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

2021
ANNUAL REPORT

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
"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
"Bountifresh"	Shenzhen Bountifresh 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
"Bybo Dental"	Taikang Bybo Medical Group Co., Ltd. (泰康拜博醫療集團有限公司), a limited liability company incorporated under the laws of the PRC, and our associate
"CAS Holdings"	Chinese Academy of Sciences Holdings Co, Ltd. (中國科學院控股有限公司), a substantial Shareholder
"China Oceanwide"	China Oceanwide Holdings Group Co., Ltd. (中國泛海控股集團有限公司), a substantial Shareholder
"Company", "our Company" or "Legend Holdings"	Legend Holdings Corporation (聯想控股股份有限公司), a joint stock limited liability company incorporated under the laws of PRC and its overseas listed shares are listed on the Main Board of the Hong Kong Stock Exchange (Stock Code: 03396.HK)
"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
"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 listed on the Shanghai Stock Exchange (Stock Code: 601156.SH), 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 SZSE (Stock Code: 300613.SZ)

"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
"Hengshui Laobaigan"	Hebei Hengshui Laobaigan Liquor Co., Ltd. (河北衡水老白干酒業股份有限公司), a joint stock limited liability company incorporated under the laws of the PRC and listed on the Shanghai Stock Exchange (Stock Code: 600559.SH)
"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
"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 Fruit Technologies Corporation Limited (鑫榮懋果業科技集團股份有限公司), 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 Food"	Joyvio Food Co., Ltd. (佳沃食品股份有限公司), a joint stock limited liability company incorporated under the laws of the PRC, listed on the ChiNext board of Shenzhen Stock Exchange (Stock Code: 300268.SZ), 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
"KB Food"	KB Food International Holding (Pte.) Limited, a limited liability company established under the laws of Singapore, and our subsidiary
"Lakala"	Lakala Payment Corporation (拉卡拉支付股份有限公司), a joint stock limited liability company incorporated under the laws of the PRC, and our associate, listed on the ChiNext Board of the Shenzhen Stock Exchange (Stock Code: 300773.SZ)

"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: 00992.HK), 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 Shenzhen Stock Exchange (Stock Code: 003022.SZ), and a subsidiary of the Company
"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
"MSME(s)"	micro small and medium-sized enterprise(s)
"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
"Nomination Committee"	Nomination Committee under the Board
"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
"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

"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 Food
"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 Technology"	Raycom Technology Co., Ltd. (融科智地科技股份有限公司), 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, 2021
"Shanghai Neuromedical Center"	Shanghai Neuromedical Center Co., Ltd. (上海德濟醫院有限公司), a limited liability company incorporated under the laws of the PRC, and our subsidiary
"Shanghai Stock Exchange"	Shanghai Stock Exchange
"Shareholders"	holders of the shares of the Company
"Shenzhen Stock Exchange"	Shenzhen Stock Exchange
"SME(s)"	small and medium-sized enterprise(s)
"Strategy Committee"	Strategy Committee under the Board
"subsidiary"	has the meaning ascribed thereto under the Listing Rules
"Supervisor(s)"	the supervisor(s) of the Company
"Taikang Life Insurance"	Taikang Life Insurance Co.,Ltd.
"TMT"	technology, media and telecom
"Tohigh"	Tohigh Holdings Co., Ltd. (通海控股有限公司), a substantial Shareholder
"Zhengqi Holdings"	Zhengqi Holdings Corporation (正奇控股股份有限公司), a joint stock limited liability company incorporated under the laws of the PRC, and our subsidiary

Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Directors

Mr. ZHU Linan
Mr. ZHAO John Huan
Mr. SUO Jishuan
Mr. YANG Jianhua

Independent Non-executive Directors

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

BOARD OF SUPERVISORS

Supervisors

Mr. GAO Qiang *(Chairman)*
Mr. LUO Cheng
Mr. ZHANG Yong

NOMINATION COMMITTEE

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

AUDIT COMMITTEE

Ms. HAO Quan *(Chairperson)*
Mr. SUO Jishuan
Mr. YIN Jian'an

REMUNERATION COMMITTEE

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

SECRETARY OF THE BOARD

Mr. WANG Wei

JOINT COMPANY SECRETARIES

Mr. WANG Wei
Ms. YEUNG Yee Har

H SHARE REGISTRAR

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

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor

COMPLIANCE ADVISOR

Somerley Capital Limited

REGISTERED OFFICE

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

HEAD OFFICE IN THE PRC

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

PRINCIPAL BANKS

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 06, 70/F Two International Finance Centre,
No.8 Finance Street, Central, Hong Kong

COMPANY'S WEBSITE

www.legendholdings.com.cn

STOCK CODE

03396

Dear Shareholders of Legend Holdings:

In 2021, the COVID-19 pandemic was still afflicting the world by continuously impacting the layout of the global industrial chain, and hindering the global economic and cultural communications. Meanwhile, global capital markets faced frequent turbulence and the geopolitical tensions intensified. Although the global economy experienced a visible recovery compared to the previous year, the overall growth showed signs of slowdown. Despite such complicated and changing external environment, under the decisive leadership of the Communist Party of China, our country put the pandemic under effective control and our economy began to stably recover. Economic structural optimization, further reform and opening-up, proactive fiscal policies and prudent monetary policies continued. The new "dual circulation" development paradigm with domestic circulation as the mainstay and the domestic and international circulations reinforcing each other showed progress. During the past year, all of us at Legend Holdings never forgot our original aspiration and did our best with all our efforts.

In 2019, at the time of succession, the new management of the Company reaffirmed our dedication to upholding our original aspiration. With a more open and practical attitude, the management aimed to continue to reinforce our fundamentals while putting innovative measures into practice, and integrate our development into the national macro development blueprint.

During these two years, through continuous review and reform, we have accumulated more experience, made some achievements, and gained a deeper understanding of the profound changes in the macro environment and the patterns of industrial development. We upheld our commitment and strode forward step by step. While keeping in mind our original aspiration of revitalizing the country through business, as a global company from China, we dedicated our efforts to uphold the principles of the new "dual circulation" development paradigm. In 2021, we realized a revenue of RMB489.872 billion with an increase of 17% year-on-year, and the net profit attributable to equity holders of the Company was RMB5.755 billion, representing an increase of 49% year-on-year, both of which were record high.

More importantly, through practice and experience accumulation, we gained an in-depth understanding of the responsibilities that should be shouldered by an enterprise in the new era and became more determined with our future direction. We will continue to reinforce the strategy of achieving development empowered by technological innovation, increase investment in technology and innovation, enhance our support to "specialized and new" (專精特新) enterprises, improve the industrial operation of our pillar enterprises, and more actively fulfill our corporate social responsibilities.

Staying true to our original aspiration and strengthening technological innovation empowered development through increasing investments

As one of the first technology enterprises in China originated from the Chinese Academy of Sciences (CAS), we have always upheld our original aspiration to revitalize the country through business. As China further promotes the strategy of high-quality development driven by technological innovation, and following Chinese Academy of Sciences' guidance in becoming "a main force in enhancing the national strategic scientific and technological competitiveness", we will strive to play a more active role and further increase investment in technological innovation so as to facilitate industrial optimization and upgrading and improve our technological innovation capabilities. In 2021, Legend Holdings made more investment in technological innovation and was ranked 10th in the list of "2021 Top 500 Private Enterprises in R&D Spending". We also established an innovation center which specializes in systematic research on the trends of technological innovation and industrial layout in China and overseas. Meanwhile, we actively promoted digital transformation and upgrading in Legend Holdings' business sectors:

- Lenovo confirmed and set its target of doubling R&D investment and R&D personnel in the coming three years, that is, an R&D investment of RMB20 billion per year and 24,000 R&D personnel. By the fourth quarter of 2021, Lenovo had spent RMB3.5 billion in this area, which was a significant increase from previous years.

- Levima Advanced Materials planned to invest RMB10 billion to enter new energy material and biodegradable material sectors. Several major projects have been filed with competent authorities and commenced construction. In 2021, Levima Advanced Materials applied for 41 patents and completed laboratorial R&D for 20 new products and new processes, the production processes for 18 new products and the commercialization of 16 new products.

- Fullhan Microelectronics continued to increase its investment in the chips with R&D expenses increasing by more than 100% over the previous year. Mass production has commenced for 22 nanometer SoC chips, and R&D efforts will soon be put into 12 nanometer chips.

Strengthened supports for "specialized and new" enterprises

Originated from the Chinese Academy of Sciences, we have extensive experience in facilitating the commercialization of technological achievements. Supporting the development of "specialized and new" enterprises remains an important goal of Legend Holdings. During the past year, through combined market and social welfare-based means and fully leveraging our experience and capabilities, we continued to empower and support the development of "specialized and new" enterprises in China. In 2021, Legend Holdings, through Legend Star and Legend Capital, invested in more than 100 new technology projects covering different niche segments such as cutting-edge technology, biomedicine, advanced manufacturing and TMT and successfully introduced 21 investee companies to the capital markets, representing a record high, and we continued to be known as one of the best in the industry. As of the end of 2021, a total of 39 investee companies were selected into the list of state-level specialized and new enterprises. In addition, our various businesses are also actively supporting the growth of those enterprises in China:

- Lenovo supports the business growth of 35 state-level specialized and new enterprises through supply chain procurement;

- JC Finance & Leasing supports nearly 30 state-level specialized and new enterprises by providing financial leasing;

- Hankou Bank supports more than 100 state-level specialized and new enterprises by providing financial services.

On the social welfare front, we launched the "Legend Star CEO Training Program (聯想之星創業CEO特訓班)" a social welfare program which provided free training for founders of technology startups. The program has trained more than 1,000 entrepreneurial talents for advanced technology fields, including artificial intelligence, chips, robots, autonomous driving, new energy, quantum technology, new medicine R&D, digital medicine and genetic technology. A total of 38 companies founded by those "Star Friends" ("星友") have been successfully listed with a total valuation of over RMB1 trillion, and providing over 250,000 jobs. Among the participants who just completed the 13th training session, one third of them have obtained new financing during the course of their training, with a total amount of RMB10 billion. The total amount of financing that the participants obtained during the 14th training session was over RMB50 billion and nearly 10,000 jobs were thereby created.

Actively fulfilling social responsibilities and committed to ESG

Legend Holdings always fulfills social responsibilities and attaches great importance to its ESG-related performance. We are committed to making contribution to the high-quality development and common prosperity in China.

Firstly, we keep promoting local employment and economic growth through the development of enterprises. By the end of 2021, our business lines covered all provinces, cities and regions across China, with nearly 100,000 employees, and more than 2,000 companies in our industrial chain, created more than 250,000 jobs and made an annual tax contribution of over RMB10 billion.

Moreover, Legend Holdings has been making contributions to areas such as fostering start-ups, rural revitalization, promoting social integrity, and responding to disasters. In 2021, it donated a total of over RMB100 million. "Legend Advancing Education Fund (聯想進取教育基金)", the "Legend Beijing Special Foundation for Heroes, Models and Justice-Upholders (首都英模暨見義勇為人士專項基金)" and "Legend Star CEO Training Program", which were launched ten years ago, have been consistently supported by us until today. In 2021, when the heavy storm attacked Henan, our people provided onsite support without delay.

In respect of ESG, we have attached great importance to it and make greater efforts together with our subsidiaries:

- Lenovo joined the United Nations Global Compact in 2009. It is the first domestic company to join the Science Based Targets initiative, and to set science-based carbon reduction targets. Over the past decade, Lenovo has reduced its carbon emissions by 92%, and its low-carbon practice has been selected as a case study for advanced enterprise practice by the United Nations. It has set a goal of net zero carbon emissions by 2050, and actively exported products, services and solutions to help other enterprises in various industries achieve carbon neutrality.

- BIL is a signature bank of the United Nations Principles for Responsible Banking (UN PRBs) and the United Nations Global Compact. It has successfully issued four ESG investment funds certified by professional institutions and helped Chinese enterprises issue green bonds.

- Levima Advanced Materials has focused on the development of new energy material and biodegradable material and has made contributions to China's environmental protection, green development and dual-carbon state policy. It continues to effectively reduce energy consumption and greenhouse gas emissions by cutting down unit consumption and improving equipment, technology and processes. It is a national-level green factory and a local benchmark green enterprise for ecological and environmental protection.

Consolidating industrial operations

One of the important means for us to revitalize the country through business is to strengthen our foothold in industries by consolidating industrial operations. We started our business in the IT sector in the 1980s. Over nearly 40 years, we have gradually become a large and diversified enterprise. Looking back on our history, the Legend Holdings family successively fostered industry-leading companies such as Lenovo, Levima Advanced Materials, Joyvio Group and BIL. Through continuously enhancing their positions in the industries, improving their operations and managements and other means, we have seen their leapfrog development and made them pillars of Legend Holdings, creating long-term and stable returns to the shareholders, while promoting the sound development of the upstream and downstream industrial chains and contributing to China's real economy. Industrial operations is one of Legend Holdings' core capabilities. At present, although there are a lot of challenges in the internal and external environment, we will exert our full strength to reinforce the foundation of industrial operations, which is important to us in making stable progress with confidence and courage in the future. It will continue to be an integral part of our long-term strategy.

Forging ahead with integrity and honor

We are a company with integrity and honor. It is our goal to earn trust from the country, the people and all parties. We always bear in mind that, without support and help from all sides, Legend Holdings will not be able to come so far to achieve success and development, and thus we are pleased to hear comments and opinions which are valuable to our growth. We will take them seriously, and upon comprehensive analysis and introspection, we will transform them into important driving forces for our development.

My dear friends and colleagues, in the past forty years, with understanding and support from the Party, the country, the CAS and the general public, Legend Holdings and our subsidiaries have gained achievements and suffered setbacks. We have earned fruitful results and identified drawbacks. But what remains unchanged is our original aspiration to revitalize the country through business. We always bear in mind our mission of promoting scientific and technological innovation, empowering industrial development, and enhancing China's scientific and technological competitiveness, and we always fulfill our social responsibilities as a global company from China. Going forward, with an open mind and a pragmatic work style, we will uphold the entrepreneurial spirit and will always be closely connected to the fate of the country and the well-being of the people and align ourselves with the trend of our times and the expectation of society. We will spare no effort and move forward with determination courage, and perseverance in the new journey ahead to achieve great things, and make more contributions to the new era. With 40 years of team building, corporate culture and capabilities, we have accumulated solid experience which will for sure transform into an invincible force to drive us forward.

My heartfelt appreciation goes to all Shareholders for your continued support, and to our management and colleagues for your unrelenting efforts and dedications!

Let's achieve greater glories together on our new journey!

Legend Holdings Corporation
Ning Min
Chairman of the Board

CEO Report

Legend Holdings is an enterprise rooted in China and has integrated itself into the social and economic development of the country. While serving the domestic market, it has also gained presence and solid competitive edges in international markets. In 2021, against the backdrop of a complicated and changing international environment and the ravaging COVID-19 pandemic, the Chinese government decisively addressed the pandemic and launched a number of policies and measures to maintain the economic growth. Thanks to such policies and measures, the economy enjoyed a stable growth and the capital market was guaranteed an orderly development, which created an enabling environment for the operations of enterprises and a productive soil for their sustainable growth.

The year of 2021 marked a milestone in the history of the Communist Party of China and our country. Legend Holdings gained a clear understanding and shouldered the missions and social responsibilities of an enterprise in the new era through various means. Upholding our original aspiration of revitalizing the country through business, the Company strengthened our foothold in those industries it focused, proactively responded to the impacts of the pandemic and various external environmental changes, dynamically modified our business strategies and increased our investments in technology and innovation. With the joint efforts of the management and all our employees, Legend Holdings realized a revenue of RMB489.872 billion, representing an increase of 17% year-on-year, and a net profit attributable to equity holders of the Company of RMB5.755 billion, representing an increase of 49% year-on-year. Both revenue and profit hit historic high.

During the Reporting Period, we enriched the original aspiration of Legend Holdings to "revitalize the country through business". We set our long-term core goal to establish and develop pillar businesses across industries. In addition, we gathered resources for enterprises through direct investments or investment funds management. We either directly operated and managed enterprises as a major shareholder, or, through sound governance structures, supported those promising partners or management teams in achieving their corporate development goals. Accordingly, we have re-organized the Company's businesses and operations, and made adjustment to the business segments set out in our financial report based on scale and strategy. We consider that the two segments, namely industrial operations and industrial incubations and investments, would better reflect our insights of our strategic development.

The industrial operations segment includes principal subsidiaries held by Legend Holdings as a major shareholder, which have been allocated with substantial resources reached a considerable business size and have a significant influence to the long-term development of the Company. Through industrial development planning, in-depth cooperation with leader talents, reasonable and effective management and control methods with extensive empowerment and capability building, we guide and promote the solid growth of these companies, consolidate their positions in industries and strengthen their core competitive edges so as to establish them as our pillars, thereby realizing long-term and steady financial returns for Shareholders. We aim to establish a group of leading companies across the industries in which we have presence in order to provide a wide-range of customers with high-quality products and services, and through these companies, to promote the development of SMEs in relevant industrial chains and the progress of the overall industries.

Enterprises under our industrial incubations and investments segment are those either incubated or directly invested by Legend Holdings, or invested and managed by our fund platforms. Through these means, we further support the real economy, in particular, start-ups and growing-stage companies. Our resource allocation includes not only equity capital, but also financial support services and management consulting resources, thereby expanding our capacities to serve the industries. A considerable number of companies in this segment have good prospects and are regarded as important sources of value growth for Legend Holdings. If both parties' strategies are aligned, we may consider building a long-term equity relationship with very promising companies from this segment and incorporate them into the industrial operations segment.

During the Reporting Period, we proactively motivated our subsidiaries to increase their investments in technology and innovation and carry out the digital transformation and upgrading. We also established an Innovation Center which specialized in systematic researches on the trends of innovation and the advanced technologies in related science and technology fields at home and abroad, and exerted our strength to explore what we could do to make contributions to the technological advancement of our country. In addition, through direct investments or funds under our management, we increased our investments and strengthened the supports for the technology start-ups.

OPERATING HIGHLIGHTS

Record-high revenue and profit from industrial operations further consolidating business foundations

The industrial operations segment recorded a revenue of RMB486.004 billion, and the net profit attributable to equity holders of Legend Holdings amounted to RMB5.857 billion. For the past three years, the compound annual growth rates for revenue and net profit attributable to equity holders of Legend Holdings reached 11% and 46% respectively. At present, this segment contributes 99% of the revenue, 81% of the assets, and 79% of the net profit attributable to equity holders of Legend Holdings to the two major business segments.

- Leveraging the global sweeping wave of digitization and smart technologies, all the three business segments under Lenovo realized record-high revenues and their profitability further improved. The Intelligent Devices Group (IDG) continued to grow steadily with a record-high profit margin. The Infrastructure Solutions Group (ISG) reached a new milestone and realized profit for the first time in the fourth quarter of 2021 since the acquisition of IBM x86 server business. The Solutions and Services Group (SSG) maintained a high growth rate and continued to enhance profitability, achieving a higher profit margin. In 2021, Lenovo realized a revenue of RMB455.331 billion, representing an increase of 18% year-on-year, and the net profit attributable to equity holders of Legend Holdings amounted to RMB4.019 billion, representing an increase of 92% year-on-year.

- Garnering worldwide attention, Beijing Winter Olympics drew to a successful close recently, leaving exhilarating moments for China and the world at large. Lenovo proactively supported the Winter Olympics and provided 13,900 sets of integrated equipment and IT equipment operation and maintenance services for the entire process with 430 engineers, achieving the high standard of "zero failure". It also built 800 high-performance computing systems for Beijing Meteorological Service, delivering minute-level accuracy and 100-meter-level weather forecast, creating the highest standard in the history of the Winter Olympics service. In addition, Lenovo provided its proprietary smart training solutions for the Chinese national short-track speed skating team and national speed skating team, helping Chinese Olympic athletes achieve great results.

- Benefiting from factors such as strong demands for new energy products, improved operational efficiency, and high-end differentiated product strategies, Levima Advanced Materials achieved record-high revenue. In addition, Levima Advanced Materials actively cultivated new profit growth and expanded into the field of biodegradable materials through the acquisition of Jiangxi Keyuan Bio-Material (江西科院生物) and made investments in new energy materials and other projects. Meanwhile, Levima Advanced Materials was selected into the CSI 500 Index and Shenzhen Component Index as a constituent stock successively, and has been included in the list of Shenzhen Stock Connect. In 2021, Levima Advanced Materials realized a revenue of RMB7.581 billion, representing an increase of 28% year-on-year, and a net profit attributable to equity holders of Legend Holdings of RMB565 million, representing an increase of 70% year-on-year.

- Joyvio Group continued to focus on its two main business lines, namely high-end fruit and premium animal protein. For fruit business, Joy Wing Mau actively dedicated more marketing efforts, vigorously promoted sales through e-commerce channels and further strengthen the "Joyvio" brand in the high-end markets. For premium animal protein, Joyvio Food benefited from the rebounding global salmon price, and therefore its businesses continued to recover. Meanwhile, it continued to put more efforts in the research and development of value-added products and expand diversified sales channels. In addition, Joyvio Group realized a return of capital through the disposals of its non-core businesses. In 2021, Joyvio Group recorded a revenue of RMB17.937 billion, an increase of 5% year-on-year and a net profit attributable to equity holders of Legend Holdings of RMB372 million, turning loss into profit.

- BIL constantly upgraded its business models and actively implemented its China strategies by providing facilities to Chinese enterprises and financial institutions "going global", on the one hand, and by "bringing in" foreign capital to China, on the other. In 2021, BIL's all key business indicators recorded year-on-year growth. CET-1 ratio went up to 14.15%. BIL's ratings with both Moody's and Standard & Poor's stayed stable (at A2/Stable/P-1 and A–/Stable/A-2 respectively). In 2021, BIL realized a revenue of RMB4.465 billion, and its net profit attributable to equity holders of Legend Holdings amounted to RMB873 million, representing an increase of 35% year-on-year (excluding the impact on exchange rates).

Sound development of industrial incubations and investments fostering promising enterprises

The segment of industrial incubations and investments contributed a net profit attributable to equity holders of Legend Holdings of RMB1.540 billion, accounting for 21% in the two major segments. The Company owns leading fund management companies and a group of high-quality companies with great growth potential, for example:

- Legend Capital: in 2021, it retained its top rankings in the selection of primary market funds, with newly raised proceeds of RMB11.3 billion, assets under management of over RMB60 billion and 51 new projects under its investments, covering TMT, innovative consumption, medical and healthcare services, corporate services, intelligent manufacturing and other fields. It also partially or fully exited 54 projects, and 15 of its investee companies entered domestic and overseas capital markets, contributing a cash inflow of more than RMB2.3 billion to Legend Holdings.

- Legend Star: in 2021, it maintained its leading position in the selection of angel funds. Currently, its assets under management exceed RMB4 billion with more than 50 new domestic and overseas projects under its investments, covering cutting-edge technology, biomedicine, digital medicine, TMT and other areas. Nearly 90 projects under its management have completed the next round of private funding, whilst Legend Star has exited nearly 20 projects. Its investee Keymed Biosciences was listed on the Hong Kong Stock Exchange during the Reporting Period.

- Fullhan Microelectronics: it improved and upgraded its product lines through R&D and innovation. At present, it has comprehensively established itself in products and solutions in such fields as Smart Surveillance, Smart Home and Smart Automotive. In respect of Smart Surveillance, it has developed front- and back-end synergy and the ability to provide one-stop solutions. In respect of Smart Home, it has established cooperation with the three major domestic operators. In respect of Smart Automotive, it has accomplished the upgrading of its layout from post-installation to pre-installation and from image processing chips to transmission chips, while launching a series of competitive products. Thus, it achieved substantial year-on-year growth in performance.

- Lakala: it actively established its presence in digital RMB and became one of the only two payment institutions among the first 15 strategic partners of the People's Bank of China in digital RMB. Its settlement business continued to grow, maintaining its position in the market with leading the development of industry. Lakala also launched the pilot cloud supermarket platforms in 25 cities across the country, which digitally connected merchants, supply of merchandise, and logistics systems through the SaaS platform, and thus helped SMEs develop their businesses. During the Reporting Period, it recorded steady growth in both revenue and profit.

- EAL continued to increase its investments in and expanded freight capacity through multiple channels. It enhanced its cargo utilization rate through such measures as improving its air freight network and cargo operation standardization process. Furthermore, EAL promoted the district-port linkage model (區港聯動模式) featuring a "one-stop aviation services center" (一站式空服中心) with efforts to enhance and optimize its comprehensive ground service capabilities. EAL also expedited the development of a comprehensive logistics solution product system, with efforts to boost direct customer development and rapidly expand the business scale. During the Reporting Period, EAL achieved a surge in its revenue and profit.

More investments in science and technology innovation and greater support for technology start-ups

Legend Holdings has a glorious tradition in the industrialization of scientific and technological achievements, and will make more contributions to the development of innovative technological industries of China in the next step. In 2021, we continued to redouble our efforts, directly or indirectly, in the industrial incubation, investment and financial support in fields of science and technological innovation, with certain achievements made. For example,

- Lenovo will meet its goal of investing an annual average of RMB20 billion in R&D in the next three years and doubling its R&D personnel to no less than 24,000. At present, relevant work is progressing steadily. In the fourth quarter of 2021, it invested RMB3.5 billion, representing a year-on-year increase of 38%.

- Levima Advanced Materials adhered to its innovation-driven strategy with a 60% year-on-year increase in R&D investments, and stepped into the fields of new energy materials and biodegradable materials by actively working on new energy material projects such as EVA photovoltaic film, carbonate-based solvents for lithium batteries, and ultra-high molecular weight polyethylene as lithium battery separators, as well as biodegradable material projects such as PLA (polylactic acid) and PPC (polypropylene carbonate).

- Fullhan Microelectronics has constantly attached great importance to R&D innovation, maintained a high proportion of R&D investments, and promoted the improvement and upgrade of its product lines. It has developed a complete product line from simulation to digitization and from front end to back end, with its R&D expenditures up by more than 100% over the previous year.

- Legend Star and Legend Capital continuously provided their supports to technology start-ups, and invested in more than 100 new innovative technological projects. Hankou Bank provided financial services for over 4,000 technology-based enterprises. JC Finance & Leasing and Zhengqi Holdings provided a large number of technology-based enterprises with financial services such as leasing, factoring, small loans and equity investments. Through various means of financial support, we have fostered a large number of specialized and new enterprises in the scientific and technological innovation sector, and have become reliable partners of those enterprises in their path towards development.

Continued efforts to help investee companies to enter the capital markets

Legend Holdings continued to promote its investee enterprises to enter the capital market in 2021. Among the first batch of state-owned enterprises piloting the mixed ownership reform, EAL officially entered the capital market on June 9, 2021, becoming the "first stock in Chinese air logistics". In addition, Legend Holdings also developed its investment capabilities covering corporate growth life-cycle at all stages via multiple platforms, and helped enterprises to grow through post-investment management and continuous empowerment. In 2021, a total of 21 investee companies entered the capital markets, which set a historic high.

Comprehensively intensified implementation of ESG-related initiatives

In 2021, Legend Holdings remained active in fulfilling its corporate social responsibilities, responded to the national policies of carbon peaking and neutrality and common prosperity, and strengthened and implemented its ESG-related initiatives in an all-round manner. For example:

With regard to energy conservation and emissions reduction, Lenovo has set up its goal of achieving net-zero carbon emissions by 2050, with efforts to fully leverage its advantages as a pioneer in ESG to promote its practical experience. Its "water-cooling servers with warm water", new low-temperature solder paste as well as product packaging with bio-based material and bamboo fiber have been recognized and promoted by numerous authorities, including the United Nations Global Compact and the Ministry of Industry and Information Technology of the People's Republic of China (MIIT). Levima Advanced Materials supported the national policies of carbon peaking and neutrality in its businesses, with vigorous efforts to develop new energy and biodegradable materials. During the Reporting Period, it successively launched a number of major projects, and effectively achieved the objectives of lower energy consumptions and greenhouse gas emissions through such initiatives as continuous reductions in unit consumption, device and technology improvements, and process optimization.

With regard to epidemic and disaster relief, Lenovo donated RMB50 million and gathered a team of 500 engineers to the frontline disaster-stricken areas during the rainstorm in the Henan province. Shanghai Neuromedical Center dispatched a medical volunteer team to support epidemic prevention frontline in Shanghai, and organized a team of experts to provide volunteer medical consultation in the local communities.

With regard to social responsibility and social welfare, Joy Wing Mau under Joyvio Group carried out "invigorating rural areas through the fruit industry" (鑫果興農), a strategy aimed at rural revitalization with the objective of promoting distinctive local fruits. To protect river dolphins and the ecological environment, Lenovo offered intelligent ecological solutions through donation. BIL formally became a signature-recognized bank of the United Nations Global Compact and the United Nations Principles for Responsible Banking (UN PRBs), and helped Chinese enterprises successfully issue green bonds. Legend Capital, as the first leading VC/PE institution in China joining United Nations Organization for Responsible Investment, has invested in over 20 "dual-carbon (雙碳)" technology-based enterprises.

OUTLOOK

In 2021, we performed several rounds of review and assessment of the Company's achievements and drawbacks in its various operations, and adopted a higher standard to study ways to realize the Company's long-term sustainable development under the new circumstances so as to bring medium and long-term sound returns for Shareholders. Based on the review of our past performance, we re-confirmed the original aspiration of Legend Holdings, i.e., to revitalize the country through business. The long-term development of the Company must be in line with the national strategy that China's sci-tech innovation empowers high-tech development. With industrial operations and technological innovation at the core of the Company's long-term development strategy, we will concentrate and allocate our resources in these fields. Meanwhile, we will continue to take corporate social responsibility as our strategic priority. Through our long-term and unremitting efforts, we will promote better ESG performance in Legend Holdings.

2022 will be another year of uncertainties. The COVID-19 epidemic shows no sign of a significant recovery. The international political and economic environment is changing drastically. The global supply chain systems are being substantially reorganized. Tremendous fluctuations are seen in the capital markets recently. However, in spite of such unfavorable factors, China's economic fundamentals that will sustain long-term growth remain unchanged. The Central Economic Work Conference proposed to prioritize stability while pursing progress, and stride forward with confidence on the road of high-quality development.

In 2022, we will focus on our core strategy of industrial operations and technological innovation and further study and refine the Company's future development model and management systems in order to formulate clear development goals and strategic plans, and determine the areas and pace of the Company's resource allocation for the next step.

In terms of business management, stability is the Company's top priority. We will exert all our strength to stabilize our operations, and manage and control relevant risks. As for setting our goals, we will be more pragmatic instead of aggressive, make investments more prudently, reduce costs and increase efficiency. Nevertheless, our team still needs to enhance the quality of our assets through substantial investments, management and services, and strengthen the fundamentals of industrial operations. We will drive the improvement of businesses in the industrial operations segment from a long-term perspective to achieve steady growth of our businesses. In terms of the industrial incubations and investments, technological innovation is still the focus of our resource allocation. While proactively responding to possible value fluctuations of the capital markets, we also exert more efforts to seek and identify our new opportunities for value creation.

One of our high-priority tasks is to constantly align our resource allocation with the Company's strategic goals. In 2022, on the one hand, we will further intensify our efforts to promote the IPO of eligible enterprises. On the other hand, from the perspective of the long-term development of our investee enterprises, we will make efforts to introduce strategic shareholders who can provide more resources supports for those enterprises. Also, we will drive the relevant reorganizations so as to release their values and realize returns of resources for Legend Holdings.

As we vigorously advance our efforts in various businesses and management, we will also further improve our corporate governance to continuously upgrade its standards. We will, as always, enhance our organizational constructions, and review and revise our appraisal and incentive systems in order to upgrade the qualifications of our team and their management and business capacities, especially in the field of technological innovation where more training and introduction of professional talents is urgently needed.

Legend Holdings Corporation
LI Peng
Executive Director and Chief Executive Officer

Revenue contributions from the Company and its subsidiaries' businesses

Unit: RMB million

	2021	2020	Change in amount	Change %
Industrial operations	**486,004**	412,654	73,350	18%
Lenovo	**455,331**	384,992	70,339	18%
Levima Group	**8,271**	6,045	2,226	37%
Joyvio Group	**17,937**	17,037	900	5%
BIL	**4,465**	4,580	(115)	(3%)
Industrial incubations and investments	**3,875**	4,933	(1,058)	(21%)
Elimination	**(7)**	(20)	13	N/A
Total	**489,872**	417,567	72,305	17%

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

Unit: RMB million

	2021	2020	Change in amount	Change %
Industrial operations	**5,857**	2,751	3,106	113%
Lenovo	**4,019**	2,093	1,926	92%
Levima Group	**593**	355	238	67%
Joyvio Group	**372**	(368)	740	N/A
BIL	**873**	671	202	30%
Industrial incubations and investments	**1,540**	2,535	(995)	(39%)
Unallocated	**(1,642)**	(1,418)	(224)	N/A
Total	**5,755**	3,868	1,887	49%

Asset allocation of the Company and its subsidiaries' businesses

Unit: RMB million

	2021	2020	Change in amount	Change %
Industrial operations	**548,037**	517,759	30,278	6%
Lenovo	**275,233**	237,232	38,001	16%
Levima Group	**13,107**	10,074	3,033	30%
Joyvio Group	**23,449**	22,826	623	3%
BIL	**236,248**	247,627	(11,379)	(5%)
Industrial incubations and investments	**114,808**	116,522	(1,714)	(1%)
Unallocated	**20,571**	21,521	(950)	(4%)
Elimination	**(2,730)**	(4,069)	1,339	N/A
Total	**680,686**	651,733	28,953	4%

BUSINESS REVIEW

For the year ended December 31, 2021, Legend Holdings posted a revenue of RMB489,872 million, an increase of 17% year-on-year, mainly contributed by the growth of industrial operations segment. The segment seized market opportunities and took forward-looking steps, generating a revenue increase of 18% year-on-year.

The net profit attributable to equity holders of Legend Holdings amounted to RMB5,755 million, an increase of 49% year-on-year, which was mainly due to: 1) the continuous growth momentum of our industrial operations segment and its further enhanced profitability driven by the consolidation of its existing businesses advantages, the strengthening of our precise management and deepened innovation in all aspects; and 2) the significant impairment provision of CAR Inc., ("CAR") during the corresponding period of last year. During the Reporting Period, the Company completed the disposal of the entire equity interest in CAR and realized a satisfactory investment return.

