the Group into relevant maturity groupings based on the remaining periods to repayment at the end of the year:

As at December 31, 2019	Less than 3 months *(i)* *RMB'000*	3 months to 1 year *RMB'000*	1 year to 5 years *RMB'000*	Over 5 years *RMB'000*	Total *RMB'000*
Assets					
Cash and cash equivalent, bank deposit and restricted deposit	70,592,826	1,085,010	–	–	71,677,836
Financial assets at fair value through other comprehensive income *(ii)*	141,958	222,809	6,337,134	2,134,781	8,836,682
Financial assets at fair value through profit or loss *(ii)*	35,864	2,051,399	550,689	350,909	2,988,861
Other financial assets at amortised cost	869,773	1,597,131	20,957,571	27,094,777	50,519,252
Loans to customers	27,975,738	20,017,623	20,832,044	61,380,377	130,205,782
Loans to credit institutions	5,382,493	1,343,078	665,624	24,617	7,415,812
Receivables *(iii)*	89,034,937	16,951,145	9,732,512	498	115,719,092
Total	194,033,589	43,268,195	59,075,574	90,985,959	387,363,317
Liabilities					
Amount due to customers	137,452,301	6,247,301	4,630,449	4,510	148,334,561
Amount due to credit institutions	15,767,974	4,192,269	3,816,778	418,529	24,195,550
Financial liabilities at fair value through profit or loss	185,086	1,859,098	6,038,001	2,116,982	10,199,167
Borrowings	19,397,800	32,803,003	73,893,865	11,810,159	137,904,827
Lease liabilities	213,525	534,252	2,396,675	959,097	4,103,549
Payables *(iv)*	91,074,326	51,427,686	8,814,070	64,974	151,381,056
Total	264,091,012	97,063,609	99,589,838	15,374,251	476,118,710
Net liquidity gap	(70,057,423)	(53,795,414)	(40,514,264)	75,611,708	(88,755,393)

3. Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

As at December 31, 2018	Less than 3 months *(i)* *RMB'000*	3 months to 1 year *RMB'000*	1 year to 5 years *RMB'000*	Over 5 years *RMB'000*	Total *RMB'000*
Assets					
Cash and cash equivalent, bank deposit and restricted deposit	62,217,210	4,643,640	–	–	66,860,850
Financial assets at fair value through other comprehensive income *(ii)*	317,124	376,825	6,558,734	3,990,328	11,243,011
Financial assets at fair value through profit or loss *(ii)*	238,130	3,200,125	199,813	6,203	3,644,271
Other financial assets at amortised cost	588,764	1,123,795	13,597,647	24,584,277	39,894,483
Loans to customers	36,729,325	16,789,135	11,473,055	55,404,624	120,396,139
Loans to credit institutions	3,036,908	697,680	2,571,445	27,215	6,333,248
Receivables *(iii)*	474,523	87,956,731	7,035,664	–	95,466,918
Total	103,601,984	114,787,931	41,436,358	84,012,647	343,838,920
Liabilities					
Amount due to customers	128,869,957	2,331,908	4,211,358	22,368	135,435,591
Amount due to credit institutions	15,914,718	926,010	5,825,298	450,699	23,116,725
Financial liabilities at fair value through profit or loss	292,943	1,819,331	3,233,250	1,987,923	7,333,447
Borrowings	14,276,258	45,400,546	61,867,651	6,680,642	128,225,097
Payables *(iv)*	49,320,087	74,311,611	6,143,989	–	129,775,687
Total	208,673,963	124,789,406	81,281,546	9,141,632	423,886,547
Net liquidity gap	(105,071,979)	(10,001,475)	(39,845,188)	(74,871,015)	(80,047,627)

(i) Including at sight and on demand.

(ii) These financial assets are debt securities.

(iii) Receivables mainly composed of account and note receivable, other receivables and long-term receivables.

(iv) Payables mainly composed of trade and note payables, other payables and long-term payables.

3. Financial risk management (Continued)

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of debt to equity ratio. Debt to equity ratio is calculated by dividing net debt by total equity at the end of each financial period. The Group's strategy remains unchanged and debt to equity ratios and net cash position of the Group as at December 31, 2019 and 2018 are as follows:

	As at December 31,	
	2019	2018
	RMB'000	*RMB'000*
Total borrowings *(Note 45)*	**137,904,827**	128,225,097
Less: cash and cash equivalents *(Note 33)*	**(62,339,559)**	(60,023,193)
	75,565,268	68,201,904
Total equity	**91,824,425**	83,017,973
Debt to equity ratio	**82.3%**	82.2%

3.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1	Quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2	Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
Level 3	Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

3. Financial risk management (Continued)

3.3 Fair value estimation (Continued)

The following table presents the Group's financial assets and liabilities that are measured at fair value at December 31, 2019 and 2018.

	As at December 31, 2019			
	Level 1 *RMB'000*	Level 2 *RMB'000*	Level 3 *RMB'000*	Total *RMB'000*
Assets				
Associates measured at fair value through profit or loss	–	–	17,404,859	17,404,859
Financial assets at fair value through profit or loss				
– Listed equity securities	2,321,516	–	–	2,321,516
– Unlisted equity securities	–	–	14,580,474	14,580,474
– Listed debt securities	982,522	318,046	–	1,300,568
– Unlisted debt securities	–	–	1,688,293	1,688,293
Derivative financial assets	–	2,760,388	122,003	2,882,391
Financial assets at fair value through other comprehensive income				
– Listed equity securities	221,557	–	–	221,557
– Unlisted equity securities	–	–	2,275,609	2,275,609
– Listed debt securities	7,765,369	1,071,313	–	8,836,682
Account and notes receivables	–	63,896,453	–	63,896,453
	11,290,964	68,046,200	36,071,238	115,408,402
Liabilities				
Financial liabilities at fair value through profit or loss	–	5,690,028	4,509,139	10,199,167
Derivative financial liabilities	–	5,272,399	32,762	5,305,161
Contingent considerations	–	–	816,257	816,257
	–	10,962,427	5,358,158	16,320,585

3. Financial risk management (Continued)

3.3 Fair value estimation (Continued)

	As at December 31, 2018			
	Level 1	Level 2	Level 3	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Assets				
Associates measured at fair value through profit or loss	–	–	18,069,535	18,069,535
Financial assets at fair value through profit or loss				
– Listed equity securities	2,812,824	8,553	–	2,821,377
– Unlisted equity securities	–	–	14,138,495	14,138,495
– Listed debt securities	562,981	646,014	–	1,208,995
– Unlisted debt securities	–	–	2,435,276	2,435,276
Derivative financial assets	–	2,512,794	92,362	2,605,156
Financial assets at fair value through other comprehensive income	–	–	–	–
– Listed equity securities	550,484	76,002	–	626,486
– Unlisted equity securities	–	–	1,022,541	1,022,541
– Listed debt securities	9,764,426	1,478,585	–	11,243,011
Account and notes receivables	–	45,085,342	–	45,085,342
	13,690,715	49,807,290	35,758,209	99,256,214
Liabilities				
Financial liabilities at fair value through profit or loss	–	5,148,831	2,184,616	7,333,447
Derivative financial liabilities	23,562	4,019,766	413,196	4,456,524
Contingent considerations	–	–	788,415	788,415
	23,562	9,168,597	3,386,227	12,578,386

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

3. Financial risk management (Continued)

3.3 Fair value estimation (Continued)

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.

- The fair value of interest rate swap is calculated as the present value of estimated future cash flow based on observable yield curves.

- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.

- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

As at December 31, 2019 and 2018, associates measured at fair value through profit or loss comprise investments in VC Funds and PE Funds which are subject to the terms and conditions of the respective fund's offering documentation. The investments in VC Funds and PE Funds are primarily valued based on the latest available consolidated financial statements provided by their General Partners. The VC Funds and PE Funds are not publicly traded; prior to maturity, an exit can only be made by the Group through a sale of its investment and commitment in a fund through a secondary market. The Group's objective is to invest in VC Funds and PE Funds with the intention to recover the capital invested through distributions funded through their realisation of their private equity and venture capital investment portfolios. As a result, the carrying values of VC Funds and PE Funds may be significantly different from the values ultimately realised on an exit via a secondary market sale.

All of the VC Funds and PE Funds in the investment portfolio are managed by investment managers who are compensated by the respective funds for their services. Such compensation generally consists of a commitment/investment-based management fee and a performance based incentive fee which is accounted for at VC Funds and PE Funds level. Such compensation is reflected in the valuation of the Group's investment in each of the funds.

For those funds that are not traded on an active market, their fair value is determined using valuation techniques. The value is primarily based on the latest available financial/capital account statement of VC Funds and PE Funds as reported by the General Partner of the funds, unless the Group is aware of reasons that such a valuation may not be the best approximation of fair value. The Group may make adjustments to the value based on considerations such as: the underlying investments of each fund, the value date of the net asset value provided, cash flows since the latest value date, geographic and sector exposures, market movements and the basis of accounting of the underlying funds. The unobservable inputs which significantly impact the fair value are the net asset value advised by the fund's general partner. No adjustment has been made by the Group on such value.

3. Financial risk management (Continued)

3.3 Fair value estimation (Continued)

The following table presents the changes in level 3 financial assets for the year ended December 31, 2019 and 2018, respectively.

	Associates measured at fair value through profit or loss *RMB'000*	Financial assets measured at fair value through profit or loss *RMB'000*	Financial assets measured at fair value through other comprehensive income *RMB'000*	Derivative financial assets *RMB'000*	Total *RMB'000*
At January 1, 2019	**18,069,535**	**16,573,771**	**1,022,541**	**92,362**	**35,758,209**
Additions/capital contributions	**1,373,215**	**8,139,734**	**1,565,387**	**106,111**	**11,184,447**
Disposals/return of capital	**(1,105,217)**	**(9,937,291)**	**(20,166)**	**–**	**(11,062,674)**
Exchange adjustment	**220,468**	**(66,220)**	**1,266**	**(1,089)**	**154,425**
Transfers from/out to level 1/2 *(i)*	**–**	**641,062**	**(152,472)**	**–**	**488,590**
(Loss)/gains recognised in income statement	**(1,153,142)**	**917,711**	**–**	**(75,381)**	**(310,812)**
Loss recognised in other comprehensive income	**–**	**–**	**(140,947)**	**–**	**(140,947)**
At December 31, 2019	**17,404,859**	**16,268,767**	**2,275,609**	**122,003**	**36,071,238**
At January 1, 2018	17,970,881	10,840,933	951,035	–	29,762,849
Additions/capital contributions	1,800,728	7,311,610	719,377	156,299	9,988,014
Disposals/return of capital	(699,025)	(3,449,776)	(614,421)	–	(4,763,222)
Exchange adjustment	440,458	253,807	29,097	4,361	727,723
Transfers out to level 1/2 *(i)*	–	(689,552)	–	–	(689,552)
(Loss)/gains recognised in income statement	(1,443,507)	2,306,749	95,583	(68,298)	890,527
Loss recognised in other comprehensive income	–	–	(158,130)	–	(158,130)
At December 31, 2018	18,069,535	16,573,771	1,022,541	92,362	35,758,209

3. Financial risk management (Continued)

3.3 Fair value estimation (Continued)

(i) The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the date of the event caused the transfer. Several investments were no longer possible to determine the fair value of these investment using quoted prices or observable market data, they have been reclassified from level 1/2 into level 3. Reclassification from level 3 to level 1/2 was caused by the availability of the investments' quoted prices or observable market data. Other than the aforementioned transfer of equity securities among different levels, there were no transfers between the levels of the fair value hierarchy in the year ended December 31, 2019 and 2018.

The following table presents the changes in level 3 financial liabilities of the Group for the year ended December 31, 2019 and 2018.

	Amounts *RMB'000*
At January 1, 2019	**3,386,227**
Additions	**3,222,996**
De-recognition	**(1,003,593)**
Exchange adjustment	**87,831**
Interest payment	**(41,338)**
Recognized in consolidated income statement	**(293,965)**
At December 31, 2019	**5,358,158**
At January 1, 2018	801,000
Additions	204,694
De-recognition	(488,187)
Exchange adjustment	114,125
Acquisition of a subsidiary	2,764,999
Recognized in consolidated income statement	(10,404)
At December 31, 2018	3,386,227

4. Critical accounting estimates and judgements

The Group continually evaluates the critical accounting estimates and key judgments applied based on historical experience and other factors, including expectations of future events that are believed to be reasonable.

4.1 Critical accounting estimates and key assumptions

The critical accounting estimates and key assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next accounting year are outlined below:

(a) Expected credit loss

The measurement of the ECL allowance for debt instruments measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). ECL are the discounted product of the PD, EAD, and LGD.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of financial instruments and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

(b) Estimated impairment of non-financial assets

The Group tests at least annually whether goodwill and other intangible assets that have indefinite useful lives have suffered any impairment. Other non-financial assets are also reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount. The assets are allocated to each of CGUs, or groups of CGUs. The recoverable amounts of CGUs have been determined based on the higher amount of fair value less disposal cost model and value in use model. These calculations require the use of estimates.

Under the fair value less disposal cost model, the management make estimates based on quoted prices of active markets or adjusted prices based on observable inputs. The value in use calculation primarily use cash flow projections based on financial budgets, in general covered five years, approved by management and estimated terminal values at the end of the five-year period. There are a number of assumptions and estimates involved for the preparation of cash flow projections for the period covered by the approved budget and the estimated terminal value. Key assumptions include the expected growth rate in revenue, expected gross margin and selection of discount rates, to reflect the risks involved and the earnings multiple that can be realised for the estimated terminal value.

Management prepared the financial budgets reflecting actual and prior year performance and market development expectations. Judgment is required to determine key assumptions adopted in the cash flow projections and changes to key assumptions can significantly affect these cash flow projections and therefore the results of the impairment reviews.

4. Critical accounting estimates and judgements (Continued)

4.1 Critical accounting estimates and key assumptions (Continued)

(c) Fair value of financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at each balance sheet date.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swap is calculated as the present value of estimated future cash flow based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

(d) Fair value of VC Funds and PE Funds

The fair value of investments in VC Funds and PE Funds that are not quoted in an active market is primarily valued based on the latest available consolidated financial statements provided by their general partners. The Group reviews the details of the reported information and may make adjustments to the reported net asset value based on considerations such as:

(i) the valuation of VC Funds and PE Funds' underlying investments;

(ii) the value date of the net asset value provided;

(iii) cash flows (calls/distributions) since the latest value date; and

(iv) the basis of accounting and, in instances where the basis of accounting is other than fair value, fair valuation information provided by fund's general partner.

The models used to determine fair values are validated and periodically reviewed by the Group. The carrying values of the VC Funds and PE Funds may be significantly different from the values ultimately realised on an exit via a secondary market sale.

(e) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The tax liabilities recognised are based on management's assessment of the likely outcome.

The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying values in the financial statements.

4. Critical accounting estimates and judgements (Continued)

4.1 Critical accounting estimates and key assumptions (Continued)

(e) Income taxes (Continued)

Deferred income tax assets are mainly recognised for temporary differences such as warranty provision, accrued sales rebates, bonus accruals, fair value change on financial assets, and other accrued expenses, and unused tax losses carried forward to the extent it is probable that future taxable profits will be available against which deductible temporary differences and the unused tax losses can be utilised, based on all available evidence. Recognition primarily involves judgment regarding the future financial performance of the particular legal entity or tax group in which the deferred income tax asset has been recognised. A variety of other factors are also evaluated in considering whether there is convincing evidence that it is probable that some portion or all of the deferred income tax assets will ultimately be realised, such as the existence of taxable temporary differences, group relief, tax planning strategies and the periods in which estimated tax losses can be utilised. The carrying amount of deferred income tax assets and related financial models and budgets are reviewed at each balance sheet date and to the extent that there is insufficient convincing evidence that sufficient taxable profits will be available within the utilization periods to allow utilization of the carry forward tax losses or temporary difference, the asset balance will be reduced and the difference charged to the consolidated income statement.

Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax provisions and deferred income tax assets and liabilities in the period in which such determination is made.

(f) Pension obligations

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate, expected return on assets and salary growth. Any changes in these assumptions will impact the carrying amount of pension obligations. The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension obligation.

The expected return on plan assets is based on market expectation for return over the life of the related assets and obligations. The salary growth assumption reflects the Group’s long-term actual experience and future and near-term outlook. Actual results that differ from assumption are generally recognised in the year they occur.

(g) Fair value of contingent considerations and written put option liabilities

The Group’s certain business combination activities involved post-acquisition performance-based contingent considerations. The Group recognises contingent considerations and the corresponding written put option liabilities at their fair values, which is determined based on the terms of agreements and with reference to the estimated post-acquisition performance of the acquired subsidiaries/businesses. Judgment is required to determine key assumptions (such as growth rate, margins and discount rate) adopted in the estimation of post-acquisition performance of the acquired subsidiaries/businesses. Changes to key assumptions can significantly affect the amounts of considerations to be paid. Contingent considerations shall be re-measured at their fair value resulting from events or factors emerge after the acquisition date, with any resulting gain or loss recognised in the consolidated income statement.

4. Critical accounting estimates and judgements (Continued)

4.1 Critical accounting estimates and key assumptions (Continued)

(h) Fair value of identifiable assets and liabilities acquired through business combinations

The Group records assets acquired and liabilities assumed in business combinations at fair value on the date of acquisition. Significant judgment is used to estimate the fair value of the assets and liabilities acquired, including estimating future cash flows from the acquired business, determining appropriate discount rates, asset useful lives and other assumptions.

(i) Principal assumptions underlying management's estimation of fair value of investment properties

The fair value of investment properties is determined by using valuation techniques. The key assumptions used in this determination and the sensitivity of the directors' estimates of these assumptions to the carrying amount of the investment properties are set out in Note 18.

(j) Depreciation and amortisation

Property, plant and equipment (excluding land and construction in progress), right-of-use assets and intangible assets (excluding goodwill and intangible assets with indefinite useful life) are depreciated and amortised using the straight-line method during the estimated useful lives of these assets to allocate the cost of the assets to their estimated net residual values. The Group reviews the estimated useful lives and estimated residual values periodically, to ensure that method and rate of depreciation/amortisation are consistent with the pattern how such assets' economic benefits are expected to be realised.

The Group makes estimates of the useful lives and residual values of such assets, based on historical experience and with reference to estimated technical improvement. In case of significant changes in estimated useful lives and residual values, depreciation and amortisation expenses will be adjusted accordingly.

(k) Provision for decline in the value of inventories

The Group measures inventories according to the lower of cost and net realisable value at the balance sheet date, and the calculation of net realisable value requires assumptions and estimates. If the management revises the estimated selling price and cost and expenses to be incurred till completion, the estimates of net realisable value will be impacted, and the difference from the original estimates will affect the provision for decline in the value of inventories.

(l) Warranty provision

Warranty provision is provided based on the estimated cost of product warranties when revenue is recognised. Factors that affect the Group's warranty liability include the number of units sold under warranty, historical and anticipated rates of warranty claims on those units, and cost expected to be incurred to satisfy warranty obligation of each reimbursement of the Group. The estimation basis is reviewed on an on-going basis and revised where appropriate. Certain of these costs are reimbursable from the suppliers in accordance with the terms of relevant arrangements with the suppliers. These amounts are recognised as a separate asset, to the extent of the amount received or receivable, when it is almost certain that reimbursement will be received if the Group settles the obligation.

4. Critical accounting estimates and judgements (Continued)

4.1 Critical accounting estimates and key assumptions (Continued)

(m) Principal assumptions underlying management's estimation of fair value of biological assets

The biological assets of the Atlantic salmon, trout and coho salmon that are in the fattening stage in seawater are measured at the net value of fair value less the estimated costs at the point of sale applying the criteria of weight described at Note 2.13, except when the fair value cannot be determined reliably. The estimation of the fair value is based on a series of uncertain assumptions, including fish total weight (average mortality applied), average weight, harvest weight, distribution of quality and estimated selling price. The weight of fish is based on the number of juvenile fish planted in seawater, the estimate of growth momentum, the mortality of the fish in the feeding centers, etc. The Group determines market prices based on historical sales and industry statistics in each market.

4.2 Critical judgments in applying the accounting policies

(a) Classification of investments

The classification of an investment is based on the commercial substance of the contractual arrangement, and the fact whether the Group is determined to have control, joint control or significant influence, also, the purpose of the investment and moreover, it could also be influenced by the certain terms stipulated in the investment agreement which may lead to a complex accounting treatment. Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Associates are all entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies. Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor.

The Group made its assessment on whether it has the level of power to govern the financial and operating policies of the VC Funds and PE Funds in accordance with the guidance of IFRS 10, given the significant exposure to variable returns from involvement with these funds. Pursuant to the investment agreements entered into between the Group and the general partners/management companies, the general partners/management companies have the power to direct the relevant activities of the funds and are functioning as principals. Therefore, the directors determined that the Group does not have control but only exercise significant influence over most VC Funds and PE Funds (Note 13(b)).

Investments in preferred shares of associates of the Group are designated as financial assets at fair value through profit or loss at initial recognition.

4. Critical accounting estimates and judgements (Continued)

4.2 Critical judgments in applying the accounting policies (Continued)

(a) Classification of investments (Continued)

The investments over which the Group do not have control, joint control or significant influence are recognised as financial assets. The Group classifies its financial assets in the following categories: (a) financial asset at fair value through profit or loss, (b) financial assets at fair value through other comprehensive income, and (c) other financial assets at amortised cost. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(b) Revenue recognition

The Group needs to make judgments and estimates of the revenue recognition. Specifically, complex arrangements with non-standard terms and conditions may require significant contract interpretation to determine the appropriate accounting treatment, including whether the deliverables specified in a bundling arrangement should be treated as individual units for accounting treatment. Other significant judgments include determining whether the Group or a distributor is acting as the principal in a transaction and whether separate contracts are considered as part of one arrangement.

Revenue recognition of IT products

The Group's subsidiary, Lenovo sells the products to channels. Sales through channels are primarily made under agreements allowing for volume discounts, price protection and rebates, etc. Revenue recognition is also influenced by the estimated provision for volume discount, price protection and rebate. Lenovo calculates such provisions, taking into account various factors, which include specific transactions, historical experience, and market and economic situations. Lenovo monitors the channel's inventory level with reference to historical data, using systematic and consistent method, and defers the related excess revenue and costs of sales if channel's inventory exceeds the reasonable level.

(c) Consolidation of entities in which the Group holds less than 50% voting rights

Management consider that the Group has de facto control over Lenovo even though it has less than 50% of the voting rights based on the following factors: 1) as of December 31, 2019 and 2018, the Group is the single largest shareholder of Lenovo with 29.10% and 29.10% equity interest; 2) the Company obtained an "acting in concert" undertaking from another shareholder; and 3) the rest of the voting rights of Lenovo is dispersed and since the date of Lenovo's listing, there has been no history of any other shareholders collaborating to exercise their vote collectively or to out vote the Group.

