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

ANNUAL REPORT 2020

CONTENTS

Definitions

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

"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
"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"	Taikang Bybo Dental Group Co., Ltd. (泰康拜博醫療集團有限公司) (formerly known as Bybo Dental Group Co., Ltd. (拜博醫療集團有限公司)), a limited liability company incorporated under the laws of the PRC, and our associate
"CAR"	CAR Inc., (神州租車有限公司) 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)
"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)
"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
"Fullhan Microelectronics"	Shanghai Fullhan Microelectronics Co., Ltd. (上海富瀚微電子股份有限公司), a joint-stock limited company incorporated under the laws of the PRC and listed on the ChiNext Board on the Shenzhen Stock Exchange (A share stock code: 300613)
"Group"	the Company and its subsidiaries
"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. (河北衡水老白乾酒業股份有限公司), 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
"Hyundai Insurance"	Hyundai Insurance (China) Company Limited (現代財產保險(中國)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

"Joy Wing Mau"	Joy Wing Mau Corporation Limited (鑫榮懋集團股份有限公司), 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
"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 associate
"KB Food"	KB Food International Holding (Pte.) Limited, a limited liability company established under the laws of Singapore, and our subsidiary
"Lakala Payment" or "Lakala"	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)
"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
"Levima Advanced Materials"	Levima Advanced Materials Corporation (聯泓新材料科技股份有限公司), a joint stock limited liability company incorporated under the laws of the PRC, the shares of which are listed on the Main Board of the Shenzhen Stock Exchange (A Share Stock Code: 003022), 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
"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
"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 i ts present subsidiaries, or any one of them as the context may require, were or was engaged in and which were subsequently assumed by it
"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 Co., Ltd. (融科智地科技股份有限公司) (formerly known as 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
"Remuneration Committee"	Remuneration Committee under the Board
"Reporting Period"	for the year ended December 31, 2020

"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)
"SOE"	State-owned enterprise
"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. (泰康人壽保險有限責任公司)
"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
"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

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
Ms. HAO Quan
Mr. YIN Jian'an

BOARD OF SUPERVISORS

Supervisors

Mr. GAO Qiang *(Chairman) (staff representative)*
Mr. LUO Cheng *(shareholder representative)*
Mr. YANG Jianhua *(shareholder representative)*

NOMINATION COMMITTEE

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

AUDIT COMMITTEE

Ms. HAO Quan *(Chairperson)*
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
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Haidian District, Beijing, PRC

HEAD OFFICE IN THE PRC

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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

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COMPANY'S WEBSITE

www.legendholdings.com.cn

STOCK CODE

03396

Chairman's Statement

Dear Shareholders of Legend Holdings,

We had an unusual year in 2020, plagued by the COVID-19 pandemic, which led to the most severe global economic recession since World War II. This made the international environment and situation increasingly complex and unpredictable. Global capital markets were rocked by turbulence and upheaval almost on a daily basis. No one and no company around us was spared.

Legend Holdings is a diversified investment holding company rooted in China with a global view. Our industries span IT, financial services, innovative consumption and services, agriculture and food, advanced manufacturing and professional services, financial investment and other fields. We have many listed companies in our portfolio. Our products and services are accessible to numerous households. The new management took office in 2020 and had to face a variety of challenges in 2020 caused by the unfavourable macro environment and the pandemic. However, everyone at Legend Holdings faced the challenges head on, ensuring the Company is operating safely and stably on the one hand, while turning crises into opportunities to seize on new growth areas. Their reports to the Shareholders were outstanding.

In 2020, Legend Holdings realized the revenue of RMB417.567 billion, and the net profit attributable to equity holders of the Company was RMB3.868 billion, bucking the trend to achieve a 7% increase in both numbers.

Countering the impact of the pandemic, resuming operations and production, turning crises to opportunities

The spread of COVID-19 in early 2020 disrupted work and life for everyone as much as the normal operations of all companies. But there was no avoiding the impact of the pandemic, and it was up to us to manage it. Legend Holdings' management immediately responded by announcing pandemic prevention plans, and rapidly established a pandemic prevention and control system, reflecting the commitment of a responsible and excellent enterprise. As well, Legend Holdings is committed to serving the country through business. As we actively took part in pandemic prevention and control, the Company also resumed production and operations to contribute to ensuring the stability of the economy.

On the one hand, we strictly abided by the local pandemic control policies to implement fundamental anti-pandemic measures and ensure the safety of employees. We also ensured the safe operations of investee companies through developing new products and services, coordinating the upstream and downstream of the industrial chain, initiating digital management and carrying out risk reviews. On the other hand, we took the initiative to assist with anti-pandemic efforts across the country and the world. Our portfolio companies sent their outstanding staff members to the frontline to take part in the fight against COVID-19, equipped with what they were best at. For instance, Lenovo provided IT equipment and support services to Huoshenshan and Leishenshan Hospitals in Wuhan. EAL took on air logistics for transporting anti-pandemic supplies domestically and internationally. Shanghai Neuromedical Center rushed to Wuhan to help as the first community medical support team from Shanghai. The Joyvio Group supplied Hubei with fruit, seafood and other daily necessities. Many of our investee companies in the medical field applied their expertise to fight against the pandemic with different edges through different measures. Among them were Sansure Biotech, Guangzhou Kingmed, Berry Genomics, WuXi AppTec, etc.

The pandemic inevitably hampered business operations of our portfolio companies. For example, Lenovo has an important production base in Wuhan. Our pre-schools, transportation and dental care, as well as sales of fruit and seafood had to be suspended and suffered various degrees of disruption. The small and micro enterprises for which we provide financial services faced operational difficulties and pressures. However, we overcame challenges and proactively worked out ways to counter the pandemic and resume operations and production in an orderly manner. Not only did we stabilize existing businesses, we also expanded and sought new opportunities, thus turning crises to opportunities.

Lenovo's Wuhan factory prepared for the resumption of production at the end of February. By the end of March, over 10,000 employees reported for duty. In April, it resumed to full production. In June, the proprietary automated assembly line for 5G IoT went into production. In December, the third generation automated packaging line for mobile phone went into operation. Shipment of tablets increased substantially. Lenovo's Hefei factory is the world's largest PC research and development base, as well as a national-level smart manufacturing demonstrative base. During the pandemic, the Hefei factory coordinated resources from different areas to take the lead in resuming operations and production. It continued to achieve record shipment, and shipped a total of more than 34 million devices for the whole year, an increase of 34% year-on-year, pushing income to above the 100-billion-yuan mark. In 2020, Lenovo maintained its status as a well-regarded global leader in PCs, breaking records in revenues, profits and market share, due to the strengths of its supply chain in China. At the same time, it made significant progress towards the service-modelled transformation. The software and service businesses contributed more than 8% of revenue. On January 12, 2021, Lenovo announced that it would list on the Science and Technology Innovation Board of Shanghai Stock Exchange through the issuance of CDRs. It marked yet another milestone in its 30-plus years' history.

Levima Advanced Materials, having been dedicated to building its business for 10 years, was listed on the Shenzhen Stock Exchange on December 8, 2020, making its landing on the domestic A-share market. However, in the early stage of the pandemic, Levima Advanced Materials encountered challenges such as a shortage of raw material supply, delays in product shipments and inadequate logistics support. The management team worked steadily to ensure the smooth operations of the company to surpass all the operating benchmarks, while making breakthroughs in new areas. These included maintaining the supply of high-quality EVA photovoltaic materials for making photovoltaic films, the demand for which outstripped supply, and increasing its market share of new products such as PP materials for milk-tea cups. Despite a difficult start to the year, Levima Advanced Materials achieved exceptional results, thanks to its relentless efforts.

In terms of financial investments, Legend Capital, Legend Star and Hony Capital completely closed raising rounds for a number of funds, despite the adverse environment. Legend Capital had 11 investee companies listed, Legend Star had two investee companies completed IPO, and Hony Capital had three investee companies landed in the capital market, generating outstanding returns for the funds.

The list of exceptional performances goes on. Legend Holdings has excelled through 36 years of history, building on the commitment to serving the country, adhering to the three key elements of core values, methodology and leadership, as well as building a strong corporate culture. This has been passed down over the generations by the people of Legend Holdings and is the driving force for the group's development. It gives us the confidence and self-assurance for our long-term development. This is the valuable spirit and wealth passed on to us by our founder Mr. Liu Chuanzhi and the founding team he led. It gives everyone at Legend Holdings the fearlessness to power ahead.

Keep going and you will get there. Keep doing and you will make it

Hard work brought good results, but we must still be conscious of the internal and external challenges. The pandemic is still not under control globally and the macro environment is still full of uncertainties. China's economic transformation is still under pressure. After 10 years of diversified investments, our business has achieved a certain scale, but there are still lots of areas where we can go further. We still have a long way to go to achieve our strategy and vision. Difficulties will always exist, but the history of Legend Holdings is about overcoming difficulties and taking hold of success. We have to be brave in the face of difficulties, and fully confident that we will beat them because we have a deep heritage that is our cornerstone anchoring the long-term development of Legend Holdings. We have a heritage of:

- Legend's valuable brand and market image;
- A deep understanding of China's technology and industries, and with the backing of the powerful scientific research capabilities and innovation system of the Chinese Academy of Sciences, setting a broader development scale for Legend Holdings;
- A high-quality "strategic investment + financial investment" asset portfolio and value creation capabilities;
- Legend's unique management philosophy, corporate culture, core values, and work methodology;
- CAS Holdings as the largest Shareholder and Beijing Lian Chi Zhi Yuan Management, formed of our founding members, as the second largest Shareholder, giving us solid backing for the long-term stable development;
- Being a Hong Kong-listed company offering market-driven incentives and subject to regulatory control.

This is the formidable support we can count on to prevail no matter what difficulties and challenges we face. The Chinese phrase for "crisis" is formed of two characters – crisis and opportunity. We have to turn crises to opportunities. Under the new development pattern by which the domestic and foreign markets boost each other, as advocated in the 14th Five-Year Plan, Legend Holdings, as a corporation with domestic business and an international presence, will find new development niches, be they in 5G, artificial intelligence, big data or new infrastructure. It has also delivered to us new development opportunities in new industries.

As we look ahead in 2021, with all these new opportunities, we are full of confidence. We will carry on with the mission of serving our country, passed on to us by our founder Mr. Liu Chuanzhi. We will head towards higher goals. We will keep pushing forward from a solid grounding and make the most of this new historical strategic opportunity window to focus on optimising our portfolio while exploring new arenas.

In addition, we will continue to perform our corporate social responsibilities and promote the development of the Company, the society and the environment in tandem. We will formulate and implement relevant environmental protection standards, based on the reality of the sectors in which our strategic investment companies operate. We are committed to implementing sustainable development strategies and creating a win-win future for all stakeholders.

Every generation has its own legend, and every generation has its own Long March. Today, we are undoubtedly walking on a new Long March. This road certainly has difficulties and challenges, and we can't get to the finish line overnight. But as long as we stay true to our mission and move forward with conviction, applying the wisdom and talent of the Legend people to battle together with one heart, we will no doubt welcome a better tomorrow for Legend Holdings.

I offer my appreciation to all Shareholders for your continued supports, and to my management and colleagues for your unrelenting efforts and dedications!

Legend Holdings Corporation
Ning Min
Chairman of the Board

In 2020, the outbreak and spread of COVID-19 sent the world economy into recession. The complexity of geopolitics caused greater uncertainties to the global economy. Against this big picture, Legend Holdings made it a priority to counter the pandemic, and took initiative to support resumption of subsidiaries' production and operation when the pandemic was coming under control. By efficient risk management, prudent operational strategies and forging ahead in business development, we reinforced efforts to achieve our annual operation and budget targets.

In 2020, Legend Holdings realized a revenue of RMB417.567 billion and a year-on-year increase of 7%. The net profit attributable to equity holders of Legend Holdings was RMB3.868 billion, with a year-on-year increase of 7%. Given that the profit of the first half year had dropped sharply due to one-off losses caused by the pandemic, the annual increase was mainly resulted from a turnaround in the second half of the year, when all segments in our portfolio strived to catch up. Compared to the corresponding period of last year, a remarkable growth of approximately 250% was achieved in the second half of 2020.

The performance results showed that our portfolio companies were able to effectively mitigate and the impact of the pandemic on their operations and resume operation and production instantaneously in accordance with government guidance. Although each company was facing various challenges, all business lines were able to maintain the stability of their operations during the pandemic, and many of them were even able to seize the opportunities arising from the crisis to break new ground. As we look back on 2020, thanks to our profound business experience and effective management system, Legend Holdings steadily fought through the challenging economic environment and obtained a solid foundation for the sustainable development in future.

OPERATING HIGHLIGHTS

Turning crisis to opportunities through strategic investments and solid operations

The strategic investment sector is the core basis of Legend Holdings, contributing more than RMB400 billion revenue and more than RMB550 billion of assets. The sector comprises five segments with more than 20 companies in which we have a controlling interest or equity interest. Although all sectors of business were inevitably affected by COVID-19 to certain degree, we responded swiftly by taking the initiative to adjust our business strategies and taking effective measures to ensure safe operations. As a result, the strategic investment sector achieved stable operations throughout the year. Excluding the significant loss of CAR in 2020 and the one-off gain from the IPO of Lakala Payment in 2019, the net profit attributable to equity holders of our Company from the strategic investment segment was generally level with the previous year.

- Lenovo was a textbook example of converting crises into opportunities. While the pandemic had caused tremendous difficulties for Lenovo's globalized operations, it also brought opportunities for business development. At the beginning of the outbreak, Wuhan was the epicenter, while one of Lenovo's most important factories was located there. To overcome the adverse impact of the pandemic on production, Lenovo formed an emergency command team to actively launch anti-pandemic prevention and control tasks, and to coordinate internal and external resources to support the resumption of work and production. Backed by years of experience in global operations, Lenovo flexibly deployed resources and seamlessly connected upstream and downstream of the global supply chain to stabilize the production and operations in its factories around the world. For example, Lianbao Factory in Hefei City made quick forecasts to lock its material supplies, hence guaranteeing sufficient supply of components and parts. Not only did the pandemic create challenges for production and supply chain arrangements, but it also fueled the trends of online working, home entertainment and e-learning at home, which led to exponential demand for IT equipment. With its strong global supply chain management and production capacities, Lenovo seized the opportunities during the pandemic, leading to rapid growth in sales revenue to a record high for two consecutive quarters. The company cemented its championship in the global PC market and made a breakthrough in service-led transformation, with rapidly increasing revenue in this new business area. In 2020, Lenovo achieved revenue of RMB384.992 billion, a year-on-year increase of 8%, and net profit of RMB7.544 billion, a year-on-year increase of 25%.

- Levima Advanced Materials has been groomed by us to become a leader in the field of new materials. In the early stages of the pandemic, Levima took steps to ensure the procurement of raw materials and product sales. It coordinated raw material reservations, product shipments, material transportation and order fulfillment, to effectively resolve issues on sales caused by the pandemic and maintain steady production. The unit consumption of methanol for its DMTO device and other key consumption indicators continued to decrease to industry-best levels. The OCC project completed its first trial run in October and produced qualified products, which further reduced the unit consumption of methanol significantly. Levima maintained a leading market share in the cable material product market. It also maintained a stable supply of high-quality EVA used for producing photovoltaic films, as market demand for the product outstripped supply. The company is also capturing a bigger market share for new products such as PP special materials for making milk-tea cups. Its special EOD products achieved a notable breakthrough in the laundry gel capsules market. In 2020, Levima Advanced Materials realized revenue of RMB5.931 billion, a year-on-year increase of 5%, and net profit of RMB655 million, a year-on-year increase of 21%.

- COVID-19 hampered the operations of domestic small and medium-sized enterprises. Our business in the financial segment also faced a more complicated external operational environment compounded by the pandemic. However, Zhengqi Financial, JC International Finance and Leasing and Lakala Payment responded through risk control and business consolidation to buck the trend and achieve performance growth. Zhengqi Financial refined its risk control processes through a systematic and comprehensive evaluation of business risks. It implemented multiple measures to help customers overcome difficulties and keep its core business stable. At the same time, the benefits of its "investment loan linkage" model became apparent, with the IPO of five investee companies – ActBlue Co. Ltd., Trina Solar Co., Ltd., Sansure Biotech Co. Ltd., BlueSword and Harbour BioMed. Meanwhile, the IPO applications for Chemclin Diagnostics Corporation and Gocom Information Technology have been approved. Zhengqi Financial realized a net income of RMB521 million in 2020, a year-on-year increase of 140%. JC International Finance and Leasing ensured stable business operations by strengthening risk audits and post-leasing management, as well as stricter reviews of new projects. As a result of sound customer screening and risk control management, NPL ratio of JC International Finance and Leasing declined compared to 2019, JC International Finance and Leasing achieved a net profit of RMB265 million, a year-on-year increase of 28%. Lakala Payment continued to push forward SaaS and digital transformation of its business. Through greater efforts in product innovation and market expansion, it overcame the impact of COVID-19 and achieved a record payment transaction volume of RMB4.34 trillion, a year-on-year increase of 34%. Its merchant business also continued to grow rapidly. The net profit attributable to the equity holders of Lakala for 2020 was RMB935 million, a year-on-year increase of 16%.

- As a leading domestic air cargo company, EAL was able to ensure the deployment of domestic anti-pandemic supplies and the security of the international supply chain during the pandemic, supported by its global aviation network and ground service capabilities in Shanghai, Wuhan and other cities. In addition, EAL significantly increased its air cargo capacity after refitting passenger planes to carry air freight. Its refitted fleet was the largest in China's civil aviation system, with network covering 26 major aviation hubs around the world. Benefiting from the high level of air freight rates throughout the year, EAL recorded a significant year-on-year growth in its 2020 performance.

Outstanding financial investment performance generating good profit and cash returns

Financial investments have consistently brought good returns for Legend Holdings. As the global economy declined due to COVID-19 in 2020, central banks around the world adopted relatively loose monetary policies. However, the mix of positive and negative factors made capital markets more volatile. At the same time, broader opportunities for financial investments emerged as the domestic capital market was opened up and the outline of the 14th Five-Year Plan was announced. We took the initiative to assess project risks and implement classified management, using a more prudent investment strategy to select best-in-class targets. On the other hand, we rode on the policy adjustments of the domestic capital market and accelerated the IPOs of several investee companies. During the year, our financial investment sector facilitated the IPO of more than 15 investee companies and several other IPOs were approved. In 2020, the net profit attributable to equity holders of our Company from the financial investment segment was RMB2.439 billion, a year-on-year increase of 169%. The three fund management platforms together also contributed a good cash return of more than RMB4 billion in 2020.

- Legend Capital raised a total of RMB4.524 billion in funds in 2020, completed 51 new project investments and exited 44 projects, partially or in full. Among the investee companies, 11 companies landed in the capital market, namely Ucloud, Cybrid Technologies Inc., Yanmade Technology, QuantumCTek Co., Wireless Power Amplifier Module Inc., Hichain Logistics, Shenzhen Hymson Laser Intelligent Equipments Co., Ltd., Big Hit Entertainment Co., Ltd., Harbour BioMed, ContextLogic Inc and CNGR Advanced Material Co. Ltd.

- Legend Star completed the final closing of its 4th RMB fund in 2020 and the second-round closing of the 4th USD fund. During the Reporting Period, it invested in more than 20 domestic and overseas projects. More than 50 investee companies had follow-up financing. Legend Star also exited from 14 projects. Burning Rock Biotech and Kintor Pharmaceuticals were listed on the NASDAQ and Hong Kong Stock Exchange respectively during the Reporting Period.

- Hony Capital completed two rounds of fund raising for its 3rd property fund and raised RMB1.78 billion in total. The first Hony Venture Capital Fund completed the final settlement and raised USD130 million. Investments in new projects and existing projects progressed in an orderly manner. Three investee companies were listed, namely I-Mab Biopharma, Simcere Pharmaceutical Group and Yatsen Holding.

Facilitating the IPO of strategic core businesses

Legend Holdings have always been actively supporting portfolio companies to list in the capital market. In 2020, two investees made ground-breaking achievements in this regard.

Levima Advanced Materials, our subsidiary, landed in the domestic capital market when it was listed on the Shenzhen Stock Exchange at the end of 2020. The advancement of Levima Advanced Materials is of vital significance as it is another company cultivated by Legend Holdings from ground. It began with the proprietary methanol-to-olefin technology of the Dalian Institute of Chemical Physics of the Chinese Academy of Sciences. Since 2010, Legend Holdings provided funding, management and cultural capabilities to enable its rapid growth from zero. In 2017, we helped Levima bring in CAS Holdings as a strategic investor. Levima Advanced Materials is now listed with rapid growth in all business areas and breakthroughs in many areas of new materials. Our cultivation of the company over a decade reflects our commitment and determination to serve the country. It is a testament to our capability to build pillar businesses by leveraging our inherent advantages. It is also a classic case of the commercialization of Chinese technology and how to scale up a business. Calculated on the current share price, this investment contributed more than RMB10 billion of value for Legend Holdings.

Furthermore, the IPO of EAL has progressed to a new stage. On March 11, 2021, EAL, as one of the first pilot state-owned enterprises for mixed ownership reform and the first national carrier to implement mixed ownership, was approved for listing by the China Securities Regulatory Commission, and will land in the A-share market soon.

Strategic focus on core business to accelerate restructuring and return of resources

The year 2020 marks the completion of Legend Holding’s previous strategic cycle. The Company has been stepping up the formulation of new strategies and one key tenet is to be more focused on our core business and to exit some non-core businesses to speed up the return of resources.

During the Reporting Period, we exited from Suzhou Trust Corporation limited. Our exits from CAR and Pension Insurance Corporation Group Limited were completed in the first quarter of 2021. The three investments delivered more than RMB4 billion of cash back, giving us ample capital to fund our future development and planning for the new strategic cycle.

New achievement with the two-wheel-drive strategy

Legend Holdings insists on our unique model of running on the two wheels of “strategic investment + financial investment”. We strive to build our leadership in the industry by tapping into the inherent advantages of the two-wheel-drive model. This model has delivered industry-leading companies such as Lakala Payment, CAR and EAL into our fold and generated a substantial return on investments. In 2020, with the two-wheel-drive strategy, we took a stake in Fullhan Microelectronics, successfully turning a fund investment into our strategic investment in the technology field, representing a new paradigm for investment in the high-tech area.

Fullhan Microelectronics is China’s leading company for the design and development of chips in the fields of video-based professional security, smart hardware and automotive electronics. Through years of proprietary research and development and innovation, it has developed a range of proprietary core technologies in chip algorithm research, IP core development, SoC chip implementation and product solutions. The company continues to keep a high proportion of investment in R&D. Its ISP chip products (analog camera image processing chips) are indisputable leaders in the global security market. The automotive electronics field is gradually becoming a new business growth area.

Semiconductors and integrated circuits are fields that Legend Holdings has been following closely for a long time. Our portfolio company Legend Capital is the earliest institutional investor in Fullhan Microelectronics and has been supporting Fullhan Microelectronic's development for nearly 15 years. Our innovative entry into the semiconductor arena to build a strategic presence through the two-wheel-drive model is a manifestation of the advantages of our business model. In future, we will leverage our rich industrial resources and advantages to engage with the Fullhan Microelectronics management team for deep cooperation in the semiconductor industry.

OUTLOOK

Going forward, it is likely that COVID and geopolitical uncertainties will remain in 2021. Though stimulus policies are gradually exiting, the global economy is yet to fully recover. However, the year 2021 also marks the first year for the 14th Five-Year Plan, Legend Holdings will continue to think global and act local. Based on internal and external changes, we will make dynamic adjustments and carry out work from following aspects:

Improve existing businesses' competitiveness, consolidate and develop pillar assets, and strengthen our fundamentals. The pillar assets play a core supporting role to our strategic goals. We are committed to enhancing their position and competitive edge in their sectors to safeguard the Company's steady and sustainable development. Focusing on the long term and value creation, we define the assets' positioning from the Legend Holdings' level and tailor-make the post-investment management based on the assets' performance and capacity. We will promote the listing of mature companies. For example, Lenovo has broad space to improve its various businesses; Levima Advanced Materials needs further steps into new materials; BIL is actively expanding its business in China and companies such as EAL, Joy Wing Mau, and Hankou Bank are going public…

Optimize the industrial and asset allocation of strategic investment and maintain proper amount of financial investment. In line with the Company's strategic goals, we will ensure that the industries that we invest in comply with the national policies' orientation, regulatory requirements and business trends as well as support the real economy. By adjusting the investment portfolio, we will exit non-core businesses, accelerate cash flow-back, and deploy resources in good companies. Besides, we will invest in the three fund management platforms to achieve predictable profit growth and improve asset return.

Lead development with "technology", explore investment in technology and health, and promote the assets' overall vitality. We will empower the portfolio companies with technology to boost their long-term value growth, while focusing on the major member companies to make new investments in the fields of IT, new materials, etc.. Our financial investment will continuously allocate to technology funds. We will leverage the unique two-wheel-drive model, rely on the advantageous resources of China Academy of Sciences and CAS Holdings, and increase our presence in technology and health. The experience of Lenovo, Legend Capital, Legend Star, Levima Advanced Materials, etc. is treasure to Legend Holdings and will ensure our future success in these promising areas.

Legend Holdings Corporation
LI Peng
Executive Director and Chief Executive Officer

Revenue contributions from the Company and its subsidiaries' businesses

Unit: RMB million

	2020	2019	Change in amount	Change %
Strategic investments	**416,765**	388,574	28,191	7%
IT	**384,992**	357,212	27,780	8%
Financial services	**7,767**	8,815	(1,048)	(12%)
Innovative consumption and services	**739**	905	(166)	(18%)
Agriculture and Food	**17,037**	15,695	1,342	9%
Advanced manufacturing and professional services	**6,230**	5,947	283	5%
Financial investments	**821**	704	117	17%
Elimination	**(19)**	(60)	41	N/A
Total	**417,567**	389,218	28,349	7%

Net profit contributions attributable to equity holders of the Company from the Company and its subsidiaries' businesses

Unit: RMB million

	2020	2019	Change in amount	Change %
Strategic investments	**2,847**	4,095	(1,248)	(30%)
IT	**2,093**	1,608	485	30%
Financial services	**1,874**	2,076	(202)	(10%)
Innovative consumption and services	**(1,518)**	(295)	(1,223)	N/A
Agriculture and Food	**(368)**	230	(598)	(260%)
Advanced manufacturing and professional services	**766**	476	290	61%
Financial investments	**2,439**	906	1,533	169%
Unallocated	**(1,418)**	(1,390)	(28)	N/A
Elimination	**–**	(4)	4	N/A
Total	**3,868**	3,607	261	7%

Asset allocation of the Company and its subsidiaries' businesses

Unit: RMB million

	2020	2019	Change in amount	Change %
Strategic investments	**563,791**	544,159	19,632	4%
IT	**237,232**	230,079	7,153	3%
Financial services	**285,475**	271,978	13,497	5%
Innovative consumption and services	**5,526**	7,007	(1,481)	(21%)
Agriculture and Food	**22,826**	24,378	(1,552)	(6%)
Advanced manufacturing and professional services	**12,732**	10,717	2,015	19%
Financial investments	**70,489**	64,299	6,190	10%
Unallocated	**21,522**	19,456	2,066	11%
Elimination	**(4,069)**	(3,839)	(230)	N/A
Total	**651,733**	624,075	27,658	4%

BUSINESS REVIEW

For the year ended December 31, 2020, Legend Holdings posted a total revenue of RMB417,567 million, an increase of 7% year-on-year, mainly due to increased revenue in the PC and smart device (PCSD) business. The net profit attributable to equity holders of Legend Holdings totalled RMB3,868 million, an increase of 7% year-on-year, mainly due to: 1) Increased profit from Lenovo's PCSD business; 2) Increased profit from EAL and Levima Advanced Materials; 3) Increased returns from financial investments, with Legend Star and Legend Capital achieving relatively good profits. During the Reporting Period, despite the adverse impact of COVID-19 on the production and operation of our investees in the first half of the year, Legend Holdings had adopted various measures to counter the impact. In the second half of the year, the net profit attributable to equity holders of Legend Holdings was RMB3,231 million, an increase of 243% year-on-year and more than 400% compared with first half of the year.

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 customers. As of December 31, 2020, we held, 31.45% equity interest in Lenovo, directly and indirectly.

Since the onset of COVID-19, the ways of living and working has been changed. Lenovo saw remarkable growth in various business segments. The PC and Smart Device business (PCSD) reported a record revenue of RMB308,146 million, a year-on-year increase of 11%. The Data Centre Group (DCG) realised a revenue of RMB41,047 million, a year-on-year increase of 8%. The Mobile Business Group (MBG) emerged from the adverse impact of the pandemic and resumed growth in the second half of the year. Lenovo's strategy of service-led transformation model was showing results, with rapid growth for software and services businesses in the second half of the year, contributing a record high of 8% to Lenovo's invoiced revenue.

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

Unit: RMB million

	2020	2019
Revenue	**384,992**	357,212
Net Profit	**7,544**	6,026
Net profit attributable to equity holders of Legend Holdings	**2,093**	1,608

During the Reporting Period, the IT segment's revenue increased by 8% year-on-year to RMB384,992 million. Net profit attributable to equity holders of Legend Holdings increased 30% to RMB2,093 million, mainly due to: 1) Increased market share in the PCSD business during the Reporting Period; Lenovo's excellent supply chain management and production capabilities helped to expand its edge in gaining market share; 2) The revenue of MBG achieved resumption of increase during the second half of 2020 through expansion of product mix; 3) Increased sales revenues from DCG's Enterprise and SMB (ESMB) segment and Cloud Service Provider (CSP) segment.

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

During the Reporting Period, the PCSD business achieved all-time high revenue and pre-tax profit due to customer lifestyle changes caused by the onset of COVID-19 (including the one PC one person) trend gradually becoming apparent, as well as heavier usage of PC products. Lenovo was growing at a faster pace in this area group than competitors in the education and Small and Medium Business (SMB) segments. Lenovo's results for high-growth segments and high-margin services were outstanding. Increasing demand under the work from home trend supported strong growth in the sales of thin-and-light notebook PC, generating a 54% increase in revenue year-on-year. The Gaming PCs segment has been a beneficiary of casual gaming demand and chalked up a 63% increase in revenue year-on-year. E-learning boosted the shipments of Chromebook, with 108% more units shipped year-on-year. The Software and Service businesses showed strong growth during the Reporting Period, with a 42% increase in revenue year-on-year. Its market share in the SMB segment has expanded.

Intelligent Devices Group – Mobile Business Group (MBG)

MBG continued to execute its strategy of expanding the smart phone product portfolios and carrier ranging. MBG's product portfolio now carries attractive models across all price spectrums upgrading towards the high-end and flagship models. Benefiting from this, the average selling price of the products went up by 19% year-on-year in the fourth quarter of 2020. Despite challenges from the hike in logistic costs and industry-wide component shortage, MBG resumed profitability before tax in that quarter.

Data Centre Group (DCG)

During the Reporting Period, DCG continued to grow its services attach rate and upsell premier services. Its strategic partnership with SAP has boosted Lenovo's capabilities in delivering the TruScale IaaS solution (a scalable consumption-based service offering). Strong demand for cloud services and ongoing diversification of the customer base brought about double-digit growth for cloud service provider. Thanks to excellent performance of software-defined infrastructure, storage and high-performance computing, software and services, Enterprise and SMB (ESMB) segment recorded an income level that is the highest in three years. Third-party research showed that Lenovo had surpassed two competitors to become the world's second largest supplier in entry storage. DCG will continue to pursue long-term growth by scaling up and enhancing profitability.

Outlook

Despite uncertainties associated with the COVID-19 pandemic during the Reporting Period, Lenovo has taken advantages of tailwind opportunities to increase profitability and furthered its business transformation. As economies around the world gradually recover from the pandemic, and leading enterprises in certain area increasing their expenditure, Lenovo will continue to capitalize on recovery-lead opportunity and ratcheted up investment on service-led transformation model to secure long-term profitability.

In the PCSD business, Lenovo will continue to capture opportunities from the changing industry structure and leverage its operational excellence and global franchise to meet strong segment demand, driven consistent premium to market growth, and maintain profitability leadership.

In the MBG business, Lenovo will further promote product innovation and accelerate 5G smart phone launches, while seeking to strengthen its competitiveness in Latin America, North America and Europe, so as to grow at a premium to the sector and drive profitable growth.

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

Financial Services

Overview

The Company operates the financial services segment through our diversified subsidiaries and associates:

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

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

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

- Lakala Payment, our associate, is a well-known comprehensive financial technology company. It uses payment services as an entry point to consolidate information technology, to serve offline businesses and to empower the operations of SMEs with all-round support;

- Kaola Technology, our associate, which mainly provides innovative financial services;

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

- Hyundai Insurance, our associate, which is a technology-driven insurance company that specialises in property insurance services.

During the Reporting Period, COVID-19 spread globally. Regulatory control over the financial industry was strengthened, bringing greater external pressure and bigger challenges in new business development, risk control and fund management.

In view of the changing external environment, our portfolio companies in the financial services segment actively adjusted their business strategies and boosted services to high-quality customers in the real economy, and adopting more prudent strategies in risk management and control. Legend Holdings accorded comprehensive support to our portfolio companies to help them improve business performance by expanding their strategic, business and financing resources. We also closely scrutinised the risk management of our portfolio companies, including but not limited to credit risk, liquidity risk, market risk and investment risk. During the Reporting Period, our financial services segment maintained stable operations and countered the adverse impacts of the pandemic effectively.

While ensuring good post-investment management of assets, the financial services segment also actively expanded investments in new projects and continued to optimise asset portfolios. In 2020, we completed our investment in Hyundai Insurance, and made a strategic sale of our equity in Suzhou Xintuo Limited Company to further optimise Legend Holdings' business structure and focus on our strategic planning.

In the future, Legend Holdings will fully leverage our advantage in industry resources and technology to develop our financial services segment in two directions – first, we will continue to refine our assets and help our portfolio companies to achieve strategic upgrades and improve performance to consolidate our edge; second, we will capture synergistic development opportunities in the financial services segment and reinforce our overall competitive edge.

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

Unit: RMB million

	2020	2019
Revenue	**7,767**	8,815
Net profit	**1,911**	2,294
Net profit attributable to equity holders of Legend Holdings	**1,874**	2,076

During the Reporting Period, the revenue from the financial services segment was RMB7,767 million, representing a year-on-year decrease of around 11.89%. The net profit attributable to equity holders of Legend Holdings was RMB1,874 million, a year-on-year decrease of around 9.7%. The decrease was attributable to the following factors: 1) Some portfolio companies took the initiative to scale down fund business due to COVID-19 and changes in regulatory control; 2) Net profits of some portfolio companies decreased year-on-year due to COVID-19; 3) Lakala Payment confirmed a one-time diluted gain of RMB265 million when it was listed in the corresponding period of last year.

Operating Highlights

- During the Reporting Period, although the pandemic dealt a blow to the economy of Luxembourg, BIL maintained a stable financial performance. At the end of 2020, Assets under Management (AuM) reached EUR 43.7 billion. Customer deposits increased by 4.1% to EUR 19.8 billion. Customer loans increased 4.8% to EUR 15.4 billion. CET-1 ratio went up to 13.44% at the end of 2020, versus 12.47% at the end of 2019. BIL's ratings with both Moody's and Standard & Poor's stayed at a relatively high level (at A2/Stable/P-1 and A–/Stable/A-2 respectively). BIL continued to pursue the development of Chinese market. In February 2020, BIL completed the acquisition of 100% equity of Sino Suisse Financial Group (Hong Kong) Limited, and renamed it BIL Wealth Management Limited. It will be a key platform for driving BIL's expansion in the Greater Bay Area. BIL's global business network formed of Luxembourg, Beijing, the Greater Bay Area and Switzerland was taking shape, to provide internationalised, professional and customised financial services for Chinese customers.

- During the Reporting Period, Lakala Payment overcame the impact of COVID-19. Payment technology reported a revenue of RMB4.665 billion, an increase of 7% year-on-year. Transaction volume was a record high of RMB4.34 trillion, an increase of 34%. The ratio of income and profit from financial, IT and ecommerce technological services went up further. Merchant operations reported a revenue of RMB633 million for the year, an increase of 43% year-on-year. Lakala Payment also continued to intensify product innovation and research and development and reached a collaboration agreement with the Institute of Digital Money of the People's Bank of China and six major operational organisations to facilitate the implementation of digital RMB in pilot cities. Due to positive operational results, Lakala Payment achieved revenue of RMB5,557 million for the year, an increase of 13% year-on-year. The net profit attributable to equity holders of Lakala Payment was RMB935 million, a year-on-year increase of 16%. It has been growing at an annual rate above 15% for six consecutive years.

- During the Reporting Period, Zhengqi Financial maintained the "investment loan linkage" (投貸聯動) business model, and was reaping results in a new round of capital market reforms. In 2020, it completed the IPO of five investee companies: ActBlue Co. Ltd. (艾可藍), Trina Solar Co., Ltd. (天合光能), Sansure Biotech Co. Ltd.(聖湘生物), BlueSword (蘭劍智慧) and Harbour BioMed (和鉑醫藥). The IPO applications for Chemclin Diagnostics Corporation (科美診斷) and Gocom Information Technology (工大高科) were approved. The IPO of a number of investee companies were being processed or about to be filed. Coronavirus test kit manufacturer Sansure is a classic investment case study. Based on the share price of Sansure at the end of the Reporting Period, it would bring around 50-times return for Zhengqi Financial. During the Reporting Period, the net profit of Zhengqi Financial increased 140% year-on-year to RMB521 million. The business growth is a testament to Zhengqi Financial strategic investments based on the business strategy of "optimising resources in targeted industries and regions with investment banking initiatives to create win-win outcomes" (產業聚焦、投行引領、價值共創), and realising returns when the investee companies were listed during the period.

- During the Reporting Period, JC Finance & Leasing overcame the adverse impact of COVID-19 dampening the economy, and bucked the trend to achieve growth. The net profit increased 28% year-on-year. JC Finance & Leasing continued to strengthen its business planning and market development. The end-of-year balance of its retail financial leasing business represented by heavy truck and small and micro enterprises leasing increased 64% compared to the beginning of the year, comprising 18% of its total assets as of December 31, 2020, marking it a key growth driver of the company.

- During the Reporting Period, Legend Holdings and Didi Chuxing (滴滴出行) co-operated in capital injections in Hyundai Insurance, acquiring 32% of its equity interest respectively. The transaction was approved by the China Banking and Insurance Regulatory Commission. It represents the Company's strategic presence in the insurance industry.

BIL

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 recognised as systemically important by the European Central Bank, with a total balance sheet size of EUR 30.6 billion as of December 31, 2020, an increase of 9% compared to 2019. As of December 31, 2020, we held 89.98% equity interest in BIL.