Industrial Operations

Overview

As controlling shareholder, Legend Holdings regards revitalizing the country through business as our mission. Through pursuing long-term cultivation and in-depth layouts in each field we operate, we have created enterprises with industry-leading positions, scale advantages and excellent profitability through multiple means such as substantive investments and management and delicate management. Our industrial operations segment includes:

- Lenovo (Stock Code: 00992.HK), our subsidiary, which mainly provides innovative intelligent devices and infrastructure solution, and creates intelligent solutions, services and software;
- Levima Group, our subsidiary, which focuses on advanced materials research, development, production and sales;
- Joyvio Group, our subsidiary, which operates business mainly in the fields of modern agriculture and food; and
- BIL, our subsidiary, which mainly provides comprehensive banking services, including corporate and institutional banking, retail banking, private banking, capital markets, and other businesses.

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

Unit: RMB million

	2021	2020
Revenue	486,004	412,654
Net Profit	15,475	7,916
Net profit attributable to equity holders of Legend Holdings	5,857	2,751

During the Reporting Period, the revenue of our industrial operations segment was RMB486,004 million, representing a year-on-year increase of 18%. The growth was mainly due to the factors that: 1) Lenovo seized the high-growth and high-profit market opportunities generated by the acceleration of global digitalization and intelligent transformation, and its revenue increased by 18% to RMB455,331 million; 2) benefiting from strong demand for new energy products, improved operational efficiency and high-end diversification product strategy, Levima Group reported the revenue of an increase by 37% to RMB8,271 million.

The net profit attributable to equity holders of Legend Holdings was RMB5,857 million, representing a year-on-year increase of 113%. The growth was mainly attributable to the factors that: 1) Lenovo continued to focus on high-profit business areas while strengthening its leading edges, which further improved its profitability; 2) the boom in the downstream demands of Levima Advanced Materials (Stock Code: 003022.SZ) drove up the prices of its core products, while the deployment of upstream resources also created advantages in cost, which in all led to a year-on-year growth in the gross profit margins; 3) benefiting from the profit growth of fruit business, the reduction in losses of animal protein business, and the satisfactory return from the disposal of the equity interest in its investee companies, Joyvio Group successfully recorded a turnaround from loss to profit; 4) BIL improved assets quality, and delivered resilient performance with lower loan provisions year-on-year, resulting in a stellar growth in profit.

Lenovo

Lenovo, a Fortune Global 500 company, develops, manufactures and sells high-end technology products and provides related services to corporate and individual customers. As of December 31, 2021, we held 33.445% equity interest in Lenovo, directly and indirectly.

The continuous acceleration of digital transformation, strong demands of new IT services, the ever-increasing popularity of cloud and the trend of hybrid working brought tremendous market opportunities to Lenovo. During the Reporting Period, the three core businesses of Lenovo achieved record-high results and further improvement of profitability.

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

Unit: RMB million

	2021	2020
Revenue	**455,331**	384,992
Net profit	**12,966**	7,544
Net profit attributable to equity holders of Legend Holdings	**4,019**	2,093

During the Reporting Period, Lenovo's revenue increased by 18% year-on-year to RMB455,331 million. Such increase was due to the following factors: 1) revenue of its industry-leading PC segment increased rapidly on the back of commercial recovery and strength in premium segments; 2) in the mobile space, a strong product portfolio and broader carrier ranging led to significant market share gains and hyper sales growth; 3) by capturing opportunities of the "New IT" trend, it further increased the penetration rate of service business, and the Solutions & Services Group (SSG) business achieved strong growth; 4) the infrastructure upgrade cycle promoted new spending in datacenters, thereby supporting the momentum of Infrastructure Solutions Group (ISG) business.

The net profit attributable to equity holders of Legend Holdings increased 92% to RMB4,019 million. Such increase was mainly due to the following factors: 1) driven by the high growth in high-profit market, the Intelligent Devices Group (IDG) achieved a record-high profit margin; 2) the profit margin of the SSG business far outweighed other businesses, and increased further during the Reporting Period, which promoted the overall profitability of Lenovo; 3) in the fourth quarter of 2021, ISG achieved profitability for the first time since the IBM x86 acquisition in 2014.

Intelligent Devices Group (IDG)

The IDG, consisting of the PC, tablet, smartphone, and other smart devices businesses, delivered a prominent growth in revenue and profit during the Reporting Period, with its operating profit margin of 7.5% reaching an all-time high. Benefiting from the acceleration of digital transformation and the increasing popularity of the "hybrid work model", the market demand for PC business remained stable at a high level. It gradually shifted to the commercial and premium segment markets with high profitable and high value-added, leading to a significant increase in the revenue of high-end products such as workstations, premium Think-series and gaming product series.

During the Reporting Period, the revenue of non-PC business increased significantly with its revenue proportion in IDG business further growing. By continuously implementing the strategy of product innovation and product portfolio optimization, the smartphone business has achieved profitable growth for 7 consecutive quarters. In particular, its revenue achieved a year-on-year increase of 46% in the fourth quarter, the fastest growth among major phone manufacturers. The activation rate of devices reached the highest level since its acquisition of Motorola.

In the future, the IDG business will continue to drive consistent premium-to-market growth by addressing sector opportunities including the robust commercial upgrade cycle and the trend of premiumization. Meanwhile, it will keep increasing its investment in the innovation of high-end products to further improve the profitability of the business. The smartphone business will focus on the differentiation to take advantage of accelerated 5G adoption and a changing competitive landscape. Furthermore, Lenovo will continue to invest in IoT and related accessories market, so as to better seize the opportunities from the emerging market and expand the non-PC business.

Infrastructure Solutions Group (ISG)

As one of the fastest-growing suppliers in the global infrastructure segment, Lenovo is committed to establishing industry-leading end-to-end integrated solutions with its full-stack service capabilities to meet the diversified demands from customers. During the Reporting Period, benefiting from upgrading demands of global infrastructure and the rapid development of edge computing, hybrid cloud and AI deployment, ISG's revenue increased significantly and recorded profit successfully for the first time in the fourth quarter of 2021.

During the Reporting Period, the revenue of the Cloud Service Provider (CSP) increased rapidly. By fully taking advantage of its independent design and manufacturing capabilities, Lenovo provided integrated solutions covering design, manufacturing, supply chain and global services to its customers and further enlarged its customer base by enriching the product portfolios. In the future, Lenovo will continue to strengthen its existing advantages and launch product portfolios which will meet the customer demands better to further drive profitable growth.

In the fourth quarter of 2021, the sales volume of Enterprise & Small-and-medium Business (ESMB) created a new record in the past 5 years, winning various orders in high-margin product segments such as servers, software and services. In the future, while strengthening the high-margin and high value-added product portfolio business, Lenovo will enlarge its investment in fields such as edge computing, hybrid cloud solutions, high-performance computing and telecommunication, further improve the accumulation of related technologies and capacity building, aiming to seize the growth opportunities in the new era.

Solutions and Services Group (SSG)

Focusing on the fastest-growing "New IT" service segment, SSG consists of three business segments, namely Support Services, Managed Services and Project Services & Solutions. During the Reporting Period, benefiting from the acceleration of intelligent transformation, the consistent trend of "hybrid working", commercial recovery, and increasing awareness in Environmental, Social and Governance (ESG), the revenue of SSG delivered a prominent growth with the operating profit margin further increased to 21.7%.

The hybrid work model fueled strong demand for Premier and Custom Fulfillment Services, while Sustainability Services (including Asset Recovery Services) gained a broader customer base. Support Services revenue surged due to rising service penetration. Driven by TruScale as-a-service portfolio solutions model, both revenue and profit of Managed Services increased; Project Services and Solutions reported a significant revenue growth, with Lenovo's in-house Intellectual Property Solution further promoted. Moreover, its total contract value in fourth quarter more than tripled with important deals signed for Smart Retail.

Looking ahead, SSG will continue to seize the opportunities from the rapidly growing "New IT" trend and remote working. While increasing service penetration, SSG will continue to innovate and commit to R&D investments in order to drive business growth and enhance the profitability of Lenovo.

Levima Group

Levima Advanced Materials is held by the Company through Levima Group, our subsidiary. Levima Advanced Materials mainly engages in the R&D, production and sale of advanced material products. As of December 31, 2021, the Company held 51.77% equity interest in Levima Advanced Materials.

During the Report Period, Levima Advanced Materials actively responded to the rise of raw material prices and changing macroeconomic policies. Leveraging its core competitive advantages, Levima Advanced Materials achieved significant improvements in its performance. Furthermore, Levima Advanced Materials focused on its goal to "become a distinguished enterprise in the advanced materials platforms and to gain a presence in the leading industrial clusters in certain segments of the advanced material industry", and made solid and steady progress.

In terms of strategy, Levima Advanced Materials has always attached great importance to building up its industrial chain system. In May 2021, Levima Advanced Materials completed the acquisition of Levima (Shandong) Chemicals Co., Ltd. (聯泓山東化學有限公司) ("Levima Chemicals"), an upstream methanol raw materials supplier. Through such investment, on one hand, it ensured the stable supply of upstream raw materials, and on the other hand, it also enabled further control and reduction of its raw material costs so as to strengthen its products' competitiveness and risk resistance abilities. While improving and strengthening its existing business, Levima Advanced Materials has focused on two main perspectives, business upgrading and consumption upgrading. Focusing on advanced material "bottleneck" fields, Levima Advanced Materials adhered to the strategy of high-end, differentiation and precision, and actively grew its investment presence in the fields of new energy material, biodegradable material and specialized material in the niche categories:

(1) In June and September 2021, Levima Advanced Materials gained the shareholding control of Jiangxi Keyuan Bio-Material Co., Ltd (江西科院生物新材料有限公司) ("Keyuan Bio-Material") through capital injection and acquisition so as to achieve its strategic presence in the field of biodegradable materials. Relevant projects were under constructions;

(2) In September 2021, Levima Advanced Materials established its subsidiary, Levima Green (Shandong) New Materials Co., Ltd. (聯泓格潤山東新材料有限公司) ("Levima Green"), which invests in the constructions of new energy material and biodegradable material integration projects;

(3) In September 2021, Levima Advanced Materials initiated the investment on the development of "100,000 tons per year Lithium Materials and Carbonate Integration Device Project" (10萬噸／年鋰電材料－碳酸酯聯合裝置項目);

(4) In September 2021, Levima Advanced Materials has initiated the investment on the development of "20,000 tons per year Ultra-high Molecular Weight Polyethylene and 90,000 tons per year Vinyl Acetate Integration Device Project" (2萬噸／年超高分子量聚乙烯和9萬噸/年醋酸乙烯聯合裝置項目) through Levima Chemicals, its subsidiary.

The implementation of the above projects further will reinforce the industrial layout of Levima Advanced Materials, improve its core competitiveness and foster new profit-growth drivers as well as laying a solid foundation for its continuous rapid development in the future.

In terms of operation, Levima Advanced Materials maintained safe, stable and efficient operation of all its devices, with operational efficiency constantly improving. The key consumption indicators of the DMTO device, such as methanol consumption per unit, continued to decrease and maintained its leading position in the industry. Since the commencement of IPO funding raising project OCC, the unit consumption of methanol, as a principal raw material, had further decreased, which enhanced its cost advantage. Meanwhile, after the acquisition of Levima Chemicals, all the methanol it produced will be supplied to Levima Advanced Materials through pipeline transportation, leading to a significant reduction of the logistic costs. Both companies have continued to optimize public utilities costs including water, electricity and gas, which further lowered production costs and improved overall operation efficiency as well as profitability.

In terms of market, Levima Advanced Materials continued to strengthen product development and market channel expansion. It dynamically optimized its product hybrid to gain leading position in China's relevant market shares such as EVA, PP, EOD and other products. During the Reporting Period, the EVA photovoltaic materials maintained high quality and reliable supply. Levima Advanced Materials maintained the largest market share of EVA cable products in China. The market share and influence of its thin-walled PP injection molding products remained in the leading positions in China. The sales of high-melting random copolymerized PP molding products increased significantly as compared to the corresponding period of last year. High-transparency PP molding products had been finalized and put into production. Its customer bases were continuously expanding and its influence in the industry had been heightened. The proportions of high gross profit margin products such as special surfactants and high-performance superplasticizers among EOD products have been increased. The special surfactant used in laundry gel capsules and photovoltaic industry as well as special fine material products such as high-end superplasticizer mother liquor and auxiliaries and high efficiency dispersants have been in continuous development.

In terms of innovation, Levima Advanced Materials progressed further in scientific and technological innovation and built up its reserves of innovative resources through both independent and collaborative research and development. During the Reporting Period, Levima Advanced Materials applied for 41 patents. By the end of 2021, Levima Advanced Materials had a total of 146 patents approved. By fully tapping into its advantages in research and development platforms, Levima Advanced Materials actively promoted the development of its new products and processes. It completed the laboratory research and development of 20 new products and processes, the production technology formulas of 18 new products, and the industrialization of 16 new products. In addition, in 2021, Levima Advanced Materials gained recognition as a "Top 500 Chinese Petroleum and Chemical Enterprise in 2021", "China's Top 500 Listed Companies by Market Capitalization in 2021", "2021 Chinese Companies for Excellent Management", "Key Enterprise for High-quality Development in High-end Chemicals in Shandong Province", "Top 50 Leading New Materials Companies in Shandong Province in 2021", "Innovation Award of Shandong Province", "May 1st Labour Certificate of Shandong Province", "Crew Innovation Award of Shandong Province", "Top 10 Industrial Clusters Leading Enterprise in Shandong Province", among others.

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

Unit: RMB million

	2021	2020
Revenue	**8,271**	6,045
Net profit	**1,166**	617
Net profit attributable to equity holders of Legend Holdings	**593**	355

During the Reporting Period, Levima Group achieved a record revenue growth of RMB8,271 million, an increase of 37% year-on-year. Its net profit attributable to equity holders of Legend Holdings amounted to RMB593 million, an increase of 67% year-on-year. This was mainly attributable to its subsidiary, Levima Advanced Materials, which actively responded to the impacts of the surge in key raw materials prices and changes in macroeconomic policies, by taking extensive measures including optimization of its operation efficiency, adherence to its product positioning as well as the acquisitions of upstream resources. Its performance grew significantly leveraging its core competitive advantage.

Joyvio Group

Joyvio Group is the company in our industrial operations group focusing on agricultural and food. The core businesses of Joyvio Group are high-end fruit and premium animal protein. It also actively participates in fresh semi-finished products and agro-food technology businesses to grow its footprint. As of December 31, 2021, Legend Holdings held 81.72% equity interest in Joyvio Group.

In terms of the supply chain of fresh fruit, Joyvio Group owns Joy Wing Mau, which operates China's largest vertically integrated fruit company, and Bountifresh, China's leading fruit producer incubation and acceleration platform enterprise. Joy Wing Mau continued to deploy its resources in the global supply chain and its all-encompassing distribution networks, with "Joyvio", its high-end fruit brand, achieving greater brand influence and product diversification. Bountifresh continued to reinforce the operation of blueberry bases across China and promote the development and application of new fruit varieties and planting techniques.

In terms of seafood supply chain, domestically, Joyvio Group owns Qingdao Starfish, a Chinese leading seafood enterprise under Joyvio Food (Stock Code: 300268.SZ). Overseas, Joyvio Group owns Australis Seafoods S.A., Chile's leading salmon company under Joyvio Food, and KB Food, a Australian leading seafood supplier. We continued to expand and integrate our global animal protein supply chain based on this structure.

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

Unit: RMB million

	2021	2020
Revenue	**17,937**	17,037
Net profit/(loss)	**373**	(984)
Net profit/(loss) attributable to equity holders of Legend Holdings	**372**	(368)

During the Reporting Period, Joy Wing Mau under Joyvio Group achieved a year-on-year increase in both revenue and net profit by reinforcing the advantages in its supply chains and channels and enlarging original single products strategy. Benefiting from the rebounding of international salmon price, the performance of Australis Seafoods S.A. ("Australis") under Joyvio Food improved significantly. Besides, Joyvio Group realized certain investment returns by disposing the equity interests of Liquor Easy (Stock Code: 838883.NQ) and Hengshui Laobaigan (Stock Code: 600559.SH). Given all the above, the Joyvio Group recorded a revenue of RMB17,937 million, with a year-on-year increase of 5%; the net profit attributable to equity holders of Legend Holdings was RMB372 million, which achieved a turnaround from loss to profit.

(1) Fruit business

Joyvio Group is engaged in the midstream warehousing and downstream sale of the fruit business through its subsidiary Joy Wing Mau. As of December 31, 2021, Joyvio Group held 40.47% equity interest in Joy Wing Mau.

During the Reporting Period, Joy Wing Mau actively launched marketing campaigns, strived to promote e-commerce sales, and further enhanced the profile of its high-end fruit brand "Joyvio". In terms of the sale channels, the new retail channel in e-commerce continued to thrive, with prominent sales growth in quality e-commerce customers such as those in Meituan Select (美團優選) and Pupu (樸樸). The mall and supermarket services model continued to improve and upgrade, with significant revenue growth in boutique supermarkets such as Sam's Club and Olé. The original single product strategy enjoyed improving competitiveness, with Joyvio blueberries and durians achieving a growth in their market shares while maintaining their stable market premium rates. Meanwhile, Joy Wing Mau kept strengthening its supply chain construction, by scheduling a new generation of smart warehouse and logistics centers under construction in Shenyang and Shenzhen.

Bountifresh, another subsidiary of Joyvio Group in the fruit supply chain, is mainly engaged in the incubation of upstream fruit brands. As of December 31, 2021, Joyvio Group held 63.78% equity interest in Bountifresh.

During the Reporting Period, Bountifresh further increased its cooperation with HORTIFRUT, a world-leading blueberry company, on developing new blueberry varieties and planting techniques. Yield from its Yunnan blueberry base reached a record high, while the sales price and planting area enjoying a steady growth. Meanwhile, Bountifresh actively explored the apple and cherry seedling businesses, cultivated and introduced multiple world-leading fruit varieties for pioneering incubation and demonstrative planting.

(2) Animal protein business

Joyvio Group promotes its global presence in the premium animal protein industry through its subsidiaries Joyvio Food and KB Food. As of December 31, 2021, Joyvio Group held 46.08% equity interest in Joyvio Food and 100% equity interest in KB Food.

Joyvio Food owns Australis Seafoods S.A., a world-leading salmon company from Chile, and Qingdao Starfish, China's largest importer and distributor of arctic sweet shrimp and processor of snowfish. During the Reporting Period, the prices of salmon in the international markets continued to rebound and Joyvio Food's salmon business was gradually recovering. Meanwhile, it actively promoted the research and development of the value-added 3R products (namely "Ready-to-Cook, Ready-to-Heat, Ready-to-Eat"), while diversifying its sale channels. Qingdao Starfish maintained its industry-leading position as the largest importer and distributor of arctic sweet shrimp and processor of snowfish. Despite the impact of COVID-19 overseas leading to the rising costs of cross-border logistics and domestic inspections and quarantines, Joyvio Food took active measures to reduce costs and enhance efficiency, and effectively countered the adverse impacts.

During the Reporting Period, KB Food actively responded to the challenges brought by the pandemic recurrence in Australia and achieved sales growth from its catering channels. KB Food also built a high-quality seafood processing center in the east coast of Australia, further completed its business layout and reinforced the leading edge of its retail channels. As the export of Australian lobsters faced hindrance, KB Food made use of its advantages in domestic sale channels to actively enhance its domestic sales of lobsters and achieved a relatively high gross profit.

(3) Fresh semi-Finished products business

Joyvio Group manages its Fresh semi-Finished products business through its subsidiary Nine Masters. As of December 31, 2021, Joyvio Group held 99.99% equity interest in Nine Masters.

During the Reporting Period, Nine Masters seized the opportunity from the rapid recovery of domestic catering channels, and vigorously expanded bullfrog product sales, which further reinforced the advantages of bullfrog products. At the same time, Nine Masters made greater efforts on research and development and launched the blackfish processed products, thus forming its two major business lines of bullfrogs and blackfish. It also launched the 3R food brand "Doctor Yao" (沃小廚) and further optimized the 3R food coverages.

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 recognized as systemically important by the European Central Bank. As of December 31, 2021, we held 89.98% equity interest in BIL.

Before Legend Holdings' acquisition, BIL's businesses were mainly centered on the European market. After the acquisition, BIL began to regard China as the core market of its international business. Currently, BIL has established an international service network connecting China (Beijing and the Greater Bay Area), Luxembourg and Switzerland.

During the Reporting Period, BIL actively promoted the vibrant development of its businesses in China. In supporting "The Belt and Road Initiative" and Chinese enterprises in "going global", BIL successively launched new businesses including corporate financial consultancy, issuance of green bonds, listing and equity bridge financing. In supporting the introduction of foreign investments, BIL increased its support to European clients with business in China by offering new products and services including M&A loans and business consultancy. In addition, BIL attracted foreign capital to invest in China by establishing private equity funds in relation to China and launching China AMC products.

In the Luxembourg market, BIL actively explored a brand-new customer service system that connected the business scenarios of the entire business line of retail, corporate and institutional and wealth management.

During the Reporting Period, despite the adverse macro-economic environment, BIL still achieved a remarkable performance in its business segments of retail banking, corporate and institutional banking and wealth management.

- Assets under Management (AUM) reached EUR45.9 billion, increased from EUR43.7 billion at the end of 2020. Customer deposits increased by 4.6% to EUR20.7 billion, from EUR19.8 billion at the end of 2020. Customer loans increased by 6.1% to EUR16.3 billion, up from EUR15.4 billion at the end of 2020;

- In 2021, BIL reported a net profit attributable to equity holders of Legend Holdings of RMB873 million, representing a year-on-year increase of 30%, mainly due to the growth of its core businesses, and the year-on-year decrease of loan provisions;

- At the end of 2021, CET-1 ratio was 14.15%;

- At the end of 2021, BIL's ratings by both Moody's and Standard & Poor's remained unchanged at A2/Stable/P-1 and A-/Stable/A-2 respectively.

To better respond to the market in the post-pandemic era, BIL, after due consideration and review, upgraded its strategic plan to facilitate sustainable development in the long run. This upgraded strategy focuses on the following key priorities, where BIL believes it can best use its unique capabilities and has a strong right to win:

- By enhancing its synergic advantages among retail, corporate and institutional, and private banking, it aims to deliver added value to its clients;

- It will continue to develop its Chinese related business on a step-by-step basis, with the ambition to become a leading bank for serving the Chinese enterprises to "go global" and "bring in" European enterprises;

- By delivering its new core banking system that will enhance support for BIL's businesses and boost operating efficiency;

- By designing and implementing a new target operating model and culture, BIL is set to become a robust and dynamic bank ready to face the future.

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

Unit: RMB million

	2021	2020
Revenue	**4,465**	4,580
Net profit	**970**	739
Net profit attributable to equity holders of Legend Holdings	**873**	671

Industrial incubations and investments

Overview

Legend Holdings integrates its own aspiration of revitalizing the country through business and the mission of driving China's technological innovation development. Legend Holdings also fully utilizes its experience in supporting the industrialization of technological achievements and based on its professional advantages in fund investment, pursues its future goal of long-term development or abundant financial returns, and nurtures or establishes its presence in a range of enterprises with the potentials of taking up leading positions and having excellent profitability in multiple industries. Our industrial incubations and investments segment covers:

- Legend Capital, a fund management company under Legend Holdings which focuses on early-stage venture capital and growth-stage private equity investment;

- Legend Star, an early-stage investment and incubation segment of Legend Holdings, which provides specialized services for entrepreneurs in terms of early-stage investment and in-depth incubation;

- Fullhan Microelectronics (Stock Code: 300613.SZ), which mainly specializes in the design and development of chips for video-based smart surveillance, smart home and smart automotive;

- Lakala (Stock Code: 300773.SZ), which mainly provides merchants with a full spectrum of digitization services covering payment, technology, supply source, logistics, finance, brand and marketing;

- EAL (Stock Code: 601156.SH), which mainly engages in air logistics related business;

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

- JC Finance & Leasing, which mainly provides financial leasing services for MSMEs;

- Hony Capital, which currently runs private equity, real estate, public offering fund management, hedge fund and venture capital businesses;

- Shanghai Neuromedical Center, which mainly provides neurology specialty and other comprehensive hospital features;

- Hankou Bank, which mainly engages in commercial banking services;

- Bybo Dental, which mainly provides dental healthcare services through chain operations; and

- Raycom Property and Raycom Technology, which mainly hold the investment property Raycom Info Tech Park.

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

Unit: RMB million

	2021	2020
Revenue	**3,875**	4,933
Net profit	**2,215**	2,520
Net profit attributable to equity holders of Legend Holdings	**1,540**	2,535

During the Reporting Period, the revenue from the industrial incubations and investments segment was RMB3,875 million, representing a year-on-year decrease of 21%, and the net profit attributable to equity holders of Legend Holdings was RMB1,540 million, representing a year-on-year decrease of 39%, mainly due to the decreased investment income and gains as a result of capital market volatilities and adjustments to industrial policies.

Legend Capital

Legend Capital is one of the leading private equity investment institutions in China. As of December 31, 2021, Legend Capital managed a total of eight USD general funds (two of which were settled), six RMB general growth funds (one of which was settled), four RMB TMT innovative funds, three 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, one fund focusing on the red-chip return concept and two USD continued funds with an AUM of over RMB65.6 billion. As of December 31, 2021, the total amount raised by the funds was RMB11.3 billion during the Reporting Period.

During the Reporting Period, Legend Capital accumulatively completed 51 new investment projects, covering innovative 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 54 projects, contributing a cash inflow of over RMB2.3 billion for Legend Holdings, and bringing sound cash return. Among its portfolio companies, 15 enterprises went public on the domestic and overseas capital markets through IPO, namely CareRay Digital Medical Technology Co., Ltd. (江蘇康眾數字醫療科技股份有限公司), Beijing Kawin Technology Share-Holding Co., Ltd. (北京凱因科技股份有限公司), NexImmune, Inc., New Horizon Health Limited, Chemclin Diagnostics Co., Ltd. (科美診斷技術股份有限公司), Singular Genomics Systems, Inc., JD Logistics, Inc., EAL, Missfresh Limited, Qingdao BAHEAL Pharmaceutical Co., Ltd. (青島百洋醫藥股份有限公司), Dook Media Group Limited (讀客文化股份有限公司), Zhuhai Pantum Electronics Co., Ltd. (珠海奔圖電子有限公司), Shanghai Aohua Photoelectricity Endoscope Co., Ltd. (上海澳華內鏡股份有限公司), Hangzhou SF Intra-City Industrial Co., Ltd. (杭州順豐同城實業股份有限公司) and Shanghai Bio-heart Biological Technology Co., Ltd. (上海百心安生物技術股份有限公司). As of December 31, 2021, 95 of Legend Capital's portfolio companies went public (not including those listed on NEEQS).

Legend Star

Legend Star is one of China's leading angel investment institutions. With its unique brand advantages and resources, it has continued to systematically expand its presence in three major fields, i.e. TMT, medical health, and cutting-edge technology, since its establishment in 2008. Since 2014, Legend Star has been ranked successively in the top tier of the Annual Angel Investment/Early Stage Investment Institutions by professional institutions in the industry, including the Zero2IPO Group and the ChinaVenture Group.

As of December 31, 2021, Legend Star managed ten funds, the total AUM of which exceeded RMB4 billion. It has accumulatively invested in over 300 domestic and overseas projects, including iDreamSky Games (樂逗遊戲), Megvii Face ++ (曠視科技 face ++), AISpeech (思必馳), Yunding Technology (雲丁科技), Axera (愛芯科技), CAES (中儲國能), Pony.AI, CIDI (希迪智駕), Hai Robotics (海柔創新), Teemsun (國科天成), Burning Rock Dx (燃石醫學), Kintor Pharmaceuticals (開拓藥業), PegBio (派格生物), Keymed Biosciences (康諾亞生物), Axonics, HiFiBiO, Ribo Life Science (瑞博生物), Coyote Bioscience (卡尤迪生物), Jinfeng Medical (精鋒醫療) and other high quality projects. Keymed Biosciences was listed on Hong Kong Stock Exchange on July 8, 2021.

During the Reporting Period, the total number of domestic and overseas investment projects was more than 50, covering different niche segments such as cutting-edge technology, biotechnology, digital medicine and TMT. Among the projects under management, approximately 90 projects completed the next round of private financing, and we exited approximately 20 projects. The final closing of the 4th USD fund, the first round closing of the 5th RMB fund, the final closing of the biotechnology special fund and the first round closing of the artificial intelligence special fund were completed.

Fullhan Microelectronics

In 2020, Legend Holdings strategically invested in Fullhan Microelectronics via our subsidiary, gaining its first foothold in the field of semiconductors. On March 17, 2021, we continued to acquire 5.22% equity interest in Fullhan Microelectronics with the completion of registration of transfer on June 9. As of December 31, 2021, Legend Holdings held an aggregate of 15.90% equity interest in Fullhan Microelectronics through our subsidiary.

Fullhan Microelectronics is China's leading company specializing in the design and development of chips for video-based smart surveillance, smart home and smart automotive. It has been granted the title of state-level specialized and new "little giants" enterprise (國家級專精特新「小巨人」企業). Through years of proprietary research and development and innovation, the firm has developed a range of proprietary core technologies in chip algorithm research, IP core development, SoC chips implementation, product solutions and other areas, while always keeping a large proportion of investment in research and development. Fullhan Microelectronics maintains close strategic partnerships with benchmark security surveillance equipment manufacturers. Its ISP chip products (analog camera image processing chips) take the lead in the global security markets. The ISP in-vehicle products of Fullhan Microelectronics have obtained the relevant automobile-grade certifications and received mass procurements by mainstream automobile enterprises. Smart automotive has gradually become a new business growth area for Fullhan Microelectronics.

During the Reporting Period, Fullhan Microelectronics actively promoted technological innovation of research and development and continued to drive the improvement and upgrading of its product lines. In the field of smart surveillance, Fullhan Microelectronics further acquired 32.43% equity interest in Molchip Technology (Shanghai) Co., Ltd. (眸芯科技(上海)有限公司) ("Molchip Technology") to realize the control of Molchip Technology, which also perfected its back-end product lines and established an industry-leading one-stop solution for smart security-related products, further enhancing its business strategic layout. In the field of smart home, Fullhan Microelectronics launched competitive products and solutions to cater the demands on smart home and all kinds of intelligent scanning products under the new retail trend, featuring low standby power consumption, fast activation, stable connection, easy operating systems and strong adaptability to boost users' experience. Such products received good response in the market. Meanwhile, Fullhan Microelectronics actively sought for more operator customers and established cooperative relationships with three major operators in China. In the field of smart automotive, Fullhan Microelectronics further perfected its product lines and launched a series of competitive products covering from post-installation to pre-installation and from image-processing chips to transmission chips.

During the Reporting Period, the chips supply chain remained stretched amidst the booms of security and other industries due to keen demand from customers coupled with the domestic production demands within the supply chains and the impacts of the pandemic. Facing such a complex situation, Fullhan Microelectronics continued to strengthen its cooperation with upstream suppliers such as wafer manufacturers and chips packaging and testing firms as responsive measures to ensure stable productions and timely supply of products. Meanwhile, Fullhan Microelectronics also actively pursued market expansions and layout so as to generate prominent performance growth.

Legend Holdings engaged with Fullhan Microelectronics for greater cooperation in the semiconductor industry. We jointly founded Jiangyin Hanlian Zhixin Equity Investment Partnership (Limited Partnership) (江陰瀚聯智芯股權投資合夥企業(有限合夥)) ("Hanlian Semiconductor Industry Fund"). The industry fund mainly focuses on areas that are related to and have the potential of creating synergy with the core businesses of Fullhan Microelectronics, so as to create conducive conditions for Legend Holdings and Fullhan Microelectronics to follow industry trends closely and grasp industry advancements. Hanlian Semiconductor Industry Fund also received support from the local government. A strategic cooperation agreement was signed between Fullhan Microelectronics and Jiangsu Jiangyin People's Government (江蘇省江陰市人民政府), under which the latter intended to invest RMB300 million in Hanlian Semiconductor Industry Fund and to coordinate the local resources to ensure packaging capacity. Joint efforts were made to promote the upgrading of the semiconductor industry, and improve the industrial layout and ecology.

Lakala

The principal operations of Lakala comprise merchant payment business and merchant technology service business. As a commercial digitalized operation service provider, Lakala upgrades and transforms its role from "collecting payments for merchants" to "making profits for merchants", empowering merchants in the full spectrum of services covering payment, technology, supply of merchandise, logistics, finance, brand and marketing to give full play to their respective competitive edges in the internet era. As of December 31, 2021, the Company held 28.24% equity interest in Lakala.

In terms of merchant payment business, the settlement business of Lakala continued to grow, maintaining its position in the market with leading the development of industry. Lakala established the digital payment division and it was one of the only two payment institutions among the first 15 strategic partners of the People's Bank of China in e-CNY. Lakala strategically invested in Skyee, one of the first approved cross-border payment service providers of Amazon USA, and completed the link between its system and Lakala platform. Furthermore, Lakala launched a cross-border technology platform to help SMEs conduct business more simply and effectively around the world. In terms of merchant technology service business, Lakala has successively launched trial operation for cloud supermarket platforms in 25 cities across China, which digitally connected merchants, supply of merchandise, and logistics systems through the SaaS platform, and expanded merchants' source of supply and their SKU so as to help SMEs to grow their businesses.

EAL

EAL mainly engages in the air logistics business. On June 9, 2021, EAL entered the capital market through the completion of its IPO and was listed on the Shanghai Stock Exchange (Stock Code: 601156). As of December 31, 2021, Legend Holdings held 18.09% equity interest in EAL.

During the Reporting Period, the resurgence of COVID-19 pandemic brought new uncertainties to global economic recovery. Resumption of international passenger flights continued to be delayed. The mismatch of demand-supply resulted in ongoing shortages of air cargo capacities. Riding on the transformation and upgrade of the Chinese manufacturing industry, consumption upgrade and the development window period for Chinese brands going overseas, EAL actively expanded its freight capacity through multiple channels to enhance its capacities supply. As of the end of the Reporting Period, EAL owned 10 wide cargo planes, operated a total of 2,939 cargo flights from Shanghai and 141 cargo flights from Shenzhen, and exclusively engaged in the cargo business of more than 700 passenger planes of China Eastern Airlines. Meanwhile, EAL enhanced its cargo freight utilization rate through measures such as improving its airfreight networks and cargo operation standardization processes. Furthermore, EAL promoted the district-port linkage model (區港聯動模式) featuring a "one-stop aviation services center" (一站式空服中心) to enhance its market share of comprehensive ground services. EAL also expedited the development of a comprehensive logistics solution product system, increased its efforts to boost direct customer development and rapidly expand its business scale. In 2021, EAL recorded significant revenue and profit growth.