Management consider that the subsidiary of the Company, Joyvio Group Co., Ltd ("Joyvio Group") has de facto control over Joyvio Agriculture Development Co., Ltd ("Joyvio Agriculture") even though it has less than 50% of the voting rights based on the following factors: 1) as of December 31, 2019 and 2018, the Joyvio Group is the single largest shareholder of Joyvio Agriculture with 29.90% and 29.90% equity interest; 2) the rest of the voting rights of Joyvio Agriculture is dispersed and according to the recent general meetings of shareholders, there has been no history of any other shareholders collaborating to exercise their vote collectively or to out vote the Joyvio Group; 3) Joyvio Group has majority seats of the board in voting for the related operating activities; and 4) Joyvio Group has provided a significant financial support arrangement to Joyvio Agriculture.

5. Segment information

The Board of Directors is the Group's chief operating decision-maker. Management has determined the operating segments based on the information reviewed by the Board of Directors for the purpose of allocating resources and assessing performance.

For management purpose, the Group is organized into business units based on their products and services. Different businesses require different technologies and marketing strategies. The Group, therefore, separately manages the production and operation of each segment and evaluates their operating results respectively, in order to make decisions about resources to be allocated to these segments and to assess their performance.

The Group identifies 6 reportable segments as follows:

– IT segment, which is mainly engaged in the development, manufacturing and marketing high-quality and easy-to-use for technology products and services for customers and enterprises;

– Financial services segment, which offers services including banking, short-term financing, credit guarantees, entrusted loans, financial leasing, insurance brokerage services, third party payment, internet finance, trusts and customised financial solutions to customers;

– Innovative consumption and services segment, which operates mainly to provide comprehensive medical and health services, car rental business, Internet healthcare services and education for kids;

– Agriculture and food segment, which is mainly engaged in the production and selling of salmon, planting and selling of premium fruit and tea products, producing and selling Chinese liquor, supplying seafood and accessory products and liquor direct sales chain;

– Advanced manufacturing and professional services segment, which includes the fine chemicals, energy materials production services, logistics services and aviation logistic related business services;

– Financial investments segment, which is engaged in investment in the PE Funds and VC Funds as a limited partner and holds interest in the general partners of certain funds. It also makes early stage or "angel" investments in technology start-ups and minority investments in other entities. It also provides office rental services to consumers and enterprises.

The unallocated amounts primarily represent corporate expenses that are not directly allocated to one of the aforementioned operating segments. The unallocated amounts also include other income statement items such as employee benefit expenses, finance income and finance costs, which cannot be directly identified to specific operating segments. Segment assets consist, primarily of investment properties, property, plant and equipment, intangible assets, right-of-use assets, inventories, receivables and cash and cash equivalents. Segment liabilities primarily comprise operating liabilities.

The Board of Directors assesses the performance of the operating segments based on a measure of net profit and profit attributable to equity holders of the Company.

5. Segment information (Continued)

Year ended December 31, 2019

	Strategic investments								
	IT RMB'000	Financial services RMB'000	Innovative consumption and services RMB'000	Agriculture and food RMB'000	Advanced manufacturing and professional services RMB'000	Financial investments RMB'000	Unallocated RMB'000	Elimination RMB'000	Total RMB'000
Segment revenue									
Sales/provide services to external customers	357,212,047	3,838,518	905,026	15,661,045	5,946,696	678,478	–	–	384,241,810
Net interest income	–	4,976,454	–	–	–	–	–	–	4,976,454
Inter-segment sales/provide services	–	–	–	33,566	–	25,402	–	(58,968)	–
Total	357,212,047	8,814,972	905,026	15,694,611	5,946,696	703,880	–	(58,968)	389,218,264
Segment results									
Profit/(loss)before income tax	7,720,977	2,599,725	(252,114)	344,994	790,717	1,177,623	(1,854,311)	(3,625)	10,523,986
Income tax (expense)/credit	(1,694,935)	(305,840)	(12,355)	(23,288)	(97,682)	(223,938)	463,578	–	(1,894,460)
Profit/(loss) for the year	6,026,042	2,293,885	(264,469)	321,706	693,035	953,685	(1,390,733)	(3,625)	8,629,526
Profit/(loss) attributable to equity holders of the Company	1,608,188	2,075,828	(294,564)	229,696	476,185	905,921	(1,390,733)	(3,625)	3,606,896
Segment assets	230,079,324	271,977,672	7,007,349	24,377,626	10,717,469	64,298,547	19,456,170	(3,838,963)	624,075,194
Segment liabilities	211,873,438	237,030,758	685,499	14,893,080	5,390,756	10,165,691	56,050,510	(3,838,963)	532,250,769
Other segment information:									
Depreciation and amortisation	(6,413,835)	(461,286)	(72,514)	(290,470)	(361,935)	(68,542)	(18,338)	–	(7,686,920)
Impairment loss for non-current assets	–	(300,000)	(115,583)	–	–	–	–	–	(415,583)
Investment income and gains	655,672	1,040,664	8,893	126,475	66,848	907,531	(40,000)	–	2,766,083
Finance income	329,100	27,719	2,297	82,231	21,544	9,502	831,821	(59,556)	1,244,658
Finance costs	(3,172,576)	(317,962)	(30,757)	(401,748)	(214,330)	(344,214)	(2,302,937)	59,556	(6,724,968)
Share of (loss)/profit of associates and joint ventures accounted for using the equity method	(115,375)	661,663	(225,109)	60,307	170,674	(71,792)	–	(3,625)	476,743
Material non-cash items other than depreciation and amortisation *(Note 34(c))*	(1,738,917)	–	–	–	–	(63,333)	–	–	(1,802,250)
Capital expenditure	7,425,269	691,594	27,983	631,707	211,889	81,020	16,350	–	9,085,812
Associates and joint ventures using equity accounting	444,705	7,737,831	4,204,811	1,951,471	1,412,772	3,506,755	–	–	19,258,345
Associates measured at fair value through profit or loss	–	401,079	–	–	–	17,003,780	–	–	17,404,859

5. Segment information (Continued)

Year ended December 31, 2018

	Strategic investments								
	IT RMB'000	Financial services RMB'000	Innovative consumption and services RMB'000	Agriculture and food RMB'000	Advanced manufacturing and professional services RMB'000	Financial investments RMB'000	Unallocated RMB'000	Elimination RMB'000	Total RMB'000
Segment revenue									
Sales/provide services to external customers	330,779,738	2,871,674	1,287,941	12,940,152	6,331,387	624,934	–	–	354,835,826
Net interest income	–	4,083,853	–	–	–	–	–	–	4,083,853
Inter-segment sales/provide services	–	6,920	–	–	–	26,516	–	(33,436)	–
Total	330,779,738	6,962,447	1,287,941	12,940,152	6,331,387	651,450	–	(33,436)	358,919,679
Segment results									
Profit/(loss)before income tax	4,721,826	3,315,995	1,002,521	472,470	393,361	865,426	(1,870,299)	(499)	8,900,801
Income tax (expense)/credit	(934,606)	(420,391)	2,973	(37,030)	(38,508)	(399,840)	467,575	–	(1,359,827)
Profit/(loss) for the year	3,787,220	2,895,604	1,005,494	435,440	354,853	465,586	(1,402,724)	(499)	7,540,974
Profit/(loss) attributable to equity holders of the Company	1,084,730	2,567,136	1,099,166	210,312	262,080	541,324	(1,402,724)	(499)	4,361,525
Segment assets	202,592,857	250,982,456	6,335,414	13,221,351	11,286,762	60,833,229	17,968,663	(4,953,841)	558,266,891
Segment liabilities	186,106,470	221,074,469	480,895	4,962,291	6,826,381	10,334,357	50,382,056	(4,918,001)	475,248,918
Other segment information:									
Depreciation and amortisation	(5,215,334)	(174,176)	(26,683)	(223,754)	(378,637)	(54,456)	(19,835)	–	(6,092,875)
Impairment loss for non-current assets	–	(121)	–	(428,699)	(13,854)	(138,728)	–	–	(581,402)
Investment income and gains	1,023,643	1,173,703	1,283,000	516,597	36,586	614,672	–	–	4,648,201
Finance income	165,847	46,637	631	49,741	9,204	130,434	636,017	(123,223)	915,288
Finance costs	(2,146,877)	(245,137)	(80,587)	(133,977)	(250,621)	(428,533)	(2,150,463)	129,880	(5,306,315)
Share of (loss)/profit of associates and joint ventures accounted for using the equity method	(36,384)	495,505	(63,497)	28,315	198,005	54,760	–	(499)	676,205
Material non-cash items other than depreciation and amortisation (Note34 (c))	(1,390,473)	–	–	–	–	(63,490)	–	–	(1,453,963)
Capital expenditure	4,052,149	554,389	25,406	334,425	164,875	53,096	18,734	–	5,203,074
Associates and joint ventures using equity accounting	502,942	6,710,668	4,528,247	1,932,360	1,307,867	3,754,119	–	(35,840)	18,700,363
Associates measured at fair value through profit or loss	–	308,440	–	–	–	17,761,095	–	–	18,069,535

5. Segment information (Continued)

The amount of its revenue and non-current assets from external customers broken down by location of the customers is shown in the tables below.

(a) Revenue from external customers

	Year ended December 31,	
	2019	2018
	RMB'000	*RMB'000*
China	**101,140,154**	104,841,822
Asia-Pacific region excluding China	**82,094,692**	62,453,172
Europe/Middle East/Africa	**89,874,004**	85,616,648
Americas	**116,109,414**	106,008,037
Total	**389,218,264**	358,919,679

(b) Non-current assets

	As at December 31,	
	2019	2018
	RMB'000	*RMB'000*
China	**56,010,874**	52,198,207
Asia-Pacific region excluding China	**15,304,799**	14,197,247
Europe/Middle East/Africa	**15,323,879**	14,025,582
Americas	**29,280,753**	21,553,310
Total	**115,920,305**	101,974,346

The non-current assets information above is based on the locations of the assets and excludes financial assets, investment in associates and joint ventures and deferred income tax assets.

6. Investment income and gains

	Year ended December 31,	
	2019	2018
	RMB'000	*RMB'000*
Gains on disposal/dilution of associates	**137,431**	324,208
Gains on disposal of subsidiaries	**283,833**	2,183,525
Dividend income from financial assets at fair value through other comprehensive income	**47,509**	69,466
Fair value gains/(losses) and dividend income from associates measured at fair value through profit or loss	**963,343**	(649,951)
Fair value gains and dividend income from financial assets at fair value through profit or loss	**1,201,106**	2,672,117
Others	**132,861**	48,836
	2,766,083	4,648,201

7. Other losses

	Year ended December 31,	
	2019	2018
	RMB'000	*RMB'000*
Government grants	**603,553**	747,764
Gains/(losses) on disposal of property, plant and equipment and intangible assets	**6,749**	(52,550)
Fair value gains on investment properties (Note 18)	**361,132**	413,063
Net foreign exchange losses	**(299,315)**	(454,954)
Severance and related costs (Note 48)	**(37,876)**	(274,941)
Non-recourse factoring costs	**(146,027)**	(634,894)
Others	**(792,974)**	(360,463)
	(304,758)	(616,975)

8. Expenses by nature

	Year ended December 31,	
	2019	2018
	RMB'000	*RMB'000*
Cost of inventories sold	**301,524,420**	285,861,231
Employee benefit expense (Note 9)	**34,350,332**	29,429,754
Office and administrative expense	**5,373,725**	4,325,454
Advertising costs	**6,768,484**	5,113,837
Depreciation and amortisation	**7,686,920**	6,092,875
Impairment loss for loan to customers	**909,189**	1,011,064
Impairment loss for other financial assets	**466,173**	189,636
Impairment loss for non-current assets	**415,583**	581,402
Consultancy and professional fees	**1,915,629**	1,327,041
Customer support service	**3,811,306**	2,719,470
Auditors' remuneration-audit services	**97,768**	82,466
Auditors' remuneration-non audit services	**24,143**	42,902
Labs and testing	**736,313**	379,597
Lease payments *(i)*	**176,753**	1,007,877
Business tax and surcharge and other taxes	**807,686**	643,341
Transportation expense	**691,789**	584,470
Inventory write-down	**378,558**	548,248
Other expenses *(ii)*	**10,017,265**	10,394,617
	376,152,036	350,335,282

(i) The Group has adopted IFRS 16 for the financial year beginning on January 1, 2019. For the year ended December 31, 2019, lease payments include only short-term lease fees and low-value lease-related expenses.

(ii) Other expenses mainly include non-base manufacturing costs from IT business, which are costs that are periodic in nature as opposed to product specific. They are typically incurred after the physical completion of the product and include items such as outbound freight for in-country finished goods shipments, warranty costs, engineering charges, storage and warehousing costs. Non-base manufacturing costs are included in the calculation of gross margin but not inventoriable costs.

9. Employee benefit expense

	Year ended December 31,	
	2019	2018
	RMB'000	*RMB'000*
Wages and salaries	**25,930,704**	22,527,667
Social security costs other than pension	**2,197,385**	1,810,568
Long-term incentive awards granted *(Note 34(c))*	**1,802,250**	1,453,963
Pension costs – defined contribution plans	**1,589,418**	1,356,482
Pension costs – defined benefit plans *(Note 47)*	**174,021**	160,375
Others	**2,656,554**	2,120,699
	34,350,332	29,429,754

10. Five Highest paid individuals

The emoluments of the five highest paid individuals of the Group for the year ended December 31, 2019 include one (2018: two) director, whose emoluments are reflected in the analysis in Note 53(a). The emoluments paid to those remaining four (2018: three) individuals are as follows:

	Year ended December 31,	
	2019	2018
	RMB'000	*RMB'000*
Salaries	**77,348**	28,680
Discretionary bonuses	**296,039**	45,803
Share option and rewards	**228,274**	62,255
Retirement payment and employer's contribution to pension schedule	**41,677**	14,023
Other benefits	**18,071**	4,303
	661,409	155,064

The emoluments fell within the following bands, disclosed in HKD range:

	Number of individuals Year ended December 31,	
	2019	2018
Emolument bands		
HKD42,000,001 – HKD42,500,000	**–**	1
HKD67,500,001 – HKD68,000,000	**–**	1
HKD73,000,001 – HKD73,500,000	**–**	1
HKD76,500,001 – HKD77,000,000	**1**	–
HKD183,000,001 – HKD183,500,000	**1**	–
HKD214,500,001 – HKD215,000,000	**1**	–
HKD277,500,001 – HKD278,500,000	**1**	–

For the year ended December 31, 2019 and 2018, there was no emolument paid by the Group to any of the directors, supervisors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

11. Finance income and costs

	Year ended December 31,	
	2019	2018
	RMB'000	*RMB'000*
Interest expense *(i)*		
– Bank loans and overdrafts	**2,428,477**	1,812,553
– Other loans	**699,920**	891,249
– Bonds	**1,947,441**	1,949,490
– Lease liabilities	**163,628**	–
Factoring costs	**1,294,106**	589,420
Interest costs on contingent considerations and put option liability	**187,937**	60,709
Commitment fee	**3,459**	3,313
Total finance costs	**6,724,968**	5,306,734
Less: amounts capitalised on qualifying assets	**–**	(419)
Finance costs	**6,724,968**	5,306,315
Finance income *(i)*:		
– Interest income on bank deposits and money market funds	**(603,980)**	(544,633)
– Interest income on loans to related parties	**(80,164)**	(30,782)
– Interest income on loans to non-related parties	**(560,514)**	(339,873)
Finance income	**(1,244,658)**	(915,288)
Net finance costs	**5,480,310**	4,391,027

(i) Finance income and costs do not include income and costs from subsidiaries which are engaged in micro-loan business and banking business. Interest income and expense generated from micro-loan business are displayed in "interest income" and "cost of sale and service" in the consolidated income statement. Interest income and expense generated from banking business are displayed in "interest income" and "interest expense" in the consolidated income statement.

12. Subsidiaries

The following includes the principal subsidiaries directly or indirectly held by the Company and, in the opinion of the directors, are significant to the results of the Group for the year ended December 31, 2019 and 2018 or form a substantial portion of the net assets of the Group at December 31, 2019 and 2018. The directors consider that giving details of other subsidiaries would result in particulars of excessive length.

Company name	Corporate category	Place of incorporation	Issued share capital/ Paid-in capital *(in RMB, unless otherwise stated)*	Principal activities	Effective interest held 2019	Effective interest held 2018
Lenovo (聯想集團有限公司)	Limited liability company	Hong Kong	USD3,185,923,000	Develop, manufacture and market reliable, high-quality, secure and easy-to-use technology products and services	**29.10%**	29.10%
Raycom Real Estate Development Co., Ltd. (融科智地房地產股份有限公司)	Joint stock limited liability company	Beijing	270,000,000	Office building rental and service	**100.00%**	100.00%
Raycom Property Investment Co., Ltd. (融科物業投資有限公司)	Limited liability company	Beijing	60,000,000	Real estate investment and asset management	**100.00%**	100.00%
Right Lane Limited (南明有限公司, "Right Lane")	Limited liability company	Hong Kong	HKD4	Investment and management	**100.00%**	100.00%
Legend Holdings Tianjin Limited (聯想控股(天津)有限公司, "Legend Holdings Tianjin") *(i)*	Limited liability company	Tianjin	2,300,000,000	Investment and management	**N/A**	100.00%
Legend Capital Limited (聯想投資有限公司)	Limited liability company	Lhasa	398,454,162	Investment and management	**100.00%**	90.81%
Xizang Dongfangqihui Investment Co., Ltd. (西藏東方企慧投資有限公司, "Dongfangqihui")	Limited liability company	Lhasa	50,000,000	Investment and management	**100.00%**	100.00%
Tibet Kaola Science & Technology Development Co., Ltd. (西藏考拉科技發展有限公司)	Limited liability company	Lhasa	2,000,000,000	Electronic technology development, transfer, service, promotion and internet technology service	**51.00%**	51.00%
Beijing Legendstar Venture Capital Co., Ltd. (北京聯想之星創業投資有限公司)	Limited liability company	Beijing	150,000,000	Angel investment and start-up incubator	**100.00%**	100.00%
Duilong Deqing Xingchen Venture Capital Investment Ltd. (堆龍德慶星辰創業投資有限公司)	Limited liability company	Lhasa	100,000,000	Angel investment and start-up incubator	**100.00%**	100.00%
Beijing Huaxia United Auto Network Technology Co., Ltd. (北京華夏聯合汽車網絡技術有限公司)	Limited liability company	Beijing	369,816,970	Development of car management software and providing car services information consultant	**100.00%**	100.00%
Zeny Supply Chain Co., Ltd. (增益供應鏈有限公司)	Limited liability company	Beijing	1,491,793,341	Providing cold chain and various logistics service	**99.20%**	98.85%
Levima Group Limited (聯泓集團有限公司)	Limited liability company	Beijing	2,300,000,000	Development and production of chemicals and energy materials	**100.00%**	100.00%
Joyvio Group (佳沃集團有限公司)	Limited liability company	Beijing	5,812,500,000	Agriculture and food investment and other relevant business operations	**81.72%**	100.00%

12. Subsidiaries (Continued)

Company name	Corporate category	Place of incorporation	Issued share capital/ Paid-in capital *(in RMB, unless otherwise stated)*	Principal activities	Effective interest held 2019	2018
Zhengqi Financial Holdings Corporation (正奇金融控股股份有限公司, "Zhengqi Financial")	Joint stock limited liability company	Hefei	3,322,545,963	Providing financial service for small-and medium-sized entities	**84.22%**	82.52%
Shanghai Weimin Hospital Investment Management Co., Ltd. (上海為民醫院投資管理有限公司)	Limited liability company	Shanghai	56,969,808	Investment management and Medical consultation	**58.00%**	58.00%
JC International Finance & Leasing Co,. Ltd (君創國際融資租賃有限公司, "JC Finance & Leasing")	Limited liability company	Shanghai	2,018,200,000	Finance lease, lease business, purchase lease assets from domestic and overseas.	**99.01%**	99.01%
KB Food International Holding (Pte.) Limited	Limited liability company	Singapore	USD87,645,588	Investment holding	**90.00%**	90.00%
Better Education Corporation (Cayman) (三育教育集團股份有限公司, "Better Education")	Joint stock limited liability company	Cayman	USD3,311.58	Investment holding	**51.00%**	51.00%
Joyvio Agriculture (佳沃農業開發股份有限公司)	Joint stock limited liability company	Changde	134,000,000	Domestic trading, processing and sale of seafood and other animal protein-related products	**29.90%**	29.90%
Banque Internationale à Luxembourg S. A. ("BIL")	Joint stock limited liability company	Luxembourg	EUR146,108,270	Banking services, insurance services, offering financial market products and services	**89.98%**	89.94%
Golden Wing Mau Agricultural Produce Corporation (鑫榮懋集團股份有限公司, "Golden Wing Mau")	Joint stock limited liability company	Shenzhen	192,930,000	Agriculture products planting and trading,agricultural investment,logistics,foods trading	**44.13%**	39.82%
Australis Seafoods S.A. *(ii)*	Joint stock limited liability company	Santiago, Chile	USD305,382,537	Production and selling salmon	**99.89%**	NA

(i) In September 2019, the Company and Shenzhen Ruilonghe Industrial Co., Ltd. (深圳市瑞龍和實業有限公司) entered into the Legend Holdings Tianjin's share transfer agreement. After the transference, the Company's shareholding ratio in Legend Holdings Tianjin's decreased from 100% to 50% and no longer recognised as a subsidiary.

(ii) On June 27, 2019, Joyvio Agriculture, a subsidiary of the Company, issued a tender offer to all shareholders of Australis Seafoods S.A. (the "Target Company") through its overseas subsidiary Food Investment SpA to purchase the Target Company 100% issued shares in cash (the "Offer"). The offer period is from June 27, 2019 to July 26, 2019. On July 2, 2019, Joyvio Agriculture completed the delivery of approximately 95.26% of the shares of the target company held by the main counterparty and completed the re-election of its board of directors. On July 26, 2019, the counterparty holding approximately 99.838% of the shares of the target company, including the main counterparties, accepted the offer during the offer period, and on August 1, 2019, completed the transfer to the overseas subsidiary Food Investment SpA. On December 31, 2019, Joyvio Agriculture, held 99.89% of Australis Seafoods S.A. insured shares through its overseas subsidiary Food Investment SpA.

12. Subsidiaries (Continued)

Subsidiaries of material non-controlling interests

As shown in the consolidated statement of comprehensive income, during the year ended December 31, 2019 and 2018, the comprehensive income attributable to perpetual securities are RMB370 million and RMB356 million, all of which are attributable to Lenovo. At December 31, 2019 and 2018 the comprehensive income attributable to other non-controlling interests are RMB4,249 million and RMB1,956 million, of which RMB3,640 million and RMB1,569 million are the comprehensive income attributable to non-controlling interest in Lenovo.

As shown in the consolidated balance sheet, at December 31, 2019, perpetual securities are RMB8,162 million, of this amount, RMB6,807 million are attributable to Lenovo, and RMB1,355 million are attributable to BIL, at December 31, 2018, perpetual securities are RMB6,807 million, all of which are attributable to Lenovo; the other non-controlling interests are RMB28,150 million and RMB23,762 million, of which RMB19,787 million and RMB16,750 million are contributed to Lenovo. The non-controlling interest in respect of other subsidiaries is not considered material by the directors. The summarized financial information of Lenovo is set out below.