Employing more than 2,000 people, BIL has set up branches in the financial centres of Luxembourg, Switzerland (since 1984), Denmark (since 2000) and Beijing (since 2019). On February 5, 2020, BIL completed the acquisition of 100% equity of Sino Suisse Financial Group (Hong Kong) Limited and renamed it BIL Wealth Management Limited. In July 2020, to optimise organisational structure and enhance operational efficiency, BIL decided to close its branch office in Dubai. The branch mainly served Middle Eastern, non-resident Indian and European expatriate clients. Middle Eastern clients remain a key client group for BIL and they are now primarily served from the BIL Suisse Geneva office, BIL Luxembourg and Switzerland were already acting as booking centres.

As COVID-19 spread, Luxembourg ordered all non-essential commercial premises to close during a national lockdown. BIL, as a pillar bank of Luxembourg, continued to operate during this period due to the importance of its services. BIL took extensive measures to protect the safety and health of employees and clients whilst ensuring business continuity. BIL rapidly put in place a remote working environment and at the height of the pandemic, around 85% of staff were working from home.

As a critical part of the Create Together 2025 strategy: Throughout 2020, BIL continued to pursue the development of international markets to drive future growth, especially the Chinese market which is key to diversifying our revenues sources. 1) Leverage on our cross-border capacity in Luxembourg, Switzerland and Hong Kong, BIL serves Chinese entrepreneurs by offering them various tailor made services. 2) With the establishment of a representative office in Beijing China, coupled with the synergies with Legend Holdings, BIL has started to promote its branding in China. 3) Building on its increased presence in Hong Kong, BIL has started to reinforce its Group Investment offerings by building expertise in Chinese capital markets, to meet the rising demands of European investors looking for investment opportunities in China.

In 2020, despite the adverse macro-economic environment, BIL delivered a satisfactory performance in the "Retail, Corporate and Wealth Management" business areas:

- Assets under Management (AuM) reached EUR 43.7 billion compared with EUR 43.5 billion at the end of 2019, mainly due to positive market effect. Customer deposits increased by 4.1% year-on-year, reaching EUR 19.8 billion, from EUR 19 billion at the end of 2019. A large part of this evolution is due to clients' propensity for spending being hampered by the uncertainty of the situation and lockdown measures, limited investments due to market turbulence and liquidity monitoring by corporate clients. Customer loans increased by 4.8% to EUR 15.4 billion, from EUR 14.7 billion at the end of 2019, essentially due to new commercial loans of EUR 700 million for local enterprises affected by the pandemic;

- In 2020, BIL reported a net profit of RMB739 million, 11% lower than in 2019, mainly due to increased expenditure in non-recurring items and increased loan provisions due to COVID-19;

- At the end of 2020, CET-1 ratio was 13.44%, versus 12.47% at the end of 2019;

- At the end of 2020, BIL's ratings with both Moody's and Standard & Poor's remained unchanged at A2/Stable/P-1 and A–/Stable/A-2 respectively.

In the future, with the full support of major shareholder Legend Holdings and the Grand Duchy of Luxembourg, BIL will continue to execute its five-year strategic plan "Create Together 2025". In Luxembourg, BIL will continue to consolidate its market share and strengthen its reputation as a trusted partner for entrepreneurs and investors. BIL will continue to enhance its asset management capabilities and implement new tools to further develop its customer portfolios. In the process, BIL will enhance operational efficiency and focus remains central to the BIL's strategy. In international markets, BIL will continue to pursue its China strategy and speed up its opening closely following China's capital markets to deliver more diversified products and services for Chinese and European customers, in a bid to develop a new development pattern where domestic and foreign markets can boost each other.

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

Unit: RMB million

	2020	2019
Revenue	**4,580**	4,477
Net profit	**739**	833

Zhengqi Financial

Zhengqi Financial is a boutique professional organisation operating with the unique characteristics of investment-loan linkage model. It is a leading provider of integrated financial services for SMEs and a platform to empower industries, in an endeavour to build a SME ecosystem to create value together. As of December 31, 2020, we held 86.85% equity interest in Zhengqi Financial.

During the Reporting Period, Zhengqi Financial maintained the business strategy of "optimising resources in targeted industries and regions with investment banking initiatives" (產業聚焦、投行引領、區域深耕、資源優配), and focused on emerging industries and their ecological chains encompassing semiconductors, healthcare, high-end equipment manufacturing, new materials, new energy, energy conservation and environmental protection to optimise and adjust its business structure. It implemented its "investment-loan linkage" (投貸聯動) model to further develop the markets in the Yangtze River Delta, the Greater Bay Area, the Beijing-Tianjin-Hebei region and the Yangtze River Economic Belt, which are regions rich with scientific, educational and industrial resources. Zhengqi Financial continued to consolidate its strategic support system to implement and anchor the model. The benefits were apparent in a new round of capital market reforms. In 2020, it completed the IPO of five investee companies: Anhui Aikelan Environmental Protection Co., Ltd. (安徽艾可藍環保股份有限公司), Trina Solar Co., Ltd. (天合光能), Sansure Biotech Co. Ltd. (聖湘生物科技股份有限公司), BlueSword (蘭劍智能), and Harbour BioMed (和鉑醫藥). The IPO applications for Chemclin Diagnostics Corporation (科美診斷) and Gocom Information Technology (工大高科) have been approved. The IPO of a number of investee companies were being processed or about to be filed. Coronavirus test kit manufacturer Sansure is a classic investment case study of Zhengqi Financial. Based on the share price of Sansure at the end of the Reporting Period, it would bring around 50-times return for Zhengqi Financial. As Zhengqi Financial investee companies are successively landing in capital markets, profits for the investment segment will continue to be released in the future. At the end of the Reporting Period, the scale of Zhengqi Financial's equity investment business had expanded by 34.01% year-on-year to RMB713 million; relevant fair value gain was up by 295.48% year-on-year, to RMB2,873.63 million.

During the Reporting Period, Zhengqi Financial adopted various timely and effective measures to counter the impact of the pandemic on SMEs. At the peak of the pandemic, Zhengqi Financial comprehensively took stock of the impact on customers and issued timely risk warnings to enhance monitoring intensity and frequency. On the other hand, Zhengqi Financial further improved its risk control structure building, raised the acceptance and review standards, and selected customers in key industries that fit with its investment direction for debt investment. While pivoting its business direction, Zhengqi Financial gradually reduced exposure to the debt investment and guarantee business in traditional industries, and strengthened the management of problematic and sub-standard projects to rigorously reactivate solidified assets. At the end of the Reporting Period, the scale of its debt investment and guarantee business decreased RMB1,887 million and RMB1,312 million respectively, representing a decrease of 20.70% and 39.83% year-on-year.

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

Unit: RMB million

	2020	2019
Revenue	**785**	1,271
Net profit	**521**	217

During the Reporting Period, Zhengqi Financial achieved a net profit of RMB521 million, representing an increase of RMB304 million, or 140% compared with the corresponding period of last year, mainly due to the enhanced value realised through successful IPOs by its investee companies, which were targeted in adherence to its strategy of "optimising resources in targeted industries and regions with investment banking initiatives to create win-win outcomes" (產業聚焦、投行引領、價值共創).

JC Finance & Leasing

JC Finance & Leasing, founded in November 2015, is a Legend Holdings' subsidiary specialising in financial leasing and related financial businesses. Backed by Legend Holding's brand and management expertise, JC Finance & Leasing develops its financial leasing business, collaborating with well-regarded domestic and international equipment manufacturers. It focuses on industries and industrial chains in key growth areas of China's new economy, such as advanced manufacturing, energy conservation and environmental protection, agri-food, digital information, medical services, public services and transportation. It is dedicated to develop as a leading enterprise in the financial leasing industry. As of December 31, 2020, Legend Holdings held 99.01% equity interest in JC Finance & Leasing.

During the Reporting Period, the spread of COVID-19 heightened operational risks for SMEs. Facing challenges to risk management and business development, JC Finance & Leasing proactively adopted a range of measures to mitigate the adverse impact of the pandemic. On the one hand, it strengthened risk control and examined customers' operational status, as well as enhanced the post-leasing management of stock assets to ensure asset safety. On the other hand, it imposed stringent control over the approval standards for new projects and delivered greater service to quality customers. Due to proficient customer selection and risk control, JC Finance & Leasing minimised the pandemic impact on its asset quality. While reinforcing efforts to counter the pandemic impact, JC Finance & Leasing resumed production through online working, e-signing of documents and video conferencing. While investment into new businesses was affected by the pandemic in the first half of the year, operations and businesses resumed completely in the second half of the year, enabling it to meet the annual business targets.

During the Reporting Period, JC Finance & Leasing continued to strengthen its business coverage and market development to steadily advance its traditional financial leasing business. Its retail financial leasing business represented by heavy truck and small and micro enterprises leasing increased by 64% compared to the beginning of the period, comprising 18% of its total assets as of December 31, 2020. This business has become a key growth driver for JC Finance & Leasing.

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

Unit: RMB million

	2020	2019
Revenue	**1,132**	1,044
Net profit	**265**	207

During the Reporting Period, despite the pandemic, macro-economic slowdown and tougher financial regulations, JC Finance & Leasing achieved rapid growth in operational performance after adjusting its business strategy. Total revenue for 2020 increased 8.4% year-on-year to RMB1,132 million mainly due to the increase of average rate of return on leasing and the increased revenue from logistic platform business. The net profit was RMB265 million, an increase of 28% year-on-year, mainly due to stronger risk control and ongoing optimisation of asset classes.

Associates in Financial Services Segment

Lakala Payment

Lakala Payment is a well-known integrated third-party payment company. It uses payment services as an entry point to consolidate information technology, to serve offline businesses and to empower the operations of SMEs with online and offline payment, finance, ecommerce and information technology services. As of December 31, 2020, the Company held 28.24% equity interest of Lakala Payment.

In 2020, Lakala Payment continued to implement its strategy and strengthen operational management to overcome the impact of COVID-19. In the payment technology business, payment transaction revenue continued to increase, at 7% year-on-year to RMB4,665 million in payment income. The scale of payment processed reached a record high of RMB4.34 trillion, an increase of 34% year-on-year. In merchant operation, the revenue and profit from equipping merchants in finance, information technology and ecommerce increased further, due to the scale of economy of merchants and continued increased in transaction. The revenue from the merchant operation business for the year was RMB633 million, an increase of 43% year-on-year.

During the Reporting Period, Lakala Payment continued to intensify product innovation and research and development: 1) Lakala Payment reached a collaboration agreement with the Institute of Digital Money of the People's Bank of China and six major operational organisations to facilitate the implementation of digital RMB in pilot cities. Lakala Payment will be responsible for system integration, as well as research and formulate a solution for accepting digital currency and implementing digital currency in pilot cities. Currently, Lakala Payment's POS products are already equipped to accept digital RMB. 2) Lakala Payment will zero in on the major operational challenges and pain points for micro and small enterprises on procurement, payment and sales, and continue to upgrade its SaaS products such as Yunxiaodian (雲小店), which has 20,000 registered micro and small enterprises users, 3,400 of those had POS deployed. The number and value of orders and the scale of payment transactions for merchants were going up month by month. 3) Lakala Payment is investing to develop new models of mobile order-taking terminals tailored for micro and small enterprises to increase its market share. 4) It is joining hands with mobile hardware makers to research and develop smart phone POS terminals. Since launching the promotion of the mobile POS with Huawei in July, the number of merchants in the network reached 98,000. The transaction volume of mobile POS was increasing every month.

Lakala Payment, as a leader of the third-party payment sector, will focus on three business directions in the future: 1) Actively deploy digital currency and electronic payment (DC/EP), and seize opportunities arising from the implementation of digital RMB; 2) Push forward cloud development to migrate application to the cloud, and enrich and improve the SaaS products to meet the needs of merchants on all dimensions; 3) Continue to intensify product innovation and stay at the cutting edge of the industry.

Based on its performance bulletin, Lakala Payment achieved a revenue of RMB5,557 million for the year, an increase of 13%. The net profit attributable to equity holders of Lakala Payment was RMB935 million, an increase of 16% year-on-year. It's the sixth consecutive year that it achieved a growth rate at above 15%.

Kaola Technology

Our associate Kaola Technology focuses on delivering financial and integrated technology services. In December 2020, Kaola Technology brought in strategic shareholders to optimise its capital structure. As of December 31, 2020, Legend Holdings held 48% equity interest in Kaola Technology.

Upon the sudden onset of COVID-19 and changes in industry regulatory policies, Kaola Technology leveraged its business, technology and risk control advantages accumulated over the years to promptly adjust its risk control strategy and the pace of issuing loans. It managed to minimise the negative impact of the pandemic and regulatory changes on its business, and maintain a sound risk control system with quality control of secured assets.

In the future, Kaola Technology will continue to leverage its accumulative advantages in talent, technology, risk control, and operational and industrial customer service to strengthen its comprehensive service quality for industries. It will apply integrated technology to enhance the inclusiveness of financial services for industries and facilitate their development.

Hankou Bank

Hankou Bank primarily conducts commercial banking businesses including corporate banking, retail banking and financial market services. Its operational incomes comprise mainly net interest incomes, processing fees and commissions. Hankou Bank has a network that covers the Hubei Province, with branches in Chongqing. As of December 31, 2020, Legend Holdings held 15.33% equity interest of Hankou Bank. During the Reporting Period, Hankou Bank was actively preparing for its IPO.

As of the end December 2020, the scale of assets, deposits and credits at Hankou Bank maintained steady growth, but net profit fell year-on-year due to the impact of the pandemic. During the Reporting Period, Hankou Bank fulfilled its social responsibilities and offered timely assistance to the community to counter the impact of COVID-19, by organising 2,819 cadre employees to support pandemic control in the community, with 1,565 of them visiting small districts. The bank organised donations of more than RMB25 million in funds and resources. Hankou Bank also fully supported and implemented a host of state-sanctioned support measures for Hubei, and contributed local financial strengths to achieve "double victories" in bringing the pandemic under control in Wuhan and supporting social-economic development.

During the Reporting Period, Hankou Bank was awarded recognition as a "2020 Top Ten City Commercial Banks", "2019-2020 Exemplary Organisation for National Financial System Cultural Development", "2020 Gold Tripod Award – Excellent Contribution to Inclusive Finance of the Year", "Iron Horse – Well-known Brand of Small and Medium-sized Banks", "2020 Best Mobile Banking User Experience", and other awards.

Hyundai Insurance

Founded in March 2007, Hyundai Insurance specialises in property insurance. Legend Holdings' strategic investment in Hyundai Insurance was approved by the China Banking and Insurance Regulatory Commission on March 10, 2020. As of December 31, 2020, Legend Holdings held 32% equity interest of Hyundai Insurance.

In 2020, Hyundai Insurance reported an approximately RMB228 million of income from insurance premiums, an increase of 15.5% year-on-year. In the future, Hyundai Insurance will focus on the ecosystem of mobility, and lead in InsurTech to become China's leading innovative insurance company. Hyundai Insurance will leverage innovative technology such as big data, artificial intelligence, cloud platforms, blockchain and smart hardware to foster a new InsurTech platform. It will differentiate its operational strategy through product innovation, online acquisition of customers, shared services, operation centralisation and smart risk control, in order to deliver innovative protection plans for the mobility ecosystem and related insurance needs that have yet to be met. It will explore intensive innovation in product design and pricing, channels, services and structures to gradually open new development paths in insurance technology, and lead the industry with cutting-edge technology.

Innovative Consumption and Services

Overview

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

- Better Education, our subsidiary, mainly provides pre-school education services;

- Shanghai Neuromedical Center, our subsidiary, mainly provides neurology specialist and other comprehensive medical healthcare services;

- CAR, our associate, mainly provides comprehensive vehicle rental services including car rentals, fleet rentals and financial leasing, as well as sales of used cars. On March 2, 2021, Legend Holdings completed the sale of CAR shares. Since then, CAR was no longer an associate of Legend Holdings; and

- Bybo Dental, our associate, mainly provides dental healthcare services through chain operations.

The outbreak of COVID-19 pandemic in early 2020 had dealt a severe blow to the normal operations of the companies in our innovative consumption and services segment, as regional governments imposed restrictions on gatherings to control pandemic. The regular operations of children's education, transportation and dental care were constrained. As the pandemic came under control, operations gradually recovered. Most parts of China had resumed regular activities. The subsidiaries and associates in this segment resumed operations and production in an orderly manner.

During the Reporting Period, Legend Holdings made a concerted effort with the companies in the segment to overcome prevailing difficulties and the fallout from COVID-19. On the one hand, we abided by all protective measures mandated by local governments to ensure the safety of employees and customers, and fully support anti-pandemic initiatives using our best efforts. On the other hand, we encouraged the development of new products and services and new service scenarios, and maintained good relationships with customers, in order to ease the impact of the pandemic on business operations.

Additionally, we pushed on with the optimisation of assets. In November 2020, we made an irrevocable undertaking to CAR's offeror to accept its share offer. The offer price was HKD4 per share, representing a premium of 55.79% over the average closing price of the 60 trading days before the last trading day, 52.17% over the average closing price of the 30 trading days before the last trading day, and 23.08% over the closing price on the last trading day. On February 1, 2021, the share offer for the privatisation of CAR began. On March 2, 2021, we completed the sale of all our equity in CAR, gaining a cash return of about HKD2.25 billion. The sale realised the return of a large sum of cash. It gave strong support to Legend Holdings focusing on future strategy and sustained development for the future.

During the Reporting Period, the revenue and net loss of the innovative consumption and services segment were set out as follows:

Unit: RMB million

	2020	2019
Revenue	**739**	905
Net loss	**(1,584)**	(264)
Net loss attributable to equity holders of Legend Holdings	**(1,518)**	(295)

During the Reporting Period, the revenue of the innovative consumption and services segment decreased 18% year-on-year, mainly due to the closure of kindergarten at the peak of the pandemic. A net loss of RMB1,584 million was recorded, mainly due to the provision of a large impairment made by CAR resulted in a significant increase in the loss of its contribution, and the consumption business suffering bigger losses due to the extensive impact of the pandemic.

Better Education

Our subsidiary Better Education is a leading kindergarten group specialising in pre-school education, with a network of directly-operated middle and high-end kindergartens in China. As of December 31 2020, Legend Holdings held, through our subsidiaries, 51% equity interest in Better Education and Hony Capital held another 29% equity interest.

After over a decade's operation, Better Education has established a standardised operating model and developed an operation team with extensive experience in management. At present, its kindergarten network covers 39 cities in 15 provinces in China. As of December 31, 2020, Better Education directly operated 109 kindergartens and 8 early learning centres and training schools, with 13 new kindergartens in the pipeline. The kindergartens and schools of Better Education, located in Shanghai, Suzhou, Nanjing, Chongqing, Changsha, Guangzhou and other cities, had more than 33,000 enrolled students and about 5,400 staff members. Its scale was among the largest in China, making it the country's leading kindergarten group with a network of directly operated middle and high-end kindergartens.

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

	As of December 31, 2020	As of December 31, 2019
No. of kindergartens, early learning centres and training schools	**117**	122
No. of enrolled students	**About 33,000**	About 34,000
No. of staff members	**About 5,400**	About 5,400

During the Reporting Period, the revenue and net (loss)/profit of Better Education were set out as follows:

Unit: RMB million

	2020	2019
Revenue	**380**	603
Net (loss)/profit	**(122)**	58

The sudden outbreak of COVID-19 in 2020 dealt a relatively severe blow to the kindergarten business, the nature of which was mainly offline education. During COVID-19, the management of Better Education proactive to counter the impact of the pandemic. On the one hand, they managed costs and developed new revenue streams. The management took the initiative to adjust the pay scale, and the kindergartens took advantage of local support measures such as subsidies and rental relief. On the other hand, teachers continued active communication with students. The health of 30,000-plus students and 5,000-plus teachers was tabulated through an online mini programme. E-learning was quickly implemented. Better Education's capability to upgrade management and education by information technology was visibly elevated. After May 2020, as the pandemic was under control in certain cities, and classes resumed at kindergartens. A number of Better Education kindergartens were among the first to resume classes. Attendance rates of kindergartens returned to normal levels relatively quickly. Better Education's performance was hit quite hard by the pandemic over the whole year. However, with the ongoing endeavours of Better Education's management and staff, the results were still better than anticipated during the pandemic.

Since the country implemented deep reform for pre-school education, Better Education has been exploring a new model for operating preschools, in conjunction with the governments and education bureaus at different levels, as well as considering the strategic directions for business transformation. During the Reporting Period, the strategic planning was crystalised. Better Education will be positioned as a platform-based integrated service provider for pre-school education to provide quality curriculum content for pre-school education organisations and teacher training services, as well IT services, sale of teaching materials and tools, and integrated kindergarten support services. It will provide a range of management services output and merchandise sales for its kindergartens, as well as develop external customer and channel resources. Currently, Better Education has adjusted its business directions based on the strategy, modifying its operational model and organisation structure. At the same time, it is developing SaaS products suitable for pre-school education organisations and various courses tailored for pre-school education. The marketing and promotion of new products and the curriculum plans will be carried out in 2021.

Shanghai Neuromedical Center

Our subsidiary medical institution Shanghai Neuromedical Centre provides mainly neurology specialist medical services. As of December 31, 2020, Legend Holdings held, through our subsidiary, 58% equity interest in Shanghai Neuromedical Center.

Founded in 2013, Shanghai Neuromedical Center is a specialist hospital built according to the scale of AAA specialised hospital standards in several comprehensive areas, especially clinical neuroscience. The key strategic development areas of Shanghai Neuromedical Center include neurosurgery, functional neurosurgery, internal neurology, epilepsy treatment, cerebrovascular disease treatment, cardiovascular disease treatment, emergency intensive healthcare, nerve electrophysiology and neuro-rehabilitation, supported by comprehensive surgical and internal medicine. Shanghai Neuromedical Center has been additionally designated as the Shanghai School of Clinical Medicine of Qingdao University and the Shanghai School of Brian Medical Center of Qingdao University since May 2019.

As COVID-19 raged nation-wide in early 2020, Shanghai Neuromedical Center deployed an elite team on February 14, 2020 to join the first community medical organisation support team dispatched from Shanghai to Wuhan. They successfully completed their anti-pandemic duties. Shanghai Neuromedical Center's medical team also supported quarantine control at the entrance to the Shanghai Expressway and nucleic acid testing at Pudong Airport customs control area.

During the Reporting Period, Shanghai Neuromedical Center also made progress with its business. It received the highest AAA Five-Star hospital accreditation in the Evaluation of Credit and Capability of Medical Institutions of 2020 of the China Association of Non-public Medical Institutions. It was also listed as a member of the Shanghai Parkinson's Disease Research Alliance. The Shanghai Institute of Ultrasound in Medicine Discipline Co-construction cum Major Special Project Implementation Base of the Ministry of Science and Technology was also set up at Shanghai Neuromedical Center.

The following table sets forth the number of available beds and key business statistics of Shanghai Neuromedical Center, respectively:

	As of December 31, 2020	As of December 31, 2019
No. of beds	**324**	324
Out-patients *(10,000)*	**16.4**	15.7
Discharged patients	**6,059**	6,864
Number of surgeries	**2,033**	2,050

During the Reporting Period, the revenue and net profit of Shanghai Neuromedical Center were set out as follows:

Unit: RMB million

	2020	2019
Revenue	**359**	302
Net profit	**7**	8

Despite the impact of COVID-19, Shanghai Neuromedical Center, with its solid groundwork on strengthening disciplines, technology and services, and the good reputation gained from taking part in the fight against the pandemic. It reported a 19% increase in revenue year-on-year, due to higher average costs for outpatients and hospitalisation cases. The number of out-patients increased during the year, though the number of discharged patients and surgeries decreased. However, as the cost of materials and the usage quantity went up during the pandemic, it reported net profit fell slightly.

Associates of Innovative Consumption and Services Segment

CAR

CAR, our associate, provides comprehensive car rental services including car rental, fleet rental and financial leasing, as well as sales of used cars. Through its strategic partner, UCAR Inc., it provides on-demand chauffeured car services based on mobile Internet technology and the strong brand of "UCAR". As of December 31, 2020, we held 26.55% equity interest in CAR.

At the beginning of 2020, the COVID-19 outbreak dealt a severe blow to the transportation and mobility sector. Car rental demand suffered an unprecedented downturn. Various local governments imposed restrictions to limit the spread of the coronavirus, including limitations on commuting, recommendations of isolation and maintaining a social distance. These measures created negative impacts for CAR's results. Due to the fallout from Luckin Coffee, CAR's internal equity structure was destabilised, and financing channels were limited. Despite multiple challenges, CAR elevated efficiency on asset management and strengthened its operational management and cost control, as well as accelerating the sale of used cars, to deal with market changes with flexibility and continue operations to maintain cash flow. It was able to repay principal and interest per schedule. Following a sizable impairment in the first half of 2020, CAR's performance gradually recovered in the second half of the year, as the pandemic was coming under effective control. As of December 31, 2020, CAR maintained a fleet of 109,688 vehicles.

In November 2020, MBK, a private equity fund, proposed to initiate a voluntary tender offer for CAR at the price of HKD4 per share. Legend Holdings made an irrevocable undertaking to MBK to sell all our equity in CAR. In December 2020, MBK acquired UCAR's approximately 21% holding in CAR. In February 2021, MBK's voluntarily tender offer was triggered. On March 2, 2021, Legend Holdings completed the sale of CAR shares, and gained a cash return of HKD2.25 billion. Since then, CAR was no longer an associate of Legend Holdings.

During the Reporting Period, the revenue and net (loss)/profit of CAR were set out as follow:

Unit: RMB million

	2020	2019
Revenue	**6,124**	7,691
Net (loss)/profit	**(4,163)**	31

During the Reporting Period, CAR's revenue reduced 20.4% year-on-year, mainly due to the negative impact of COVID-19 on the rental car business. Net profit was whittled down to become a substantial loss. On the one hand, it was due to the impairment of several major items: (1) the equity investment in UCAR; (2) trade receivables from UCAR and other customers; (3) the prepayment of the subscription price of the shares and convertible bonds to be issued by FDG Electric Vehicles Limited (五龍電動車（集團）有限公司, Stock Code: 0729); and (4) the residual value of vehicles manufactured by Beijing Borgward Auto Co., Ltd. (北京寶沃汽車有限公司) with repurchase arrangements. On the other hand, reduced operational profit from the car rental business also contributed to the reduced income.

Bybo Dental

Our associate Bybo Dental provides dental healthcare services. In July 2014, we became its controlling shareholder after completion of our strategic investment. In January 2018, in order to support the development of Bybo Dental, Taikang Life Insurance was strategically introduced to take a controlling stake in Bybo Dental. As of December 31, 2020, Legend Holdings held 36.469% equity interest in Bybo Dental.

Anti-pandemic controls were tightened over the Spring Festival of 2020. The National Health Commission ordered the suspension of all regular dental treatments due to the special nature of dental care. Bybo Dental suspended outpatient services nation-wide accordingly and resumed services gradually from late March. To meet the needs of patients during service suspension, Bybo Dental offered online live broadcasts by dentists and invested more heavily in online services to promote online products. At the same time, Bybo Dental also took the opportunity during the pandemic to optimise the footprint of its outlets distribution and costs, and enhance organisational efficiency. To meet the normalized standards of anti-pandemic measures as operations gradually resumed, Bybo Dental's outlets continued to observe stringent anti-pandemic measures and maintain administration department of nosocomial infection, while taking care of the stable resumption of business and sustained growth by continuing to strengthen the establishment of medical personnel, discipline structure development and improvement of the medical services processes. Meanwhile, the synergy with insurance resources continued to develop. Bybo Dental's income from insurance business channels gradually increased. Taikang Life Insurance progressively introduced a range of dental care insurance products, providing more payment options and value-added services for customers.

As of December 31, 2020, Bybo Dental had 200 oral services outlets, including 43 hospitals and 157 clinics, covering 22 municipalities and provinces, and 2,153 dental chairs.

During the Reporting Period, the revenue of Bybo Dental amounted to RMB1,914 million, a year-on-year decrease of 7.6%, mainly due to the suspension of operations in the first quarter due to COVID-19. In the subsequent three quarters, as operations gradually resumed, revenue increased 6.8% year-on-year, as previous works on online investments, internal conversion, optimisation of outlets, elevation of service and talent development contributed to positive effect.

Agriculture and Food

Overview

Joyvio Group is an agricultural and food industry group established by Legend Holdings as a subsidiary to pursue specifically the Company's vision for the agriculture and food sector. The two main business lines of the Joyvio Group are fruit and high-end animal protein. It also actively participates in ready-to-cook products and agro-food technology businesses to grow their footprint. As of December 31, 2020, Legend Holdings held 81.72% equity interest in the Joyvio Group.

In the supply chain of fresh fruit, the Joyvio Group owns Joy Wing Mau, which operates China's largest fresh fruit fully-integrated supply chain, and Xinguojiayuan, China's leading fruit growing enterprise. Joy Wing Mau continues to deploy its resources in the global supply chain and its all-encompassing distribution networks. "Joyvio", its high-end fruit brand, has achieved greater brand power and product diversification. Its plantation company Xinguojiayuan had a successful collaboration with HORTIFRUT, a world-leading blueberry company, on developing new blueberry varieties and plantation technologies. In the seafood supply chain, domestically, we owns Joyvio Agriculture, an A-share listed company which in turn controls Qingdao Starfish, a leading Chinese seafood enterprise. Overseas, we own Australis Seafoods S.A., Chile's leading salmon company under Joyvio Agriculture, and KB Food, a leading Australian seafood supplier. We will continue to expand and integrate our global animal protein supply chain based on this structure.

Operating Highlights

- Despite COVID-19 challenges, Joy Wing Mau increased its investment in the market and developed more source markets to ensure a rapid increase in revenues for the whole year;

- Joy Wing Mau successfully brought in Central Enterprise Poverty Area Industrial Investment Fund Co., Ltd. (中央企業貧困地區產業投資基金股份有限公司) as a strategic investor to enhance fruit circulation;

- Packaged food investee Huawen Food completed its IPO on the Shenzhen Stock Exchange.

During the Reporting Period, the revenue and net (loss)/profit of the agriculture and food segment were set out as follow:

Unit: RMB million

	2020	2019
Revenue	**17,037**	15,695
Net (loss)/profit	**(984)**	322
Net (loss)/profit attributable to equity holders of Legend Holdings	**(368)**	230

During the Reporting Period, the revenue of the agriculture and food segment increased from RMB15,695 million in the corresponding period of last year to RMB17,037 million, mainly attributable to the consolidation of Australis Seafoods S.A.'s into Joyvio Agriculture, and the year-on-year revenue growth of Joy Wing Mau. Affected by COVID-19, Joyvio Agriculture recorded a net loss due to the prices of salmon fell significantly. During the Reporting Period, net loss attributable to equity holders of Joyvio Group was RMB387 million, net loss attributable to other non-controlling interests of Joyvio Group was RMB597 million, net loss attributable to equity holders of Legend Holdings was RMB368 million.

(1) Fruit business

During the Reporting Period, consumer demand for high-end imported fruit declined due to COVID-19. Joy Wing Mau launched extensive marketing activities to ensure sales revenue continued to grow and raise the profile of its high-end fruit brand Joyvio. The market premium rates of Joyvio blueberries and durians were stable. At the same time, Joy Wing Mau continued to expand its presence in the global supply chain and its sales network covering all channels. Its market share of core products such as kiwifruit, blueberry and durian expanded, and the number of supermarket groups and cities within its sales network continued to increase.

Fruit-growing company Xinguojiayuan had a successful collaboration with HORTIFRUT, a world-leading blueberry company, on developing new blueberry varieties and plantation technologies. As a result, the supply of China-grown blueberries was uninterrupted in the first half of the year. Record crops were harvested from Yunnan and Qingdao. The plantation area of the joint venture also expanded quickly.

As of December 31, 2020, the Joyvio Group held 40.47% equity interest in Joy Wing Mau and 63.78% in Xinguojiayuan.

(2) Animal protein business

During the Reporting Period, Joyvio Agriculture's salmon business operations continued to be optimised to promote research and development of value-added products and expand diversified sales channels. For existing business, Joyvio Agriculture maintained its 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. As demand from the catering markets (both domestic and foreign) dropped sharply due to COVID-19, the prices of salmon in a number of countries sale fell to a record low. Joyvio Agriculture took appropriate measures, by reducing costs and enhancing efficiency, to counter the adverse impact. As of December 31, 2020, the Joyvio Group held 46.08% equity interest in Joyvio Agriculture.

During the Reporting Period, KB Food continued to pursue internal synergy and signed an exclusive direct freight agreement with EAL, which lowered the export cost for lobsters to successfully open up the Shanghai market. In response to the weaker demand in the catering market caused by COVID-19, KB Food trimmed costs rationally and sought anti-pandemic subsidies from the local governments. As of December 31, 2020, Joyvio Group held 100% equity interest in KB Food.

(3) Ready-to-Cook business

During the Reporting Period, as a result of weaker catering market demand due to COVID-19, the group meal and ready-to-cook businesses were hard hit, with lower year-on-year revenues. Nine Masters made efforts to counter the COVID-19 impact and reinforced research and development to develop best-selling products such as bullfrogs, and factories were remodelled to enhance its processing capabilities. As of December 31, 2020, Joyvio Group held 99.99% equity interest in Nine Masters.

(4) Drinks business

Joyvio Group is a shareholder in the well-known national wine and liquor chain retail enterprise, Liquor Easy, and Chinese liquor enterprise Hebei Hengshui Laobaigan. During the Reporting Period, Liquor Easy's sales revenue declined year-on-year due to COVID-19. Liquor Easy countered the impact of the pandemic outbreak and strengthened its operational capacity in sales and online business, and optimised stores and delivery stations to enhance customer satisfaction. As of December 31, 2020, Joyvio Group held 29.80% equity interest in Liquor Easy.

(5) Packaged food business

Joyvio Group invested in Huawen Food, a well-known snack food producer in China. On September 14, 2020, Huawen Food landed on the SME board of Shenzhen Stock Exchange and completed its IPO. As of December 31, 2020, Joyvio Group held 17.82% equity interest in Huawen Food.

Advanced Manufacturing and Professional Services

Overview

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

- Levima Advanced Materials, our subsidiary, mainly engages in the research, 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 world-leading manufacturing and related professional services in China, and has ventured into advanced materials and high-end logistics. During the first half of 2020, COVID-19 depressed overall domestic and international demand and led to a recession of the macro economy. This caused considerable impact on the companies in this segment, but also created opportunities for corporate development. Facing uncertainties in the external environment, Legend Holdings encouraged investees to extend their presence upstream and downstream in the value chain, in order to secure an edge in resources in the value chain as well as connect with customers, to capture upgrading and evolving demand in the downstream. We motivated investees to innovate, upgrade and transform on an ongoing basis to achieve sustainable business development in the increasingly competitive market.

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

Unit: RMB million

	2020	2019
Revenue	**6,230**	5,947
Net profit	**1,028**	693
Net profit attributable to equity holders of Legend Holdings	**766**	476

During the Reporting Period, the revenue of the advanced manufacturing and professional services segment increased from RMB5,947 million in the corresponding period of last year to RMB6,230 million, an increase of 4.76% year-on-year, due to increased revenue of Levima Advanced Materials. The net profit increased from RMB693 million in the corresponding period of last year to RMB1,028 million, an increase of 48.34%, mainly contributed by the profit growth of EAL and Levima Advanced Materials.

Operating Highlights

- Levima Advanced Materials was listed on the Shenzhen Stock Exchange on December 8, 2020, (A Shares Stock Code: 003022). Benefiting from keen demand downstream, Levima Advanced Materials' product prices went up. Coupled with other factors, such as the IPO fundraising project OCC going into production and lowering of the unit cost for production, Levima Advanced Materials achieved outstanding results in 2020, with a record net profit of RMB655 million;

- EAL's IPO was approved by the China Securities Regulatory Commission on March 11, 2021. As an air logistics business securing a "lifeline", EAL made significant contributions to anti-pandemic relief efforts and the resumption of business and production. EAL achieved record results in 2020, due to tight air freight capacity globally driving up freight costs.

Levima Advanced Materials

Through our subsidiary Levima Advanced Materials, we engage in the R&D, production and sales of new chemical materials, such as advanced polymer materials and special chemicals. On December 8, 2020, Levima Advanced Materials landed in the capital market, having completed its initial public offering and was listed on the Shenzhen Stock Exchange. As of December 31, 2020, Legend Holdings, through our subsidiary Levima Group, held 51.77% equity interest in Levima Advanced Materials.

In the operational aspect, all the device of Levima Advanced Materials maintained safe and stable operation. The key consumption indexes of the DMTO device, such as methanol consumption per unit, continued to decrease to the best level since the device was deployed. The IPO fundraising project OCC was first successfully tested in October and produced qualified products. The machine continued to have a stable performance and significantly reduced the unit consumption of methanol, leading to better results. The main products, such as polypropylene special materials, ethylene oxide and surfactant products in ethylene oxide derivatives, are important raw materials for anti-pandemic products. Levima Advanced Materials was included in the list of "Shandong Province's Important Enterprises of Producing Anti-pandemic Materials". During the Reporting Period, Levima Advanced Materials overcame various difficulties such as the impact of the pandemic and ensured continuous, safe and stable operation of production equipment to continue optimising its operational efficiency.

In the market aspect, in the early stages of the COVID-19 outbreak, Levima Advanced Materials adopted multiple measures to secure raw material procurement and product sales. It coordinated raw material ordering, product shipment, material transportation, order fulfilment and other issues, in order to develop channels to maintain production and promote sales, and successfully diffuse the pressure brought by the pandemic. It maintained stable and orderly operation overall. During the Reporting Period, Levima Advanced Materials continued to strengthen product development and market channel expansion. Its product mix was further optimised. Its market shares in EVA, PP, EOD and other products continued to maintain a leading position in China. During the Reporting Period, all EVA products were products with a high content of VA. It continued to capture the highest market share nation-wide of cable materials. EVA photovoltaic materials used in the production of photovoltaic films were kept at a high quality consistently, and supply was outstripped by demand. T-walled polypropylene injection moulding products comprised 100% of its PP products, and Levima Advanced Materials maintained the largest market share for this product in China. It also gained increasing market share in the PP special materials for making milk tea cups and other new products. There was also an increase in the proportion of its special EOD products in its production. In developing the markets for laundry gel capsules, HIC series of daily chemicals achieved major breakthroughs. In the metal processing field, RBL products continued to penetrate the field, with increasing market share and brand equity.

In terms of innovation, Levima Advanced Materials progressed further in scientific and technological innovation, building up its reserve of innovative resources through proprietary and collaborative research and development. During the Reporting Period, Levima Advanced Materials had 22 patents newly approved and 27 patent applications filed. Levima Advanced Materials gained recognition as a Top 100 Chinese Petroleum and Chemical Private Enterprises in 2020, a Top 100 Petroleum and Chemical Industry in Shandong Province, a Top Ten New Chemical Materials in Shandong Province, a Top 50 Leading New Materials Companies in Shandong Province in 2020, a Shandong Province Model Enterprise for Technological Innovation in 2020, and a Shandong Province Cultivation Enterprise for Manufacturing High-end Brand in 2020.