With the integration of logistics service resources, customer demand matching and the iteration and upgrade of product and service systems, EAL has developed a "one-stop" logistics solution orientated towards market demands and featured by both standardization and differentiation. In the future, under the guidance of the strategy of "one platform, two service providers", EAL will further forge a fast supply chain platform with information technologies and international features and the "trunk transport, warehouse and delivery" (幹+倉+配) network. EAL is committed to becoming the most innovative air logistics services provider.

Zhengqi Holdings

Zhengqi Holdings is an innovative investment holding group focusing on technology innovation enterprises. Through the business model of "finance + investment + industry" (金融+投資+產業), it promotes the development of technology innovation enterprises through investment-loan linkage and various empowerment initiatives, and thus enhances the value of industrial chains. As of December 31, 2021, the Company held 94.62% equity interest in Zhengqi Holdings.

During the Reporting Period, Zhengqi Holdings maintained its business strategy of "optimizing resource allocation 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). It focused its business on emerging industries with strategic importance and their ecological chain encompassing semiconductors, high-end equipment manufacturing, advanced materials, new energy, energy conservation and environmental protection. From an investment bank perspective, it substantially increased its presence in such industries and constantly optimized and adjusted its business structure. It actively carried out strategic layout in the Yangtze River Delta, the Greater Bay Area, the Beijing-Tianjin-Hebei region and the Yangtze River Economic Belt. Through micro loans, credit guarantee, financial leasing, commercial factoring, equity investment and other business varieties, it provides a basket of investment-loan linkage and empowerment services for technology innovation enterprises, and cooperates with technology innovation enterprises for mutual benefit, win-win and common growth.

During the Reporting Period, Chemclin Diagnostics (科美診斷), an investment project of Zhengqi Holdings in biomedical sector, was successfully listed on April 9, 2021, while Gocom Technology (工大高科) was successfully listed on June 28, 2021, and Anhui Higasket Plastics (萬朗磁塑) successfully landed on the main board of the Shanghai Stock Exchange on January 24, 2022. In addition, Zhengqi Holdings has a number of investment companies whose listing applications have been accepted or are about to be submitted.

JC Finance & Leasing

JC Finance & Leasing, founded in November 2015, is Legend Holdings' subsidiary specializing in financial leasing and related financial businesses. Backed by Legend Holdings' brand and management expertise, JC Finance & Leasing collaborated with well-regarded domestic and overseas equipment manufacturers. It focuses on industries and industrial chains and develops its financial leasing business in fields that act as key growth drivers of China's new economy, such as advanced manufacturing, energy conservation and environmental protection, digital information, agri-food, healthcare services, public services and transportation. As of December 31, 2021, the Company held 99.01% equity interest in JC Finance & Leasing.

During the Reporting Period, China's economy continued to recover steadily, and the financial leasing industry remained in an adjustment stage amidst tightening financial regulation. JC Finance & Leasing seized the opportunity and actively adjusted its strategy to foster stable business growth. In 2021, JC Finance & Leasing achieved growth in revenue and profit. As of the end of the Reporting Period, its financial leasing business balance registered an increase to RMB11,766 million from the beginning of 2021. The improvement in performance was mainly attributable to the growth in new projects and the decrease in financing costs. During the Reporting Period, JC Finance & Leasing adhered to the positioning of serving the real economy, provided medium- and long-term financial supports to more than 3,700 MSMEs, and helped them achieve production capacity expansion and upgrade. The number of MSMEs served increased by 37.3% compared to the beginning of the year.

During the Reporting Period, JC Finance & Leasing continued to actively expand external financing. In 2021, the first overseas syndicated loan was issued, enabling it to successfully gain access to overseas financing avenues. In addition, the recognition of JC Finance & Leasing in the domestic capital market has been further improved. The optimization of the financing structure and the diversification of capital channels have further enhanced the ability and sustainability of JC Finance & Leasing to support the development of the real economy, as well as boosting its own business development.

Hony Capital

Hony Capital currently runs private equity, real estate, public offering fund management, hedge fund and venture capital businesses. As of December 31, 2021, Hony Capital mainly managed eight equity investment funds, three property funds, one cultural industry fund and one venture capital fund. Hony Horizon Fund Management Co., Ltd., a public offering fund management company under Hony Capital, specialising in investment and management businesses in the secondary market, managed seven public offering funds, including five hybrid funds and two index funds, as of the end of the Reporting Period.

Hony Capital's Private Equity funds continued to focus on industry-specific investments in sectors of intelligent services, life sciences, chain catering, green and low-carbon economy, advanced manufacturing and others. The property funds focus strategically on office buildings in first-tier cities to create returns above market average, by applying various value-added means such as renovation, enhanced operation and functional adjustments to the office buildings in first-tier cities 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 of emerging trends in the cultural industry. It prioritizes film and television, culture and entertainment and sports industries, and keeps a close eye on new media and digital consumption businesses driven by new technologies. Hony Horizon Fund, a public offering fund management company of Hony Capital, leverages Hony Capital's expertise in consumer services, catering, medical and other industries, and focuses on value investment to create public offering fund products with distinctive characteristics and excellent performance.

Goldstream Investment, Hony Capital's overseas secondary market investment platform, focuses on liquid assets investment, currently adopting a variety of strategies to invest in Greater China long and short position funds, Greater China long position funds, global macro, global healthcare industries, bonds and asset securitizations, CTA/quantitative strategies and special opportunity securities. Hony Venture Capital, which is under Hony Capital and focuses on early and mid-stage venture capital businesses, primarily invests in ToB technology field for digital consumption and industrial digitalization.

During the Reporting Period, Hony Capital actively exited projects, thereby contributing a constant and stable cash return to Legend Holdings.

Shanghai Neuromedical Center

Founded in 2013, Shanghai Neuromedical Center is a specialized hospital built according to the standards of tertiary specialized hospitals, with a strong specialty of clinical neuroscience and comprehensive hospital features. As of December 31, 2021, we held 58% equity interest in Shanghai Neuromedical Center through our subsidiary.

During the Reporting Period, Shanghai Neuromedical Center kept strengthening the development of its advanced neurology specialty and other comprehensive departments, and introduced talents to various departments, so as to facilitate the medical discipline developments and improve medical techniques. In addition, among the first batch of hospitals that accepted portable medical insurance in the country, Shanghai Neuromedical Center was also one of the first hospitals to provide the direct settlement of expenses for outpatients on the basis of providing that to hospitalized patients under portable medical insurance. As a result, outpatients no longer need to pay out-of-pocket and claim reimbursement later. In February 2021, Shanghai Neuromedical Center officially established its operational management center to make its operational management more precise and standardized with a clear process, and lifted its service quality in various aspects to improve the patients' satisfaction. During the Reporting Period, the operating result of Shanghai Neuromedical Center was improved, and the number of outpatient visits, discharged patients and surgeries was increased.

Hankou Bank

Hankou Bank primarily conducts commercial banking businesses including corporate banking, retail banking and financial market business. Hankou Bank has a network covering all cities in Hubei Province, with branches in Chongqing. As of December 31, 2021, the Company held 13.11% equity interest in Hankou Bank. During the Reporting Period, Hankou Bank was actively preparing for its IPO.

In 2021, in the face of the complicated economic and financial situations, Hankou Bank has been making consistent efforts in synergizing its scale, quality, and efficiency, which largely alleviated the impact of COVID-19. Its main operating ratios were stable and promising, and its performance achieved remarkable results. Firstly, Hankou Bank served the new development paradigm and spared no effort in serving Hubei to develop into an important node in the domestic circulation and a strategic link in the domestic and international circulations. Secondly, it was set to speed up business transformations and accelerate structural adjustment. The proportion of high-yield assets was steadily increased, and high-cost liabilities were continuously reduced. Personal finance, transaction banking and other businesses grew rapidly. Thirdly, it strengthened the "two finance" (兩融) brand. Focusing on national strategies such as innovation-driven and inclusive finance, Hankou Bank strengthened the brand building of FinTech and neighborhood finance. Fourthly, Hankou Bank started digital transformation with the "14th Five-Year" IT plan, thereby promoting and implementing significant scientific and technological projects. During the Reporting Period, Hankou Bank was awarded the "2020 Outstanding Contribution Organization for Financial Support to Hubei's Economic Development", the "2021 Top Ten City Commercial Banks", "2021 China Financial Innovation Award Top Ten Corporate Financial Innovation Award", "The Forth Iron Horse Small and Medium-sized Banks", "The Most Technologically Competitive Small and Medium-Sized Bank Award", the "Top 10 Technological Innovation Banks in China's Local Finance" and others.

Bybo Dental

Bybo Dental provides dental healthcare services. In February 2021, Taikang Life Insurance further strengthened its support of Bybo Dental by capital injection. As of December 31, 2021, we held 26.05% equity interest in Bybo Dental.

Bybo Dental is committed to providing dental health services covering the whole life cycle from prevention to treatment. As Bybo Dental actively leveraged the business synergy of dental healthcare and insurance, the revenue generated from insurance business channels increased continuously. As of December 31, 2021, Bybo Dental had 216 oral services outlets, including 44 hospitals and 172 clinics, covering 22 municipalities and provinces, with 2,155 dental chairs. In addition, Bybo Dental has always attached great importance to medical discipline development and talent reserve, and has established an overall sound mechanism for clinical education and research. It has set up dentists grading and admission standards and the study paths for promotion. Bybo Dental continues to improve its medical techniques and core competitiveness.

During the Reporting Period, the operating efficiency of Bybo Dental was improved. In the future, while constantly improving its medical techniques and service qualities, Bybo Dental will make further efforts on enhancing customers' loyalty and market share. Bybo Dental will keep on providing high-quality dental medical services as well as improving its financial performance.

Raycom Property and Raycom Technology

Through our subsidiaries, Raycom Property and Raycom Technology, we hold the high-end office buildings, namely Raycom Info Tech Park Tower A, Tower B, and Tower C in Zhongguancun, Beijing[Note]. Raycom Info Tech Park is leased as premium offices and shops and for our own occupation. The buildings received the certification issued by US Green Building Council the "Leadership in Energy and Environmental Design" (LEED), for the high standards of its energy-efficient design. As of December 31, 2021, the occupancy rate of Raycom Info Tech Park was about 94%, and the fair value of investment properties amounted to RMB11.47 billion (excluding the portion for own use).

Note: The address of Raycom Info Tech Park Tower A, B and C is: No 2, Kexueyuan South 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 RMB6,309 million for the year ended 2020 to RMB5,730 million for the year ended 2021. Decline in finance costs was mainly the result of a decrease in average total borrowings and financing costs during the period.

Taxation

Our taxation increased from RMB3,614 million for the year ended 2020 to RMB6,042 million for the year ended 2021. Increase in the amount of taxation was mainly due to the increase in profit before tax compared with last year.

Capital expenditures and capital commitments

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

As of December 31, 2021, we had RMB4,929 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 at bank and on hand

Our cash at bank and on hand include cash and cash equivalents, mandatory reserve deposits, bank deposit and restricted funds. As of December 31, 2021, our cash at bank and on hand were RMB86,196 million, among which, RMB, CHF, USD, EUR, HKD and other currencies accounted for 22%, 21%, 16%, 30%, 3% and 8%, respectively, while the amount as of December 31, 2020 was RMB79,827 million, among which, RMB, CHF, USD, EUR, HKD and other currencies accounted for 29%, 30%, 15%, 13%, 3% 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, 2021	As of December 31, 2020
Bank loans		
– Unsecured loans	**33,306**	32,353
– Guaranteed loans	**17,731**	20,475
– Collateralised loans	**8,913**	10,295
Other loans		
– Unsecured loans	**870**	870
– Guaranteed loans	**1,566**	820
– Collateralised loans	**5,760**	1,637
Corporate bonds		
– Unsecured	**59,344**	64,181
– Asset backed securities and notes	**465**	868
– Convertible bonds	**4,914**	4,890
	132,869	136,389
Less: Non-current portion	**(95,244)**	(99,078)
Current portion	**37,625**	37,311

As of December 31, 2021, among our total borrowings, 51% was denominated in RMB(December 31, 2020: 51%), 28% was denominated in USD (December 31, 2020: 29%) and 21% was denominated in other currencies (December 31, 2020: 20%). If categorized by whether the interest rates were fixed or not, the fixed interest rates borrowings and the floating interest rates borrowings accounted for 56% and 44% of our total borrowings, respectively, while as of December 31, 2020 accounted for 67% and 33%, respectively. Our indebtedness reduction was mainly due to the repayment of our debts.

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, 2021	As of December 31, 2020
Within 1 year	**37,625**	37,311
After 1 year but within 2 years	**36,180**	30,518
After 2 years but within 5 years	**41,373**	51,829
After 5 years	**17,691**	16,731
	132,869	136,389

As of December 31, 2021, 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	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	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	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
Joyvio Food	Convertible bonds	USD	June 14, 2019	5 years	USD125 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	Bank subordinate bonds	EUR	May 18, 2021	10.25 years	EUR100 million
BIL	Medium term notes	JPY	December 19, 2002 and September 1, 2021	5-20 years	JPY1,000 million

Issuer	Type of bonds	Currency	Issuance date	Term	Principal amount
BIL	Medium term notes	EUR	2014-2021	1-20 years	EUR2,812 million
BIL	Medium term notes	USD	2019-2021	2-5 years	USD67 million
BIL	Medium term notes	CHF	2016-2020	2.5-6.5 years	CHF285 million
BIL	Medium term notes	SEK	January 29, 2021	3 years	SEK166 million
BIL	Medium term notes	GBP	July 5, 2021 and November 5, 2021	2-5 years	GBP8 million
Zhengqi Holdings	Corporate bonds	RMB	December 20, 2019	3 years	RMB75 million
Zhengqi Holdings	Corporate bonds	RMB	August 28, 2020	3 years	RMB200 million
Zhengqi Holdings	Corporate bonds	RMB	September 14, 2021	3 years	RMB600 million
JC Finance & Leasing	Private placement bonds	RMB	January 22, 2020	2 years	RMB400 million
JC Finance & Leasing	Asset backed securities	RMB	September 17, 2020	1-2 years	RMB36 million
JC Finance & Leasing	Asset backed securities	RMB	December 28, 2020	1-2 years	RMB60 million
JC Finance & Leasing	Corporate bonds	RMB	March 30, 2021	3 years	RMB195 million
JC Finance & Leasing	Asset backed securities	RMB	May 21, 2021	1-2 years	RMB128 million
JC Finance & Leasing	Asset backed notes	RMB	May 27, 2021	1-2 years	RMB236 million

The annual interest rates of our bonds listed above as of December 31, 2021 ranged from 0% to 7.20%.

Current ratio and total debts to total capital ratio

	As of December 31, 2021	As of December 31, 2020
Current ratio (times)	**0.8**	0.8
Total debts to total capital ratio	**59%**	61%

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 maintained stable as compared with December 31, 2020. Current ratio of less than 1 was mainly as a result of consolidation of BIL into our consolidated financial statements. 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 14.15%, 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.

Total debts to total capital ratio

Total debts to total capital ratio is calculated by dividing total debts (total borrowings) by total equity and total debts at the end of each financial period. The total debts to total capital ratio decreased slightly at the end of the Reporting Period compared to December 31, 2020, which mainly due to the combined impacts of the increase in the size of our total equity and the decrease in the size of our total debts.

Pledged assets

As of December 31, 2021, we pledged the assets of RMB20.7 billion to secure our borrowings, assets of RMB4.9 billion to secure other payables and accruals and other non-current liabilities. Details of other encumbered assets are set out in Note 20 and Note 32 to the financial statements.

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 operations.

We evaluated the financial positions of financial guarantees provided in connection with our financial services business periodically and made provisions accordingly. As of December 31, 2021 and December 31, 2020, the provisions made by us were RMB96 million and RMB86 million respectively.

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

Unit: RMB million

	As of December 31, 2021	As of December 31, 2020
Financial guarantee of guarantee business	**8,666**	11,222
Other guarantee		
– Related parties	**2,629**	6,029
– Unrelated parties	**480**	640

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 an investment company engaged in industrial operations, both Legend Holdings, its subsidiaries and its investee companies should identify, assess and manage various kinds of risks. Risk management of our investee 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.

Macro economy and market environment risk

Our member companies are involved in many industries such as information technology, financial services, new material production and R&D, modern agriculture and food and so forth. The continued volatility in the macroeconomic environment and global stock markets, the downturns in economic conditions lead the consumers to lower their expectations, which in turn delay or reduce their consumptions that may affect the businesses and profitability of our member companies, resulting in the risk of fluctuations in the Company's overall operating results. In recent years, the downward pressure on the macro economy has intensified with the prolonged impacts of the new wave of COVID-19 pandemic. In view of the external environment, the escalation of geopolitical tensions, the continuous conflicts between China and the United States and the uncertainty of global political situations, all pose threats to the world economic growth. Several principal businesses of the Company and its subsidiaries will be affected by the global trade protectionism.

Currently, the new wave of epidemic continues to spread domestically, which brings unpredictable uncertainties of developments in the future. As pandemic prevention and control becomes a new "norm", the normal business operation of our member companies will suffer from certain degrees of restrictions and our performance may be affected accordingly. Furthermore, the normal operations of our customers will also be affected in varying degrees, which in turn may have adverse impacts on our results. The performance of some investee companies in our fund platforms, especially those providing offline services, consumer catering, tourism, etc., may be greatly affected by the COVID-19 pandemic, and there will be a risk of valuation fluctuations and will hinder the exit processes. Although China's economy continues to recover steadily, it still faces multiple risks and challenges in its economic operations. 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 our operations in multiple industries will cause a decline in the value of the Company's asset packaged or an increase in our business counterparties' credit risks, which may affect the quality of the Company's existing business assets or the pricing of future assets. In respect of our investments that are measured at fair values, fluctuations caused by these market risks will have negative impacts on our profits in that segment. The reduction in the book value will have an impact on our overall values, and the realized losses will reduce our expected cash backflow.

In response to the risk of the new wave of COVID-19 pandemic, our member companies have conscientiously established and improved the COVID-19 prevention and control mechanism, implemented the COVID-19 prevention and control work continuously, effectively safeguarded the health of employees, and ensured the normal operations of member companies as usual while giving full play to fulfill their social responsibilities. We continually monitored the changes in macro economy, regulatory policies and market environment, predicted possible issues and swiftly made feasible adjustments, including requiring our member companies to modify business structures, adjust operational strategies and enrich capital levels. The Company also regularly assesses the risks of the overall portfolio, and appropriately optimizes and adjusts those risks based on the assessment results in a timely manner. We adapt to the relevant changes by making timely adjustments to our strategic developments in order to ensure the achievement of our core objectives of sustainable and stable developments.

Our subsidiaries operate in a highly competitive industry that faces rapid changes in market trends, consumer preferences and constantly evolving technological advances in hardware performance, software features and functionality. Our subsidiaries face aggressive product and price competition from new entrants and existing competitors. In such competitive environment, brand recognition and awareness and positive customer experiences are our important success factors. Failure to engage and resonate with the customers, may adversely affect our results with the loss of customer loyalty or damaged brand reputation from bad publicity. The industry continues to experience technological advancements and upheaval. Failure to respond effectively to the changes in market trends or consumer preferences through timely launches of new products, or through competitive prices, could harm our subsidiaries' competitive position. Our subsidiaries face risks associated with implementing its strategic initiatives as the scale and breadth of its business and operations expand. Our subsidiaries may not invest as much financial, technical, marketing and other resources in certain areas of their business as compared to the corresponding competitors, and as a result, may not be able to gain competitive advantages in those areas.

Our subsidiaries actively monitor their competitive environment and market trends. They maintain their competitive positions through commitments to innovate and build a broad product portfolio, enhance their brand awareness, and drive customer experience transformations to form diversified advantages and gain market shares and recognition. Our subsidiaries' renewed 3S strategy (Smart IoT, Smart Infrastructure and Smart Verticals) is to protect and drive profitability in businesses. They are focused on their mission to be the leader in Intelligent Transformation. Our strategic planning process incorporates prioritization and focuses on strategic objectives to guide the effective allocation of resources required to execute plans.

Our subsidiaries engage in the new material industry, which is a capital-intensive and technology-intensive industry with high industry barriers, but still face competitive pressures from new market entrants in the future, posing challenges to their industry positions. They will give full play to the advantages of advanced technology, long industrial chains and unique product structures to further improve the operational efficiency of the plant, optimize the product structure, and consolidate the competitive advantages; They will also accelerate the construction of new projects, achieve production and efficiency as soon as possible so as to enhance profitability and competitiveness.

Investment activities risk

The Company gathers resources for our industrial operations through direct investment. Due to the wide range of investments, our judgment on the industry development trend may differ from the actual conditions, which results in risks of lower-than-expected return on investments. After making sufficient researches on domestic and overseas industrial development trends and national industrial policies, we will carefully select new investment projects; focus on our investment layout. 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 domestic and overseas industrial investments in various industries and conducts strategic management and exercises control over the acquired enterprises after completion of the acquisition. This exposes the Company to risks in post-investment management and risks in operational, management and cultural integrations with the investee companies. The Company conducts in-depth analysis on the corporate culture and management team of companies to be acquired before making investments to ensure these companies have common philosophies on development strategies and operational management with us and their cultures are able to integrate with ours. Meanwhile, we adopt various measures to strengthen our management control and service capabilities offered to our investee companies to ensure smooth capital inflow and outflow and adhere to the bottom-lines of financial security. We also pay close attention to liquidity and encourage our investee companies to make use of their own resources to solve their funding issues. The post-investment management team continuously collects information about the operations of the investee companies and assists them to improve their operational and management efficiencies, enhance their corporate values and achieve effective risk management. We also consistently provide the investee companies with trainings on management methods, financial and tax-related professional services, building culture and other fields.

Fluctuations of raw material prices and finished goods sales prices risk

Under the circumstance of significant fluctuation in raw material price, any failure to respond effectively in terms of pricing of sales products and controls of inventory costs of our subsidiaries, the operating performance may decline. The principal raw materials required for the animal protein, fruit and fresh semi-finished products businesses of our subsidiaries are mainly provided by international suppliers which affected by various costs such as biological costs and labor costs, thus the net profit may be adversely affected as a result. Through signing annual sales contracts with important customers and effective procurement plans, our subsidiaries closely track the price trends of raw materials and market supplies and demands, and proactively adjust procurement strategies, and actively seek merger and integration opportunities for upstream principal resources. With the help of their product categories and channel advantages, and strategic cooperative relationships with upstream principal suppliers formed over the years, our subsidiaries make flexible adjustments when prices fluctuate greatly while minimizing the operating risks brought to our subsidiaries during purchase price fluctuations. The prices of the principal raw materials used by our subsidiaries such as coal, methanol, and vinyl acetate are all fluctuating. The increase in raw material prices may lead to an increase in production costs. Through long-term purchase agreements, the industrial chain is extended upstream and downstream, and the price of raw materials is reduced to counteract the risk caused by raw material price fluctuations.

Supply risk

Our subsidiaries' supply chain is highly complex, involving a broad base and multiple tiers of suppliers, as well as owned and third-party manufacturing sites. Geographically, the supply chain spans many countries, but there may be supply or production concentration in certain locations, countries or regions within a country. Given their wide range of products, some products may be reliant on a few component suppliers. The disruption of the supply of any of its products, component parts, systems or services may affect product availability and customers' satisfaction. The disruption may be due to many factors, among which, the damage of its own or its suppliers' manufacturing activities or logistics hubs arising from catastrophic events, natural disasters, any widespread outbreak of pandemic such as COVID-19 or other local or global health issues, financial failure of suppliers, unfavourable business, political or economic factors, etc. All the above factors may lead to substantial recovery expenditure or prolonged recovery time. If they are unable to source alternative supplies during the period of shortage at a favourable pricing, their revenues, profitability and competitive positions may be adversely affected.

Our subsidiaries actively controlled the risks in their complex supply chains, and made use of their cost and operational analysis to understand potential influence so as to optimize efficiency. They managed concentrated risks through a wide range of sources of suppliers (i.e. to avoid sole or single source) and worldwide production footprints. They managed to minimize the impact of regional disasters (such as COVID-19 outbreak and natural disasters) and ensure the implementation of adaptive plans through continuous investments in risk improvement projects to promote the resilience of their own production sites (especially key production sites) and disaster relief plans.

Environmental security risk

The advanced material industry in which the Company's subsidiaries operate is strictly regulated by the state in terms of environmental protection. As China accelerates the transformation of economic growth and promotes high-quality economic development, environmental protection awareness has been continuously enhanced and environmental protection supervision has become more stringent. Our subsidiaries adhere to the strict implementation of the national environmental protection policy, and the pollutant discharge compliance rate has maintained 100% for many consecutive years since they become operational. In addition to increasing investment in energy conservation and environmental protection to ensure normal operations and timely upgrade of existing environmental protection facilities, we will also continue to optimize production processes and focus on the application of green environmental protection technologies. Our subsidiary has selected breeding areas with excellent natural environment and hygienic conditions for its salmon breeding environment in the animal protein business and strictly abided by the Chilean Fisheries and Aquaculture Law (LGPA). However, to prevent impacts of environmental pollution and natural disasters our subsidiaries purchase commercial insurance.

Extreme climate change risk

The continuous global warming has resulted in the increase in sea temperature, which affects the salmon farming environment, and may cause more red tides and epidemics. The Chile Region XII, where our subsidiaries' investment and development focus on, is the coldest area in Chile and least affected by red tides and climate change. In addition, advanced breeding and monitoring technologies such as artificial intelligence and machine vision are utilized to improve refined breeding to better deal with red tides, epidemics and other disasters. In the event of extreme climate change, the performance of some of our portfolio companies will be affected, especially those in the fields of fresh food logistics, catering, tourism, offline services and manufacturing, and possible valuation volatilities will affect our investment exits.

Cyber attack and security risk

Cyber-attacks and other data security breaches are likely to adversely impact the operation of our subsidiaries by disrupting their businesses and damage their reputation. Our subsidiaries manage and store proprietary information and sensitive or confidential data relating to their operations. In addition, their cloud computing business routinely processes, stores and transmits large amounts of data for their customers, including sensitive and personally identifiable information. They may be subject to attacks from hackers and other malicious software programs that attempt to penetrate their networks and exploit any security vulnerability in their systems and products. Hardware, operating systems, product software and applications that they produce or procure from third parties may contain "bugs" that unexpectedly interfere with system operation or present unidentified security risks. Breaches of their security measures and misappropriation of proprietary information, sensitive or confidential data about them and their customers, if not effectively managed in a timely manner, may lead to undermined reputation, disruption in business operation, exposure to potential litigation and liability that result in a loss of revenue and increased cost. They are subject to laws and regulations in countries where they operate relating to the collection, use, and security of customer, consumer and employee data. They need to conduct normal business activities which include the collection, use and retention of personal data pursuant to these activities. Under certain laws, they are required to notify individuals or regulators of a data security breach. An increasing number of customers are inquiring about the industry standards that the Group complies with.

To address cyber attack and security risks, our subsidiaries will continue to invest in the following:

(a) Development and maintenance of a robust cyber security culture through sound policies, robust incident response plans and processes, and training of our employees around vital data protection practices;

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

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

(d) Policies and processes to ensure hardware, operating systems, product software and applications that they produce or procure from third parties protect and use customer data responsibly.

Intellectual property risk

Our subsidiaries could suffer if they do not develop and protect their own intellectual property or their suppliers are not able to develop or protect desirable technologies or obtain any necessary technology licenses. The risks include:

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

To address intellectual property risks, the Company's subsidiaries will continue to:

- Take appropriate legal measures to protect technological know-how and trade secrets, apply for and enforce patents, and register and protect trademarks and copyrights;
- License IP as appropriate and monitor its continued validity and value to our subsidiaries;
- Obtain IP indemnification from, or otherwise transfer responsibility for IP coverage to suppliers;
- Monitor, develop and execute IP litigation defence strategy; and
- Continue to develop and use our subsidiaries patent portfolio if appropriate to decrease potential costs.

Food safety risk

With the increasing emphasis on food safety in China, the deepening of consumers' awareness on food safety and the heightening of protection of one's rights and interests, and as relevant government departments continue to increase the supervision of food safety, food quality and safety control have become the top priorities of food companies. Our subsidiaries have put forward stricter requirements on food quality and safety control to ensure product safety and eliminate product quality problems. If food quality problems occur, they will have significant adverse impacts on production, operation and reputation. Our subsidiaries attach great importance to the safety, hygiene and quality control of product processing, actively implement standardized production and management, establish and implement a food safety assurance system from raw materials to finished products, and have passed GMP (Good Manufacturing Practice), SSOP (Sanitary Standard Operating Procedure), HACCP (Hazard Analysis and Critical Control Points) and BRC (British Retailers Association Food Technical Standards) and other quality management system certifications, in line with relevant food safety laws and regulations in China, Europe, America, Chile and other countries. In source management, quality system operation and enterprise self-inspection and self-control capabilities, they have reached a high level in the industry. Our subsidiaries have established an emergency response system for consumer complaints and quality issues to minimize, to a large extent, the resulting food safety risks.

Financial risk

The Group's activities are exposed to a variety of financial risks, which consist of market risks (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. Details of financial risks are set out in Note 3 to the financial statements.

- **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. We have 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.

- **Application of derivatives**

  We will apply derivative instruments as necessary to hedge the abovementioned risk exposure and control potential loss 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 risk also include 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, Mainland China, 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. A number of laws, regulations and policies related to financial and fund management have been introduced by relevant departments in China and the 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 strengthening 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 make 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.

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

As at December 31, 2021, the Company and its subsidiaries had approximately 88,000 employees.

The Company acknowledges the importance of building a top-notch professional team with high efficiency to fully support the Company's strategic and business developments. 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 ("Senior Management") and general employees, taking into consideration of market competitiveness which shall be compatible with the business features, scale of assets and operating performance of the Company.

The overall remuneration of Senior Management and general employees of the Company comprises annual remuneration, mid term to long term incentives and benefits, among which the annual remuneration comprises basic salaries and target bonus.

The formulation and implementation of the annual remuneration as well as mid to long term incentive plans for Senior Management of the Company is based on the relevant decision-making mechanism pursuant to the corporate governance requirements of listed companies and enabled Shareholders to play the supervisory role. Firstly, benchmarking is carried out from comparable market benchmarking companies that conform to the Company's scale, business nature, development stage, returns from operations level and other perspectives to ensure that the determination for Senior Management's compensation is fair and reasonable and in line with China's national conditions. Then, the Board of Directors shall comprehensively determine Senior Management performance results and remuneration based on the overall performance of the Company, the job duties undertaken by them and their performance appraisal results taking into consideration their achievements of performance objectives. The annual remuneration and mid to long term incentives of general employees are determined comprehensively based on the duties undertaken by them, the annual operating results of the Company and the results of their annual performance appraisals.

The mid to long term incentives, formulated in accordance with the Company's medium term and long term strategic targets, comprises of a combination of equity incentives and mid to long term performance bonuses and so forth, which entitle value creators to such incentives together with the Company's overall value growth. The 2016, 2019 and 2021 mid to long term incentive schemes were approved by the Shareholders' general meetings of the Company respectively. All matters in relation to the implementations of those schemes were delegated to the Board or the Remuneration Committee (as the case may be) and they had further delegated such duties to the Company's management pursuant to the terms of these schemes.

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 diversified supplemental benefits on its own, including supplemental pension insurance, supplemental medical insurance and supplemental housing provident fund as well as physical medical examination.

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.

RECOMMENDATION OF FINAL DIVIDEND

The Board has recommended a final cash dividend of RMB0.40 per ordinary share (before tax) for the year ended December 31, 2021 (2020: RMB0.36). The proposed final dividend is subject to the approval of the Shareholders at the 2021 annual general meeting of the Company (the "2021 AGM") to be held on Wednesday, June 29, 2022. The proposed cash dividend will be paid to the Shareholders (whose names appear on the register of members of the Company on Monday, July 11, 2022) on or before Tuesday, August 30, 2022. 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 2021 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 2021 AGM).

CLOSURE OF REGISTER OF MEMBERS

In order to determine the Shareholders entitled to attend and vote at the 2021 AGM, the register of members of the Company will be closed from Friday, June 24, 2022 to Wednesday, June 29, 2022 (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 Thursday, June 23, 2022.

In order to determine the entitlement of the H Shareholders to the final dividend for 2021, the H share register of the Company will be closed from Wednesday, July 6, 2022 to Monday, July 11, 2022 (both days inclusive). The H Shareholders who wish to receive the final dividend for 2021 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 Tuesday, July 5, 2022.

Mr. NING Min *Chairman and Executive Director*

Mr. NING Min (寧旻), aged 52, was appointed as the Chairman of the Board and the Chairman of Nomination Committee on January 1, 2020. He has been appointed as an Executive Director and a member of the Remuneration Committee 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), Levima Advanced Materials (listed on the Shenzhen Stock Exchange), and CAS Holdings, our substantial Shareholder. 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 50, 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, Levima Advanced Materials and Fullhan Microelectronics (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 Holdings. 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 59, 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 Shenzhen Legend Computer Co., Ltd. (深圳聯想電腦有限公司), the Company's subsidiary in 1989 and served as the general manager. 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).

Mr. ZHU obtained his master's degree in Electronic Engineering from Shanghai Jiao Tong University (上海交通大學) in China in 1987.

Mr. ZHAO John Huan *Non-executive Director*

Mr. ZHAO John Huan (趙令歡), aged 59, 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.

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, the chairman of the board of directors and executive director of Goldstream Investment Limited and a non-executive director of Simcere Pharmaceutical Group Limited (all listed on the Hong Kong Stock Exchange), a 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). 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), the vice chairman and director of Shanghai Environmental Group Co., Ltd. (上海環境集團股份有限公司) (both listed on the Shanghai Stock Exchange) and a non-executive director of Eros STX Global Corporation (listed on the New York Exchange).

Mr. ZHAO obtained his bachelor's degree in science from Nanjing University (南京大學) 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. SUO Jishuan *Non-executive Director*

Mr. SUO Jishuan (索繼栓), aged 58, was appointed as a Director and a member of Audit Committee 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 deputy general manager of CAS Holdings from 2009 to 2014, and 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 Shenzhen Stock Exchange) from 2016 to 2020.