Summarised Balance Sheet of Lenovo

	As at December 31,	
	2019	2018
	RMB'000	*RMB'000*
Current		
Assets	**149,869,265**	127,393,538
Liabilities	**(175,997,932)**	(156,514,426)
Net current liabilities	**(26,128,667)**	(29,120,888)
Non-current		
Assets	**94,445,832**	87,420,696
Liabilities	**(38,489,322)**	(32,310,604)
Net non-current assets	**55,956,510**	55,110,092
Net assets	**29,827,843**	25,989,204

12. Subsidiaries (Continued)

Summarised Income Statement of Lenovo

	Year ended December 31,	
	2019	2018
	RMB'000	*RMB'000*
Revenue	**357,212,047**	330,779,738
Profit before income tax	**7,720,977**	4,721,826
Income tax expense	**(1,694,935)**	(934,606)
Net profit	**6,026,042**	3,787,220
– Attributable to equity holders of Lenovo	**5,102,946**	3,382,282
– Attributable to perpetual securities holders	**370,390**	355,897
– Attributable to other non-controlling interests	**552,706**	49,041
Other comprehensive loss	**(579,790)**	(1,013,258)
Total comprehensive income	**5,446,252**	2,773,962
– Attributable to equity holders of Lenovo	**4,509,259**	2,369,024
– Attributable to perpetual securities holders	**370,390**	355,897
– Attributable to other non-controlling interests	**566,603**	49,041
Dividends paid to non-controlling interest	**(31,830)**	(31,498)

Summarised Cash Flow Statement of Lenovo

	Year ended December 31,	
	2019	2018
	RMB'000	*RMB'000*
Cash flows from operating activities		
Cash generated from operations	**15,011,684**	13,329,732
Income tax paid	**(3,000,714)**	(2,481,262)
Net cash generated from operating activities	**12,010,970**	10,848,470
Net cash used in investing activities	**(6,272,547)**	(4,553,848)
Net cash (used in)/generated from financing activities	**(4,849,389)**	6,495,795
Net increase in cash and cash equivalents	**889,034**	12,790,417
Cash and cash equivalents at beginning of the year	**23,333,919**	10,849,046
Exchange gains/(losses) on cash and cash equivalents	**339,682**	(305,544)
Cash and cash equivalents at end of the year	**24,562,635**	23,333,919

13. Investments in associates and joint ventures

	As at December 31,	
	2019	2018
	RMB'000	*RMB'000*
Investments in associates and joint ventures:		
– using equity accounting *(a)*	**19,258,345**	18,700,363
– measured at fair value through profit or loss *(b)*	**17,404,859**	18,069,535
Total	**36,663,204**	36,769,898

(a) Associates and joint ventures using equity accounting

Set out below are the associates of the Group as at December 31, 2019 and 2018, which, in the opinion of the directors, are material to the Group, and the intention of the Group to hold these associates is for strategic investment purpose, not only for capital appreciation.

Name	Place of incorporation/ principal place of operations	Principal activities	Effective interest held	
			2019	2018
CAR Inc. ("CAR") *(i)*	Cayman Islands/China	Offering comprehensive car rental services including short-term rentals, long-term rentals, finance lease and sales of used rental vehicles	**26.59%**	26.60%
Hankou Bank Co., Ltd. (漢口銀行股份有限公司, "Hankou Bank") *(ii)*	Wuhan	Commercial banking business	**15.33%**	15.33%
Lakala Payment Corporation (拉卡拉支付股份有限公司)	Beijing	Provision of terminal-based payment and various internet financial services	**28.24%**	31.38%
Union Insurance Broker Group Co., Ltd. (聯保投資集團有限公司, "Union Insurance")	Beijing	Insurance brokerage	**48.00%**	48.00%
Wenkang Group Co., Ltd. (聞康集團股份有限公司,"Wenkang Group") *(ii)*	Beijing	Internet medical and health care services	**17.02%**	17.02%
Eastern Air Logistics Co., Ltd. (東方航空物流股份有限公司)	Shanghai	Transportation, warehousing and postal services	**20.10%**	20.10%
Bybo Dental Group Co., Ltd. (拜博醫療集團有限公司, "Bybo Dental")	Zhuhai	Dental and other medical service	**36.47%**	36.47%
BlueFocus Communication Group Co., Ltd. (北京藍色光標數據科技股份有限公司, "Blue Focus") *(ii)*	Beijing	Technology development, consulting and advertising	**7.71%**	8.78%
Huawen Food Co., Ltd. (華文食品股份有限公司, "Huawen Food") *(ii)*	Yueyang	Research, manufacture of food; sales of prepackaged and bulk food; import and export of self-operated and agency goods and technology	**19.80%**	19.80%
Hebei Hengshui Laobaigan Liquor Co., Ltd. (河北衡水老白干酒業股份有限公司, "Hebei Hengshui Laobaigan") *(ii)*	Hengshui	Chinese liquor manufacture and sale	**6.11%**	6.33%

(i) As at December 31, 2019, the fair value of the Group's interest in CAR, which is listed on the Hong Kong Stock Exchange, was RMB2,686 million (2018: RMB2,879 million) and the carrying amount of the Group's interest was RMB2,737 million (2018: RMB2,716 million).

(ii) The directors determine the Group has significant influence over Hankou Bank, Wenkang Group, Blue Focus, Huawen Food and Hebei Hengshui Laobaigan by way of representation on the Board of Directors and participation in the policy-making process, although the Group's equity interests in these five companies are lower than 20%.

13. Investments in associates and joint ventures (Continued)

(a) Associates and joint ventures using equity accounting (Continued)

Set out below is the summarized consolidated financial statements of the significant associates of the Group accounted for using equity method. The directors consider that giving details on the consolidated financial statements of other associates would result in particulars of excessive length.

CAR

Summarised Balance Sheet

	As at December 31,	
	2019	2018
	RMB'000	*RMB'000*
Total assets	**24,633,031**	22,204,909
Total liabilities	**(16,540,351)**	(14,231,881)
Net assets	**8,092,680**	7,973,028

Summarised statement of comprehensive income

	Year ended December 31,	
	2019	2018
	RMB'000	*RMB'000*
Income	**7,690,660**	6,443,698
Profit before income tax expense	**272,043**	594,555
Income tax expense	**(241,267)**	(304,710)
Net profit	**30,776**	289,845
Total comprehensive income attribute to equity holders of CAR	**30,776**	289,845

13. Investments in associates and joint ventures (Continued)

(a) Associates and joint ventures using equity accounting (Continued)

CAR (Continued)

Reconciliation of summarised consolidated financial statements

	Year ended December 31,	
	2019	2018
	RMB'000	*RMB'000*
Share of net assets at January 1	**2,120,826**	2,041,705
Share of profit for the year	**6,104**	68,577
Share of other comprehensive income for the year	**(15)**	245
Other addition	**24,524**	10,299
Share of net assets at December 31	**2,151,439**	2,120,826
Goodwill	**585,224**	595,486
Carrying value of investment in associates	**2,736,663**	2,716,312

Hankou Bank

Summarised Balance Sheet

	As at December 31,	
	2019	2018
	RMB'000	*RMB'000*
Total assets	**406,504,658**	319,394,538
Total liabilities	**(384,746,477)**	(299,315,778)
Net assets	**21,758,181**	20,078,760

Summarised statement of comprehensive income

	Year ended December 31,	
	2019	2018
	RMB'000	*RMB'000*
Income	**6,441,292**	6,117,874
Profit before income tax expense	**2,124,117**	1,792,852
Income tax expense	**274,999**	110,238
Net profit	**2,399,116**	1,903,090
Total comprehensive income attribute to equity holders of Hankou Bank	**2,238,066**	2,482,635

13. Investments in associates and joint ventures (Continued)

(a) Associates and joint ventures using equity accounting (Continued)

Hankou Bank (Continued)

Reconciliation of summarised consolidated financial statements

	Year ended December 31,	
	2019	2018
	RMB'000	*RMB'000*
Share of net assets at January 1	**2,800,203**	2,482,341
Share of profit for the year	**353,992**	293,782
Share of other comprehensive income for the year	**(24,939)**	89,533
Share of distribution of profit	**(69,630)**	(63,300)
Other decrease	**(294)**	(2,153)
Share of net assets at December 31	**3,059,332**	2,800,203
Goodwill	**675,857**	675,857
Carrying value of investment in associates	**3,735,189**	3,476,060

For the year ended December 31, 2019 and 2018, except for CAR and Hankou Bank, the Group's share of the other associates' profits are RMB116 million and RMB314 million respectively.

For the year ended December 31, 2019 and 2018, except for CAR and Hankou Bank, share of the other associates' other comprehensive income are RMB148 million and loss RMB322 million respectively.

For the year ended December 31, 2019 and 2018, except for CAR and Hankou Bank, share of the other associates' total comprehensive income are RMB264 million and RMB8 million respectively.

As at December 31, 2019 and 2018, except for CAR and Hankou Bank, the aggregate carrying amount of the Group's investments in the other associates are RMB12,786 million and RMB12,508 million respectively.

13. Investments in associates and joint ventures (Continued)

(b) Associates measured at fair value through profit or loss

Company Name	Place of incorporation/ registration	Type	2019 Fair value RMB'000	2019 Effective interest held	2018 Fair value RMB'000	2018 Effective interest held
Hony Capital Fund V, L.P. *(i)*	Cayman Islands	USD Funds	**1,788,419**	**10.98%**	2,036,849	10.98%
Hony Capital Fund VIII(Cayman), L.P. *(i)*	Cayman Islands	USD Funds	**1,482,085**	**16.40%**	1,805,987	16.40%
LC Fund III, L.P.	Cayman Islands	USD Funds	**1,433,425**	**68.64%**	830,457	68.64%
LC Fund VI, L.P.	Cayman Islands	USD Funds	**1,331,124**	**23.20%**	1,419,210	23.20%
Beijing Junlian Maolin Equity Investment L.P.(北京君聯茂林股權投資合夥企業(有限合夥))	Beijing	RMB Funds	**1,258,752**	**31.21%**	1,716,594	31.21%
Tianjin Junruiqi Equity Investment L.P. (天津君睿祺股權投資合夥企業(有限合夥))	Tianjin	RMB Funds	**1,214,013**	**31.67%**	1,319,307	31.67%
Beijing Junlian Huicheng Equity Investment L.P. (北京君聯慧誠股權投資合夥企業(有限合夥))	Beijing	RMB Funds	**1,096,046**	**22.22%**	965,913	22.22%
LC Fund VII, L.P.	Cayman Islands	USD Funds	**967,112**	**22.31%**	774,010	22.31%
LC Fund V, L.P. *(i)*	Cayman Islands	USD Funds	**696,701**	**19.42%**	688,723	19.42%
Beijing Junlian Xinhai Equity Investment L.P.(北京君聯新海股權投資合夥企業(有限合夥)) *(i)*	Beijing	RMB Funds	**569,923**	**17.67%**	658,105	17.67%
Hony Capital Real Estate Fund 2015, L.P. (弘毅貳零壹伍(深圳)地產投資中心(有限合夥)) *(i)*	Shenzhen	RMB Funds	**531,690**	**19.51%**	499,637	19.51%
Hony Capital RMB Fund 2010, L.P.(北京弘毅貳零壹零股權投資中心(有限合夥))	Beijing	RMB Funds	**508,171**	**20.07%**	1,139,596	20.07%
Great Unity Fund I, L.P.	Cayman Islands	USD Funds	**481,075**	**50.00%**	–	0.00%
Beijing Junlian Shengyuan Equity Investment L.P.(北京君聯晟源股權投資合夥企業(有限合夥))	Beijing	RMB Funds	**451,982**	**18.57%**	260,859	52.87%
LC Healthcare Fund I, L.P.	Cayman Islands	USD Funds	**376,144**	**20.00%**	413,614	20.00%
Hongchuang Lianchi Assets Management, L.P. (弘創聯持(深圳)資產管理(有限合夥)) *(i)*	Shenzhen	RMB Funds	**371,712**	**12.40%**	320,288	12.40%
Beijing Junlian Yikang Equity Investment L.P.(北京君聯益康股權投資合夥企業(有限合夥)) *(i)*	Beijing	RMB Funds	**325,173**	**18.50%**	317,930	18.50%
Hony Capital Fund 2008, L.P. *(i)*	Cayman Islands	USD Funds	**301,005**	**14.31%**	370,856	14.31%
LC Fund IV, L.P.	Cayman Islands	USD Funds	**263,996**	**29.77%**	430,165	29.77%
Hony Capital Fund 2015, L.P. (弘毅貳零壹伍(深圳) 股權投資基金中心(有限合夥)) *(i)*	Shenzhen	RMB Funds	**258,144**	**8.90%**	249,478	8.90%
Beijing Junlian Mingde Equity Investment L.P.(北京君聯名德股權投資合夥企業(有限合夥))	Beijing	RMB Funds	**246,917**	**20.05%**	273,526	20.05%
Suzhou Junlian Xinkang Venture Investment L.P.(蘇州君聯欣康創業投資合夥企業(有限合夥))	Suzhou	RMB Funds	**225,544**	**25.00%**	109,512	39.60%
Goldstream Capital Master Fund I	Cayman Islands	USD Funds	**221,872**	**83.30%**	186,039	37.71%
Others		RMB/USD Funds	**1,003,834**	**N/A**	1,282,880	N/A
			17,404,859		18,069,535	

The principal activities of the above associates are investment holdings as VC Funds and PE Funds.

13. Investments in associates and joint ventures (Continued)

(b) Associates measured at fair value through profit or loss (Continued)

(i) The directors determined that the Group has significant influence on these companies by the way of its significant influence on the general partner and/or management company of these funds, even though the capital contribution percentage in these funds are below 20%. Consequently, these investments have been classified as associates.

Set out below is the summarised consolidated financial statements of associates measured at fair value through profit or loss aggregated by RMB funds and USD funds based on the underlying GAAP applied when prepare their statutory accounts. The consolidated financial statements on RMB funds is prepared in accordance with IFRS while the consolidated financial statements on USD funds is prepared in accordance with the General Accepted Accounting Principles in USA.

	Year ended December 31, 2019	
	Profit/(loss) for the year *RMB'000*	**Total comprehensive income/(loss)** *RMB'000*
RMB funds	**2,571,761**	**2,571,761**
USD funds	**(743,178)**	**(743,178)**
Total	**1,828,583**	**1,828,583**

	Year ended December 31, 2018	
	Profit/(loss) for the year *RMB'000*	Total comprehensive income/(loss) *RMB'000*
RMB funds	491,077	491,077
USD funds	(4,627,427)	(4,627,427)
Total	(4,136,350)	(4,136,350)

14. Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% while the income tax provision for group entities operating in Mainland China is based on a statutory rate of 25%. Income tax of other group entities operating in overseas countries and regions are calculated at the rates applicable in the respective jurisdictions.

	Year ended December 31,	
	2019	2018
	RMB'000	*RMB'000*
Current income tax	**4,247,763**	3,295,781
Deferred income tax *(Note 46)*	**(2,353,303)**	(1,935,954)
Income tax expense	**1,894,460**	1,359,827

The Group has been granted certain tax concessions by tax authorities in China and overseas whereby the subsidiaries operating in the respective jurisdictions are entitled to tax concessions.

Taxation on the Group's profit before tax differs from the theoretical amount that would arise using the enacted tax rate of the home country of the Group entities as follows:

	Year ended December 31,	
	2019	2018
	RMB'000	*RMB'000*
Profit before tax	**10,523,986**	8,900,801
Tax effects of:		
Tax calculated at domestic rates applicable in countries concerned	**2,415,238**	1,572,888
Income not subject to tax	**(2,917,590)**	(3,335,723)
Expenses not deductible for tax purposes	**2,791,900**	2,959,459
Recognition/utilisation of previously unrecognised tax losses(i)	**(498,975)**	(356,474)
Deferred income tax assets not recognised	**254,057**	500,102
Others	**(150,170)**	19,575
Income tax expense	**1,894,460**	1,359,827

(i) In 2019 and 2018, certain subsidiaries of the Company have improved their performance from cumulative lose to profit, which will generate enough taxable profits. The Group recognised the deductible losses and other temporary differences in 2019 and 2018, which was not recognised in previous years to the extent of the amount of the current and future taxable profit.

14. Income tax expense (Continued)

The tax credit/(charge) relating to components of other comprehensive income is as follows:

	Year ended December 31,					
	2019			2018		
	Before tax *RMB'000*	**Tax (charge)/ credit** *RMB'000*	**After tax** *RMB'000*	Before tax *RMB'000*	Tax credit/ (charge) *RMB'000*	After tax *RMB'000*
Fair value changes on equity securities measured at fair value through other comprehensive income	**29,021**	**(8,463)**	**20,558**	(643,939)	60,575	(583,364)
Fair value changes on debt securities measured at fair value through other comprehensive income	**(13,338)**	**1,496**	**(11,842)**	(111,979)	28,956	(83,023)
Share of other comprehensive income/(loss) of associates	**97,532**	**25,142**	**122,674**	(301,429)	69,357	(232,072)
Reclassification to consolidated income statement on disposal of associates using equity accounting	**–**	**–**	**–**	(76,469)	–	(76,469)
Actuarial (loss)/income on post-employment benefit obligations	**(251,298)**	**(9,457)**	**(260,755)**	(211,516)	17,081	(194,435)
Fair value changes on cashflow hedges	**(242,999)**	**3,215**	**(239,784)**	116,510	14,503	131,013
Currency translation differences	**306,557**	**–**	**306,557**	(84,911)	–	(84,911)
Revaluation of investment properties upon reclassification from property, plant and equipment	**70,208**	**(17,552)**	**52,656**	51,969	(12,992)	38,977
Other comprehensive loss	**(4,317)**	**(5,619)**	**(9,936)**	(1,261,764)	177,480	(1,084,284)
Current tax		**–**			–	
Deferred tax *(Note 46)*		**(5,619)**			177,480	
		(5,619)			177,480	

15. Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year excluding shares held for the share incentive plan (Note 34).

	Year ended December 31,	
	2019	2018
Basic earnings attributable to equity holders of the Company *(RMB'000)*	**3,606,896**	4,361,525
Diluted impact on earnings *(RMB'000) (i)*	**(62,303)**	(2,662)
Diluted earnings attributable to the equity holders of the Company *(RMB'000)*	**3,544,593**	4,358,863
Weighted average number of issued ordinary shares *(thousands)*	**2,356,231**	2,356,231
Less shares held for share incentive plan *(thousands) (Note 34)*	**(15,076)**	(19,200)
Weighted average number of issued ordinary shares for calculating basic earnings per share *(thousands)*	**2,341,155**	2,337,031
Potential dilutive effect arising from share incentive plan *(thousands) (ii) (Note 34)*	**4,738**	19,200
Weighted average number of issued ordinary shares for calculating diluted earnings per share *(thousands) (ii)*	**2,345,893**	2,356,231
Earnings per share		
– Basic *(RMB per share)*	**1.54**	1.87
– Diluted *(RMB per share)*	**1.51**	1.85

(i) Diluted impact on earnings is due to the effect of three categories of dilutive instruments, namely bonus warrants, mid-long term incentive awards and convertible bonds. Diluted earnings per share is calculated by adjusting earnings attributable to the equity holders of the Company.

(ii) Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue to assume conversion of all dilutive potential ordinary shares. The Company's dilutive potential ordinary shares comprise shares issued under the share incentive plan. A calculation is done to determine the number of shares that could have been converted at fair value (determined as the average market share price of the Company's shares during the year) based on the monetary value of share options and the subscription rights attached to outstanding unexercised awarded shares. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the conversion of the restricted shares and share options, with the difference being adjusted in arriving at the weighted average number of shares for diluted earnings per share.

16. Property, plant and equipment

	Land and buildings RMB'000	Vehicles RMB'000	Machinery RMB'000	Furniture RMB'000	Equipment RMB'000	Construction in progress RMB'000	Bearer plants RMB'000	Total RMB'000
As at January 1, 2018								
Cost	10,893,668	234,295	11,394,886	4,503,076	130,521	3,026,373	–	30,182,819
Accumulated depreciation	(2,542,284)	(139,183)	(4,330,711)	(3,159,388)	(65,161)	–	–	(10,236,727)
Accumulated impairment	(28,703)	(70)	(52,362)	(85)	(185)	–	–	(81,405)
Net book amount	8,322,681	95,042	7,011,813	1,343,603	65,175	3,026,373	–	19,864,687
For the year ended December 31, 2018								
Opening net book amount	8,322,681	95,042	7,011,813	1,343,603	65,175	3,026,373	–	19,864,687
Exchange adjustment	185,627	16,008	95,633	43,549	1,218	(163,623)	183	178,595
Acquisition of subsidiaries	2,246,620	29,052	212,790	228,200	20,432	5,171	815,869	3,558,134
Additions	573,872	23,769	612,236	700,508	28,415	1,933,682	51,963	3,924,445
Transfers to intangible assets	–	–	–	–	–	(1,177,199)	–	(1,177,199)
Transfers from construction in progress	1,530,872	–	193,997	32,922	–	(1,757,791)	–	–
Disposals/Transfers to investment property	(222,105)	(15,135)	(78,493)	(29,399)	(3,595)	(532,815)	(15,078)	(896,620)
Depreciation charge	(709,990)	(28,960)	(1,130,664)	(669,595)	(20,474)	–	(18,749)	(2,578,432)
Disposal of subsidiaries	(1,159,702)	(16,775)	(202,741)	(181,136)	(34,970)	(62,193)	(3,406)	(1,660,923)
Closing net book amount	10,767,875	103,001	6,714,571	1,468,652	56,201	1,271,605	830,782	21,212,687
As at December 31, 2018								
Cost	13,570,580	230,974	11,976,021	5,113,974	101,048	1,271,605	847,925	33,112,127
Accumulated depreciation	(2,774,021)	(127,903)	(5,209,494)	(3,645,237)	(44,662)	–	(17,143)	(11,818,460)
Accumulated impairment	(28,684)	(70)	(51,956)	(85)	(185)	–	–	(80,980)
Net book amount	10,767,875	103,001	6,714,571	1,468,652	56,201	1,271,605	830,782	21,212,687
For the year ended December 31, 2019								
Opening net book amount	**10,767,875**	**103,001**	**6,714,571**	**1,468,652**	**56,201**	**1,271,605**	**830,782**	**21,212,687**
Exchange adjustment	**40,154**	**(13,444)**	**12,974**	**(39,971)**	**937**	**(156,128)**	**–**	**(155,478)**
Acquisition of subsidiaries	**793,047**	**1,716**	**489,175**	**906**	**62,069**	**371,392**	**–**	**1,718,305**
Additions	**204,888**	**38,471**	**1,101,781**	**757,974**	**23,649**	**3,420,537**	**43,389**	**5,590,689**
Transfers to intangible assets	**–**	**–**	**–**	**–**	**–**	**(1,222,261)**	**–**	**(1,222,261)**
Transfers from construction in progress	**518,576**	**–**	**96,452**	**134,590**	**–**	**(749,618)**	**–**	**–**
Disposals/Transfers to investment property	**(59,758)**	**(10,865)**	**(94,876)**	**(44,879)**	**(153)**	**(43,208)**	**(43,696)**	**(297,435)**
Depreciation charge	**(743,105)**	**(27,260)**	**(1,191,556)**	**(669,956)**	**(33,201)**	**–**	**(5,184)**	**(2,670,262)**
Disposal of subsidiaries	**(206,269)**	**(900)**	**(28,948)**	**(3,386)**	**(74)**	**(8,720)**	**–**	**(248,297)**
Closing net book amount	**11,315,408**	**90,719**	**7,099,573**	**1,603,930**	**109,428**	**2,883,599**	**825,291**	**23,927,948**
As at December 31, 2019								
Cost	**14,772,455**	**219,168**	**13,166,050**	**5,518,443**	**179,191**	**2,883,599**	**847,618**	**37,586,524**
Accumulated depreciation	**(3,434,309)**	**(128,379)**	**(6,047,841)**	**(3,914,431)**	**(69,578)**	**–**	**(22,327)**	**(13,616,865)**
Accumulated impairment	**(22,738)**	**(70)**	**(18,636)**	**(82)**	**(185)**	**–**	**–**	**(41,711)**
Net book amount	**11,315,408**	**90,719**	**7,099,573**	**1,603,930**	**109,428**	**2,883,599**	**825,291**	**23,927,948**

16. Property, plant and equipment (Continued)

Depreciation expense of RMB1,361 million and RMB1,405 million has been charged in "cost of sales and services", RMB173 million and RMB147 million in "selling and marketing costs", RMB1,136 million and RMB1,026 million in "general and administrative expenses" for the year ended December 31, 2019 and 2018.