During the Reporting Period, the revenue and net profit of Levima Advanced Materials were set out as follows:

Unit: RMB million

	2020	2019
Revenue	**5,931**	5,674
Net profit	**655**	541

During the Reporting Period, Levima Advanced Materials adopted multiple initiatives to overcome the adverse impact of COVID-19. Benefiting from strong demand in the downstream, operational efficiency and optimisation of product structure, as well as IPO fundraising project OCC going into production in the fourth quarter, Levima Advanced Materials achieved record revenue of RMB5,931 million, an increase of 5% year-on-year. The net profit was RMB655 million, an increase of 21% year-on-year.

Zeny Supply Chain

Zeny Supply Chain aims to be a leading frozen foods supply chain company. It currently manages cold-chain storage infrastructure, with a capacity of more than 500,000 tons, in Wuhan, Julin and Zhengzhou. As of December 31, 2020, Legend Holdings held 99.2% interest in Zeny Supply Chain.

In early 2020, Zeny Supply Chain was affected by COVID-19. Zeny Supply Chain's Wuhan company made stronger efforts to maintain supply and stable operations, and used its online operation to mitigate the impact of market closure. After the resumption of work and production, Zeny Supply Chain augmented its anti-pandemic efforts to ensure normal operations of the market. The Jilin operation adjusted its business model in the face of unfavourable temporary warehousing of grains. While acquiring new customers, it continued to expand value-added logistics businesses on the basis of its existing warehousing business, such as grain trading and logistics, container loading and unloading and multi-modal transport. During the Reporting Period, Zeny Supply Chain continued to reduce the scale of its heavy assets and realised funds to deal with uncertainties in the market.

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

Unit: RMB million

	2020	2019
Revenue	**186**	125
Net (loss)/profit	**(45)**	13

During the Reporting Period, the increase in the revenue of Zeny Supply Chain was mainly attributable to the increase in the grain trading revenue of the Jilin company. A net loss was reported compared to the corresponding period of last year, when the net profit was boosted by investment gains from optimising the Dongguan assets. Disregarding of this factor, the loss in 2020 was reduced compared to the corresponding period of last year.

Associate of Advanced Manufacturing and Professional Service Segment

EAL

We engage in the air logistics business through EAL, our associate. Due to the global outbreak of COVID-19, border control measures were implemented around the world. Major airports globally saw a drastic decrease in passenger flows. Many passenger flights were suspended, leading to a significant decrease in freight capacity on passenger flights. With tight air cargo capacity, air freight rates stayed at a high level throughout the year. This led to a significant boost to EAL's 2020 results. As of December 31, 2020, Legend Holdings held 20.1% equity interest in EAL.

EAL owns 10 cargo planes, the freight capacity of 700-plus passenger planes and 17 self-operated air cargo depots in Shanghai, Beijing, Wuhan, Kunming, Xi'an, Nanjing, Ji'nan, Qingdao, Lanzhou, Hefei and Taiyuan. EAL claims a 52.5% market share of the annual air cargo throughput at Shanghai Pudong and Hongqiao airports, which have the highest air cargo throughput nation-wide. EAL is also a leader in Shanghai's air cargo ground services agency business.

During the Reporting Period, EAL, as a leading domestic air cargo company, performed brilliantly to ensure the shipment of anti-pandemic supplies globally. It fostered the "air corridor for saving lives" as the frontline to support global efforts to fight the pandemic. By using its global flight network and ground services capacity in Shanghai, Wuhan and other destinations, EAL helped secure the international and domestic supply chains. In 2020, EAL operated 5,383 freight flights and, of those, 3,459 were for the emergency supply of anti-pandemic supplies. EAL also built the largest fleet of passenger planes converted to freight planes in the China civil aviation system, operating to 26 major air hubs around the world. In 2020, the converted freight planes were flown 6,601 times to supplement freight capacity and helped to ensure shipment of anti-pandemic supplies domestically and externally. It also helped to ensure customers' supply chains was operating safely with high efficiency.

In terms of the market, EAL capitalised on the opportunities presented by tight capacity to acquire a large number of new customers, 80% of them were direct customers, through highly efficient, timely and seamless freight services during the pandemic. It also continued to build on its "direct from place of origin" business and opened the Zhengzhou to North America and South America routes, bringing high-quality fresh food from the western hemisphere. into the EAL direct from origin coverage.

From a strategic perspective, EAL established a presence in the Greater Bay Area, as well as actively developed the European and Southeast Asian markets, including deploying full air cargo flights at destinations outside of Shanghai. It deployed flight capacity in Shenzhen and opened the "Shenzhen-Amsterdam" and "Shenzhen-Jakarta" international freight routes, tapping into the vibrant air logistics market in the Greater Bay Area by capitalising on the opportunities brought by the RCEP (Regional Comprehensive Economic Partnership) free trade agreement. Additionally, it has established 10 cargo sub-stations, with Shanghai as the hub and connecting Beijing, Kunming, Xi'an, Wuhan and other cities. It is also exploring setting up an "Air and Rail Transport" network, using the Beijing Capital International Airport as a transit hub and covering the cities along the rail lines of the three north-eastern provinces, to create a seamless air and ground logistics network and lay the foundation for further elevating its service capacity.

During the Reporting Period, the preparation of EAL's IPO was progressing as planned, and the IPO plan was approved by the China Securities Regulatory Commission on March 11, 2021.

Forward planning with the two-wheel-drive model

Legend Holdings is committed to serving the country through business. As China is maintaining the strategy of using innovation to empower development, and under the new development pattern by which the domestic and foreign markets boost each other, Legend Holdings will make the most of its advantages in industrial operation and investments in the future, and increase investment in the technology sector. As well, we have begun exploratory strategic planning on the core area and fields that we have been eyeing for a long time, in an endeavour to create a new playing field for Legend Holdings in the technology arena.

Integrated circuit as the foundation and core of the information technology industry is a basic, pioneering and strategic industry closely linked to the national economy and social development. The country has introduced various policies to comprehensively support the development of this industry to break external technology blockades and monopolies. Legend Holdings originated from the Chinese Academy of Sciences. In the strategic investment sector, we have developed leading enterprises such as Lenovo and Levima Advanced Materials that own a variety of intellectual property. In the financial investments segment, our funds have invested in more than a thousand companies, with a high concentration in the high-tech fields, and have given these companies different forms of support in their growth. Legend Holdings has the capabilities to leverage its own advantages and contribute more toward the development of China's integrated circuit industry. Through the two-wheel-drive model, Legend Holdings has strategically invested in Fullhan Microelectronics to establish a foothold in the semiconductors arena. As of December 31, 2020, Legend Holdings held 10.7125% equity interest in Fullhan Microelectronics. On March 17, 2021, we acquired 5.22% interest in Fullhan Microelectronics through a subsidiary, boosting our equity interest in the company to 15.94% after the completion of the transaction.

Fullhan Microelectronics is China's leading company focusing on the design and development of chips for video-based professional security, smart hardware and automotive electronics. Through years of proprietary research and development and innovation, it has developed a range of proprietary core technologies in chip algorithm research, IP core development, SoC chip implementation and product solutions, while always keeping a high proportion of investment in R&D. It maintains close strategic partnerships with flagship security surveillance equipment manufacturers. Its ISP chip products (analog camera image processing chips) are indisputable leaders in the global security market. The automotive electronics field is gradually becoming a new business growth area. Fullhan Microelectronics's automobile-grade products are involved in deep collaborations with many car brands.

Semiconductors and integrated circuits are some of the fields that we have been keeping our eyes on for a long time. Legend Capital under Legend Holdings was the earliest institutional investor of Fullhan Microelectronics, and has been supporting Fullhan Microelectronics's development for nearly 15 years. Our entry into the semiconductor circuit to build a strategic presence through the two-wheel-drive model is a manifestation of the advantages of our business model. In the future, we will leverage our rich industrial resources and advantages to engage with the Fullhan Microelectronics management team for deep cooperation in the semiconductor industry to promote the long-term development of Fullhan Microelectronics.

Financial Investments

Overview

We are a pioneer in China's assets management sector, seeking to capture equity investment opportunities at various stages of a company's development. We look for financial returns through a variety of financial investment platforms which include angel investment to venture capital, private equity investment and other types of investments. As each investment platform has a specialised focus and risk appetite, we can target a broad range of investments. In the financial investment process, we look for those that have synergies and resources in common with our strategic investments business. Through Legend Star, Legend Capital and Hony Capital, we have gained a deeper understanding of the targeted industries and accessed 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. Additionally, we made other types of investments, in particular our own direct financial investments. We achieved good cash returns through minority equity investments in primary and secondary markets. In these processes, cooperating with our associate funds is important to us, as we can share information and resources to maximise the financial investment benefits. Meanwhile, Legend Holdings selected to own Raycom Info Tech Park Tower A, Tower B and Tower C office buildings located in Zhongguancun, Beijing, to seek long-term returns.

In 2020, the pandemic spread globally. Secondary markets were increasingly volatile. The funds and direct investments of Legend Holdings faced aggravated challenges. To deal with challenges arising from the changes in the external environment, such as the pandemic, we evaluated project risks holistically and implemented tiered management. We also strengthened investment and management monitoring of our portfolio companies to prepare for risks and adopted more prudent investment strategies and proactive post-investment management. While we upheld the principle of selecting the best-in-class options, we also slowed the tempo of our investment deployment and raised the investment threshold to reduce the impact of uncertainties on our managed funds. With COVID-19 coming under control in China, social order is being gradually restored, and most of the investee companies have gradually resumed normal operations. In the new development pattern where domestic and foreign markets can boost each other, China's economy continued to recover, with effective control of the pandemic and supported by positive financial policies and robust monetary policies. Equity investment activities gradually recovered since the second quarter. A number of companies in the financial investments segment were listed and achieved fairly positive results.

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

Unit: RMB million

	2020	2019
Revenue	**821**	704
Investment income and gains	**3,422**	908
Net profit	**2,521**	954
Net profit attributable to equity holders of Legend Holdings	**2,439**	906

Legend Star

Founded in 2008, Legend Star is one of China's leading angel investment institutions, focusing on three major areas of early stage investment, namely TMT, healthcare and smart technology. Since 2014, Legend Star has been ranked continuously in the top tier of the Annual Angel Investment/Early Stage Investment Institutions by professional institutions in the industry, namely the Zero2IPO Group and the ChinaVenture Group.

As of December 31, 2020, Legend Star managed seven funds, the total AUM of which exceeded RMB3 billion. It has accumulatively invested in over 280 domestic and overseas investment projects, including iDreamsky Games, Megvii, AISpeech, Yunding Tech, wenjuan.com, Vhall, Pony.AI, Guoke Tiancheng (國科天成), Burning Rock Dx, Kintor Pharmaceuticals, PegBio, Conmed Biosciences, Axonics, HiFiBio, Suzhou Ribo Life Insurance, Coyote Bio and other high-quality projects. Burning Rock Biotech and Kintor Pharmaceuticals were listed on the NASDAQ and Hong Kong Stock Exchange respectively during the Reporting Period.

During the Reporting Period, the total number of onshore or offshore investment projects was more than 20, covering different niche segments such as cutting-edge technology, biotechnology, digital medicine and TMT. Among the projects under management, we made follow-on investments in more than 50 projects and exited 14 projects. As of December 31, 2020, the final closing of the 4th RMB fund had been completed, and the 2nd round closing of the 4th USD fund had been completed.

Leveraging its brand advantage and resources, Legend Star has been mapping out its strategy in three focused areas since inauguration.

Legend Capital

Legend Capital is one of the leading private equity investment institutions in China. As of December 31, 2020, Legend Capital managed a total of eight USD general funds (two of which were settled), five RMB general growth funds (one of which was settled), four RMB TMT innovative funds (one of which was a sub-fund of Junruiqi (君睿祺), and not listed separately in the list below), two USD funds specialising in the healthcare sector, three RMB funds specialising in the healthcare sector, two RMB funds specialising in the culture and sports sector and one fund focusing on the red-chip return concept. As of December 31, 2020, the total amount raised by the funds was RMB4.524 billion during the Reporting Period.

In 2021, Legend Capital plans to raise the 6th RMB fund (including growth fund and innovation fund), and complete the final fund-raising round of the 3rd RMB medical fund. The new funds will adhere to the strategy of investing mainly in start-up and growing-stage China enterprises in the TMT and innovative consumption, smart manufacturing, professional services, and medical and healthcare sectors. In addition, Legend Capital will promote exiting from projects under management in 2021 to ensure better cash return for investors.

During the Reporting Period, Legend Capital accumulatively completed 51 new project investments, covering start-up stage and growing-stage enterprises in the TMT and innovative consumption, healthcare, corporate services and intelligent manufacturing sectors.

During the Reporting Period, Legend Capital fully or partially exited 44 projects, contributing a cash inflow of over RMB3.3 billion for Legend Holdings to ensure better cash return. Among its portfolio companies, 11 enterprises were listed on the domestic and overseas capital markets through IPO, namely UCloud Technology Co. Ltd (優刻得科技股份有限公司), Cybrid Technologies (蘇州賽伍應用技術股份有限公司), and Shenzhen Yanmade Tech (深圳市燕麥科技股份有限公司), QuantumCTek Co., Ltd. (科大國盾量子技術股份有限公司), Wireless Power Amplifier Module Inc, Hichain Logistics Co (江蘇海晨物流股份有限公司), Shenzhen Hymson Laser (深圳市海目星激光智能裝備股份有限公司), Big Hit Entertainment Co., Ltd., HBM Holdings (和鉑醫藥控股有限公司), ContextLogic Inc and CNGR Advanced Material Co Ltd (中偉新材料股份有限公司). In addition, CareRay Digital Medical Technology Co., Ltd. (江蘇康眾數字醫療科技股份有限公司) was listed on February 1, 2021. Beijing Kawin Technology (北京凱因科技股份有限公司) was listed on February 8, 2021. NexImmune, Inc. was listed on February 12, and New Horizon Health Limited was listed on February 18. In total, 84 of Legend Capital's portfolio companies have been listed (not including 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, 2020:

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	N/A	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	12/30/2030	225	Healthcare	26.61%
LC Fund VIII, L.P.	2/15/2019	2/14/2029	497	TMT and innovative consumption, 2B enterprise services, hard technology	18.07%
Great Unity Fund I, L.P.	7/26/2018	N/A	611	Investment in LC Fund VIII, LC Healthcare Fund II, etc.	49.08%
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)					
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	Consumer goods, modern services, TMT, healthcare, etc	31.21%
Shanghai Qiji Venture Investment, L.P. (上海祺迹創業投資合夥企業(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	1247	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	8/11/2021	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%
Beijing Legend Chengye Equity Investment, L.P. (北京君聯成業股權投資合夥企業(有限合夥))	8/30/2016	8/29/2024	1,700	TMT and innovative consumption, intelligent manufacturing, professional services and healthcare services	5.88%
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,	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	843	Enterprise IT services and preface Technology, smart hardware and new technologies, the Internet and innovative consumption	28.22%
Beijing Junlian Huikang Equity Investment, L.P.(北京君聯惠康股權投資合夥企業(有限合夥))	10/22/2020	10/21/2028	931	Healthcare	32.23%

Notes:

(1) The end date can be extended based on relevant limited partnership agreements.

(2) Total Commitment refers to the total amount of capital committed, as of the final raising date, by the partners of the limited partnership.

Hony Capital

Hony Capital is one of the leading investment and management institutions in China, whose businesses cover PE, real estate, mutual fund management, hedge fund and innovative investment.

As of December 31, 2020, Hony Capital mainly invested in and managed eight equity investment funds, three property funds, one cultural industry fund and one venture capital fund. During the Reporting Period, the third property funds completed two rounds of closing and raised a total of RMB1.78 billion. The first Hony Venture Capital Fund completed the final settlement and raised USD130 million. Hony Horizon Fund Management Co., Ltd., a mutual fund management company specialising in secondary market investment and management business under Hony Capital, managed five mutual funds, including three mixed funds and two index funds, as of the end of the Reporting Period.

Hony Capital's PE funds continued to pursue industry-specific investments in the sectors of consumption, services, healthcare, advanced manufacturing, mobile Internet and others. The property funds focus strategically on office buildings in first-tier cities to create returns that are higher than the market average, by applying various value-added means such as renovation, enhanced operation and functional adjustments to the office buildings and other commercial buildings with potential to be converted into offices. The cultural industry fund focuses on integrated investment, cross-border investment and investment in early-stage projects in the new trend sectors in the cultural industry. It prioritises the film and television, entertainment and sports industries, and keeps a close eye on online games and new media businesses driven by new technologies. Hony Capital's mutual fund management company focuses on leveraging Hony Capital's expertise in consumer services, catering, medical and other industries, and trains its sights on value investment to create mutual 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 funds, Greater China long position funds, global macro, global healthcare industry stocks, bonds and asset securitizations, CTA/quantitative strategies and special opportunity securities. Hony Venture Capital, which focuses on early and mid-stage venture capital businesses, invests in "to B" technology fields for digital consumption and industrial digitisation.

During the Reporting Period, Hony Capital proceeded with new investment projects in various business segments and progressively made follow-on investments in existing projects. Certain portfolio companies were listed, and Hony Capital also actively exited projects, thereby contributing a constant and steady cash return 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 as of December 31, 2020:

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.	40.00%
Hony Capital II, L.P.	7/26/2004	8/31/2014	87		41.38%
Hony Capital Fund III, L.P.	9/19/2006	11/10/2016	580		34.48%
Hony Capital Fund 2008, L.P.	5/27/2008	6/26/2020	1,398		14.31%
Hony Capital Fund V, L.P.	8/10/2011	12/15/2021	2,368		10.98%
Hony Capital Fund VIII (Cayman), L.P.	8/18/2015	10/30/2025	1,647		16.40%
Goldstream Capital Master Fund I	12/1/2017	N/A	39	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	79.32%
Goldstream Healthcare Focus Fund SP	6/13/2019	N/A	24	By conducting in-depth research on the Chinese and US healthcare industry, Goldstream Healthcare Focus Fund, with the background of seeking the Sino-US balance, utilizes the combination of long-short hedged stock portfolio under a long-biased construct to benefit from the industry growth	12.31%

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	In view of the development direction of China's economic environment and policies, Hony Equity Investment Fund strategically focuses on opportunities in the field of state-owned enterprise restructuring, private enterprise mergers and acquisitions, and cross-border mergers and acquisitions. In terms of industry selection, it focuses on industries that directly benefit from China's macro trends, including consumer, health, service, and high-end manufacturing, and pays attention to the transformation opportunities brought about by the mobile Internet.	29.84%
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		20.07%
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		8.90%
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.	19.51%
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		2.32%
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	1,780		44.94%
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	59	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 CSI 100 Index, and is adjusted according to changes in the constituents of the underlying index and their weights.	57.74%

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) For Goldstream Capital Master Fund I, Goldstream Healthcare Focus Fund SP 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, 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 include high-end office buildings, such as Raycom Info Tech Park Tower A, Tower B and Tower C in Zhongguancun, Beijing(Note). As of December 31, 2020, the occupancy rate was about 92%. We hold Tower A and Tower C of Raycom Info Tech Park through Raycom Property, our wholly-owned subsidiary, and hold Tower B through our subsidiary Raycom Real Estate. Tower A, B and C are leased as premium offices and shops or for our own occupation. The building gained the certification issued by US Green Building Council the "Leadership in Energy and Environmental Design" (LEED), in view of the high standards in energy conservation design. As of December 31, 2020, the fair value of our investment properties amounted to RMB11.31 billion (excluding the self-use portions).

Note: The address of Raycom Info Tech Park Tower A, B and C is: No. 2, South Kexue Yuen Road, Haidian District, Beijing, 100190. The land use rights of the buildings expire in 2051, 2057 and 2053 respectively).

FINANCIAL REVIEW

Finance costs

Finance costs after deducting capitalized amounts decreased from RMB6,725 million for the year ended 2019 to RMB6,309 million for the year ended 2020. Decline in finance costs was mainly the result of a decrease in average financing costs during the period.

Taxation

Our taxation increased from RMB1,894 million for the year ended 2019 to RMB3,614 million for the year ended 2020. Increase in the amount of taxation was mainly due to the increase in profit before tax and unconfirmed deferred tax assets.

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, 2020, we had RMB4,075 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 53 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, 2020, our cash and cash equivalents were RMB69,718 million, among which, RMB, CHF, USD, EUR, HKD and other currencies accounted for 31%, 35%, 17%, 2%, 3% and 12%, respectively, while the amount as of December 31, 2019 was RMB62,340 million, among which, RMB, CHF, USD, EUR, HKD and other currencies accounted for 31%, 30%, 20%, 3%, 6% and 10%, 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, 2020	As of December 31, 2019
Bank loans		
– Unsecured loans	**32,353**	35,226
– Guaranteed loans	**20,475**	22,178
– Collateralised loans	**10,295**	11,214
Other loans		
– Unsecured loans	**870**	2,750
– Guaranteed loans	**820**	5,455
– Collateralised loans	**1,637**	817
Corporate bonds		
– Unsecured	**65,049**	55,075
– Guaranteed	**–**	103
– Convertible bonds	**4,890**	5,087
	136,389	137,905
Less: non-current portion	**(99,078)**	(85,704)
Current portion	**37,311**	52,201

As of December 31, 2020, among our total borrowings, 51% was denominated in RMB (December 31, 2019: 55%), 29% was denominated in USD (December 31, 2019: 29%) and 20% was denominated in other currencies (December 31, 2019: 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 67% and 33% of our total borrowings, respectively, while as of December 31, 2019 accounted for 69% and 31%, respectively. As of December 31, 2020, our indebtedness remained stable as compared with that as of December 31, 2019.

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, 2020	As of December 31, 2019
Within 1 year	**37,311**	52,201
After 1 year but within 2 years	**30,518**	23,015
After 2 years but within 5 years	**51,829**	50,879
After 5 years	**16,731**	11,810
	136,389	137,905

As of December 31, 2020, 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	2 years	RMB370 million
The Company	Corporate bonds	RMB	June 3, 2020	3 years	RMB1,800 million
Lenovo	Medium term notes	USD	March 16, 2017	5 years	USD337 million
Lenovo	Medium term notes	USD	March 29, 2018	5 years	USD687 million
Lenovo	Convertible bonds	USD	January 24, 2019	5 years	USD675 million
Lenovo	Medium term notes	USD	April 24, 2020 and May 12, 2020	5 years	USD1,000 million
Lenovo	Medium term notes	USD	November 2, 2020	10 years	USD1,000 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
Zhengqi Financial	Corporate bonds	RMB	August 28, 2020	3 years	RMB200 million
JC Finance & Leasing	Asset backed securities	RMB	June 23, 2017	3-4 years	RMB12 million

Issuer	Type of bonds	Currency	Issuance date	Term	Principal amount
JC Finance & Leasing	Corporate bonds	RMB	September 6, 2019	2 years	RMB400 million
JC Finance & Leasing	Asset backed securities	RMB	October 16, 2019	1-3 years	RMB186 million
JC Finance & Leasing	Corporate bonds	RMB	November 21, 2019	2 years	RMB300 million
JC Finance & Leasing	Private placement bonds	RMB	January 22, 2020	2 years	RMB400 million
JC Finance & Leasing	Asset backed securities	RMB	March 13, 2020	1-2 years	RMB24 million
JC Finance & Leasing	Asset backed securities	RMB	March 26, 2020	2 years	RMB191 million
JC Finance & Leasing	Asset backed securities	RMB	July 16, 2020	1-2 years	RMB252 million
JC Finance & Leasing	Asset backed securities	RMB	September 17, 2020	2 years	RMB81 million
JC Finance & Leasing	Asset backed securities	RMB	December 28, 2020	1-2 years	RMB120 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	2013-2020	1-20 years	EUR2,438 million
BIL	Medium term notes	USD	2018-2020	2-5 years	USD69 million
BIL	Medium term notes	CHF	2016-2020	2.5-6.5 years	CHF285 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, 2020 ranged from 0% to 7.50%.

As of December 31, 2020, the Company had undrawn banking facilities of RMB82.2 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 before the use of these banking facilities.

Current ratio and net debt to equity ratio

	As of December 31, 2020	As of December 31, 2019
Current ratio (times)	**0.8**	0.7
Net debt to equity ratio	**76.9%**	82.3%

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 has raised to a certain extent as compared with December 31, 2019. 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 13.44%, 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 decrease in the net debt to equity ratio at the end of the reporting period as compared with that as of December 31, 2019 was mainly due to the decrease of our net debt.

Pledged assets

As of December 31, 2020, we pledged the assets of RMB19.2 billion (December 31, 2019: RMB16.8 billion) for obtaining borrowings.

Contingencies

Our contingencies primarily comprise (i) financial guarantees provided by our subsidiaries in the financial services business to third parties for their borrowings from certain financial institutions; and (ii) 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.

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, 2020 and December 31, 2019, the provision made by us was RMB86 million and RMB116 million respectively.

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

Unit: RMB million

	As of December 31, 2020	As of December 31, 2019
Financial guarantee of guarantee business	**11,222**	10,736
Other guarantee		
– Related parties	**6,029**	3,768
– Unrelated parties	**640**	4,221

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 risk. Risk management of our portfolio companies, in particular, is one of the key tasks of our post-investment management, and we coordinate and standardize risk management through effective management control and services.

Risks on macro economy and market environment

The Company's portfolio companies engage in information technology, financial services and other various industries. The macroeconomic environment and market fluctuation may affect the business and profitability of our portfolio companies, which result in risks relating to the fluctuation of the Company's overall operating results.

In recent years, the macroeconomic downward pressure intensifies, and currently the world is under the prolonged, impact of COVID-19. In view of the external environment, the international pandemic situation is still severe, the Sino-US conflict continues, uncertainty of the world economic under the impact of the pandemic grows, and the Sino-US trade friction escalates, all these pose threats to the growth of world economic. Several core businesses of the Group are affected by global trade protectionism.

As the current pandemic spreads to certain local areas, together with the uncertain and unpredictable development of the pandemic in future, pandemic prevention and control has become a new "norm". In this situation, the normal business development of the Company's portfolio companies will suffer from certain degrees of restrictions and our performance may be affected accordingly. Furthermore, the normal operation of customers will also be affected in many different ways, which in turn may have adverse effects on our business results. The performance of some portfolio companies in our investments, especially those providing offline services, consumer catering, tourism, etc., may be greatly affected by COVID-19, and there will be risk of valuation fluctuations and will hinder the exit process.

Although China's economy continues to recover steadily, it still faces multiple risks and challenges in its economic operation. China's securities market is picking up but market transactions are volatile. Unfavorable changes due to the external political and economic environment, changes in the investment property business, interest rates, secondary market prices, exchange rates and other market risks will make us suffer from unexpected losses. The impacts on the operations of multiple industries will cause a decline in the value of the Company's asset package or an increase in our business counterparties' credit risk, which may affect the quality of the Company's existing business assets and the pricing of future assets. Since our investments are measured at fair value, fluctuations caused by these market risks will have a negative impact on the profits of the financial investments sector. The reduction in the book value of direct financial investments will have an impact on our overall value, and the realized losses will reduce our expected cash backflow.

In response to the risk of COVID-19, the Company's portfolio companies conscientiously established and improved the prevention and control mechanism of the pandemic. They also coordinated, implemented and conducted the pandemic prevention and control activities, and effectively protected the health of employees and fully discharged their social responsibilities, so as to ensure that they could carry out the planned operation orderly. We continually monitor the changes in macro economy, regulatory policies and market environment, predict possible problems and make feasible adjustments rapidly, including requiring our portfolio companies 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. We adapt to the relevant changes by making timely adjustment on the strategic development of the Group in order to ensure the realization of the Group's business objectives of sustainable and stable development.

Risk on investment activities

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 will carefully select new investment projects; focus our investment layout and 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 cautiously conduct researches on target companies with 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.

The Company carries out strategic investments in various industries at home and abroad and conducts strategic management and exercises control over the acquired enterprises after completion of the acquisition. This exposes the Company to risks on post-investment management, integration in operation, management and culture 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 these companies have common philosophies on development strategies and operational management with us and their cultures are able to be integrated with ours. Meanwhile, we adopt various measures to strengthen the management control and service capabilities of our portfolio companies so that there is smooth operation of funds and our financial baseline can be secured. We also pay close attention to liquidity and encourage our portfolio companies to make use of their own resources to solve their funding problems. The post-investment management team continuously collects information about the operation of the portfolio companies and assists them to improve their operational and management efficiencies, corporate values and achieve effective risk management. We also consistently provide the portfolio companies with trainings on management methods, financial and tax related professional services, culture building and other fields.

Risk on fluctuations of raw material prices and finished goods sales prices

Under the circumstance of significant fluctuation in raw material price, any ineffective response to the pricing of sales products and inventory cost controls, will risk a decline in the operating performance of the Company's subsidiaries. The main raw materials required for the animal protein and fruit businesses of the Company's subsidiaries are mainly provided by international suppliers. The increase in biological costs, labour costs and other costs, as well as changes in the regulatory environment, may result in a rise in the price of raw materials. The products and raw materials used by the Company's subsidiaries are highly related to petroleum. In the foreseeable future, petroleum price will continue to fluctuate and the increase in crude oil price may lead to an increase in production costs.

The Company's subsidiaries maintain the stability of their profitability by enhancing their operational level, improving their business layout, and optimizing their product structure. With the unique business layout and extensive business chain, the extension of upstream and downstream business chains will reduce the impact of raw material price fluctuations. Moreover, by taking advantage of proximity to the market, the Company's subsidiaries continue to optimize the production process and product structure, focus on the development of special materials and high-end materials, develop marketable products and enrich the product structure. All these will reduce the impact of raw material price fluctuations on the effectiveness of the Company's subsidiaries, increase their profitability, and resist the risks caused by raw material price fluctuations. Catch of seafood and aquaculture fishery are highly dependent on seasons, formulation of procurement plans are usually based on annual sales estimates and production capacity. We closely follow the price trends of raw materials, market supply and demand and many other factors, and timely and proactively adjust the procurement strategies. At the same time, we will enter into annual sales contracts with important customers, and make flexible adjustments in subsequent implementation processes when prices fluctuate, with the help of product category, channel advantages and strategic partnerships formed with upstream core suppliers over the years. This helps to significantly minimize the operating risks cause by fluctuations in purchase prices to the Company's subsidiaries. Strict cost control policies are implemented during the pandemic to ensure that all business and capital expenditures are controlled under the premise of normal production and sales. When compared to comparable companies in the same industry in the same region, the Company's subsidiaries have a leading competitive advantage in cost. When the impact of COVID-19 gradually eases and the demand picks up, such a cost advantage will make positive contributions to our profits.

Risk on safe production and HSE

The subsidiaries of the Company engage in the research and development, production and sales of advanced polymers and special fine materials. Some of the products and raw materials are flammable and contain explosive substances. There are special requirements for storage and transportation, and some of the production processes are carried out under high temperature and high pressure, which are dangerous to a certain extent. In view of this, production-based enterprises have higher requirements for safe production. In case a major safety production accident occurs during construction, equipment installation, and manufacturing, it will not only result in loss in property or damage to the lives and health of related personnel, but will also result in adverse impacts on 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 that have significant environmental impacts. This ensures the realization of environmental policies, targets and indicators. The subsidiaries also have specialized departments for safe production and HSE management, and have invested heavily in labour protection equipment.

Risk on cyber-attack and security

The Company's subsidiaries may face cyber-attacks or attacks on their data security. In this situation, they may face negatively impacts, such as disruption on their operations and damage in their reputation.

The Company's subsidiaries manage and store their own proprietary information and sensitive or confidential data relating to their operations. In addition, the cloud computing business of the Company's subsidiaries also carries out routine process to store and transmit large amounts of data for their customers, including sensitive and personal identifiable information. The Company's subsidiaries may be under attack from hackers and other malicious software programs, with attempts to penetrate the networks and exploit any security vulnerability in the systems and products of the Company's subsidiaries.

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

Any breach of security measures, abuse of proprietary information, leak of sensitive or confidential data about the Company's subsidiaries and their customers may lead to loss of reputations, disruptions on business operations, exposures to potential litigations and liabilities by the Company's subsidiaries, and result in a loss of revenue and an increase in costs.

The Company's subsidiaries need to collect, use and store personal data when they conduct normal business activities. They are subject to laws and regulations, in relation to the collections, uses, and security of data about customers, consumers and employees, in countries where they operate businesses. The Company's subsidiaries are required to notify individuals and regulators in case the data security is under attack.

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

a) continue to develop and maintain a robust cyber security culture by developing sound policies and processes, and train our employees to follow the vital data protection practices;

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

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

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

Risk on intellectual property

The operation of the Company's subsidiaries will be affected if they cannot develop and protect their own intellectual properties, or their suppliers are not able to develop or protect the desirable technologies or obtain any necessary technology licenses.

The risks include:

- increase in licensing demands from patent holders and result in higher business costs;
- unenforceability of legal findings or challenges on the titles or ownerships, and result in loss or diminished in asset values of intellectual properties;
- defend against claims of intellectual property infringements and potential settlements or damages, and result in higher legal costs;
- negative impacts on the costs of product design as well as the relationships with customers or suppliers;
- injunctions or exclusion orders issued by certain countries due to adverse judgments in intellectual property infringement cases filed against the Company's subsidiaries, and result in the risk of interrupting the abilities of the Company's subsidiaries to ship their products; and
- The reputation of the Company's subsidiaries will be damaged when they are found to infringe third parties' valid patents.

To mitigate this 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) delegate intellectual properties as appropriate and monitor the validity and values a of the intellectual properties to the Company's subsidiaries;

c) obtain intellectual properties indemnifications from suppliers, or otherwise transfer the responsibility to protect the intellectual properties to suppliers;

d) monitor, develop and execute intellectual properties litigation defense strategies; and

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

Risk on food safety

With the increasing attention to food safety in China, the deepening of consumers' awareness on food safety and the heightening of protection of one's rights and interests, food quality and safety control have become the top priority of food enterprises. With the formal implementation of laws and regulations such as the Food Safety Law of the People's Republic of China and the Regulation on the Implementation of the Food Safety Law of the People's Republic of China, the relevant government authorities continue to strengthen their supervisions on food safety. The Company's subsidiaries may suffer from significant adverse impacts on their productions, operations and reputations if food quality problems arise. We attach great importance to the safety, hygiene and quality control of product processing, actively promote standardized production and management, establish and implement a food safety assurance system from raw materials to finished products. All these passed the certification of quality assurance systems such as GMP (Good Manufacturing Practice), SSOP (Sanitation Standard Operation Procedure), HACCP (Hazard Analysis and Critical Control Point) and BRC (Standard for Food Safety by British Retail Consortium). These are also in line with the relevant food safety laws and regulations of China, Europe, the United States, Chile and other countries. The system has reached rather high standard in the industry in terms of source management, operation of quality system and self-inspection. Our subsidiaries have established an emergency system to respond to consumers' complaints and quality problems, with an aim to significantly minimize any risks from food safety.

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 some 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 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 foreign exchange contracts to mitigate the foreign currency risk.

- **Price risk**

  We are exposed to equity securities price risk for the investments we held and those investments included in the consolidated balance sheets which are valued either at fair value through profit or loss or through other comprehensive income. To manage the price risk arising from investments in equity securities, we diversify our investment portfolio and constantly judge and deal 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, Mainland China, Europe, the US and Japan.

- **Interest rate risk**
  Our interest rate risk arises from the mis-matches 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 and control potential loss from interest rate risk at an acceptable level.

- **Credit risk**
  Credit risk is the risk of financial loss faced by us in case, our customers, clients or market counterparties fail to fulfill their contractual obligations. Credit risks arise mainly from the provision of loans to customers by our subsidiaries engaged in banking business and non-banking business, as well as exposure from account receivables. Credit risks also included risks arising from investments in debt securities and trading investment activities, together with the business of providing customers with off-balance sheet commitment and guarantee.

  We use internal credit risk ratings to assess the probability of default of individual transaction counterparties; and are supplemented with external data such as credit bureau scoring information on individuals. In addition, professional judgment from credit risk officers will also be used in the final internal credit rating for each exposure. This assessment model allows the inclusion of other data which may not be captured from other sources. For the credit risk rising from account receivables, our relevant subsidiaries have established credit policies under which individual credit evaluation will be 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 they have sufficient cash and securities that are readily convertible to cash to meet their operational needs, maintain sufficient headroom on their undrawn committed borrowing facilities from major financial institutions and will not breach borrowing limits or covenants on any of the borrowing facilities, so as 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 employees being subject to legal obligations, regulatory penalties, financial or reputation losses due to operations, management or practice in violation of regulations. 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 and extensive supervision from industry regulators. Since the second half of 2020, a number of laws, regulations and policies related to financial and fund management have been introduced and supervisions from industry regulatory bodies have become increasingly stringent. All these may restrict the operation of subsidiaries and increase compliance costs, and in turn may have an impact on our financial performance.

We consistently and closely monitor and adjust our policies in relation to compliance, adhere to the concept of compliance operations and management, put increasing emphasis on the research and understanding of the latest laws, regulations and regulatory policies, while strengthen our review on the effectiveness of our internal controls and risk management. We promote the improvement and implementation of the accountability mechanism, increase the supervisions and punishment of violations so as to improve the qualities of compliance management. We also seek advice from the compliance advisors as well as internal and external lawyers on compliance matters from time to time in order to made prompt adjustments on enterprises' blueprint on compliance to match such changes. During the Reporting Period, we have complied with relevant regulations which have significant impacts on our business and operation in all material respects.

EVENTS AFTER THE REPORTING PERIOD

On March 2, 2021, the subsidiaries of the Company completed the disposal of the entire equity interest in CAR with aggregate cash consideration of approximately HKD2,252 million (equivalent to approximately RMB1,869 million).

DETAILS ABOUT THE NUMBER OF EMPLOYEES, REMUNERATION POLICY AND BONUS AND REMUNERATION STANDARDS FOR DIRECTORS.

As of December 31, 2020, the Group had approximately 84,000 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 its core management members and general employees taking into consideration market competitiveness which is compatible with the business features of the Company:

In respect of the Company's core management members ("Senior 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 Senior Management of the Company is determined by the Board based on the overall performance of the Company and the job duties undertaken by the Senior Management and their performance. The Company will then determine their performance results according to the Company's performance and the performance appraisal of Senior Management taking into consideration their achievements of performance objectives. Annual remuneration comprises annual basic salaries (determined based on the duties undertaken by Senior Management) and target bonus (calculated on the basis of a certain proportion of the basic salaries of Senior Management with reference to the overall performance of the Company and performance appraisal of Senior Management). Benefits include basic social benefits and supplemental benefits of the Company.