Mr. SUO obtained his bachelor's degree in science from Inner Mongolia University (內蒙古大學) in China in 1986 and a doctoral degree in science from LICP in China in 1991.

Mr. YANG Jianhua *Non-executive Director*

Mr. YANG Jianhua (楊建華), aged 52, was appointed as a Director of the Company on June 10, 2021. Mr. Yang served as a Supervisor of the Company from June 12, 2020 to June 9, 2021. 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), 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 (科學技術大學) of China in 1998.

Mr. MA Weihua *Independent Non-executive Director*

Mr. MA Weihua (馬蔚華), aged 73, 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 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), an independent director of Guangdong Qunxing Toys Joint-Stock Co., Ltd. (廣東群興玩具股份有限公司) (listed on the Shenzhen Stock Exchange), the independent non-executive director of Haidilao International Holding Ltd. and China Gas Holdings Limited (both 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), and 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). 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 (西南財經大學) in China in 1999.

Ms. HAO Quan *Independent Non-executive Director*

Ms. HAO Quan (郝荃), aged 63, 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 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 HSBC Bank (China) Company Limited. She was an independent director of BEST Inc. (listed on New York Stock Exchange) from 2017 to 2021.

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 64, was appointed as a Director of the Company, the Chairman of the Remuneration Committee and a member of the Nomination Committee on February 13, 2020 and was appointed as a member of the Audit Committee on June 10, 2021. Mr. YIN joined Xi'an Shaangu Power Co., Ltd. (listed on the Shanghai Stock Exchange) in 1999 and served as the Chairman from 2001 to 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 2001 to 2017, as the Chairman of Shaanxi Qin Feng Gases Technology (陝西秦風氣體股份有限公司) from 2012 to 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 2008 to 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 53, was appointed as the Chairman of the Board of Supervisor of the Company on January 1, 2020. Mr. GAO is currently the Deputy Secretary to the Communist Party Committee, the Chairman of the Trade Union, and the dean of the Management Institute of the Company. He is fully responsible for the daily management of the communist party office and trade union of the Company and the corporate culture affairs. Mr. GAO joined Legend Holdings in 2006 and he has successively served as the deputy general manager of the Public Relations Department, the general manager of the human resources department, and the 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 43, was appointed as a Supervisor of the Company on January 16, 2018. Mr. LUO is currently the vice president and board secretary of China Oceanwide Holdings Co., Ltd. (中國泛海控股集團有限公司), a supervisor of Mingsheng Holdings Co., Ltd. (民生控股股份有限公司) (listed on the Shenzhen Stock Exchange), and a director and the general manager of Oceanwide Industrial Co., Ltd. (泛海實業股份有限公司). He was a supervisor of 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. ZHANG Yong *Supervisor*

Mr. ZHANG Yong (張勇), aged 52, was appointed as a Supervisor of the Company on June 10, 2021. Mr. Zhang joined CAS Holdings in 2004. He is currently the deputy general manager and a member of the Standing Committee of Party committee of CAS Holdings, 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 Shenzhen Stock Exchange), and the chairman of Chinese Academy of Sciences Capital Management Co., Ltd. (中科院資本管理有限公司) and Guokechang Triangle Capital Management Co., Ltd. (國科長三角資本管理有限公司). He was 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),

Mr. ZHANG obtained an MBA degree from Tsinghua University (清華大學) in 2001.

Ms. YANG Qiuyan *Senior Management*

Ms. YANG Qiuyan, aged 46, is currently the Assistant President, Head of Finance and General Manager of the Finance Department of the Company, responsible for financial management and has over 20 years of working experience in financial management. She joined Legend Holdings in August 2007 and served consecutively as manager of the Finance Department, assistant general manager, deputy general manager and general manager, and has extensive experience in financial management. Before joining Legend Holdings, she worked in Beijing Wuwei Underground Engineering Co., Ltd. (北京五維地下工程有限公司) and Zhongsheng Weiqiao International Investment Holding Co., Ltd. (中盛偉僑國際投資控股有限公司) engaging in financial management from 1998 to 2007.

Ms. Yang received a bachelor's degree in economics from Zhejiang University (浙江大學) in 1998 and a master's degree in economics from University of International Business and Economics (對外經濟貿易大學) in 2003.

Mr. WANG Wei *Senior Management*

Mr. WANG Wei (王威先生), aged 41, joined Legend Holdings in October 2019. He currently acts as the Assistant President, Board Secretary and Joint Company Secretary, General Manager of the Securities Affairs Department of the Company, responsible for investor relations, legal compliance, and information disclosure. Previously, he worked in Ernst & Young, PricewaterhouseCoopers, Sinochem Group Co., Ltd. (中國中化集團有限公司), and Meihua Biotechnology Holdings Group Co., Ltd. (梅花生物科技集團股份有限公司) (listed on the Shanghai Stock Exchange) consecutively from 2004 to 2019. He has taken charge of many milestone investments, mergers and acquisitions, and other capital market-related projects, and has maintained extensive knowledge and expertise in the abovementioned areas. Before joining Legend Holdings, he acted as Chief Financial Officer in Meihua Biotechnology Holding Group Co., Ltd..

Mr. WANG obtained his bachelor's degree from Zhongnan University of Economics and Law (中南財經政法大學) in 2003 and master's degree of accounting and finance from University of Southampton in 2004. He holds the qualifications of a Chinese Certified Public Accountant (CICPA), an American Certified Public Accountant (AICPA) and a board secretary granted by the Shanghai Stock Exchange.

PRINCIPAL BUSINESSES

The Company operates its business through two sectors: industrial operations and industrial incubations and 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, 2021, the distributable reserve of the Company amounted to RMB1,857 million (2020: RMB2,408 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 106 to 107 of this annual report.

The overall financial position of the Company and its subsidiaries as at December 31, 2021 are set out in the consolidated balance sheet on pages 108 to 110 of this annual report, and the financial position of the Company as at December 31, 2021 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 113 to 114 of this annual report.

The Board has recommended a final cash dividend of RMB0.40 per ordinary share (before tax) for the year ended December 31, 2021 (2020: RMB0.36). The proposed final dividend is subject to the approval of the Shareholders at the 2021 annual general meeting of the Company (the "2021 AGM") to be held on Wednesday, June 29, 2022. The proposed cash dividend will be paid to the Shareholders (whose names appear on the register of members of the Company on Monday, July 11, 2022) on or before Tuesday, August 30, 2022. 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 2021 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 2021 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, 2021. The details of Shares issued of the Company are set out in note 34 to the financial statements.

BONDS ISSUED

The Company did not issue any bonds for the year ended December 31, 2021.

EQUITY-LINKED AGREEMENTS

No equity-linked agreement was entered into by the Company during the year ended December 31, 2021 or as at December 31, 2021.

DONATIONS

During the year, donations for charity or other purposes made by the Company and its subsidiaries amounted to RMB125 million (2020: RMB87 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 17 to 48 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 40 to 46 of this annual report.

3. An estimation of the potential development in the business of the Company and its subsidiaries
   "Management Discussion and Analysis" on pages 17 to 48 of this annual report.

4. An analysis on financial key performance indicators
   "Financial Review" on pages 35 to 39 of this annual report.

5. 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 implements its strategic layout 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 to ensure their strict compliance with local environmental laws and regulations where they operate. In 2021, 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 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, 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 2021 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.

6. 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 2021 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 12%. 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 14%
The aggregate of the top five suppliers 31%

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 15 and 17 to the financial statements, respectively.

BORROWINGS

Details of the borrowings of the Company and its subsidiaries are set out in note 44 to the financial statements.

CONTINGENCIES

Details of the contingencies of the Company and its subsidiaries are set out in note 47(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, 2021 and in the latest four fiscal years are set out on page 292 of this annual report.

SUBSTANTIAL SUBSIDIARIES AND ASSOCIATES

Details of substantial subsidiaries and associates of the Company are set out in notes 11 and 12 to the financial statements.

CORPORATE GOVERNANCE CODE

During the year ended December 31, 2021, the Company complied with all code provisions of the Corporate Governance Code (the "Corporate Governance Code") contained in Appendix 14 of the Listing Rules applicable during the relevant period, save for the deviation explained below.

On March 12, 2021, Mr. ZHANG Xuebing resigned as an independent non-executive director of the Company and a member of the Nomination Committee. As a result, the Nomination Committee did not comprise of a majority of independent non-executive directors during the relevant period which failed to comply with provision A.5.1 of the Corporate Governance Code. On June 10, 2021, Mr. WANG Yusuo retired as a non-executive director of the Company and a member of the Nomination Committee. The deviation was thus rectified.

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

During the year ended December 31, 2021, 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 29, 2022 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)*
Mr. ZHU Linan#
Mr. ZHAO John Huan#
Mr. WU Lebin# *(retired on June 10, 2021)*
Mr. SUO Jishuan#
Mr. WANG Yusuo *(retired on June 10, 2021)*
Mr. YANG Jianhua# *(appointed on June 10, 2021)*
Mr. MA Weihua*
Ms. HAO Quan*
Mr. YIN Jian'an*
Mr. ZHANG Xuebing* *(resigned on March 12, 2021)*

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)*
Mr. LUO Cheng
Mr. YANG Jianhua *(retired on June 10, 2021)*
Mr. ZHANG Yong *(appointed on June 10, 2021)*

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, 2021, 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, 2021 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 52(c) 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, 2021, 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 March 29, 2021, Levima Advanced Materials (a connected subsidiary of the Company) and ENN Natural Gas Co., Ltd. (新奧天然氣股份有限公司) ("ENGCL") entered into the ENGCL Equity Transfer Agreement in relation to the Acquisitions, pursuant to which Levima Advanced Materials acquired 40% equity interests in the Levima Chemicals held by ENGCL. The equity transfer consideration was RMB575,886,200. On the agreement signing date, Mr. WANG Yusuo is the Non-executive Director of the Company (retired on June 10, 2021). As Mr. WANG Yusuo controls over 30% interests in ENGCL, ENGCL is deemed to be an associate of Mr. WANG Yusuo, and therefore a connected person of the Company. Under Chapter 14A of the Listing Rules, the transaction contemplated under the ENGCL Equity Transfer Agreement constitutes a connected transaction of the Company. (For details, please refer to the announcement of the Company dated March 29, 2021)

2. On June 1, 2021, Levima Group (a wholly-owned subsidiary of the Company), Jiangxi Keyuan Biotech Co., Ltd. (江西省科院生物技術有限責任公司), Shanghai Wenqi Business Consulting Co., Ltd. (上海玟琪商務諮詢有限公司) and Levima Advanced Materials (a connected subsidiary of the Company) entered into the Capital Increase Agreement. Pursuant to the Capital Increase Agreement, Levima Advanced Materials agreed to inject a capital of RMB150,000,000 into Jiangxi Keyuan Bio-Material Co., Ltd. (江西科院生物新材料有限公司) ("Jiangxi Keyuan Bio") by way of capital increase in cash. CAS Holdings, a substantial Shareholder of the Company, holds approximately 25.27% equity interests in Levima Advanced Materials, which therefore is a connected subsidiary of the Company (i.e. a connected person of the Company). Under Chapter 14A of the Listing Rules, the transaction contemplated under the Capital Increase Agreement constitutes a connected transaction of the Company. (For details, please refer to the announcement of the Company dated June 1, 2021)

3. On July 15, 2021, Levima Group (a wholly-owned subsidiary of the Company, as a limited partner of the Partnership), CAS Holdings (a substantial shareholder of the Company, as a limited partner of the Partnership), Zaozhuang Finance New and Old Kinetic Energy Conversion Fund Management Partnership (Limited Partnership) (棗莊財金新舊動能轉換基金管理合夥企業（有限合夥）), Tengzhou City Finance Industry Investment Fund Management Center (Limited Partnership) (滕州市財金產業投資基金管理中心（有限合夥）) (both as limited partners of the Partnership) and Chinese Academy of Sciences Capital Management Co., Ltd. (中科院資本管理有限公司) ("CAS Capital") (as a general partner, managing partner and manager of the Partnership) jointly entered into the Partnership Agreement. According to the Partnership Agreement, Levima Group will subscribe a total amount of RMB200 million in the Guoke Anfu Venture Capital (Zaozhuang) Partnership (Limited Partnership) (國科安孚創業投資（棗莊）合夥企業（有限合夥）) ("Partnership"). According to Chapter 14A of the Listing Rules, CAS Holdings is a substantial shareholder of the Company and a connected person of the Company. On the agreement signing date, as CAS Holdings holds more than 30% interests of CAS Capital, CAS Capital is an associate of CAS Holdings. According to Chapter 14A of Listing Rules, the Subscription to the Partnership pursuant to the Partnership Agreement constitute a connected transaction of the Company. (For details, please refer to the announcement of the Company dated July 15, 2021)

4. On December 21, 2018, Leap Wave Limited ("Leap Wave", as the subscriber), a subsidiary of the Company, 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 Leap Wave conditionally agreed to subscribe for the Convertible Bonds in the aggregate principal amount of HK$800,000,000 ("Convertible Bonds"). The subscription was completed on February 27, 2019. Under Chapter 14A of the Listing Rules. Mr. Zhao, a non-executive director of the Company, is a connected person of the Company and controls over 30% interest in Hospital Corporation. As such, the subscription of Convertible Bonds constitutes a connected transaction of the Company. (For details, please refer to the announcements of the Company dated December 21, 2018, January 16, 2019, and February 27, 2019). On August 12, 2021, upon the approval of Leap Wave, the Hospital Corporation executed a Deed of Amendment to amend certain terms of the Convertible Bonds in relation to early redemption. Pursuant to the amended terms, the Hospital Corporation and Leap Wave agreed on the redemption schedule of the early redemption of the Convertible Bonds in the aggregate sum of HK$784 million by instalments. The exercising of the right of Leap Wave to early redeem the Convertible Bonds constitutes a connected transaction of the Company under the Listing Rules. (For details, please refer to the announcements of the Company dated August 12, 2021, and September 16, 2021)

5. On September 24, 2021, Levima Group (a wholly-owned subsidiary of the Company), Levima Advanced Materials (a connected subsidiary of the Company) and Jiangxi Keyuan Bio entered into the Equity Transfer Agreement. Pursuant to the Equity Transfer Agreement, Levima Group agreed to dispose of its 8.14% equity interests in Jiangxi Keyuan Bio to Levima Advanced Materials at a cash consideration of RMB28,490,000. Levima Advanced Materials is a connected person of the Company. Under Chapter 14A of the Listing Rules, the transaction contemplated under the Equity Transfer Agreement constitutes a connected transaction of the Company. (For details, please refer to the announcement of the Company dated September 24, 2021)

CONTINUING CONNECTED TRANSACTIONS

6. 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 agreements were revised. (For details, please refer to the announcement of the Company dated February 21, 2020)

   During the year ended December 31, 2021, the actual aggregate transaction amount of the above continuing connected transactions did not exceed relevant annual caps prescribed in the above agreements.

7. 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, 2021, the actual aggregate transaction amount of the above continuing connected transactions did not exceed relevant annual caps prescribed in the above agreements.

8. 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 Agreement terminated on June 30, 2021. (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 January 1, 2021 to June 30, 2021, the maximum amount of the financial assistance provided to Levima Advanced Materials by the Company pursuant to the Continuing Guarantee Support Framework Agreement amounted to RMB2,276 million, not exceeding the cap stipulated in the agreement (being RMB3,800 million).

   On June 30, 2021, the Company and Levima Advanced Materials entered into the 2021 Continuing Guarantee Support Framework Agreement, pursuant to which the Company agreed to grant the Guarantees to Levima Advanced Materials, for the period from July 1, 2021 to December 31, 2021 and at the requests made by Levima Advanced Materials, for an aggregate amount of not exceeding RMB1,000 million. Levima Advanced Materials paid guarantee fees to the Company, calculated at an annualized rate of 0.1%. (For details, please refer to the announcement of the Company dated June 30, 2021)

   At any time during the period from July 1, 2021 to December 31, 2021, the maximum amount of the financial assistance provided to Levima Advanced Materials by the Company pursuant to the 2021 Continuing Guarantee Support Framework Agreement amounted to RMB500 million, not exceeding the cap stipulated in the agreement (being RMB1,000 million).

   On December 28, 2021, the Company and Levima Advanced Materials entered into the 2022 Continuing Guarantee Support Framework Agreement, pursuant to which the Company, agreed to continue to grant the Guarantees to Levima Advanced Materials for an aggregate amount of not exceeding RMB300 million, for the period from January 1, 2022 to December 31, 2022. Levima Advanced Materials paid guarantee fees to the Company, calculated at an annualizes rate of 0.1%. The provision of the Guarantees to Levima Advanced Materials (including the receipt of guarantee fees from Levima Advanced Materials) constitutes continuing connected transactions of the Company in accordance with Chapter 14A of the Listing Rules. (For details, please refer to the announcement of the Company dated December 28, 2021)

9. On December 29, 2020, Tengzhou Guozhuang Mining Co., Ltd. ("Guozhuang Mining"), a subsidiary of the Company, and Levima Advanced Materials entered into the Coal and Labour Outsourcing Services Agreement ("Original Agreement") with a term of one year, pursuant to which 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 Original Agreement has been replaced by the New Agreement (defined below) from September 3, 2021. (For details, please refer to the announcement of the Company dated December 29, 2020)

   At any time during the period ended September 3, 2021, pursuant to the Original Agreement, the actual aggregate amount of the coal and labor outsourcing services provided by Guozhuang Mining to Levima Advanced Materials amounted to RMB126 million, and did not exceed the cap prescribed in the Original Agreement. (RMB150.53 million).

   In May, 2021, Levima completed the acquisition of Levima Chemicals making it a wholly-owned subsidiary of Levima Advance Materials. Levima Advanced Materials and Levima Chemicals have increased the coal procurement quantities in view of meeting their business developments, manufacturing and operational needs. The Existing Annual Cap RMB150.53 million under the Original Agreement cannot fulfil the actual demands of the manufacturing and operations of Levima and Levima Chemicals. On September 3, 2021, Guozhuang Mining, Levima Advanced Materials and Levima Chemicals entered into a coal and labour outsourcing services agreement ("New Agreement"), pursuant to which Guozhuang Mining will provide (i) Levima Advanced Materials with coal and labour outsourcing services; and (ii) Levima Chemicals with coal. The existing annual cap of the aforesaid total consideration (exclusive of tax) will be raised from the Existing Annual Cap to RMB316.48 million. (For details, please refer to the announcement of the Company dated September 3, 2021)

   At any time during the period from January 1, 2021 to December 31, 2021, pursuant to the New Agreement, the actual aggregate amount of the coal and labor outsourcing services provided by Guozhuang Mining to Levima Advanced Materials amounted to RMB304 million, and did not exceed the cap prescribed in the New Agreement. (RMB316.48 million).

   On December 28, 2021, Guozhang Mining and Levima Advanced Materials re-entered into the 2022 Coal and Labour Outsourcing Services Agreement for the period from January 1, 2022 to December 31, 2022, pursuant to which Guozhuang Mining will continue to provide coal and labour outsourcing services to Levima Advanced Materials and its subsidiaries at a total maximum consideration of RMB719 million (exclusive of tax). The provision of the coal and labour outsourcing services to Levima Advanced Materials and its subsidiaries constitutes continuing connected transactions of the Company under Chapter 14A of the Listing Rules. (For details, please refer to the announcement of the Company dated December 28, 2021)

10. 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 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 therefore a connected subsidiary of the Company. The Financial Assistance Agreement terminated on August 9, 2021. (For details, please refer to the announcement of the Company dated August 30, 2018)

    At any time during the period from January 1, 2021 to August 9, 2021, pursuant to the Financial Assistance Agreement, the maximum amount of financial assistance provided by the Company to Better Education amounted to RMB210 million, and did not exceed the annual cap prescribed in the agreement (USD250 million or its equivalent in Renminbi).

    On August 10, 2021, the Company and Better Education entered into the 2021 Financial Assistance Agreement, pursuant to which the Company or its subsidiaries agreed to, at the written request of Better Education and within a term of 36 months, provide continuing financial assistance in the amount of no more than RMB210 million (or its equivalent in US dollars) to Better Education and its subsidiaries, subject to the then financial positions of the Company and in compliance with the Listing Rules. Under Chapter 14A of the Listing Rules, the provision of continuing financial assistance to Better Education constitutes continuing connected transactions of the Company. (For details, please refer to the announcement of the Company dated August 10, 2021)

    At any time during the period from August 10, 2021 to December 31, 2021, pursuant to the 2021 Financial Assistance Agreement, the maximum amount of financial assistance provided by the Company to Better Education amounted to RMB177 million, and did not exceed the annual cap prescribed in the agreement (RMB210 million or its equivalent in US dollars).

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 6 to 10 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 6 to 10 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, 2021, 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 which 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.

RETIREMENT SCHEME ARRANGEMENT

The Company and its subsidiaries contribute towards retirement income protection for their employees through the provisions of defined benefit pension plans, defined contribution plans, and/or contributions to various public retirement schemes in certain jurisdictions. The retirement scheme arrangements are implemented in accordance with the specific policies of the countries or regions where the Company and its subsidiaries resides.

Details of pension benefit of the Company and its subsidiaries are set out in notes 9 and 46 to the financial statements, respectively.

AUDITOR

PricewaterhouseCoopers ("PricewaterhouseCoopers") has been appointed by the Company as the independent auditor for the year ended December 31, 2021. The consolidated financial statements for 2021 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 2021 AGM.

DIRECTORS' INTERESTS IN SECURITIES

As at December 31, 2021, 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	37,400,000	40,150,000	3.15%	1.70%
		Share Options(iii)	2,750,000			
LI Peng	Beneficial owner	H Shares	1,844,100	4,394,100	0.34%	0.18%
		Share Options(iii)	2,550,000			
ZHU Linan	Beneficial owner	H Shares	52,630,000	56,230,000	4.42%	2.38%
		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			

Notes:

(i) As of December 31, 2021, 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) Refer to the Restricted Shares granted 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 Restricted Shares incentive plan.

(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	6,234,856[a]	0.05%
ZHAO John Huan	Lenovo	Beneficial owner	Long Position	4,966,910[b]	0.04%

Notes:

(a) Mr. ZHU Linan owns 3,274,924 ordinary shares and 2,959,932 units of share awards which are convertible into ordinary shares.

(b) Mr. ZHAO John Huan owns 1,278,031 ordinary shares and 3,688,879 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, 2021.

INTERESTS OF THE SUBSTANTIAL SHAREHOLDERS

As at December 31, 2021, 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%

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]
LU Zhiqiang[4]	Domestic Shares	Interest in controlled corporation	273,480,000	25.22%	11.60%
China Oceanwide	Domestic Shares	Beneficial owner	273,480,000	25.22%	11.60%
Oceanwide Group[4]	Domestic Shares	Interest in controlled corporation	273,480,000	25.22%	11.60%
Tohigh[4]	Domestic Shares	Interest in controlled corporation	273,480,000	25.22%	11.60%
Xiamen International Bank Co., Ltd. Beijing Branch (廈門國際銀行股份有限公司北京分行)	Domestic Shares	Beneficial owner	126,520,000	11.67%	5.37%
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	101,684,600	7.99%	4.31%
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	101,684,600	7.99%	4.31%
LIU Chuanzhi	H 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, 2021. As of December 31, 2021, 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, 2021.

(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 273,480,000 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 101,684,600 H Shares.

As at December 31, 2021, 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, 2022

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 requirements of the Company's Articles of Association and the Listing Rules, earnestly fulfilling their supervisory duties, safeguarding the interests of the Shareholders and the Company, observing the principles of integrity, trying their best to fulfill their duties, and discharging their duties with reasonable care, diligence and initiative.

As of the date of the Report, 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. ZHANG Yong (shareholder representative). Mr. YANG Jianhua retired as a shareholder representative Supervisor in 2021.

The following matters were approved and passed by resolutions of the Board of Supervisors in 2021. 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 31, 2021, the audited consolidated financial statements of the Company for the year ended December 31, 2020, the Company's profit distribution plan for the year 2020, annual results announcement of the Company for the year ended 2020, the 2020 annual report of the Company, the Company's audited consolidated financial statements for the year 2020 (prepared in accordance with China Accounting Standards for Business Enterprises) as well as the 2020 Supervisor's Report of the Company were considered and passed; and

2. On August 31, 2021, the unaudited consolidated financial statements of the Company for the six months ended June 30, 2021 (prepared in accordance with the International Accounting Standards), interim results announcement of the Company for the six months ended June 30, 2021, the 2021 interim report of the Company as well as the Company's unaudited consolidated financial statements for the six months ended June 30, 2021 (prepared in accordance with China Accounting Standards for Business Enterprises) were considered and passed.

In 2021, 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 2020, 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 2021, 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 2022, the Board of Supervisors will continue to strictly abide by the Articles of Association of the Company and the relevant regulations, 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, 2022

Corporate Governance Report

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.

During the year ended December 31, 2021, the Company complied with all code provisions of the Corporate Governance Code (the "Corporate Governance Code") contained in Appendix 14 of the Listing Rules applicable during the relevant period, save for the deviation explained below.

On March 12, 2021, Mr. ZHANG Xuebing resigned as an independent non-executive director of the Company and a member of the Nomination Committee. As a result, the Nomination Committee did not comprise of a majority of independent non-executive directors during the relevant period which failed to comply with provision A.5.1 of the Corporate Governance Code. On June 10, 2021, Mr. WANG Yusuo retired as a non-executive director of the Company and a member of the Nomination Committee. The deviation was thus rectified.

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

COMPOSITION OF THE BOARD

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

Executive Directors:

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

Non-executive Directors:

Mr. ZHU Linan
Mr. ZHAO John Huan
Mr. SUO Jishuan
Mr. YANG Jianhua

Independent Non-executive Directors:

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

Biographical details of members of the Board are set out on pages 49 to 57 in the section of "Biography of Directors, Supervisors and Senior Management" 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, 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 is responsible for evaluating and advising to the Board the appointment of new directors, re-election of directors or filling the vacancies of directors, 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 the increase or the reduction in 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 considers 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 certain special committees including but not limited to 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 Board has put in place a mechanism for directors to seek independent professional advice in the performance of their duties when appropriate. On the premises that there is a reasonable ground, any director may request the secretary of the Board to arrange for the seeking of the views and opinions of independent professional consultants to assist him/her in performing his/her duties as a director of the Company. The reasonable expenses incurred in this respect will be borne by the Company. The secretary of the Board shall report to the Board the abovementioned arrangements. If the secretary of the Board considers that the request for independent advice is unreasonable, and/or the relevant director is dissatisfied with the response of the secretary of the Board and the arrangement suggested, either party may refer to the Chairman of the Board to further consider whether, as the case may be, to make any revision. If the relevant directors are still dissatisfied with such response or arrangement, the matter will be referred to a special committee of the Board, the members of which are all independent non-executive directors who are available and willing to handle the matter.

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 laws 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 meetings, presiding over meetings of the Board, leading and organizing the formulation of various systems for the Board's operation, coordinating the operations 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 businesses 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 approvals 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 budgets 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 businesses, 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 meetings 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 TRAININGS 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 the businesses 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	Anti-corruption	Functions, Duties and Responsibilities of the Board	Risk Management	Corporate Governance	ESG Development
Executive Directors						
NING Min	✔	✔	✔	✔	✔	✔
LI Peng	✔	✔	✔	✔	✔	✔
Non-executive Directors						
ZHU Linan	✔	✔	✔	✔	✔	✔
ZHAO John Huan	✔	✔	✔	✔	✔	✔
SUO Jishuan	✔	✔	✔	✔	✔	✔
YANG Jianhua	✔	✔	✔	✔	✔	✔
Independent Non-executive Directors						
MA Weihua	✔	✔	✔	✔	✔	✔
HAO Quan	✔	✔	✔	✔	✔	✔
YIN Jian'an	✔	✔	✔	✔	✔	✔

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

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

ACCOUNTABILITY OF DIRECTORS ON THE FINANCIAL STATEMENTS

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

The management team recognizes the importance of providing the Board with sufficient explanations as well as appropriate and relevant information on an accurate and timely basis. Management presents to the Board the annual and interim business reviews and financial reports comparing the actual performance of the Group with the budgets and highlights of major relevant matters to enable the Board to make a well-informed assessment on the performance, positions 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 95 to 105 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, 2021, the remuneration paid and payable to the Company's external independent auditor, is set out below:

Type of Services	*RMB'000*
Audit services	110,660
Non-audit services	29,552

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 service, tax consultation service and other non-assurance services.

DIVERSITY

The Company believes that board diversity is beneficial for enhancing the Company's comprehensive performance and operating capability, crucial to effective decision-making and maintaining the Company's sustainable and balanced development. Talent-based selection and value creation for the Company and Shareholders are the fundamental principles underlying the composition of the Board. The Company has adopted the board members diversity policy. In selecting candidates for directors, diverse 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. Candidates with management experience, technical specialty, legal, financial, management and audit background will offer extensive diverse experiences to the Board. Meanwhile, based on its business model and strategies 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, with due regard to the benefits of Board diversity and the need for sustainable and successful growth of the Company.

During the year ended December 31, 2021, the Nomination Committee reviewed the Board diversity policy and its effectiveness having considered the structure, size and composition of the Board and the skills, knowledge, experiences of the members of the Board at the relevant time and confirmed that the implementation of such policy had been in line with the Company's existing operations, assets size and shareholding structure. It confirmed that the Board has maintained a balanced and sufficiently diversified composition which enhanced the quality of its deliberation and decision-making and is able to discharge the Board's functions effectively.

The Board of the Company currently comprises nine members, including one female member. On March 31, 2022, the Board approved a revision to the existing board diversity policy. The Board of the Company currently comprises nine members, including one female member. On March 31, 2022, the Board approved a revision to the existing board diversity policy, having considered the recommendation of the Nomination Committee in order to enhance the Company' corporate governance standard. The revision mainly authorizes the Nomination Committee to take the opportunity to identify and nominate suitable candidates for directors and gradually increase the proportion of female directors to achieve an appropriate gender balance on the Board, taking into account of the expectations of Shareholders and the mandatory requirements and recommended best practices of international and listing rules. The Nomination Committee should, on a best effort basis, achieve towards the ultimate goal of increasing the number of female Board members to at least two by the end of 2030. Moving forward, the Board will try to maintain a database of qualified female candidates (including internal and external candidates) considering the unique needs of the Company and the external evolving environment in order to strengthen our female talent pipeline of potential successors to the Board.

The proportions of male and female employees (including senior management) of the Company and its subsidiaries (excluding Lenovo) are fairly balanced, at 44% and 56% respectively.

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. YIN Jian'an, an Independent Non-executive Director. The Chairperson of the Audit Committee possesses accounting professional qualifications and has complied with the requirements of Rule 3.21 under the Listing Rules.

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

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

- The audit related matters for 2020 (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);
- 2020 annual profit distribution plan;
- The audit fee for 2020 and the re-appointment of the independent auditor for 2021;
- The annual results announcement for the year ended December 31, 2020 and the 2020 annual report of the Company and its subsidiaries;
- Connected transactions and continuing connected transactions in 2020;
- The unaudited consolidated financial statements for the three months ended March 31, 2021 and the nine months ended September 30, 2021 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, 2021 and the 2021 interim report of the Company and its subsidiaries;
- Matters related to interim review for 2021 (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 2021 Interim Financial Information of the Company and Its Subsidiaries", "Management's Statement of 2021 Annual Audit of the Company and Its Subsidiaries" and management's comment;
- Annual audit planning for the financial year ended December 31, 2021 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 budgets 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 truth, ambition and employee-oriented to lay the 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 governance rules and implementing regulations 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 businesses of the headquarters of the Company	**For businesses of subsidiaries**	**Duties**
1st Line of Defence	Business divisions	Subsidiaries	Integrate the risk management concepts and control measures into the daily business processes 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 conducting businesses and operations.
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 systems.</td></tr>
<tr><td>Supervision and communication of the management</td><td colspan="2">• Assume the leadership role, and seek for the balance between risks and opportunities.
• Design, implement and review the risk management framework and systems.
• 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 identifications and assessment methods, unify the standards and procedures of risk assessments, 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 audits by promoting rectifications or implementing follow-up audits.
- Establish various reporting channels, including email, telephone, website and official account reporting channels, strengthen the collections of risk items and fraud clues, investigate and deal with violations in an independent, lawful, and fair basis.

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 businesses 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 risks and ensures that appropriate internal control procedures are in place; revise the risk management policies and internal control procedures in case of any significant changes.
- 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 structures and capability to ensure long-term growth and sustainable development for the Company's businesses. In this regard, we are required to implement consistently an effective risk management and internal control structures. We will continue to move towards the same direction, aiming to integrate risk management and internal control into our daily operations.

RISK REVIEW PROCEDURES AND CONTROL EFFECTIVENESS

1. Effectiveness and scope of review procedures

The Board is of the view that, based on the review performed 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, 2021 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 losses.

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 disclosures, the Company strengthens the management of information disclosure and has developed the management system of information disclosures (the "System") in accordance with the principles and requirements under the applicable 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 disclosures 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 disclosures. 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 disclosures 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 2020;
- The performance appraisal and bonus implementation in 2020 for senior management;
- Disclosure of the Directors', Supervisors' and senior management's remuneration in the 2020 annual report;
- The amounts of grants, vesting and exercises under the median to long term incentive system for senior management and employees; and
- The performance appraisal system and medium to long term incentive system, in line with the Company's development plan for the next three years.

For the year ended December 31, 2021, 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 *(RMB)*	**Number of staff**
RMB3,600,001 – RMB4,100,000	1
RMB4,600,001 – RMB5,100,000	1

The details of remuneration of the Directors and Supervisors for the year ended December 31, 2021 are set out in note 52(a) to the financial statements.

NOMINATION COMMITTEE

For the period from January 1, 2021 to March 12, 2021, 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 ("Mr. WANG"), the non-executive director, Mr. ZHANG Xuebing ("Mr. ZHANG"), Mr. MA Weihua and Mr. YIN Jian'an, all Independent Non-executive Directors. Mr. ZHANG ceased to be a member of the Nomination Committee on March 12, 2021. Mr. WANG ceased to be a member of the Nomination Committee on June 10, 2021.

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 carried out the following:

- Assessed the independence of Independent Non-executive Directors and confirmed that 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 the skills, knowledge, experiences of the members of the Board) and reviewed the Board diversity policy.