The property, plant and equipment with a carrying amount of RMB268 million and RMB101 million were pledged as collateral for the borrowings of RMB200 million and RMB77 million as at December 31, 2019 and 2018, respectively. See Note 18(c) for owner-occupied investment properties pledged.

There was no construction in progress was pledged as collateral for the borrowings as at December 31, 2019. The construction in progress with a carrying amount of RMB218 million were pledged as collateral for the borrowings of RMB154 million as at December 31, 2018.

17. Lease

(a) Items recognized in the consolidated balance sheet

	As at December 31, 2019 *RMB'000*	As at January 1, 2019 *RMB'000*
Right-of-use assets		
Land use right *(i)*	**3,892,590**	4,035,674
Buildings	**3,371,064**	2,605,182
Equipments and others	**2,250**	2,002
	7,265,904	6,642,858
Lease liabilities		
Current lease liabilities	**747,777**	693,693
Non-current lease liabilities	**3,355,772**	2,758,825
	4,103,549	3,452,518

17. Lease (Continued)

(b) Item recognized in the consolidated income statement

	Year ended December 31, 2019 *RMB'000*
Depreciation of right-of-use assets	
Land use right *(i)*	**49,446**
Buildings	**851,602**
Equipments and others	**964**
Total	**902,012**
Interest expenses (included in financial cost)	**163,628**
Short term rental and low-value rental (included in general and administrative expenses)	**176,753**

(i) Right-of-use assets include land use rights which is reclassified by applying IFRS16 and was recognized in "leasehold land and land use right" as at December 31, 2018.

18. Investment properties

	Year ended December 31,	
	2019 ***RMB'000***	2018 *RMB'000*
At beginning of the year	**11,707,510**	11,107,111
Additions	**133,492**	360,130
Fair value gains	**361,132**	413,063
Transfer to property, plant and equipment	**(17,344)**	(6,314)
Transfer to completed properties held for sale *(i)*	**–**	(1,348,635)
Acquisition of subsidiaries	**–**	1,085,066
Transfer from property, plant and equipment	**131,407**	71,488
Exchange adjustment	**(26)**	25,601
At end of the year	**12,316,171**	11,707,510

(i) As at December 31, 2018, the Group proposed to dispose a subsidiary whose main assets are investment properties situated in Luxembourg. As of December 31,2019, disposal of the subsidiary has been completed.

The Group's investment properties are all situated in the Chinese Mainland. All the investment properties are rented out under operating leases. All signed lease contracts are less than 50 years.

18. Investment properties (Continued)

(a) Amounts recognised in consolidated income statement for investment properties

	Year ended December 31,	
	2019	2018
	RMB'000	*RMB'000*
Rental income	**635,740**	590,816
Direct operating expenses from properties that generated rental income	**(166,688)**	(125,639)
	469,052	465,177

The direct operating expenses from properties that did not generate rental income is immaterial to the Group during the year ended December 31, 2019 and 2018.

(b) Valuation basis

Investment properties held by the Group were mainly revalued at the end of 2019 and 2018 based on valuations performed by independent qualified valuer, Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("JLL"). JLL is an industry specialist in investment property valuation, who has appropriate qualification and recent experience in the valuation of similar properties in the relevant locations.

The valuations are derived using the income capitalisation method. There were no changes to the valuation techniques.

As at December 31, 2019 and 2018, all of the Group's investment properties were within level 3 of the fair value hierarchy as the valuation were arrived at by reference to certain significant unobservable inputs.

The fair value gains are recognised in "other losses" of consolidated income statement.

As at December 31, 2019 and 2018, the directors:

- verified all major inputs to the independent valuation reports;
- assessed property valuation movements when compared to the prior year valuation reports;
- held discussion with the independent valuer.

18. Investment properties (Continued)

(b) Valuation basis (Continued)

The major key assumptions used by the directors in determining fair value for the year ended December 31, 2019 and 2018 were in the following ranges:

	Year ended December 31,	
	2019	2018
Capitalisation rate	**4.00–5.00%**	4.00–5.30%
Expected vacancy rate		
– Office	**3.00–4.00%**	4.00%
– Retail	**3.00–4.00%**	4.00%
– Car park	**5.00%**	5.00%
Prevailing market rents		
– Office (per sq.m. per month)	**RMB280–RMB530**	RMB330–RMB480
– Retail (per sq.m. per month)	**RMB120–RMB700**	RMB150–RMB570
– Car park (per spot per month)	**RMB890–RMB910**	RMB850–RMB900

The following tables show the sensitivity of the fair value of the investment properties to the key assumptions had the director's estimates to increase or decrease by 10%.

	Year ended December 31, 2019	
	Favourable change by 10% RMB'000	**Unfavourable change by 10% RMB'000**
Capitalisation rate	**755,779**	**(684,055)**
Expected vacancy rate	**36,926**	**(36,926)**

	Year ended December 31, 2018	
	Favourable change by 10% RMB'000	Unfavourable change by 10% RMB'000
Capitalisation rate	782,206	(701,951)
Expected vacancy rate	39,893	(39,893)

(c) Investment properties pledged as security

As at December 31, 2019, the investment properties with a fair value of RMB11,530 million and a net value of RMB216 million of owner-occupied part were pledged as collateral for the borrowings of RMB4,471 million. As at December 31, 2018, the investment properties with a fair value of RMB11,232 million and a net value of RMB341 of owner-occupied part were pledged as collateral for the borrowings of RMB1,190 million.

18. Investment properties (Continued)

(d) Leasing arrangements

Minimum lease payments under non-cancellable operating leases of investment properties not recognised in the financial statements are receivables as follows:

	Year ended December 31,	
	2019	2018
	RMB'000	*RMB'000*
Within one year	**724,489**	747,353
Later than one year but no later than 5 years	**892,506**	1,085,017
Later than 5 years	**2,043**	36,888
	1,619,038	1,869,258

19. Consumable biological assets

The balance of consumable biological assets of the Group by production stage is as follows:

	As at December 31, 2019
	RMB'000
Salmon and trout (sea water) *(a)*	**1,769,803**
Salmon and trout (fresh water)	**132,098**
	1,901,901
Less: current portion	**(1,615,243)**
Non-current portion	**286,658**

The consumable biological assets with a carrying amount of USD239 million (RMB1,667 million) were pledged as collateral for the borrowings of USD105 million (RMB730 million) as at December 31, 2019.

19. Consumable biological assets (Continued)

Changes in consumable biological assets during the year are as follows:

	From acquisition date to December 31, 2019 *RMB'000*
Acquisition of subsidiaries	**1,573,415**
Increase from fattening and production	**1,122,279**
Decrease from harvest (measured at cost)	**(809,556)**
Fair value adjustment *(b)*	**205,024**
Fair value decrease from harvests	**(211,038)**
Exchange adjustment	**21,777**
At the end of the year	**1,901,901**

	As at December 31, 2019 *Unit: Thousand*
Fresh water:	
Roe	**21,360**
Fry	**9,580**
Juvenile fish	**2,289**
	33,229
Sea water:	
Fish on fattening process	**25,323**
	58,552

19. Consumable biological assets (Continued)

(a) Biological assets in sea water and their fair value adjustments are as follows:

	As at December 31, 2019			
	Biomass *Ton*	**Production costs** *RMB'000*	**Fair value adjustment** *RMB'000*	**Carrying amount** *RMB'000*
Atlantic salmon	**37,129**	**1,138,819**	**166,057**	**1,304,876**
Coho salmon	**2,949**	**84,581**	**(27,771)**	**56,810**
Trout	**11,266**	**421,198**	**(13,081)**	**408,117**
	51,344	**1,644,598**	**125,205**	**1,769,803**

(b) The variation of fair value from growth of biological assets is as follows:

	From acquisition date to December 31, 2019 *RMB'000*
Atlantic salmon	**243,553**
Coho salmon	**(27,901)**
Trout	**(10,628)**
	205,024

(c) Breakdown by level

The biological assets measured at fair value of the Group are all at stage 3, estimated according to the method set out in Note 2.13.

20. Intangible assets

	Mining rights *RMB'000*	Trademarks *RMB'000*	Softwares *RMB'000*	Goodwill *RMB'000*	Patent and technology *RMB'000*	Aquaculture franchise and water right *RMB'000*	Customer relationships *RMB'000*	Others *RMB'000*	Total *RMB'000*
As at January 1, 2019									
Cost	597,736	10,511,050	10,238,101	38,292,475	13,598,775	–	10,776,871	1,054,898	85,069,906
Accumulated amortisation and impairment	(597,736)	(299,027)	(7,014,576)	(600,859)	(8,165,560)	–	(3,871,505)	(334,171)	(20,883,434)
Net book amount	–	10,212,023	3,223,525	37,691,616	5,433,215	–	6,905,366	720,727	64,186,472
For the year ended December 31, 2019									
Opening net book amount	–	10,212,023	3,223,525	37,691,616	5,433,215	–	6,905,366	720,727	64,186,472
Additions	–	10,848	1,671,854	–	1,892,072	–	–	75,276	3,650,050
Acquisition of subsidiaries	–	104,986	19,329	1,543,300	4,099	3,572,494	2,525	333,857	5,580,590
Exchange adjustment	–	117,061	52,151	429,138	17,524	52,747	111,842	(6,987)	773,476
Disposals	–	–	(9,093)	–	(6,001)	–	(9,783)	(10,272)	(35,149)
Disposal of subsidiaries	–	–	(59)	(19,329)	(3)	–	–	–	(19,391)
Amortisation charge	–	(7,836)	(1,122,119)	–	(1,804,445)	(315)	(1,018,396)	(161,535)	(4,114,646)
Closing net book amount	–	10,437,082	3,835,588	39,644,725	5,536,461	3,624,926	5,991,554	951,066	70,021,402
As at December 31, 2019									
Cost	597,736	10,719,476	12,077,670	40,201,001	15,729,266	3,625,241	10,952,275	1,457,409	95,360,074
Accumulated amortisation and impairment	(597,736)	(282,394)	(8,242,082)	(556,276)	(10,192,805)	(315)	(4,960,721)	(506,343)	(25,338,672)
Net book amount	–	10,437,082	3,835,588	39,644,725	5,536,461	3,624,926	5,991,554	951,066	70,021,402

20. Intangible assets (Continued)

	Mining rights	Trademarks	Softwares	Goodwill	Patent and technology	Customer relationships	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at January 1, 2018								
Cost	597,736	9,591,656	7,075,089	36,508,029	12,061,150	9,398,773	134,223	75,366,656
Accumulated amortisation and impairment	(597,736)	(292,013)	(5,017,024)	(815,700)	(6,209,564)	(2,860,557)	(39,357)	(15,831,951)
Net book amount	–	9,299,643	2,058,065	35,692,329	5,851,586	6,538,216	94,866	59,534,705
For the year ended December 31, 2018								
Opening net book amount	–	9,299,643	2,058,065	35,692,329	5,851,586	6,538,216	94,866	59,534,705
Additions	–	5,831	1,554,061	–	902,757	–	172,976	2,635,625
Acquisition of subsidiaries	–	1,067,666	535,974	2,709,116	12,830	996,631	515,242	5,837,459
Exchange adjustment	–	412,795	21,924	303,846	275,196	265,750	10,196	1,289,707
Disposals	–	–	(7,519)	–	(2,516)	–	(589)	(10,624)
Disposal of subsidiaries	–	(573,101)	(33,812)	(599,436)	–	–	(149)	(1,206,498)
Amortisation charge	–	(811)	(905,168)	–	(1,606,638)	(895,231)	(71,815)	(3,479,663)
Impairment loss	–	–	–	(414,239)	–	–	–	(414,239)
Closing net book amount	–	10,212,023	3,223,525	37,691,616	5,433,215	6,905,366	720,727	64,186,472
As at December 31, 2018								
Cost	597,736	10,511,050	10,238,101	38,292,475	13,598,775	10,776,871	1,054,898	85,069,906
Accumulated amortisation and impairment	(597,736)	(299,027)	(7,014,576)	(600,859)	(8,165,560)	(3,871,505)	(334,171)	(20,883,434)
Net book amount	–	10,212,023	3,223,525	37,691,616	5,433,215	6,905,366	720,727	64,186,472

Amortisation of RMB100 million and RMB216 million are included in the "cost of sales and services"; RMB54 million and RMB64 million in "selling and distribution expenses"; and RMB3,961 million and RMB3,200 million in "general and administrative expenses" in the consolidated income statement for the year ended December 31,2019 and 2018.

20. Intangible assets (Continued)

Impairment tests for goodwill and intangible assets with indefinite useful life

Management reviews the business performance based on type of business and monitor goodwill and intangible assets with indefinite useful lives at CGUs or groups of CGUs.

The carrying amount of goodwill and intangible assets with indefinite useful lives, less accumulated impairment charged, are presented below:

Groups of CGUs	**As at December 31, 2019**		As at December 31,2018	
	Goodwill *RMB'000*	**Intangible assets with indefinite useful life** *RMB'000*	Goodwill *RMB'000*	Intangible assets with indefinite useful life *RMB'000*
IT				
– PC and intellectual device business				
China	**7,144,526**	**1,453,986**	7,073,337	1,434,409
Europe/Middle East/Africa	**1,531,133**	**726,432**	1,544,220	719,092
Americas	**2,216,141**	**467,405**	2,189,361	459,834
Asia-Pacific region excluding China	**4,822,216**	**411,596**	4,565,966	404,929
– Mobility business				
Mature market	**4,688,006**	**1,374,608**	4,660,113	1,352,050
Emerging market	**6,250,675**	**1,834,444**	6,218,059	1,805,022
– Data center business				
China	**3,341,600**	**1,130,144**	3,260,020	1,111,838
Europe/Middle East/Africa	**620,882**	**216,262**	610,825	212,759
Americas	**2,441,670**	**858,073**	2,408,983	844,174
Asia-Pacific region excluding China	**1,109,216**	**376,715**	1,084,386	370,613
Agriculture and food				
– Salmon production and selling business	**1,388,137**	**3,713,071**	–	–
– Animal protein business	**681,618**	**–**	681,618	–
– Fruit business	**563,293**	**–**	582,622	–
– Semi-finished fresh business	**174,696**	**–**	174,696	–
– Seafood fishing and selling business	**441,824**	**93,686**	401,381	93,686
Innovative consumption and services				
– Education Service Business	**745,603**	**329,667**	752,496	329,667
– Comprehensive medical service business	**137,873**	**–**	137,873	–
Financial services				
– Banking	**1,083,245**	**1,062,908**	1,088,703	1,067,233
– Others	**232,776**	**–**	232,776	–
All others	**29,595**	**–**	24,181	–
	39,644,725	**14,048,997**	37,691,616	10,205,306

The Group completed the annual impairment test on goodwill and intangible assets with indefinite useful life for its various CGUs by comparing their recoverable amounts to the carrying amounts as at December 31, 2019. The recoverable amount of all CGUs is determined based on value-in-use calculations or fair value less disposal cost.

20. Intangible assets (Continued)

Impairment tests for goodwill and intangible assets with indefinite useful life (Continued)

As at December 31, 2019, the Group has performed goodwill impairment test on the animal protein business, because the business scale was still in the development stage, the fair value minus the disposal cost model was adopted to calculate the recoverable amount. The recoverable amount is determined by the observable in the active market and the control premiums in the reference market as the fair value, which are level 2 inputs in the valuation method. As the recoverable amount is more than the carrying amount, the Group haven't write down impairment for the animal protein business.

For the other business, the Group has adopt value in use model to calculate the recoverable amount. These calculations in value in model use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period with a terminal value related to the future cash flow of the CGU extrapolated using constant projections of cash flows beyond the five-year period, plus 0% to 3% (different levels of CGUs) sustainable growth rate as a constant benchmark expecting after five years cash flow, to make a conclusion for the ultimate value of future CGUs cash flow of each set. The estimated revenue growth rate used by the Group is consistent with those estimated in the industrial report and not exceeding the long-term average growth rate in the industry each CGU operates. The valuation results indicate that the recoverable amount of the remaining businesses is higher than the carrying amount, and no evidence of impairment is required.

The revenue growth rate and discount rate used for value in use calculations under the five-year financial budget period for CGUs with significant goodwill and intangible assets with indefinite useful lives are as follows:

	Goodwill			
Group of CGUs	**As at December 31, 2019**		As at December 31,2018	
	Growth rate	**Discount rate**	Growth rate	Discount rate
IT				
– PC and intellectual device business				
China	**-1.2%**	**9.0%**	-0.3%	9.0%
Europe/Middle East/Africa	**-0.9%**	**9.0%**	-0.6%	9.0%
Americas	**0.8%**	**9.0%**	-0.7%	9.0%
Asia-Pacific region excluding China	**-1.7%**	**9.0%**	-1.2%	9.0%
– Mobility business				
Mature market	**23.2%**	**11.0%**	19.7%	11.0%
Emerging market	**15.8%**	**11.0%**	13.1%	11.0%
– Data center business				
China	**26.2%**	**10.0%**	14.5%	10.0%
Europe/Middle East/Africa	**18.4%**	**10.0%**	10.2%	10.0%
Americas	**22.0%**	**10.0%**	11.9%	10.0%
Asia-Pacific region excluding China	**16.7%**	**10.0%**	11.8%	10.0%
Agriculture and food				
– Salmon production and selling business	**10.4%**	**10.2%**	–	–
– Fruit business	**11.1%**	**11.5%**	11.1%	11.5%
– Semi-finished fresh business	**10.3%**	**11.5%**	10.3%	11.5%
– Seafood fishing and selling business	**3.1%**	**9.6%**	5.2%	9.8%
Innovative consumption and services				
– Education services business	**11.3%**	**11.9%**	15.3%	12.7%
– Comprehensive healthcare services business	**10.8%**	**11.1%**	16.6%	12.7%
Financial service				
– Banking	**5.8%**	**10.0%**	5.8%	11.0%

20. Intangible assets (Continued)

Impairment tests for goodwill and intangible assets with indefinite useful life (Continued)

Management determines budgeted gross margin based on past performance and its expectations for market development. The budgeted revenue growth rates are based on the management expectations, and where appropriate, with adjustments made with reference to industry reports which are more conservative for the purpose of goodwill impairment test. The discount rate used by management are pre-tax and reflect the risks relating to relevant segments.

As at December 31, 2019, the board of directors held that, the Group had no other indication of goodwill impairment.

The Group has performed a sensitivity analysis on key assumptions used for the annual impairment test for goodwill. A reasonably possible change in key assumptions used in the impairment test for goodwill would not cause any CGU's carrying amount to exceed its respective recoverable amount.