In respect of the general 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 appraisals and the level of their capabilities. Target bonus is determined based on a certain proportion of the employees' basic salaries and taking into consideration the annual operating results of the Company and the results of annual performance appraisals and evaluations of employees. In addition, the Company also establishes a system of basic social benefits and supplemental benefits as a complementary with a view to enhance its benefits level.

Meanwhile, in order to attract and motivate talents to create values for the sustainable development of the Company, the 2016 and 2019 mid-term to long-term incentive schemes were approved by the general meetings of the Company respectively, and all matters in relation to the implementations of such schemes were delegated to the Board and the remuneration committee of the Board (as the case may be) or their delegated representatives.

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.

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 RMB0.36 per ordinary share (before tax) for the year ended December 31, 2020 (2019: RMB0.33). The proposed final dividend is subject to the approval of the Shareholders at the 2020 annual general meeting of the Company (the "2020 AGM") to be held on Thursday, June 10, 2021. The proposed cash dividend will be paid to the Shareholders (whose names appear on the register of members of the Company on Wednesday, June 16, 2021) on or before Thursday, July 15, 2021. 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 2020 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 2020 AGM).

CLOSURE OF REGISTER OF MEMBERS

In order to determine the Shareholders entitled to attend and vote at the 2020 AGM, the register of members of the Company will be closed from Monday, June 7, 2021 to Thursday, June 10, 2021 (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 4, 2021.

In order to determine the entitlement of the H Shareholders to the final dividend for 2020, the H share register of the Company will be closed from Thursday, June 17, 2021 to Friday, June 18, 2021 (both days inclusive). The H Shareholders who wish to receive the final dividend for 2020 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 16, 2021.

Mr. NING Min *Chairman and Executive Director*

Mr. NING Min (寧旻), aged 51, 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 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) (listed on the Shanghai Stock Exchange) and Levima Advanced Materials (listed on the Shenzhen 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, a director of Beijing Electronics Zone Investment and Development Co., Ltd. (北京電子城高科技集團股份有限公司) (listed on the Shanghai Stock Exchange) from 2016 to 2020.

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 49, 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. He currently serves as a director of Lakala Payment Co., Ltd., (拉卡拉支付股份有限公司), Levima Advanced Materials and Shanghai Fullhan Microelectronics Co., Ltd. (上海富瀚微電子股份有限公司) (all listed on the Shenzhen Stock Exchange). Mr. LI also serves as the vice chairman of BIL, and as a director in various members of the Company such as Zhengqi Financial. He was a non-executive director of Hospital Corporation of China Limited (弘和仁愛醫療集團有限公司) (listed on the Hong Kong Stock Exchange) from 2019 to 2020.

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 58, 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 (listed on the Hong Kong Stock Exchange). He previously served as a non-executive director of CAR Inc. (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 58, 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. and chairman of the board and president of Infolio Inc..

Mr. ZHAO is currently a non-executive director of Lenovo and a non-executive director of China Glass Holdings Limited, the chairman and executive director of Best Food Holding Company 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 Co., Ltd. (上海錦江國際酒店股份有限公司) and ENN Ecological Holdings Co., Ltd. (新奧天然氣股份有限公司) (both listed on the Shanghai Stock Exchange),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) and a non-executive director of Eros STX Global Corporation (listed on the New York Exchange). He previously served as the chairman of the board of China Glass Holdings Limited and Hospital Corporation of China Limited (both 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).

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 58, 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 57, 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 and the director of Levima Advanced Materials (listed on the Shenzhen Stock Exchange),. 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 served 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 of 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) from 2016 to 2020.

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 57, 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. (新奧天然氣股份有限公司) (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 72, 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 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), 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 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.

Ms. HAO Quan *Independent Non-executive Director*

Ms. HAO Quan (郝荃), aged 62, 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), HSBC Bank (China) Company Limited and a director of Ant Group Co., Ltd..

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 63, 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 52, 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 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 42, was appointed as a Supervisor of the Company on January 16, 2018. He was a director of Oceanwide Investment Group Co., Ltd. (泛海投資集團有限公司)、a supervisor of Mingsheng Holdings Co., Ltd. (民生控股股份有限公司) (listed on the Shenzhen Stock Exchange) and Oceanwide Holdings Co., Ltd. (泛海控股股份有限公司) (listed on the Shenzhen Stock Exchange).

Mr. Luo obtained a master of art degree from the University of Leeds in 2002, majoring in accounting and finance.

Mr. YANG Jianhua *Supervisor*

Mr. YANG Jianhua（楊建華）, aged 51, was appointed as a Supervisor of the Company on June 12, 2020. Mr. Yang is currently the deputy secretary of the Party Committee of the enterprises of Chinese Academy of Sciences in the Beijing region (中國科學院京區企業), the vice-chairman and general manager of CAS Holdings, our substantial Shareholder, 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), a director of 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) and the chairman of China Science Publishing & Media Group Ltd. (中國科技出版傳媒集團有限公司). Mr. YANG successively served as the secretary of the Youth League Committee of Chinese Academy of Sciences (中國科學院團委), the assistant to the dean of Graduate School of Chinese Academy of Sciences (中國科學院研究生院), the secretary of the Party Committee and deputy director of Science News of Chinese Academy of Sciences (中國科學院科學時報社), a member of the Party Committee of the management committee and deputy director (bureau level) of Zhongguancun Science and Technology Park in Beijing (北京市中關村科技園區), the associate dean (bureau level) and a member of the sub-group of the Party Committee of Guangzhou Branch of Chinese Academy of Sciences (中國科學院廣州分院), as well as the secretary of the Party Committee of Shenzhen Institutes of Advanced Technology of Chinese Academy of Sciences (中國科學院深圳先進技術研究院).

Mr. YANG obtained a master's degree in management from the University of Science and Technology of China in 1998.

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 51(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, 2020, the distributable reserve of the Company amounted to RMB2,408 million (2019: RMB1,393 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 115 to 116 of this annual report.

The overall financial position of the Company and its subsidiaries as at December 31, 2020 are set out in the consolidated balance sheet on pages 117 to 119 of this annual report, and the financial position of the Company as at December 31, 2020 in note 51(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 122 to 123 of this annual report.

The Board has recommended a final cash dividend of RMB0.36 per ordinary share (before tax) for the year ended December 31, 2020 (2019: RMB0.33). The proposed final dividend is subject to the approval of the Shareholders at the 2020 annual general meeting of the Company (the "2020 AGM") to be held on Thursday, June 10, 2021. The proposed cash dividend will be paid to the Shareholders (whose names appear on the register of members of the Company on Wednesday, June 16, 2021) on or before Thursday, July 15, 2021. 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 2020 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 2020 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, 2020. The details of Shares issued of the Company are set out in note 35 to the financial statements.

BONDS ISSUED

On June 3, 2020, the Company completed the public offering of 2020 corporate bonds of a total amount of RMB1.8 billion (Tranche 1), with a term of 3 years, and a final coupon rate of 4.50%. The bonds were listed on the Shanghai Stock Exchange and were issued to eligible domestic investors. The issue expenses were fully utilized towards repayment of interest-bearing debts.

Saved as disclosed above, the Company did not issue any bonds for the year ended December 31, 2020.

EQUITY-LINKED AGREEMENTS

No equity-linked agreement was entered into by the Company during the year ended December 31, 2020 or as at December 31, 2020.

DONATIONS

During the year, donations for charity or other purposes made by the Company and its subsidiaries amounted to RMB87 million (2019: RMB50 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 59 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 51 to 57 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 page 58 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 59 of this annual report.

5. An analysis on financial key performance indicators
   "Financial Review" on pages 47 to 51 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 2020, 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.

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 2020 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 2020 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 11%. 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 48(i) 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, 2020 and in the latest four fiscal years are set out on pages 299 to 300 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, 2020.

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 LISTED SECURITIES

For the year ended December 31, 2020, the Company purchased an aggregate of 11,722,100 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, 2020, 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 23, 2021 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)*
Mr. LI Peng *(Chief Executive Officer) (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* *(resigned on March 12, 2021)*
Ms. HAO Quan*
Mr. YIN Jian'an* *(appointed on February 13, 2020)*

\# *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
Mr. YANG Jianhua *(appointed on June 12, 2020)*

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, 2020, 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 52(b) to financial statements, at any time during the year ended December 31, 2020 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 52(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, 2020, 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 September 30, 2020, Chinese Academy of Sciences Linked Innovation Equity Investment Fund (Shaoxing) Partnership (Limited Partnership) (中科院聯動創新股權投資基金（紹興）合夥企業（有限合夥））(“CASLIF”), The Chinese Academy of Sciences Venture Capital Fund (Wuhan) Partnership (Limited Partnership) for the Transformation of Scientific and Technological Achievements (中科院科技成果轉化創業投資基金（武漢）合夥企業（有限合夥））(“Fund of Funds”), Tibet Dongfangqihui Investment Co., Ltd. (西藏東方企慧投資有限公司) (“Dongfangqihui”, an indirect wholly-owned subsidiary of the Company) (all as limited partners) and certain other limited partners together with Qushui County Xing Huan Venture Capital Management Center (Limited Partnership) (曲水縣星環創業投資管理中心（有限合夥））(as the general partner, its general partner is an indirect wholly-owned subsidiary of the Company) entered into the Suzhou Xing Fan Venture Capital Partnership (Limited Partnership) Limited Partnership Agreement (蘇州星梵創業投資合夥企業（有限合夥）有限合夥協議). Pursuant to the Partnership Agreement, Dongfangqihui, CASLIF and Fund of Funds subscribed a total amount of not exceeding RMB200, RMB100 million and RMB20 million respectively in Suzhou Xing Fan Venture Capital Partnership (Limited Partnership) (蘇州星梵創業投資合夥企業（有限合夥））. Under Chapter 14A of the Listing Rules, CAS Holdings is a substantial Shareholder of the Company and thus a connected person of the Company. It controls more than 30% interest in the general partner of CASLIF. CAS Holdings is a limited partner of CASLIF and has made the highest amount (more than 50% of the total subscription amount) of capital contributions to CASLIF. CAS Holdings also controls more than 30% interest in the general partner of Fund of Funds. Therefore, both CASLIF and Fund of Funds are deemed to be associates of CAS Holdings. 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 September 30, 2020)

2. On October 9, 2020, the Company (as a limited partner of the Project Partnership), CAS Holdings (the substantial shareholder of the Company, as a limited partner of the Project Partnership) and CAS Venture Capital Investment Management Co., Ltd. (中科院創業投資管理有限公司) (“CASVC”, as a general partner and manager of the Project Partnership) jointly entered into the Partnership Agreement. According to the Partnership Agreement, the Company subscribed a total amount of RMB150 million in the Project Partnership. The purpose of the Project Partnership is to invest in the Fund of Funds. By subscribing to the Project Partnership, the Company indirectly invests in the Fund of Funds. According to Chapter 14A of the Listing Rules, as CAS Holdings is a substantial shareholder of the Company, hence it is a connected person of the Company. CAS Holdings holds more than 30% interests of CASVC (a general partner and manager of the Project Partnership, and is a general partner and manager of the Fund of Funds). Hence CASVC and the Fund of Funds are both associates of CAS Holdings. According to Chapter 14A of the Listing Rules, the Transaction constitutes a connected transaction of the Company. (For details, please refer to the announcement of the Company dated October 9, 2020)

3. On December 4, 2020, the Fund of Funds (as a limited partner of the Fund), Dongfangqihui (an indirect wholly-owned subsidiary of the Company, and as a limited partner of the Fund) and Beijing Lianrong Zhidao Asset Management Co., Ltd. (北京聯融志道資產管理有限公司) ("Lianrong Zhidao", an indirect wholly-owned subsidiary of the Company, and as the general partner and manager of the Fund) jointly entered into the Partnership Agreement. According to the Partnership Agreement, the Fund of Funds, Dongfangqihui and Lianrong Zhidao subscribed a total amount of RMB200 million, RMB290 million and RMB5 million respectively in the Fund. According to Chapter 14A of the Listing Rules, CAS Holdings is a substantial shareholder of the Company, hence it is a connected person of the Company. CAS Holdings holds 45% equity interests of CASVC (the general partner and manager of the Fund of Funds). Hence, the Fund of Funds is an associate of CAS Holdings. According to Chapter 14A of the Listing Rules, the Transaction constitutes a connected transaction of the Company. (For details, please refer to the announcement of the Company dated December 4, 2020)

CONTINUING CONNECTED TRANSACTIONS

4. 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 approximately 25.27% 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. The Continuing Financial Assistance Framework Agreement terminated on June 15, 2020. (For details, please refer to the announcement of the Company dated May 8, 2017 and the circular of the Company dated May 26, 2017)

   At any time during the period from January 1, 2020 to June 15, 2020, the maximum amount of the financial assistance provided to Levima New Materials by the Company pursuant to the Continuing Financial Assistance Framework Agreement amounted to RMB3,466 million, not exceeding the cap stipulated in the agreement (being RMB5,200 million).

   On April 3, 2020, the Company and Levima Advanced Materials entered into the Continuing Guarantee Support Framework Agreement, pursuant to which the Company agreed to grant the Guarantees to Levima Advanced Materials for an aggregate amount not exceeding RMB3,800 million upon the requests made by Levima Advanced Materials during the period commencing from the effective date till June 30, 2021, subject to the then financial positions of the Company and compliance with the Listing Rules. The provision of the Guarantees to Levima Advanced Materials constitutes a continuing connected transaction of the Company in accordance with chapter 14A of the Listing Rules. (For details, please refer to the announcement of the Company dated April 3, 2020 and the circular of the Company dated May 12, 2020)

   At any time during the period from the effective date of the agreement to December 31, 2020, the maximum amount of the financial assistance provided to Levima New Materials by the Company pursuant to the Continuing Guarantee Support Framework Agreement amounted to RMB3,499 million, not exceeding the cap stipulated in the agreement (being RMB3,800 million).

5. 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. (For details, please refer to the announcement of the Company dated May 3, 2018)

   On February 21, 2020, the relevant annual caps for the four financial years ending on March 31, 2020, 2021, 2022 and 2023 under the aforementioned agreement were revised. (For details, please refer to the announcement of the Company dated February 21, 2020)

   During the year ended December 31, 2020, the actual aggregate transaction amount of the above continuing connected transactions did not exceed relevant annual cap prescribed in the above agreements.

6. 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 approximately 25.27% 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)

   On December 29, 2020, Guozhuang Mining and Levima Advanced Materials re-entered into the Coal and Labour Outsourcing Services Agreement with a term of one year, pursuant to which the agreement will come into effect upon the approval of the 2021 estimated maximum amount of connected transactions between Levima and Guozhuang Mining in the general meeting of Levima. Guozhuang Mining will continue to provide coal and labour outsourcing services to Levima at a total maximum consideration of RMB150.53 million (exclusive of tax). The Coal and Labor outsourcing Service agreement has not officially entered into force before December 31, 2020. (For details, please refer to the announcement of the Company dated December 29, 2020)

   During the year ended December 31, 2020, 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 RMB114 million, and did not exceed the cap prescribed in the agreement. (RMB170 million).

7. 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. Mr. ZHAO John Huan (“Mr. ZHAO”) is a Director and a connected person of the Company. 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)

   At any time during the year ended December 31, 2020, pursuant to the Financial Assistance Agreement, the maximum amount of financial assistance provided by the Company to Better Education amounted to RMB192 million, and did not exceed the annual cap prescribed in the agreement (USD250 million or its equivalent in Renminbi).

8. On February 21, 2020, Lenovo, a subsidiary of the Company and NEC Corporation (”NEC”), NEC Fielding, Ltd. (”NEC Fielding”) NEC Networks & System Integration Corporation (”NESIC”) entered into the Products and Brand Agreements and the Transitional Services Agreement and the Renewal Agreement of Transition Service Agreement, The terms of these renewal agreements include, but are not limited to, amendments to the relevant annual caps of various continuing connected transactions conducted from 2021 to 2023. (For details, please refer to the announcement of the Company dated February 21, 2020)

   During the year ended December 31, 2020, the actual aggregate transaction amount of the above continuing connected transactions did not exceed relevant annual cap prescribed in the above agreements.

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 (4) 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 (4) 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, 2020, the Company and its subsidiaries have complied with the relevant policies and guidelines issued by the Hong Kong 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 55 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, 2020. The consolidated financial statements for 2020 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 2020 AGM.

DIRECTORS’ INTERESTS IN SECURITIES

As at December 31, 2020, 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 position	Approximate percentage of holding in the relevant class of Shares[i]	Approximate percentage of holding in the total issued Shares[i]
NING Min	Beneficial owner	H Shares	36,000,000	40,150,000	3.15%	1.70%
		Restricted Shares[ii]	1,400,000			
		Share Options[iii]	2,750,000			
LI Peng	Beneficial owner	H Shares	544,100	4,394,100	0.34%	0.18%
		Restricted Shares[ii]	1,300,000			
		Share Options[iii]	2,550,000			
ZHU Linan	Beneficial owner	H Shares	50,830,000	56,230,000	4.42%	2.38%
		Restricted Shares[ii]	1,800,000			
		Share Options[iii]	3,600,000			
ZHAO John Huan	Beneficial owner	Restricted Shares[ii]	600,000	1,800,000	0.14%	0.07%
		Share Options[iii]	1,200,000			
WANG Yusuo	Interest in controlled corporation[iv]	H Shares	54,090,000	54,090,000	4.25%	2.29%

Notes:

(i) As of December 31, 2020, the number of H Shares issued was 1,271,853,990 and the number of Domestic Shares issued was 1,084,376,910 and the total Shares issued was 2,356,230,900.

(ii) 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.

(iii) 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.

(iv) As of December 31, 2020, ENN Group International Investment Limited ("EGII"), the controlled corporation of Mr. WANG Yusuo, holds 54,090,000 H shares of the Company. Mr. WANG is deemed to hold 54,090,000 H Shares through EGII under the SFO.

(ii) Interests in our associated corporations

Name of Director	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[c]
NING Min	Lenovo	Beneficial owner	Long Position	1,370,401	0.01%
ZHU Linan	Lenovo	Beneficial owner	Long Position	6,268,934[a]	0.05%
ZHAO John Huan	Lenovo	Beneficial owner	Long Position	5,000,988[b]	0.04%

Notes:

(a) Mr. ZHU Linan owns 2,987,155 ordinary shares and 3,281,779 units of share awards which are convertible into ordinary shares.

(b) Mr. ZHAO John Huan owns 990,262 ordinary shares and 4,010,726 units of share awards which are convertible into ordinary shares.

(c) The calculation is based on the total number of 12,041,705,614 shares issued by Lenovo as at December 31, 2020.

INTERESTS OF THE SUBSTANTIAL SHAREHOLDERS

As at December 31, 2020, 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 Hong Kong 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	114,287,500	8.98%	4.85%
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	114,287,500	8.98%	4.85%
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, 2020. As of December 31, 2020, 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, 2020.

(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 114,287,500 H Shares.

As at December 31, 2020, 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 31, 2021

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 (staff representative), Mr. LUO Cheng (shareholder representative), and Mr. YANG Jianhua (shareholder representative).

The following matters were approved and passed by resolutions of the Board of Supervisors in 2020. 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 26, 2020, the audited consolidated financial statements of the Company for the year ended December 31, 2019, the Company's profit distribution plan for the year 2019, annual results announcement of the Company for the year ended 2019, the 2019 annual report of the Company, the Company's audited consolidated financial statements for the year 2019 (prepared in accordance with China Accounting Standards for Business Enterprises) as well as the 2019 Supervisor's Report of the Company were considered and passed.

2. On August 27, 2020, the unaudited consolidated financial statements of the Company for the six months ended June 30, 2020 (prepared in accordance with the International Accounting Standards), interim results announcement of the Company for the six months ended June 30, 2020, the 2020 interim report of the Company as well as the Company's unaudited consolidated financial statements for the six months ended June 30, 2020 (prepared in accordance with China Accounting Standards for Business Enterprises) were considered and passed.

In 2020, 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 2019, 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 2020, 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 2021, 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 31, 2021

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, 2020.

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(1)

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

Executive Directors:

Mr. NING Min *(Chairman)*
Mr. LI Peng(2) *(Chief Executive Officer)*

Non-executive Directors:

Mr. ZHU Linan
Mr. ZHAO John Huan
Mr. WU Lebin
Mr. SUO Jishuan
Mr. WANG Yusuo(2)

Independent Non-executive Directors:

Mr. MA Weihua
Ms. HAO Quan
Mr. YIN Jian'an(2)

Notes:

(1) On March 12, 2021, Mr. ZHANG Xuebing ("Mr. Zhang") resigned as an independent non-executive director of the Company and a member of the Nomination Committee and Audit Committee of the board of directors of the Company. Following the resignation of Mr. Zhang, the Board comprises ten members of which the number of independent non-executive directors reduces to three. As a result, the Company's Board failed to meet the requirement that independent non-executive directors account for at least one-third of the Board, but it still meets the requirements of having at least three independent non-executive directors and one of them has appropriate professional qualifications in accounting. Because of Mr. Zhang's resignation,the Audit Committee has only two members and the majority of the Nomination Committee is not comprised of independent non-executive directors.Therefore, according to the requirements of rule 3.11 of the Listing Rules, the Board will use its best endeavours to identify suitable candidates to be appointed as independent non-executive directors of the Company within 3 months from the date of resignation of Mr. Zhang with a view to fulfill the requirements of the rule 3.10A of the Listing Rules.

(2) Mr. Li Peng, Mr. Wang Yusuo and Mr. Yin Jian'an were appointed at the first extraordinary general meeting of 2020, held on February 13, 2020.

Biographical details of members of the Board are set out on pages 60 to 67 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.

The Company has received, from each of the independent non-executive directors and Mr. ZHANG Xuebing (who resigned as independent non-executive director), an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all of the independent non-executive directors are independent during the year and up to 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 directors have been expressly identified in all corporate communications that required to 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, eligible for re-election upon completion of the term. The Nomination Committee of the Board is responsible for evaluating the appointment of new directors, re-election of 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, 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 their duties and powers are set out in the Articles of Associations of the Company.

Pursuant to Article 108 of the Articles of Association of the Company, the duties and powers 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 duties 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. These materials facilitate the Directors and Supervisors to get familiar with the history and business information of the Company, and understand 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**	**Impact of the COVID-19 on the global economic situation**	**Functions, Duties and Responsibilities of the Board**	**Corporate Risk Control**
Executive Directors				
NING Min	✔	✔	✔	✔
LI Peng	✔	✔	✔	✔
Non-executive Directors				
ZHU Linan	✔	✔	✔	✔
ZHAO John Huan	✔	✔	✔	✔
WU Lebin	✔	✔	✔	✔
SUO Jishuan	✔	✔	✔	✔
WANG Yusuo	✔	✔	✔	✔
Independent Non-executive Directors				
MA Weihua	✔	✔	✔	✔
ZHANG Xuebing*	✔	✔	✔	✔
HAO Quan	✔	✔	✔	✔
YIN Jian'an	✔	✔	✔	✔

* On March 12, 2021, Mr. Zhang Xuebing resigned as an independent non-executive director of the Company.

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 (including resigned Director) 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 104 to 114 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, 2020, the remuneration paid and payable to the Company's external independent auditor, is set out below:

Type of Services	*RMB'000*
Audit services	92,584
Non-audit services	20,669

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.

(*On March 12, 2021, Mr. ZHANG Xuebing resigned as an Independent Non-executive Director of the Company and a member of the Audit Committee resulting in less than three audit committee members. The Board will do its best to identify suitable candidates to serve as members of the Audit Committee with a view to fulfill the requirements of the Listing Rules as soon as practicable.)

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 2019 (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);
- 2019 annual profit distribution plan;
- The audit fee for 2019 and the re-appointment of the independent auditor for 2020;
- The annual results announcement for the year ended December 31, 2019 and the 2019 annual report of the Company and its subsidiaries;
- Connected transactions and continuing connected transactions in 2019;
- The unaudited consolidated financial statements for the three months ended March 31, 2020 and the nine months ended September 30, 2020 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, 2020 and the 2020 interim report of the Company and its subsidiaries;
- Matters related to interim review for 2020 (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 2020 Interim Financial Information of the Company and Its Subsidiaries", "Management's Statement of 2020 Annual Audit of the Company and Its Subsidiaries" and management's comment;
- Annual audit planning for the financial year ended December 31, 2020 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; and
- Confirmation on the effectiveness of risk control and management and internal control systems by management.

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 the management</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, developing risk mitigation strategies, and making timely reports.

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.

- Establish various reporting channels, including email, telephone, website and official account reporting channels, and strengthen the collection of risk items and fraud clues.

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, 2020 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.

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 one meeting in the year. During the year, the Remuneration Committee reviewed, discussed, considered and recommended the Board to grant approval on the following matters:

- Directors and Supervisors' remuneration implementation in 2019;
- the performance appraisal and bonus implementation in 2019 for senior management;
- disclosure of the Directors', Supervisors' and senior management's remuneration in the 2019 annual report; and
- the delegation of management for the study of performance evaluation and medium to long term incentive system, having considered and in line with the Company's future development plan.

For the year ended December 31, 2020, 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**
HKD3,500,001 – HKD4,000,000	1
HKD4,500,001 – HKD5,000,000	1

The details of remuneration of the Directors and Supervisors for the year ended December 31, 2020 are set out in note 52(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). The other four members are Mr. WANG Yusuo, a non-executive Director, Mr. MA Weihua, Mr. ZHANG Xuebing* and Mr. YIN Jian'an, all three are independent non-executive Directors.

(*On March 12, 2021, Mr. ZHANG Xuebing resigned as an independent non-executive director of the Company and a member of the Nomination Committee resulting in the Nomination Committee is not comprises of a majority of Independent Non-executive Directors. The Board will do its best to identify suitable candidates to serve as members of the Nomination Committee with a view to fulfill the requirements of the Listing Rules as soon as practicable.)

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, the Nomination Committee convened one meeting in the year. The members of the Nomination Committee considered, approved and confirmed the following:

- 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; and

- 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.

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.

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

- the disclosure in the "Environmental, Social and Governance Report";
- 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 Strategy Committee is composed of five members, and 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; and
- 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 five 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 meetings for each Director during the Reporting Period is as follows:

	Number of attendance/ Number of meetings being convened				
	The Board	Audit Committee	Remuneration Committee	Nomination Committee	General Meeting(1)
Executive Directors					
Mr. NING Min	5/5	–	1/1	1/1	3/3
Mr. LI Peng	5/5	–	–	–	2/2(2)
Non-executive Directors					
Mr. ZHU Linan	5/5	–	–	–	3/3
Mr. ZHAO John Hua	5/5	–	–	–	3/3
Mr. WU Lebin	5/5	–	–	–	3/3
Mr. SUO Jishuan	3/5	2/3	–	–	1/3
Mr. WANG Yusuo	1/5	–	–	1/1	0/2(2)
Independent Non-executive Directors					
Mr. MA Weihua	1/5	–	–	1/1	0/3
Mr. ZHANG Xuebing(3)	3/5	2/3	–	1/1	3/3
Ms. HAO Quan	5/5	3/3	1/1	–	3/3
Mr. YIN Jian'an	5/5	–	1/1	1/1	2/2(2)

Notes:

(1) The Company held the first Extraordinary General Meeting of 2020 on February 13, 2020. The 2019 Annual General Meeting was held on June 12, 2020. Immediately after the closure of such meeting, the 2020 first H Share Class General Meeting, the 2020 first Domestic Share Class General Meeting and the 2020 Second Extraordinary General Meeting were held.

(2) The Company passed the proposal of electing Mr. Li Peng, Mr. Wang Yusuo and Mr. Yin Jian'an as directors of the company at the first Extraordinary General Meeting of 2020 on February 13, 2020. Therefore, Mr. Li Peng, Mr. Wang Yusuo and Mr. Yin Jian'an did not attend this shareholders meeting.

(3) On March 12, 2021, Mr. Zhang Xuebing resigned as an Independent Non-executive Director of the Company.

BOARD OF SUPERVISORS

The Board of Supervisors comprises three members. The Chairman of the Board of Supervisors is Mr. GAO Qiang (staff representative), and the other two members are Mr. LUO Cheng (shareholder representative) and Mr. YANG Jianhua (shareholder representative).

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 84 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 2020, 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 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 (Suite 06, 70/F Two International Finance Centre, No. 8 Finance Street, 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 2021, 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.

Independent Auditor's Report

pwc 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 115 to 298, which comprise:

- the consolidated balance sheet as at December 31, 2020;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2020, 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
- 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 2.11, note 4.1(b) and note 20 to the consolidated financial statements. As at December 31, 2020, the Group had goodwill of RMB37,443 million and other intangible assets with indefinite useful lives of RMB13,335 million, and in respect of which management is required to perform annual impairment assessment. For the purpose of assessing impairment, goodwill and other intangible assets with indefinite useful lives were allocated to the lowest level of identifiable cash generating units ("CGUs"). The recoverable amount of CGU is determined by the higher of the fair value less disposal cost and value in use.	Our procedures included: • We obtained an understanding of the management's internal control and assessment process of impairment assessment of goodwill and other intangible assets with indefinite useful lives and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity, changes and susceptibility to management bias. • 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. • We evaluated the independent external valuers' competence, capability and objectivity.

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of goodwill and other intangible assets with indefinite useful lives (Continued) For calculation of the recoverable amount, management made significant assumptions and judgements, in determining the appropriate CGUs related to goodwill and determining key assumptions such as revenue growth rates, gross margin and discount rates, etc. (including considering the impact of COVID-19 to such assumptions). Management has concluded that there is no impairment in respect of the goodwill and other intangible assets with indefinite useful lives, except that individual business of the agriculture and food segment recognised goodwill impairment of RMB116 million due to decrease in recoverable amount caused by its poor operation. Management engaged independent external valuers to assist in performing impairment assessments when necessary. Management made significant estimation and judgements to perform impairment assessments of goodwill and other intangible assets with indefinite useful lives. In view of these reasons, we identified this as a key audit matter.	• We challenged the appropriateness of the key assumptions including expected revenue growth rates, expected profit margins and discounted rates and other key parameters for the value in use calculation performed by management, with reference to the business and industry circumstances and considering the impact of COVID-19. – We reconciled the input data of expected revenue growth rates, expected profit margins, expected changes of working capital and expected capital expenditure 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; • 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. • 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. Based on our procedures performed, 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.

KEY AUDIT MATTERS (CONTINUED)

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 2.15, 2.21, 3.3, 4.1(c) and 4.1(d) to the consolidated financial statements. As at December 31, 2020, the Group has financial assets measured at fair value with level 3 inputs of RMB42,968 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 RMB4,603 million, including 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 market approach and discounted cash flow calculation. The determination of the model adopted, input data and key assumptions require significant management judgement and estimation. In view of these reasons, we identified this as a key audit matter.	Our procedures included: • We obtained an understanding of the management's internal control and assessment process of fair value measurement using of level 3 inputs for financial assets and financial liabilities and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity, changes and susceptibility to management bias. • 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 market approach, 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 discounted cash flow, 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. Based on our procedures performed, 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 MATTERS (CONTINUED)

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, 2020, the Group had deferred income tax assets of RMB18,290 million. In addition, the Group had unrecognized temporary difference and tax loss of RMB11,316 million and RMB21,524 million respectively as at December 31, 2020. The recognition of 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 in future periods depends on future profit forecast of related entities, and existence of sufficient taxable profits and taxable temporary differences, group relief and tax planning strategies based on management's judgement.	Our procedures included: • We obtained an understanding of the management's internal control and assessment process of recognition of deferred income tax assets and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity, changes and susceptibility to management bias. • 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 which is after considering the impact of COVID-19, 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 on a sample basis.

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter	How our audit addressed the Key Audit Matter
Recognition of deferred income tax assets (Continued) Management has performed its assessment on the recognition of deferred income tax assets as at December 31, 2020 and consider that the realization of such assets is probable. Significant management's judgement and estimation involved in forecasting future taxable profits and period of future reversals of taxable temporary differences and deferred income tax. In view of these reasons, we identified this as a key audit matter.	• 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, 2020, 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. Based on our procedures performed, 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 MATTERS (CONTINUED)

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(a) to the consolidated financial statements.	
At 31 December 2020, the gross balance of loans to customers of the subsidiaries engaged in banking business of RMB126,381 million against which a corresponding allowance for expected credit loss ("ECL") of RMB2,342 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 banking 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 (including IT controls) and governance process over the ECL modelling process, including model review as well as the review of back-testing ECL model components (Probability of Default, macro-economic projection, loss rates) and ECL level; • Controls over the incorporation of multiple economic scenarios related to ECL models and quarterly ECL variation analysis; • Controls over the loan origination and monitoring processes; • Controls of the valuation of collateral received; • Controls over the computation of ECL management "overlays" adjustments. We also performed the following substantive audit procedures: • With the support of our internal modelling specialists, we tested the assumptions, inputs and formulas used in ECL models. This included assessing the appropriateness of model design and formulas used, considering alternative modelling techniques and recalculating the Probability of Default, Loss Given Default and Exposure at Default for a sample of models, as well as challenging the forward looking macro-economic scenarios; • We verified some key parameters to ensure accuracy of data inputs supporting the ECL models used by the Group;

KEY AUDIT MATTERS (CONTINUED)

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; • Management "overlays" adjustments have been made for significant uncertainties not covered by the model due to the impact of COVID-19. The ECL allowance of loans to customers of subsidiaries engaged in banking business are significant and with the inherent uncertainty in the measurement, the Group adopted complex models, employed numerous parameters and data inputs, and applied significant management judgements and assumptions, and the inherent risk is considered significant. In view of these reasons, we identified this as a key audit matter.	• We tested a sample of loans to customers (including but not only an extended sample of loans included into the Credit Watchlist and/or classified on stage 3) to: – Perform testing over the accuracy of a sample of related key input data (including nominal and interest rates, etc.); – Perform the assessment as to whether the loans to customers are classified in the appropriate bucket; – Perform testing over the allocation of loans to customers into stages, including quarterly movements between stages, and the identification of defaulted and credit-impaired loans; – Perform testing on the validity of guarantees and the valuation and collateral received; • Assessing the reasonableness of ECL management "overlays" methodology used by the Group and results. Based on our procedures performed, the models, key parameters and data, significant judgement and assumptions adopted by management for measuring ECL and the measurement results were considered acceptable.

OTHER INFORMATION

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

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

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

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

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with 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.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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 31, 2021

Consolidated Income Statement

For the year ended December 31, 2020

	Note	Year ended December 31, 2020 RMB'000	2019 RMB'000
Sales of goods and services	5	**413,730,939**	384,241,810
Interest income	5	**5,520,200**	7,649,123
Interest expense	5	**(1,684,286)**	(2,672,669)
Net interest income		**3,835,914**	4,976,454
Total revenue	5	**417,566,853**	389,218,264
Cost of sales and services	8	**(347,222,508)**	(320,544,108)
Gross profit		**70,344,345**	68,674,156
Selling and distribution expenses	8	**(20,672,076)**	(22,376,957)
General and administrative expenses	8	**(36,408,630)**	(31,855,609)
Expected credit loss	8	**(2,493,286)**	(1,375,362)
Investment income and gains	6	**7,888,990**	2,766,083
Other losses-net	7	**(330,378)**	(304,758)
Finance income	11	**1,045,990**	1,244,658
Finance costs	11	**(6,309,290)**	(6,724,968)
Share of (loss)/profit of associates and joint ventures accounted for using the equity method		**(432,836)**	476,743
Profit before income tax		**12,632,829**	10,523,986
Income tax expense	14	**(3,614,400)**	(1,894,460)
Profit for the year		**9,018,429**	8,629,526
Profit attributable to:			
– Equity holders of the Company		**3,868,011**	3,606,896
– Perpetual securities holders		**317,801**	370,390
– Other non-controlling interests		**4,832,617**	4,652,240
		9,018,429	8,629,526
Earnings per share for the profit attributable to the equity holders of the Company *(expressed in RMB per share)*			
Basic earnings per share	15	**1.66**	1.54
Diluted earnings per share	15	**1.62**	1.51

Consolidated Statement of Comprehensive Income

For the year ended December 31, 2020

		Year ended December 31,	
	Note	**2020** ***RMB'000***	2019 *RMB'000*
Profit for the year		**9,018,429**	8,629,526
Other comprehensive (loss)/income:			
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*	**(609,336)**	20,558
Share of other comprehensive income of associates using equity accounting, net of taxes	*14*	**42,397**	113,695
Remeasurements of post-employment benefit obligation, net of taxes	*14,47*	**(118,586)**	(260,755)
Revaluation of investment properties upon reclassification from property, plant and equipment, net of taxes	*14,18*	**43,905**	52,656
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*	**(32,630)**	(11,842)
Currency translation differences	*14*	**(3,790,925)**	306,557
Share of other comprehensive (loss)/income of associates using equity accounting	*14*	**(95,189)**	8,979
Fair value change on cash flow hedges, net of taxes	*14*	**(466,627)**	(239,784)
Other comprehensive loss for the year, net of taxes		**(5,026,991)**	(9,936)
Total comprehensive income for the year		**3,991,438**	8,619,590
Attributable to:			
– Equity holders of the Company		**501,693**	3,999,992
– Perpetual securities holders		**317,801**	370,390
– Other non-controlling interests		**3,171,944**	4,249,208
		3,991,438	8,619,590

Consolidated Balance Sheet

As at December 31, 2020

		As at December 31,	
		2020	2019
	Note	***RMB'000***	*RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment	*16*	**23,351,343**	23,927,948
Right-of-use assets	*17*	**6,951,676**	7,265,904
Investment properties	*18*	**12,315,945**	12,316,171
Intangible assets	*20*	**65,450,440**	70,021,402
Consumable biological assets	*19*	**366,068**	286,658
Associates and joint ventures using equity accounting	*13*	**16,434,370**	19,258,345
Associates measured at fair value through profit or loss	*13*	**18,459,044**	17,404,859
Financial assets at fair value through other comprehensive income	*22*	**12,179,471**	10,969,080
Financial assets at fair value through profit or loss	*32*	**9,995,725**	8,394,224
Loans to customers	*27*	**81,164,394**	82,212,421
Loans to credit institutions	*28*	**22,570**	690,241
Derivative financial assets	*23*	**212,978**	505,099
Other financial assets at amortised cost	*29*	**57,131,509**	48,052,348
Deferred income tax assets	*46*	**18,290,286**	17,507,825
Other non-current assets	*24*	**9,563,113**	11,849,898
Total non-current assets		**331,888,932**	330,662,423
Current assets			
Inventories	*30*	**39,987,790**	30,166,081
Consumable biological assets	*19*	**1,193,174**	1,615,243
Properties under development	*31*	**986,020**	656,674
Accounts and notes receivables	*25*	**71,754,864**	74,180,577
Prepayments, other receivables and other current assets	*26*	**42,289,228**	43,691,837
Loans to customers	*27*	**49,167,712**	47,993,361
Loans to credit institutions	*28*	**7,007,686**	6,725,571
Derivative financial assets	*23*	**2,397,724**	2,377,292
Financial assets at fair value through profit or loss	*32*	**18,319,240**	11,496,627
Financial assets at fair value through other comprehensive income	*22*	**473,817**	364,768
Other financial assets at amortised cost	*29*	**4,805,442**	2,466,904
Restricted deposits	*33*	**9,839,472**	9,075,991
Bank deposits	*33*	**269,231**	262,286
Cash and cash equivalents	*33*	**69,718,438**	62,339,559
		318,209,838	293,412,771
An associate held for sale	*13(b)*	**1,634,001**	–
Total current assets		**319,843,839**	293,412,771
Total assets		**651,732,771**	624,075,194

		As at December 31,	
		2020	2019
	Note	***RMB'000***	*RMB'000*
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital	*35*	**2,356,231**	2,356,231
Reserves		**58,078,131**	58,181,008
Total equity attributable to equity holders of the Company		**60,434,362**	60,537,239
Perpetual securities	*36*	**1,554,740**	8,161,897
Other non-controlling interests		**29,708,464**	28,149,657
Put option written on non-controlling interests	*41(c)(1)*	**(5,024,368)**	(5,024,368)
Total equity		**86,673,198**	91,824,425
LIABILITIES			
Non-current liabilities			
Borrowings	*45*	**99,078,041**	85,704,024
Lease liabilities	*17*	**2,932,067**	3,355,772
Amounts due to credit institutions	*42*	**12,647,567**	4,235,307
Amounts due to customers	*43*	**5,284,663**	4,634,959
Derivative financial liabilities	*23*	**3,849,885**	2,518,477
Deferred revenue	*38*	**7,548,109**	6,040,154
Retirement benefit obligations	*47*	**3,133,388**	3,112,233
Provisions	*48*	**2,087,503**	2,193,198
Financial liabilities at fair value through profit or loss	*44*	**7,945,455**	8,154,983
Deferred income tax liabilities	*46*	**8,361,820**	7,583,124
Other non-current liabilities	*41*	**10,227,058**	11,085,065
Total non-current liabilities		**163,095,556**	138,617,296

	Note	As at December 31, 2020 RMB'000	2019 RMB'000
Current liabilities			
Trade and notes payables	37	76,415,717	73,068,967
Other payables and accruals	39	90,309,895	82,962,737
Amounts due to credit institutions	42	20,840,403	19,960,243
Amounts due to customers	43	153,347,840	143,699,602
Financial liabilities at fair value through profit or loss	44	2,453,574	2,044,184
Derivative financial liabilities	23	2,679,794	2,786,684
Provisions	48	5,859,745	5,430,413
Advance from customers	40	2,032,481	2,090,890
Deferred revenue	38	7,033,567	5,928,919
Income tax payables		2,860,000	2,712,254
Lease liabilities	17	819,586	747,777
Borrowings	45	37,311,415	52,200,803
Total current liabilities		401,964,017	393,633,473
Total liabilities		565,059,573	532,250,769
Total equity and liabilities		651,732,771	624,075,194

The consolidated financial statements on pages 115 to 298 were approved by the Board of Directors on March 31, 2021 and were signed on its behalf.