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

- The disclosures in the "Environmental, Social and Governance Report";

- The Corporate Governance Policies and Practices, the compliance with "Corporate Governance Code" and the disclosures in "Corporate Governance Report";

- The implementation of the professional trainings for Directors and Supervisors and continuing professional development program; and

- The policies regarding the compliance with laws and regulatory requirements and its implementation.

Candidate recommended by Directors shall firstly be nominated by the Nomination Committee according to the nomination and succession plan for Board members. The Nomination Committee will make a preliminary evaluation of each candidate through individual or collective interviews with the candidate to ensure that all members of the Nomination Committee unanimously agrees that such candidate has met the required selection criteria. In selecting candidate for Directors, diverse factors, including but not limited to, gender, age, cultural and educational backgrounds, ethnicity, professional experience, core skills, knowledge, term of service, management experience, technical specialty (legal, financial, management and audit backgrounds) will be considered. Thereafter, the Nomination Committee will arrange the candidate to meet with the rest of the Board members for another evaluation mainly to consider whether the candidate joining the Board will bring the most benefits to the Board and the Company as the priority judgment criterion. The Board will propose the election of such candidate as a Director, if identified to be suitable, at the Shareholders' general meeting in accordance with Articles of Association of the Company. During the year ended December 31, 2021, no candidate has been nominated to join the Board.

CORPORATE GOVERNANCE AND ESG ISSUES INSPECTION 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 disclosures in the Corporate Governance Report.

In order to comply with the requirements of Appendix 27 Environmental, Social and Governance Reporting Guide (the "ESG Reporting Guidelines") in the Listing Rules, the Nomination Committee was authorized by the Board on November 25, 2021 to assist the Board in guiding and monitoring the policies and objectives related to sustainable development, continuously exploring trends of sustainable development in domestic and international capital markets and the industry, and reviewing the progress of related projects and matters. In an effort to enhance the Board's inspection of ESG issues, the Board approved to establish an Environmental, Social and Governance Committee on March 31, 2022 to take over, among others, the aforementioned functions from the Nomination Committee.

STRATEGY COMMITTEE

The Strategy Committee is composed of four members, and is chaired by Mr. NING Min, the Chairman, and the rest of the members are 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 operations 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 four meetings during the Reporting Period. All decisions made by the Board are voted by the Board and supplemented by circulating resolutions in writing during the periods between Board meetings. Upon signing by Directors in accordance with requirements of Articles of Association of the Company, the resolutions would become resolutions resolved by the Board.

The attendance at the Board meetings, the meetings of the Board Committee and general 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	4/4	–	1/1	1/1	3/3
Mr. LI Peng	4/4	–	–	–	3/3
Non-executive Directors					
Mr. ZHU Linan	4/4	–	–	–	3/3
Mr. ZHAO John Hua	4/4	–	–	–	3/3
Mr. SUO Jishuan	4/4	2/3	–	–	0/3
Mr. YANG Jianhua	2/4	–	–	–	3/3
Independent Non-executive Directors					
Mr. MA Weihua	2/4	–	–	1/1	0/3
Ms. HAO Quan	4/4	3/3	1/1	–	3/3
Mr. YIN Jian'an	4/4	3/3	1/1	1/1	3/3

Note:

(1) The Company held the Annual General Meeting of 2020 on June 10, 2021. Immediately after the closure of this meeting, the 2021 first H Share Class General Meeting and the 2021 first Domestic Share Class General Meeting were held.

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 ("Mr YANG") (shareholder representative). Mr. YANG ceased to act as a member of the Board of Supervisors on June 10, 2021. Mr. ZHANG Yong was appointed as a member of Board of Supervisors (shareholder representative) on June 10, 2021.

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 Shareholders' 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 Shareholders' 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 75 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 publications on the Company's website.

The Company is of view that the Shareholders' 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 Shareholders' 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 2021, 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 disclosures, extensive channel coverages 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 Shareholders' 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 Shareholders' 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 Shareholders' General Meeting

When the Company convenes a Shareholders' 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 Shareholders' general meeting within two days after receipt of such proposals, inform other Shareholders and list the motions which are within the authorities of the Shareholders' 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 Shareholders' 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 2022, 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.

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"), which are set out on pages 106 to 291, comprise:

- the consolidated balance sheet as at December 31, 2021;
- 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 significant accounting policies and other explanatory information.

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, 2021, 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) issued by the International Ethics Standards Board for Accountants ("IESBA Code"), 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 19 to the consolidated financial statements	
As at December 31, 2021, the Group had goodwill of RMB35,509 million and other intangible assets with indefinite useful lives of RMB12,926 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 recoverable amount, when the model of fair value less disposal cost was used, management made significant judgment over the active market price or adjusted amount based on the observable data; when the model of value in use was used, management made significant assumptions and judgements in determining the appropriate CUGs 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 industrial incubation and investment and Joyvio group plate recognised goodwill impairment of RMB385 million due to decrease in recoverable amount caused by its performance didn't meet expectations. 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 under different models. In view of these reasons, we identified this as a key audit matter.	• In the cases of impairment assessment using the model of fair value less disposal cost, we agreed the fair value to observable unadjusted price in the active market, and agreed the input data to observable referenced data in the active market. • In the cases of impairment assessment using the model of value in use calculation, we challenged the appropriateness of the key assumptions including expected revenue growth rates, expected profit margins and discounted rates 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. Included: – 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, 2021, the Group has financial assets measured at fair value with level 3 inputs of RMB47,043 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 RMB4,469 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 45 to the consolidated financial statements As at December 31, 2021, the Group had deferred income tax assets of RMB18,606 million. In addition, the Group had unrecognized temporary difference and tax loss of RMB15,369 million and RMB26,633 million respectively as at December 31, 2021. 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, 2021 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, 2021, 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 26(a) to the consolidated financial statements	
At 31 December 2021, the gross balance of loans to customers of the subsidiaries engaged in banking business of RMB120,437 million against which a corresponding allowance for expected credit loss ("ECL") of RMB2,145 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 over the specific provision process and monitoring; • Controls over the monitoring of internal credit limits, loans in litigation and credit watch list; • 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; • We assessed 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 is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, 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, 2022

Consolidated Income Statement

For the year ended December 31, 2021

		Year ended December 31,	
		2021	2020
	Note	***RMB'000***	*RMB'000*
Sales of goods and services	*5*	**487,259,121**	413,730,939
Interest income	*5*	**3,968,497**	5,520,200
Interest expense	*5*	**(1,355,941)**	(1,684,286)
Net interest income		**2,612,556**	3,835,914
Total revenue	*5*	**489,871,677**	417,566,853
Cost of sales and services	*8*	**(403,940,867)**	(347,222,508)
Gross profit		**85,930,810**	70,344,345
Selling and distribution expenses	*8*	**(24,259,912)**	(20,672,076)
General and administrative expenses	*8*	**(39,972,079)**	(36,408,630)
Expected credit loss	*8*	**(1,740,258)**	(2,493,286)
Investment income and gains	*6*	**6,954,366**	7,888,990
Other losses-net	*7*	**(935,040)**	(330,378)
Finance income	*10*	**864,078**	1,045,990
Finance costs	*10*	**(5,729,570)**	(6,309,290)
Share of profit/(loss) of associates and joint ventures accounted for using the equity method		**977,935**	(432,836)
Profit before income tax		**22,090,330**	12,632,829
Income tax expense	*13*	**(6,041,822)**	(3,614,400)
Profit for the year		**16,048,508**	9,018,429
Profit attributable to:			
– Equity holders of the Company		**5,754,886**	3,868,011
– Perpetual securities holders		**–**	317,801
– Other non-controlling interests		**10,293,622**	4,832,617
		16,048,508	9,018,429
Earnings per share for the profit attributable to the equity holders of the Company *(expressed in RMB per share)*			
Basic earnings per share	*14*	**2.46**	1.66
Diluted earnings per share	*14*	**2.28**	1.62

Consolidated Statement of Comprehensive Income

For the year ended December 31, 2021

		Year ended December 31,	
	Note	**2021** **RMB'000**	2020 RMB'000
Profit for the year		**16,048,508**	9,018,429
Other comprehensive income/(loss):			
Items that will not be reclassified to income statement:			
Change in fair value of non-trading equity securities measured at fair value through other comprehensive income, net of taxes	*13*	**487,511**	(609,336)
Change in credit risk on financial liabilities measured at fair value through profit or loss, net of taxes	*13*	**(1,328)**	–
Share of other comprehensive (loss)/income of associates using equity accounting, net of taxes	*13*	**(988)**	42,397
Remeasurements of post-employment benefit obligation, net of taxes	*13*	**12,708**	(118,586)
Revaluation of investment properties upon reclassification from property, plant and equipment, net of taxes	*13*	**89,487**	43,905
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	*13*	**(27,750)**	(32,630)
Currency translation differences	*13*	**(3,419,086)**	(3,790,925)
Share of other comprehensive income/(loss) of associates using equity accounting	*13*	**56,597**	(95,189)
Fair value change on cash flow hedges, net of taxes	*13*	**923,344**	(466,627)
Other comprehensive loss for the year, net of taxes		**(1,879,505)**	(5,026,991)
Total comprehensive income for the year		**14,169,003**	3,991,438
Attributable to:			
– Equity holders of the Company		**4,967,304**	501,693
– Perpetual securities holders		**–**	317,801
– Other non-controlling interests		**9,201,699**	3,171,944
		14,169,003	3,991,438

Consolidated Balance Sheet

As at December 31, 2021

	Note	2021 RMB'000	2020 RMB'000
		As at December 31,	
ASSETS			
Non-current assets			
Property, plant and equipment	15	26,613,671	23,351,343
Right-of-use assets	16	7,665,396	6,951,676
Investment properties	17	12,466,265	12,315,945
Intangible assets	19	63,617,646	65,450,440
Consumable biological assets	18	–	366,068
Associates and joint ventures using equity accounting	12	14,935,406	16,434,370
Associates measured at fair value through profit or loss	12	19,903,531	18,459,044
Financial assets at fair value through other comprehensive income	21	8,641,382	12,179,471
Financial assets at fair value through profit or loss	31	10,371,834	9,995,725
Loans to customers	26	77,874,281	81,164,394
Loans to credit institutions	27	1,320,193	22,570
Derivative financial assets	22	498,200	212,978
Other financial assets at amortised cost	28	48,203,427	57,131,509
Deferred income tax assets	45	18,606,062	18,290,286
Other non-current assets	23	12,449,355	9,563,113
Total non-current assets		323,166,649	331,888,932
Current assets			
Inventories	29	56,201,248	39,987,790
Consumable biological assets	18	1,750,507	1,193,174
Properties under development	30	1,444,087	986,020
Accounts and notes receivables	24	89,699,633	71,754,864
Prepayments, other receivables and other current assets	25	41,206,026	42,289,228
Loans to customers	26	45,951,978	49,167,712
Loans to credit institutions	27	2,697,271	7,007,686
Derivative financial assets	22	1,112,998	2,397,724
Financial assets at fair value through profit or loss	31	24,020,159	18,319,240
Financial assets at fair value through other comprehensive income	21	1,948,322	473,817
Other financial assets at amortised cost	28	5,291,381	4,805,442
Balances with central banks	32	24,058,838	8,684,834
Restricted deposits	32	1,945,704	1,154,038
Bank deposits	32	234,743	269,231
Cash and cash equivalents	32	59,956,630	69,718,438
		357,519,525	318,209,838
An associates held for sale	12(b)	–	1,634,001
Total current assets		357,519,525	319,843,839
Total assets		680,686,174	651,732,771

		As at December 31,	
	Note	**2021**	2020
		RMB'000	*RMB'000*
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital	*34*	**2,356,231**	2,356,231
Reserves		**58,913,657**	58,078,131
Total equity attributable to equity holders of the Company		**61,269,888**	60,434,362
Perpetual securities	*35*	**1,558,457**	1,554,740
Other non-controlling interests		**35,006,747**	29,708,464
Put option written on non-controlling interests	*40(c)(1)*	**(5,024,368)**	(5,024,368)
Total equity		**92,810,724**	86,673,198
LIABILITIES			
Non-current liabilities			
Borrowings	*44*	**95,243,773**	99,078,041
Lease liabilities	*16*	**2,898,182**	2,932,067
Amounts due to credit institutions	*41*	**16,164,589**	12,647,567
Amounts due to customers	*42*	**2,648,144**	5,284,663
Derivative financial liabilities	*22*	**1,922,328**	3,849,885
Deferred revenue	*37*	**9,117,512**	7,548,109
Retirement benefit obligations	*46*	**2,803,639**	3,133,388
Provisions	*47*	**1,898,187**	2,087,503
Financial liabilities at fair value through profit or loss	*43*	**9,261,093**	7,945,455
Deferred income tax liabilities	*45*	**9,938,336**	8,361,820
Other non-current liabilities	*40*	**10,048,093**	10,227,058
Total non-current liabilities		**161,943,876**	163,095,556

	Note	As at December 31, 2021 RMB'000	2020 RMB'000
Current liabilities			
Trade and notes payables	*36*	**90,080,446**	76,415,717
Other payables and accruals	*38*	**112,540,532**	90,309,895
Amounts due to credit institutions	*41*	**13,464,130**	20,840,403
Amounts due to customers	*42*	**146,671,919**	153,347,840
Financial liabilities at fair value through profit or loss	*43*	**1,612,896**	2,453,574
Derivative financial liabilities	*22*	**1,174,850**	2,679,794
Provisions	*47*	**6,638,028**	5,859,745
Advance from customers	*39*	**2,540,884**	2,032,481
Deferred revenue	*37*	**8,709,517**	7,033,567
Income tax payables		**3,743,298**	2,860,000
Lease liabilities	*16*	**1,130,162**	819,586
Borrowings	*44*	**37,624,912**	37,311,415
Total current liabilities		**425,931,574**	401,964,017
Total liabilities		**587,875,450**	565,059,573
Total equity and liabilities		**680,686,174**	651,732,771

The consolidated financial statements on pages 106 to 291 were approved by the Board of Directors on March 31, 2022 and were signed on its behalf.

NING Min
Director

LI Peng
Director

Consolidated Statement of Changes in Equity

For the year ended December 31, 2021

	Attributable to the equity holders of the Company													
	Share capital	Share premium	Statutory surplus reserve	Revaluation reserve	Share-based compensation reserve	Shares held for share scheme	Hedging reserve	Exchange reserve	Other reserve	Retained earnings	Perpetual securities	Other non-controlling interests	Put option written on non-controlling interests	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 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
Profit for the year	–	–	–	–	–	–	–	–	–	5,754,886	–	10,293,622	–	16,048,508
Other comprehensive income/(loss)														
Fair value changes on financial assets at fair value through other comprehensive income	–	–	–	404,106	–	–	–	–	–	–	–	55,655	–	459,761
Credit risk changes on financial liabilities measured at fair value through profit or loss	–	–	–	(1,195)	–	–	–	–	–	–	–	(133)	–	(1,328)
Share of other comprehensive income of associates using equity accounting	–	–	–	55,609	–	–	–	–	–	–	–	–	–	55,609
Fair value change on cash flow hedges	–	–	–	–	–	–	346,378	–	–	–	–	576,966	–	923,344
Currency translation differences	–	–	–	–	–	–	–	(1,681,191)	–	–	–	(1,737,895)	–	(3,419,086)
Remeasurement of post-employment benefit obligations	–	–	–	–	–	–	–	–	(732)	–	–	13,440	–	12,708
Revaluation of investment properties upon reclassification from property, plant and equipment	–	–	–	89,443	–	–	–	–	–	–	–	44	–	89,487
Total comprehensive income/(loss) for the year	–	–	–	547,963	–	–	346,378	(1,681,191)	(732)	5,754,886	–	9,201,699	–	14,169,003
Total transfer to retained earnings	–	–	–	4,087	–	–	–	–	–	(4,087)	–	–	–	–
Total transactions with owners, recognised directly in equity														
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	1,602	–	–	34,023	–	35,625
Disposal of subsidiaries	–	–	–	–	–	–	–	(39,225)	–	–	–	(79,886)	–	(119,111)
Transaction with other non-controlling interests *(Note 54)*	–	–	–	–	–	–	–	–	(3,357,469)	–	–	(4,415,548)	–	(7,773,017)
Contribution from other non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	1,926,573	–	1,926,573
Transfer to reserve	–	–	–	–	–	–	–	–	(5,995)	6,208	–	(2,353)	–	(2,140)
Share of other reserve of associates	–	–	–	–	–	–	–	–	(232,670)	–	–	(1,781)	–	(234,451)
Share-based compensation	–	–	–	–	451,050	(49,495)	–	–	8,367	–	–	846,162	–	1,256,084
Transfer to statutory surplus reserve	–	–	32,934	–	–	–	–	–	–	(32,934)	–	–	–	–
Dividends paid *(Note 48)*	–	–	–	–	–	–	–	–	–	(848,243)	–	(2,203,267)	–	(3,051,510)
Coupon paid/interest adjustment holders of perpetual securities	–	–	–	–	–	–	–	–	–	(65,908)	3,717	(7,339)	–	(69,530)
Total transactions with owners, recognised directly in equity	–	–	32,934	–	451,050	(49,495)	–	(39,225)	(3,586,165)	(940,877)	3,717	(3,903,416)	–	(8,031,477)
As at December 31, 2021	2,356,231	11,281,940	696,229	528,785	3,772,216	(336,574)	107,478	(6,334,456)	(530,982)	49,729,021	1,558,457	35,006,747	(5,024,368)	92,810,724

Consolidated Statement of Changes in Equity

For the year ended December 31, 2021

	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, 2020	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	–	–	–	–	–	–	–	–	(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	–	–	–	–	492,453	120,765	–	–	(1,292)	–	–	1,151,845	–	1,763,771
Purchase of shares under share scheme	–	–	–	–	–	(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 48)*	–	–	–	–	–	–	–	–	–	(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

Consolidated Cash Flow Statement

For the year ended December 31, 2021

	Note	Year ended December 31, 2021 RMB'000	2020 RMB'000
Cash flows from operating activities			
Cash generated from operations	50	**27,627,244**	47,124,717
Income tax paid		**(5,459,143)**	(4,367,120)
Net cash generated from operating activities		**22,168,101**	42,757,597
Cash flows from investing activities			
Purchases of property, plant and equipment and intangible assets		**(9,856,639)**	(7,556,608)
Proceeds from sale of property, plant and equipment and intangible assets		**611,760**	326,479
Purchase of financial assets at fair value through profit or loss		**(13,397,354)**	(14,502,837)
Proceeds from the disposal of financial assets at fair value through profit or loss		**10,970,193**	10,769,896
Dividends from financial assets at fair value through profit or loss		**202,729**	334,623
Capital injection in associates measured at fair value through profit or loss		**(1,482,212)**	(1,894,250)
Distributions from associates measured at fair value through profit or loss		**2,329,827**	4,229,729
Acquisition of and capital injection in associates and joint ventures using equity accounting		**(223,971)**	(1,224,253)
Proceeds from disposal of associates using equity accounting		**4,331,574**	802,449
Dividends from associates using equity accounting		**1,158,171**	609,728
Purchase of financial assets at fair value through other comprehensive income		**(425,281)**	(2,224,588)
Disposal of financial assets at fair value through other comprehensive income		**649,265**	233,361
Dividends from financial assets at fair value through other comprehensive income		**38,457**	1,490
Acquisition of subsidiaries, net of cash acquired	49	**(902,609)**	(249,947)
Disposal of subsidiaries, net of cash disposed		**866,244**	(690,763)
Loans repaid from/(granted to) related parties and third parties		**1,009,187**	(1,785,246)
Repayment of contingent consideration and deferred consideration		**–**	(1,086,214)
Interest received		**457,363**	384,417
Increase in fixed deposits for more than 3 months		**(590,247)**	(143,194)
Purchase of financial assets at amortized cost		**–**	(51,116)
Disposal of financial assets at amortized cost		**735**	–
(Prepaid)/advance from proposed transactions		**(629,001)**	685,121
Net cash used in investing activities		**(4,881,809)**	(13,031,723)

	Note	Year ended December 31, 2021 RMB'000	2020 RMB'000
Cash flows from financing activities			
Proceeds from borrowings		**114,179,342**	72,660,159
Repayments of borrowings		**(120,940,919)**	(94,300,622)
Repayments of lease liabilities		**(1,246,766)**	(1,026,388)
Issue of perpetual securities		**–**	200,000
Issue of other bonds, net of issuance costs		**2,708,034**	17,360,925
Repurchase of convertible preferred shares		**(1,642,377)**	
Repayments of perpetual securities		**–**	(7,071,300)
Capital contributions from other non-controlling interests		**1,973,537**	2,781,217
Distribution to perpetual securities holders		**–**	(426,196)
Distribution to other non-controlling interests		**(2,903,317)**	(2,271,182)
Transaction with other non-controlling interests		**(9,277,225)**	(1,253,331)
Dividends paid to equity holders of the Company	*48*	**(849,678)**	(775,950)
Interest paid		**(6,187,716)**	(7,152,251)
Net cash used in financing activities		**(24,187,085)**	(21,274,919)
Net (decrease)/increase in cash and cash equivalents		**(6,900,793)**	8,450,955
Cash and cash equivalents at beginning of year		**69,718,438**	62,339,559
Exchange losses on cash and cash equivalents		**(2,861,015)**	(1,072,076)
Cash and cash equivalents at end of year	*32*	**59,956,630**	69,718,438

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 its business through two sectors: industrial operations and industrial incubations and investments.

The industrial operations consist of operations in (a) Lenovo Group Limited ("Lenovo"), which is primarily engaged in providing innovative intelligent devices and infrastructure, and creates intelligent solutions, services and software; (b) Levima Group Limited ("Levima Group"), which mainly engaged in the research and development, production and sales of advanced material products; (c) Joyvio Group Co., Ltd. ("Joyvio Group"), which operates mainly to engaged in modern agriculture and food related business; and (d) Banque Internationale à Luxembourg S.A. ("BIL"), which mainly offers integrated banking services, including corporate and institutional banking, retail banking, private banking, capital markets, etc;

The industrial incubations and investments sector 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 aviation logistics, financial services, medical and health care, and office leasing services, etc.

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 and amended 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, 2021 and are applicable for the Group:

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest Rate Benchmark Reform – Phase 2

In addition, the Group has elected to early adopt the amendments to IFRS 16 Leases on COVID-19 Related Rent Concessions beyond 30 June 2021. These amendments provide lessees with practical relief during the Pandemic.

Amendments to IFRS and IAS effective for the financial year beginning on January 1, 2021 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 and amended to standards not yet adopted

The following are new and amended standards and annual improvements to standards that have been issued but are not yet effective for the financial year beginning on January 1, 2021 and have not been early adopted.

		Effective for financial year beginning on or after
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
IAS 1 and IFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies	1 January 2023
IAS 8 (Amendments)	Definition of Accounting Estimates	1 January 2023
IAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	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 and amended standards and annual improvements to standards when they become effective

Impact of new standard released not yet adopted

Certain new and amended accounting standards have been published that are not mandatory for the financial year beginning on January 1, 2021 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Subsidiaries (Continued)

(a) Business combination (Continued)

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

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

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

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

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

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

(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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Subsidiaries (Continued)

(d) Separate financial statements

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

2.3 Associates

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

(a) Equity method of accounting

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Associates (Continued)

(a) Equity method of accounting (Continued)

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

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

(b) Fair value through profit or loss

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

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

2.4 Joint arrangements

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

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

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

2.5 Segment reporting

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Foreign currency translation (Continued)

(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.

(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	10-30 years

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Property, plant and equipment (Continued)

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

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

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

Lease 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Lease (Continued)

As lessee: (Continued)

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

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

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

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Intangible assets (Continued)

(a) Goodwill (Continued)

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

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

(b) Trademarks

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

(c) Customer relationships

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

(d) Computer software

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Intangible assets (Continued)

(d) Computer software (Continued)

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

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

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

(e) Patents, technology and marketing right

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

(f) Aquaculture franchise and water right

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

2.12 Impairment of non-financial assets

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.13 Biological assets

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

(a) Bearer plant

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

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

(b) Consumable biological assets

(i) Classification of consumable biological assets

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

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

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

(ii) Initial recognition of consumable biological assets

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

(iii) Subsequent measurement of consumable biological assets

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

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.13 Biological assets (Continued)

(b) Consumable biological assets (Continued)

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

The 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.15 Investment and other financial assets (Continued)

2.15.1 Classification and measurement (Continued)

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.15 Investment and other financial assets (Continued)

2.15.1 Classification and measurement (Continued)

(a) *Debt instruments*

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

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

- 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.15 Investment and other financial assets (Continued)

2.15.1 Classification and measurement (Continued)

(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.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.15 Investment and other financial assets (Continued)

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 Expected Credit Losses (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.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 22. 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".

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".

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16 Derivative financial instruments and hedging activities (Continued)

(b) Cash flow hedge (Continued)

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.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Lenovo 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 24.

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 25). All of the entity's other receivables are considered to have low credit risk, and the loss allowance recognised during the period was therefore limited to 12 months expected losses. Other receivables are considered to be low credit risk when they have a low risk of default and the counterparty has a strong capacity to meet its contractual cash flow obligations in the near term. Critical estimates and key assumptions related to ECL are set out in Note 4.1(a).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. In the consolidated balance sheet, bank overdrafts are shown within borrowings in current liabilities.

2.20 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to equity holders of the Company until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects is included in equity attributable to the Company's equity holders.

2.21 Financial liabilities

2.21.1 Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through the profit or loss include those classified as held for trading, and those designated by the Group upon recognition as at fair value through the profit or loss.

A financial liability is classified as held for trading if it is: (i) acquired or incurred principally for the purpose of repurchasing it in the near term; (ii) part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or (iii) a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Financial liabilities are designated at fair value through the profit or loss upon initial recognition when: (i) the financial liabilities or are managed, evaluated and reported internally on a fair value basis; (ii) the designation eliminates or significantly reduces an accounting mismatch in the gain and loss recognition arising from the difference in measurement bases of the financial liabilities; or (iii) a contract contains one or more embedded derivatives, i.e. an entire hybrid (combined) contract, unless: 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

2.24 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

(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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, and the restricted shares 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 37 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 37) or advances from customers (Note 39). As at December 31, 2021, 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, 2021, 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, 2021					
	USD	RMB	EUR	CHF	Other	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Account and other receivables	3,624,178	126,207	1,798,683	774	493,130	6,042,972
Bank deposits, cash and cash equivalents, restricted deposits and balances with central banks	2,927,523	227,710	775,963	14,211,526	3,358,324	21,501,046
Loans to customer and credit institutions	8,193,087	–	1,338,600	246,870	2,950,737	12,729,294
Other financial assets at amortized cost	5,062,932	–	935,036	–	–	5,997,968
Financial assets at fair value through profit and loss	106,664	–	–	–	11,571	118,235
Financial assets at fair value through other comprehensive income	108,345	–	–	9,856	944	119,145
Derivative financial assets	188,377	9,634	282,478	126,208	286,410	893,107
Other assets	–	–	1,629	–	2,728	4,357
Trade and other payables	(5,377,214)	(193,394)	(802,766)	(3,332)	(3,285,060)	(9,661,766)
Amount due to customers and credit institutions	(25,489,393)	–	(1,721,037)	(1,009,089)	(6,780,639)	(35,000,158)
Borrowings	(4,634,896)	–	(1,481,830)	–	(686,586)	(6,803,312)
Financial liabilities at fair value through profit and loss	(2,046,784)	–	–	(445,439)	(1,541,181)	(4,033,404)
Derivative financial liability	(229,440)	(48,111)	(45,582)	(243,912)	(226,830)	(793,875)
Other liabilities	(1,086,860)	–	(1,400)	(1,997,385)	(256,739)	(3,342,384)
Intercompany balances before elimination	(12,644,078)	13,833,822	(696,523)	–	(4,259,214)	(3,765,993)
Gross exposure	(31,297,559)	13,955,868	383,251	10,896,077	(9,932,405)	(15,994,768)
Notional amounts of contracts used as economic hedge	28,762,453	(6,487,013)	(2,117,487)	–	(6,410,738)	13,747,215
Net exposure	(2,535,106)	7,468,855	(1,734,236)	10,896,077	(16,343,143)	(2,247,553)

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(I) Foreign exchange risk (Continued)

	As at December 31, 2020					
	USD	RMB	EUR	CHF	Other	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Account and other receivables	3,129,111	19,376	1,662,142	176	783,171	5,593,976
Bank deposits, cash and cash equivalents, restricted deposits and balances with central banks	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 liabilities	(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)

As at December 31, 2021, 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 RMB859 million (As at December 31, 2020, RMB780 million).

The analysis above is based on the assumption that RMB weakened or strengthened against all other currencies in the same direction and magnitude, but it may not be necessarily true in reality.

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(II) Interest risk

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

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

(A) Interest-generating assets

	As at December 31, 2021					
	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, restricted deposit and balances with central banks *(Note 32)*	85,014,502	1,181,413	–	–	–	86,195,915
Financial assets at fair value through other comprehensive income *(ii)* *(Note 21)*	177,842	1,870,299	2,044,153	2,085,319	–	6,177,613
Financial assets at fair value through profit and loss *(ii)* *(Note 31)*	1,385,903	477,752	1,277,040	–	–	3,140,695
Other financial assets at amortised cost *(Note 28)*	4,256,303	2,969,535	21,878,338	24,390,632	–	53,494,808
Loans to customers *(Note 26)*	37,731,856	7,699,401	14,417,094	63,977,908	–	123,826,259
Loans to credit institutions *(Note 27)*	4,017,464	–	–	–	–	4,017,464
Derivative financial instruments *(iii)*	15,952	469	90	–	939,016	955,527
Receivables *(iv)*	11,864,354	2,207,231	4,599,270	354,637	–	19,025,492
Total	144,464,176	16,406,100	44,215,985	90,808,496	939,016	296,833,773

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(II) Interest risk (Continued)

(A) Interest-generating assets (Continued)

	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, restricted deposit and balances with central banks *(Note 32)*	78,806,921	1,020,220	–	–	–	79,827,141
Financial assets at fair value through other comprehensive income *(ii)* *(Note 21)*	557,542	270,840	5,491,097	2,524,082	–	8,843,561
Financial assets at fair value through profit and loss *(ii)* *(Note 31)*	437,075	1,424,160	1,978,798	–	–	3,840,033
Other financial assets at amortised cost *(Note 28)*	5,086,518	3,204,365	20,546,265	33,099,803	–	61,936,951
Loans to customers *(Note 26)*	38,985,074	10,347,678	15,019,325	65,980,029	–	130,332,106
Loans to credit institutions *(Note 27)*	7,007,686	–	22,570	–	–	7,030,256
Derivative financial instruments *(iii)*	13,831	1,049	–	–	1,873,106	1,887,986
Receivables *(iv)*	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

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, 2021					
	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 *(Note 42)*	143,052,006	3,619,913	2,578,872	69,272	–	149,320,063
Amount due to credit institutions *(Note 41)*	11,011,535	2,452,595	15,829,959	334,630	–	29,628,719
Financial liabilities at fair value through profit and loss *(Note 43)*	1,543,608	1,251,540	4,340,495	3,738,346	–	10,873,989
Borrowings *(Note 44)*	23,120,681	53,115,406	45,918,869	10,713,729	–	132,868,685
Derivative financial liabilities *(iii)*	12,027	1,468	62	–	2,525,233	2,538,790
Payables *(v)*	2,319,373	2,194,759	841,780	33,253	–	5,389,165
Total	181,059,230	62,635,681	69,510,037	14,889,230	2,525,233	330,619,411

	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 *(Note 42)*	151,245,243	2,102,646	5,222,890	61,724	–	158,632,503
Amount due to credit institutions *(Note 41)*	17,485,890	3,415,837	12,185,392	400,851	–	33,487,970
Financial liabilities at fair value through profit and loss *(Note 43)*	2,338,494	1,723,746	3,882,690	2,454,099	–	10,399,029
Borrowings *(Note 44)*	16,582,267	50,984,711	52,518,226	16,304,252	–	136,389,456
Derivative financial liabilities *(iii)*	26,990	–	–	–	5,131,398	5,158,388
Payables *(v)*	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

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, 2021				
	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	**(36,595,054)**	**(46,229,581)**	**(25,294,052)**	**75,919,266**	**(1,586,217)**

	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)

(i) Including at sight and on demand.

(ii) These financial assets are debt securities.

(iii) Derivative financial instruments are mainly interest rate swap.

(iv) Receivables are mainly composed of account and note receivable, other receivables and long-term receivables.

(v) 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 (Note 3.3) or at fair value through other comprehensive income (Note 3.3). 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: Mainland China, Hong Kong, 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,	
	2021	2020
	RMB'000	*RMB'000*
Listed equity securities		
Equity securities – Mainland China	**469,413**	398,978
Equity securities – Hong Kong	**34,587**	43,628
Equity securities – Europe	**14,924**	7,059
Equity securities – United States	**28,893**	59,331
Fair value change of listed equity securities	**547,817**	508,996

Listed equity securities at fair value through other comprehensive income:

	Impact on other comprehensive income Year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
Listed equity securities		
Equity securities – Japan	**4,933**	7,422
Equity securities – Hong Kong	**10,084**	11,287
Equity securities – Others	**16,003**	17,248
Fair value change of listed equity securities	**31,020**	35,957

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 BIL and non-banking subsidiaries, 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 business. 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) BIL

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) 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) BIL (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. BIL 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) BIL 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 the absolute or relative component of any material credit obligation to the bank group. The absolute component is set at: EUR 100 for retail exposures; EUR 500 for exposures other than retail exposures. The relative component is set at 1%.

As for the SICR (or Stage 2) assessment, some qualitative or backstop indicators aim at identifying credit-impaired (or Stage 3) exposures. Basically, two cases can be distinguished: (i) the exposure is either in a default or in a (pre-) litigation status and (ii) 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) BIL (Continued)

C Forward-looking Information in the ECL model

BIL considers forward-looking information for measuring ECL. Basically, this consists in using a combination of relevant macro-financial indicators and several representative macroeconomic scenarios that are regularly updated over time. BIL has mainly identified strong dependencies between certain macroeconomic factors and historical default rates (or PD models) by distinguishing high- and low-default risk portfolios. High Default Portfolios (HDP) consider retail counterparts and small and mid-size enterprises using internal default data. The main macroeconomic indicators for forecasting the occurrence of default events for the HDP segment being (i) labour market indicators (unemployment) and (ii) opinion surveys data from Luxembourgish private economic agents (households and manufacturing sector). Low Default Portfolios (LDP) consider two distinct types of exposures (large corporates and banking institutions) using external default data (source: Moody's Analytics). In this regard, the cyclical dynamics of corporate and banking default rates can 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 build-up or the materialisation of financial vulnerabilities in the euro area notably.