21. Financial instruments by category

	Financial assets at amortised cost *RMB'000*	Assets at fair value through profit or loss *RMB'000*	Derivatives used for hedging *RMB'000*	Assets at fair value through other comprehensive income *RMB'000*	Total *RMB'000*
As at December 31, 2019					
Assets					
Financial assets at fair value through other comprehensive income	–	–	–	11,333,848	11,333,848
Derivative financial assets	–	2,257,028	625,363	–	2,882,391
Account and notes receivables	10,284,124	–	–	63,896,453	74,180,577
Loans to customers	130,205,782	–	–	–	130,205,782
Loans to credit institutions	7,415,812	–	–	–	7,415,812
Other financial assets at amortised cost	50,519,252	–	–	–	50,519,252
Other receivables and other current assets	31,790,839	–	–	–	31,790,839
Other non-current assets	9,747,676	–	–	–	9,747,676
Financial assets at fair value through profit or loss	–	19,890,851	–	–	19,890,851
Associates measured at fair value through profit or loss	–	17,404,859	–	–	17,404,859
Restricted deposits	9,075,991	–	–	–	9,075,991
Bank deposits	262,286	–	–	–	262,286
Cash and cash equivalents	62,339,559	–	–	–	62,339,559
	311,641,321	39,552,738	625,363	75,230,301	427,049,723

21. Financial instruments by category (Continued)

	Liabilities at fair value through profit or loss *RMB'000*	Derivatives used for hedging *RMB'000*	Financial liabilities at amortised cost *RMB'000*	Total *RMB'000*
Liabilities				
Borrowings	–	–	137,904,827	137,904,827
Amounts due to customers	–	–	148,334,561	148,334,561
Amounts due to credit institutions	–	–	24,195,550	24,195,550
Lease liabilities	–	–	4,103,549	4,103,549
Derivative financial liabilities	2,354,218	2,950,943	–	5,305,161
Trade and notes payables	–	–	73,068,967	73,068,967
Other payables	816,257	–	68,616,788	69,433,045
Other non-current liabilities	–	–	8,879,044	8,879,044
Financial liabilities at fair value through profit or loss	10,199,167	–	–	10,199,167
	13,369,642	2,950,943	465,103,286	481,423,871

21. Financial instruments by category (Continued)

	Financial assets at amortised cost RMB'000	Assets at fair value through profit or loss RMB'000	Derivatives used for hedging RMB'000	Assets at fair value through other comprehensive income RMB'000	Total RMB'000
As at December 31, 2018					
Assets					
Financial assets at fair value through other comprehensive income	–	–	–	12,892,038	12,892,038
Derivative financial assets	–	2,091,986	513,170	–	2,605,156
Account and notes receivables	9,103,804	–	–	45,085,342	54,189,146
Loans to customers	120,396,139	–	–	–	120,396,139
Loans to credit institutions	6,333,248	–	–	–	6,333,248
Other financial assets at amortised cost	39,894,483	–	–	–	39,894,483
Other receivables and other current assets	33,374,312	–	–	–	33,374,312
Other non-current assets	7,903,460	–	–	–	7,903,460
Financial assets at fair value through profit or loss	–	20,604,143	–	–	20,604,143
Associates measured at fair value through profit or loss	–	18,069,535	–	–	18,069,535
Restricted deposits	6,504,353	–	–	–	6,504,353
Bank deposits	333,304	–	–	–	333,304
Cash and cash equivalents	60,023,193	–	–	–	60,023,193
	283,866,296	40,765,664	513,170	57,977,380	383,122,510

	Liabilities at fair value through profit or loss RMB'000	Derivatives used for hedging RMB'000	Financial liabilities at amortised cost RMB'000	Total RMB'000
Liabilities				
Borrowings	–	–	128,225,097	128,225,097
Amounts due to customers	–	–	135,435,591	135,435,591
Amounts due to credit institutions	–	–	23,116,725	23,116,725
Derivative financial liabilities	2,712,748	1,743,776	–	4,456,524
Trade and notes payables	–	–	59,786,285	59,786,285
Other payables	–	–	63,177,372	63,177,372
Other non-current liabilities	788,415	–	6,812,030	7,600,445
Financial liabilities at fair value through profit or loss	7,333,447	–	–	7,333,447
	10,834,610	1,743,776	416,553,100	429,131,486

22. Financial assets at fair value through other comprehensive income

The financial assets at fair value through other comprehensive income of the Group are as follows:

	As at December 31,	
	2019	2018
	RMB'000	*RMB'000*
Listed equity securities:		
Equity securities – China	**–**	421,457
Equity securities – HK	**66,992**	72,528
Equity securities – Japan	**154,565**	132,501
Market value of listed equity securities	**221,557**	626,486
Unlisted equity securities	**2,275,609**	1,022,541
Listed debt securities:		
Debt securities – China	**239,124**	–
Debt securities – Europe	**7,625,055**	9,736,992
Debt securities – US	**485,972**	677,005
Debt securities – Others	**486,531**	829,014
Market value of listed equity securities	**8,836,682**	11,243,011
Total	**11,333,848**	12,892,038
Less: Current portion	**(364,768)**	(693,949)
Non-current portion	**10,969,080**	12,198,089

23. Derivative financial instruments

	As at December 31,	
	2019	2018
	RMB'000	*RMB'000*
Derivative financial assets		
Derivatives held for trading	**2,257,028**	2,091,986
Derivatives designated as fair value hedges	**383,755**	131,494
Derivatives designated as cash flow hedges	**31,932**	155,952
Others	**209,676**	225,724
	2,882,391	2,605,156
Less: Current portion	**(2,377,292)**	(2,147,800)
Non-current portion	**505,099**	457,356
Derivative financial liabilities		
Derivatives held for trading	**2,354,218**	2,712,748
Derivatives designated as fair value hedges	**2,648,691**	1,528,649
Derivatives designated as cash flow hedges	**294,197**	179,167
Others	**8,055**	35,960
	5,305,161	4,456,524
Less: Current portion	**(2,786,684)**	(2,490,615)
Non-current portion	**2,518,477**	1,965,909

24. Other non-current assets

Other non-current assets primarily include long-term receivable and loans to third parties arising from finance lease in Financial Service segment.

The other non-current assets with a carrying amount of RMB835 million were pledged as collateral for the borrowings of RMB605 million as at December 31, 2019.

25. Accounts and notes receivables

	As at December 31,	
	2019	2018
	RMB'000	*RMB'000*
Trade receivables	**68,327,059**	50,108,204
Notes receivables	**674,195**	343,619
Receivables arising from finance leases	**6,052,222**	4,520,196
Less: provision for impairment	**(872,899)**	(782,873)
Account and notes receivables – net	**74,180,577**	54,189,146

As at December 31, 2019 and 2018, the ageing analyses of the trade receivables based on invoice date were as follows:

	As at December 31,	
	2019	2018
	RMB'000	*RMB'000*
Up to 3 months	**63,806,776**	44,399,383
3 to 6 months	**3,451,460**	3,791,071
6 months to 1 year	**692,826**	1,380,745
1 to 2 years	**70,697**	224,844
2 to 3 years	**85,900**	54,601
Over 3 years	**219,400**	257,560
	68,327,059	50,108,204

As at December 31, 2019 and 2018, accounts and notes receivables with a net amount of RMB1,062 million and RMB3,212 million were used as collateral for borrowings of RMB637 million and RMB2,593 million.

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

25. Accounts and notes receivables (Continued)

Movements on the provision for impairment of accounts and notes receivables are as follows:

	Year ended December 31,	
	2019	2018
	RMB'000	*RMB'000*
At beginning of the year	**(782,873)**	(844,626)
Exchange adjustment	**(30,258)**	(29,041)
Provision made	**(388,004)**	(374,598)
Uncollectible receivable written off	**115,568**	47,617
Unused amounts reversed	**212,668**	417,775
At end of the year	**(872,899)**	(782,873)

The carrying amounts of accounts and notes receivables approximate their fair values. The maximum exposure to credit risk at the balance sheet date is the fair value of each class of receivables mentioned above.

Credit terms of Lenovo granted to the customers is around 0–120 days while other subsidiaries do not have specific credit terms.

26. Prepayment, other receivables and other current assets

	As at December 31,	
	2019	2018
	RMB'000	*RMB'000*
Receivables from parts subcontractors	**12,285,245**	14,489,453
Prepayments	**13,171,594**	16,631,352
Prepaid tax	**6,180,642**	6,134,809
Amounts due from related parties *(Note 57 (c))*	**2,632,897**	1,516,283
Advance to suppliers	**3,580,451**	1,683,037
Deposits receivable	**431,472**	451,713
Advance to employees	**79,198**	80,513
Adjustment for in-transit products	**255,667**	175,577
Interest receivable	**352,532**	368,137
Others	**4,978,944**	2,238,910
	43,948,642	43,769,784
Less: provision for impairment	**(256,805)**	(113,151)
	43,691,837	43,656,633

27. Loans to customers

Loan balances are loans derive from the subsidiaries of the Group which engages in the loans business.

	As at December 31,	
	2019	2018
	RMB'000	*RMB'000*
Banking service*(i)*	**117,520,588**	107,589,811
Other service*(ii)*	**15,765,380**	15,850,477
Total	**133,285,968**	123,440,288
Less: allowances for impairment loss *(iii)*	**(3,080,186)**	(3,044,149)
Net loans to customers	**130,205,782**	120,396,139
Less: current portion	**(47,993,361)**	(53,518,460)
Non-current portion	**82,212,421**	66,877,679

(i) Banking service：

	As at December 31,	
	2019	2018
	RMB'000	*RMB'000*
On demand and short notice	**2,718,353**	4,778,625
Finance leases	**1,394,123**	1,302,106
Other term loans	**113,408,112**	101,509,080
Total	**117,520,588**	107,589,811
Less: allowances for impairment loss		
—Stage 1	**(265,984)**	(161,038)
—Stage 2	**(96,101)**	(132,657)
—Stage 3	**(1,752,309)**	(1,811,671)
Total allowances for impairment loss	**(2,114,394)**	(2,105,366)
Net loans to customers	**115,406,194**	105,484,445

27. Loans to customers (Continued)

(ii) Other service：

	As at December 31, 2019 RMB'000	As at December 31, 2018 RMB'000
Direct loans and pawn loans to customers	**13,286,056**	14,852,525
Entrusted loans to customers	**2,479,324**	997,952
Total	**15,765,380**	15,850,477
Less: allowances for impairment loss		
—Stage 1	**(330,518)**	(327,676)
—Stage 2	**(175,336)**	(131,820)
—Stage 3	**(459,938)**	(479,287)
Total allowances for impairment loss	**(965,792)**	(938,783)
Net loans to customers	**14,799,588**	14,911,694

(iii) Impairment loss provision

	Stage 1	Stage 2	Stage 3	Total
As at January 1, 2018	(420,655)	(97,389)	(428,251)	(946,295)
Provision made	(95,141)	(43,887)	(839,994)	(979,022)
Unused amounts reversed	114,751	11,846	374,265	500,862
Transfer of stages, write-off and disposal	56,257	(25,693)	587,552	618,116
Acquisition of subsidiaries	(140,430)	(106,525)	(1,917,263)	(2,164,218)
Exchange adjustment	(3,496)	(2,829)	(67,267)	(73,592)
As at December 31, 2018	(488,714)	(264,477)	(2,290,958)	(3,044,149)

	Stage 1	**Stage 2**	**Stage 3**	**Total**
As at January 1, 2019	**(488,714)**	**(264,477)**	**(2,290,958)**	**(3,044,149)**
Provision made	**(340,581)**	**(265,031)**	**(369,176)**	**(974,788)**
Unused amounts reversed	**197,914**	**240,381**	**327,746**	**766,041**
Transfer of stages, write-off and disposal	**36,035**	**17,142**	**124,160**	**177,337**
Exchange adjustment	**(1,156)**	**548**	**(4,019)**	**(4,627)**
As at December 31, 2019	**(596,502)**	**(271,437)**	**(2,212,247)**	**(3,080,186)**

28. Loans to credit institutions

	As at December 31,	
	2019	2018
	RMB'000	*RMB'000*
Cash collateral	**3,484,065**	2,534,071
Loans and other advances	**3,932,416**	3,799,621
Total	**7,416,481**	6,333,692
Less: allowances for impairment loss		
– stage 1	**(135)**	(273)
– stage 2	**(534)**	(171)
– stage 3	**–**	–
Total allowances for impairment loss	**(669)**	(444)
Net loans to credit institutions	**7,415,812**	6,333,248
Less: Current portion	**(6,725,571)**	(3,734,588)
Non-current portion	**690,241**	2,598,660

29. Other financial assets at amortised cost

	As at December 31,	
	2019	2018
	RMB'000	*RMB'000*
Bonds issued by public bodies	**29,313,762**	24,721,413
Other bonds and fixed-income instruments	**21,320,889**	15,242,231
Total	**50,634,651**	39,963,644
Less: allowances for impairment loss		
– stage 1	**(12,193)**	(8,439)
– stage 2	**(4,993)**	(3,946)
– stage 3	**(98,213)**	(56,776)
Total allowances for impairment loss	**(115,399)**	(69,161)
Net other financial assets at amortised cost	**50,519,252**	39,894,483
Less: Current portion	**(2,466,904)**	(1,712,559)
Non-current portion	**48,052,348**	38,181,924

30. Inventories

	As at December 31,	
	2019	2018
	RMB'000	*RMB'000*
Raw materials	**17,699,478**	14,860,465
Work in progress	**63,696**	74,947
Finished goods	**9,149,175**	8,770,023
Service parts	**3,086,310**	3,980,278
Others	**167,422**	176,290
	30,166,081	27,862,003

31. Properties under development

	As at December 31,	
	2019	2018
	RMB'000	*RMB'000*
At beginning of the year	**439,355**	547,053
Additions	**217,319**	294,575
Disposals/transfers to property, plant and equipment	**–**	(402,273)
At end of the year	**656,674**	439,355
Properties under development comprise:		
Land use rights	**16,455**	16,455
Construction costs and capitalised expenditure	**640,219**	422,900
	656,674	439,355

As at December 31, 2019 and 2018, no properties under development were pledged as collateral for borrowings.

32. Financial assets at fair value through profit or loss

	As at December 31,	
	2019	2018
	RMB'000	*RMB'000*
Listed equity securities:		
Equity securities – HK	**523,940**	458,916
Equity securities – China	**1,263,022**	1,629,327
Equity securities – Europe	**160,897**	143,134
Equity securities – US	**373,657**	590,000
Market value of listed equity securities	**2,321,516**	2,821,377
Unlisted equity securities	**14,580,474**	14,138,495
Listed debt securities:		
Debt securities – HK	**142,714**	–
Debt securities – China	**668,902**	220,540
Debt securities – Europe	**488,952**	988,455
Market value of listed debt securities	**1,300,568**	1,208,995
Unlisted debt securities	**1,688,293**	2,435,276
Total	**19,890,851**	20,604,143
Less: non-current portion	**(8,394,224)**	(8,210,584)
Current portion	**11,496,627**	12,393,559

The fair value of listed equity and debt securities are based on their current bid prices in an active market while the fair value of unlisted equity and debt securities are estimated by management using valuation techniques where applicable.

Changes in fair values of financial assets at fair value through profit or loss are recorded in "investment income and gains" in the consolidated income statement.

33. Restricted deposits, bank deposits, cash and cash equivalents

	As at December 31,	
	2019	2018
	RMB'000	*RMB'000*
Restricted deposits		
Deposits for guarantee business	**385,660**	345,942
Deposits for notes payables and borrowings	**726,000**	879,604
Other restricted deposits	**7,964,331**	5,278,807
– Cash and balances with central banks of the country of the subsidiaries (mandatory reserves)	**7,376,236**	4,312,155
– Others	**588,095**	966,652
	9,075,991	6,504,353
Bank deposits		
Matured between three to twelve months	**262,286**	333,304
Cash and cash equivalents		
Cash at bank and in hand	**37,509,199**	31,503,750
Cash and balances with central banks of the country of the subsidiaries (other than mandatory reserves)	**19,817,571**	19,985,998
Loans and advances to credit institutions	**1,889,593**	3,229,953
Money market funds	**3,123,196**	5,303,492
	62,339,559	60,023,193
Total	**71,677,836**	66,860,850
Maximum exposure to credit risk	**71,677,836**	66,860,850
Effective annual interest rates	**0% – 4.5%**	0% – 6.5%

34. Share-based payments

The Group operates several share-based payment schemes, including the long-term incentive program administrated at Lenovo and the share award plan operated by the Company in exchange of services rendered by employees.

(a) Share-based payment plans of Lenovo

(I) Long-term incentive program

A performance-related long-term incentive program was approved by Lenovo on May 26, 2005 for the purpose of rewarding and motivating directors, executives and top-performing employees of Lenovo and its subsidiaries (the "Participants").

The long-term incentive program is designed to enable Lenovo to attract and retain the best available personnel, and encourage and motivate Participants to work towards enhancing the value of Lenovo and its shares by aligning their interests with those of the shareholders of Lenovo.

Under the long-term incentive program, Lenovo may grant awards, at its discretion, using any of the two types of equity-based compensation: (i) share appreciation rights and (ii) restricted share units, which are described below:

(i) Share Appreciation Rights ("SARs")

An SAR entitles the holder to receive the appreciation in value of Lenovo's share price above a predetermined level.

(ii) Restricted Share Units ("RSUs")

An RSU equals to the value of one ordinary share of Lenovo. Once vested, an RSU is converted to an ordinary share.

Under the two types of compensation, Lenovo reserves the right, at its discretion, to pay the award in cash or ordinary shares of Lenovo.

Lenovo 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 Lenovo purchased through qualified employee contributions. The matching restricted share units are subject to a vesting schedule of up to two years. Executive and non-executive directors and senior management of the Lenovo are not eligible to participate in the Plan.

34. Share-based payments (Continued)

(a) Share-based payment plans of Lenovo (Continued)

(I) Long-term incentive program (Continued)

Movements in the number of units of awards granted for the year ended December 31, 2019 and 2018 and their related weighted average fair values are as follows:

	Number of units	
	SARs	**RSUs**
Outstanding as at January 1, 2018	735,095,735	474,533,873
Granted during the year	698,005,185	410,030,471
Vested during the year	(337,092,960)	(202,124,622)
Lapsed/cancelled during the year	(71,029,140)	(61,636,560)
Outstanding as at December 31, 2018	1,024,978,820	620,803,162
Granted during the year	**766,185,239**	**300,071,243**
Vested during the year	**(559,822,781)**	**(331,528,036)**
Lapsed/cancelled during the year	**(43,342,677)**	**(43,178,761)**
Outstanding as at December 31, 2019	**1,187,998,601**	**546,167,608**

	Number of units	
	SARs	**RSUs**
Average fair value per unit (HKD)		
At December 31, 2019	**0.79**	**5.13**
At December 31, 2018	0.74	4.46

The fair values of the SARs awarded under the long-term incentive program were calculated by applying a Black-Scholes pricing model. For the year ended December 31, 2019 and 2018, the model inputs were the fair value (i.e. market value) of the Lenovo's shares at the grant date, taking into account the expected volatility of 28.83% and 31.47% expected dividends rate during the vesting periods of 6.03% and 5.49% contractual life of 4.4 years and 4.4 years, and a risk-free interest rate of 1.72% and 1.85%.

As at December 31, 2019 and 2018, the average remaining vesting period of the awards granted under the above long-term incentive plans for Lenovo is 1.91 years and 1.23 years.

34. Share-based payments (Continued)

(b) Share incentive plan of the Company

(I) Share incentive plan in 2011

The Company approved and implemented a share-based payment plan in 2011, under which the Company's shareholder China Oceanwide Holdings Group Co., Ltd, (中國泛海控股集團有限公司)(the "China Oceanwide") would transfer certain shares in the Company to the Company's employees in 2011, representing 18.50% of the total issued and outstanding shares at February 18, 2014 upon conversion of the Company into a joint stock limited company, as if such shares had been outstanding for all periods. The related consideration for purchasing the shares will be paid to China Oceanwide by the employees within three years as an interest free loan.

A portion representing 17.14% of the total issued and outstanding shares of the Company was granted to certain qualified employees in 2011, at a price of RMB6.23 per share while the rest of 1.36% of the total issued and outstanding shares were granted to employees in 2013 at a price of RMB9.25 per share. A part of awards granted to eligible employees were vested immediately upon the grant, a part of awards will be vested on the date of Initial Public Offering, and the others are conditional on the employees completing requisite service period.

These awards are classified as equity-settled share-based payment.

Movements in the number of shares granted for the year ended December 31, 2019 and 2018 are as follows:

	Number of shares
Outstanding as at January 1, 2018	4,352,000
Granted during the year	–
Exercised during the year	(2,643,000)
Forfeited during the year	–
Outstanding as at December 31, 2018	1,709,000
Granted during the year	**–**
Exercised during the year	**(855,000)**
Forfeited during the year	**–**
Outstanding as at December 31, 2019	**854,000**

The remaining service period of the awards granted under the Company's above incentive plan as at December 31, 2019 and 2018 is 0.50 year and 1.50 years, respectively.

34. Share-based payments (Continued)

(b) Share incentive plan of the Company (Continued)

(II) Share options plan in 2016

In order to establish and enhance the restricted mechanism for incentive scheme in the medium and long run, fully motivate elite and employees of the Company and attract and retain core value creators (the "Plan Participants"), annual general meeting of the Company voted and approved the restricted stock incentive plan(the "Plan") by special resolution on June 2, 2016. According to the Plan, the Company will entrust the custodian to purchase no more than 20 million H shares of the Company in the market as an incentive target, which is valid for 5 years.

The Plan Participants do not required to make any cash contribution when the shares are granted. The ownership will be attributed to the Plan Participants after the Company's strategic moments (2018 and 2020) respectively.

In 2019 and 2018, the Company does not purchase any shares of the Company from the market. As of December 31, 2019, the Company has entrusted the custodian to purchase 19,200,000 shares of the Company from the market at a total consideration of approximately RMB328 million, which has been deducted from "shares held for share scheme" under Reserves.

Movements in the number of shares granted for the year ended December 31, 2019 and 2018 are as follows:

	Number of shares
Outstanding as at January 1, 2018	11,981,000
Granted during the year	860,000
Exercised during the year	–
Forfeited during the year	(700,000)
Outstanding as at December 31, 2018	12,141,000
Granted during the year	520,000
Exercised during the year	(6,201,000)
Forfeited during the year	(1,221,000)
Outstanding as at December 31, 2019	5,239,000

The remaining service period of the awards granted under the Company's above incentive plan as at December 31, 2019 and 2018 is 1.00 year and 2.00 years, respectively.

34. Share-based payments (Continued)

(b) Share incentive plan of the Company (Continued)

(III) 2019 Medium and Long-Term Incentive Plan

On June 13, 2019, the annual general meeting of the Company voted and approved the restricted share incentive plan and the share option incentive plan, aiming to establish and improve the incentive and restraint mechanism for the Company, and to attract, retain and motivate the Company's senior management members and key business personnel (the "incentive targets") to create corporate value and to share its value growth, thereby effectively combining shareholders' interests and the Company's interests with personal interests, so as to better support the effective implementation of the Company's strategic objectives, and ensure the long-term stable development of the Company.

According to the relevant plan, the Company will entrust the custodian to purchase certain numbers of H Shares from the market for granting to the incentive targets. Under the restricted share incentive plan, the total amount of H shares to be granted to the incentive targets will not exceed 7.6 million H shares. Under the share option incentive plan, the total number of share options to be granted to the incentive targets will not exceed 15 million H shares. Each share option has the right to purchase one share of the Company at the agreed exercise price within the validity period, subject to the exercise conditions.

In 2019, the Company entrusted the custodian to purchase 8,777,900 shares of the Company from the market at a total consideration of approximately RMB135 million, which would be deducted from "shares held for share scheme" under Reserves. The shares are held by a trust.

A. Restricted share incentive plan

The lock-up period of restricted shares starts from the date the restricted shares have been granted to the incentive targets till December 31, 2020.

The Plan Participants do not required to make any cash contribution when the shares are granted. The ownership is determined by the authorized personnel of the Board or the Remuneration Committee of the Board (as the case may be) whether vesting may occur according to the vesting conditions from January 1, 2021.

Movements in the number of shares granted for the year ended December 31, 2019 are as follows:

	Number of shares
Outstanding as at January 1, 2019	–
Granted during the year	6,900,000
Exercised during the year	–
Forfeited during the year	–
Outstanding as at December 31, 2019	6,900,000

The remaining service period of the awards granted under the Company's above incentive plan as at December 31, 2019 is 1.00 year.

34. Share-based payments (Continued)

(b) Share incentive plan of the Company (Continued)

(III) 2019 Medium and Long-Term Incentive Plan (Continued)

B. *Share options incentive plan*

The Share options are valid from the date of granting of Share options to the incentive targets to December 31, 2025. The lock-up period of Share Options starts from the date of granting Share options to incentive targets to December 31, 2020.

After the expiration of Share options lock-up period, the Board or the Remuneration Committee of the Board (as the case may be) may decide whether the incentive targets have the right to exercise the Share options granted to them according to the exercise conditions from January 1, 2021 to December 31, 2025.

The incentive targets may acquire the H Shares corresponding to the Share options after payment of the exercise prices through the Company or the custodians selected by the Company.

Movements in the number of share options granted for the year ended December 31, 2019 are as follows:

	Average exercise price of unit option	Number of options
Outstanding as at January 1, 2019	–	–
Granted during the year	2.68	13,500,000
Vested during the year	–	–
Lapsed/canceled during the year	–	–
Outstanding as at December 31, 2019	2.68	13,500,000
Available on 31 December 2019	–	–

The remaining service period of the share options granted under the Company's above incentive plan as at December 31, 2019 is 1.00 year.