NING Min
Director

LI Peng
Director

Consolidated Statement of Changes in Equity

For the year ended December 31, 2020

	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, 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
Profit for the year	-	-	-	-	-	-	-	-	-	3,868,011	317,801	4,832,617	-	9,018,429
Other comprehensive (loss)/income														
Fair value changes on financial assets at fair value through other comprehensive income	-	-	-	(439,836)	-	-	-	-	-	-	-	(202,130)	-	(641,966)
Share of other comprehensive (loss)/income of associates using equity accounting	-	-	-	(60,641)	-	-	-	-	-	-	-	7,849	-	(52,792)
Fair value change on cash flow hedges	-	-	-	-	-	-	(209,146)	-	-	-	-	(257,481)	-	(466,627)
Currency translation differences	-	-	-	-	-	-	-	(2,661,581)	-	-	-	(1,129,344)	-	(3,790,925)
Remeasurement of post-employment benefit obligations	-	-	-	-	-	-	-	-	(34,528)	-	-	(84,058)	-	(118,586)
Revaluation of investment properties upon reclassification from property, plant and equipment	-	-	-	39,414	-	-	-	-	-	-	-	4,491	-	43,905
Total comprehensive (loss)/income for the year	-	-	-	(461,063)	-	-	(209,146)	(2,661,581)	(34,528)	3,868,011	317,801	3,171,944	-	3,991,438
Total transfer to retained earnings	-	-	-	15,617	-	-	-	-	-	(15,617)	-	-	-	-
Total transactions with owners, recognised directly in equity														
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	75,004	-	75,004
Disposal of subsidiaries	-	-	-	(3,170)	-	-	-	-	-	-	-	(1,370,296)	-	(1,373,466)
Transaction with other non-controlling interests *(Note 54)*	-	-	-	-	-	-	-	-	(131,541)	-	-	(1,008,674)	-	(1,140,215)
Contribution from other non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	2,057,840	-	2,057,840
Derecognition of perpetual securities *(Note 36)*	-	-	-	-	-	-	-	-	(108,416)	-	(6,698,762)	(264,122)	-	(7,071,300)
Issuance of perpetual capital	-	-	-	-	-	-	-	-	-	-	200,000	-	-	200,000
Transfer to reserve	-	-	-	-	-	-	-	-	(42,656)	40,993	-	7,203	-	5,540
Share of other reserve of associates	-	-	-	-	-	-	-	-	30,210	-	-	(1,473)	-	28,737
Share-based compensation *(Note 34)*	-	-	-	-	492,453	120,765	-	-	(1,292)	-	-	1,151,845	-	1,763,771
Purchase of shares under share scheme *(Note 34)*	-	-	-	-	-	(148,690)	-	-	-	-	-	-	-	(148,690)
Distribution to contingent convertible bond holders	-	-	-	-	-	-	-	-	-	(75,670)	-	(8,434)	-	(84,104)
Transfer to statutory surplus reserve	-	-	153,516	-	-	-	-	-	-	(153,516)	-	-	-	-
Dividends paid *(Note 49)*	-	-	-	-	-	-	-	-	-	(777,556)	-	(2,252,030)	-	(3,029,586)
Distribution to perpetual securities holders	-	-	-	-	-	-	-	-	-	-	(426,196)	-	-	(426,196)
Total transactions with owners, recognised directly in equity	-	-	153,516	(3,170)	492,453	(27,925)	-	-	(253,695)	(965,749)	(6,924,958)	(1,613,137)	-	(9,142,665)
As at December 31, 2020	2,356,231	11,281,940	663,295	(23,265)	3,321,166	(287,079)	(238,900)	(4,614,040)	3,055,915	44,919,099	1,554,740	29,708,464	(5,024,368)	86,673,198

	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 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	–	–	–	–	–	–	–	–	–	–	–	512,428	–	512,428
Disposal of subsidiaries	–	–	–	(535)	–	–	–	–	–	–	–	(71,851)	–	(72,386)
Transaction with other non-controlling interests *(Note 54)*	–	–	–	–	–	–	–	–	(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

Consolidated Cash Flow Statement

For the year ended December 31, 2020

		Year ended December 31,	
		2020	2019
	Note	***RMB'000***	*RMB'000*
Cash flows from operating activities			
Cash generated from operations	*50*	**47,124,717**	12,755,534
Income tax paid		**(4,367,120)**	(3,548,563)
Net cash generated from operating activities		**42,757,597**	9,206,971
Cash flows from investing activities			
Purchases of property, plant and equipment and intangible assets		**(7,556,608)**	(7,898,955)
Proceeds from sale of property, plant and equipment and intangible assets		**326,479**	154,221
Purchase of financial assets at fair value through profit or loss		**(14,502,837)**	(15,331,056)
Proceeds from the disposal of financial assets at fair value through profit or loss		**10,769,896**	15,508,743
Dividends from financial assets at fair value through profit or loss		**334,623**	414,677
Capital injection in associates measured at fair value through profit or loss		**(1,894,250)**	(1,198,365)
Distributions from associates measured at fair value through profit or loss		**4,229,729**	2,757,699
Acquisition of and capital injection in associates and joint ventures using equity accounting		**(1,224,253)**	(298,636)
Proceeds from disposal of associates using equity accounting		**802,449**	1,157,962
Dividends from associates using equity accounting		**609,728**	432,469
Purchase of financial assets at fair value through other comprehensive income		**(2,224,588)**	(3,006,266)
Disposal of financial assets at fair value through other comprehensive income		**233,361**	1,665,169
Dividends from financial assets at fair value through other comprehensive income		**1,490**	37,853
Acquisition of subsidiaries, net of cash acquired		**(249,947)**	(6,438,246)
Disposal of subsidiaries, net of cash disposed		**(690,763)**	1,693,062
Loans granted to related parties and third parties		**(1,785,246)**	(926,018)
Repayment of contingent consideration and deferred consideration		**(1,086,214)**	(142,256)
Interest received		**384,417**	515,741
(Increase)/decrease in fixed deposits for more than 3 months		**(143,194)**	333,752
Purchase of financial assets at amortized cost		**(51,116)**	–
Advance from proposed transactions		**685,121**	–
Net cash used in investing activities		**(13,031,723)**	(10,568,450)

	Note	Year ended December 31, 2020 RMB'000	2019 RMB'000
Cash flows from financing activities			
Proceeds from borrowings		**72,660,159**	88,063,552
Repayments of borrowings		**(94,300,622)**	(94,095,258)
Repurchase of shares		**–**	(134,502)
Repayments of lease liabilities		**(1,026,388)**	(896,151)
Issue of perpetual securities	*36*	**200,000**	1,379,787
Issue of convertible bonds, net of issuance costs	*45*	**–**	5,436,742
Issue of other bonds, net of issuance costs		**17,360,925**	10,558,181
Issue of convertible preferred shares	*44*	**–**	2,066,910
Repayments of perpetual securities		**(7,071,300)**	–
Capital contributions from other non-controlling interests		**2,781,217**	2,852,792
Distribution to perpetual securities holders		**(426,196)**	(370,390)
Distribution to other non-controlling interests		**(2,271,182)**	(2,351,052)
Transaction with other non-controlling interests		**(1,253,331)**	(1,330,957)
Dividends paid to equity holders of the Company	*49*	**(775,950)**	(706,871)
Interest paid		**(7,152,251)**	(7,565,793)
Net cash (used in)/generated from financing activities		**(21,274,919)**	2,906,990
Net increase in cash and cash equivalents		**8,450,955**	1,545,511
Cash and cash equivalents at beginning of year		**62,339,559**	60,023,193
Exchange (losses)/gains on cash and cash equivalents		**(1,072,076)**	770,855
Cash and cash equivalents at end of year	*33*	**69,718,438**	62,339,559

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 registered address of the Company 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 mainly offers services including banking, short-term financing, financial leasing, insurance brokerage services, third party payment, internet finance, property insurance and other related business services; (c) innovative consumption and services industry, which operates mainly to provide medical and health services, car rental business 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, etc.; and (e) advanced manufacturing and professional services industry, which includes new chemical materials R&D, production and selling services, logistics services and aviation logistics 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 following amended standards and interpretations are mandatory for the first time for Group's financial year beginning on January 1, 2020 and are applicable for the Group:

- Amendments to IAS 1 and IAS 8 – Definition of Material
- Amendments to IFRS 3 – Definition of a Business
- Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest Rate Benchmark Reform
- Revised Conceptual Framework for Financial Reporting

The amendments to IFRS 9, IAS 39 and IFRS 7 provide a temporary relief which enables hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate. The interest rate benchmark reform (the "reform") would result in hedge ineffectiveness and potential hedge accounting termination. Such hedge accounting termination could have led to reclassification of amounts in the cash flow hedge reserve to profit or loss and cessation of fair value hedge accounting of fixed rate debt. The amendments avoid disruption to the Group's existing cash flow and fair value hedge accounting relationships that would otherwise be directly impacted by the reform.

Amendments to IFRS and IAS effective for the financial year beginning on January 1, 2020 do not have a material impact on the Group's consolidated financial statements.

In addition, the Group has elected to early adopt the amendments to IFRS 16 Leases on COVID-19 Related Rent Concessions on January 1, 2020. These amendments provide lessees with practical relief during the Pandemic and are effective for annual reporting periods beginning on or after June 1, 2020. The impact on this adoption do not have a material impact on the Group's consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

2.1.2 New standards and amendments to standards 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, 2020 and have not been early adopted.

		Effective for financial year beginning on or after
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2	1 January 2021
IFRS 3 (Amendments)	Reference to the Conceptual Framework	1 January 2022
IAS 16 (Amendments)	Property,Plant,and Equipment: Proceeds before intended use	1 January 2022
IAS 37 (Amendments)	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Annual Improvements	Annual Improvements to IFRS Standards 2018-2020 Cycle	1 January 2022
IFRS 17	Insurance contracts	1 January 2023
IAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2023
IFRS 10 and IAS 28 (Amendments)	Sale or Contribution of assets between an investor and its associate or joint venture	To be Determined

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 and amendment accounting standards have been published that are not mandatory for the financial year beginning on January 1, 2020 and have not been early adopted by the Group. The Group's assessment of the impact of these new and amendment standards is still in progress.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Subsidiaries (Continued)

(a) Business combination (Continued)

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.

(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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 (loss)/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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Associates (Continued)

(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.

2.6 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Foreign currency translation (Continued)

(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-net".

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 which calculated on the basis of the corresponding risk management model (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) .

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Property, plant and equipment (Continued)

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

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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Lease (Continued)

As lessee: (Continued)

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.

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-net".

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Investment property (Continued)

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.

2.11 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Intangible assets (Continued)

(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;
- 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.13 Biological assets

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

(a) Bearer plant

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.13 Biological assets (Continued)

(b) Consumable biological assets (Continued)

(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.

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.

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

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-net” from cost of sales and services.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.13 Biological assets (Continued)

(b) Consumable biological assets (Continued)

(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 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) 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.

2.15 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.15 Investment and other financial assets (Continued)

2.15.1 Classification and measurement (Continued)

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.

(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-net" together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

- Fair value through other comprehensive income ("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-net". 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-net" and impairment expenses are presented as separate line item in the statement of profit or loss.

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 (Continued)*

- 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.

2.15.2 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.15 Investment and other financial assets (Continued)

2.15.2 Recognition and de-recognition (Continued)

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 loans to customers (including advances) , debt instrument assets carried at FVOCI, accounts and other receivables, lease receivable, other financial assets at amortised cost, 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.

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 instruments with lower credit risk at the balance sheet date, the Group assume that the credit risk has not increased significantly since initial recognition and measure the loss allowance based on the expected credit losses over the next 12 months.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.15 Investment and other financial assets (Continued)

2.15.4 Impairment (Continued)

For accounts receivables, whether there is significant financial component or not, the Group recognises life-time ECL.

2.16 Derivative financial instruments and hedging activities

The Group chose to continue to apply the hedging accounting requirements of IAS 39 to all their hedging relationships in the first adoption of IFRS 9 on January 1, 2018, until the adoption of new macro hedging standards.

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.

(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 consolidation income statement within "other losses-net".

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16 Derivative financial instruments and hedging activities (Continued)

(b) Cash flow hedge (Continued)

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 income statement within "finance cost". The gain or loss relating to the ineffective portion is recognised in the consolidated income statement within "other losses-net".

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-net".

(c) Net investment hedges in foreign operation

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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16 Derivative financial instruments and hedging activities (Continued)

(c) Net investment hedges in foreign operation (Continued)

Hedge of the interest-rate risk exposure of a portfolio (Continued)

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.18 Trade and other receivables (Continued)

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) .

2.19 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) .

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21 Financial liabilities (Continued)

2.21.1 Financial liabilities at fair value through profit or loss (Continued)

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: the embedded derivative does not significantly modify the cash flows that otherwise would be required by the hybrid (combined) contract; or 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.

2.23 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

(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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.25 Current and deferred income tax (Continued)

(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.

2.27 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive loss in the period in which they arise.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.28 Employee benefits (Continued)

(a) Pension obligations (Continued)

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 loss 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 loans commitments and financial guarantee contracts

For loans commitments and financial guarantee contracts, impairment losses are recognized as provisions.

(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.

(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, 2020, 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, 2020, 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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-net" in the consolidated income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to 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.

(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 other entity (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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2020					
	USD	RMB	EUR	CHF	Other	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and other receivables	3,129,111	19,376	1,662,142	176	783,171	5,593,976
Bank deposits and cash and cash equivalents	2,412,882	72,601	225,753	19,160,970	2,959,365	24,831,571
Loans to customer and credit institutions	6,237,832	–	1,242,256	503,977	4,057,763	12,041,828
Other financial assets at amortized cost	5,704,849	–	1,112,017	–	–	6,816,866
Financial assets at fair value through profit and loss	3,681,920	–	–	–	11,970	3,693,890
Financial assets at fair value through other comprehensive income	1,331,564	–	21	14,457	1,038	1,347,080
Derivative financial assets	110,391	–	167,305	209,160	1,204,989	1,691,845
Other assets	–	–	–	–	6,231	6,231
Trade and other payables	(5,534,260)	(324,274)	(404,202)	(4,270)	(1,108,496)	(7,375,502)
Amount due to customers and credit institutions	(29,269,269)	–	(2,491,502)	(807,763)	(7,700,665)	(40,269,199)
Borrowings	(10,491,817)	–	(2,734,851)	–	(540,393)	(13,767,061)
Financial liabilities at fair value through profit and loss	(1,099,497)	–	–	(3,375)	(1,048,398)	(2,151,270)
Derivative financial liability	(175,117)	(19,209)	(329,074)	(334,544)	(1,247,877)	(2,105,821)
Other liability	(1,369,855)	–	–	(2,122,376)	(40,940)	(3,533,171)
Intercompany balances before elimination	(14,010,007)	6,253,234	(2,175,603)	–	(4,327,380)	(14,259,756)
Gross exposure	(39,341,273)	6,001,728	(3,725,738)	16,616,412	(6,989,622)	(27,438,493)
Notional amounts of contracts used as economic hedge	33,887,295	(3,243,084)	3,383,421	–	(16,669,396)	17,358,236
Net exposure	(5,453,978)	2,758,644	(342,317)	16,616,412	(23,659,018)	(10,080,257)

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(I) Foreign exchange risk (Continued)

	As at December 31, 2019					
	USD *RMB'000*	RMB *RMB'000*	EUR *RMB'000*	CHF *RMB'000*	Other *RMB'000*	Total *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 profits and 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 and loss	(1,408,472)	–	–	–	(526,693)	(1,935,165)
Derivative financial liability	(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)

As at December 31, 2020, 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 RMB780 million (As at December 31, 2019, RMB347 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.

(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.

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(II) Interest risk (Continued)

The tables below summarize the contractual maturity or re-pricing date, whichever is earlier, of the interest-generating assets and interest-bearing liabilities at the end of each reporting period.

(A) Interest-generating assets

	As at December 31, 2020					
	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*
Cash and cash equivalent, bank deposit and restricted deposit	**78,806,921**	**1,020,220**	**–**	**–**	**–**	**79,827,141**
Financial assets at fair value through other comprehensive income *(ii)*	**557,542**	**270,840**	**5,491,097**	**2,524,082**	**–**	**8,843,561**
Financial assets at fair value through profit and loss *(ii)*	**437,075**	**1,424,160**	**1,978,798**	**–**	**–**	**3,840,033**
Other financial assets at amortised cost	**5,086,518**	**3,204,365**	**20,546,265**	**33,099,803**	**–**	**61,936,951**
Loans to customers	**38,985,074**	**10,347,678**	**15,019,325**	**65,980,029**	**–**	**130,332,106**
Loans to credit institutions	**7,007,686**	**–**	**22,570**	**–**	**–**	**7,030,256**
Derivative financial instruments	**13,831**	**1,049**	**–**	**–**	**1,873,106**	**1,887,986**
Receivables *(iii)*	**4,568,069**	**6,719,719**	**7,823,932**	**–**	**–**	**19,111,720**
Total	**135,462,716**	**22,988,031**	**50,881,987**	**101,603,914**	**1,873,106**	**312,809,754**

	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*
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 and 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 instruments	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

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, 2020					
	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*
Amount due to customers	151,245,243	2,102,646	5,222,890	61,724	–	158,632,503
Amount due to credit institutions	17,485,890	3,415,837	12,185,392	400,851	–	33,487,970
Financial liabilities at fair value through profit and loss	2,338,494	1,723,746	3,882,690	2,454,099	–	10,399,029
Borrowings	16,582,267	50,984,711	52,518,226	16,304,252	–	136,389,456
Derivative financial liabilities	26,990	–	–	–	5,131,398	5,158,388
Payables *(iv)*	1,584,410	2,179,862	8,148,145	–	–	11,912,417
Total	189,263,294	60,406,802	81,957,343	19,220,926	5,131,398	355,979,763

	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*
Amount due to customers	137,578,200	6,214,880	4,536,971	4,510	–	148,334,561
Amount 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 and 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

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, 2020				
	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	**(53,800,578)**	**(37,418,771)**	**(31,075,356)**	**82,382,988**	**(3,258,292)**

	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)

(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, Mainland China, Europe, United States and Japan.

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(III) Price risk (Continued)

The table below summarises the impact of increases/decreases of the mainly 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.

Listed equity securities at fair value through profit and loss:

	Impact on pre-tax profit Year ended December 31,	
	2020	2019
	RMB'000	*RMB'000*
Listed equity securities		
– Hong Kong	**43,628**	26,197
– Mainland China	**398,978**	63,151
– Europe	**7,059**	8,045
– United States	**59,331**	18,683
Fair value change of listed equity securities	**508,996**	116,076

Listed equity securities at fair value through other comprehensive income:

	Impact on other comprehensive income Year ended December 31,	
	2020	2019
	RMB'000	*RMB'000*
Listed equity securities		
– Japan	**7,422**	7,728
– Hong Kong	**11,287**	3,350
– Others	**17,248**	–
Fair value change of listed equity securities	**35,957**	11,078

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

In accordance with IFRS 9 "Financial instruments", the Group applies the ECL model to measure the impairment of debt instruments at amortized cost and debt instruments at fair value through other comprehensive income.

- 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 measurement (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. Different judgements and assumptions are adopted by the subsidiaries engaged in different business when ECL was measured under IFRS 9"Financial Instruments".

(1) Subsidiaries engaged in banking business of the financial services segment

A 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).

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)

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 in the ECL model

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 modelling process. 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)

(1) Subsidiaries engaged in banking business of the financial services segment (Continued)

C Forward-looking Information in the ECL model (Continued)

Regarding the measurement of expected credit losses, the subsidiaries engaged in banking business of the financial services segment use 3 distinct macroeconomic scenarios covering a wide range of potential future economic conditions:

– a baseline scenario (central), consistent with the scenario used for budgeting and realised figures at the end of December 2020;

– a downside scenario (adverse), corresponding to a less favourable economic environment;

– an upside scenario (optimistic), allowing to capture situations where the economy performs better than anticipated.

The probabilities of default determined according to these scenarios are used to measure expected credit losses in each of these situations.

Macroeconomic scenarios

The subsidiaries engaged in banking business of the financial services segment use external macroeconomic scenarios. These scenarios are built according to a combination of statistical and econometric methods and compared with other external sources (e.g. International Monetary Fund ("IMF"), European Central Bank ("ECB") and European Commission ("EC"), etc.).

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 (Continued)

Macroeconomic Scenarios (Continued)

In accordance with IFRS 9, the following different scenarios are considered:

– a baseline (central) scenario which describes the most likely path of the economy over the projection horizon. Projections are provided for key markets of the group of the subsidiaries engaged in banking business of the financial services segment, through main macroeconomic indicators (e.g. GDP, unemployment rate, consumer prices, residential property prices etc.) which are drivers for risk parameter models.

– a downside (adverse) scenario which describes the impact of the materialisation of some of the risks weighing on the baseline scenario, resulting in a much less favourable economic path. More precisely, this downside scenario corresponds to a recession period which is materialised by the following sequence of events: financial asset prices plummet, real GDP growth becomes negative and labour market conditions strongly deteriorate with a surge in unemployment.

– the upside (optimistic) scenario reflects the impact of the materialisation of some of the upside risks for the economy, resulting in a much more favourable economic path.

Given the exceptional nature of the COVID-19 in the first half of 2020, the assumptions of the subsidiaries engaged in banking business of the financial services segment were updated for 2020 and 2021. The choice of scenario weights being guided by comparisons of the Bank's internal forecasts with the ECB's and the progressive normalisation of the global economy. The subsidiaries engaged in banking business of the financial services segment have increased the frequency at which its macroeconomic forecasts are updated and these latter have also been regularly challenged with respect to publicly available macroeconomic projections made e.g. by the ECB or the European Commission.

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 (Continued)

Macroeconomic Scenarios (Continued)

The following table presents the macroeconomic indicators for each scenario:

	Year 2020											
	LUXEMBOURG						EUROZONE					
	December 2020			December 2019			December 2020			December 2019		
	Actual	Upside	Downside	Baseline	Upside	Downside	Baseline	Upside	Downside	Baseline	Upside	Downside
Real GDP	(5.3)	(5.3)	(5.3)	3.1	5.6	(1.1)	(7.4)	(7.4)	(7.4)	1.3	2.6	(1.8)
Unemployment	6.4	6.4	6.4	5.4	5.3	5.6	8.1	8.1	8.1	7.7	7.4	8.6
Consumer Prices	–	–	–	1.6	2.3	0.6	0.3	0.3	0.3	1.5	2.4	0.2
Stock Prices	(22.7)	(22.7)	(22.7)	4.7	18.2	(23.3)	(6.0)	(6.0)	(6.0)	9.0	17.0	(15.9)
Residential Property Prices	18.0	18.0	18.0	4.8	7.4	1.7	4.8	4.8	4.8	4.7	6.4	0.3

	Year 2021											
	LUXEMBOURG						EUROZONE					
	December 2020			December 2019			December 2020			December 2019		
	Baseline	Upside	Downside	Baseline	Upside	Downside	Baseline	Upside	Downside	Baseline	Upside	Downside
Real GDP	2.0	4.7	(2.3)	3.5	4.2	(0.2)	4.1	6.7	(0.1)	1.6	2.6	(1.2)
Unemployment	7.2	7.1	7.5	5.5	5.2	6.3	9.7	9.2	11.2	7.7	7.2	10.1
Consumer Prices	0.4	1.4	(1.0)	1.7	2.4	0.4	0.6	1.8	(1.2)	1.7	2.7	(0.3)
Stock Prices	7.6	28.6	(27.9)	(7.4)	7.3	(13.3)	6.8	19.1	(22.4)	(4.6)	4.5	(5.7)
Residential Property Prices	0.4	4.1	(3.8)	3.5	7.1	(0.2)	(1.2)	0.7	(5.2)	3.9	6.7	(2.8)

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 (Continued)

ECL Sensitivity

The following table compares the reported ECL by stage and by different weighting of scenarios:

	Scenarios weights			As at December 31, 2020			As at December 31, 2019		
	Baseline	Upside	Downside	Stage 1	Stage 2	Total	Stage 1	Stage 2	Total
				RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Reported ECL *(i)*	60%	20%	20%	304,950	216,675	521,625	328,251	117,233	445,484
	100%	0%	0%	264,825	208,650	473,475	273,543	109,417	382,960
	0%	100%	0%	168,525	200,625	369,150	226,650	109,417	336,067
Stressed ECL	0%	0%	100%	577,800	256,800	834,600	578,347	132,864	711,211
	80%	0%	20%	329,025	216,675	545,700	336,067	117,233	453,300
	60%	0%	40%	393,225	232,725	625,950	398,591	117,233	515,824

(i) Reported ECL excluding the impact of ECL Management Overlays adjustment.

D ECL Management Overlays

The subsidiaries engaged in banking business of the financial services segment have implemented two management overlays to modelled ECL as of December 31, 2020 affecting stage 1 and stage 2 exposure classified under Loans to Customers:

– A "Moratory overlay" that results to a one-notch downgrade for exposures of loans that have benefited in 2020 from a moratoria;

– A "MidCorp" overlay that results to one-notch downgrade for exposures of loans under the Medium Corporate model of probability of default.

Management overlays made in estimating the reported ECL of Loans to Customers as at December 31, 2020 is "Moratory overlay" RMB100 million, and "MidCorp" overlay RMB11 million respectively.

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 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, accounts receivables have been grouped based on shared credit risk characteristics and the days past due. In the provision of ECL on a group basis, the Group has obtained sufficient information to ensure statistical reliability and has classified exposures with similar risk characteristics.

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				
	2020				
	Stage 1 12 months expected credit loss *RMB'000*	Stage 2 Lifetime expected credit loss *RMB'000*	Stage 3 Lifetime expected credit loss *RMB'000*	Trade receivables Lifetime expected credit loss *RMB'000*	Total *RMB'000*
Receivables *(i) (Note 21,24, 25)*	47,172,775	1,030,307	696,532	66,661,414	115,561,028
Loans to credit institutions *(Note 28)*	6,839,057	194,279	–	–	7,033,336
Loans to customers *(Note 27)*	103,304,259	22,393,887	8,264,329	–	133,962,475
Other financial assets at amortised cost *(Note 29)*	59,833,664	2,202,206	55,066	–	62,090,936
Financial assets at fair value through other comprehensive income *(ii) (Note 3.3, 22)*	7,667,881	1,176,290	–	–	8,844,171
Gross balance	224,817,636	26,996,969	9,015,927	66,661,414	327,491,946
Allowance for impairment losses	(970,270)	(281,354)	(3,150,282)	(1,031,071)	(5,432,977)
Net balance	223,847,366	26,715,615	5,865,645	65,630,343	322,058,969

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				
	2019				
	Stage 1 12 months expected credit loss *RMB'000*	Stage 2 Lifetime expected credit loss *RMB'000*	Stage 3 Lifetime expected credit loss *RMB'000*	Trade receivables Lifetime expected credit loss *RMB'000*	Total *RMB'000*
Receivables *(i) (Note 21,24,25)*	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

(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.

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)

IFRS 9 has been adopted by the Group to measure provisions for loans commitments and financial guarantees, etc.. As at December 31, 2020, the maximum exposure to credit risk of the commitments in respect of loans granted and commitments in respect of guarantee given is RMB42,785 million (As at December 31, 2019, RMB42,407 million), ECL provision recognized is RMB142 million (As at December 21,2019, RMB90 million).

Maximum exposure to credit risk-Financial instruments not subject to impairment

The following table contains an analysis of the credit risk exposure of financial assets at fair value through profit and loss and derivatives financial assets that are not subject to impairment:

	As at December 31, 2020	As at December 31, 2019
	Maximum exposure to credit risk *RMB'000*	Maximum exposure to credit risk *RMB'000*
Financial assets at fair value through profit or loss *(i)*	**3,840,033**	2,988,861
Derivative financial assets	**2,155,357**	2,882,391

(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 overdue loans are listed as follows according to the guarantee method and overdue situation:

	As at December 31, 2020		
	Overdue 1-90 days *RMB'000*	Overdue over 91 days *RMB'000*	Total *RMB'000*
Unsecured	347,972	854,883	1,202,855
Guaranteed	181,343	751,733	933,076
Secured by collateral	707,143	1,110,326	1,817,469
Secured by pledge	110,054	707,718	817,772
	1,346,512	3,424,660	4,771,172

	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, 2020 and 2019, the Group's maximum exposure covered by the fair value of collateral held of overdue loans is RMB4,934 million and RMB4,271 million.

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(III) Credit risk exposure (Continued)

Credit risk exposure of subsidiaries engaged in banking business:

	As at December 31, 2020					
Stage 1 Credit Risk Exposure	AAA to AA– *RMB'000*	A+ to BBB– *RMB'000*	Non investment grade *RMB'000*	Unrated *RMB'000*	Default *RMB'000*	TOTAL *RMB'000*
Commitments in respect of guarantees given	1,075,350	3,073,575	2,495,775	6,452,100	–	13,096,800
Commitments in respect of loans granted	2,672,325	12,382,575	4,806,975	3,835,950	–	23,697,825
Financial assets at FVOCI (debt instruments only)	6,492,225	457,425	–	–	–	6,949,650
Loans and advances	37,003,275	56,455,875	26,988,075	17,807,475	–	138,254,700
Other financial assets at amortised cost	45,886,950	12,390,600	730,275	2,359,350	–	61,367,175
Stage 1 Total Credit Risk Exposures	93,130,125	84,760,050	35,021,100	30,454,875	–	243,366,150

	As at December 31, 2020					
Stage 2 Credit Risk Exposure	AAA to AA– *RMB'000*	A+ to BBB– *RMB'000*	Non investment grade *RMB'000*	Unrated *RMB'000*	Default *RMB'000*	TOTAL *RMB'000*
Commitments in respect of guarantees given	–	120,375	473,475	40,125	–	633,975
Commitments in respect of loans granted	16,050	401,250	2,279,100	208,650	–	2,905,050
Financial assets at FVOCI (debt instruments only)	1,147,575	–	–	–	–	1,147,575
Loans and advances	112,350	4,887,225	15,496,275	497,550	–	20,993,400
Other financial assets at amortised cost	1,605,000	345,075	160,500	–	–	2,110,575
Stage 2 Total Credit Risk Exposures	2,880,975	5,753,925	18,409,350	746,325	–	27,790,575

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(III) Credit risk exposure (Continued)

Credit risk exposure of subsidiaries engaged in banking business (Continued):

	As at December 31, 2020					
Stage 3 Credit Risk Exposure	AAA to AA–	A+ to BBB–	Non investment grade	Unrated	Default	TOTAL
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Commitments in respect of guarantees given	32,100	–	–	–	80,250	112,350
Commitments in respect of loans granted	–	–	72,225	–	280,875	353,100
Financial assets at FVOCI (debt instruments only)	–	–	–	–	–	–
Loans and advances	64,200	–	8,025	–	4,108,800	4,181,025
Other financial assets at amortised cost	–	–	–	–	56,175	56,175
Stage 3 Total Credit Risk Exposures	96,300	–	80,250	–	4,526,100	4,702,650

	As at December 31, 2020					
Other Credit Risk Exposure	AAA to AA–	A+ to BBB–	Non investment grade	Unrated	Default	TOTAL
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Derivatives	818,550	1,027,200	8,025	16,050	–	1,869,825
Financial assets at FVPL (debt instruments only)	176,550	8,025	–	16,050	–	200,625
Total other Credit Risk Exposures	995,100	1,035,225	8,025	32,100	–	2,070,450
Total Credit Risk Exposures	97,102,500	91,549,200	53,518,725	31,233,300	4,526,100	277,929,825

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(III) Credit risk exposure (Continued)

Credit risk exposure of subsidiaries engaged in banking business (Continued):

	As at December 31, 2019					
Stage 1 Credit Risk Exposure	AAA to AA–	A+ to BBB–	Non investment grade	Unrated	Default	TOTAL
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Commitments in respect of guarantees given	1,101,986	2,813,580	2,094,554	6,252,400	–	12,262,520
Commitments in respect of loans granted	2,594,746	11,215,243	5,431,772	4,079,691	–	23,321,452
Financial assets at FVOCI (debt instruments only)	7,010,504	797,181	–	–	–	7,807,685
Loans and advances	32,113,889	51,121,185	26,658,671	16,920,558	–	126,814,303
Other financial assets at amortised cost	33,716,067	16,185,901	250,096	171,941	–	50,324,005
Stage 1 Total Credit Risk Exposures	76,537,192	82,133,090	34,435,093	27,424,590	–	220,529,965

	As at December 31, 2019					
Stage 2 Credit Risk Exposure	AAA to AA–	A+ to BBB–	Non investment grade	Unrated	Default	TOTAL
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Commitments in respect of guarantees given	–	62,524	578,347	54,709	–	695,580
Commitments in respect of loans granted	7,816	281,358	1,985,137	328,251	–	2,602,562
Financial assets at FVOCI (debt instruments only)	422,037	–	–	–	–	422,037
Loans and advances	78,154	3,876,488	13,966,299	468,930	–	18,389,871
Other financial assets at amortised cost	1,445,868	–	–	–	–	1,445,868
Stage 2 Total Credit Risk Exposures	1,953,875	4,220,370	16,529,783	851,890	–	23,555,918

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(III) Credit risk exposure (Continued)

Credit risk exposure of subsidiaries engaged in banking business (Continued):

	As at December 31, 2019					
Stage 3 Credit Risk Exposure	AAA to AA–	A+ to BBB–	Non investment grade	Unrated	Default	TOTAL
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Commitments in respect of guarantees given	–	–	–	–	54,709	54,709
Commitments in respect of loans granted	–	–	–	–	164,126	164,126
Financial assets at FVOCI (debt instruments only)	–	–	–	–	–	–
Loans and advances	31,262	7,816	23,447	–	2,602,561	2,665,086
Other financial asset at amortised cost	–	–	–	–	140,679	140,679
Stage 3 Total Credit Risk Exposures	31,262	7,816	23,447	–	2,962,075	3,024,600

	As at December 31, 2019					
Other Credit Risk Exposure	AAA to AA–	A+ to BBB–	Non investment grade	Unrated	Default	TOTAL
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Derivatives	578,347	1,133,247	23,447	23,446	–	1,758,487
Financial assets at FVPL (debt instruments only)	218,834	39,078	–	70,340	–	328,252
Total other Credit Risk Exposures	797,181	1,172,325	23,447	93,786	–	2,086,739
Total Credit Risk Exposures	79,319,510	87,533,601	51,011,770	28,370,266	2,962,075	249,197,222

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(III) Credit risk exposure (Continued)

Credit risk exposure of subsidiaries engaged in banking business (Continued):

Credit risk exposure is shown as follows:

- Balance sheet assets other than derivative contracts are valued at their net value (i.e. the carrying value after deduction of any provision);
- Derivative contracts are recorded at their mark-to-market value plus add-on ("add-on" is an estimate of potential future exposure; this value is not recorded but is added on for regulatory purposes);
- The total amount of off-balance sheet commitments corresponds to unused lines of credit or to the maximum amount of guarantees granted by subsidiaries engaged in banking business to third parties;
- Loans and advances include loans to customers, loans to credit institutions, etc.
- Off-balance sheet items are shown in terms of total commitment.