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) BIL (Continued)

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

Macroeconomic scenarios

BIL 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 Momentary Fund ("IMF"), European Central Bank ("ECB") and European Commission ("EC"), etc.).

In order to measure ECL as a probability-weighted amount of expected losses, BIL uses 3 distinct macroeconomic scenarios covering a wide range of potential future economic conditions:

– a baseline (or central) scenario which describes the most likely path of the economy over the projection horizon.

– a downside (or 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 characterized 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.

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

According to the statistical methodology, the scenarios have a constant weight (or probability of occurrence) over time: 60% for the baseline scenario and 20% for each of the 2 alternative ones. Accordingly, these are the macroeconomic forecasts – i.e. the dynamics of the projected indicators – which are regularly updated in light of the business cycle fluctuations and the most recent economic events or assumptions.

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) BIL (Continued)

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

Macroeconomic scenarios (Continued)

The following table presents the macroeconomic indicators for each scenario:

	Year 2021											
	LUXEMBOURG						EUROZONE					
	December 2021			December 2020			December 2021			December 2020		
	Actual	Upside	Downside	Baseline	Upside	Downside	Actual	Upside	Downside	Baseline	Upside	Downside
Real GDP	7.0	7.0	7.0	2.0	4.7	(2.3)	5.2	5.2	5.2	4.1	6.7	(0.1)
Unemployment	5.8	5.8	5.8	7.2	7.1	7.5	7.8	7.8	7.8	9.7	9.2	11.2
Consumer Prices	3.4	3.4	3.4	0.4	1.4	(1.0)	2.5	2.5	2.5	0.6	1.8	(1.2)
Stock Prices	47.0	47.0	47.0	7.6	28.6	(27.9)	24.5	24.5	24.5	6.8	19.1	(22.4)
Residential Property Prices	7.0	7.0	7.0	0.4	4.1	(3.8)	7.3	7.3	7.3	(1.2)	0.7	(5.2)

	Year 2022											
	LUXEMBOURG						EUROZONE					
	December 2021			December 2020			December 2021			December 2020		
	Baseline	Upside	Downside	Baseline	Upside	Downside	Baseline	Upside	Downside	Baseline	Upside	Downside
Real GDP	3.0	4.7	(1.3)	5.5	5.9	5.6	3.8	5.6	(0.4)	3.7	3.7	3.4
Unemployment	5.5	5.4	5.9	7.2	7.1	7.5	7.6	7.1	8.9	9.1	8.5	11.5
Consumer Prices	3.2	4.3	1.8	1.1	1.6	(0.1)	3.2	4.4	1.4	1.1	1.7	(0.8)
Stock Prices	9.5	30.8	(26.5)	1.9	10.9	6.3	4.5	13.4	(18.5)	2.3	4.6	8.9
Residential Property Prices	2.3	6.1	(2.0)	0.4	2.6	(2.2)	6.0	8.4	1.3	2.1	4.0	(3.7)

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) BIL (Continued)

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

ECL Sensitivity

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

	Scenarios weights			As at December 31, 2021			As at December 31, 2020		
	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%	339,326	238,250	577,576	304,950	216,675	521,625
Stressed ECL	100%	-	-	267,129	223,811	490,940	264,825	208,650	473,475
	-	100%	-	209,371	216,591	425,962	168,525	200,625	369,150
	-	-	100%	700,311	303,227	1,003,538	577,800	256,800	834,600
	80%	-	20%	353,765	238,250	592,015	329,025	216,675	545,700
	60%	-	40%	440,401	252,690	693,091	393,225	232,725	625,950

(i) Reported ECL excluding the impact of ECL management overlays adjustment.

D ECL Management Overlays

BIL have implemented two management overlays to modelled ECL as of December 31, 2021 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 2021 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, 2021 is "Moratory overlay" RMB56 million, and "MidCorp" overlay RMB5 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 engaged in the financial services other than banking business

A SICR

The subsidiaries engaged in the financial services other than banking business 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 subsidiaries engaged in the financial services other than banking business 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 engaged in the financial services other than banking business (Continued)

B Definition of default and credit-impaired assets

The subsidiaries engaged in the financial services other than banking business define 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 engaged in the financial services other than banking business (Continued)

C Forward-looking Information

The subsidiaries engaged in the financial services other than banking business have 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 subsidiaries engaged in the financial services other than banking business 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 Company 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 other subsidiaries of the Company have 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 Company has identified the GDP and the unemployment rate, etc 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				
	Year 2021				
	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 and note receivables Lifetime expected credit loss *RMB'000*	Total *RMB'000*
Receivables *(i)*	45,702,292	1,657,652	451,351	84,365,674	132,176,969
Loans to credit institutions *(Note 27)*	3,966,697	50,997	–	–	4,017,694
Loans to customers *(Note 26)*	101,947,051	18,847,752	6,693,046	–	127,487,849
Other financial assets at amortised cost *(Note 28)*	52,177,200	1,432,983	32,065	–	53,642,248
Financial assets at fair value through other comprehensive income *(ii)*	6,177,813	–	–	–	6,177,813
Gross balance	209,971,053	21,989,384	7,176,462	84,365,674	323,502,573
Allowance for impairment losses	(607,624)	(304,023)	(3,466,057)	(1,363,213)	(5,740,917)
Net balance	209,363,429	21,685,361	3,710,405	83,002,461	317,761,656

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				
	Year 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 and note receivables Lifetime expected credit loss *RMB'000*	Total *RMB'000*
Receivables *(i)*	47,172,775	1,030,307	696,532	66,661,414	115,561,028
Loans to credit institutions *(Note 27)*	6,839,057	194,279	–	–	7,033,336
Loans to customers *(Note 26)*	103,304,259	22,393,887	8,264,329	–	133,962,475
Other financial assets at amortised cost *(Note 28)*	59,833,664	2,202,206	55,066	–	62,090,936
Financial assets at fair value through other comprehensive incomes *(ii)*	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

(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)

IFRS9 has been adopted by the Group to measure provisions for loans commitments and financial guarantees etc. As at December 31, 2021, the maximum exposure to credit risk of the commitments in respect of loans granted and commitments in respect of guarantee given is RMB37,392 million (As at December 31, 2020, RMB42,785 million), ECL provision recognized is RMB96 million (As at December 31,2020, RMB142 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, 2021	As at December 31, 2020
	Maximum exposure to credit risk ***RMB'000***	Maximum exposure to credit risk *RMB'000*
Financial assets at fair value through profit or loss *(i) (Note 31)*	**3,140,695**	3,840,033
Derivative financial assets	**1,611,198**	2,155,357

(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, 2021		
	Overdue 1-90 days *RMB'000*	**Overdue over 91 days** *RMB'000*	**Total** *RMB'000*
Unsecured	**532,388**	**636,609**	**1,168,997**
Guaranteed	**4,094**	**742,599**	**746,693**
Secured by collateral	**598,845**	**464,454**	**1,063,299**
Secured by pledge	**20,679**	**408,268**	**428,947**
	1,156,006	**2,251,930**	**3,407,936**

	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, 2021 and 2020, the Group's maximum exposure covered by the fair value of collateral held of overdue loans is RMB3,463 million and RMB4,934 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 BIL:

	As at December 31, 2021					
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	1,013,825	3,517,759	5,150,224	2,735,100	–	12,416,908
Commitments in respect of loans granted	1,659,238	10,428,516	5,357,513	3,003,497	–	20,448,764
Financial assets at FVOCI (debt instruments only)	5,091,689	839,359	–	222,858	–	6,153,906
Loans and advances	45,432,361	54,338,065	35,888,310	7,021,800	–	142,680,536
Other financial assets at amortised cost	35,430,570	16,913,810	282,419	1,392,233	–	54,019,032
Stage 1 Total Credit Risk Exposures	88,627,683	86,037,509	46,678,466	14,375,488	–	235,719,146

	As at December 31, 2021					
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	–	46,185	857,161	2,749	–	906,095
Commitments in respect of loans granted	40,279	277,101	2,390,791	419,528	–	3,127,699
Loans and advances	119,425	3,188,381	13,701,606	657,610	–	17,667,022
Other financial assets at amortised cost	778,895	485,073	147,750	–	–	1,411,718
Stage 2 Total Credit Risk Exposures	938,599	3,996,740	17,097,308	1,079,887	–	23,112,534

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(III) Credit risk exposure (Continued)

Credit risk exposure of BIL (Continued):

Stage 3 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*
	As at December 31, 2021					
Commitments in respect of guarantees given	22,284	–	–	–	40,954	63,238
Commitments in respect of loans granted	1,462	–	–	–	188,866	190,328
Loans and advances	153,554	–	19,988	24	2,530,152	2,703,718
Other financial assets at amortised cost	–	–	–	–	31,683	31,683
Stage 3 Total Credit Risk Exposures	177,300	–	19,988	24	2,791,655	2,988,967

Other 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*
	As at December 31, 2021					
Derivatives	140,192	2,195,363	29,477	34,333	26,196	2,425,561
Total Other Credit Risk Exposures	140,192	2,195,363	29,477	34,333	26,196	2,425,561
Total Credit Risk Exposures	89,883,774	92,229,612	63,825,239	15,489,732	2,817,851	264,246,208

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(III) Credit risk exposure (Continued)

Credit risk exposure of BIL (Continued):

Stage 1 Credit Risk Exposure	As at December 31, 2020					
	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

Stage 2 Credit Risk Exposure	As at December 31, 2020					
	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 BIL (Continued):

Stage 3 Credit Risk Exposure	As at December 31, 2020 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	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

Other Credit Risk Exposure	As at December 31, 2020 AAA to AA– *RMB'000*	A+ to BBB– *RMB'000*	Non investment grade *RMB'000*	Unrated *RMB'000*	Default *RMB'000*	Total *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 BIL (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 BIL to third parties;
- Loans and advances include loans to customers, loans to credit institution, etc;
- Off-balance sheet items are shown in terms of total commitment.

(IV) Write-off policy

Problem loans are written-off, in full or in part, as soon as the Bank considers that there is no reasonable expectation of recovery of the balance outstanding (or part thereof) whether the legal claim against the borrower remains or not. Relevant loans will be written off after approval. Write-off will ordinarily be accommodated via utilisation of loan loss provisions raised previously.

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, 2021 and 2020 is RMB236 million and RMB112 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, 2021	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, restricted deposit and balances with central banks *(Note 32)*	85,014,502	1,181,413	–	–	86,195,915
Financial assets at fair value through other comprehensive income *(ii)* *(Note 21)*	78,023	1,870,299	2,044,153	2,185,138	6,177,613
Financial assets at fair value through profit and loss *(ii)* *(Note 31)*	1,294,116	569,539	1,277,040	–	3,140,695
Other financial assets at amortised cost *(Note 28)*	1,300,312	3,991,069	23,201,547	25,001,880	53,494,808
Loans to customers *(Note 26)*	38,568,955	7,383,023	13,894,250	63,980,031	123,826,259
Loans to credit institutions *(Note 27)*	2,697,271	–	1,320,193	–	4,017,464
Receivables *(iii)*	110,985,242	9,953,484	9,173,323	354,637	130,466,686
Total	239,938,421	24,948,827	50,910,506	91,521,686	407,319,440
Liabilities					
Amount due to customers *(Note 42)*	143,036,835	3,635,084	2,578,872	69,272	149,320,063
Amount due to credit institutions *(Note 41)*	10,257,891	3,206,239	15,829,959	334,630	29,628,719
Financial liabilities at fair value through profit and loss *(Note 43)*	163,695	1,449,201	5,493,842	3,767,251	10,873,989
Borrowings *(Note 44)*	11,882,502	25,742,410	77,553,614	17,690,159	132,868,685
Lease liabilities *(Note 16)*	349,503	780,659	2,356,447	541,735	4,028,344
Payables *(iv)*	151,781,293	22,788,839	7,470,416	33,253	182,073,801
Total	317,471,719	57,602,432	111,283,150	22,436,300	508,793,601
Net liquidity exposure	(77,533,298)	(32,653,605)	(60,372,644)	69,085,386	(101,474,161)

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

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, restricted deposit and balances with central banks *(Note 32)*	78,806,921	1,020,220	–	–	79,827,141
Financial assets at fair value through other comprehensive income *(ii)* *(Note 21)*	187,660	286,157	5,845,662	2,524,082	8,843,561
Financial assets at fair value through profit and loss *(ii)* *(Note 31)*	226,344	1,634,891	1,978,798	–	3,840,033
Other financial assets at amortised cost *(Note 28)*	919,963	3,885,479	23,101,165	34,030,344	61,936,951
Loans to customers *(Note 26)*	36,809,209	12,358,503	15,184,365	65,980,029	130,332,106
Loans to credit institutions *(Note 27)*	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 *(Note 42)*	146,028,162	7,319,678	5,222,891	61,772	158,632,503
Amount due to credit institutions *(Note 41)*	15,091,876	5,748,527	12,246,716	400,851	33,487,970
Financial liabilities at fair value through profit and loss *(Note 43)*	554,933	1,898,641	5,378,688	2,566,767	10,399,029
Borrowings *(Note 44)*	8,504,389	28,807,026	82,347,403	16,730,638	136,389,456
Lease liabilities *(Note 16)*	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 exposure	(96,055,617)	(35,016,821)	(62,540,548)	82,174,974	(111,438,012)

(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.

The Group monitors capital on the basis of total debt to total capital ratio. The ratio is calculated by dividing total debt by total equity and total debt. And total debt is the total borrowings of the Group at the end of each financial period. The Group's total debt to total capital ratios as at December 31, 2021 and 2020 are as follows:

	As at December 31,	
	2021	2020
	RMB'000	*RMB'000*
Total borrowings *(Note 44)*	**132,868,685**	136,389,456
Total equity	**92,810,724**	86,673,198
	225,679,409	223,062,654
Total debt to total capital ratio	**58.87%**	61.14%

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, 2021 and 2020.

	As at December 31, 2021			
	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	–	–	19,903,531	19,903,531
Financial assets at fair value through profit or loss				
– Listed equity securities	9,697,503	298,472	960,361	10,956,336
– Unlisted equity securities	–	–	20,294,962	20,294,962
– Listed debt securities	954,036	–	–	954,036
– Unlisted debt securities	–	133,058	2,053,601	2,186,659
Derivative financial assets	–	1,571,358	39,840	1,611,198
Financial assets at fair value through other comprehensive income				
– Listed equity securities	620,406	–	–	620,406
– Unlisted equity securities	–	1,227	3,790,458	3,791,685
– Listed debt securities	6,147,638	29,975	–	6,177,613
Accounts and notes receivable	–	78,404,137	–	78,404,137
Total	17,419,583	80,438,227	47,042,753	144,900,563
Liabilities				
Financial liabilities at fair value through profit or loss	–	6,540,841	4,333,148	10,873,989
Derivative financial liabilities	–	2,961,808	135,370	3,097,178
Total	–	9,502,649	4,468,518	13,971,167

3. FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

	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
Total	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
Total	65,310	12,260,158	4,603,240	16,928,708

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 5% to 22%. The balance of assets of this category was RMB960 million as at December 31, 2021. (The significant non-observable input for the restricted shares is the discount for lack of marketability, which ranges from 16% to 35% in 2020. 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, 2021 and December 31, 2020, 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 set forth in the offering prospectus of each fund. The fair value of the investments in these associates is based primarily on the portion of the net asset value ("NAV") reported by the fund that is attributable to the Group. The NAV is derived from the fair value of these investments at the reporting date of the Group (the vast majority of the financial assets reported by the Fund are measured at fair value), and the Group understand and evaluate the valuations provided by the general partners of the associates and make necessary adjustments based on the results of the evaluation. The Group have not made any adjustments to the underlying values.

These investments in associates that are measured at fair value through profit or loss are included in level 3. Unobservable inputs that would significantly affect the fair value are the net asset value of the associate as reported by the general partner and adjustments made by the Group.

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, 2021 and 2020, 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, 2021	**18,459,044**	**21,385,334**	**3,090,592**	**32,892**	**42,967,862**
Additions/capital contributions	**1,548,656**	**10,106,669**	**262,098**	**37,275**	**11,954,698**
Disposals/return of capital	**(565,065)**	**(3,340,585)**	**(17,648)**	**–**	**(3,923,298)**
Transfers out to level 1	**–**	**(4,823,731)**	**–**	**–**	**(4,823,731)**
Transfers in from level 2	**–**	**398**	**–**	**–**	**398**
Gains/(losses) recognised in income statement	**737,944**	**104,251**	**–**	**(26,412)**	**815,783**
Gains recognised in other comprehensive income	**–**	**–**	**587,602**	**–**	**587,602**
Exchange adjustment	**(277,048)**	**(123,412)**	**(132,186)**	**(3,915)**	**(536,561)**
At December 31, 2021	**19,903,531**	**23,308,924**	**3,790,458**	**39,840**	**47,042,753**
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

(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, 2021 and 2020.

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, 2021 and 2020.

	Amounts
	RMB'000
At January 1, 2021	**4,603,240**
Additions	**3,914,789**
Derecognition	**(893,434)**
Recognised in consolidated income statement	**(114,494)**
Exchange adjustment	**(332,270)**
Interest payment	**(105,736)**
Repurchase of convertible preferred shares *(Note 43) (ii)(iii)*	**(2,603,577)**
At December 31, 2021	**4,468,518**
At January 1, 2020	5,358,158
Additions	1,276,146
Derecognition	(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

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 17.

(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 12(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; (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, 2021 and 2020, the Group is the single largest shareholder of Lenovo with 33.45% and 31.45% 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 has de facto control over Joyvio Food Co., Ltd ("Joyvio Food") even though it has less than 50% of the voting rights based on the following factors: 1) as of December 31, 2021 and 2020, the Joyvio Group is the single largest shareholder of Joyvio Food with 46.08% and 46.08% equity interest as same as the proportion of voting rights; 2) the rest of the voting rights of Joyvio Food 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 Food.

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. In 2021, based on strategic considerations and internal management arrangements, the management reorganizes the business of the company and its subsidiaries into two sectors: industrial operations and industrial incubations and investments, among which Lenovo, Levima Group, Joyvio Group and BIL are divided into the industrial operation sector. Other businesses will be adjusted to the industrial incubations and investments sector. The same period comparisons have been restated.

Industrial operations:

– Lenovo, which is primarily engaged in providing innovative intelligent devices and infrastructure, and creates intelligent solutions, services and software;

– Levima Group, which mainly engaged in the research and development, production and sales of advanced material products;

– Joyvio Group, which operates mainly to engaged in modern agriculture and food related business;

– BIL, which mainly offers integrated banking services, including corporate and institutional banking, retail banking, private banking, capital markets, etc.

Industrial incubations and investments:

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 aviation logistics, financial services, medical and health care, and office leasing services related business, etc.

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, 2021

	Industrial Operations							
	Lenovo	Levima Group	Joyvio Group	BIL	Industrial Incubations and Investments	Unallocated	Elimination	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Segment revenue								
Sales/provide services to external customers	455,330,921	8,270,820	17,937,460	2,307,640	3,412,280	–	–	487,259,121
Interest income	–	–	–	3,512,919	455,578	–	–	3,968,497
Interest expense	–	–	–	(1,355,941)	–	–	–	(1,355,941)
Inter-segment sales/provide services	–	–	–	–	7,548	–	(7,548)	–
Total	455,330,921	8,270,820	17,937,460	4,464,618	3,875,406	–	(7,548)	489,871,677
Segment results								
Profit/(loss)before income tax	16,958,918	1,331,546	435,013	1,135,342	4,360,247	(2,130,736)	–	22,090,330
Income tax (expense)/credit	(3,992,539)	(165,237)	(61,702)	(165,517)	(2,145,302)	488,475	–	(6,041,822)
Profit/(loss) for the year	12,966,379	1,166,309	373,311	969,825	2,214,945	(1,642,261)	–	16,048,508
Profit/(loss) attributable to equity holders of the Company for the year	4,019,400	593,005	371,812	872,649	1,540,281	(1,642,261)	–	5,754,886
Segment assets	275,232,792	13,107,334	23,448,506	236,247,856	114,807,669	20,571,084	(2,729,067)	680,686,174
Segment liabilities	257,501,010	6,235,830	15,297,032	219,103,729	31,114,499	61,352,417	(2,729,067)	587,875,450
Other segment information:								
Depreciation and amortisation	(7,934,256)	(572,826)	(533,622)	(421,770)	(183,376)	(9,648)	–	(9,655,498)
Impairment loss for non-current assets *(Note 8)*	(268,618)	(1,353)	(164,061)	731	(436,589)	–	–	(869,890)
Investment income and gains *(Note 6)*	1,568,561	14,892	578,271	741,033	4,068,244	(16,635)	–	6,954,366
Finance income	308,921	32,758	30,379	–	152,449	349,563	(9,992)	864,078
Finance costs	(2,441,623)	(168,620)	(401,449)	–	(525,933)	(2,201,937)	9,992	(5,729,570)
Share of (loss)/profit of associates and joint ventures accounted for using the equity method	(79,430)	28,996	113,662	18,405	896,302	–	–	977,935
Material non-cash items other than depreciation and amortisation *(Note 33(c))*	(2,389,166)	–	–	–	(34,175)	–	–	(2,423,341)
Capital expenditure	11,516,938	2,795,831	1,517,159	795,148	203,684	11,452	–	16,840,212
Associates and joint ventures using equity accounting	544,319	290,354	827,344	4,885	13,268,504	–	–	14,935,406
Associates measured at fair value through profit or loss	–	–	–	–	19,903,531	–	–	19,903,531

5. SEGMENT INFORMATION (Continued)
Year ended December 31, 2020

	Industrial Operations							
	Lenovo (Restate) *RMB'000*	Levima Group (Restate) *RMB'000*	Joyvio Group (Restate) *RMB'000*	BIL (Restate) *RMB'000*	Industrial Incubations and Investments *RMB'000*	Unallocated *RMB'000*	Elimination *RMB'000*	Total *RMB'000*
Segment revenue								
Sales/provide services to external customers	384,991,987	6,044,630	17,036,899	2,212,516	3,444,907	–	–	413,730,939
Interest income	–	–	–	4,051,523	1,468,677	–	–	5,520,200
Interest expense	–	–	–	(1,684,286)	–	–	–	(1,684,286)
Inter-segment sales/provide services	–	–	–	–	19,268	–	(19,268)	–
Total	384,991,987	6,044,630	17,036,899	4,579,753	4,932,852	–	(19,268)	417,566,853
Segment results								
Profit/(loss)before income tax	10,170,573	730,764	(1,174,152)	852,063	3,944,531	(1,890,950)	–	12,632,829
Income tax (expense)/credit	(2,627,052)	(113,763)	190,368	(112,589)	(1,424,102)	472,738	–	(3,614,400)
Profit/(loss) for the year	7,543,521	617,001	(983,784)	739,474	2,520,429	(1,418,212)	–	9,018,429
Profit/(loss) attributable to equity holders of the Company for the year	2,092,519	355,099	(367,714)	671,079	2,535,240	(1,418,212)	–	3,868,011
Segment assets	237,232,288	10,073,613	22,826,009	247,627,137	116,521,994	21,520,925	(4,069,195)	651,732,771
Segment liabilities	224,119,935	4,310,506	14,903,299	230,560,291	31,153,731	64,081,006	(4,069,195)	565,059,573
Other segment information:								
Depreciation and amortisation	(7,114,832)	(364,355)	(439,492)	(461,531)	(182,157)	(9,552)	–	(8,571,919)
Impairment loss for non-current assets *(Note 8)*	(363,662)	(276)	(120,621)	–	(419,312)	–	–	(903,871)
Investment income and gains *(Note 6)*	1,605,363	(6)	67,249	205,734	6,130,850	(120,200)	–	7,888,990
Finance income	239,028	17,162	132,287	–	41,743	650,405	(34,635)	1,045,990
Finance costs	(2,790,964)	(150,245)	(541,253)	–	(748,981)	(2,112,482)	34,635	(6,309,290)
Share of (loss)/profit of associates and joint ventures accounted for using the equity method	(188,640)	(9,853)	84,666	15,086	(334,095)	–	–	(432,836)
Material non-cash items other than depreciation and amortisation *(Note 33(c))*	(1,763,170)	–	–	–	(120,765)	–	–	(1,883,935)
Capital expenditure	7,133,800	366,242	1,716,604	614,676	342,779	11,586	–	10,185,687
Associates and joint ventures using equity accounting	481,890	229,595	1,563,561	229,803	13,929,521	–	–	16,434,370
Associates measured at fair value through profit or loss	–	–	–	–	18,459,044	–	–	18,459,044

5. SEGMENT INFORMATION (Continued)

(a) Revenue from external customers

	Year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
China	**141,863,359**	111,494,629
Asia-Pacific region excluding China	**77,994,795**	79,532,940
Europe/Middle East/Africa	**122,124,140**	104,410,852
Americas	**147,889,383**	122,128,432
Total	**489,871,677**	417,566,853

(b) Non-current assets

	As at December 31,	
	2021	2020
	RMB'000	*RMB'000*
China	**59,356,992**	55,441,545
Asia-Pacific region excluding China	**13,824,670**	13,901,725
Europe/Middle East/Africa	**14,303,495**	14,502,591
Americas	**25,799,216**	26,071,160
Total	**113,284,373**	109,917,021

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,	
	2021	2020
	RMB'000	*RMB'000*
At a point in time	**471,212,942**	399,258,704
Over time	**18,658,735**	18,308,149
	489,871,677	417,566,853

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

As at December 31, 2021, deferred revenue and advance from customers amounting to RMB20,368 million (2020: RMB16,614 million) primarily relate 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. RMB8,974 million (2020: RMB8,020 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.

	As at December 31,	
	2021	2020
	RMB'000	*RMB'000*
Within one year	**11,250,401**	9,066,048
More than one year	**9,117,512**	7,548,109
Total	**20,367,913**	16,614,157

6. INVESTMENT INCOME AND GAINS

	Year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
Gains on disposal/dilution of associates	**1,133,499**	309,856
Gains/(losses) on disposal of subsidiaries	**422,787**	(75,712)
Dividend income from financial assets at fair value through other comprehensive income	**8,390**	18,878
Fair value gains and dividend income from associates measured at fair value through profit or loss	**2,780,159**	4,308,429
Disposal gains/fair value gains/dividend income from financial assets at fair value through profit or loss	**2,209,387**	3,225,407
Others	**400,144**	102,132
	6,954,366	7,888,990

7. OTHER LOSSES-NET

	Year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
Government grants	**601,427**	687,641
Gains on disposal of property, plant and equipment and intangible assets	**254,677**	186,149
Fair value gains/(losses) on investment properties *(Note 17)*	**57,737**	(312,395)
Net foreign exchange (losses)/gains	**(958,349)**	227,073
Severance and related costs	**(49,526)**	(550,774)
Non-recourse factoring costs	**(335,588)**	(280,980)
Others	**(505,418)**	(287,092)
	(935,040)	(330,378)

8. EXPENSES BY NATURE

	Year ended December 31, 2021 RMB'000	2020 RMB'000
Cost of inventories sold	**377,493,130**	324,363,667
Employee benefit expense *(Note 9)*	**41,918,530**	39,034,757
Office and administrative expense	**3,963,350**	4,108,475
Advertising costs	**6,962,992**	4,605,703
Depreciation and amortisation	**9,655,498**	8,571,919
Impairment loss for loan to customers	**689,623**	1,457,130
Impairment loss for other financial assets	**1,050,635**	1,036,156
Impairment loss for non-current assets *(i)*	**869,890**	903,871
Consultancy and professional fees	**2,046,782**	2,252,677
Customer support service	**4,990,098**	5,058,385
Auditors' remuneration-audit services	**110,660**	92,584
Auditors' remuneration-non audit services	**29,552**	20,669
Labs and testing	**2,834,812**	1,647,517
Lease payments	**190,225**	136,470
Taxes and surcharges	**892,057**	746,430
Transportation expense	**916,018**	673,264
Inventory write-down	**1,942,121**	907,338
Other expenses *(ii)*	**13,357,143**	11,179,488
	469,913,116	406,796,500

(i) For the year ended December 31, 2021, impairment loss on non-current assets mainly consists of impairment loss of intangible assets of RMB588 million (2020: RMB479 million). Impairment loss of intangible assets is set out in Note 19.

(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, 2021 RMB'000	2020 RMB'000
Wages and salaries	**32,911,548**	30,433,379
Social security costs other than pension	**2,321,718**	2,291,521
Long-term incentive awards granted *(Note 33(c))*	**2,423,341**	1,883,935
Pension costs – defined contribution plans	**1,925,333**	1,412,003
Pension costs – defined benefit plans *(Note 46)*	**185,460**	125,522
Others	**2,151,130**	2,888,397
	41,918,530	39,034,757

10. FINANCE INCOME AND COSTS

	Year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
Interest expense *(i)*:		
– Bank loans and overdrafts	**2,132,452**	2,615,002
– Other loans	**443,303**	222,940
– Bonds	**2,091,373**	2,169,787
– Lease liabilities	**186,100**	174,947
Factoring costs	**701,365**	944,742
Interest costs on put option liability	**174,977**	181,872
Finance costs	**5,729,570**	6,309,290
Interest income *(i)*:		
– Interest income on bank deposits and money market funds	**(504,089)**	(440,821)
– Interest income on loans to related parties	**(225,371)**	(118,536)
– Interest income on loans to non-related parties	**(134,618)**	(486,633)
Finance income	**(864,078)**	(1,045,990)
Net finance costs	**4,865,492**	5,263,300

(i) Finance income and costs do not include income and costs from subsidiaries which are engaged in banking business and micro-loan business. Interest income and expense generated from banking business are displayed in "interest income" and "interest expense" in the consolidated income statement. 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.

11. 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, 2021 and 2020 or form a substantial portion of the net assets of the Group at December 31, 2021 and 2020. 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 2021	Voting rights held 2020
Lenovo (聯想集團) *(i)*	Limited liability company	Hong Kong	USD3,203,913,000	Develop, manufacture and market reliable, high-quality, secure and easy-to-use technology products and services	33.45%	31.45%
Raycom Technology Co., Ltd. (融科智地科技股份有限公司)	Joint stock limited liability company	Beijing	270,000,000	Office building rental and service	100.00%	100.00%
Raycom Property Investment Co., Ltd. (融科物業投資有限公司)	Limited liability company	Beijing	60,000,000	Real estate investment and asset management	100.00%	100.00%
Right Lane Limited (南明有限公司, "Right Lane")	Limited liability company	Hong Kong	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 Zhong Lian Capital Co., Ltd. (北京眾聯投資有限公司)	Limited liability company	Beijing	1,000,000,000	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 (聯泓集團)	Limited liability company	Beijing	2,300,000,000	Development and production of chemicals and energy materials	100.00%	100.00%
Joyvio Group (佳沃集團)	Limited liability company	Beijing	5,812,500,000	Agriculture and food investment and other relevant business operations	81.72%	81.72%
Zhengqi Holdings Corporation (正奇控股股份有限公司, "Zhengqi Holdings") *(ii)*	Joint stock limited liability company	Hefei	3,322,545,963	Providing financial service for small-and medium-sized entities, and Investment management	94.62%	86.85%
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%

11. 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 2021	Voting rights held 2020
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	2,020,000,000	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%	100.00%
Joyvio Food (佳沃食品)	Joint stock limited liability company	Changde	174,200,000	Trading, processing and sale of seafood and other animal protein-related products	46.08%	46.08%
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 Fruit Technologies Corporation Limited (鑫荣懋果业科技集团股份有限公司)	Joint stock limited liability company	Shenzhen	197,930,000	Agriculture products planting and trading, agricultural investment, logistics, foods trading	40.47%	40.47%
Beijing Legend Star Investment Management Co., Ltd. (北京聯想之星投資管理有限公司)	Limited liability company	Beijing	10,000,000	Investment consultation, asset management, project investment	100.00%	100.00%
Tibet Lianke Investment Limited (西藏聯科投資有限公司)	Limited liability company	Lhasa	17,000,000	Investment management, investment consultation (Excluding financial and economic business)	100.00%	100.00%
Tibet Liantouqihui management Limited (西藏聯投企慧企業管理有限公司)	Limited liability company	Lhasa	1,010,000,000	Enterprise management service	100.00%	100.00%
Australis Seafoods S.A.	Joint stock limited liability company	Santiago, Chile	USD305,377,572	Production and selling salmon	99.89%	99.89%

11. SUBSIDIARIES (Continued)

(i) In 2021, a subsidiary of the Company acquired 240 million shares of the Lenovo from the open market and upon completion of the transaction, the Company's shareholding in the Lenovo increased from 31.45% to 33.45% (including the shares held directly and indirectly through Union Star Limited).

(ii) In 2021, the Company repurchased the strategic investment share of RMB801 million from the strategic investors of Zhengqi Holdings and upon completion of the transaction, the Company's shareholding in Zhengqi Holdings increased from 86.85% to 94.62%, see note 43(ii).

(iii) As at 31 December 2021, certain equity interests of a few subsidiaries of the Company were subject to restrictions to obtain borrowings, primarily including: i) the 2.59% equity interest of Lenovo held by a subsidiary of the Company were pledged as collateral for borrowings arising from the acquisition of additional holdings in Lenovo; ii) 23.00% equity interest of Joyvio Food held by a subsidiary of the Company and certain equity interests of subsidiaries held directly and indirectly by Joyvio Food were pledge as collateral for the relevant borrowings arising from the acquisition of Australis Seafoods S.A.