Fair value of share options

The Company calculates the fair value of the share options as at the grant date by applying a Black-Scholes pricing model and the key inputs are as follows:

Risk-free interest rate	1.09%
Expected volatility of stock price	22.40%
Expected dividend yield	2.03%
Expected due date	December 31, 2025

As at December 31, 2019, the fair value of per share options granted is RMB2.68.

34. Share-based payments (Continued)

(c) For the year ended December 31, 2019 and 2018, the share-based payment expenses of RMB1,802 million and RMB1,454 million were recognised in the consolidated income statement.

35. Share Capital

	As at December 31, 2019		As at December 31, 2018	
	Number of shares	**Share capital**	Number of shares	Share capital
		RMB'000		*RMB'000*
Ordinary shares issued and fully paid	2,356,230,900	2,356,231	2,356,230,900	2,356,231
— H shares	1,271,853,990	1,271,854	1,271,853,990	1,271,854
— Domestic shares	1,084,376,910	1,084,377	1,084,376,910	1,084,377

36. Perpetual Securities

During 2017, Lenovo issued a total of USD1,000 million perpetual securities through its wholly owned subsidiary, Lenovo Perpetual Securities Limited ("the issuer"), the net proceed amounted to approximately USD991 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 Lenovo's discretion, if the issuer and Lenovo 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, they are classified as equity and for accounting purpose regarded as part of non-controlling interests.

At November 14, 2019, BIL issued a total of EUR175 million Fixed Rate Resettable Callable Perpetual Additional Tier 1 Capital Notes (the "Notes") which were admitted to trading on a regulated market in the European Economic Area ("EEA") and/or offered to the public other than any retail investors in the EEA. The annual coupon rate of the Notes for the first 6 years is 5.25%, resetting every 5 years thereafter. Interest is payable semi annually in arrear on 14 May and 14 November of each year commencing on May 14, 2020, the Notes were used to strengthen BIL's Additional Tier 1 capital. As of December 31, 2019, issuance of the Notes has been completed, the net proceed amounted to approximately RMB1,380 million.

As (a) BIL may elect, at its sole and absolute discretion, to cancel in whole or in part the payment of interest on the Notes and may pay dividends on its ordinary shares notwithstanding such cancellation (b) The Notes have no fixed maturity, noteholders do not have the right to call for their redemption and BIL may, at its option, redeem the Notes at any time in the six months prior to and including November 14, 2025 or on any interest payment date thereafter, the Notes do not contain any contractual obligation to pay cash or other financial assets, and are classified as a component of non-controlling interests within Equity for accounting purpose.

37. Trade and notes payables

	As at December 31,	
	2019	2018
	RMB'000	*RMB'000*
Trade payables	**63,621,683**	52,045,304
Notes payables	**9,447,284**	7,740,981
	73,068,967	59,786,285

At December 31, 2019 and 2018, the ageing analyses of the trade payables based on invoice date were as follows:

	As at December 31,	
	2019	2018
	RMB'000	*RMB'000*
0–30 days	**37,318,099**	29,580,268
31–60 days	**14,777,989**	12,444,220
61–90 days	**6,861,640**	7,156,613
91 days–1 year	**4,552,263**	2,834,164
Over 1 year	**111,692**	30,039
	63,621,683	52,045,304

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

38. Deferred revenue

Deferred revenue are advance received for extend warranty from our customers in IT segment.

39. Other payables and accruals

	As at December 31,	
	2019	2018
	RMB'000	*RMB'000*
Payable to parts subcontractors	**32,479,903**	35,535,199
Allowance for billing adjustment *(i)*	**14,402,853**	11,894,406
Accrued expenses	**8,477,974**	7,945,518
Payroll payable	**5,683,132**	4,562,599
Other taxes payable	**3,401,064**	3,255,364
Transferred loans to be redeemed	**2,651,587**	627,327
Amounts due to related parties *(ii)*	**961,906**	327,751
Contingent consideration *(iii)*	**816,257**	213,967
Social security payable	**809,281**	694,979
Deposits payable	**779,600**	740,795
Interest payable	**770,850**	635,765
Royalty payable	**629,860**	678,242
Deferred consideration *(iii)*	**437,373**	434,836
Others	**10,661,097**	8,485,049
	82,962,737	76,031,797

(i) Allowance for billing adjustment relates primarily to allowances for future volume discounts, price protection, rebates and customer sales returns.

(ii) As at December 31, 2019 and 2018, the amounts due to related parties are unsecured and interest-free.

(iii) Pursuant to the completion of business combinations, the Group is required to pay in cash to the then respective shareholders/sellers contingent consideration and deferred consideration according to the relevant conditions in contracts reached with the respective shareholders/sellers, as Note 41(a).

40. Advances from customers

Advances from customers represent amounts received from sale of properties and inventories, where the control of the inventory sold had not yet been transferred as at year-end.

41. Other non-current liabilities

	As at December 31,	
	2019	2018
	RMB'000	*RMB'000*
Deferred considerations *(a)*	**174,907**	172,074
Contingent considerations *(a)*	**–**	788,415
Government incentives and grants received in advance (b)	**804,662**	694,875
Written put option liability *(c)*	**6,913,037**	5,335,493
Deferred rent liabilities	**–**	425,045
Long-term payables	**2,460,697**	1,742,374
Others	**731,762**	948,029
	11,085,065	10,106,305

(a) Deferred considerations and contingent considerations

Pursuant to the completion of a business combination, the Group is required to pay in cash to the then respective shareholders/sellers contingent considerations and deferred considerations with reference to certain performance indicators as written in the respective agreements with those then shareholders/sellers. The contingent considerations are subsequently re-measured as a result of change in the expected performance at each balance sheet date, with any resulting gain or loss recognized in the consolidated income statement. Deferred consideration is subsequently carried at amortised cost.

As at December 31, 2019 and 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 respective shareholders/sellers under the arrangements are as follows:

	As at December 31,	
	2019	2018
Joint venture with NEC Corporation	**USD25 million**	USD25 million
Fujitsu Limited ("Fujitsu")	**JPY2.55 billion to JPY12.75 billion**	JPY2.55 billion to JPY12.75 billion
Hebei Hengshui Laobaigan	**Nil to RMB530 million**	Nil to RMB530 million
Precision Capital S.A.	**EUR47 million**	Nil to EUR79 million

As at December 31, 2019, contingent consideration has been reclassified as a current liability due to maturity within one year (Note 39).

41. Other non-current liabilities (Continued)

(b) Government incentives and grants received in advance

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 fulfil certain conditions under the terms of the government incentives and grants. Government incentives and grants are credited to the consolidated income statement upon fulfilment of those conditions. Government incentives and grants relating to assets are credited to the consolidated income statement on a straight-line basis over the expected lives of the related assets.

(c) Written put option liability

The financial liability that may become payable under the put option is initially recognized at present value of redemption within other non-current liabilities with a corresponding charge directly to equity. The put option liability shall be re-measured with any resulting gain or loss recognized in the consolidated income statement at each balance sheet date. In the event that the put option lapses unexercised, the liability will be derecognized with a corresponding adjustment to equity.

(1) Pursuant to the joint venture agreement entered into between Lenovo and Fujitsu, Lenovo and Fujitsu are respectively granted call and put options which entitle Lenovo to purchase from Fujitsu and Development Bank of Japan ("DBJ"), or Fujitsu and DBJ to sell to Lenovo, 49% interest in Fujitsu Client Computing Limited. Both options will be exercisable following the fifth anniversary of the date of completion (after May 2, 2023). 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.

Pursuant to the option agreement entered into between a wholly-owned subsidiary of Lenovo and Hefei Yuan Jia Start-up Investment LLP ("Yuan Jia"), which holds 99.31% interest in Hefei Zhi Ju Sheng Bao Equity Investment Co., Ltd. (合肥智聚晟寶股權投資有限公司,"ZJSB"), Lenovo and Yuan Jia are respectively granted call and put options which entitle Lenovo to purchase from Yuan Jia, or Yuan Jia to sell to Lenovo, the 99.31% interest in ZJSB. The call and put options will be exercisable at any time after August 31, 2022 and August 31, 2021 respectively. The exercise price for the call and put options will be determined in accordance with the joint venture agreement, and up to a maximum of RMB2,300 million (approximately USD334 million).

(2) Pursuant to the contract of Chinese foreign equity joint venture ("the Contract") entered into between the Company, Joyvio Group and Saturn Agriculture Investment Co., Limited("Saturn"), the Company granted Saturn the put option which entitles Saturn to sell its whole or a part of interest in Joyvio Group ("the put option"), upon the occurrence of certain conditions specified in the Contract. The exercise price for the put option will be determined in accordance with the contract and up to maximum of RMB1.55 billion.

42. Amount due to credit institutions

	As at December 31,	
	2019	2018
	RMB'000	*RMB'000*
On demand	**3,209,270**	3,733,211
Term	**4,295,969**	3,171,735
Cash collateral	**509,767**	451,272
Repurchase agreement operations	**4,790,831**	4,325,915
Central bank of the country of subsidiary	**5,538,989**	5,456,082
Others	**5,850,724**	5,978,510
Total	**24,195,550**	23,116,725
Less: Non-current portion	**(4,235,307)**	(6,275,997)
Current portion	**19,960,243**	16,840,728

(a) Analysis by nature

	As at December 31,	
	2019	2018
	RMB'000	*RMB'000*
Unsecured	**13,947,691**	13,349,976
Collateralised	**10,247,859**	9,766,749
	24,195,550	23,116,725

(b) The carrying amounts of the Group's amount due to credit institutions are denominated in the following currencies:

	As at December 31,	
	2019	2018
	RMB'000	*RMB'000*
EUR	**12,753,408**	12,482,157
USD	**9,569,931**	8,348,460
CHF	**693,462**	1,014,747
GBP	**573,285**	554,579
Others	**605,464**	716,782
	24,195,550	23,116,725

Amount due to credit institutions are from the Company's subsidiary, BIL, which is engaged in banking business.

43. Amount due to customers

	As at December 31,	
	2019	2018
	RMB'000	*RMB'000*
Demand deposits	**86,307,541**	81,258,847
Savings deposits	**27,145,445**	27,213,839
Term deposits	**34,471,523**	26,894,923
Cash collateral	**410,052**	67,982
Total	**148,334,561**	135,435,591
Less: Non-current portion	**(4,634,959)**	(4,233,726)
Current portion	**143,699,602**	131,201,865

Amount due to customers are from the Company's subsidiary, BIL, which is engaged in banking business.

44. Financial liabilities at fair value through profit or loss

	As at December 31,	
	2019	2018
	RMB'000	*RMB'000*
Debt instruments *(i)*	**7,216,473**	6,532,447
Accept preferred shares injection *(ii)(iii)*	**2,982,694**	801,000
Total	**10,199,167**	7,333,447
Less: current portion	**(2,044,184)**	(2,112,274)
Non-current portion	**8,154,983**	5,221,173

(i) BIL primarily uses the fair value option (FVO) to designate such liability as financial liability at fair value through profit or loss to eliminate or at least significantly reduce the measurement or recognition inconsistency (also known as the accounting mismatch) that would arise from measuring financial assets or liabilities or recognising the gains and losses on these assets and liabilities on a different basis. The fair value of unlisted financial instruments was determined using pricing tools and procedures established by BIL. These pricing tools are discounted cash flow models that allow the current value to be determined on the basis of an interest rate curve that is applicable to similar securities and takes into account BIL's own credit rating.

(ii) In February 2017, Zhengqi Financial, a subsidiary of the Company, introduced two strategic investors, Xiamen ITG Group Co., Ltd (廈門國貿集團股份有限公司) and Cindafund Investment Management Co., Ltd (信達風投資管理有限公司), and obtained RMB801 million strategic investments. The holders of such financial instrument have rights to return those instruments to the issuer to get cash or other financial assets. Such financial instrument is designated as financial liability at fair value through profit or loss at initial recognition.

44. Financial liabilities at fair value through profit or loss (Continued)

(iii) On June 21, 2019, Lenovo completed the issuance of 2,054,791 convertible preferred shares through its wholly owned subsidiary, Lenovo Enterprise Technology Company Limited ("LETCL"). The convertible preferred shares are convertible to 20% of the enlarged issued ordinary share capital of LETCL on an as-converted and fully-diluted basis. The holders of the convertible preferred shares will be entitled cash dividends of 4% per annum payable semi-annually on the original subscription price until December 31, 2023. Upon the occurrence of certain specified conditions, the holders of convertible preferred shares will have the right to require LETCL to redeem or Lenovo to purchase all of their convertible preferred shares at the predetermined consideration. Accordingly, the convertible preferred shares are classified as a financial liability. The aggregated subscription price of convertible preferred shares is approximately USD300 million. The net proceeds from the issuance will be used by LETCL and its subsidiaries towards general corporate funding and capital expenditure of LETCL and its subsidiaries.

45. Borrowings

	As at December 31,	
	2019	2018
	RMB'000	*RMB'000*
Bank loans		
– Unsecured loans	**35,225,694**	35,197,520
– Guaranteed loans	**22,177,816**	17,153,936
– Collateralised loans	**11,213,988**	5,486,420
Other loans *(i)*		
– Unsecured loans	**2,750,001**	3,124,854
– Guaranteed loans	**5,455,230**	7,790,888
– Collateralised loans	**816,718**	2,112,452
Corporate bonds *(1)*		
– Unsecured	**55,075,391**	57,256,027
– Guaranteed	**103,000**	103,000
– Convertible bonds *(2)*	**5,086,989**	–
	137,904,827	128,225,097
Less: Current portion	**(52,200,803)**	(59,676,804)
Non-current portion	**85,704,024**	68,548,293

(i) Other loans are mainly loans to non-banking financial institutions.

45. Borrowings (Continued)

As at December 31, 2019 and 2018, the carrying amount of the borrowings approximates their fair value.

(1) The information about corporate bonds issued as of December 31, 2019 is as below:

Issuer	Type of bonds	Currency	Issuance date	Term	Principal amount ('000)
The Company	Corporate bonds	RMB	November 30, 2012	10 years	1,983,906
The Company	Corporate bonds	RMB	July 6, 2016	5 years	1,500,000
The Company	Corporate bonds	RMB	July 6, 2016	10 years	2,000,000
The Company	Corporate bonds	RMB	July 5, 2017	5 years	2,500,000
The Company	Corporate bonds	RMB	January 31, 2018	5 years	1,000,000
The Company	Corporate bonds	RMB	June 29, 2018	3 years	1,600,000
The Company	Corporate bonds	RMB	December 3, 2018	5 years	1,500,000
The Company	Corporate bonds	RMB	January 15, 2019	3 years	2,000,000
The Company	Corporate bonds	RMB	January 15, 2019	5 years	1,000,000
The Company	Corporate bonds	RMB	June 21, 2019	5 years	2,000,000
The Company	Private placement bonds	RMB	September 25, 2019	1 years	1,000,000
The Company	Corporate bonds	RMB	October 18, 2019	3 years	1,600,000
Lenovo	Long term notes	RMB	June 10, 2015	5 years	4,000,000
Lenovo	Medium term notes	USD	March 16, 2017	5 years	500,000
Lenovo	Medium term notes	USD	March 29, 2018	5 years	750,000
Lenovo	Convertible bonds	USD	January 24, 2019	5 years	675,000
Zhengqi Financial	Corporate bonds	RMB	September 27, 2019	3 years	600,000
Zhengqi Financial	Corporate bonds	RMB	December 20, 2019	3 years	300,000
JC Finance & Leasing	Asset backed securities(i)	RMB	November 17, 2016	3-4 years	24,155
JC Finance & Leasing	Private placement bonds	RMB	March 28, 2017	3 years	500,000
JC Finance & Leasing	Asset backed securities(i)	RMB	June 23, 2017	3-4 years	352,801
JC Finance & Leasing	Private placement bonds	RMB	January 5, 2018	2 years	300,000
JC Finance & Leasing	Asset backed securities(i)	RMB	January 30, 2018	2-3 years	161,564
JC Finance & Leasing	Asset backed securities(i)	RMB	November 27, 2018	1-2 years	230,111
JC Finance & Leasing	Corporate bonds	RMB	September 6, 2019	2 years	400,000
JC Finance & Leasing	Asset backed securities(i)	RMB	October 16, 2019	1-3 years	550,257
JC Finance & Leasing	Corporate bonds	RMB	November 21, 2019	2 years	300,000
BIL	Bank subordinate bonds	EUR	June 30, 2014	25.5 years	31,100
BIL	Bank subordinate bonds	EUR	June 8, 2016	12 years	50,000
BIL	Bank subordinate bonds	USD	October 18, 2016	12 years	100,000
BIL	Medium term notes	JPY	December 19, 2002	20 years	500,000
BIL	Medium term notes	EUR	2013-2019	2-20 years	1,969,546
BIL	Medium term notes	USD	2018-2019	2-5 years	44,754
BIL	Medium term notes	CHF	2016-2019	6-6.5 years	250,000
Lenovo Finance	Asset backed securities	RMB	September 26, 2018	1.5 years	103,000
Joyvio Agriculture	Convertible bonds	USD	June 14, 2019	5 years	125,000

The annual interest rates of the above bonds are from 0% to 7.5%.

(i) The asset backed securities packages issued by JC Financial & Leasing in 2019 ("2019 package") and 2018 ("2018 package") included multiple bonds. The principle amounts of the two packages on issuance dates amounted to RMB1,020 million and RMB1,596 million respectively.

45. Borrowings (Continued)

(2) Convertible bonds

A. On January 24, 2019, Lenovo completed the issuance of 5-Year USD675 million convertible bonds bearing annual interest at 3.375% due in January 2024 (the "Bonds") to third party professional investors (the "bondholders"). The bondholders have the right, at any time on or after 41 days after the date of issue up to the 10th day prior to the maturity date, to convert part or all of the outstanding principal amount of the Bonds into ordinary shares of Lenovo at a conversion price of HKD7.99 per share, subject to adjustments. The outstanding principal amount of the Bonds is repayable by Lenovo upon the maturity of the Bonds on January 24, 2024, if not previously redeemed, converted or purchased and cancelled. The proceeds would be used to repay the outstanding 2019 notes and for Lenovo's working capital and general corporate purposes. The initial fair value of the liability portion of the bond was determined using a market interest rate for an equivalent non-convertible bond at the issue date. The liability is subsequently recognized on an amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option and recognized in shareholders' equity, net of income tax, and not subsequently remeasured.

The liabilities and equity components of convertible bonds of Lenovo on initial recognition are presented as follows:

	RMB'000
The face value of convertible bonds on the issue date	4,542,971
Less: transaction cost	(68,023)
Net proceeds	4,474,948
Less: equity component	(520,537)
Liability component on initial recognition	3,954,411

B. As at December 31, 2019, Fresh Investment SpA, a subsidiary of the Company, has completed the issuance of convertible bonds of USD125 million to Cangyuan Investment Co., Ltd. ("Cangyuan Investment"). Cangyuan Investment has the right to convert the convertible bonds into the shares of Fresh Investment SpA within 60 months, at the share's price evaluated by a third-party evaluator which is agreed by the two parties when conversion. The proceeds were used to acquire the shares of Australis Seafoods S.A..

45. Borrowings (Continued)

(a) Effective interest rates per annum on borrowings are as follows:

	As at December 31,	
	2019	2018
Bank loans	**1.98%–8.13%**	1.66%–9.00%
Other loans	**4.85%–10.50%**	0.00%–11.00%

(b) Borrowings are repayable as follows:

	As at December 31,	
	2019	2018
	RMB'000	*RMB'000*
Within 1 year	**52,200,803**	59,676,804
After 1 year but within 2 years	**23,014,910**	19,812,766
After 2 years but within 5 years	**50,878,958**	42,054,885
After 5 years	**11,810,156**	6,680,642
	137,904,827	128,225,097

(c) The carrying amounts of the Group's borrowings are denominated in the following currencies:

	As at December 31,	
	2019	2018
	RMB'000	*RMB'000*
RMB	**75,574,660**	74,488,570
USD	**40,060,228**	33,337,657
EUR	**18,967,283**	18,276,438
HKD	**1,332,487**	1,235,292
CHF	**1,801,962**	695,821
Others	**168,207**	191,319
	137,904,827	128,225,097

46. Deferred income tax

The analysis of deferred income tax assets and deferred income tax liabilities is as follows:

	As at December 31,	
	2019	2018
	RMB'000	*RMB'000*
Deferred income tax assets:		
Recovered after 12 months	**11,572,634**	9,555,354
Recovered within 12 months	**5,935,191**	4,982,004
	17,507,825	14,537,358
Deferred income tax liabilities:		
Recovered after 12 months	**(7,583,124)**	(6,044,310)
Deferred income tax assets-net	**9,924,701**	8,493,048

The gross movement on the deferred income tax account is as follows:

	Year ended December 31,	
	2019	2018
	RMB'000	*RMB'000*
At beginning of the year	**8,493,048**	4,923,340
Acquisition of subsidiaries	**(1,075,999)**	1,116,531
Credited to the income statement *(Note 14)*	**2,353,303**	1,935,954
(Charged)/Credit to other comprehensive income *(Note14)*	**(5,619)**	177,480
Disposal of subsidiaries	**(23,202)**	97,871
Exchange adjustment	**183,170**	241,872
At end of the year	**9,924,701**	8,493,048

46. Deferred income tax (Continued)

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax assets	**Provision and accruals**	**Tax losses**	**Deferred revenue**	**Others**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2018	3,440,710	6,239,474	481,763	152,798	10,314,745
Acquisition of subsidiaries	268,866	1,829,172	–	90,234	2,188,272
Credited to the income statement	125,760	1,377,709	147,517	76,727	1,727,713
Credited to other comprehensive income	17,081	–	–	60,536	77,617
Disposal of subsidiaries	(3,832)	(64,048)	–	(3,139)	(71,019)
Exchange adjustment	245,743	95,878	142,377	(9,267)	474,731
Reclassification	–	–	–	8,837	8,837
At December 31, 2018	4,094,328	9,478,185	771,657	376,726	14,720,896
Acquisition of subsidiaries	51,597	63,262	–	245,086	359,945
Credited to the income statement	665,511	906,466	287,238	344,982	2,204,197
(Charged)/credited to other comprehensive income	(9,457)	–	–	21,312	11,855
Disposal of subsidiaries	–	(23,759)	–	–	(23,759)
Exchange adjustment	217,409	158,783	(16,853)	(43,643)	315,696
At December 31, 2019	5,019,388	10,582,937	1,042,042	944,463	17,588,830

Deferred income tax assets are recognised for deductible temporary differences and tax losses carried forward to the extent that realization of the related tax benefit through the future taxable profits is probable.