(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, 2020 and 2019 is RMB112 million and RMB766 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, 2020	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	78,806,921	1,020,220	–	–	79,827,141
Financial assets at fair value through other comprehensive income *(ii)*	187,660	286,157	5,845,662	2,524,082	8,843,561
Financial assets at fair value through profit and loss *(ii)*	226,344	1,634,891	1,978,798	–	3,840,033
Other financial assets at amortised cost	919,963	3,885,479	23,101,165	34,030,344	61,936,951
Loans to customers	36,809,209	12,358,503	15,184,365	65,980,029	130,332,106
Loans to credit institutions	4,746,341	2,261,345	22,570	–	7,030,256
Receivables *(iii)*	89,958,084	16,122,568	8,071,564	10,000	114,162,216
Total	211,654,522	37,569,163	54,204,124	102,544,455	405,972,264
Liabilities					
Amount due to customers	146,028,162	7,319,678	5,222,891	61,772	158,632,503
Amount due to credit institutions	15,091,876	5,748,527	12,246,716	400,851	33,487,970
Financial liabilities at fair value through profit and loss	554,933	1,898,641	5,378,688	2,566,767	10,399,029
Borrowings	8,504,389	28,807,026	82,347,403	16,730,638	136,389,456
Lease liabilities	299,738	519,848	2,322,614	609,453	3,751,653
Payables *(iv)*	137,231,041	28,292,264	9,226,360	–	174,749,665
Total	307,710,139	72,585,984	116,744,672	20,369,481	517,410,276
Net liquidity gap	(96,055,617)	(35,016,821)	(62,540,548)	82,174,974	(111,438,012)

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

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 and 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 and 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)

(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. Net 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, 2020 and 2019 are as follows:

	As at December 31,	
	2020	2019
	RMB'000	*RMB'000*
Total borrowings *(Note 45)*	**136,389,456**	137,904,827
Less: cash and cash equivalents *(Note 33)*	**(69,718,438)**	(62,339,559)
	66,671,018	75,565,268
Total equity	**86,673,198**	91,824,425
Net debt to equity ratio	**76.9%**	82.3%

At December 31, 2020, the net debt-to-equity ratio of the Group decreased mainly due to the combined effect of derecognition of perpetual securities in total equity (Note 36) and the increase in cash and cash equivalents.

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, 2020 and 2019.

	As at December 31, 2020			
	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	–	–	18,459,044	18,459,044
Financial assets at fair value through profit or loss				
– Listed equity securities	5,648,317	–	4,531,609	10,179,926
– Unlisted equity securities	–	–	14,295,006	14,295,006
– Listed debt securities	1,084,441	196,873	–	1,281,314
– Unlisted debt securities	–	–	2,558,719	2,558,719
Derivative financial assets	–	2,577,810	32,892	2,610,702
Financial assets at fair value through other comprehensive income				
– Listed equity securities	719,135	–	–	719,135
– Unlisted equity securities	–	–	3,090,592	3,090,592
– Listed debt securities	8,417,906	425,655	–	8,843,561
Accounts and notes receivable	–	60,547,105	–	60,547,105
	15,869,799	63,747,443	42,967,862	122,585,104
Liabilities				
Financial liabilities at fair value through profit or loss	–	5,837,062	4,561,967	10,399,029
Derivative financial liabilities	65,310	6,423,096	41,273	6,529,679
	65,310	12,260,158	4,603,240	16,928,708

3. FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

	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
Accounts and notes receivable	–	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)

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. According to the restriction and reduction rules of the stock exchange for the original shares held before listing, shares of some new listed companies need to wait for a certain period of time to be sold, which is regarded as restricted shares. The fair value of these restricted shares is determined based on the closing price on the valuation date with consideration of the discount for lack of marketability, and such instrument is included in level 3.

The significant non-observable input for the restricted shares is the discount for lack of marketability, which ranges from 16% to 35%. The balance of assets of this category was RMB4,532 million as at December 31, 2020.

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.

3. FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

As at December 31, 2020 and 2019, 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.

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.

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, 2020 and 2019, respectively.

	Associates measured at fair value through profit or loss	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Derivative financial assets	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2020	**17,404,859**	**16,268,767**	**2,275,609**	**122,003**	**36,071,238**
Additions/capital contributions	**1,942,479**	**7,661,055**	**1,294,574**	**11,780**	**10,909,888**
Disposals/return of capital	**(1,007,635)**	**(2,846,037)**	**(41,454)**	**(88,137)**	**(3,983,263)**
Exchange adjustment	**(625,058)**	**(162,673)**	**8,256**	**691**	**(778,784)**
Transfers out to level 1/2 *(i)*	**–**	**(1,138,321)**	**–**	**–**	**(1,138,321)**
Gains/(losses) recognised in income statement	**744,399**	**1,602,543**	**–**	**(13,445)**	**2,333,497**
Losses recognised in other comprehensive income	**–**	**–**	**(446,393)**	**–**	**(446,393)**
At December 31, 2020	**18,459,044**	**21,385,334**	**3,090,592**	**32,892**	**42,967,862**
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
(Losses)gains recognised in income statement	(1,153,142)	917,711	–	(75,381)	(310,812)
Losses 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

(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, 2020 and 2019.

3. FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

The following table presents the changes in level 3 financial liabilities of the Group for the year ended December 31, 2020 and 2019.

	Amounts *RMB'000*
At January 1, 2020	**5,358,158**
Additions	**1,276,146**
De-recognition	**(1,753,290)**
Exchange adjustment	**23,111**
Interest payment	**(80,190)**
Repurchase of convertible preferred shares	**(114,582)**
Recognised in consolidated income statement	**(106,113)**
At December 31, 2020	**4,603,240**
At January 1, 2019	3,386,227
Additions	3,222,996
De-recognition	(1,003,593)
Exchange adjustment	87,831
Acquisition of a subsidiary	(41,338)
Recognised in consolidated income statement	(293,965)
At December 31, 2019	5,358,158

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

In measuring ECL in accordance with IFRS 9 "Financial Instruments", each subsidiary in different industries of the Company applies different critical judgments and assumptions based on the principles described in Note 3.1(b).

(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.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

4.1 Critical accounting estimates and key assumptions (Continued)

(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.

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.

If the final tax outcome of these matters differs from the amounts initially recorded, the difference will impact the provision for income taxes and deferred income tax assets and liabilities in the period in which the decision is made.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

4.1 Critical accounting estimates and key assumptions (Continued)

(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 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.

(h) 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.

(i) 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.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

4.1 Critical accounting estimates and key assumptions (Continued)

(j) 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.

(k) 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.

(l) 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. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

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(c)).

Investments in preferred shares of associates of the Group are recognised as financial assets at fair value through profit or loss.

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) at fair value through profit or loss, and (b) financial assets at fair value through other comprehensive income. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

4.2 Critical judgments in applying the accounting policies (Continued)

(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, 2020 and 2019, the Group is the single largest shareholder of Lenovo with 31.45% and 31.51% equity interest as same as the proportion of voting rights; 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, 2020 and 2019, the Joyvio Group is the single largest shareholder of Joyvio Agriculture with 46.08% and 29.90% equity interest as same as the proportion of voting rights; 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, financial leasing, insurance brokerage services, third party payment, internet finance, property insurance and other related business services;

– Innovative consumption and services segment, which operates mainly to provide medical and health services, car rental business 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, etc.;

– Advanced manufacturing and professional services segment, which includes new chemical materials R&D, production and selling 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, 2020

	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	384,991,987	3,931,358	738,629	17,036,899	6,230,357	801,709	–	–	413,730,939
Interest income	–	5,520,200	–	–	–	–	–	–	5,520,200
Interest expense	–	(1,684,286)	–	–	–	–	–	–	(1,684,286)
Inter-segment sales/provide services	–	–	–	–	–	19,700	–	(19,700)	–
Total	384,991,987	7,767,272	738,629	17,036,899	6,230,357	821,409	–	(19,700)	417,566,853
Segment results									
Profit/(loss)before income tax	10,170,573	2,637,939	(1,660,342)	(1,174,152)	1,141,611	3,408,150	(1,890,950)	–	12,632,829
Income tax (expense)/credit	(2,627,052)	(726,635)	76,719	190,368	(113,763)	(886,775)	472,738	–	(3,614,400)
Profit/(loss) for the year	7,543,521	1,911,304	(1,583,623)	(983,784)	1,027,848	2,521,375	(1,418,212)	–	9,018,429
Profit/(loss) attributable to equity holders of the Company for the year	2,092,519	1,874,053	(1,517,552)	(367,714)	766,300	2,438,617	(1,418,212)	–	3,868,011
Segment assets	237,232,288	285,475,199	5,526,281	22,826,009	12,731,984	70,489,280	21,520,925	(4,069,195)	651,732,771
Segment liabilities	224,119,935	249,717,449	931,600	14,903,299	4,828,678	10,546,801	64,081,006	(4,069,195)	565,059,573
Other segment information:									
Depreciation and amortisation	(7,114,832)	(502,380)	(123,543)	(439,492)	(378,552)	(3,568)	(9,552)	–	(8,571,919)
Impairment loss for non-current assets *(Note 8)*	(363,662)	(37,059)	(370,000)	(120,621)	(276)	(12,253)	–	–	(903,871)
Investment income and gains	1,605,363	2,918,467	3,747	67,249	(8,109)	3,422,473	(120,200)	–	7,888,990
Finance income	239,028	33,327	900	132,287	17,576	7,101	710,108	(94,337)	1,045,990
Finance costs	(2,790,964)	(277,811)	(35,204)	(541,253)	(163,741)	(422,470)	(2,172,184)	94,337	(6,309,290)
Share of (loss)/profit of associates and joint ventures accounted for using the equity method *(i)*	(188,640)	620,859	(1,296,714)	84,666	435,249	(88,256)	–	–	(432,836)
Material non-cash items other than depreciation and amortisation *(Note 34(c))*	(1,763,170)	–	–	–	–	(120,765)	–	–	(1,883,935)
Capital expenditure	7,133,800	622,584	191,311	1,716,604	411,305	98,497	11,586	–	10,185,687
Associates and joint ventures using equity accounting	481,890	7,764,268	900,609	1,563,561	1,672,099	4,051,943	–	–	16,434,370
Associates measured at fair value through profit or loss	–	183,056	–	–	–	18,275,988	–	–	18,459,044

(i) During year ended December 31, 2020, the share of loss of associates and joint ventures accounted for using the equity method of innovative consumption and services segment is mainly attributed to the CAR Inc. (CAR) which recognised large amount of impairment loss in the year (Note 13(b)).

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
Interest income	–	7,649,123	–	–	–	–	–	–	7,649,123
Interest expense	–	(2,672,669)	–	–	–	–	–	–	(2,672,669)
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 for the year	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 *(Note 8)*	–	(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)

(a) Revenue from external customers

	Year ended December 31,	
	2020	2019
	RMB'000	*RMB'000*
China	**111,494,629**	101,140,154
Asia-Pacific region excluding China	**79,532,940**	82,094,692
Europe/Middle East/Africa	**104,410,852**	89,874,004
Americas	**122,128,432**	116,109,414
Total	**417,566,853**	389,218,264

(b) Non-current assets

	As at December 31,	
	2020	2019
	RMB'000	*RMB'000*
China	**55,441,545**	56,010,874
Asia-Pacific region excluding China	**13,901,725**	15,304,799
Europe/Middle East/Africa	**14,502,591**	15,323,879
Americas	**26,071,160**	29,280,753
Total	**109,917,021**	115,920,305

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.

5. SEGMENT INFORMATION (Continued)

(c) Analysis of revenue by timing of revenue recognition

	Year ended December 31,	
	2020	2019
	RMB'000	*RMB'000*
At a point in time	**399,258,704**	371,988,146
Over time	**18,308,149**	17,230,118
	417,566,853	389,218,264

(d) Revenue recognized in relation to deferred revenue and advance from customers

As at December 31, 2020, deferred revenue and advance from customers amounting to RMB16,614 million (2019: RMB14,060 million) primarily related to the Group's unsatisfied performance obligations for which consideration has been received at the reporting date. Revenue is recognized in the period when the performance obligations are satisfied. RMB8,020 million (2019: RMB7,115 million) was recognized as revenue during the year that was included in such balance at the beginning of the year.

(e) Transaction price allocated to the remaining performance obligations

Revenue expected to be recognized in the future related to performance obligations that are unsatisfied or partially unsatisfied at the reporting date.

	Year ended December 31,	
	2020	2019
	RMB'000	*RMB'000*
Within one year	**9,066,048**	8,019,809
More than one year	**7,548,109**	6,040,154
Total	**16,614,157**	14,059,963

6. INVESTMENT INCOME AND GAINS

	Year ended December 31,	
	2020	2019
	RMB'000	*RMB'000*
Gains on disposal/dilution of associates	**309,856**	137,431
(Losses)/gains on disposal of subsidiaries	**(75,712)**	283,833
Dividend income from financial assets at fair value through other comprehensive income	**18,878**	47,509
Fair value (losses)/gains and dividend income from associates measured at fair value through profit or loss	**4,308,429**	963,343
Disposal gains/fair value gains/dividend income from financial assets at fair value through profit or loss	**3,225,407**	1,201,106
Others	**102,132**	132,861
	7,888,990	2,766,083

7. OTHER LOSSES-NET

	Year ended December 31,	
	2020	2019
	RMB'000	*RMB'000*
Government grants	**687,641**	603,553
Gains on disposal of property, plant and equipment and intangible assets	**186,149**	6,749
Fair value (losses)/gains on investment properties *(Note 18)*	**(312,395)**	361,132
Net foreign exchange gains/(losses)	**227,073**	(299,315)
Severance and related costs	**(550,774)**	(37,876)
Non-recourse factoring costs	**(280,980)**	(146,027)
Others	**(287,092)**	(792,974)
	(330,378)	(304,758)

8. EXPENSES BY NATURE

	Year ended December 31,	
	2,020	2,019
	RMB'000	*RMB'000*
Cost of inventories sold	**324,363,667**	301,524,420
Employee benefit expense *(Note 9)*	**39,034,757**	34,350,332
Office and administrative expense	**4,108,475**	5,373,725
Advertising costs	**4,605,703**	6,768,484
Depreciation and amortisation	**8,571,919**	7,686,920
Impairment loss for loan to customers	**1,457,130**	909,189
Impairment loss for other financial assets	**1,036,156**	466,173
Impairment loss for non-current assets *(i)*	**903,871**	415,583
Consultancy and professional fees	**2,252,677**	1,915,629
Customer support service	**5,058,385**	3,811,306
Auditors' remuneration-audit services	**92,584**	97,768
Auditors' remuneration-non audit services	**20,669**	24,143
Labs and testing	**1,647,517**	736,313
Lease payments	**136,470**	176,753
Business tax and surcharge and other taxes	**746,430**	807,686
Transportation expense	**673,264**	691,789
Inventory write-down	**907,338**	378,558
Other expenses *(ii)*	**11,179,488**	10,017,265
	406,796,500	376,152,036

(i) For the year ended December 31, 2020, impairment loss on non-current assets mainly consists of impairment loss of associates using equity accounting of RMB386 million (2019: RMB416 million) and impairment loss of intangible assets of RMB479 million (2019: nil). Impairment loss of intangible assets is set out in Note 20. As a result of increased competition in the industry, the Group recorded impairment loss of RMB370 million for an associate using equity accounting of Innovative Consumption and Services segment, that fell far short of expectations and the development of new businesses was hindered, with the related recoverable amount determined based on its value in use, using a discount rate of 12%, in 2020.

(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,	
	2020	2019
	RMB'000	*RMB'000*
Wages and salaries	**30,433,379**	25,930,704
Social security costs other than pension	**2,291,521**	2,197,385
Long-term incentive awards granted *(Note 34(c))*	**1,883,935**	1,802,250
Pension costs – defined contribution plans	**1,412,003**	1,589,418
Pension costs – defined benefit plans *(Note 47)*	**125,522**	174,021
Others	**2,888,397**	2,656,554
	39,034,757	34,350,332

10. FIVE HIGHEST PAID INDIVIDUALS

The emoluments of the five highest paid individuals of the Group for the year ended December 31, 2020 include one (2019: one) director, whose emoluments are reflected in the analysis in Note 52(a). The emoluments paid to those remaining four (2019: four) individuals are as follows:

	Year ended December 31,	
	2020	2019
	RMB'000	*RMB'000*
Salaries	**35,525**	77,348
Discretionary bonuses	**126,418**	296,039
Share option and rewards	**266,541**	228,274
Retirement payment and employer's contribution to pension schedule	**30,536**	41,677
Other benefits	**7,252**	18,071
	466,272	661,409

10. FIVE HIGHEST PAID INDIVIDUALS (Continued)

The emoluments fell within the following bands, disclosed in HKD range:

	Number of individuals Year ended December 31,	
	2020	2019
Emolument bands:		
HKD64,500,001 – HKD65,000,000	**1**	–
HKD67,500,001 – HKD68,000,000	**1**	–
HKD76,500,001 – HKD77,000,000	**–**	1
HKD183,000,001 – HKD183,500,000	**–**	1
HKD192,500,001 – HKD193,000,000	**1**	–
HKD197,500,001 – HKD198,000,000	**1**	–
HKD214,500,001 – HKD215,000,000	**–**	1
HKD277,500,001 – HKD278,000,000	**–**	1

For the year ended December 31, 2020 and 2019, 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,	
	2020	2019
	RMB'000	*RMB'000*
Interest expense *(i)*:		
– Bank loans and overdrafts	**2,615,002**	2,428,477
– Other loans	**222,940**	699,920
– Bonds	**2,169,787**	1,947,441
– Lease liabilities	**174,947**	163,628
Factoring costs	**944,742**	1,294,106
Interest costs on contingent considerations and put option liability	**181,872**	187,937
Commitment fee	**–**	3,459
Finance costs	**6,309,290**	6,724,968
Finance income *(i)*:		
– Interest income on bank deposits and money market funds	**(440,821)**	(603,980)
– Interest income on loans to related parties	**(118,536)**	(80,164)
– Interest income on loans to non-related parties	**(486,633)**	(560,514)
Finance income	**(1,045,990)**	(1,244,658)
Net finance costs	**5,263,300**	5,480,310

(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 sales and services" 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, 2020 and 2019 or form a substantial portion of the net assets of the Group at December 31, 2020 and 2019. 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	Voting rights held	
					2020	2019
Lenovo (聯想集團有限公司) *(i)*	Limited liability company	Hong Kong	USD3,185,923,000	Develop, manufacture and market reliable, light-quality, secure and easy-to-use technology products and services	**31.45%**	31.51%
Raycom Real Estate Development Co., Ltd. (融科智地房地產股份有限公司, "Raycom Real Estate")	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	HKD12,170,329,304	Investment and management	**100.00%**	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%**	100.00%
Tibet Dongfangqihui Investment Co., Ltd. (西藏東方企慧投資有限公司, "Dongfangqihui")	Limited liability company	Lhasa	3,000,000,000	Investment and management	**100.00%**	100.00%
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%**	99.20%
Levima Group Limited (聯泓集團有限公司, "Levima Group")	Limited liability company	Beijing	2,300,000,000	Development and production of chemicals and energy materials	**100.00%**	100.00%
Joyvio Group Co., Ltd. (佳沃集團有限公司, "Joyvio")	Limited liability company	Beijing	5,812,500,000	Agriculture and food investment and other relevant business operations	**81.72%**	81.72%
Zhengqi Financial Holdings Corporation (正奇金融控股股份有限公司, "Zhengqi Financial") *(ii)*	Joint stock limited liability company	Hefei	3,322,545,963	Providing financial service for small-and medium-sized entities	**86.85%**	84.22%
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%

12. SUBSIDIARIES (Continued)

Company name	Corporate category	Place of incorporation	Issued share capital/ Paid-in capital (in RMB, unless otherwise stated)	Principal activities	Voting rights held 2020	Voting rights held 2019
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	**100.00%**	90.00%
Better Education Group (Corporation) (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 *(iii)*	Joint stock limited liability company	Changde	174,200,000	Domestic trading, processing and sale of seafood and other animal protein-related products	**46.08%**	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%**	89.98%
Joy Wing Mau Corporation Limited (鑫榮懋集團股份有限公司, "Joy Wing Mau") *(iv)*	Joint stock limited liability company	Shenzhen	197,930,000	Agriculture products planting and trading,agricultural investment,logistics,foods trading	**40.47%**	44.13%
Australis Seafoods S.A.	Joint stock limited liability company	Santiago, Chile	USD305,382,537	Production and selling salmon	**99.89%**	99.89%

(i) On November 16, 2020, Lenovo completed the issuance of 26,914,000 warrant shares at exercise price of HKD5.1445 per share, with a result the equity interest of Lenovo held by the Company decreased from 31.51% to 31.45% (including shares held directly and indirectly through Union Star Limited).

(ii) On December 28, 2020, the Company entered into an agreement with Tianjin Deshan Enterprise Management Partnership (Co., Ltd.) to acquire 87,318,246.80 shares of Zhengqi Financial. Upon completion of the agreement, the equity interest of Zhengqi Financial held by the Company increased from 84.22% to 86.85%.

(iii) On November 9, 2020, Joyvio Agriculture issued 40,200,000 ordinary shares to Joyvio Group in a private placement at an issue price of RMB10.35 per share. After the issuance, the equity interest of Joyvio Agriculture held by the Joyvio Group increased from 29.9% to 46.08%.

(iv) In December 2020, Joyvio Group signed a series of agreements with a third party to transfer part of interests of Joy Wing Mau, with a result the equity interest held by Joyvio Group decreased from 44.13% to 40.47%. Joyvio Group has controlled over Joy Wing Mau by obtaining "acting in concert" under taking from other shareholders.

12. SUBSIDIARIES (Continued)

Subsidiaries with material non-controlling interests

The non-controlling interests of the Group from Lenovo are as follows:

	As at December 31,	
	2020	2019
	RMB'000	*RMB'000*
Perpetual securities holders	**–**	6,807,157
Other non-controlling interests	**21,720,658**	19,787,358
Put option written on a non-controlling interest	**(5,024,368)**	(5,024,368)

The net profit and distribution to various non-controlling interests attributable to Lenovo is as follows:

	Year ended December 31,	
	2020	2019
	RMB'000	*RMB'000*
Net profit attributable to perpetual securities holders	**317,801**	370,390
Net profit attributable to other non-controlling interest	**5,133,201**	4,047,571
Dividends paid to perpetual securities holders	**(426,196)**	(370,390)
Dividends paid to other non-controlling interests	**(2,092,365)**	(2,066,309)

12. SUBSIDIARIES (Continued)

Except for Lenovo, the directors consider that the non-controlling interests of other subsidiaries are not material. The summarized financial information of Lenovo, converted at the closing exchange rate/annual average exchange rate, is set out below:

Summarised Balance Sheet of Lenovo

	As at December 31,	
	2020	2019
	RMB'000	*RMB'000*
Current		
Assets	**160,450,919**	149,869,265
Liabilities	**(176,906,809)**	(175,997,932)
Net current liabilities	**(16,455,890)**	(26,128,667)
Non-current		
Assets	**91,651,655**	94,445,832
Liabilities	**(49,813,948)**	(38,489,322)
Net non-current assets	**41,837,707**	55,956,510
Net assets	**25,381,817**	29,827,843

Summarised Income Statement of Lenovo

	Year ended December 31,	
	2020	2019
	RMB'000	*RMB'000*
Revenue	**384,991,987**	357,212,047
Profit before income tax	**10,170,573**	7,720,977
Income tax expense	**(2,627,052)**	(1,694,935)
Net profit	**7,543,521**	6,026,042
Other comprehensive loss	**(2,086,951)**	(579,790)
Total comprehensive income	**5,456,570**	5,446,252

12. SUBSIDIARIES (Continued)
Summarised Cash Flow Statement of Lenovo

	Year ended December 31,	
	2020	2019
	RMB'000	*RMB'000*
Cash flows from operating activities		
Cash generated from operations	**29,756,103**	15,011,684
Income tax paid	**(3,922,251)**	(3,000,714)
Net cash generated from operating activities	**25,833,852**	12,010,970
Net cash used in investing activities	**(6,457,274)**	(6,272,547)
Net cash used in financing activities	**(16,479,439)**	(4,849,389)
Net increase in cash and cash equivalents	**2,897,139**	889,034
Cash and cash equivalents at beginning of the year	**24,562,635**	23,333,919
Exchange (losses)/gains on cash and cash equivalents	**(1,098,206)**	339,682
Cash and cash equivalents at end of the year	**26,361,568**	24,562,635

13. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

	As at December 31,	
	2020	2019
	RMB'000	*RMB'000*
Investments in associates and joint ventures:		
Associates using equity accounting	**13,966,195**	17,781,043
Joint ventures using equity accounting	**2,468,175**	1,477,302
Using equity accounting *(a)*	**16,434,370**	19,258,345
An associate held for sale *(b)*	**1,634,001**	–
Associates measured at fair value through profit or loss *(c)*	**18,459,044**	17,404,859
	36,527,415	36,663,204

13. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (Continued)

(a) Associates and joint ventures using equity accounting

Set out below are the associates of the Group as at December 31, 2020 and 2019, 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 2020	Effective interest held 2019
CAR Inc. ("CAR") *(b)*	Cayman Islands/ China	Offering comprehensive car rental services including short-term rentals, long-term rentals, finance lease and sales of used rental vehicles.	**N/A**	26.59%
Hankou Bank Co., Ltd. (漢口銀行股份有限公司, "Hankou Bank") *(i)*	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%**	28.24%
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%
Eastern Air Logistics Co., Ltd. (東方航空物流有限公司)	Shanghai	Transportation, warehousing and postal services	**20.10%**	20.10%
Taikang Bybo Dental Group Co., Ltd. (泰康拜博醫療集團有限公司, "Bybo Dental")	Zhuhai	Dental and other medical service	**36.47%**	36.47%
Hunan Huawen Food Co., Ltd. (華文食品股份有限公司, "Huawen Food") *(i)*	Yueyang	Research, manufacture and sale of prepackaged and bulk food; import and export of self-operated and agency goods and technology	**17.82%**	19.80%
Hebei Hengshui Laobaigan Liquor Co., Ltd. (河北衡水老白乾酒業股份有限公司, "Hebei Hengshui Laobaigan") *(i)*	Hengshui	Chinese liquor manufacture and sale	**5.12%**	6.11%
Tibet Kaola Science & Technology Development Co., Ltd. (西藏考拉科技發展有限公司, "Kaola Technology") *(ii)*	Lhasa	Electronic technology development, transfer, service, promotion and internet technology service	**48.00%**	N/A

(i) The directors determine the Group has significant influence over Hankou Bank, 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 three companies are lower than 20%.

(ii) On December 16, 2020, the Company entered into an agreement with Beijing Sunshine Baide Trading Co., Ltd to transfer the 3.00% equity of Kaola Technology. After the completion of the agreement, the equity interest of Kaola Technology held by Company decreased from 51.00% to 48.00%, and it was no longer accounted as a subsidiary company instead of an associate using equity accounting. Investment loss of RMB109 million was recorded with this transaction.

13. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (Continued)

(a) Associates and joint ventures using equity accounting (Continued)

Set out below is the reconciliation of summarized consolidated financial statements of the significant associates of the Group accounted for using equity method. The directors consider that giving details of other associates would result in particulars of excessive length.

Hankou Bank

Reconciliation of summarised financial information

	Year ended December 31,	
	2020	2019
	RMB'000	*RMB'000*
Share of net assets at January 1	**3,059,332**	2,800,203
Share of comprehensive income for the year *(iii)*	**209,443**	329,053
Share of distribution of profit	**(75,960)**	(69,630)
Other decrease	**(1,270)**	(294)
Share of net assets at December 31	**3,191,545**	3,059,332
Goodwill	**675,857**	675,857
Carrying value of investment in associate	**3,867,402**	3,735,189

(iii) The accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Except for Hankou Bank, the Group's share of the other associates using equity accounting:

	Year ended December 31,	
	2020	2019
	RMB'000	*RMB'000*
Share of (loss)/profit for the year	**(637,783)**	145,972
Share of other comprehensive income	**55,142**	147,613
Share of total comprehensive (loss)/income	**(582,641)**	293,585
Carrying value of other investment in associates	**10,098,792**	14,045,854

13. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (Continued)

(a) Associates and joint ventures using equity accounting (Continued)

The Group's share of joint venture:

	Year ended December 31,	
	2020	2019
	RMB'000	*RMB'000*
Share of loss for the year	**(112,430)**	(23,221)
Share of total comprehensive income	**(112,430)**	(23,221)
Carrying value of investment in joint venture	**2,468,176**	1,477,302

(b) An associate held for sale

In November 2020, a subsidiary of the Company accepted an irrevocable offer which an independent third party would like to acquire the equity interest in CAR. The Group determined that the transaction was highly probable and met the criteria for classification as held for sale and therefore transferred the entire 26.55% equity interest in CAR. to an associate held for sale. As at December 31, 2020, the associate held for sale is carried at carrying value.

Changes from January 1, 2020 to the time point of transfer to an associate held for sale:

	RMB'000
Carry amount-associate	2,736,663
Share of loss for the period	(1,075,875)
Share of other comprehensive income for the period	40,009
Other decrease during the period	(66,796)
Reclassified to an associate held for sale	1,634,001

13. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (Continued)

(c) Associates measured at fair value through profit or loss

Company Name	Place of incorporation/ registration	Type	2020 Fair value RMB'000	2020 Effective interest held	2019 Fair value RMB'000	2019 Effective interest held
LC Fund III, L.P.*(i)*	Cayman Islands	USD Funds	1,658,960	68.64%	1,433,425	68.64%
Hony Capital Fund VIII(Cayman),L.P.*(ii)*	Cayman Islands	USD Funds	1,624,574	16.40%	1,482,085	16.40%
LC Fund VI, L.P.	Cayman Islands	USD Funds	1,516,364	23.20%	1,331,124	23.20%
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	1,446,619	22.22%	1,096,046	22.22%
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)) *(ii)*	Beijing	RMB Funds	1,409,123	18.57%	451,982	18.57%
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	1,250,736	31.21%	1,258,752	31.21%
Great Unity Fund I, L.P.	Cayman Islands	USD Funds	1,190,528	49.08%	481,075	50.00%
Hony Capital Fund V, L.P. *(ii)*	Cayman Islands	USD Funds	1,175,460	10.98%	1,788,419	10.98%
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)) *(ii)*	Beijing	RMB Funds	824,169	17.67%	569,923	17.67%
LC Fund VII, L.P.	Cayman Islands	USD Funds	798,130	22.31%	967,112	22.31%
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) *(ii)*	Shenzhen	RMB Funds	609,205	19.51%	531,690	19.51%
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	580,197	31.67%	1,214,013	31.67%
LC Fund V, L.P. *(ii)*	Cayman Islands	USD Funds	473,311	19.42%	696,701	19.42%
Hongchuang Lianchi Assets Management, L.P. 弘創聯持(深圳)資產管理(有限合夥) *(ii)*	Shenzhen	RMB Funds	428,573	12.40%	371,712	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)) (ii)	Beijing	RMB Funds	419,653	18.50%	325,173	18.50%
LC Healthcare Fund I, L.P.	Cayman Islands	USD Funds	419,588	20.00%	376,144	20.00%
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	395,501	25.00%	225,544	25.00%
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)) *(ii)*	Shenzhen	RMB Funds	352,025	8.90%	258,144	8.90%
Suzhou JunJunDe Equity Investment L.P. (蘇州君駿德股權投資合夥企業(有限合夥))	Suzhou	RMB Funds	337,016	28.52%	187,073	28.52%
Hony Capital Fund 2008,L.P. *(ii)*	Cayman Islands	USD Funds	225,592	14.31%	301,005	14.31%
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	209,979	20.07%	508,171	20.07%
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	157,635	20.05%	246,917	20.05%
Hony Capital Fund III, L.P.	Cayman Islands	USD Funds	74,228	34.48%	61,499	34.48%
Hony International Limited	Hong Kong	USD Funds	68,575	40.00%	25,580	40.00%
LC Fund IV, L.P.	Cayman Islands	USD Funds	43,638	29.77%	263,996	29.77%
Hony Capital II, L.P.	Cayman Islands	USD Funds	33,243	41.38%	28,529	41.38%
Others		RMB/USD Funds	736,422	N/A	923,025	N/A
			18,459,044		17,404,859	

The principal activities of the above associates are investment holdings as VC Funds and PE Funds.

13. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (Continued)

(c) Associates measured at fair value through profit or loss (Continued)

(i) The directors determined that the Group did not control the general partners and/or management companies of the fund and therefore these investments are classified as associates even if the effective interest in such companies is greater than 50%.

(ii) 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 financial information 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, 2020	
	Profit for the year *RMB'000*	**Total comprehensive income** *RMB'000*
RMB funds	**8,745,904**	**8,745,904**
USD funds	**7,106,042**	**7,106,042**
Total	**15,851,946**	**15,851,946**

	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

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,	
	2020	2019
	RMB'000	*RMB'000*
Current income tax	**4,394,393**	4,247,763
Deferred income tax *(Note 46)*	**(779,993)**	(2,353,303)
Income tax expense	**3,614,400**	1,894,460

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,	
	2020	2019
	RMB'000	*RMB'000*
Profit before tax	**12,632,829**	10,523,986
Tax effects of:		
Tax calculated at domestic rates applicable in countries or regions concerned	**3,433,206**	2,415,238
Income not subject to tax	**(3,609,803)**	(2,917,590)
Expenses not deductible for tax purposes	**2,648,891**	2,791,900
Recognition/utilisation of previously unrecognised tax losses *(i)*	**(517,401)**	(498,975)
Deferred income tax assets not recognised	**1,380,965**	254,057
Others	**278,542**	(150,170)
Income tax expense	**3,614,400**	1,894,460

(i) In 2020 and 2019, certain subsidiaries of the Company have improved their performance from cumulative lose to profit or the actual loss has been smaller than expected, which is expected enough taxable profits will be generated in future. The Group recognised the deductible losses and other temporary differences in 2020 and 2019, 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,					
	2020			2019		
	Before tax	**Tax (charge)/ credit**	**After tax**	Before tax	Tax (charge)/ credit	After tax
	RMB'000	***RMB'000***	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*
Fair value changes on non-trading equity securities measured at fair value through other comprehensive income	**(607,311)**	**(2,025)**	**(609,336)**	29,021	(8,463)	20,558
Fair value changes on debt securities measured at fair value through other comprehensive income	**(42,972)**	**10,342**	**(32,630)**	(13,338)	1,496	(11,842)
Share of other comprehensive (loss)/income of associates	**(52,792)**	**–**	**(52,792)**	97,532	25,142	122,674
Actuarial loss on post-employment benefit obligations	**(119,315)**	**729**	**(118,586)**	(251,298)	(9,457)	(260,755)
Fair value changes on cashflow hedges	**(459,570)**	**(7,057)**	**(466,627)**	(242,999)	3,215	(239,784)
Currency translation differences	**(3,790,925)**	**–**	**(3,790,925)**	306,557	–	306,557
Revaluation of investment properties upon reclassification from property, plant and equipment	**58,058**	**(14,153)**	**43,905**	70,208	(17,552)	52,656
Other comprehensive loss	**(5,014,827)**	**(12,164)**	**(5,026,991)**	(4,317)	(5,619)	(9,936)
Deferred tax *(Note 46)*		**(12,164)**			(5,619)	

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,	
	2020	2019
Basic earnings attributable to equity holders of the Company *(RMB'000)*	**3,868,011**	3,606,896
Diluted impact on earnings *(RMB'000) (i)*	**(73,591)**	(62,303)
Diluted earnings attributable to the equity holders of the Company *(RMB'000)*	**3,794,420**	3,544,593
Weighted average number of issued ordinary shares *(thousands)*	**2,356,231**	2,356,231
Less shares held for share incentive plan *(thousands) (Note 34)*	**(28,983)**	(15,076)
Weighted average number of issued ordinary shares for calculating basic earnings per share *(thousands)*	**2,327,248**	2,341,155
Potential dilutive effect arising from share incentive plan *(thousands) (ii) (Note 34)*	**11,578**	4,738
Weighted average number of issued ordinary shares for calculating diluted earnings per share *(thousands) (ii)*	**2,338,826**	2,345,893
Earnings per share		
– Basic (RMB per share)	**1.66**	1.54
– Diluted (RMB per share)	**1.62**	1.51

(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, 2019								
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/transfer 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
For the year ended December 31, 2020								
Opening net book amount	**11,315,408**	**90,719**	**7,099,573**	**1,603,930**	**109,428**	**2,883,599**	**825,291**	**23,927,948**
Exchange adjustment	**(297,316)**	**(4,198)**	**(150,123)**	**(61,432)**	**(3,568)**	**(65,823)**	**–**	**(582,460)**
Acquisition of subsidiaries	**2,935**	**48**	**937**	**4,468**	**283**	**–**	**–**	**8,671**
Additions	**467,668**	**28,559**	**920,601**	**725,666**	**163,390**	**4,058,461**	**29,279**	**6,393,624**
Transfers to intangible assets	**–**	**–**	**–**	**–**	**–**	**(2,312,098)**	**–**	**(2,312,098)**
Transfers from construction in progress	**1,218,132**	**63**	**503,768**	**308,178**	**–**	**(2,030,141)**	**–**	**–**
Disposals/transfer to investment property	**(517,112)**	**(6,842)**	**(148,997)**	**(67,734)**	**(6,021)**	**(226,101)**	**(107,187)**	**(1,079,994)**
Depreciation charge	**(763,033)**	**(40,206)**	**(1,170,928)**	**(825,801)**	**(131,641)**	**–**	**(3,633)**	**(2,935,242)**
Disposal of subsidiaries	**(28,758)**	**(8,268)**	**(2,278)**	**(19,509)**	**(9,122)**	**(1,171)**	**–**	**(69,106)**
Closing net book amount	**11,397,924**	**59,875**	**7,052,553**	**1,667,766**	**122,749**	**2,306,726**	**743,750**	**23,351,343**
As at December 31, 2020								
Cost	**15,279,088**	**211,893**	**13,322,059**	**5,227,295**	**290,616**	**2,306,726**	**783,710**	**37,421,387**
Accumulated depreciation	**(3,858,426)**	**(151,948)**	**(6,267,432)**	**(3,559,448)**	**(167,682)**	**–**	**(39,960)**	**(14,044,896)**
Accumulated impairment	**(22,738)**	**(70)**	**(2,074)**	**(81)**	**(185)**	**–**	**–**	**(25,148)**
Net book amount	**11,397,924**	**59,875**	**7,052,553**	**1,667,766**	**122,749**	**2,306,726**	**743,750**	**23,351,343**

16. PROPERTY, PLANT AND EQUIPMENT(Continued)

Depreciation expense of RMB1,439 million and RMB1,361 million has been charged in "cost of sales and services", RMB220 million and RMB173 million in "selling and marketing costs", RMB1,276 million and RMB1,136 million in "general and administrative expenses" for the year ended December 31, 2020 and 2019.

The property, plant and equipment with a carrying amount of RMB375 million and RMB268 million were pledged as collateral for the borrowings of RMB344 million and RMB200 million as at December 31, 2020 and 2019, respectively. See Note 18(c) for owner-occupied investment properties pledged.