11. SUBSIDIARIES (Continued)

Subsidiaries with material non-controlling interests

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

	As at December 31,	
	2021	2020
	RMB'000	*RMB'000*
Non-controlling interests	**25,277,377**	21,720,658
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,	
	2021	2020
	RMB'000	*RMB'000*
Net profit attributable to perpetual securities holders	**–**	317,801
Net profit attributable to other non-controlling interests	**8,946,979**	5,133,201
Dividends paid to perpetual securities holders	**–**	(426,196)
Dividends paid to other non-controlling interests	**(2,255,342)**	(2,092,365)

11. 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,	
	2021	2020
	RMB'000	*RMB'000*
Current		
Assets	**194,816,548**	160,450,919
Liabilities	**(214,534,907)**	(176,906,809)
Net current liabilities	**(19,718,359)**	(16,455,890)
Non-current		
Assets	**95,881,602**	91,651,655
Liabilities	**(45,748,982)**	(49,813,948)
Net non-current assets	**50,132,620**	41,837,707
Net assets	**30,414,261**	25,381,817

Summarised Income Statement of Lenovo

	Year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
Revenue	**455,330,921**	384,991,987
Profit before income tax	**16,958,918**	10,170,573
Income tax expense	**(3,992,539)**	(2,627,052)
Net profit	**12,966,379**	7,543,521
Other comprehensive loss	**(1,335,154)**	(2,086,951)
Total comprehensive income	**11,631,225**	5,456,570

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

	Year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
Cash flows from operating activities		
Cash generated from operations	**27,387,438**	29,756,103
Income tax paid	**(4,131,793)**	(3,922,251)
Net cash generated from operating activities	**23,255,645**	25,833,852
Net cash used in investing activities	**(8,398,240)**	(6,457,274)
Net cash used in financing activities	**(16,492,414)**	(16,479,439)
Net (decrease)/increase in cash and cash equivalents	**(1,635,009)**	2,897,139
Cash and cash equivalents at beginning of the year	**26,361,568**	24,562,635
Exchange losses on cash and cash equivalents	**(776,446)**	(1,098,206)
Cash and cash equivalents at end of the year	**23,950,113**	26,361,568

12. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

	As at December 31,	
	2021	2020
	RMB'000	*RMB'000*
Investments in associates and joint ventures:		
Associates using equity accounting	**13,481,577**	13,966,195
Joint ventures using equity accounting	**1,453,829**	2,468,175
Using equity accounting *(a)*	**14,935,406**	16,434,370
An associate held for sale *(b)*	**–**	1,634,001
Associates measured at fair value through profit or loss *(c)*	**19,903,531**	18,459,044
	34,838,937	36,527,415

12. 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, 2021 and 2020, which, in the opinion of the directors, are material to the Group, and the intention of the Group to hold these associates is for industrial incubations and investments purpose.

Name	Place of incorporation/ principal place of operations	Principal activities	Effective interest held	
			2021	2020
Hankou Bank Co., Ltd. (漢口銀行股份有限公司, "Hankou Bank") *(i)*	Wuhan	Commercial banking business	**13.11%**	15.33%
Eastern Air Logistics Co., Ltd. (東方航空物流股份有限公司, "EAL") *(i)*	Shanghai	Transportation, warehousing and postal services	**18.09%**	20.10%
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%
Taikang Bybo Medical Group Co., Ltd. (泰康拜博醫療集團有限公司,"Bybo Dental")	Zhuhai	Dental and other medical service	**26.05%**	36.47%
Jinzai Food Group Co., Ltd. (勁仔食品集團股份有限公司, "Jinzai Food") *(i)(ii)*	Yueyang	Research, manufacture and sale of prepackaged and bulkfood; import and export of self-operated and agency goods and technology	**17.68%**	17.82%
Tibet Kaola Science & Technology Development Co., Ltd. (西藏考拉科技發展有限公司, "Kaola Technology")	Lhasa	Electronic technology development, transfer, service, promotion and internet technology service	**48.00%**	48.00%

(i) The directors determine the Group has significant influence over Hankou Bank, EAL, and Jinzai Food 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) Huawen Food Co., Ltd. has been renamed Jinzai Food Group Co., Ltd. on April 27, 2021.

12. 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 consolidated financial information

	Year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
Share of net assets at January 1	**3,191,545**	3,059,332
Share of comprehensive income for the year *(iii)*	**226,527**	209,443
Share of distribution of profit	**(63,300)**	(75,960)
Other increase/(decrease)	**30,135**	(1,270)
Share of net assets at December 31	**3,384,907**	3,191,545
Goodwill	**577,863**	675,857
Carrying value of investment in associate	**3,962,770**	3,867,402

(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,	
	2021	2020
	RMB'000	*RMB'000*
Share of profit/(loss) for the year	**816,978**	(637,783)
Share of other comprehensive (loss)/income	**(4,550)**	55,142
Share of total comprehensive income/(loss)	**812,428**	(582,641)
Carrying value of other investment in associates	**9,518,807**	10,098,792

12. 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,	
	2021	2020
	RMB'000	*RMB'000*
Share of loss for the year	**(5,411)**	(112,430)
Share of comprehensive loss for the year	**(5,411)**	(112,430)
Carry value of investment in joint venture using equity accounting	**1,453,829**	2,468,176

(b) An associate held for sale

On March 2, 2021, the subsidiary of the Company completed the disposal of CAR Inc., an associate held for sale.

12. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (Continued)

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

Company Name	Place of incorporation/ registration	Type	2021 Fair value RMB'000	2021 Effective interest held	2020 Fair value RMB'000	2020 Effective interest held
– LC Fund III, L.P. *(i)*	Cayman Islands	USD Funds	**1,732,478**	**68.64%**	1,658,960	68.64%
– Hony Capital Fund VIII (Cayman), L.P. *(ii)*	Cayman Islands	USD Funds	**1,670,108**	**16.40%**	1,624,574	16.40%
– LC Fund VI, L.P.	Cayman Islands	USD Funds	**930,222**	**23.20%**	1,516,364	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	**1,919,164**	**22.22%**	1,446,619	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	**2,071,586**	**17.79%**	1,409,123	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	**1,002,603**	**31.21%**	1,250,736	31.21%
– Great Unity Fund I, L.P.	Cayman Islands	USD Funds	**2,039,800**	**49.08%**	1,190,528	49.08%
– Hony Capital Fund V, L.P. *(ii)*	Cayman Islands	USD Funds	**906,439**	**10.98%**	1,175,460	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	**573,494**	**17.67%**	824,169	17.67%
– LC Fund VII, L.P.	Cayman Islands	USD Funds	**841,000**	**22.31%**	798,130	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	**625,046**	**19.51%**	609,205	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	**219,344**	**31.67%**	580,197	31.67%
– LC Fund V, L.P. *(ii)*	Cayman Islands	USD Funds	**336,480**	**18.94%**	473,311	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	**444,621**	**12.40%**	428,573	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	**437,677**	**18.50%**	419,653	18.50%
– LC Healthcare Fund I, L.P.	Cayman Islands	USD Funds	**538,852**	**20.00%**	419,588	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	**602,720**	**22.50%**	395,501	25.00%
– Shenzhen Hony Tongren Consultant Business L.P. (深圳弘毅同人顧問企業(有限合夥))	Shenzhen	RMB Funds	**360,000**	**42.91%**	–	–
– 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	**313,060**	**8.90%**	352,025	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	**349,560**	**28.52%**	337,016	28.52%
– Hony Capital Fund 2008, L.P. *(ii)*	Cayman Islands	USD Funds	**117,952**	**14.31%**	225,592	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	**140,206**	**20.07%**	209,979	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	**185,844**	**20.05%**	157,635	20.05%

12. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (Continued)

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

Company Name	Place of incorporation/ registration	Type	2021 Fair value	2021 Effective interest held	2020 Fair value	2020 Effective interest held
			RMB'000		*RMB'000*	
– Hony International Limited	Hong Kong	USD Funds	145,161	40.00%	68,575	40.00%
– Suzhou Junlian Xiangdao Equity Investment L.P. (蘇州君聯相道股權投資合夥企業(有限合夥))	Suzhou	RMB Funds	253,285	23.86%	–	–
– 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)) *(ii)*	Beijing	RMB Funds	235,172	10.87%	63,848	33.01%
– Shenzhen Hony 2019 Enterprise Management Center L.P. (深圳弘毅貳零壹玖企業管理中心(有限合夥))	Shenzhen	RMB Funds	168,742	44.94%	135,744	28.52%
– Shanghai Junlian Shenghao Venture Capital Investment L.P. (上海君聯晟灝創業投資合夥企業(有限合夥))	Shanghai	RMB Funds	359,432	28.22%	203,611	28.22%
– Hony Capital Fund III, L.P.	Cayman Islands	USD Funds	86,176	34.48%	74,228	34.48%
– LC Fund IV, L.P.	Cayman Islands	USD Funds	16,615	29.77%	43,638	29.77%
– Hony Capital II, L.P.	Cayman Islands	USD Funds	32,483	41.38%	33,243	41.38%
– Others		RMB/USD Funds	248,209	2.32%-54.82%	333,219	2.32%-54.82%
			19,903,531		18,459,044	

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

(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.

12. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (Continued)

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

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, 2021	
	Profit for the year *RMB'000*	**Total comprehensive income** *RMB'000*
RMB funds	**7,918,083**	**7,918,083**
USD funds	**2,265,932**	**2,265,932**
Total	**10,184,015**	**10,184,015**

	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

13. 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,	
	2021	2020
	RMB'000	*RMB'000*
Current income tax	**5,475,625**	4,394,393
Deferred income tax *(Note 45)*	**566,197**	(779,993)
Income tax expense	**6,041,822**	3,614,400

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,	
	2021	2020
	RMB'000	*RMB'000*
Profit before tax	**22,090,330**	12,632,829
Tax effects of:		
Tax calculated at domestic rates applicable in countries or regions concerned	**6,005,734**	3,433,206
Income not subject to tax	**(4,347,204)**	(3,609,803)
Expenses not deductible for tax purposes	**2,591,005**	2,648,891
Recognition/utilisation of previously unrecognised tax losses *(i)*	**(450,412)**	(517,401)
Deferred income tax assets not recognised	**2,355,355**	1,380,965
Others	**(112,656)**	278,542
Income tax expense	**6,041,822**	3,614,400

(i) In 2021 and 2020, 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 2021 and 2020, which was not recognised in previous years to the extent of the amount of the current and future taxable profit.

13. INCOME TAX EXPENSE (Continued)

The tax credit/(charge) relating to components of other comprehensive income is as follows:

	Year ended December 31,					
	2021			2020		
	Before tax RMB'000	Tax credit/ (charge) RMB'000	After tax RMB'000	Before tax RMB'000	Tax (charge)/ credit RMB'000	After tax RMB'000
Fair value changes on non-trading equity securities measured at fair value through other comprehensive income	480,581	6,930	487,511	(607,311)	(2,025)	(609,336)
Credit risk changes on financial liabilities measured at fair value through profit or loss	(1,328)	–	(1,328)	–	–	–
Fair value changes on debt securities measured at fair value through other comprehensive income	(37,167)	9,417	(27,750)	(42,972)	10,342	(32,630)
Share of other comprehensive income/(loss) of associates	55,609	–	55,609	(52,792)	–	(52,792)
Actuarial income/(loss) on post-employment benefit obligations	25,077	(12,369)	12,708	(119,315)	729	(118,586)
Fair value changes on cashflow hedges	928,038	(4,694)	923,344	(459,570)	(7,057)	(466,627)
Currency translation differences	(3,419,086)	–	(3,419,086)	(3,790,925)	–	(3,790,925)
Revaluation of investment properties upon reclassification from property, plant and equipment	119,045	(29,558)	89,487	58,058	(14,153)	43,905
Other comprehensive loss	(1,849,231)	(30,274)	(1,879,505)	(5,014,827)	(12,164)	(5,026,991)
Deferred tax *(Note 45)*		(30,274)			(12,164)	

14. 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 33).

	Year ended December 31,	
	2021	2020
Basic earnings attributable to equity holders of the Company *(RMB'000)*	**5,754,886**	3,868,011
Diluted impact on earnings *(RMB'000) (i)*	**(407,368)**	(73,591)
Diluted earnings attributable to the equity holders of the Company *(RMB'000)*	**5,347,518**	3,794,420
Weighted average number of issued ordinary shares *(thousands)*	**2,356,231**	2,356,231
Less shares held for share incentive plan *(thousands) (Note 33)*	**(17,390)**	(28,983)
Weighted average number of issued ordinary shares for calculating basic earnings per share *(thousands)*	**2,338,841**	2,327,248
Potential dilutive effect arising from share incentive plan *(thousands) (ii) (Note 33)*	**1,712**	11,578
Weighted average number of issued ordinary shares for calculating diluted earnings per share *(thousands) (ii)*	**2,340,553**	2,338,826
Earnings per share		
– Basic *(RMB per share)*	**2.46**	1.66
– Diluted *(RMB per share)*	**2.28**	1.62

(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 assuming conversion of all dilutive potential ordinary shares and adjusting the weighted average number of ordinary shares in issue accordingly. The Company's dilutive potential ordinary shares comprise shares related to Share Incentive plan. The number of dilutive potential ordinary shares is calculated as the difference between the number of shares calculated by converting the monetary value of the remaining outstanding restricted incentive share subscription rights and share options to the fair value per share of ordinary shares for the period (the average market price of the Company's shares for the corresponding period) compared to the number of shares assuming conversion of restricted shares and share options to ordinary shares.

15. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings RMB'000	Vehicles RMB'000	Machinery RMB'000	Furniture and office equipment RMB'000	Other equipment RMB'000	Construction in Progress RMB'000	Bearer plants RMB'000	Total RMB'000
As at January 1, 2020								
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
For the year ended December 31, 2021								
Opening net book amount	**11,397,924**	**59,875**	**7,052,553**	**1,667,766**	**122,749**	**2,306,726**	**743,750**	**23,351,343**
Exchange adjustment	**(374,288)**	**(2,318)**	**(189,426)**	**58,385**	**(5,843)**	**29,078**	**–**	**(484,412)**
Acquisition of subsidiaries	**768,887**	**5,912**	**1,328,607**	**9,225**	**25,008**	**62,587**	**–**	**2,200,226**
Additions	**200,203**	**34,349**	**1,563,749**	**881,770**	**53,241**	**4,672,207**	**34,199**	**7,439,718**
Transfers to intangible assets	**–**	**–**	**–**	**–**	**–**	**(1,506,309)**	**–**	**(1,506,309)**
Transfers from construction in progress	**366,223**	**40**	**655,987**	**151,956**	**2,367**	**(1,176,573)**	**–**	**–**
Disposals/transfer to investment property	**(289,343)**	**(3,939)**	**(138,575)**	**(41,942)**	**(32,527)**	**(33,583)**	**–**	**(539,909)**
Depreciation charge	**(732,405)**	**(28,534)**	**(1,546,274)**	**(800,756)**	**(57,811)**	**–**	**(27,252)**	**(3,193,032)**
Disposal of subsidiaries	**(1,569)**	**(19)**	**(180,593)**	**(1,850)**	**(61)**	**(235,279)**	**–**	**(419,371)**
Impairment loss	**(153,070)**	**(1,255)**	**(79,452)**	**(632)**	**(174)**	**–**	**–**	**(234,583)**
Closing net book amount	**11,182,562**	**64,111**	**8,466,576**	**1,923,922**	**106,949**	**4,118,854**	**750,697**	**26,613,671**
As at December 31, 2021								
Cost	**15,776,916**	**222,487**	**15,926,879**	**5,523,254**	**333,813**	**4,118,854**	**817,909**	**42,720,112**
Accumulated depreciation	**(4,418,546)**	**(157,051)**	**(7,378,777)**	**(3,598,649)**	**(226,505)**	**–**	**(67,212)**	**(15,846,740)**
Accumulated impairment	**(175,808)**	**(1,325)**	**(81,526)**	**(683)**	**(359)**	**–**	**–**	**(259,701)**
Net book amount	**11,182,562**	**64,111**	**8,466,576**	**1,923,922**	**106,949**	**4,118,854**	**750,697**	**26,613,671**

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

Depreciation expense of RMB1,718 million and RMB1,439 million has been charged in "cost of sales and services", RMB226 million and RMB220 million in "selling and marketing costs", RMB1,249 million and RMB1,276 million in "general and administrative expenses" for the year ended December 31, 2021 and 2020.

The land and buildings, construction in progress and bearer plants with a carrying amount of RMB487 million and RMB375 million were pledged as collateral for the borrowings of RMB276 million and RMB344 million as at December 31, 2021 and 2020, respectively. See Note 17(c) for owner-occupied investment properties pledged. As at December 31, 2021, property, plant and equipment with a carrying amount of RMB317 million are pledged for other payables and accruals and other non-current liabilities.

16. LEASE

(a) Items recognized in the consolidated balance sheet

	As at December 31,	
	2021	2020
	RMB'000	*RMB'000*
Right-of-use assets		
Land use right	**4,409,828**	4,325,400
Buildings	**2,846,006**	2,624,930
Equipment and others	**409,562**	1,346
	7,665,396	6,951,676
Lease liabilities		
Current lease liabilities	**1,130,162**	819,586
Non-current lease liabilities	**2,898,182**	2,932,067
	4,028,344	3,751,653

(b) Item recognized in consolidated the income statement

	Year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
Depreciation of right-of-use assets		
Land use right	**89,625**	47,411
Buildings	**973,216**	798,379
Equipment and others	**31,516**	970
	1,094,357	846,760
Interest expenses (included in financial cost)	**186,100**	174,947
Short term rental and low-value rental (included in general and administrative expenses)	**190,225**	136,470

17. INVESTMENT PROPERTIES

	Year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
At beginning of the year	**12,315,945**	12,316,171
Additions	**27,647**	283,820
Fair value gains/(losses)	**57,737**	(312,395)
Transfer to Property, plant and equipment	**–**	(67,117)
Disposal	**(64,246)**	(44,831)
Transfer from property, plant and equipment	**150,738**	140,129
Exchange adjustment	**(21,556)**	168
At end of the year	**12,466,265**	12,315,945

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,	
	2021	2020
	RMB'000	*RMB'000*
Rental income	**683,369**	683,029
Direct operating expenses from properties that generated rental income	**(143,740)**	(141,288)
	539,629	541,741

The direct operating expenses from properties that did not generate rental income is immaterial to the Group during the year ended December 31, 2021 and 2020.

17. INVESTMENT PROPERTIES (Continued)

(b) Valuation basis

Investment properties held by the Group were mainly revalued at the end of 2021 and 2020 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, 2021 and 2020, 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/(losses)are recognised in "other losses-net" of consolidated income statement.

As at December 31, 2021 and 2020, 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, 2021 and 2020 were in the following ranges:

	Year ended December 31,	
	2021	2020
Capitalisation rate	**4.00%-5.00%**	4.00%-5.00%
Expected vacancy rate		
– Office	**5.00-8.00%**	5.00%
– Retail	**3.00-5.00%**	3.00%-5.00%
– Car park	**5.00%**	5.00%
Prevailing market rents		
– Office (per sq.m. per month)	**RMB230-RMB550**	RMB240-RMB550
– Retail (per sq.m. per month)	**RMB129-RMB780**	RMB130-RMB700
– Car park (per spot per month)	**RMB890-RMB920**	RMB890-RMB910

17. 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, 2021	
	Favourable change by 10%	**Unfavourable change by 10%**
	RMB'000	***RMB'000***
Capitalisation rate	**718,412**	**(653,901)**
Expected vacancy rate	**57,697**	**(57,697)**

	Year ended December 31, 2020	
	Favourable change by 10%	Unfavourable change by 10%
	RMB'000	*RMB'000*
Capitalisation rate	727,429	(660,188)
Expected vacancy rate	52,185	(52,185)

(c) Investment properties pledged as security

As at December 31, 2021, the investment properties with a fair value of RMB11,478 million and a net value of RMB171 million of land and buildings were pledged as collateral for the long-term borrowings of RMB8,218 million. As at December 31, 2020, the investment properties with a fair value of RMB11,311 million and a net value of RMB211 million of land and buildings were pledged as collateral for the long-term borrowings of RMB5,867 million. As at December 31, 2021, the investment property with a fair value of RMB130 million and the land and buildings with a net value of RMB86 million were pledged for other payables and accruals and other non-current liabilities.

(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,	
	2021	2020
	RMB'000	*RMB'000*
Within one year	**906,400**	782,088
Later than one year but no later than 5 years	**1,226,358**	1,008,377
Later than 5 years	**304**	9,418
	2,133,062	1,799,883

18. CONSUMABLE BIOLOGICAL ASSETS

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

	As at December 31,	
	2021	2020
	RMB'000	*RMB'000*
Atlantic Salmon and trout (sea water) *(a)*	**1,618,273**	1,453,928
Atlantic Salmon and trout (fresh water)	**132,234**	105,314
	1,750,507	1,559,242
Less: current portion	**(1,750,507)**	(1,193,174)
Non-current portion	**–**	366,068

The consumable biological assets with a carrying amount of USD235 million (RMB1,495 million) were pledged as collateral for the borrowings of USD92 million (RMB588 million) as at December 31, 2021. 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.

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

	Year ended December 31, 2021	Year ended December 31, 2020
	RMB'000	*RMB'000*
At the beginning of the year	**1,559,242**	1,901,901
Increase from fattening and production	**2,299,017**	2,233,455
Decrease from harvest (measured at cost)	**(2,068,751)**	(2,518,487)
Fair value adjustment *(b)*	**406,128**	75,392
Fair value decrease from harvest	**(406,643)**	(15,444)
Exchange adjustment	**(38,486)**	(117,575)
At the end of the year	**1,750,507**	1,559,242

18. CONSUMABLE BIOLOGICAL ASSETS (Continued)

	As at December 31	
	2021	2020
	Unit: Thousand	*Unit: Thousand*
Fresh water:		
Roe	**16,751**	3,519
Fry	**5,972**	20,512
Juvenile fish	**4,229**	2,473
	26,952	26,504
Sea water:		
Fish on fattening process	**16,850**	19,865
	43,802	46,369

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

	As at December 31, 2021			
	Biomass	**Production costs**	**Fair value adjustment**	**Carrying amount**
	Ton	***RMB'000***	***RMB'000***	***RMB'000***
Atlantic salmon	**35,483**	**1,280,483**	**140,739**	**1,421,222**
Trout	**4,683**	**181,510**	**15,541**	**197,051**
	40,166	**1,461,993**	**156,280**	**1,618,273**

	As at December 31, 2020			
	Biomass	Production costs	Fair value adjustment	Carrying amount
	Ton	*RMB'000*	*RMB'000*	*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

18. CONSUMABLE BIOLOGICAL ASSETS (Continued)

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

	Year ended December 31, 2021 RMB'000	Year ended December 31, 2020 RMB'000
Atlantic salmon	366,581	(175,294)
Trout	39,547	253,859
Coho salmon	–	(3,173)
	406,128	75,392

(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.

19. 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, 2021									
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
For the year ended December 31, 2021									
Opening 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
Additions	–	212	1,855,377	–	4,863,861	9,210	5,098	56,903	6,790,661
Acquisition of subsidiaries	–	–	28,085	75,472	26,431	–	–	11,890	141,878
Exchange adjustment	–	(340,440)	(148,960)	(1,570,807)	(209,290)	(79,138)	(260,304)	24,900	(2,584,039)
Disposals	–	(2,288)	(6,402)	–	(43,444)	–	(12,826)	(92,683)	(157,643)
Disposal of subsidiaries	–	–	(13,972)	(53,639)	–	–	–	–	(67,611)
Amortisation charge	–	(2,674)	(1,603,989)	–	(2,671,694)	(528)	(924,095)	(165,129)	(5,368,109)
Impairment loss	–	–	(106,058)	(384,760)	(96,804)	–	–	(309)	(587,931)
Closing net book amount	–	9,585,941	4,937,417	35,509,439	5,873,308	3,349,554	3,598,114	763,873	63,617,646
As at December 31, 2021									
Cost	597,736	9,843,939	15,629,930	36,518,529	19,670,494	3,350,987	9,878,735	1,574,237	97,064,587
Accumulated amortisation and impairment	(597,736)	(257,998)	(10,692,513)	(1,009,090)	(13,797,186)	(1,433)	(6,280,621)	(810,364)	(33,446,941)
Net book amount	–	9,585,941	4,937,417	35,509,439	5,873,308	3,349,554	3,598,114	763,873	63,617,646

19. 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, 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	–	–	–	(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

Amortisation of RMB849 million and RMB177 million are included in the "cost of sales and services"; RMB73 million and RMB68 million in "selling and distribution expenses"; and RMB4,446 million and RMB4,545 million in "general and administrative expenses" in the consolidated income statement for the year ended December 31, 2021 and 2020.

As at December 31, 2021, intangible assets with a carrying value of RMB3,428 million (December 31, 2020: RMB3,409 million) were pledged for borrowings of RMB1,531 million (December 31, 2020: RMB3,022 million).

19. INTANGIBLE ASSETS (Continued)

Impairment tests for goodwill and intangible assets with indefinite useful life

Management reviews the business performance based on type of business and monitor goodwill and intangible assets with indefinite useful lives at CGUs or groups of CGUs.

The carrying amount of goodwill and intangible assets with indefinite useful lives, less accumulated impairment charged, are presented below:

CGUs	As at December 31, 2021		As at December 31, 2020	
	Goodwill *RMB'000*	Intangible assets with indefinite useful life *RMB'000*	Goodwill *RMB'000*	Intangible assets with indefinite useful life *RMB'000*
– Lenovo				
– PC and intellectual device business				
Mainland China	6,252,782	1,156,030	7,108,422	1,361,942
Europe/Middle East/Africa	1,178,883	550,917	1,598,601	717,739
Americas	1,488,555	336,017	1,970,520	437,168
Asia-pacific region excluding Mainland China	3,442,550	308,688	4,737,076	384,969
– Mobility business				
Mature market	4,297,222	1,256,013	4,423,882	1,285,683
Emerging market	4,973,046	1,676,809	5,246,020	1,715,771
– Infrastructure solutions business				
Mainland China	3,315,364	1,032,863	3,255,925	1,057,034
Europe/Middle East/Africa	490,929	197,647	678,590	202,272
Americas	2,180,489	784,211	2,251,091	802,563
Asia-pacific region excluding Mainland China	994,609	344,288	1,083,133	352,345
– Solutions and services business *(i)*	2,360,411	451,731	N/A	N/A
– BIL				
– Banking business	1,031,401	981,879	1,138,694	1,091,400
– Joyvio Group				
– Salmon production and selling business	1,127,217	3,431,121	1,301,422	3,502,926
– Other Animal protein business	666,937	–	681,618	–
– Fruit business	399,141	–	399,423	–
– Semi-finished fresh business	165,059	–	165,059	–
– Seafood fishing and selling business	402,712	93,686	458,550	93,686
– Others				
– Education service business	531,791	324,000	741,405	329,667
– Comprehensive medical service business	137,873	–	137,873	–
– Others	72,468	–	65,869	–
	35,509,439	12,925,900	37,443,173	13,335,165

19. INTANGIBLE ASSETS (Continued)

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

(i) Lenovo has formed the solutions and services business in addition to the PC and intellectual devices business, mobility business and infrastructure solutions business (previously named as data center business). The solutions and services business aims to bring together services teams and capabilities across the business. This new business will deliver enhanced services capabilities and new solutions to supercharge its growth momentum through three key segments – Attached Services, Managed Services, and Project and Vertical Solutions.

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, 2021. The recoverable amount of the CGUs is determined by the higher of fair value less disposal cost and value in use.

On December 31, 2021, the Group adopted the fair value minus disposal expense model to calculate the recoverable amount when conducting goodwill impairment analysis on the other animal protein business. The recoverable amount is determined by the observed active market quotation and the control premium in the reference market as fair value, which is level 2 inputs in the valuation method.

For the other business, the Group has adopt value in use model to calculate the recoverable amount. These calculations in value in model use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period with a terminal value related to the future cash flow of the CGU extrapolated using constant projections of cash flows beyond the five-year period, plus 0% to 3% (different levels of CGUs) sustainable growth rate as a constant benchmark expecting after five years cash flow, to make a conclusion for the ultimate value of future CGUs cash flow of each set. The estimated revenue growth rate used by the Group is consistent with those estimated in the industrial report and not exceeding the long-term average growth rate in the industry each CGU operates.

19. 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, 2021		As at December 31, 2020	
	Growth rate	**Discount rate**	Growth rate	Discount rate
– Lenovo				
– PC and intellectual device business				
Mainland China	**7.2%**	**12.0%**	6.2%	12.0%
Europe/Middle East/Africa	**1.4%**	**9.0%**	1.4%	9.0%
Americas	**2.0%**	**9.0%**	–1.6%	9.0%
Asia-Pacific region excluding Mainland China	**–1.8%**	**10.0%**	–3.2%	10.0%
– Mobility business				
Mature market	**25.2%**	**11.0%**	29.6%	11.0%
Emerging market	**17.6%**	**12.0%**	16.6%	14.0%
– Infrastructure solutions business				
Mainland China	**17.7%**	**11.5%**	15.3%	12.0%
Europe/Middle East/Africa	**18.0%**	**11.0%**	15.0%	11.0%
Americas	**23.1%**	**11.0%**	22.7%	10.5%
Asia-pacific region excluding Mainland China	**21.0%**	**12.0%**	15.3%	12.5%
– Solutions and services business	**38.0%**	**9.7%**	N/A	N/A
– BIL				
– Banking business	**7.0%**	**10.0%**	6.9%	10.0%
– Joyvio Group				
– Salmon production and selling business	**7.5%**	**9.9%**	10.8%	10.1%
– Fruit business	**11.0%**	**9.9%**	11.0%	11.5%
– Semi-finished fresh business	**10.3%**	**11.5%**	10.3%	11.5%
– Seafood fishing and selling business	**4.3%**	**9.2%**	5.0%	9.7%
– Others				
– Education service business	**3.4%**	**12.3%**	8.9%	10.7%
– Comprehensive medical service business	**10.8%**	**9.1%**	9.1%	10.9%

19. INTANGIBLE ASSETS (Continued)

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

The education service business of industrial incubation and investment, affected by the policy adjustment of the education industry, as well as the COVID-19 epidemic and many other macro factors, has not performed as expected, so the impairment of goodwill of RMB221 million has been deducted this year.

The overseas epidemic affected the approval efficiency, which greatly affected the salmon seeding and harvest progress of the salmon production and selling business of Joyvio Group. The seeding plan from fresh water to seawater was delayed, resulting in higher fry cost than before. Since the second half of 2021, feed purchase prices have increased due to rising global grain prices and transportation prices. At the same time, the average harvest weight decreases, resulting in the increase of fixed operation and maintenance costs (labor, depreciation, operation, etc.) allocated to the cost of unit weight, thus pushing up the cost in 2021, and the impairment of goodwill of RMB144 million was charged this year.

In other animal protein business, the seafood trading and processing business of Joyvio Group, due to the impact of the global epidemic, the cost of cross-border logistics continues to be high, and the strengthening of epidemic prevention measures has pushed up the cost of port elimination and detention storage, so the goodwill impairment of RMB20 million was charged this year.

At December 31, 2021, the Board of Directors considered that there was no indication of impairment of goodwill and intangible assets with indefinite useful lives, except for the education services business of the industrial incubations and investments sector, the salmon production and selling business and other animal protein business of Joyvio Group of the industrial operations sector.

The recoverable amount of the above related asset units shall be determined according to the use value and be the same as the fair value.

The Group has performed a sensitivity analysis on key assumptions used for the annual impairment test for goodwill. At December 31, 2021, 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.

20. FINANCIAL INSTRUMENTS BY CATEGORY

	Financial assets at amortised cost *RMB'000*	Assets at fair value through profit or loss *RMB'000*	Derivatives used for hedging *RMB'000*	Assets at fair value through other comprehensive income *RMB'000*	Total *RMB'000*
As at December 31, 2021					
Assets					
Financial assets at fair value through other comprehensive income	–	–	–	10,589,704	10,589,704
Derivative financial assets	–	724,076	887,122	–	1,611,198
Account and notes receivables	11,295,496	–	–	78,404,137	89,699,633
Loans to customers	123,826,259	–	–	–	123,826,259
Loans to credit institutions	4,017,464	–	–	–	4,017,464
Other financial assets at amortised cost	53,494,808	–	–	–	53,494,808
Other receivables and other current assets	31,239,093	–	–	–	31,239,093
Other non-current assets	9,527,960	–	–	–	9,527,960
Financial assets at fair value through profit or loss	–	34,391,993	–	–	34,391,993
Associates measured at fair value through profit or loss	–	19,903,531	–	–	19,903,531
Restricted deposits and balances with central banks	26,004,542	–	–	–	26,004,542
Bank deposits	234,743	–	–	–	234,743
Cash and cash equivalents	59,956,630	–	–	–	59,956,630
	319,596,995	55,019,600	887,122	88,993,841	464,497,558

	Other financial liabilities at amortised cost *RMB'000*	Liabilities at fair value through profit or loss *RMB'000*	Derivatives used for hedging *RMB'000*	Total *RMB'000*
Liabilities				
Borrowings	132,868,685	–	–	132,868,685
Amounts due to customers	149,320,063	–	–	149,320,063
Amounts due to credit institutions	29,628,719	–	–	29,628,719
Lease liabilities	4,028,344	–	–	4,028,344
Derivative financial liabilities	–	1,100,301	1,996,877	3,097,178
Trade and notes payables	90,080,446	–	–	90,080,446
Other payables	84,489,686	–	–	84,489,686
Other non-current liabilities	7,503,669	–	–	7,503,669
Financial liabilities at fair value through profit or loss	–	10,873,989	–	10,873,989
	497,919,612	11,974,290	1,996,877	511,890,779

20. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

	Financial assets at amortised cost RMB'000	Assets at fair value through profit or loss RMB'000	Derivatives used for hedging RMB'000	Assets at fair value through other comprehensive income RMB'000	Total RMB'000
As at December 31, 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 and balances with central banks	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

	Other financial liabilities at amortised cost RMB'000	Liabilities at fair value through profit or loss RMB'000	Derivatives used for hedging 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
	507,011,247	12,525,183	4,403,525	523,939,955

20. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

As at December 31, 2021, other financial assets at amortized cost, financial assets at fair value through other comprehensive income and loans to customers and credit institutions with a total carrying amount of RMB24,691 million was encumbered. BIL participated in Targeted Longer-Term Refinancing Operations (TLTROs) initiated by European Central Bank, which offers banks long-term funding at attractive conditions for onward stimulating bank lending to the real economy. To be eligible for participation, certain assets of BIL are required to meet the encumbrance conditions.