46. Deferred income tax (Continued)

Deferred income tax liabilities	Fair value gains-investment properties *RMB'000*	Fair value gains-financial assets *RMB'000*	Fair value gains-associates *RMB'000*	Outside basis differences *RMB'000*	Assets valuation (i) *RMB'000*	Others *RMB'000*	Total *RMB'000*
At January 1, 2018	2,224,102	356,304	597,133	682,975	1,073,792	457,099	5,391,405
Acquisition of subsidiaries	59,839	127,562	–	–	710,024	174,316	1,071,741
Charged/(credited) to the income statement	3,962	166,013	(122,120)	49,237	(394,912)	89,579	(208,241)
Charged/(credited) to other comprehensive income	12,992	(100,510)	–	–	–	(12,345)	(99,863)
Disposal of subsidiaries	–	(126)	–	–	(168,764)	–	(168,890)
Exchange adjustment	2,067	3,200	–	26,210	225,419	(24,037)	232,859
Reclassification	–	–	8,837	–	–	–	8,837
At December 31, 2018	2,302,962	552,443	483,850	758,422	1,445,559	684,612	6,227,848
Acquisition of subsidiaries	–	43,812	–	–	1,227,018	165,114	1,435,944
Charged/(credited) to the income statement	107,417	127,779	(222,848)	(77,851)	(149,480)	65,877	(149,106)
Charged/(credited) to other comprehensive income	17,552	1,193	–	–	–	(1,271)	17,474
Disposal of subsidiaries	–	–	–	–	–	(557)	(557)
Exchange adjustment	–	(84,435)	–	47,776	(71,601)	240,786	132,526
At December 31, 2019	2,427,931	640,792	261,002	728,347	2,451,496	1,154,561	7,664,129

(i) Assets valuation included valuation gains on property, plant and equipment, right-of-use assets and intangible assets arising from initial recognition in business combination.

46. Deferred income tax (Continued)

At December 31, 2019 and 2018, the Group did not recognise deferred income tax assets in respect of deductible temporary differences of approximately RMB9,738 million and RMB7,930 million and tax losses of approximately RMB19,628 million and RMB15,633 million that can be carried forward against future taxable income, of which tax losses of RMB12,364 million and RMB9,352 million can be carried forward indefinitely. The balances of unrecognised tax losses will expire as follows:

	As at December 31,	
	2019	2018
	RMB'000	*RMB'000*
Expiring in		
– within 1 year	**454,401**	152,287
– 1 to 2 years	**1,060,853**	149,193
– 2 to 3 years	**1,230,920**	1,454,526
– 3 to 4 years	**3,456,101**	2,430,320
– Over 4 years	**13,425,390**	11,446,867
	19,627,665	15,633,193

47. Retirement benefit obligations

The Group's retirement benefit obligations are related to Lenovo and BIL.

	As at December 31,	
	2019	2018
	RMB'000	*RMB'000*
Pension obligation included in non-current liabilities		
Pension benefits *(a)*	**2,919,878**	2,812,454
Post-employment medical benefits *(b)*	**192,355**	183,474
	3,112,233	2,995,928
Expensed in income statement		
Pension benefits *(Note 9)*	**167,538**	151,875
Post-employment medical benefits *(Note 9)*	**6,483**	8,500
	174,021	160,375
Remeasurements for		
Defined pension benefits *(Note 14)*	**(257,485)**	(217,434)
Post-employment medical benefits *(Note 14)*	**6,187**	5,918
	(251,298)	(211,516)

47. Retirement benefit obligations (Continued)

The Group operates a sectionalized plan that has both defined contribution and defined benefit features in Germany, including benefits based on a final pay formula. This plan is closed to new entrants. The defined benefit plan for Motorola's employees in Germany contains less than 20 active employees but a large number of retirees and former employees with benefits which have vested, but where payment will be deferred until they retire. As a result of these acquisitions and decreases in Euro interest rates, the Group's largest pension liabilities are now in Europe.

The Group continues to maintain significant pension liabilities in Japan where a cash balance benefit is provided for substantially all employees.

In the United States, the defined benefit plan is closed to new entrants, and now covers only 1% of employees. There is also a supplemental defined benefit plan that covers certain executives.

The Group also operates final salary defined benefit plans in a number of countries as a result of past acquisition. The Group's major plans are valued by qualified actuaries annually using the projected unit credit method.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income in the period they arise.

(a) Pension benefits

The amounts recognised in the consolidated balance sheet are determined as follows:

	As at December 31,	
	2019	2018
	RMB'000	*RMB'000*
Present value of funded obligations	**6,033,304**	5,840,431
Fair value of plan assets *(Note47 (c))*	**(4,444,881)**	(4,239,215)
Deficit of funded plans	**1,588,423**	1,601,216
Present value of unfunded obligations	**1,293,464**	1,211,238
Liabilities in the balance sheet	**2,881,887**	2,812,454
Representing:		
Retirement benefits obligation	**2,919,878**	2,812,454
Retirement plan assets	**(37,991)**	–
	2,881,887	2,812,454

47. Retirement benefit obligations (Continued)

(a) Pension benefits (Continued)

The principal actuarial assumptions used were as follows:

	As at December 31,	
	2019	2018
Discount rate	**0.20%–2.50%**	0.75%–3.75%
Future salary increases	**0.00%–5.50%**	0.00%–5.50%
Future pension increases	**0.00%–2.00%**	0.00%–2.50%
Life expectancy for male aged 60	**21.80–26.00**	21.80–27.00
Life expectancy for female aged 60	**27.10–28.50**	27.10–28.50

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions are as below:

	Year ended December 31, 2019		
	Impact on defined benefit obligation *(i)*		
	Change in assumption	**Increase in assumption**	**Decrease in assumption**
Discount rate	**0.5%**	**Decrease by 6.6% or 3.67%**	**Increase by 7.4% or 4.81%**
Salary growth rate	**0.5%**	**Increase by 3.1% or 2.09%**	**Decrease by 2.9% or 0.78%**
Pension growth rate	**0.5% or N/A**	**Increase by 4.1% or N/A**	**Decrease by 4.4% or N/A**
		Increase by 1 year in assumption	**Decrease by 1 year in assumption**
Life expectancy		**Increase by 2.1% or 1.60%**	**Decrease by 2.1% or 1.38%**

	Year ended December 31, 2018		
	Impact on defined benefit obligation *(i)*		
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.5%	Decrease by 10.6% or 4.8%	Increase by 11.4% or 5.12%
Salary growth rate	0.5%	Increase by 1.2% or 1.83%	Decrease by 1.1% or 0.93%
Pension growth rate	0.5%	Increase by 8.0% or 1.29%	Decrease by 7.3% or 4.08%
		Increase by 1 year in assumption	Decrease by 1 year in assumption
Life expectancy		Increase by 3.3% or 1.29%	Decrease by 3.3% or 1.26%

47. Retirement benefit obligations (Continued)

(a) Pension benefits (Continued)

(i) Different subsidiaries in the Group have pension plans in various regions. As different models are used, change in an assumption may result in different output. The analysis results of different model are listed respectively in above sensitivity analysis.

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change for the year ended December 31, 2019 and 2018.

(b) Post-employment medical benefits

The Group operates a number of post-employment medical benefit schemes, principally in the US. The method of accounting, assumptions and the frequency of valuations are similar to those used for defined benefit pension schemes.

The US plan (Lenovo Future Health Account and Retiree Life Insurance Program) is currently funded by a trust that qualifies for tax exemption under US tax law, out of which benefits to eligible retirees and dependents will be made.

As post-employment medical benefits plan made no agreements on future benefit level changes, the changes in future medical cost trend rates have no effect on the liabilities for post-employment medical benefits.

The amounts recognised in the consolidated balance sheet are determined as follows:

	As at December 31,	
	2019	2018
	RMB'000	*RMB'000*
Present value of funded obligations	**194,106**	189,164
Fair value of plan assets *(Note 47(c))*	**(10,541)**	(16,973)
Deficit of funded plans	**183,565**	172,191
Present value of unfunded obligations	**8,790**	11,283
Liabilities in the balance sheet	**192,355**	183,474

47. Retirement benefit obligations (Continued)

(c) Additional information on post-employment benefits (pension and medical)

Percentage of fair value of the plan assets are analysed below:

	2019			2018		
	Quoted	**Unquoted**	**Total**	Quoted	Unquoted	Total
Pension						
Equity instruments *(i)*	**10.81%**	**–**	**6.54%**	14.21%	–	9.72%
Debt instruments *(ii)*	**79.62%**	**–**	**48.20%**	68.35%	–	46.76%
Property	**–**	**5.25%**	**2.07%**	4.88%	–	3.34%
Qualifying insurance policies	**–**	**57.21%**	**22.58%**	–	6.83%	2.16%
Cash and cash equivalents	**7.96%**	**1.35%**	**5.35%**	–	22.41%	7.08%
Investment funds	**1.59%**	**15.32%**	**7.01%**	–	28.76%	9.08%
Structured bonds	**–**	**19.96%**	**7.88%**	–	41.81%	13.21%
Others	**0.02%**	**0.91%**	**0.37%**	12.56%	0.19%	8.65%
	100.00%	**100.00%**	**100.00%**	100.00%	100.00%	100.00%
Medical Plan						
– Cash and cash equivalents	**100.00%**	**–**	**100.00%**	100.00%	–	100.00%

(i) The equity instruments in plan assets of the subsidiaries of the Group mainly include IT, energy, manufacturing and other industries.

(ii) The debt instruments in plan assets of the subsidiaries of the Group mainly include government bond and corporate bond (both investment grade and non-investment grade).

The long-term strategic asset allocations of the plans are set and reviewed from time to time by the plans' trustees taking into account the membership and liability profile, the liquidity requirements of the plans.

For the year ended December 31, 2019 and 2018, the weighted average duration of defined benefit obligation is 12 years and 14 years respectively.

Pension and medical plan assets do not include any of the Company's ordinary shares, US real estate occupied by the Group, own transferable financial instruments issued or assets occupied or used by BIL for the year ended December 31, 2019 and 2018.

47. Retirement benefit obligations (Continued)

(c) Additional information on post-employment benefits (pension and medical) (Continued)

Reconciliation of fair value of plan assets of the Group:

	As at December 31,	
Pension	**2019**	2018
	RMB'000	*RMB'000*
Opening fair value	**4,239,215**	2,094,218
Acquisition of subsidiary	**–**	2,047,546
Interest income	**41,921**	55,354
Actuarial gains/(losses)	**131,000**	(36,027)
Contributions by the employer	**232,729**	265,726
Contributions by plan participants	**14,330**	13,840
Benefits paid	**(375,057)**	(353,424)
Exchange adjustment	**176,611**	165,226
Others	**(15,868)**	(13,244)
Closing fair value	**4,444,881**	4,239,215
Actual return on plan assets	**172,921**	19,327

	As at December 31,	
Medical	**2019**	2018
	RMB'000	*RMB'000*
Opening fair value	**16,973**	24,411
Exchange adjustment	**189**	43
Interest income	**358**	748
Actuarial (losses)/gains	**(227)**	2,350
Contributions by the employer	**220**	271
Benefits paid	**(6,972)**	(10,850)
Closing fair value	**10,541**	16,973
Actual return on plan assets	**131**	3,098

Contribution of RMB198 million are estimated to be made for the year ending December 31, 2020.

47. Retirement benefit obligations (Continued)

(c) Additional information on post-employment benefits (pension and medical) (Continued)

Reconciliation of movements in present value of defined benefit obligations of the Group:

	As at December 31,	
Pension	**2019**	2018
	RMB'000	*RMB'000*
Opening defined benefit obligation	**7,051,669**	4,497,516
Acquisition of subsidiary	**–**	2,171,832
Current service cost	**159,537**	148,439
Past service cost	**(24,823)**	(11,558)
Interest cost	**71,624**	89,864
Actuarial losses	**388,485**	181,407
Contributions by plan participants	**14,330**	13,840
Benefits paid	**(451,311)**	(367,194)
Curtailments	**3,121**	(19,516)
Exchange adjustment	**114,136**	378,513
Others	**–**	(31,474)
Closing defined benefit obligation	**7,326,768**	7,051,669

	As at December 31,	
Medical	**2019**	2018
	RMB'000	*RMB'000*
Opening defined benefit obligation	**200,447**	194,980
Exchange adjustment	**9,070**	8,188
Current service cost	**2,687**	2,277
Interest cost	**4,154**	6,971
Actuarial gains	**(6,414)**	(3,568)
Benefits paid	**(7,048)**	(8,401)
Closing defined benefit obligation	**202,896**	200,447

For the year ended December 31, 2019 and 2018, benefit of RMB76 million and RMB8 million were paid directly by the Group.

47. Retirement benefit obligations (Continued)

(c) Additional information on post-employment benefits (pension and medical) (Continued)

The amounts recognised in the consolidated income statement were as follows:

	Year ended December 31,	
Pension	**2019**	2018
	RMB'000	*RMB'000*
Current service cost	**159,537**	148,439
Past service cost	**(24,823)**	(11,558)
Interest cost	**71,624**	89,864
Interest income	**(41,921)**	(55,354)
Curtailment losses/(gains)	**3,121**	(19,516)
Total expense recognised in the consolidated income statement	**167,538**	151,875

	Year ended December 31,	
Medical	**2019**	2018
	RMB'000	*RMB'000*
Current service cost	**2,687**	2,277
Interest cost	**4,154**	6,971
Interest income	**(358)**	(748)
Total expense recognized in the consolidated income statement	**6,483**	8,500

Summary of pensions and post-retirement medical benefits of the Group:

	Year ended December 31,	
	2019	2018
	RMB'000	*RMB'000*
Present value of defined benefit obligations	**7,529,664**	7,252,116
Fair value of plan assets	**(4,455,422)**	(4,256,188)
Deficit	**3,074,242**	2,995,928
Actuarial gains/(losses) arising on plan assets	**130,773**	(33,677)
Actuarial losses arising on plan liabilities	**(382,071)**	(177,839)
	(251,298)	(211,516)

48. Provisions

	Warranties	Environmental restoration	Restructuring	Other provisions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at January 1, 2019	**6,984,047**	**251,859**	**254,925**	**146,049**	**7,636,880**
Provision made	**5,647,163**	**129,609**	**37,876**	**51,010**	**5,865,658**
Unused amounts reversed	**–**	**–**	**–**	**(12,014)**	**(12,014)**
Amount utilised	**(5,557,935)**	**(144,753)**	**(244,699)**	**(28,650)**	**(5,976,037)**
Exchange adjustment	**74,665**	**6,936**	**(107)**	**(41,840)**	**39,654**
Acquisition of subsidiaries	**–**	**–**	**–**	**69,470**	**69,470**
At end of the year	**7,147,940**	**243,651**	**47,995**	**184,025**	**7,623,611**
Non-current portion	**(1,869,876)**	**(228,726)**	**(11,434)**	**(83,162)**	**(2,193,198)**
As at December 31, 2019	**5,278,064**	**14,925**	**36,561**	**100,863**	**5,430,413**
As at January 1, 2018	7,094,737	60,383	444,299	108,849	7,708,268
Provision made	5,538,369	86,022	274,941	78,933	5,978,265
Unused amounts reversed	–	–	–	(52,013)	(52,013)
Amount utilised	(5,801,564)	(69,015)	(537,648)	(225,302)	(6,633,529)
Exchange adjustment	152,505	12,210	9,746	7,319	181,780
Acquisition of subsidiaries	–	162,259	63,587	228,263	454,109
At end of the year	6,984,047	251,859	254,925	146,049	7,636,880
Non-current portion	(1,797,445)	(231,571)	–	(16,087)	(2,045,103)
As at December 31, 2018	5,186,602	20,288	254,925	129,962	5,591,777

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 arrangement 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. 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 obligation and employee termination payments, arising from a series of restructuring actions to reduce costs and enhance operational efficiency.

Other provision are mainly related to financial guarantees, loan commitments and litigation by the Group.

49. Dividends

A dividend in respect of the year ended December 31, 2019 of RMB0.33 per share, amounting to a total dividend of RMB778 million, is to be proposed at the forthcoming 2019 annual general meeting. These financial statements do not reflect this dividend payable. The dividends paid in 2019 and 2018 were RMB707 million (RMB0.3 per share) and RMB636 million (RMB0.27 per share) respectively.

50. Cash generated from operations

(a) Cash generated from operations

	Year ended December 31,	
	2019	2018
	RMB'000	*RMB'000*
Profit before income tax	**10,523,986**	8,900,801
Adjustments for:		
Impairment loss for non-current assets *(Note 8)*	**415,583**	581,402
Impairment loss on loans to customers *(Note 8)*	**909,189**	1,011,064
Impairment loss on other financial assets *(Note 8)*	**466,173**	189,636
Inventory write-down *(Note 8)*	**378,558**	548,248
Depreciation of property, plant and equipment *(Note 16)*	**2,670,262**	2,578,432
Depreciation of right-of-use assets *(Note 17)*	**902,012**	–
Amortisation	**4,114,646**	3,514,443
(Gains)/losses on disposal of property, plant and equipment and intangible assets *(Note 7)*	**(6,749)**	52,550
Fair value gains on investment properties *(Note 7)*	**(361,132)**	(413,063)
Fair value gains on consumable biological assets *(Note 19)*	**(205,024)**	–
Fair value losses on financial liabilities	**(293,965)**	–
Fair value gains and dividend income from financial assets at fair value through profit or loss *(Note 6)*	**(1,201,106)**	(2,672,117)
Fair value (gains)/losses and dividend income from associates measured at fair value through profit or loss *(Note 6)*	**(963,343)**	649,951
Net finance costs *(Note 11)*	**5,480,310**	4,391,027
Gains on disposal/dilution of associates *(Note 6)*	**(137,431)**	(324,208)
Gains on disposal of subsidiaries *(Note 6)*	**(283,833)**	(2,183,525)
Dividend income from financial assets at fair value through other comprehensive income *(Note 6)*	**(47,509)**	(69,466)
Share-based payments *(Note 34(c))*	**1,802,250**	1,453,963
Share of profit of associates and joint ventures using equity accounting	**(476,743)**	(676,205)
Net foreign exchange losses *(Note 7)*	**299,315**	454,954
Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation):		
Inventories, consumable biological assets and properties under development	**(2,342,412)**	2,484,862
Trade and other receivables	**(17,579,136)**	(2,341,324)
Loans and other financial assets at amortised cost	**(21,290,239)**	(2,992,521)
Amount due to customers and credit institutions	**13,977,795**	(4,183,791)
Trade and other payables	**16,004,077**	(5,238,525)
Cash generated from operating activities	**12,755,534**	5,716,588

50. Cash generated from operations (Continued)

(b) Net debt reconciliation

	As at December 31,	
	2019	2018
	RMB'000	*RMB'000*
Cash and cash equivalents	**62,339,559**	60,023,193
Borrowings – repayable within one year	**(52,200,803)**	(59,676,804)
Borrowings – repayable after one year	**(85,704,024)**	(68,548,293)
Net debt	**(75,565,268)**	(68,201,904)
Cash and cash equivalents	**62,339,559**	60,023,193
Gross debt – fixed interest rates	**(95,686,827)**	(118,680,681)
Gross debt – variable interest rates	**(42,218,000)**	(9,544,416)
Net debt	**(75,565,268)**	(68,201,904)

	Cash and cash equivalents	**Borrowings due within 1 year**	**Borrowing due after 1 year**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Net debt as at January 1, 2018	32,202,477	(23,123,530)	(64,454,075)	(55,375,128)
Cash flows	26,906,552	(3,991,084)	(15,316,303)	7,599,165
Foreign exchange gains/(losses)	914,164	(464,935)	(1,478,159)	(1,028,930)
Acquisition of subsidiaries	–	(1,207,542)	(15,122,254)	(16,329,796)
Disposal of subsidiaries	–	480,000	340,318	820,318
Other non-cash movements	–	(31,369,713)	27,482,180	(3,887,533)
Net debt as at December 31, 2018	60,023,193	(59,676,804)	(68,548,293)	(68,201,904)
Cash flows	**1,545,511**	**34,401,954**	**(44,365,171)**	**(8,417,706)**
Foreign exchange gains/(losses)	**770,855**	**1,109,162**	**(165,618)**	**1,714,399**
Acquisition of subsidiaries	**–**	**(182,182)**	**(477,875)**	**(660,057)**
Other non-cash movements	**–**	**(27,852,933)**	**27,852,933**	**–**
Net debt as at December 31, 2019	**62,339,559**	**(52,200,803)**	**(85,704,024)**	**(75,565,268)**

51. Contingencies

	As at December 31,	
	2019	2018
	RMB'000	*RMB'000*
Financial guarantee of guarantee business *(a)*	**10,735,926**	10,468,151
Other guarantee *(b)*		
– Related parties *(Note 57(e))*	**3,768,142**	3,720,330
– Unrelated parties	**4,220,733**	6,376,256
	18,724,801	20,564,737

(a) Financial guarantee of guarantee business

Financial service business of the Group provide financial guarantees to the third parties for their borrowings from certain credit institutions and charge them guarantee fees accordingly. As at December 31, 2019 and 2018, the guarantee balance was RMB10,736 million and RMB10,468 million respectively. The Directors evaluate the financial position of the guaranteed entities and make provision accordingly. As at December 31, 2019 and 2018, the provision made by the Group was RMB116 million and RMB26 million respectively, which were included in "Provision" in the consolidated balance sheet.

(b) Other guarantee

As at December 31, 2019 and 2018, of the total guarantee balances the Group provided to related parties and unrelated parties are approximately RMB7,989 million and RMB10,097 million. The guarantee balances to unrelated parties are mainly related to real estate business, which was disposed in historic period, and the guaranteed companies provided counter guarantee correspondingly. The Board reviews the financial conditions of the guaranteed companies periodically and records provision when necessary. As at December 31, 2019 and 2018, no provision was recorded in relevant to the preceding guarantee.

52. Balance sheet and reserve movement of the Company

(a) Balance sheet of the Company

	As at December 31,	
	2019	2018
	RMB'000	*RMB'000*
ASSETS		
Non-current assets		
Property, plant and equipment	**25,293**	32,553
Intangible assets	**6,071**	4,878
Investments in subsidiaries	**27,348,781**	27,694,869
Associates using equity accounting	**8,655,496**	6,408,336
Associates measured at fair value through profit or loss	**14,067**	197,180
Deferred income tax assets	**308,312**	185,660
Other non-current assets	**2,365,574**	469,423
	38,723,594	34,992,899
Current assets		
Amounts due from subsidiaries	**19,277,397**	19,688,227
Amounts due from related parties	**1,538,743**	1,154,492
Prepayment, other receivables and other current assets	**597,514**	1,155,604
Financial assets at fair value through profit or loss	**862,642**	3,547,504
Cash and cash equivalents	**6,648,453**	4,617,947
	28,924,749	30,163,774
Total assets	**67,648,343**	65,156,673
Share capital	**2,356,231**	2,356,231
Other reserves *(Note 52(b))*	**14,591,496**	14,459,586
Total equity	**16,947,727**	16,815,817

52. Balance sheet and reserve movement of the Company (Continued)

(a) Balance sheet of the Company (Continued)

	As at December 31,	
	2019	2018
	RMB'000	*RMB'000*
LIABILITIES		
Non-current liabilities		
Borrowings	**30,344,799**	24,768,486
Other non-current liabilities	**12,542**	14,348
	30,357,341	24,782,834
Current liabilities		
Amounts due to subsidiaries	**9,990,325**	10,715,591
Amounts due to related parties	**47,244**	61,664
Other payables and accruals	**741,453**	570,391
Borrowings	**9,564,253**	12,210,376
	20,343,275	23,558,022
Total liabilities	**50,700,616**	48,340,856
Total equity and liabilities	**67,648,343**	65,156,673
Net current assets	**8,581,474**	6,605,752
Total assets less current liabilities	**47,305,068**	41,598,651

The balance sheet of the Company was approved by the Board of Directors on March 26, 2020 and was signed on its behalf.