17. LEASE

(a) Items recognized in the consolidated balance sheet

	As at December 31,	
	2020	2019
	RMB'000	*RMB'000*
Right-of-use assets		
Land use right	**4,325,400**	3,892,590
Buildings	**2,624,930**	3,371,064
Equipment and others	**1,346**	2,250
	6,951,676	7,265,904
Lease liabilities		
Current lease liabilities	**819,586**	747,777
Non-current lease liabilities	**2,932,067**	3,355,772
	3,751,653	4,103,549

(b) Item recognized in consolidated the income statement

	Year ended December 31,	
	2020	2019
	RMB'000	*RMB'000*
Depreciation of right-of-use assets		
Land use right	**47,411**	49,446
Buildings	**798,379**	851,602
Equipment and others	**970**	964
	846,760	902,012
Interest expenses (included in financial cost)	**174,947**	163,628
Short term rental and low-value rental (included in general and administrative expenses)	**136,470**	176,753

18. INVESTMENT PROPERTIES

	Year ended December 31,	
	2020	2019
	RMB'000	*RMB'000*
At beginning of the year	**12,316,171**	11,707,510
Additions	**283,820**	133,492
Fair value (losses)/gains	**(312,395)**	361,132
Transfer to Property, plant and equipment	**(67,117)**	(17,344)
Disposal	**(44,831)**	–
Transfer from property, plant and equipment	**140,129**	131,407
Exchange adjustment	**168**	(26)
At end of the year	**12,315,945**	12,316,171

The Group's investment properties are all situated in the Mainland China. All the investment properties are rented out under operating leases. All signed lease contracts are less than 50 years.

(a) Amounts recognised in consolidated income statement for investment properties

	Year ended December 31,	
	2020	2019
	RMB'000	*RMB'000*
Rental income	**683,029**	635,740
Direct operating expenses from properties that generated rental income	**(141,288)**	(166,688)
	541,741	469,052

The direct operating expenses from properties that did not generate rental income is immaterial to the Group during the year ended December 31, 2020 and 2019.

18. INVESTMENT PROPERTIES (Continued)

(b) Valuation basis

Investment properties held by the Group were mainly revalued at the end of 2020 and 2019 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, 2020 and 2019, 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-net" of consolidated income statement.

As at December 31, 2020 and 2019, 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.

The major key assumptions used by the directors in determining fair value for the year ended December 31, 2020 and 2019 were in the following ranges:

	Year ended December 31,	
	2020	2019
Capitalisation rate	**4.00%-5.00%**	4.00%-5.00%
Expected vacancy rate		
– Office	**5.00%**	3.00%-4.00%
– Retail	**3.00%-5.00%**	3.00%-4.00%
– Car park	**5.00%**	5.00%
Prevailing market rents		
– Office (per sq.m. per month)	**RMB240-RMB550**	RMB280-RMB530
– Retail (per sq.m. per month)	**RMB130-RMB700**	RMB120-RMB700
– Car park (per spot per month)	**RMB890-RMB910**	RMB890-RMB910

18. INVESTMENT PROPERTIES (Continued)

(b) Valuation basis (Continued)

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, 2020	
	Favourable change by 10% ***RMB'000***	**Unfavourable change by 10%** ***RMB'000***
Capitalisation rate	**727,429**	**(660,188)**
Expected vacancy rate	**52,185**	**(52,185)**

	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)

(c) Investment properties pledged as security

As at December 31, 2020, the investment properties with a fair value of RMB11,311 million and a net value of RMB211 million of owner-occupied part were pledged as collateral for the borrowings of RMB5,867 million. As at December 31, 2019, the investment properties with a fair value of RMB11,530 million and a net value of RMB216 of owner-occupied part were pledged as collateral for the borrowings of RMB4,471 million.

(d) Leasing arrangements

Minimum lease payments under non-cancellable operating leases of investment properties not recognised in the financial statements are receivables as follows:

	As at December 31,	
	2020 ***RMB'000***	2019 *RMB'000*
Within one year	**782,088**	724,489
Later than one year but no later than 5 years	**1,008,377**	892,506
Later than 5 years	**9,418**	2,043
	1,799,883	1,619,038

19. CONSUMABLE BIOLOGICAL ASSETS

The balance of consumable biological assets of the Group by production stage is as follows:

	As at December 31,	
	2020	2019
	RMB'000	*RMB'000*
Salmon and trout (sea water) *(a)*	**1,453,928**	1,769,803
Salmon and trout (fresh water)	**105,314**	132,098
	1,559,242	1,901,901
Less: current portion	**(1,193,174)**	(1,615,243)
Non-current portion	**366,068**	286,658

The consumable biological assets with a carrying amount of USD202 million (RMB1,316 million) were pledged as collateral for the borrowings of USD99 million (RMB648 million) as at December 31, 2020.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, 2020.

Changes in consumable biological assets during the year are as follows:

	Year ended December 31, 2020	For the period from the acquisition date to December 31, 2019
	RMB'000	*RMB'000*
At the beginning of the year	**1,901,901**	–
Acquisition of subsidiaries	**–**	1,573,415
Increase from fattening and production	**2,233,455**	1,122,279
Decrease from harvest (measured at cost)	**(2,518,487)**	(809,556)
Fair value adjustment *(b)*	**75,392**	205,024
Fair value decrease from harvest	**(15,444)**	(211,038)
Exchange adjustment	**(117,575)**	21,777
At the end of the year	**1,559,242**	1,901,901

19. CONSUMABLE BIOLOGICAL ASSETS (Continued)

	As at December 31	
	2020 Unit: *Thousand*	2019 Unit: *Thousand*
Fresh water:		
Roe	**3,519**	21,360
Fry	**20,512**	9,580
Juvenile fish	**2,473**	2,289
	26,504	33,229
Sea water:		
Fish on fattening process	**19,865**	25,323
	46,369	58,552

(a) Biological assets in sea water and their fair value adjustments are as follows:

	As at December 31, 2020			
	Biomass *Ton*	**Production costs *RMB'000***	**Fair value adjustment *RMB'000***	**Carrying amount *RMB'000***
Atlantic salmon	**36,170**	**1,052,209**	**110,965**	**1,163,174**
Trout	**8,732**	**241,215**	**49,539**	**290,754**
	44,902	**1,293,424**	**160,504**	**1,453,928**

	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

19. CONSUMABLE BIOLOGICAL ASSETS (Continued)

(b) The variation of fair value from growth of biological assets is as follows:

	Year ended December 31, 2020 *RMB'000*	From acquisition date to December 31, 2019 *RMB'000*
Atlantic salmon	**(175,294)**	243,553
Coho salmon	**(3,173)**	(27,901)
Trout	**253,859**	(10,628)
	75,392	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, 2020									
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
For the year ended December 31, 2020									
Opening 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
Additions	–	145	2,607,581	–	1,251,323	32,145	–	126,643	4,017,837
Acquisition of subsidiaries	–	8,372	3,927	137,680	2,053	–	1,078	33,230	186,340
Exchange adjustment	–	(509,613)	(51,101)	(1,932,480)	(240,172)	(236,489)	(214,847)	10,778	(3,173,924)
Disposals	–	–	(4,878)	–	(8,740)	–	–	(25,484)	(39,102)
Disposal of subsidiaries	–	–	(1,782)	(291,200)	–	–	–	–	(292,982)
Amortisation charge	–	(4,855)	(1,455,999)	–	(2,173,015)	(572)	(987,544)	(167,932)	(4,789,917)
Impairment loss *(i)*	–	–	–	(115,552)	(363,662)	–	–	–	(479,214)
Closing net book amount	–	9,931,131	4,933,336	37,443,173	4,004,248	3,420,010	4,790,241	928,301	65,450,440
As at December 31, 2020									
Cost	597,736	10,193,163	14,260,751	38,110,907	15,964,458	3,420,915	10,507,536	1,610,953	94,666,419
Accumulated amortisation and impairment	(597,736)	(262,032)	(9,327,415)	(667,734)	(11,960,210)	(905)	(5,717,295)	(682,652)	(29,215,979)
Net book amount	–	9,931,131	4,933,336	37,443,173	4,004,248	3,420,010	4,790,241	928,301	65,450,440

20. INTANGIBLE ASSETS (Continued)

	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

Amortisation of RMB177 million and RMB100 million are included in the "cost of sales and services"; RMB68 million and RMB54 million in "selling and distribution expenses"; and RMB4,545 million and RMB3,961 million in "general and administrative expenses" in the consolidated income statement for the year ended December 31,2020 and 2019.

(i) Impairment loss of intangible assets

Along with the development of new technologies, the efficiency of some amortised patents in IT segment and the revenue generated are less than expected. The Group has compared the recoverable amount and carrying amount as at December 31, 2020 to recognize asset impairment losses of RMB364 million. The relevant recoverable amount is determined according to its value in use, and the discount rate used is 11%.

20. INTANGIBLE ASSETS (Continued)

Impairment tests for goodwill and intangible assets with indefinite useful life

Due to the poor sale of some varieties of fruits under fruit business of Agriculture and food segment, relevant bear plants were disposed during the period. The recoverable amount of the related asset group was determined based on the value in use, which approximated to the fair value, and an impairment of goodwill of RMB116 million was recorded during the year.

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:

CGUs	As at December 31, 2020		As at December 31,2019	
	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				
– Mainland China	7,108,422	1,361,942	7,144,526	1,453,986
– Europe/Middle East/Africa	1,598,601	717,739	1,531,133	726,432
– Americas	1,970,520	437,168	2,216,141	467,405
– Asia-Pacific region excluding Mainland China	4,737,076	384,969	4,822,216	411,596
– Mobility business				
– Mature market	4,423,882	1,285,683	4,688,006	1,374,608
– Emerging market	5,246,020	1,715,771	6,250,675	1,834,444
– Data center business				
– Mainland China	3,255,925	1,057,034	3,341,600	1,130,144
– Europe/Middle East/Africa	678,590	202,272	620,882	216,262
– Americas	2,251,091	802,563	2,441,670	858,073
– Asia-Pacific region excluding Mainland China	1,083,133	352,345	1,109,216	376,715
Agriculture and food				
– Salmon production and selling business	1,301,422	3,502,926	1,388,137	3,713,071
– Other Animal protein business	681,618	–	681,618	–
– Fruit business	399,423	–	563,293	–
– Semi-finished fresh business	165,059	–	174,696	–
– Seafood fishing and selling business	458,550	93,686	441,824	93,686
Innovative consumption and services				
– Education Service Business	741,405	329,667	745,603	329,667
– Comprehensive medical service business	137,873	–	137,873	–
Financial services				
– Banking	1,138,694	1,091,400	1,083,245	1,062,908
– Others	21,251	–	232,776	–
All others	44,618	–	29,595	–
	37,443,173	13,335,165	39,644,725	14,048,997

20. INTANGIBLE ASSETS (Continued)

Impairment tests for goodwill and intangible assets with indefinite useful life (Continued)

Taken into consideration the global economic uncertainties and the impact of the COVID-19, the Group has completed impairment testing on goodwill and intangible assets with indefinite useful life for its CGUs by comparing their recoverable amounts to the carrying amounts as at December 31, 2020. The recoverable amount: of the CGUs is determined by the higher of fair value less disposal cost and value in use.

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.

20. INTANGIBLE ASSETS (Continued)

Impairment tests for goodwill and intangible assets with indefinite useful life (Continued)

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:

Group of CGUs	Goodwill			
	As at December 31, 2020		As at December 31, 2019	
	Growth rate	**Discount rate**	Growth rate	Discount rate
IT				
– PC and intellectual device business				
– Mainland China	**6.2%**	**12.0%**	–1.2%	9.0%
– Europe/Middle East/Africa	**1.4%**	**9.0%**	–0.9%	9.0%
– Americas	**–1.6%**	**9.0%**	0.8%	9.0%
– Asia-Pacific region excluding Mainland China	**–3.2%**	**10.0%**	–1.7%	9.0%
– Mobility business				
– Mature market	**29.60%**	**11.0%**	23.2%	11.0%
– Emerging market	**16.6%**	**14.0%**	15.8%	11.0%
– Data center business				
– Mainland China	**15.3%**	**12.0%**	26.2%	10.0%
– Europe/Middle East/Africa	**15.0%**	**11.0%**	18.4%	10.0%
– Americas	**22.7%**	**10.5%**	22.0%	10.0%
– Asia-Pacific region excluding Mainland China	**15.3%**	**12.5%**	16.7%	10.0%
Agriculture and food				
– Other Animal protein business *(ii)*	**17.8%**	**10.5%**	N/A	N/A
– Salmon production and selling business	**10.8%**	**10.1%**	10.4%	10.2%
– Fruit business	**11.0%**	**11.5%**	11.1%	11.5%
– Semi-finished fresh business	**10.3%**	**11.5%**	10.3%	11.5%
– Seafood fishing and selling business	**5.0%**	**9.7%**	3.1%	9.6%
Innovative consumption and services				
– Education services business	**8.9%**	**10.7%**	11.3%	11.9%
– Comprehensive healthcare services business	**9.1%**	**10.9%**	10.8%	11.1%
Financial services				
– Banking	**6.9%**	**10.0%**	5.8%	10.0%

(ii) The recoverable amount of this CGU as at December 31, 2019 is calculated based on the model of fair value less disposal cost.

20. INTANGIBLE ASSETS (Continued)

Impairment tests for goodwill and intangible assets with indefinite useful life (Continued)

At December 31, 2020, the Board of Directors considered that there was no indication of impairment of goodwill and intangible assets with indefinite useful lives, except for a portion of the fruit tree plantation business in the Agriculture and food segment.

The Group has performed a sensitivity analysis on key assumptions used for the annual impairment test for goodwill. At December 31, 2020, 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, except the Seafood fishing and selling business of Agriculture and food segment.

The revenue growth rate and discount rate used for value in use calculations under the five-year financial budget period for Seafood fishing and selling business of Agriculture and food segment are as follows:

	As at December 31, 2020		As at December 31, 2019	
Group of CGUs	**Growth rate**	**Discount rate**	Growth rate	Discount rate
Agriculture and food				
– Seafood fishing and selling business	**5.0%**	**9.7%**	3.1%	9.6%

As at December 31, 2020, the recoverable amount will be equal to the carrying amount if the key assumptions of the above CGUs possibly and reasonably change as follows:

Group of CGUs	**Growth rate**		**Discount rate**	
	From	To	**From**	To
Agriculture and food				
– Seafood fishing and selling business	**5.0%**	4.4%	**9.7%**	10.1%

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*	Financial assets at fair value through other comprehensive income *RMB'000*	Total *RMB'000*
As at December 31, 2020					
Assets					
Financial assets at fair value through other comprehensive income	–	–	–	12,653,288	12,653,288
Derivative financial assets	–	2,453,910	156,792	–	2,610,702
Account and notes receivables	11,207,759	–	–	60,547,105	71,754,864
Loans to customers	130,332,106	–	–	–	130,332,106
Loans to credit institutions	7,030,256	–	–	–	7,030,256
Other financial assets at amortised cost	61,936,951	–	–	–	61,936,951
Other receivables and other current assets	34,325,788	–	–	–	34,325,788
Other non-current assets	8,081,564	–	–	–	8,081,564
Financial assets at fair value through profit or loss	–	28,314,965	–	–	28,314,965
Associates measured at fair value through profit or loss	–	18,459,044	–	–	18,459,044
Restricted deposits	9,839,472	–	–	–	9,839,472
Bank deposits	269,231	–	–	–	269,231
Cash and cash equivalents	69,718,438	–	–	–	69,718,438
	332,741,565	49,227,919	156,792	73,200,393	455,326,669

	Liabilities at fair value through profit or loss *RMB'000*	Derivatives used for hedging *RMB'000*	Other financial liabilities at amortised cost *RMB'000*	Total *RMB'000*
Liabilities				
Borrowings	–	–	136,389,456	136,389,456
Amounts due to customers	–	–	158,632,503	158,632,503
Amounts due to credit institutions	–	–	33,487,970	33,487,970
Lease liabilities	–	–	3,751,653	3,751,653
Derivative financial liabilities	2,126,154	4,403,525	–	6,529,679
Trade and notes payables	–	–	76,415,717	76,415,717
Other payables	–	–	89,107,588	89,107,588
Other non-current liabilities	–	–	9,226,360	9,226,360
Financial liabilities at fair value through profit or loss	10,399,029	–	–	10,399,029
	12,525,183	4,403,525	507,011,247	523,939,955

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	Financial 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

	Liabilities at fair value through profit or loss RMB'000	Derivatives used for hedging RMB'000	Other 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

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,	
	2020	2019
	RMB'000	*RMB'000*
Listed equity securities:		
Equity securities – Hong Kong	**225,742**	66,992
Equity securities – Japan	**148,435**	154,565
Equity securities – Others	**344,958**	–
Market value of listed equity securities	**719,135**	221,557
Unlisted equity securities	**3,090,592**	2,275,609
Listed debt securities:		
Debt securities – Europe	**7,172,623**	7,625,055
Debt securities – United States	**600,290**	485,972
Debt securities – Mainland China	**562,863**	239,124
Debt securities – Others	**507,785**	486,531
Market value of listed equity securities	**8,843,561**	8,836,682
Total	**12,653,288**	11,333,848
Less: Current portion	**(473,817)**	(364,768)
Non-current portion	**12,179,471**	10,969,080

23. DERIVATIVE FINANCIAL INSTRUMENTS

	As at December 31,	
	2020	2019
	RMB'000	*RMB'000*
Derivative financial assets		
Derivatives held for trading	**2,453,910**	2,257,028
Derivatives designated as fair value hedges	**97,723**	383,755
Derivatives designated as cash flow hedges	**25,456**	31,932
Others	**33,613**	209,676
	2,610,702	2,882,391
Less: Current portion	**(2,397,724)**	(2,377,292)
Non-current portion	**212,978**	505,099
Derivative financial liabilities		
Derivatives held for trading	**2,126,154**	2,354,218
Derivatives designated as fair value hedges	**3,632,223**	2,648,691
Derivatives designated as cash flow hedges	**724,477**	294,197
Others	**46,825**	8,055
	6,529,679	5,305,161
Less: Current portion	**(2,679,794)**	(2,786,684)
Non-current portion	**3,849,885**	2,518,477

24. OTHER NON-CURRENT ASSETS

Other non-current assets primarily include long-term receivable arising from finance lease in Financial Services segment, and loans to third parties from non-financial services segment.

The other non-current assets with a carrying amount of RMB696 million (as at December 31, 2019, RMB835 million) were pledged as collateral for the borrowings of RMB482 million (as at December 31, 2019, RMB605 million) as at December 31, 2020.

25. ACCOUNTS AND NOTES RECEIVABLES

	As at December 31,	
	2020	2019
	RMB'000	*RMB'000*
Accounts and notes receivables at amortised cost		
Trade receivables	**5,241,144**	3,632,299
Notes receivables	**398,505**	674,195
Receivables arising from finance leases	**6,124,521**	6,052,222
Less: allowances of impairment loss	**(556,411)**	(74,592)
Accounts receivable and notes receivable measured at amortised cost-net	**11,207,759**	10,284,124
Trade receivables measured at FVOCI		
Trade receivables financing (i)	**60,547,105**	63,896,453
Account and notes receivables	**71,754,864**	74,180,577

(i) The trade receivables of Lenovo meet the conditions for derecognition when Lenovo factorizes a part of trade receivables according to its daily fund management. The trade receivables of Lenovo are classified as financial assets measured at fair value through other comprehensive income.

As at December 31, 2020, the allowance of impairment loss of receivables financing is RMB475 million (As at December 31, 2019: RMB798 million).

25. ACCOUNTS AND NOTES RECEIVABLES (Continued)

As at December 31, 2020 and 2019, the ageing analyses of the trade receivables based on invoice date were as follows:

	As at December 31,	
	2020	2019
	RMB'000	*RMB'000*
Up to 3 months	**62,172,452**	63,806,776
3 to 6 months	**2,270,825**	3,451,460
6 months to 1 year	**902,304**	692,826
1 to 2 years	**786,698**	70,697
2 to 3 years	**77,475**	85,900
Over 3 years	**53,155**	219,400
	66,262,909	68,327,059

Notes receivables of the Group are bank acceptance mainly with maturity dates within six months.

As at December 31, 2020 and 2019, accounts and notes receivables with a net amount of RMB1,665 million and RMB1,062 million were used as collateral for borrowings of RMB889 million and RMB637 million.

Movements on the allowance for impairment loss of accounts and notes receivable are as follows:

	Year ended December 31,	
	2020	2019
	RMB'000	*RMB'000*
At beginning of the year	**(872,899)**	(782,873)
Exchange adjustment	**76,623**	(30,258)
Provision made	**(840,294)**	(388,004)
Uncollectible receivable written off	**299,326**	115,568
Unused amounts reversed	**306,173**	212,668
At end of the year	**(1,031,071)**	(872,899)

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,	
	2020	2019
	RMB'000	*RMB'000*
Receivables from parts subcontractors	**17,127,060**	12,285,245
Prepayments	**9,422,074**	13,171,594
Prepaid tax	**5,882,885**	6,180,642
Amounts due from related parties (Note 55 (c))	**2,243,770**	2,632,897
Advance to suppliers	**2,870,168**	3,580,451
Deposits receivable	**212,359**	431,472
Advance to employees	**57,116**	79,198
Adjustment for in-transit products	**162,020**	255,667
Interest receivable	**168,739**	352,532
Others	**4,510,778**	4,978,944
	42,656,969	43,948,642
Less: allowances for impairment loss	**(367,741)**	(256,805)
	42,289,228	43,691,837

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,	
	2020	2019
	RMB'000	*RMB'000*
Banking service *(a)*	**126,380,582**	117,520,588
Other service *(b)*	**7,581,893**	15,765,380
Total	**133,962,475**	133,285,968
Less: allowances for impairment loss *(c)*	**(3,630,369)**	(3,080,186)
Net loans to customers	**130,332,106**	130,205,782
Less: current portion	**(49,167,712)**	(47,993,361)
Non-current portion	**81,164,394**	82,212,421

(a) Banking service

	As at December 31,	
	2020	2019
	RMB'000	*RMB'000*
On demand and short notice	**803,899**	2,718,353
Finance leases	**1,497,773**	1,394,123
Other term loans	**124,078,910**	113,408,112
Total	**126,380,582**	117,520,588
Less: allowances for impairment loss		
– Stage 1	**(337,937)**	(265,984)
– Stage 2	**(202,042)**	(96,101)
– Stage 3	**(1,801,536)**	(1,752,309)
Total allowances for impairment loss	**(2,341,515)**	(2,114,394)
Net loans to customers	**124,039,067**	115,406,194

27. LOANS TO CUSTOMERS (Continued)

(a) Banking service (Continued)

Gross loans to customers by stage

	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Total RMB'000
As at January 1, 2020	**93,737,583**	**19,297,526**	**4,485,479**	**117,520,588**
To Stage 2 from Stage 1	**(7,435,004)**	**7,435,004**	**–**	**–**
To Stage 1 from Stage 2	**4,344,281**	**(4,344,281)**	**–**	**–**
To Stage 3 from Stage 2	**–**	**(877,740)**	**877,740**	**–**
To Stage 2 from Stage 3	**–**	**142,386**	**(142,386)**	**–**
To Stage 3 from Stage 1	**(1,534,962)**	**–**	**1,534,962**	**–**
To Stage 1 from Stage 3	**235,829**	**–**	**(235,829)**	**–**
Origination	**33,350,438**	**3,511,865**	**256,263**	**37,118,566**
Write-offs	**(165,538)**	**–**	**(110,385)**	**(275,923)**
Derecognition during the period other than write-offs	**(27,399,934)**	**(3,407,695)**	**(884,765)**	**(31,692,394)**
Exchange adjustment	**2,444,201**	**498,462**	**124,772**	**3,067,435**
Others	**769,836**	**(127,526)**	**–**	**642,310**
As at December 31, 2020	**98,346,730**	**22,128,001**	**5,905,851**	**126,380,582**

	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Total RMB'000
As at January 1, 2019	84,987,837	17,927,177	4,674,797	107,589,811
To Stage 2 from Stage 1	(6,145,797)	6,145,797	–	–
To Stage 1 from Stage 2	4,002,413	(4,002,413)	–	–
To Stage 3 from Stage 2	–	(340,684)	340,684	–
To Stage 2 from Stage 3	–	44,252	(44,252)	–
To Stage 3 from Stage 1	(355,027)	–	355,027	–
To Stage 1 from Stage 3	140,379	–	(140,379)	–
Origination	32,668,064	3,790,256	406,826	36,865,146
Write-offs	–	–	(114,906)	(114,906)
Derecognition during the period other than write-offs	(20,797,997)	(4,266,256)	(1,034,367)	(26,098,620)
Exchange adjustment	82,074	22,727	(5,145)	99,656
Others	(844,363)	(23,330)	47,194	(820,499)
As at December 31, 2019	93,737,583	19,297,526	4,485,479	117,520,588

27. LOANS TO CUSTOMERS (Continued)

(b) Other service

	As at December 31,	
	2020	2019
	RMB'000	*RMB'000*
Direct loans and pawn loans to customers	**5,420,819**	13,286,056
Entrusted loans to customers	**2,161,074**	2,479,324
Total	**7,581,893**	15,765,380
Less: allowances for impairment loss		
– Stage 1	**(130,283)**	(330,518)
– Stage 2	**(28,635)**	(175,336)
– Stage 3	**(1,129,936)**	(459,938)
Total allowances for impairment loss	**(1,288,854)**	(965,792)
Net loans to customers	**6,293,039**	14,799,588

27. LOANS TO CUSTOMERS (Continued)

(c) Allowance for Impairment loss

	Stage 1	Stage 2	Stage 3	Total
As at January 1, 2019	(488,714)	(264,477)	(2,290,958)	(3,044,149)
Allowance made *(i)*	(340,581)	(265,031)	(369,176)	(974,788)
Unused amounts reversed *(ii)*	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)

	Stage 1	**Stage 2**	**Stage 3**	**Total**
As at January 1, 2020	**(596,502)**	**(271,437)**	**(2,212,247)**	**(3,080,186)**
Allowance made *(i)*	**(579,273)**	**(355,636)**	**(1,781,511)**	**(2,716,420)**
Unused amounts reversed *(ii)*	**457,818**	**205,001**	**429,385**	**1,092,204**
Transfer of stages, write-off and disposal	**291,707**	**177,260**	**382,781**	**851,748**
Disposal of subsidiaries	**24,758**	**25,277**	**252,695**	**302,730**
Exchange adjustment	**(66,728)**	**(11,142)**	**(2,575)**	**(80,445)**
As at December 31, 2020	**(468,220)**	**(230,677)**	**(2,931,472)**	**(3,630,369)**

(i) Including the impact of current period accruals and parameter updates on the loss allowance.

(ii) Including reversal of allowance for impairment loss for written-off assets.

28. LOANS TO CREDIT INSTITUTIONS

	As at December 31,	
	2020	2019
	RMB'000	*RMB'000*
Cash collateral	**4,963,306**	3,484,065
Loans and other advances	**2,070,030**	3,932,416
Total	**7,033,336**	7,416,481
Less: allowances for impairment loss		
– stage 1	**(2,141)**	(135)
– stage 2	**(939)**	(534)
– stage 3	**–**	–
Total allowances for impairment loss	**(3,080)**	(669)
Net loans to credit institution	**7,030,256**	7,415,812
Less: Current portion	**(7,007,686)**	(6,725,571)
Non-current portion	**22,570**	690,241

29. OTHER FINANCIAL ASSETS AT AMORTISED COST

	As at December 31,	
	2020	2019
	RMB'000	*RMB'000*
Bonds issued by public bodies	**39,477,770**	29,313,762
Other bonds and fixed-income instruments	**22,613,166**	21,320,889
Total	**62,090,936**	50,634,651
Less: allowances for impairment loss		
– stage 1	**(22,177)**	(12,193)
– stage 2	**(8,622)**	(4,993)
– stage 3	**(123,186)**	(98,213)
Total allowances for impairment loss	**(153,985)**	(115,399)
Net other financial assets at amortised cost	**61,936,951**	50,519,252
Less: Current portion	**(4,805,442)**	(2,466,904)
Non-current portion	**57,131,509**	48,052,348

30. INVENTORIES

	As at December 31,	
	2020	2019
	RMB'000	*RMB'000*
Raw materials	**24,614,060**	17,699,478
Work in progress	**76,033**	63,696
Finished goods	**12,994,905**	9,149,175
Service parts	**2,028,440**	3,086,310
Others	**274,352**	167,422
	39,987,790	30,166,081

31. PROPERTIES UNDER DEVELOPMENT

	As at December 31,	
	2020	2019
	RMB'000	*RMB'000*
At beginning of the year	**656,674**	439,355
Additions	**329,346**	217,319
At end of the year	**986,020**	656,674
Properties under development comprise:		
Land use rights	**16,455**	16,455
Construction costs and capitalised expenditure	**969,565**	640,219
	986,020	656,674

As at December 31, 2020 and 2019, no properties under development were pledged as collateral for borrowings.

32. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at December 31,	
	2020	2019
	RMB'000	*RMB'000*
Listed equity securities:		
Equity securities – Hong Kong	**872,561**	523,940
Equity securities – Mainland China	**7,979,565**	1,263,022
Equity securities – Europe	**141,173**	160,897
Equity securities – United States	**1,186,627**	373,657
Market value of listed equity securities	**10,179,926**	2,321,516
Unlisted equity securities	**14,295,006**	14,580,474
Listed debt securities:		
Debt securities – Hong Kong	**171,462**	142,714
Debt securities – Mainland China	**705,038**	668,902
Debt securities – Europe	**404,814**	488,952
Market value of listed equity securities	**1,281,314**	1,300,568
Unlisted debt securities	**2,558,719**	1,688,293
Total	**28,314,965**	19,890,851
Less: Current portion	**(9,995,725)**	(8,394,224)
Non-current portion	**18,319,240**	11,496,627

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,	
	2020	2019
	RMB'000	*RMB'000*
Restricted deposits		
Deposits for guarantee business	**266,067**	385,660
Deposits for notes payables and borrowings	**540,503**	726,000
Other restricted deposits	**9,032,902**	7,964,331
– Cash and balances with central banks of the country of the subsidiaries (mandatory reserves)	**8,684,834**	7,376,236
– Others	**348,068**	588,095
	9,839,472	9,075,991
Bank deposits		
Matured between three to twelve months	**269,231**	262,286
Cash and cash equivalents		
Cash at bank and in hand	**40,746,560**	37,509,199
Cash and balances with central banks of the country of the subsidiaries (mandatory reserves)	**24,053,057**	19,817,571
Loans and advances to credit institutions	**2,779,404**	1,889,593
Money market funds	**2,139,417**	3,123,196
	69,718,438	62,339,559
Total	**79,827,141**	71,677,836
Maximum exposure to credit risk	**79,827,141**	71,677,836
Effective annual interest rates	**0.0% –2.0%**	0.0% – 4.5%

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, 2020 and 2019 and their related weighted average fair values are as follows:

	Number of units	
	SARs	RSUs
Outstanding as at January 1, 2019	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
Granted during the year	**766,681,788**	**388,781,859**
Vested during the year	**(693,147,963)**	**(332,341,152)**
Lapsed/cancelled during the year	**(66,707,620)**	**(30,217,938)**
Outstanding as at December 31, 2020	**1,194,824,806**	**572,390,377**

	Number of units	
	SARs	RSUs
Average fair value per unit (HKD)		
At December 31, 2020	**0.71**	**4.64**
At December 31, 2019	0.79	5.13

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, 2020 and 2019, 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 32.82% and 28.83% expected dividends rate during the vesting periods of 4.75% and 6.03% contractual life of 4.4 years and 4.4 years, and a risk-free interest rate of 0.39% and 1.72%.

As at December 31, 2020 and 2019, the average remaining vesting period of the awards granted under the above long-term incentive plans for Lenovo is 1.89 years and 1.91 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.

Movements in the number of shares granted for the year ended December 31, 2020 and 2019 are as follows:

	Number of shares
Outstanding as at January 1, 2019	1,709,000
Granted during the year	–
Exercised during the year	(855,000)
Lapsed/cancelled during the year	–
Outstanding as at December 31, 2019	854,000
Granted during the year	–
Exercised during the year	(854,000)
Lapsed/cancelled during the year	–
Outstanding as at December 31, 2020	–

As at December 31, 2020, the awards granted under the Company's above incentive plan have been fully exercised.

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 2020 and 2019, the Company does not purchase any shares of the Company from the market. As of December 31, 2020, 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, 2020 and 2019 are as follows:

	Number of shares
Outstanding as at January 1, 2019	12,141,000
Granted during the year	520,000
Exercised during the year	(6,201,000)
Lapsed/cancelled during the year	(1,221,000)
Outstanding as at December 31, 2019	5,239,000
Granted during the year	528,000
Exercised during the year	(5,083,000)
Lapsed/cancelled during the year	(684,000)
Outstanding as at December 31, 2020	–

The remaining service period of the awards granted under the Company's above incentive plan as at December 31, 2020 and 2019 is 0 year and 1 year, 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 2019 Medium and Long-Term Incentive Plan including the restricted share incentive plan (the "2019 restricted share incentive plan") and the share option incentive plan (the "2019 share option incentive plan") was approved at the annual general meeting 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.

As at December 31, 2020, the Company entrusted the custodian to purchase 20,500,000 shares of the Company from the market at a total consideration of approximately RMB283 million for 2019 Medium and Long-term Incentive Plan, 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 will be attributed to the plan participants after the Company's strategic moment (2020).

Movements in the number of shares granted for the year ended December 31, 2020 and 2019 are as follows:

	Number of shares
Outstanding as at January 1, 2019	–
Granted during the year	6,900,000
Exercised during the year	–
Lapsed/cancelled during the year	–
Outstanding as at December 31, 2019	6,900,000
Granted during the year	700,000
Exercised during the year	(7,600,000)
Lapsed/cancelled during the year	–
Outstanding as at December 31, 2020	–

The remaining service period of the awards granted under the Company's above incentive plan as at December 31, 2020 and 2019 is 0 year and 1 year, respectively.

34. SHARE-BASED PAYMENTS (Continued)

(b) Share incentive plan of the Company (Continued)

(III) 2019 Medium and Long-Term Incentive Plan

B. *Share options incentive plan*

The Share options are valid from the date of granting of Share options to the incentive targets till 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, 2020 and 2019 are as follows:

	Average exercise price of unit option *(HKD)*	**Number of options**
Outstanding as at January 1, 2019	–	–
Granted during the year	16.86	13,500,000
Vested during the year	–	–
Lapsed/Cancelled during the year	–	–
Outstanding as at December 31, 2019	16.86	13,500,000
Granted during the year	16.86	1,500,000
Vested during the year	16.86	(15,000,000)
Lapsed/Cancelled during the year	–	–
Outstanding as at December 31, 2020	–	–
Available on December 31, 2020	–	–

The remaining service period of the share options granted under the Company's above incentive plan as at December 31, 2020 and 2019 is 0 year and 1 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 (Continued)

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	2.88%
Expected volatility of stock price	33.89%
Expected dividend yield	3.96%
Expected due date	December 31, 2025

As at December 31, 2020 and 2019, the fair value of per share options granted is RMB0.75 and RMB2.68.

(c)

For the year ended December 31, 2020 and 2019, the share-based payment expenses of RMB1,884 million and RMB1,802 million were recognised in the consolidated income statement.

35. SHARE CAPITAL

	As at December 31, 2020		As at December 31, 2019	
	Number of shares	**Share capital RMB'000**	Number of shares	Share capital RMB'000
– 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
Ordinary shares issued and fully paid	**2,356,230,900**	**2,356,231**	2,356,230,900	2,356,231

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. In 2020, the perpetual securities were redeemed and cancelled.

36. PERPETUAL SECURITIES (Continued)

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 (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,	
	2020	2019
	RMB'000	*RMB'000*
Trade payables	**68,132,927**	63,621,683
Notes payables	**8,282,790**	9,447,284
	76,415,717	73,068,967

At December 31, 2020 and 2019, the ageing analyses of the trade payables based on invoice date were as follows:

	As at December 31,	
	2020	2019
	RMB'000	*RMB'000*
0-30 days	**42,751,973**	37,318,099
31-60 days	**14,563,351**	14,777,989
61-90 days	**6,656,488**	6,861,640
91 days-1 year	**4,069,718**	4,552,263
Over 1 year	**91,397**	111,692
	68,132,927	63,621,683

Notes payables of the Group are 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,	
	2020	2019
	RMB'000	*RMB'000*
Payable to parts subcontractors	**36,233,142**	32,479,903
Allowance for billing adjustment *(i)*	**15,941,009**	14,402,853
Accrued expenses	**10,569,814**	8,477,974
Payroll payable	**8,322,571**	5,683,132
Other taxes payable	**3,928,059**	3,401,064
Collection of factoring payments	**1,764,978**	189,299
Transferred loans to be redeemed	**–**	2,651,587
Amounts due to related parties *(ii) (note 55(c))*	**377,507**	961,906
Contingent consideration *(iii)*	**–**	816,257
Social security payable	**965,837**	809,281
Deposits payable	**602,059**	779,600
Interest payable	**651,632**	770,850
Royalty payable	**686,067**	629,860
Deferred consideration	**659,018**	437,373
Others	**9,608,202**	10,471,798
	90,309,895	82,962,737

(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, 2020 and 2019, 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,	
	2020	2019
	RMB'000	*RMB'000*
Deferred considerations *(a)*	**163,592**	174,907
Government incentives and grants received in advance *(b)*	**839,924**	804,662
Written put option liability *(c)*	**7,081,830**	6,913,037
Long-term payables	**1,404,941**	2,460,697
Others	**736,771**	731,762
	10,227,058	11,085,065

(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 considerations and contingent considerations due within one year are reclassified as "Other payables and accruals".

As at December 31, 2020 and 2019, 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,	
	2020	2019
Joint venture with NEC Corporation	**USD25 million**	USD25 million
Fujitsu Limited ("Fujitsu") *(i)*	**Nil**	JPY2.55 billion to JPY12.75 billion
Hebei Hengshui Laobaigan *(ii)*	**Nil**	Nil to RMB530 million
Precision Capital S.A.	**EUR18 million**	EUR47 million

(i) The contingent consideration was paid in May 2020.

(ii) As at December 31, 2020, the underlying performance has been achieved and the contingent consideration has been derecognised.