NING Min | **LI Peng**
Director | *Director*

52. Balance sheet and reserve movement of the Company (Continued)

(b) Movement of reserves of the Company

The changes in the reserves of the Company during the year ended December 31, 2019 and 2018 are as follows:

	The Company						
	Statutory surplus reserve *RMB'000*	Investment revaluation reserve *RMB'000*	Share-based compensation reserve *RMB'000*	Shares held for share scheme *RMB'000*	Other reserve *RMB'000*	Retained earnings *RMB'000*	Total *RMB'000*
As at January 1, 2018	385,655	66,937	231,971	(259,842)	11,971,426	2,757,920	15,154,067
Profit for the year	–	–	–	–	–	751,973	751,973
Share of other comprehensive income of associates	–	(167,331)	–	–	–	–	(167,331)
Share of other reserve of associates	–	–	–	–	43,427	–	43,427
Share-based compensation *(Note 34)*	–	–	–	63,490	–	–	63,490
Transfer to statutory surplus reserve	75,197	–	–	–	–	(75,197)	–
Dividends paid	–	–	–	–	–	(636,182)	(636,182)
Transfer to associates using the equity method with loss of control in subsidiaries	–	–	–	–	(33,095)	(716,763)	(749,858)
As at December 31, 2018	460,852	(100,394)	231,971	(196,352)	11,981,758	2,081,751	14,459,586
As at January 1, 2019	**460,852**	**(100,394)**	**231,971**	**(196,352)**	**11,981,758**	**2,081,751**	**14,459,586**
Profit for the year	**-**	**-**	**-**	**-**	**-**	**754,387**	**754,387**
Share of other comprehensive income of associates	**-**	**105,282**	**-**	**-**	**-**	**-**	**105,282**
Share of other reserve of associates	**-**	**-**	**-**	**-**	**(63,570)**	**-**	**(63,570)**
Share-based compensation *(Note 34)*	**-**	**-**	**-**	**71,700**	**(8,367)**	**-**	**63,333**
Purchase of shares under share scheme *(Note 34)*	**-**	**-**	**-**	**(134,502)**	**-**	**-**	**(134,502)**
Transfer to statutory surplus reserve	**48,927**	**-**	**-**	**-**	**-**	**(48,927)**	**-**
Dividends paid	**-**	**-**	**-**	**-**	**-**	**(706,869)**	**(706,869)**
Transfer to associates using the equity method with loss of control in subsidiaries	**-**	**-**	**-**	**-**	**-**	**113,849**	**113,849**
As at December 31, 2019	**509,779**	**4,888**	**231,971**	**(259,154)**	**11,909,821**	**2,194,191**	**14,591,496**

53. Benefits and interests of directors

(a) Directors', supervisors' and chief executive's emoluments

The remuneration of each director, supervisor, and the chief executive for the year ended December 31, 2019 is set out below:

Name	Fees	Salaries	Discretionary bonuses	Medium and long-term incentive plan	Retirement payment and employer's contribution to pension schedule	Other benefits	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive Directors							
Mr. LIU Chuanzhi (柳傳志) *(i)*	–	16,000	21,600	11,430	25,266	1,739	76,035
Mr. NING Min (寧旻) *(ii)*	–	6,000	8,100	5,927	504	800	21,331
Mr. ZHU Linan (朱立南) (Chief Executive)	689	13,800	18,630	12,182	1,159	1,537	47,997
Mr. ZHAO John Huan (趙令歡)	689	6,000	–	4,975	–	–	11,664
Non-executive Directors							
Mr. WU Lebin (吳樂斌)	–	–	–	–	–	–	–
Mr. SUO Jishuan (索繼栓)	–	–	–	–	–	–	–
Independent Non-executive Directors							
Mr. MA Weihua (馬蔚華)	400	–	–	–	–	–	400
Mr. ZHANG Xuebing (張學兵)	330	–	–	–	–	–	330
Ms. HAO Quan (郝荃)	400	–	–	–	–	–	400
Supervisors							
Mr. LI Qin (李勤)	–	–	–	–	–	–	–
Mr. LUO Cheng (羅成)	–	–	–	–	–	–	–
Ms. FENG Ling (馮玲)	–	–	–	–	–	–	–
	2,508	41,800	48,330	34,514	26,929	4,076	158,157

(i) As at December 18, 2019, Mr. Liu Chuanzhi has submitted a written resignation to the board of directors to resign as the Chairman of the second session of the Board, the Executive Director and the Chairman of the Nomination Committee in accordance with the predesignated plan of the Company with effect from the end of December 31, 2019.

(ii) Mr. Ning Min is as the successor of the Chairman of the second session of the Board and the Chairman of the Nomination Committee with effect from January 1, 2020.

53. Benefits and interests of directors (Continued)

(a) Directors', supervisors' and chief executive's emoluments (Continued)

The remuneration of each director, supervisor, and the chief executive for the year ended December 31, 2018 is set out below:

Name	Fees	Salaries	Discretionary bonuses	Medium and long-term incentive plan	Retirement payment and employer's contribution to pension schedule	Other benefits	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive Directors							
Mr. LIU Chuanzhi (柳傳志)	–	16,000	21,600	1,277	–	1,739	40,616
Mr. ZHU Linan (朱立南) *(Chief Executive)*	635	13,800	18,630	1,430	1,159	1,532	37,186
Mr. ZHAO John Huan (趙令歡)	635	5,000	–	1,430	–	–	7,065
Mr. NING Min (寧旻)*(iii)*	–	6,000	8,100	–	504	786	15,390
Non-executive Directors							
Mr. WU Lebin (吳樂斌)	–	–	–	–	–	–	–
Mr. WANG Jin (王津) *(iv)*	–	–	–	–	–	–	–
Mr. LU Zhiqiang (盧志強) *(v)*	–	–	–	–	–	–	–
Mr. SUO Jishuan (索繼栓) *(vi)*	–	–	–	–	–	–	–
Independent Non-Executive Directors							
Mr. Ma Weihua (馬蔚華)	400	–	–	–	–	–	400
Mr. Zhang Xuebing (張學兵)	330	–	–	–	–	–	330
Ms. Hao Quan (郝荃)	400	–	–	–	–	–	400
Supervisors							
Mr. LI Qin (李勤)	–	–	–	–	–	–	–
Mr. SUO Jishuan (索繼栓) *(iv)*	–	–	–	–	–	–	–
Mr. QI Zixin (齊子鑫) *(vii)*	–	–	–	–	–	–	–
Mr. LUO Cheng (羅成) *(viii)*	–	–	–	–	–	–	–
Ms. FENG Ling (馮玲) *(vi)*	–	–	–	–	–	–	–
	2,400	40,800	48,330	4,137	1,663	4,057	101,387

53. Benefits and interests of directors (Continued)

(a) Directors', supervisors' and chief executive's emoluments (Continued)

(iii) Appointed in December, 2018. The salary disclosed above is the salary Mr. Ning Min get from the Group till December 31, 2018.

(iv) Retired in June, 2018.

(v) Resigned in September, 2018.

(vi) Appointed in June, 2018.

(vii) Resigned in January, 2018.

(viii) Appointed in January, 2018.

(b) Interest of Directors and Supervisors

In 2019, Right Lane, a wholly-owned subsidiary of the Company and as the guarantor, entered into a facility agreement relating to a term loan facility with a maximum amount of USD130 million with Well Faith Management Limited ("Well Faith"), an associate of the Company's director Mr. ZHAO, and as the borrower, and certain banks as the lenders. Under the Facility Agreement and the associated finance documents, Right Lane shall provide a guarantee to secure the whole amount of such term loan together with any interest and other fees payable by Well Faith. Guarantee fees will be received from Well Faith continuously in respect of the guarantee liability assumed by Right Lane for the provision of guarantee starting from the date of the Facility Agreement until the date when the obligations of Right Lane have been released.

In 2019, Dongfangqihui, a wholly-owned subsidiary of the Company and as one of the limited partners, together with other limited partners and Hony Capital Management (Tianjin) (Limited Partnership) ("Hony Capital Management") (as an ordinary partner and manager), entered into a Partnership Agreement to set up a fund, Hony Capital Management is a connected entity of Mr. ZHAO. Pursuant to the Partnership Agreement, the total amount of the final capital commitment of Dongfangqihui shall not exceed RMB800 million, and the proportion of its commitment shall not exceed 20% of the total size of the fund.

In 2018, Leap Wave Limited ("Leap Wave"), a subsidiary of the Company, as the subscriber, and Hospital Corporation of China Limited (弘和仁愛醫療集團有限公司, "Hospital Corporation"), as the issuer, entered into the Subscription Agreement, pursuant to which Hospital Corporation has conditionally agreed to issue and Leap Wave has conditionally agreed to subscribe for the Convertible Bonds in the aggregate principal amount of HKD800 million for a total consideration equal to the aggregate principal amount of the convertible bonds. As Mr. ZHAO controls over 30% interest in Hospital Corporation, it is therefore is deemed to be an associate of Mr. ZHAO. All of the conditions precedent to the Subscription Agreement were completed on February 27, 2019, upon its completion, Leap Wave subscribed and was granted convertible bonds in the aggregate principal amount of HKD800 million by Hospital Corporation at an initial conversion price of HKD20.00 per conversion share.

On August 30, 2018, the Company and Better Education entered into the Financial Assistance Agreement, pursuant to which the Company has agreed to, at the written request of Better Education and within a term of three years, provide continuing financial assistance in the amount of no more than USD250 million or its equivalent in Renminbi to Better Education or its subsidiaries, subject to the then financial positions of the Company and compliance with the Listing Rules. Better Education is an associate of Mr. ZHAO.

Other than the aforesaid, there are no loans, quasi-loans or other dealings in favor of directors or supervisors, their controlled bodies corporate and connected entities.

54. Commitments

(a) Capital commitments

Capital expenditure contracted for at the end of the reporting period but not yet incurred is as follows:

	As at December 31,	
	2019	2018
	RMB'000	*RMB'000*
Property, plant and equipment	**1,419,471**	860,785
Intangible assets	**52,816**	–
Investments *(i)*	**3,130,064**	10,230,185
Total	**4,602,351**	11,090,970

(i) The Group has commitments in respect of investments in certain funds. Investment commitments represent the portion of committed capital not yet called for payment.

On November 18, 2018, Joyvio Group, entered into a purchase promise agreement, pursuant to which Joyvio Group agreed to, subject to the fulfilment of certain conditions precedent, enter into a stock purchase agreement to acquire from the promising sellers about 95% of the issued and outstanding common voting shares in Australis Seafoods S.A.. As of December 31, 2019, the relevant share purchase agreement has been completed, more information is set out in Note 56.

(b) Loans commitments

	As at December 31,	
	2019	2018
	RMB'000	*RMB'000*
Unused credit lines granted to credit institutions	**710,866**	698,641
Unused credit lines granted to customers	**23,842,489**	19,760,728
	24,553,355	20,459,369

55. Transactions with other non-controlling interests

Effects of transactions with non-controlling interests on the equity attributable to owners of the Company for the year ended December 31, 2019 are as follows:

	Year ended December 31,	
	2019	2018
	RMB'000	*RMB'000*
Acquisition of additional interests in subsidiaries *(a)*	**(573,636)**	(373,726)
Disposal of interests in subsidiaries without loss of control *(b)*	**11,162**	55,510
Net effect in equity attributable to equity holders of the Company	**(562,474)**	(318,216)

(a) Acquisition of additional interests in subsidiaries

The effect of acquisition of additional interests in subsidiaries is summarised as follows:

	Year ended December 31,	
	2019	2018
	RMB'000	*RMB'000*
Carrying amount of non-controlling interests acquired	**1,239,808**	736,131
Consideration paid to non-controlling interests	**(1,813,444)**	(1,109,857)
Excess of consideration paid recognised within equity	**(573,636)**	(373,726)

In 2019, the excess of consideration paid which recognized in equity mainly due to Joyvio (Qingdao) Modern Agriculture Co., Ltd., a subsidiary of the Company, increase its holdings of Shenzhen Xinguojiayuan Modern Agriculture Co., Ltd. and Golden Wing Mau, and Food Investment SpA, a subsidiary of Joyvio Agriculture, increase its holdings of Australis Seafoods S.A..

(b) Disposal of interest in subsidiaries without loss of control

The effect of disposal of interests in subsidiaries is summarised as follows:

	Year ended December 31,	
	2019	2018
	RMB'000	*RMB'000*
Carrying amount of non-controlling interests disposed	**(302,818)**	(13,824)
Consideration received from non-controlling interests	**313,980**	69,334
Gain on disposal within equity	**11,162**	55,510

56. Business combinations

On July 2, 2019, Joyvio Agriculture, a subsidiary of the Company, has completed the acquisition of purchasing approximately 95.26% of the issued shares of Australis Seafoods S.A. and completed the re-election of the board, more information is set out in Note 12 (ii). Australis Seafoods S.A. was a public company which registered and listed in Santiago, Chile, engaged in production and selling of salmon.

(a) Set forth below is the calculation of goodwill:

	At the acquisition date
	Australis Seafoods S.A.
	RMB'000
Purchase consideration	
– Cash paid	**6,035,302**
Total purchase consideration	**6,035,302**
Less: Fair value of net assets acquired	**(4,684,821)**
Goodwill	**1,350,481**

The goodwill is attributable to the expansibility and the high profitability of the acquired business. It will not be deductible for tax purposes.

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

	At the acquisition date
	Australis Seafoods S.A.
	RMB'000
Cash and cash equivalents	**233,491**
Property, plant and equipment	**1,524,754**
Other non-current assets	**370,083**
Intangible assets *(i)*	**3,696,810**
Net working capital, except cash and cash equivalents	**882,487**
Non-current liabilities	**(1,789,488)**
Non-controlling interests	**(233,316)**
Fair value of net assets acquired	**4,684,821**

(i) The intangible assets identified are mainly aquaculture franchises, water right and trademarks.

56. Business combinations (Continued)

(c) Net cash outflow from acquisition of subsidiaries

	At the acquisition date
	Australis Seafoods S.A.
	RMB'000
Purchase consideration settled in cash	**6,035,302**
Less: cash and cash equivalents in subsidiaries acquired	**(233,491)**
Acquisition of subsidiaries, net of cash paid	**5,801,811**

(d) Impact of acquisitions on the results of the Group

The aggregated revenue of newly acquired businesses mentioned above since their respective dates of acquisition and up to December 31, 2019 was RMB1,337 million. The newly acquired businesses mentioned above also contributed an aggregated profit after taxation of RMB100 million over the same period.

Has the newly acquired businesses mentioned above been consolidated from January 1, 2019, the beginning of the financial year, the aggregated revenue would increase RMB1,469 million, and the aggregated profit after taxation would increase RMB182 million.

The operation results of other newly acquired business does not have significant impact on the consolidated financial information for the year ended December 31, 2019.

57. Related party transactions

The Company does not have any ultimate controlling party. The general information and other related information of the subsidiaries is set out in Note 12.

(a) For the year ended December 31, 2019 and 2018, the principal related parties that had transactions with the Group are listed below:

	Relationship with the Group
Legend Shenzhen Science and Technology Park Limited (深圳市聯想科技園有限公司) ("Shenzhen Science and Technology Park")	Associate of the Group
Xinneng Fenghuang (Tengzhou) Energy Co., Ltd. (新能鳳凰(滕州)能源有限公司)	Associate of the Group
IGRS Engineering Lab Limited (閃聯信息技術工程中心有限公司)	Associate of the Group
Legend Capital Co., Ltd. (君聯資本管理股份有限公司)	Associate of the Group
Shanghai Shiyun Network Technology Limited (上海視雲網絡科技有限公司)	Associate of the Group
Legend Capital Management Limited	Associate of the Group
Hankou Bank	Associate of the Group
Well Faith	Associate of the Group
Hony Capital Management Limited	Associate of the Group
Union Insurance	Associate of the Group
Social Touch (Beijing) Technology Development Co., Ltd. (時趣互動(北京)科技有限公司)("Social Touch")	Associate of the Group
Hefei Zhiran Real Estate Company (合肥質然房地產開發有限公司) ("Hefei Zhiran")	Associate of the Group
Bybo Dental	Associate of the Group
Hebei Hengshui Laobaigan	Associate of the Group
Hony Beijing Tongren Consulting L.P.(北京弘毅同人顧問中心(有限合夥))	Associate of the Group
Fortune Eight Deacon Limited	Associate of the Group
Zeny Foods (Wuhan) Co., Ltd. (增益食品(武漢)有限公司)	Associate of the Group
Zhejiang Xiangbang Technology Co., Ltd.(浙江祥邦科技有限公司)	Associate of the Group

57. Related party transactions (Continued)

(b) Significant related party transactions

The following is a summary of significant related party transactions entered into in the ordinary course of business between the Group and its related parties for the year ended December 31, 2019 and 2018:

	Year ended December 31,	
	2019	2018
	RMB'000	*RMB'000*
Purchase of goods from		
–Associates	**1,372,940**	1,606,235
Sale of goods to		
–Associates	**2,756**	1,282
Services received from		
–Associates	**105,849**	39,687
Rendering of services to		
–Associates	**74,226**	76,717
Loan provided to		
–Associates	**1,678,455**	451,909
Interest income from		
–Associates	**119,250**	76,083
Guarantee for related parties		
–Associates	**1,246,647**	2,528,574

57. Related party transactions (Continued)

(c) Year-end balances due from/to related party

	As at December 31,	
	2019	2018
	RMB'000	*RMB'000*
Account and notes receivables		
–Associates	**8,114**	10,055
Prepayment, other receivables and other current assets *(i)*		
–Associates	**2,632,897**	1,516,283
Current portion of non-current liabilities		
–Associates	**49,157**	–
Trade and notes payables		
–Associates	**17,629**	–
Advance from client		
–Associates	**–**	3,221
Other payables and accruals		
–Associates	**961,906**	327,751
Long-term receivables		
–Associates	**12,637**	196,153
Loans to customers		
–Associates	**298,558**	229,466

57. Related party transactions (Continued)

(c) Year-end balances due from/to related party (Continued)

(i) Prepayment, other receivables and current assets includes amounts receivables from the following parties:

	As at December 31,	
	2019	2018
	RMB'000	*RMB'000*
Shenzhen Science and Technology Park	**1,212,810**	873,788
Zeny Foods (Wuhan) Co., Ltd.	**462,484**	–
Bybo Dental	**316,239**	316,667
Zhejiang Xiangbang Technology Co., Ltd.	**69,432**	50,122
Hefei Zhiran	**107,356**	16,178
Union Insurance	**9,130**	5,279
Others	**455,446**	254,249
Total	**2,632,897**	1,516,283

(d) Key management compensation

	Year ended December 31,	
	2019	2018
	RMB'000	*RMB'000*
Fees	**2,508**	2,400
Salaries	**60,800**	59,800
Discretionary bonuses	**71,180**	71,930
Share option and rewards	**44,045**	16,087
Employer's contribution to pension schedule	**28,525**	3,175
Other benefits	**6,523**	6,498
	213,581	159,890

57. Related party transactions (Continued)

(e) Guarantee provided to related parties

	Year ended December 31,	
	2019	2018
	RMB'000	*RMB'000*
Hefei Zhiran	**1,425,600**	1,425,600
Well Faith	**767,382**	686,320
Bybo Dental	**656,107**	594,836
Union Insurance	**470,000**	470,000
Fortune Eight Deacon Limited	**193,512**	199,033
Social Touch	**140,000**	139,000
Legend Capital Co., Ltd.	**115,541**	115,541
Shenzhen Science and Technology Park	**–**	90,000
	3,768,142	3,720,330

58. Subsequent events

On March 8, 2020, Lenovo made an application for listing of USD3 billion medium term note programme. The programme is only issued to professional investors and would be listed within 12 months after March 8, 2020.

Since the outbreak of novel coronavirus, COVID-19, from the beginning of 2020, the prevention and control activities of the pandemic have been going on across the world. For the strategic investment business, the subsidiaries of the Company are challenged by resumption of factory production, supply chain management and logistics and transportation, etc. For the financial investment business, the Group is exposed to the risk of fluctuations in global capital market. As at the report date of this report, since the pandemic is ongoing, the Group will continue to assess the impact on its financial position and operating results.

Five-year Financial Summary

Condensed Consolidated Income Statement

	Year ended December 31,				
	2019	2018	2017	2016	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Continuing operations					
Revenue	**389,218,264**	358,919,679	316,262,914	294,745,710	299,541,862
Profit before income tax	**10,523,986**	8,900,801	7,431,880	8,138,759	3,633,326
Income tax expense	**(1,894,460)**	(1,359,827)	(2,574,187)	(476,255)	(455,234)
Profit from continuing operations for the year	**8,629,526**	7,540,974	4,857,693	7,662,504	3,178,092
Discontinued operations					
Profit from discontinued operations for the year	**–**	–	–	322,506	597,514
Profit for the year	**8,629,526**	7,540,974	4,857,693	7,985,010	3,775,606
Profit attributable to:					
– Equity holders of the Company	**3,606,896**	4,361,525	5,047,826	4,858,924	4,659,083
– Perpetual securities holders	**370,390**	355,897	284,639	–	–
– Non-controlling interests	**4,652,240**	2,823,552	(474,772)	3,126,086	(883,477)
	8,629,526	7,540,974	4,857,693	7,985,010	3,775,606
Earnings per share for the profit attributable to the equity holders of the Company *(expressed in RMB per share)*					
Basic earnings per share					
– Continuing operations	**1.54**	1.87	2.16	2.06	2.02
– Discontinued operations	**–**	–	–	–	0.12
	1.54	1.87	2.16	2.06	2.14
Diluted earnings per share					
– Continuing operations	**1.51**	1.85	2.14	2.06	2.02
– Discontinued operations	**–**	–	–	–	0.12
	1.51	1.85	2.14	2.06	2.14

Condensed Consolidated Balance Sheet

	As at December 31,				
	2019	2018	2017	2016	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets	**330,662,423**	289,709,354	161,513,542	148,792,346	131,234,508
Current assets	**293,412,771**	268,557,537	173,560,199	173,466,482	175,008,384
Total assets	**624,075,194**	558,266,891	335,073,741	322,258,828	306,242,892
Non-current liabilities	**138,617,296**	112,104,495	82,693,896	73,957,619	85,372,680
Current liabilities	**393,633,473**	363,144,423	173,398,197	179,308,997	155,803,129
Total liabilities	**532,250,769**	475,248,918	256,092,093	253,266,616	241,175,809
Net assets	**91,824,425**	83,017,973	78,981,648	68,992,212	65,067,083

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