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 effective in 2018, 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") in 2018, 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 in 2019, 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,	
	2020	2019
	RMB'000	*RMB'000*
On demand	**3,501,637**	3,209,270
Term	**1,285,412**	4,295,969
Cash collateral	**499,464**	509,767
Repurchase agreement operations	**5,317,201**	4,790,831
Central bank of the country of subsidiary	**12,039,665**	5,538,989
Others	**10,844,591**	5,850,724
Total	**33,487,970**	24,195,550
Less: Non-current portion	**(12,647,567)**	(4,235,307)
Current portion	**20,840,403**	19,960,243

(a) Analysis by nature

	As at December 31,	
	2020	2019
	RMB'000	*RMB'000*
Unsecured	**16,175,412**	13,947,691
Collateralised	**17,312,558**	10,247,859
	33,487,970	24,195,550

(b) The carrying amounts of the Group's amount due to credit institutions are denominated in the following currencies:

	As at December 31,	
	2020	2019
	RMB'000	*RMB'000*
EUR	**21,795,682**	12,753,408
USD	**10,443,820**	9,569,931
CHF	**157,428**	693,462
GBP	**527,854**	573,285
Others	**563,186**	605,464
	33,487,970	24,195,550

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,	
	2020	2019
	RMB'000	*RMB'000*
Demand deposits	**98,768,312**	86,307,541
Savings deposits	**27,048,264**	27,145,445
Term deposits	**32,554,791**	34,471,523
Cash collateral	**261,136**	410,052
Total	**158,632,503**	148,334,561
Less: Non-current portion	**(5,284,663)**	(4,634,959)
Current portion	**153,347,840**	143,699,602

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,	
	2020	2019
	RMB'000	*RMB'000*
Debt instruments *(i)*	**7,499,777**	7,216,473
Accept preferred shares injection *(ii)(iii)*	**2,899,252**	2,982,694
Total	**10,399,029**	10,199,167
Less: Non-current portion	**(2,453,574)**	(2,044,184)
Current portion	**7,945,455**	8,154,983

(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. As at December 31, 2020, the priority rights attached to the relevant financial instruments have not been terminated.

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,	
	2020	2019
	RMB'000	*RMB'000*
Bank loans		
– Unsecured loans	**32,353,479**	35,225,694
– Guaranteed loans	**20,475,064**	22,177,816
– Collateralised loans	**10,294,916**	11,213,988
Other loans *(i)*		
– Unsecured loans	**870,000**	2,750,001
– Guaranteed loans	**820,000**	5,455,230
– Collateralised loans	**1,637,016**	816,718
Corporate bonds *(1)*		
– Unsecured	**65,049,295**	55,075,391
– Guaranteed	**–**	103,000
– Convertible bonds *(2)*	**4,889,686**	5,086,989
	136,389,456	137,904,827
Less: current portion	**(37,311,415)**	(52,200,803)
Non-current portion	**99,078,041**	85,704,024

(i) Other loans are mainly loans to non-banking financial institutions.

45. BORROWINGS (Continued)

As at December 31, 2020 and 2019, the carrying amount at the borrowings approximates their fair value.

(1) The information about corporate bonds issued as at December 31, 2020 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	2 years	370,000
The Company	Corporate bonds	RMB	June 3, 2020	3 years	1,800,000
Lenovo	Medium term notes	USD	March 16, 2017	5 years	337,000
Lenovo	Medium term notes	USD	March 29, 2018	5 years	687,000
Lenovo	Convertible bonds *(2)*	USD	January 24, 2019	5 years	675,000
Lenovo	Medium term notes	USD	April 24, 2020 & May 12, 2020	5 years	1,000,000

45. BORROWINGS (Continued)

(1) The information about corporate bonds issued as at December 31, 2020 is as below (Continued):

Issuer	Type of bonds	Currency	Issuance date	Term	Principal amount *('000)*
Lenovo	Medium term notes	USD	November 2, 2020	10 years	1,000,000
Zhengqi Financial	Corporate bonds	RMB	September 27, 2019	3 years	600,000
Zhengqi Financial	Corporate bonds	RMB	December 20, 2019	3 years	300,000
Zhengqi Financial	Corporate bonds	RMB	August 28,2020	3 years	200,000
JC Finance & Leasing	Asset backed securities *(i)*	RMB	June 23, 2017	3-4 years	12,021
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	185,516
JC Finance & Leasing	Corporate bonds	RMB	November 21, 2019	2 years	300,000
JC Finance & Leasing	Private placement bonds	RMB	January 22, 2020	2 years	400,000
JC Finance & Leasing	Asset backed securities *(i)*	RMB	March 13, 2020	1-2 years	23,772
JC Finance & Leasing	Asset backed securities *(i)*	RMB	March 26, 2020	2 years	190,878
JC Finance & Leasing	Asset backed securities *(i)*	RMB	July 16, 2020	1-2 years	252,381
JC Finance & Leasing	Asset backed securities *(i)*	RMB	September 17, 2020	2 years	81,213
JC Finance & Leasing	Asset backed securities *(i)*	RMB	December 28, 2020	1-2 years	120,000
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	2013-2020	1-20 years	2,438,283
BIL	Medium term notes	USD	2018-2020	2-5 years	68,754
BIL	Medium term notes	CHF	2016-2020	2.5-6.5 years	285,000
Joyvio Agriculture	Convertible bonds *(2)*	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 2020 ("2020 package") and 2019 ("2019 package") included multiple bonds. The principle amounts of the two packages on issuance dates amounted to RMB1,926 million and RMB1,020 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. 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") in 2019. 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.. As at December 31, 2020, the convertible bonds have not yet been converted.

45. BORROWINGS (Continued)

(a) Effective interest rates per annum on borrowings are as follows:

	As at December 31,	
	2020	2019
Bank loans	**1.85%-8.00%**	1.98%-8.13%
Other loans	**4.41%-8.50%**	4.85%-10.50%

(b) Borrowings are repayable as follows:

	As at December 31,	
	2020	2019
	RMB'000	*RMB'000*
Within 1 year	**37,311,415**	52,200,803
After 1 year but within 2 years	**30,518,768**	23,014,910
After 2 years but within 5 years	**51,828,635**	50,878,958
After 5 years	**16,730,638**	11,810,156
	136,389,456	137,904,827

(c) The carrying amounts of the Group's borrowings are denominated in the following currencies:

	As at December 31,	
	2020	2019
	RMB'000	*RMB'000*
RMB	**69,827,441**	75,574,660
USD	**39,622,663**	40,060,228
EUR	**22,968,231**	18,967,283
HKD	**1,349,854**	1,332,487
CHF	**2,121,176**	1,801,962
Others	**500,091**	168,207
	136,389,456	137,904,827

46. DEFERRED INCOME TAX

The analysis of deferred income tax assets and deferred income tax liabilities is as follows:

	As at December 31,	
	2020	2019
	RMB'000	*RMB'000*
Deferred tax assets:		
Recovered after 12 months	**12,337,452**	11,572,634
Recovered within 12 months	**5,952,834**	5,935,191
	18,290,286	17,507,825
Deferred tax liabilities:		
Recovered after 12 months	**(8,361,820)**	(7,583,124)
Deferred tax assets-net	**9,928,466**	9,924,701

The gross movement on the deferred income tax account is as follows:

	As at December 31,	
	2020	2019
	RMB'000	*RMB'000*
At beginning of the year	**9,924,701**	8,493,048
Acquisition of subsidiaries	**(9,996)**	(1,075,999)
Credited to the income statement *(Note 14)*	**779,993**	2,353,303
Charge to other comprehensive income *(Note 14)*	**(12,164)**	(5,619)
Directly credited to equity	**152,001**	–
Disposal of subsidiaries	**(109,207)**	(23,202)
Exchange adjustment	**(796,862)**	183,170
At end of the year	**9,928,466**	9,924,701

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, 2019	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
(Charged)/credited to the income statement	(16,237)	1,461,148	115,425	327,752	1,888,088
Charged/ (credited) to other comprehensive income	729	–	–	(9,193)	(8,464)
Directly credited to equity	–	–	–	147,943	147,943
Disposal of subsidiaries	(212,207)	–	–	–	(212,207)
Exchange adjustment	(142,364)	(782,455)	(44,653)	(38,242)	(1,007,714)
At December 31, 2020	4,649,309	11,261,630	1,112,814	1,372,723	18,396,476

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, 2019	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
Acquisition of subsidiaries	–	–	–	–	9,996	–	9,996
(Credited)/charged to the income statement	(30,617)	971,806	236,914	86,915	(124,938)	(31,985)	1,108,095
Charged/ (credited) to other comprehensive income	14,153	(10,342)	–	–	–	(111)	3,700
Directly credited to equity	–	–	–	–	–	(4,058)	(4,058)
Disposal of subsidiaries	–	–	–	–	(103,000)	–	(103,000)
Exchange adjustment	–	(42,405)	–	(41,730)	(165,293)	38,576	(210,852)
At December 31, 2020	2,411,467	1,559,851	497,916	773,532	2,068,261	1,156,983	8,468,010

(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, 2020 and 2019, the Group did not recognise deferred income tax assets in respect of deductible temporary differences of approximately RMB11,316 million and RMB9,738 million and tax losses of approximately RMB21,524 million and RMB19,628 million that can be carried forward against future taxable income, of which tax losses of RMB12,818 million and RMB12,364 million can be carried forward indefinitely. The balances of unrecognised tax losses will expire as follows:

	As at December 31,	
	2020	2019
	RMB'000	*RMB'000*
– within 1 year	**1,046,709**	454,401
– 1 to 2 years	**1,072,342**	1,060,853
– 2 to 3 years	**3,302,860**	1,230,920
– 3 to 4 years	**422,086**	3,456,101
– Over 4 years	**15,680,264**	13,425,390
	21,524,261	19,627,665

47. RETIREMENT BENEFIT OBLIGATIONS

The Group's retirement benefit obligations are related to Lenovo and BIL.

	As at December 31,	
	2020	2019
	RMB'000	*RMB'000*
Pension obligation included in non-current liabilities		
Pension benefits *(a)*	**2,944,570**	2,919,878
Post-employment medical benefits *(b)*	**188,818**	192,355
	3,133,388	3,112,233
Expensed in income statement		
Pension benefits *(Note 9)*	**117,269**	167,538
Post-employment medical benefits *(Note 9)*	**8,253**	6,483
	125,522	174,021
Remeasurements for		
Defined pension benefits *(Note 14)*	**(118,450)**	(257,485)
Post-employment medical benefits *(Note 14)*	**(865)**	6,187
	(119,315)	(251,298)

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 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 less than 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,	
	2020	2019
	RMB'000	*RMB'000*
Present value of funded obligations	**5,978,672**	6,033,304
Fair value of plan assets *(Note 47 (c))*	**(4,437,758)**	(4,444,881)
Deficit of funded plans	**1,540,914**	1,588,423
Present value of unfunded obligations	**1,333,598**	1,293,464
Liabilities in the balance sheet	**2,874,512**	2,881,887
Representing:		
Retirement benefits obligation	**2,944,570**	2,919,878
Retirement plan assets	**(70,058)**	(37,991)
	2,874,512	2,881,887

47. RETIREMENT BENEFIT OBLIGATIONS (Continued)

(a) Pension benefits (Continued)

The principal actuarial assumptions used were as follows:

	As at December 31,	
	2020	2019
Discount rate	**–0.035%-2.00%**	0.20%-2.50%
Future salary increases	**0.00%-4.50%**	0.00%-5.50%
Future pension increases	**0.00%-2.50%**	0.00%-2.00%
Life expectancy for male aged 60	**21.80-27.60**	21.80-26.00
Life expectancy for female aged 60	**27.10-29.80**	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, 2020		
	Impact on defined benefit obligation *(i)*		
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.50%	Decrease by 4.16% or 7.70%	Increase by 4.57% or 8.70%
Salary growth rate	0.50%	Increase by 1.76% or 1.00%	Decrease by 1.30% or 0.90%
Pension growth rate	0.50% or N/A	Increase by 8.00% or NA	Decrease by 7.20% or NA
Life expectancy		Increase by 1 year in assumption Increase by 1.53% or 2.00%	Decrease by 1 year in assumption Decrease by 1.49% or 2.00%

47. RETIREMENT BENEFIT OBLIGATIONS (Continued)

(a) Pension benefits (Continued)

	Year ended December 31, 2019		
	Impact on defined benefit obligation *(i)*		
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.50%	Decrease by 6.60% or 3.67%	Increase by 7.40% or 4.81%
Salary growth rate	0.50%	Increase by 3.10% or 2.09%	Decrease by 2.90% or 0.78%
Pension growth rate	0.50% or N/A	Increase by 4.10% or N/A	Decrease by 4.40% or N/A
		Increase by 1 year in assumption	Decrease by 1 year in assumption
Life expectancy		Increase by 2.10% or 1.60%	Decrease by 2.10% or 1.38%

(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, 2020 and 2019.

47. RETIREMENT BENEFIT OBLIGATIONS (Continued)

(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,	
	2020	2019
	RMB'000	*RMB'000*
Present value of funded obligations	**184,113**	194,106
Fair value of plan assets *(Note 47 (c))*	**(3,106)**	(10,541)
Deficit of funded plans	**181,007**	183,565
Present value of unfunded obligations	**7,811**	8,790
Liabilities in the balance sheet	**188,818**	192,355

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:

	2020			2019		
	Quoted	**Unquoted**	**Total**	Quoted	Unquoted	Total
Pension						
Equity instruments *(i)*	**3.21%**	**–**	**2.02%**	10.81%	–	6.54%
Debt instruments *(ii)*	**78.22%**	**–**	**49.32%**	79.62%	–	48.20%
Property	**–**	**4.81%**	**1.78%**	–	5.25%	2.07%
– Qualifying insurance policies	**–**	**41.11%**	**15.19%**	–	57.21%	22.58%
– Cash and cash equivalents	**5.02%**	**1.12%**	**3.58%**	7.96%	1.35%	5.35%
– Investment funds	**13.54%**	**7.91%**	**11.46%**	1.59%	15.32%	7.01%
– Structured bonds	**–**	**43.25%**	**15.98%**	–	19.96%	7.88%
– Others	**0.00%**	**1.80%**	**0.67%**	0.02%	0.91%	0.37%
	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, 2020 and 2019, the weighted average duration of defined benefit obligation is 15 years and 12 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, 2020 and 2019.

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:

	Year ended December 31,	
Pension	**2020**	2019
	RMB'000	*RMB'000*
Opening fair value	**4,444,881**	4,239,215
Interest income	**32,910**	41,921
Actuarial gains	**43,380**	131,000
Contributions by the employer	**326,175**	232,729
Contributions by plan participants	**18,170**	14,330
Benefits paid	**(288,047)**	(375,057)
Exchange adjustment	**85,425**	176,611
Others	**(225,136)**	(15,868)
Closing fair value	**4,437,758**	4,444,881
Actual return on plan assets	**76,290**	172,921

	Year ended December 31,	
Medical	**2020**	2019
	RMB'000	*RMB'000*
Opening fair value	**10,541**	16,973
Exchange adjustment	**(640)**	189
Interest income	**277**	358
Actuarial losses	**(28)**	(227)
Contributions by the employer	**235**	220
Benefits paid	**(7,279)**	(6,972)
Closing fair value	**3,106**	10,541
Actual return on plan assets	**249**	131

Contribution of RMB145 million are estimated to be made for the year ending December 31, 2021 (For the year ending December 31, 2020: RMB198 million).

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:

	Year ended December 31,	
Pension	**2020**	2019
	RMB'000	*RMB'000*
Opening defined benefit obligation	**7,326,768**	7,051,669
Current service cost	**154,756**	159,537
Past service cost	**(61,687)**	(24,823)
Interest cost	**59,854**	71,624
Actuarial losses	**161,830**	388,485
Contributions by plan participants	**12,840**	14,330
Benefits paid	**(303,401)**	(451,311)
Curtailments	**(2,744)**	3,121
Exchange adjustment	**(35,946)**	114,136
Closing defined benefit obligation	**7,312,270**	7,326,768

	Year ended December 31,	
Medical	**2020**	2019
	RMB'000	*RMB'000*
Opening defined benefit obligation	**202,896**	200,447
Exchange adjustment	**(13,060)**	9,070
Current service cost	**3,152**	2,687
Interest cost	**5,378**	4,154
Actuarial losses/(gains)	**837**	(6,414)
Benefits paid	**(7,279)**	(7,048)
Closing defined benefit obligation	**191,924**	202,896

For the year ended December 31, 2020 and 2019, benefit of RMB15 million and RMB76 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	**2020**	2019
	RMB'000	*RMB'000*
Current service cost	**154,756**	159,537
Past service cost	**(61,687)**	(24,823)
Interest cost	**59,854**	71,624
Interest income	**(32,910)**	(41,921)
Curtailment (gains)/losses	**(2,744)**	3,121
Total expense recognised in the consolidated income statement	**117,269**	167,538

	Year ended December 31,	
Medical	**2020**	2019
	RMB'000	*RMB'000*
Current service cost	**3,152**	2,687
Interest cost	**5,378**	4,154
Interest income	**(277)**	(358)
Total expense recognized in the consolidated income statement	**8,253**	6,483

Summary of pensions and post-retirement medical benefits of the Group:

	Year ended December 31,	
	2020	2019
	RMB'000	*RMB'000*
Present value of defined benefit obligations	**7,504,194**	7,529,664
Fair value of plan assets	**(4,440,864)**	(4,455,422)
Deficit	**3,063,330**	3,074,242
Actuarial gains arising on plan assets	**43,352**	130,773
Actuarial losses arising on plan liabilities	**(162,667)**	(382,071)
	(119,315)	(251,298)

48. PROVISIONS

	Warranties	Environmental restoration	Restructuring	Financial guarantees *(i)*	Other provisions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at January 1, 2020	**7,147,940**	**243,651**	**47,995**	**115,720**	**68,305**	**7,623,611**
Provision made	**6,355,264**	**125,705**	**32,304**	**–**	**22,395**	**6,535,668**
Unused amounts reversed	**–**	**–**	**(1,226)**	**(93,844)**	**(4,649)**	**(99,719)**
Amount utilised	**(5,665,112)**	**(139,876)**	**(39,602)**	**–**	**(26,026)**	**(5,870,616)**
Exchange adjustment	**(304,527)**	**(4,116)**	**1,195**	**1,536**	**1,967**	**(303,945)**
Acquisition of subsidiaries	**–**	**–**	**–**	**62,249**	**–**	**62,249**
At end of the year	**7,533,565**	**225,364**	**40,666**	**85,661**	**61,992**	**7,947,248**
Non-current portion	**(1,790,185)**	**(201,065)**	**(4,855)**	**(83,923)**	**(7,475)**	**(2,087,503)**
As at December 31, 2020	**5,743,380**	**24,299**	**35,811**	**1,738**	**54,517**	**5,859,745**
As at January 1, 2019	6,984,047	251,859	254,925	26,311	119,738	7,636,880
Provision made	5,647,163	129,609	37,876	20,071	30,939	5,865,658
Unused amounts reversed	–	–	–	–	(12,014)	(12,014)
Amount utilised	(5,557,935)	(144,753)	(244,699)	(14,523)	(14,127)	(5,976,037)
Exchange adjustment	74,665	6,936	(107)	14,391	(56,231)	39,654
Acquisition of subsidiaries	–	–	–	69,470	–	69,470
At end of the year	7,147,940	243,651	47,995	115,720	68,305	7,623,611
Non-current portion	(1,869,876)	(228,726)	(11,434)	(71,293)	(11,869)	(2,193,198)
As at December 31, 2019	5,278,064	14,925	36,561	44,427	56,436	5,430,413

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.

48. PROVISIONS (Continued)

(i) The provision for financial guarantees mainly represents the provision made by the Group for financial guarantee business under the financial services business

The following table sets forth the total guarantees of the Group as at December 31, 2020 and December 31, 2019:

	As at December 31,	
	2020	2019
	RMB'000	*RMB'000*
Financial guarantee of guarantee business *(a)*	**11,221,643**	10,735,926
Other guarantee *(b)*		
– Related parties *(Note 55 (e))*	**6,028,917**	3,768,142
– Unrelated parties	**639,826**	4,220,733
	17,890,386	18,724,801

(a) Financial guarantee of guarantee business

Financial service business of the Group provides financial guarantees to the third parties for their borrowings from certain credit institutions and charge them guarantee fees accordingly. As at December 31, 2020 and 2019, the guarantee balance was RMB11,222 million and RMB10,736 million respectively. The Directors evaluate the financial position of the guaranteed entities and make provision accordingly. As at December 31, 2020 and 2019, the provision made by the Group was RMB86 million and RMB116 million respectively, which were included in "Provision" in the consolidated balance sheet.

(b) Other guarantee

As at December 31, 2020 and 2019, of the total guarantee balances the Group provided to related parties and unrelated parties are approximately RMB6,669 million and RMB7,989 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, 2020 and 2019, no provision was recorded in relevant to the preceding guarantee.

49. DIVIDENDS

A dividend in respect of the year ended December 31, 2020 of RMB0.36 per share, amounting to a total dividend of RMB848 million, is to be proposed at the forthcoming 2020 annual general meeting. These financial statements do not reflect this dividend payable. The dividends paid in 2020 and 2019 were RMB778 million (RMB0.33 per share) and RMB707 million (RMB0.3 per share) respectively.

50. CASH GENERATED FROM OPERATIONS

(a) Cash generated from operations

	Year ended December 31,	
	2020	2019
	RMB'000	*RMB'000*
Profit before income tax	**12,632,829**	10,523,986
Adjustments for:		
Impairment loss for non-current assets *(Note 8)*	**903,871**	415,583
Impairment loss on loans to customers *(Note 8)*	**1,457,130**	909,189
Impairment loss on other financial assets *(Note 8)*	**1,036,156**	466,173
Inventory write-down *(Note 8)*	**907,338**	378,558
Depreciation of property, plant and equipment *(Note 16)*	**2,935,242**	2,670,262
Depreciation of right-of-use assets *(Note 17)*	**846,760**	902,012
Amortisation	**4,789,917**	4,114,646
Gains on disposal of property, plant and equipment and intangible assets *(Note 7)*	**(186,149)**	(6,749)
Fair value losses/(gains) on investment properties *(Note 7)*	**312,395**	(361,132)
Fair value gains on consumable biological assets *(Note 19)*	**(75,392)**	(205,024)
Fair value losses/(gains) on financial liabilities	**205,500**	(293,965)
Fair value gains and dividend income from financial assets at fair value through profit or loss *(Note 6)*	**(3,225,407)**	(1,201,106)
Fair value gains and dividend income from associates measured at fair value through profit or loss *(Note 6)*	**(4,308,429)**	(963,343)
Net finance costs *(Note 11)*	**5,263,300**	5,480,310
Gains on disposal/dilution of associates *(Note 6)*	**(309,856)**	(137,431)
Losses/(gains) on disposal of subsidiaries *(Note 6)*	**75,712**	(283,833)
Dividend income from financial assets at fair value through other comprehensive income *(Note 6)*	**(18,878)**	(47,509)
Share-based payments *(Note 34 (c))*	**1,883,935**	1,802,250
Share of losses/(gains) of associates and joint ventures using equity accounting	**432,836**	(476,743)
Net foreign exchange (gains)/losses *(Note 7)*	**(227,073)**	299,315
Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation):		
Inventories, consumable biological assets and properties under development	**(12,270,504)**	(2,342,412)
Trade and other receivables	**(4,280,227)**	(17,579,136)
Loans and other financial assets at amortised cost	**(13,844,599)**	(21,290,239)
Amount due to customers and credit institutions	**19,590,362**	13,977,795
Trade and other payables	**32,597,948**	16,004,077
Cash generated from operating activities	**47,124,717**	12,755,534

50. CASH GENERATED FROM OPERATIONS (Continued)

(b) Net debt reconciliation

	As at December 31,	
	2020	2019
	RMB'000	*RMB'000*
Cash and cash equivalents	**69,718,438**	62,339,559
Borrowings – repayable within one year	**(37,311,415)**	(52,200,803)
Borrowings – repayable after one year	**(99,078,041)**	(85,704,024)
Net debt	**(66,671,018)**	(75,565,268)
Cash and cash equivalents	**69,718,438**	62,339,559
Gross debt – fixed interest rates	**(91,421,230)**	(95,686,827)
Gross debt – floating interest rates	**(44,968,226)**	(42,218,000)
Net debt	**(66,671,018)**	(75,565,268)

	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, 2019	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)
Cash flows	**8,450,955**	**39,994,183**	**(35,714,644)**	**12,730,494**
Foreign exchange losses	**(1,072,076)**	**(3,957,561)**	**(1,561,315)**	**(6,590,952)**
Disposal of subsidiaries	**–**	**1,834,208**	**920,500**	**2,754,708**
Other non-cash movements	**–**	**(22,981,442)**	**22,981,442**	**–**
Net debt as at December 31, 2020	**69,718,438**	**(37,311,415)**	**(99,078,041)**	**(66,671,018)**

51. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

(a) Balance sheet of the Company

	As at December 31,	
	2020	2019
	RMB'000	*RMB'000*
ASSETS		
Non-current assets		
Property, plant and equipment	**15,456**	25,293
Right-of-use assets	**53,109**	–
Intangible assets	**11,436**	6,071
Investments in subsidiaries	**29,071,954**	27,348,781
Associates using equity accounting	**9,410,844**	8,655,496
Associates measured at fair value through profit or loss	**1,319,149**	14,067
Financial assets at fair value through profit or loss	**1,289,137**	–
Deferred income tax assets	**47,968**	308,312
Other non-current assets	**522,162**	2,365,574
	41,741,215	38,723,594
Current assets		
Amounts due from subsidiaries	**22,216,922**	19,277,397
Amounts due from related parties	**1,889,027**	1,538,743
Prepayment, other receivables and other current assets	**697,732**	597,514
Financial assets at fair value through profit or loss	**1,421,324**	862,642
Bank deposit	**30,000**	–
Cash and cash equivalents	**7,274,966**	6,648,453
	33,529,971	28,924,749
Total assets	**75,271,186**	67,648,343
Share capital	**2,356,231**	2,356,231
Reserves *(Note 51 (b))*	**15,638,711**	14,591,496
Total equity	**17,994,942**	16,947,727

51. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (Continued)

(a) Balance sheet of the Company (Continued)

	As at December 31,	
	2020	2019
	RMB'000	*RMB'000*
LIABILITIES		
Non-current liabilities		
Borrowings	**31,483,571**	30,344,799
Lease Liabilities	**25,022**	–
Other non-current liabilities	**10,578**	12,542
	31,519,171	30,357,341
Current liabilities		
Amounts due to subsidiaries	**9,349,848**	9,990,325
Amounts due to related parties	**137,377**	47,244
Other payables and accruals	**994,989**	741,453
Borrowings	**15,248,210**	9,564,253
Lease Liabilities	**26,649**	–
	25,757,073	20,343,275
Total liabilities	**57,276,244**	50,700,616
Total equity and liabilities	**75,271,186**	67,648,343

The balance sheet of the Company was approved by the Board of Directors on March 31, 2021 and was signed on its behalf.

NING Min	**LI Peng**
Director	*Director*

51. 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, 2020 and 2019 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, 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
As at January 1, 2020	**509,779**	**4,888**	**231,971**	**(259,154)**	**11,909,821**	**2,194,191**	**14,591,496**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**1,535,162**	**1,535,162**
Share of other comprehensive loss of associates	**–**	**(71,039)**	**–**	**–**	**–**	**–**	**(71,039)**
Share of other reserve of associates	**–**	**–**	**–**	**–**	**(22,063)**	**–**	**(22,063)**
Share-based compensation *(Note 34)*	**–**	**–**	**–**	**120,765**	**–**	**–**	**120,765**
Purchase of shares under share scheme *(Note 34)*	**–**	**–**	**–**	**(148,690)**	**–**	**–**	**(148,690)**
Transfer to statutory surplus reserve	**153,516**	**–**	**–**	**–**	**–**	**(153,516)**	**–**
Dividends paid	**–**	**–**	**–**	**–**	**–**	**(777,556)**	**(777,556)**
Transfer to associates using the equity method with loss of control in subsidiaries	**–**	**–**	**–**	**–**	**–**	**410,636**	**410,636**
As at December 31, 2020	**663,295**	**(66,151)**	**231,971**	**(287,079)**	**11,887,758**	**3,208,917**	**15,638,711**

52. BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors', supervisors' and chief executive officer's emoluments

The remuneration of each director, supervisor, and the chief executive officer for the year ended December 31, 2020 is set out below:

Name	Fees *RMB'000*	Salaries *RMB'000*	Discretionary bonuses *RMB'000*	Medium and long-term incentive plan *RMB'000*	Retirement payment and employer's contribution to pension schedule *RMB'000*	Other benefits *RMB'000*	Total *RMB'000*
Executive Director							
Mr. NING Min (寧旻) *(ii)*	–	13,800	20,700	18,145	504	1,491	54,640
Mr. LI Peng (李蓬) *(Chief Executive Officer) (iii)*	–	11,200	16,800	17,175	420	1,221	46,816
Non-executive Director							
Mr. ZHU Linan (朱立南) *(iv)*	691	–	–	27,449	33,732	109	61,981
Mr. ZHAO John Huan (趙令歡) *(iv)*	691	–	–	10,152	–	–	10,843
Mr. WU Lebin (吳樂斌)	–	–	–	–	–	–	–
Mr. SUO Jishuan (索繼栓)	–	–	–	–	–	–	–
Mr. WANG Yusuo (王玉鎖) *(vi)*	–	–	–	–	–	–	–
Independent Non-executive Directors							
Mr. MA Weihua (馬蔚華)	400	–	–	–	–	–	400
Mr. ZHANG Xuebing (張學兵)	400	–	–	–	–	–	400
Ms. HAO Quan (郝荃)	450	–	–	–	–	–	450
Mr. YIN Jianan (印建安) *(vi)*	413	–	–	–	–	–	413
Supervisors							
Mr. GAO Qiang (高強) *(v)*	–	990	495	234	104	187	2,010
Mr. LUO Cheng (羅成)	–	–	–	–	–	–	–
Mr. YANG Jianhua (楊建華) *(viii)*	–	–	–	–	–	–	–
	3,045	25,990	37,995	73,155	34,760	3,008	177,953

52. BENEFITS AND INTERESTS OF DIRECTORS (Continued)

(a) Directors', supervisors' and chief executive officer's emoluments (Continued)

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 Director							
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) (iv)*	689	13,800	18,630	12,182	1,159	1,537	47,997
Mr. ZHAO John Huan (趙令歡) *(iv)*	689	6,000	–	4,975	–	–	11,664
Non-executive Director							
Mr. WU Lebin (吳樂斌)	–	–	–	–	–	–	–
Mr. SUO Jishuan (索繼栓)	–	–	–	–	–	–	–
Independent Non-Executive Director							
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) *(vii)*	–	–	–	–	–	–	–
Mr. LUO Cheng (羅成)	–	–	–	–	–	–	–
Ms. FENG Ling (馮玲) *(ix)*	–	–	–	–	–	–	–
	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.

52. BENEFITS AND INTERESTS OF DIRECTORS (Continued)

(a) Directors', supervisors' and chief executive officer's emoluments (Continued)

(iii) Mr. Li Peng was appointed as the second term executive director and chief executive officer of the Board with effect from February 13, 2020.

(iv) Redesignated from executive director of the Company to non-executive director with effect from January 1, 2020.

(v) Appointed on January 1, 2020.

(vi) Appointed on February 13, 2020.

(vii) Resignation after the end of December 31, 2019.

(viii) Appointed on June 12, 2020.

(ix) Retired on June 12, 2020.

(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 John Huan ("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. Hospital Corporation is 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.

52. BENEFITS AND INTERESTS OF DIRECTORS (Continued)

(b) Interest of Directors and Supervisors (Continued)

In 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.

53. 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,	
	2020	2019
	RMB'000	*RMB'000*
Property, plant and equipment	**955,528**	1,419,471
Intangible assets	**16,593**	52,816
Investments *(i)*	**3,103,112**	3,130,064
Total	**4,075,233**	4,602,351

(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.

(b) Loans commitments

	As at December 31,	
	2020	2019
	RMB'000	*RMB'000*
Unused credit lines granted to credit institutions	**313,589**	710,866
Unused credit lines granted to customers	**25,344,909**	23,842,489
	25,658,498	24,553,355

54. 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, 2020 are as follows:

	Year ended December 31,	
	2020	2019
	RMB'000	*RMB'000*
Acquisition of additional interests in subsidiaries *(a)*	**(659,020)**	(573,636)
Disposal of interests in subsidiaries without loss of control *(b)*	**527,479**	11,162
Net effect in equity attributable to equity holders of the Company	**(131,541)**	(562,474)

(a) Acquisition of additional interests in subsidiaries

The effect of acquisition of additional interests in subsidiaries is summarised as follows:

	Year ended December 31,	
	2020	2019
	RMB'000	*RMB'000*
Carrying amount of non-controlling interests acquired	**1,113,270**	1,239,808
Consideration paid to non-controlling interests	**(1,772,290)**	(1,813,444)
Excess of consideration paid recognised within equity	**(659,020)**	(573,636)

(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,	
	2020	2019
	RMB'000	*RMB'000*
Carrying amount of non-controlling interests disposed	**(104,596)**	(302,818)
Consideration received from non-controlling interests	**632,075**	313,980
Gain on disposal within equity	**527,479**	11,162

In 2020, the excess income recognized in the equity was mainly derived from the public offering of shares by Levima, a subsidiary of the Company, on the Shenzhen Stock Exchange on December 8, 2020.

55. 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, 2020 and 2019, 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
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
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. (浙江祥邦科技股份有限公司)	Associate of the Group
Honghejiayu Agriculture technology Co.,Ltd (紅河佳裕農業科技有限公司)	Associate of the Group
Transportes Naviera Austral S.A.	Associate of the Group
Kaola Technology	Associate of the Group
Quick Talent Holdings Limited (杰智控股有限公司)	Associate of the Group

55. 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, 2020 and 2019:

	Year ended December 31,	
	2020	2019
	RMB'000	*RMB'000*
Purchase of goods from		
– Associates	**992,947**	1,372,940
Sale of goods to		
– Associates	**17,511**	2,756
Services received from		
– Associates	**38,278**	105,849
Rendering of services to		
– Associates	**73,258**	74,226
Loan provided by		
– Associates	**36,625**	–
Loan provided to		
– Associates	**1,039,027**	1,678,455
Interest income from		
– Associates	**118,536**	119,250
Guarantee for related parties		
– Associates	**742,302**	1,246,647
Purchase of equity investment from		
– Associates	**1,055,603**	–

55. RELATED PARTY TRANSACTIONS (Continued)

(c) Year-end balances due from/to related party

	As at December 31,	
	2020	2019
	RMB'000	*RMB'000*
Account and notes receivables		
– Associates	**3,142**	8,114
Prepayment, other receivables and other current assets *(i)*		
– Associates	**2,243,770**	2,632,897
Current portion of non-current liabilities		
– Associates	**–**	49,157
Trade and notes payables		
– Associates	**222**	17,629
Advance from client		
– Associates	**5,082**	–
Other payables and accruals		
– Associates	**377,507**	961,906
Long-term receivables		
– Associates	**49,721**	12,637
Loans to customers		
– Associates	**288,457**	298,558
Loans to credit institutions		
– Associates	**17,363**	–

55. 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,	
	2020	2019
	RMB'000	*RMB'000*
Shenzhen Science and Technology Park	**795,415**	1,212,810
Zeny Foods (Wuhan) Co., Ltd.	**–**	462,484
Bybo Dental	**316,667**	316,239
Zhejiang Xiangbang Technology Co., Ltd.	**–**	69,432
Hefei Zhiran	**98,829**	107,356
Union Insurance	**200,394**	9,130
Kaola Technology	**567,367**	–
Others	**265,098**	455,446
Total	**2,243,770**	2,632,897

(d) Key management compensation

	Year ended December 31,	
	2020	2019
	RMB'000	*RMB'000*
Fees	**3,045**	2,508
Salaries	**29,610**	60,800
Discretionary bonuses	**40,348**	71,180
Share option and rewards	**74,310**	44,045
Employer's contribution to pension schedule	**34,876**	28,525
Other benefits	**3,560**	6,523
	185,749	213,581

55. RELATED PARTY TRANSACTIONS (Continued)

(e) Guarantee provided to related parties

	As at December 31,	
	2020	2019
	RMB'000	*RMB'000*
Kaola Technology	**3,385,893**	–
Bybo Dental	**622,509**	656,107
Union Insurance	**295,000**	470,000
Social Touch	**140,000**	140,000
Legend Capital Co., Ltd	**115,541**	115,541
Well Faith	**717,737**	767,382
Fortune Eight Deacon Limited	**159,598**	193,512
Honghejiayu Agriculture technology Co.,Ltd	**234,920**	–
Hefei Zhiran	**296,868**	1,425,600
Transportes Naviera Austral S.A.	**60,851**	–
	6,028,917	3,768,142

56. SUBSEQUENT EVENTS

On March 2, 2021, the subsidiary of the Company completed the disposal of the entire equity interest in CAR with aggregate cash consideration of approximately HKD2,252 million (equivalent to approximately RMB1,869 million).

CONDENSED CONSOLIDATED INCOME STATEMENT

	Year ended December 31,				
	2020	2019	2018	2017	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Continuing operations					
Revenue	**417,566,853**	389,218,264	358,919,679	316,262,914	294,745,710
Profit before income tax	**12,632,829**	10,523,986	8,900,801	7,431,880	8,138,759
Income tax expense	**(3,614,400)**	(1,894,460)	(1,359,827)	(2,574,187)	(476,255)
Profit from continuing operations for the year	**9,018,429**	8,629,526	7,540,974	4,857,693	7,662,504
Discontinued operations					
Profit from discontinued operations for the year	**–**	–	–	–	322,506
Profit for the year	**9,018,429**	8,629,526	7,540,974	4,857,693	7,985,010
Profit attributable to:					
– Equity holders of the Company	**3,868,011**	3,606,896	4,361,525	5,047,826	4,858,924
– Perpetual securities holders	**317,801**	370,390	355,897	284,639	-
– Non-controlling interests	**4,832,617**	4,652,240	2,823,552	(474,772)	3,126,086
	9,018,429	8,629,526	7,540,974	4,857,693	7,985,010
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	**1.66**	1.54	1.87	2.16	2.06
– Discontinued operations	**–**	–	–	–	–
	1.66	1.54	1.87	2.16	2.06
Diluted earnings per share					
– Continuing operations	**1.62**	1.51	1.85	2.14	2.06
– Discontinued operations	**–**	–	–	–	–
	1.62	1.51	1.85	2.14	2.06

CONDENSED CONSOLIDATED BALANCE SHEET

	As at December 31,				
	2020	2019	2018	2017	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets	**331,888,932**	330,662,423	289,709,354	161,513,542	148,792,346
Current assets	**319,843,839**	293,412,771	268,557,537	173,560,199	173,466,482
Total assets	**651,732,771**	624,075,194	558,266,891	335,073,741	322,258,828
Non-current liabilities	**163,095,556**	138,617,296	112,104,495	82,693,896	73,957,619
Current liabilities	**401,964,017**	393,633,473	363,144,423	173,398,197	179,308,997
Total liabilities	**565,059,573**	532,250,769	475,248,918	256,092,093	253,266,616
Net assets	**86,673,198**	91,824,425	83,017,973	78,981,648	68,992,212

If there are discrepancies between Chinese and English version of the annual report, Chinese version shall prevail.

联想控股
LEGEND HOLDINGS
BUILDING GREAT COMPANIES