21. 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,	
	2021	2020
	RMB'000	*RMB'000*
Listed equity securities:		
Equity securities – Hong Kong	**201,682**	225,742
Equity securities – Japan	**98,657**	148,435
Equity securities – Others	**320,067**	344,958
Market value of listed equity securities	**620,406**	719,135
Unlisted equity securities	**3,791,685**	3,090,592
Listed debt securities:		
Debt securities – Europe	**6,149,076**	7,172,623
Debt securities – United States	**6,741**	600,290
Debt securities – Mainland China	**18,455**	562,863
Debt securities – Others	**3,341**	507,785
Market value of listed debt securities	**6,177,613**	8,843,561
Total	**10,589,704**	12,653,288
Less: Current portion	**(1,948,322)**	(473,817)
Non-current portion	**8,641,382**	12,179,471

22. DERIVATIVE FINANCIAL INSTRUMENTS

	As at December 31,	
	2021	2020
	RMB'000	*RMB'000*
Derivative financial assets		
Derivatives held for trading	**724,076**	2,453,910
Derivatives designated as fair value hedges	**430,321**	97,723
Derivatives designated as cash flow hedges	**402,910**	25,456
Others	**53,891**	33,613
	1,611,198	2,610,702
Less: Current portion	**(1,112,998)**	(2,397,724)
Non-current portion	**498,200**	212,978
Derivative financial liabilities		
Derivatives held for trading	**1,100,301**	2,126,154
Derivatives designated as fair value hedges	**1,822,000**	3,632,223
Derivatives designated as cash flow hedges	**162,869**	724,477
Others	**12,008**	46,825
	3,097,178	6,529,679
Less: Current portion	**(1,174,850)**	(2,679,794)
Non-current portion	**1,922,328**	3,849,885

23. OTHER NON-CURRENT ASSETS

Other non-current assets primarily include long-term receivable arising from the financial lease and loans to third parties of Industry Incubation and Investment segment.

The other non-current assets with a net amount of RMB2,139 million (as at December 31, 2020, RMB696 million) were pledged as collateral for the borrowings of RMB1,750 million (as at December 31, 2020, RMB482 million) as at December 31, 2021. As at December 31, 2021, other non-current assets with a net value of RMB2,088 million were pledged as collateral for other payables and accruals and other non-current liabilities.

24. ACCOUNTS AND NOTES RECEIVABLES

	As at December 31,	
	2021	2020
	RMB'000	*RMB'000*
Accounts and notes receivables at amortised cost		
Trade receivables	**4,288,004**	5,241,144
Notes receivables	**865,515**	398,505
Receivables arising from finance leases	**6,697,172**	6,124,521
Less: allowances of impairment loss	**(555,195)**	(556,411)
Accounts receivable and notes receivable measured at amortised cost-net	**11,295,496**	11,207,759
Trade receivables measured at FVOCI		
Trade receivables financing *(i)*	**78,404,137**	60,547,105
Account and notes receivables	**89,699,633**	71,754,864

(i) Lenovo, a subsidiary of the Company, factorizes a part of trade receivables according to its daily fund management, with a business model that the trade receivables are held for the collection of contractual cash flows and for selling the trade receivables. The trade receivables of Lenovo are classified as financial assets measured at fair value through other comprehensive income.

As at December 31, 2021, the allowance of impairment loss of receivables financing is RMB808 million (As at December 31, 2020: RMB475 million).

24. ACCOUNTS AND NOTES RECEIVABLES (Continued)

As at December 31, 2021 and 2020, the ageing analyses of the trade receivables and trade receivables financing based on invoice date were as follows:

	As at December 31,	
	2021	2020
	RMB'000	*RMB'000*
Up to 3 months	**79,412,122**	62,172,452
3 to 6 months	**2,681,983**	2,270,825
6 months to 1 year	**559,662**	902,304
1 to 2 years	**432,736**	786,698
2 to 3 years	**377,857**	77,475
Over 3 years	**35,799**	53,155
	83,500,159	66,262,909

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

As at December 31, 2021 and 2020, accounts and notes receivables with a net amount of RMB462 million and RMB1,665 million were used as collateral for borrowings of RMB609 million and RMB889 million.

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

	Year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
At beginning of the year	**(1,031,071)**	(872,899)
Exchange adjustment	**26,757**	76,623
Provision made	**(1,327,860)**	(840,294)
Uncollectible receivable written off	**626,277**	299,326
Unused amounts reversed	**342,684**	306,173
At end of the year	**(1,363,213)**	(1,031,071)

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.

25. PREPAYMENT, OTHER RECEIVABLES AND OTHER CURRENT ASSETS

	As at December 31,	
	2021	2020
	RMB'000	*RMB'000*
Receivables from parts subcontractors	**17,757,774**	17,127,060
Prepayments	**6,481,834**	9,422,074
Prepaid tax	**5,644,386**	5,882,885
Amounts due from related parties *(Note 55 (c))*	**1,390,379**	2,243,770
Advance to suppliers	**3,268,830**	2,870,168
Deposits receivable	**1,231,406**	212,359
Advance to employees	**92,053**	57,116
Adjustment for in-transit products	**229,541**	162,020
Interest receivable	**101,284**	168,739
Others	**5,355,610**	4,510,778
	41,553,097	42,656,969
Less: allowances for impairment loss	**(347,071)**	(367,741)
	41,206,026	42,289,228

26. LOANS TO CUSTOMERS

Loan balances are loans derive from the subsidiaries of the Group which engages in the loans business.

	As at December 31,	
	2021	2020
	RMB'000	*RMB'000*
Banking service *(a)*	**120,437,196**	126,380,582
Other service *(b)*	**7,050,653**	7,581,893
Total	**127,487,849**	133,962,475
Less: allowances for impairment loss *(c)*	**(3,661,590)**	(3,630,369)
Net loans to customers	**123,826,259**	130,332,106
Less: current portion	**(45,951,978)**	(49,167,712)
Non-current portion	**77,874,281**	81,164,394

(a) Banking service

	As at December 31,	
	2021	2020
	RMB'000	*RMB'000*
On demand and short notice	**1,055,662**	803,899
Finance leases	**1,533,524**	1,497,773
Other term loans	**117,848,010**	124,078,910
Total	**120,437,196**	126,380,582
Less: allowances for impairment loss		
– Stage 1	**(321,600)**	(337,937)
– Stage 2	**(217,245)**	(202,042)
– Stage 3	**(1,606,450)**	(1,801,536)
Total allowances for impairment loss	**(2,145,295)**	(2,341,515)
Net loans to customers	**118,291,901**	124,039,067

26. 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, 2021	98,346,730	22,128,001	5,905,851	126,380,582
To Stage 2 from Stage 1	(4,436,879)	4,436,879	–	–
To Stage 1 from Stage 2	4,688,218	(4,688,218)	–	–
To Stage 3 from Stage 2	–	(472,123)	472,123	–
To Stage 2 from Stage 3	–	290,071	(290,071)	–
To Stage 3 from Stage 1	(159,603)	–	159,603	–
To Stage 1 from Stage 3	72,983	–	(72,983)	–
Origination	30,303,338	3,661,637	557,940	34,522,915
Write-offs	–	–	(224,112)	(224,112)
Derecognition during the period other than write-offs	(20,827,628)	(4,844,678)	(1,692,495)	(27,364,801)
Exchange adjustment	(10,214,687)	(2,130,482)	(532,219)	(12,877,388)
As at December 31, 2021	97,772,472	18,381,087	4,283,637	120,437,196

	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

26. LOANS TO CUSTOMERS (Continued)

(b) Other service

	As at December 31,	
	2021	2020
	RMB'000	*RMB'000*
Direct loans and pawn loans to customers	**4,496,796**	5,420,819
Entrusted loans to customers	**2,553,857**	2,161,074
Total	**7,050,653**	7,581,893
Less: allowances for impairment loss		
– Stage 1	**(98,502)**	(130,283)
– Stage 2	**(37,464)**	(28,635)
– Stage 3	**(1,380,329)**	(1,129,936)
Total allowances for impairment loss	**(1,516,295)**	(1,288,854)
Net loans to customers	**5,534,358**	6,293,039

As at December 31, 2021, loans to customers with a carrying value of RMB444 million were pledged for borrowings of RMB334 million.

As at December 31, 2021, loans to customers with a carrying value of RMB173 million were pledged for other non-current liabilities.

26. LOANS TO CUSTOMERS (Continued)

(c) Allowance for impairment loss

	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)

	Stage 1	**Stage 2**	**Stage 3**	**Total**
As at January 1, 2021	**(468,220)**	**(230,677)**	**(2,931,472)**	**(3,630,369)**
Allowance made *(i)*	**(315,137)**	**(230,498)**	**(881,704)**	**(1,427,339)**
Unused amounts reversed *(ii)*	**267,158**	**171,494**	**284,879**	**723,531**
Transfer of stages, write-off and disposal	**57,142**	**14,786**	**386,637**	**458,565**
Exchange adjustment	**38,955**	**20,186**	**154,881**	**214,022**
As at December 31, 2021	**(420,102)**	**(254,709)**	**(2,986,779)**	**(3,661,590)**

(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.

27. LOANS TO CREDIT INSTITUTIONS

	As at December 31,	
	2021	2020
	RMB'000	*RMB'000*
Cash collateral	**2,479,692**	4,963,306
Loans and other advances	**1,538,002**	2,070,030
Total	**4,017,694**	7,033,336
Less: allowances for impairment loss		
– stage 1	**(230)**	(2,141)
– stage 2	**–**	(939)
– stage 3	**–**	–
Total allowances for impairment loss	**(230)**	(3,080)
Net loans to credit institution	**4,017,464**	7,030,256
Less: Current portion	**(2,697,271)**	(7,007,686)
Non-current portion	**1,320,193**	22,570

28. OTHER FINANCIAL ASSETS AT AMORTISED COST

	As at December 31,	
	2021	2020
	RMB'000	*RMB'000*
Bonds issued by public bodies	**33,938,476**	39,477,770
Other bonds and fixed-income instruments	**19,703,772**	22,613,166
Total	**53,642,248**	62,090,936
Less: allowances for impairment loss		
– stage 1	**(13,776)**	(22,177)
– stage 2	**(6,620)**	(8,622)
– stage 3	**(127,044)**	(123,186)
Total allowances for impairment loss	**(147,440)**	(153,985)
Net other financial assets at amortised cost	**53,494,808**	61,936,951
Less: Current portion	**(5,291,381)**	(4,805,442)
Non-current portion	**48,203,427**	57,131,509

29. INVENTORIES

	As at December 31,	
	2021	2020
	RMB'000	*RMB'000*
Raw materials	**36,911,046**	24,614,060
Work in progress	**82,570**	76,033
Finished goods	**15,932,924**	12,994,905
Service parts	**3,081,835**	2,028,440
Others	**192,873**	274,352
	56,201,248	39,987,790

30. PROPERTIES UNDER DEVELOPMENT

	As at December 31,	
	2021	2020
	RMB'000	*RMB'000*
At beginning of the year	**986,020**	656,674
Additions	**458,067**	329,346
At end of the year	**1,444,087**	986,020
Properties under development comprise:		
Land use rights	**16,455**	16,455
Construction costs and capitalised expenditure	**1,427,632**	969,565
Total	**1,444,087**	986,020

As at December 31, 2021 and 2020, no properties under development were pledged as collateral for borrowings.

31. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at December 31,	
	2021	2020
	RMB'000	*RMB'000*
Listed equity securities:		
Equity securities – Mainland China	**9,388,276**	7,979,565
Equity securities – Hong Kong	**691,731**	872,561
Equity securities – Europe	**298,473**	141,173
Equity securities – United State	**577,856**	1,186,627
Market value of listed equity securities	**10,956,336**	10,179,926
Unlisted equity securities	**20,294,962**	14,295,006
Listed debt securities:		
Debt securities – Mainland China	**897,312**	705,038
Debt securities – Hong Kong	**56,724**	171,462
Debt securities – Europe	**–**	404,814
Market value of listed debt securities	**954,036**	1,281,314
Unlisted debt securities	**2,186,659**	2,558,719
Total	**34,391,993**	28,314,965
Less: non-current portion	**(10,371,834)**	(9,995,725)
Current portion	**24,020,159**	18,319,240

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.

As at December 31, 2021, financial assets at fair value through profit or loss with a carrying amount of RMB2,073 million and the related dividend receivable of RMB34 million were pledged as other payables and accruals.

32. BALANCES WITH CENTRAL BANK, RESTRICTED DEPOSITS, BANK DEPOSITS, CASH AND CASH EQUIVALENTS

	As at December 31,	
	2021	2020
	RMB'000	*RMB'000*
Balances with central bank		
Cash and balances with central banks of the country of the subsidiaries	**24,058,838**	8,684,834
Restricted deposits		
Deposits for guarantee business	**23,008**	266,067
Deposits for notes payables and borrowings	**1,595,742**	540,503
Other restricted deposits	**326,954**	348,068
	1,945,704	1,154,638
Bank deposits		
Matured between three to twelve months	**234,743**	269,231
Cash and cash equivalents		
Cash at bank and in hand	**38,513,759**	40,746,560
Cash and balances with central banks of the country of the subsidiaries (other than mandatory reserves)	**17,799,145**	24,053,057
Loans and advances to credit institutions	**2,206,664**	2,779,404
Money market funds	**1,437,062**	2,139,417
	59,956,630	69,718,438
Total	**86,195,915**	79,827,141
Maximum exposure to credit risk	**86,195,915**	79,827,141
Effective annual interest rates	**0.0%–9.3%**	0.0%–2.0%

33. 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

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 (the "Participants") of Lenovo and its subsidiaries.

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.

Lenovo also approved a share-based compensation package for non-executive directors.

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.

33. SHARE-BASED PAYMENTS (Continued)

(a) Share-based payment plans of Lenovo (Continued)

Long-term incentive program (Continued)

Movements in the number of units of awards granted for the year ended December 31, 2021 and 2020 and their related weighted average fair values are as follows:

	Number of units	
	SARs	**RSUs**
Outstanding as at January 1, 2020	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)
Cancelled during the year	(66,707,620)	(30,217,938)
Outstanding as at December 31, 2020	1,194,824,806	572,390,377
Granted during the year	**301,222,464**	**272,170,755**
Vested during the year	**(725,011,999)**	**(371,095,990)**
Cancelled during the year	**(49,692,762)**	**(34,236,388)**
Outstanding as at December 31, 2021	**721,342,509**	**439,228,754**

	Number of units	
	SARs	**RSUs**
Average fair value per unit *(HKD)*		
At December 31, 2021	**1.29**	**7.43**
At December 31, 2020	0.71	4.64

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, 2021 and 2020, 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 40.6% and 32.82% expected dividends rate during the vesting periods of 4.0% and 4.75% contractual life of 4.4 years and 4.4 years, and a risk-free interest rate of 0.44% and 0.39%.

As at December 31, 2021 and 2020, the average remaining vesting period of the awards granted under the above long-term incentive plans for Lenovo is 1.67 years and 1.89 years.

33. SHARE-BASED PAYMENTS (Continued)

(b) Share incentive plan of the Company

2021 Medium and Long-Term Incentive Plan

On June 10, 2021, the restricted share incentive plan (the "2021 restricted share 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 2021 restricted share incentive plan, the total amount of H shares to be granted to the incentive targets will not exceed 18.6 million H shares.

The lock-up periods varies from granted restricted share. The lock-up period of restricted shares is 18 months and 30 months from the date the restricted shares have been granted.

Movements in the number of shares granted for the year ended December 31, 2021 are as follows:

	Number of shares
Granted during the year	**9,952,000**
Vested during the year	–
Lapsed/cancelled during the year	–
As at 31 December 31, 2021	**9,952,000**

As at December 31, 2021, the average remaining vesting period of the awards granted under the incentive plans is 1.31 years.

(c)

For the year ended December 31, 2021 and 2020, the share-based payment expenses of RMB2,423 million and RMB1,884 million were recognised in the consolidated income statement.

34. SHARE CAPITAL

	As at December 31, 2021		As at December 31, 2020	
	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

35. PERPETUAL SECURITIES

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 net proceeds were about RMB1,380 million. 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.

36. TRADE AND NOTES PAYABLES

	As at December 31,	
	2021	2020
	RMB'000	*RMB'000*
Trade payables	**83,015,123**	68,132,927
Notes payables	**7,065,323**	8,282,790
	90,080,446	76,415,717

At December 31, 2021 and 2020, the ageing analyses of the trade payables based on invoice date were as follows:

	As at December 31,	
	2021	2020
	RMB'000	*RMB'000*
0-30 days	**58,745,328**	42,751,973
31-60 days	**13,877,053**	14,563,351
61-90 days	**6,586,847**	6,656,488
91 days-1 year	**3,707,141**	4,069,718
Over 1 year	**98,754**	91,397
	83,015,123	68,132,927

Notes payables of the Group are mainly repayable within three months.

37. DEFERRED REVENUE

Deferred revenue are advance received for extend warranty from our customers in Lenovo.

38. OTHER PAYABLES AND ACCRUALS

	As at December 31,	
	2021	2020
	RMB'000	*RMB'000*
Payable to parts subcontractors	**43,767,115**	36,233,142
Allowance for billing adjustment *(i)*	**22,441,233**	15,941,009
Accrued expenses	**14,588,860**	10,569,814
Payroll payable	**10,653,415**	8,322,571
Other taxes payable	**4,169,163**	3,928,059
Collection of factoring payments	**–**	1,764,978
Amounts due to related parties *(ii) (note 55(c))*	**597,071**	377,507
Social security payable	**1,072,481**	965,837
Deposits payable	**497,563**	602,059
Interest payable	**613,037**	651,632
Royalty payable	**510,056**	686,067
Deferred consideration	**199,907**	659,018
Written put option liability *(note 40(c))*	**2,209,467**	–
Others	**11,221,164**	9,608,202
	112,540,532	90,309,895

(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, 2021 and 2020, the amounts due to related parties are unsecured.

39. ADVANCES FROM CUSTOMERS

Advances from customers represent amounts received from sale of inventories, where the control of the inventory sold had not yet been transferred as at year-end.

40. OTHER NON-CURRENT LIABILITIES

	As at December 31,	
	2021	2020
	RMB'000	*RMB'000*
Deferred considerations *(a)*	**159,852**	163,592
Government incentives and grants received in advance *(b)*	**965,966**	839,924
Written put option liability *(c)*	**4,663,277**	7,081,830
Long-term payables	**3,518,480**	1,404,941
Others	**740,518**	736,771
	10,048,093	10,227,058

(a) Deferred considerations

Pursuant to the completion of a business combination, the Group is required to pay in cash to the then respective shareholders/sellers deferred considerations with reference to certain performance indicators as written in the respective agreements with those then shareholders/sellers. On the balance sheet date, deferred considerations are carried at amortised cost. Deferred considerations due within one year are reclassified as "other payables and accruals".

As at December 31, 2021 and 2020, the potential undiscounted amounts of future payments in respect of the 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,	
	2021	2020
Joint venture with NEC Corporation	**USD25 million**	USD25 million
Precision Capital S.A.	**EUR18 million**	EUR18 million

40. OTHER NON-CURRENT LIABILITIES (Continued)

(b) Government incentives and grants received in advance

Government incentives and grants received in advance by the Group included in other non-current liabilities are mainly related to research and development projects and construction of property, plant and equipment. The Group 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 Limited ("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 ("FCCL"). 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 of FCCL 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 USD362 million). During the exercise period, Yuan Jia notified Lenovo of its intention to exercise the put option. On December 28, 2021, ZJSB entered into an agreement with Lenovo to exercise the put option and exit the investment. As at December 31, 2021, the liability for the put option granted to Yuan Jia will be settled within 12 months and has been reclassified as "Other payables and accruals".

(2) Pursuant to the contract of Chinese foreign equity joint venture ("the Contract") entered into between the Company in 2019, Joyvio Group, the subsidiary of the Company, 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.

41. AMOUNT DUE TO CREDIT INSTITUTIONS

	As at December 31,	
	2021	2020
	RMB'000	*RMB'000*
On demand	**1,780,134**	3,501,637
Term	**1,023,012**	1,285,412
Cash collateral	**177,784**	499,464
Repurchase agreement operations	**4,317,423**	5,317,201
Central bank of the country of subsidiary	**15,893,719**	12,039,665
Others	**6,436,647**	10,844,591
Total	**29,628,719**	33,487,970
Less: Non-current portion	**(16,164,589)**	(12,647,567)
Current portion	**13,464,130**	20,840,403

(a) Analysis by nature

	As at December 31,	
	2021	2020
	RMB'000	*RMB'000*
Unsecured	**9,505,703**	16,175,412
Collateralised	**20,123,016**	17,312,558
	29,628,719	33,487,970

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

	As at December 31,	
	2021	2020
	RMB'000	*RMB'000*
EUR	**23,241,710**	21,795,682
USD	**5,455,166**	10,443,820
CHF	**463,186**	157,428
GBP	**197,873**	527,854
Others	**270,784**	563,186
	29,628,719	33,487,970

Amount due to credit institutions are all from BIL.

42. AMOUNT DUE TO CUSTOMERS

	As at December 31,	
	2021	2020
	RMB'000	*RMB'000*
Demand deposits	**96,017,157**	98,768,312
Savings deposits	**23,615,635**	27,048,264
Term deposits	**29,678,550**	32,554,791
Cash collateral	**8,721**	261,136
Total	**149,320,063**	158,632,503
Less: Non-current portion	**(2,648,144)**	(5,284,663)
Current portion	**146,671,919**	153,347,840

Amount due to customers are all from BIL.

43. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at December 31,	
	2021	2020
	RMB'000	*RMB'000*
Debt instruments *(i)*	**10,593,579**	7,499,777
Accept preferred shares injection *(ii)(iii)*	**280,410**	2,899,252
Total	**10,873,989**	10,399,029
Less: Non-current portion	**(1,612,896)**	(2,453,574)
Current portion	**9,261,093**	7,945,455

(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 Holdings, 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, 2021, the priority rights attached to the relevant financial instruments redeemed.

43. 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. As of December 31, 2021, certain conditions have occurred and the holders of 1,643,833 convertible preferred shares have exercised their rights and Lenovo Group has purchased the convertible preferred shares at a consideration of approximately USD254 million.

44. BORROWINGS

	As at December 31,	
	2021	2020
	RMB'000	*RMB'000*
Bank loans		
– Unsecured loans	**33,305,947**	32,353,479
– Guaranteed loans	**17,731,358**	20,475,064
– Collateralised loans	**8,912,996**	10,294,916
Other loans *(i)*		
– Unsecured loans	**870,000**	870,000
– Guaranteed loans	**1,566,034**	820,000
– Collateralised loans	**5,759,891**	1,637,016
Corporate bonds *(1)*		
– Unsecured bonds	**59,343,792**	64,181,076
– Asset backed securities and notes	**464,820**	868,219
– Convertible bonds *(2)*	**4,913,847**	4,889,686
	132,868,685	136,389,456
Less: Current portion	**(37,624,912)**	(37,311,415)
Non-current portion	**95,243,773**	99,078,041

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

44. BORROWINGS (Continued)

As at December 31, 2021 and 2020, the carrying amount of the borrowings approximates their fair value.

(1) The information about corporate bonds issued as at December 31, 2021 is as below:

Issuer	Type of bonds	Issuance date	Term	Principal amount
The Company	Corporate bonds	November 30, 2012	10 years	RMB1,984 million
The Company	Corporate bonds	July 6, 2016	10 years	RMB2,000 million
The Company	Corporate bonds	July 5, 2017	5 years	RMB2,500 million
The Company	Corporate bonds	January 31, 2018	5 years	RMB1,000 million
The Company	Corporate bonds	January 15, 2019	3 years	RMB2,000 million
The Company	Corporate bonds	January 15, 2019	5 years	RMB1,000 million
The Company	Corporate bonds	June 21, 2019	5 years	RMB2,000 million
The Company	Corporate bonds	June 3, 2020	3 years	RMB1,800 million
Lenovo	Medium term notes	March 16, 2017	5 years	USD337 million
Lenovo	Medium term notes	March 29, 2018	5 years	USD687 million
Lenovo	Convertible bonds *(2)*	January 24, 2019	5 years	USD675 million
Lenovo	Medium term notes	April 24, 2020 & May 12, 2020	5 years	USD1,000 million
Lenovo	Medium term notes	November 2, 2020	10 years	USD1,000 million
Joyvio Food	Convertible bonds *(2)*	June 14, 2019	5 years	USD125 million
BIL	Bank subordinate bonds	June 8, 2016	12 years	EUR50 million
BIL	Bank subordinate bonds	October 18, 2016	12 years	USD100 million
BIL	Bank subordinate bonds	May 18, 2021	10.25 years	EUR100 million
BIL	Medium term notes	December 19, 2002 & September 1, 2021	5-20 years	JPY1,000 million
BIL	Medium term notes	2014-2021	1-20 years	EUR2,812 million
BIL	Medium term notes	2019-2021	2-5 years	USD67 million
BIL	Medium term notes	2016-2020	2.5-6.5 years	CHF285 million

44. BORROWINGS (Continued)

(1) The information about corporate bonds issued as at December 31, 2021 is as below: (continued)

Issuer	Type of bonds	Issuance date	Term	Principal amount
BIL	Medium term notes	January 29, 2021	3 years	SEK166 million
BIL	Medium term notes	July 5, 2021 & November 5, 2021	2-5 years	GBP8 million
Zhengqi Holdings	Corporate bonds	December 20, 2019	3 years	RMB75 million
Zhengqi Holdings	Corporate bonds	August 28, 2020	3 years	RMB200 million
Zhengqi Holdings	Corporate bonds	September 14, 2021	3 years	RMB600 million
JC Finance & Leasing	Private placement bonds	January 22, 2020	2 years	RMB400 million
JC Finance & Leasing	Asset backed securities *(i)*	September 17, 2020	1-2 years	RMB36 million
JC Finance & Leasing	Asset backed securities *(i)*	December 28, 2020	1-2 years	RMB60 million
JC Finance & Leasing	Corporate bonds	March 30, 2021	3 years	RMB195 million
JC Finance & Leasing	Asset backed securities *(i)*	May 21, 2021	1-2 years	RMB128 million
JC Finance & Leasing	Asset backed notes	May 27, 2021	1-2 years	RMB236 million

The annual interest rates of the above bonds are from 0% to 7.2%.

(i) The asset backed securities packages issued by JC Financial & Leasing in 2021 ("2021 package") and 2020 ("2020 package") included multiple bonds. The principle amounts of the two packages on issuance dates amounted to RMB325 million and RMB1,926 million respectively.

44. BORROWINGS (Continued)

(2) Convertible bonds

A. On January 24, 2019, Lenovo completed the issuance of 5-Year USD675 million convertible bonds ("the Bonds") bearing annual interest at 3.375% due in January 2024 to third party professional investors ("the bondholders"). The proceeds were used to repay previous notes and for general corporate purposes. The bond holders have the right, at any time on or after 41 days after the date of issue and 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 conversion price was adjusted to HKD6.87 per share effective on December 1, 2021. Assuming full conversion of the Bonds at the adjusted conversion price of HKD6.87 per share, the Bonds will be convertible into 769,980,531 shares.

The initial fair value of the liability portion of the bond was determined using a market interest rate for an equivalent non-convertible bond at the issue date. The liability is subsequently recognized on an amortized cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option and recognized in shareholders' equity, net of income tax, and not subsequently remeasured.

The outstanding principal amount of the Bonds is repayable by Lenovo up on the maturity of the Bonds on January 24, 2024, if not previously redeemed, converted or purchased and cancelled. On January 24, 2021, the bondholders had the right, at the bondholders' option, to require Lenovo to redeem part or all of the Bonds on January 24, 2021 at their principal amount and USD0.5 million were redeemed. The remaining principal amount of the Bonds has been reclassified to non-current liabilities as a result of the lapse of the redemption option.

Lenovo expects that it will be able to meet its redemption obligations based on the financial position of Lenovo had conversion of the Bonds not exercised on maturity.

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, 2021, the convertible bonds have not yet been converted.

44. BORROWINGS (Continued)

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

	As at December 31,	
	2021	2020
Bank loans	**1.60%-7.50%**	1.85%-8.00%
Other loans	**4.41%-8.00%**	4.41%-8.50%

(b) Borrowings are repayable as follows:

	As at December 31,	
	2021	2020
	RMB'000	*RMB'000*
Within 1 year	**37,624,912**	37,311,415
After 1 year but within 2 years	**36,180,258**	30,518,768
After 2 years but within 5 years	**41,373,356**	51,828,635
After 5 years	**17,690,159**	16,730,638
	132,868,685	136,389,456

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

	As at December 31,	
	2021	2020
	RMB'000	*RMB'000*
RMB	**67,363,557**	69,827,441
USD	**37,296,431**	39,622,663
EUR	**23,023,906**	22,968,231
HKD	**2,526,193**	1,349,854
CHF	**1,996,244**	2,121,176
Others	**662,354**	500,091
	132,868,685	136,389,456

45. DEFERRED INCOME TAX

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

	As at December 31,	
	2021	2020
	RMB'000	*RMB'000*
Deferred tax assets:		
Recovered after 12 months	**12,160,340**	12,337,452
Recovered within 12 months	**6,445,722**	5,952,834
	18,606,062	18,290,286
Deferred tax liabilities:		
Recovered after 12 months	**(9,938,336)**	(8,361,820)
Deferred tax assets-net	**8,667,726**	9,928,466

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

	As at December 31,	
	2021	2020
	RMB'000	*RMB'000*
At beginning of the year	**9,928,466**	9,924,701
Acquisition of subsidiaries	**(31,963)**	(9,996)
(Charged)/credited to the income statement *(Note 13)*	**(566,197)**	779,993
Charge to other comprehensive income *(Note 13)*	**(30,274)**	(12,164)
Directly credited to equity	**55,399**	152,001
Disposal of subsidiaries	**–**	(109,207)
Exchange adjustment	**(687,705)**	(796,862)
At end of the year	**8,667,726**	9,928,466

45. 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** *RMB'000*	**Tax losses** *RMB'000*	**Deferred revenue** *RMB'000*	**Others** *RMB'000*	**Total** *RMB'000*
At January 1, 2020	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
Credited/(charged) 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
Credited/(charged) to the income statement	**1,456,959**	**38,909**	**246,406**	**(36,468)**	**1,705,806**
Charged to other comprehensive income	**(12,369)**	**–**	**–**	**(1,012)**	**(13,381)**
Directly credited to equity	**–**	**–**	**–**	**55,399**	**55,399**
Exchange adjustment	**(388,582)**	**(491,920)**	**(19,140)**	**(106,925)**	**(1,006,567)**
At December 31, 2021	**5,705,317**	**10,808,619**	**1,340,080**	**1,283,717**	**19,137,733**

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.

45. 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, 2020	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
Acquisition of subsidiaries	**–**	**–**	**–**	**–**	**31,963**	**–**	**31,963**
Charged/(credited) to the income statement	**25,003**	**1,040,511**	**488,571**	**115,397**	**(182,008)**	**784,529**	**2,272,003**
Charged/(credited) to other comprehensive income	**29,558**	**(12,282)**	**–**	**–**	**–**	**(383)**	**16,893**
Directly credited to equity	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Exchange adjustment	**–**	**11,091**	**–**	**(16,220)**	**(85,042)**	**(228,691)**	**(318,862)**
At December 31, 2021	**2,466,028**	**2,599,171**	**986,487**	**872,709**	**1,833,174**	**1,712,438**	**10,470,007**

(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.

45. DEFERRED INCOME TAX (Continued)

At December 31, 2021 and 2020, the Group did not recognise deferred income tax assets in respect of deductible temporary differences of approximately RMB15,369 million and RMB11,316 million and tax losses of approximately RMB26,633 million and RMB21,524 million that can be carried forward against future taxable income, of which tax losses of RMB11,367 million and RMB12,818 million can be carried forward indefinitely as at December 31, 2021 and 2020. The balances of unrecognised tax losses will expire as follows:

	As at December 31,	
	2021	2020
	RMB'000	*RMB'000*
– within 1 year	**1,315,814**	1,046,709
– 1 to 2 years	**2,688,561**	1,072,342
– 2 to 3 years	**451,295**	3,302,860
– 3 to 4 years	**3,731,697**	422,086
– Over 4 years	**18,446,021**	15,680,264
	26,633,388	21,524,261

46. RETIREMENT BENEFIT OBLIGATIONS

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

	As at December 31,	
	2021	2020
	RMB'000	*RMB'000*
Pension obligation included in non-current liabilities		
Pension benefits *(a)*	**2,610,653**	2,944,570
Post-employment medical benefits *(b)*	**192,986**	188,818
	2,803,639	3,133,388
Expensed in income statement		
Pension benefits *(Note 9)*	**180,679**	117,269
Post-employment medical benefits *(Note 9)*	**4,781**	8,253
	185,460	125,522
Remeasurements for		
Defined pension benefits	**52,269**	(118,450)
Post-employment medical benefits	**(478)**	(865)
	51,791	(119,315)

46. 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. The Group's largest pension liabilities are now in Germany.

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,	
	2021	2020
	RMB'000	*RMB'000*
Present value of funded obligations	**5,593,603**	5,978,672
Fair value of plan assets *(Note 46(c))*	**(4,406,690)**	(4,437,758)
Deficit of funded plans	**1,186,913**	1,540,914
Present value of unfunded obligations	**1,301,828**	1,333,598
Liabilities in the balance sheet	**2,488,741**	2,874,512
Representing:		
Retirement benefits obligation	**2,610,653**	2,944,570
Retirement plan assets	**(121,912)**	(70,058)
	2,488,741	2,874,512

46. RETIREMENT BENEFIT OBLIGATIONS (Continued)

(a) Pension benefits (Continued)

The principal actuarial assumptions used were as follows:

	As at December 31,	
	2021	2020
Discount rate	**0.3%-2.5%**	–0.035%-2.00%
Future salary increases	**0.00%-3.00%**	0.00%-4.50%
Future pension increases	**0.00%-2.00%**	0.00%-2.50%
Life expectancy for male aged 60	**21.80-27.60**	21.80-27.60
Life expectancy for female aged 60	**26.00-29.40**	27.10-29.80

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions are as below:

	Year ended December 31, 2021		
	Impact on defined benefit obligation *(i)*		
	Change in assumption	**Increase in assumption**	**Decrease in assumption**
Discount rate	**0.50%**	**Decrease by 7.30% or 4.06%**	**Increase by 8.30% or 4.47%**
Salary growth rate	**0.50%**	**Increase by 0.50% or 1.57%**	**Decrease by 1.10% or 1.23%**
Pension growth rate	**0.50% or N/A**	**Increase by 6.90% or NA**	**Decrease by 6.50% or NA**
		Increase by 1 year in assumption	**Decrease by 1 year in assumption**
Life expectancy		**Increase by 1.90% or 1.42%**	**Decrease by 2.00% or 1.38%**

46. RETIREMENT BENEFIT OBLIGATIONS (Continued)

(a) Pension benefits (Continued)

	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
		Increase by 1 year in assumption	Decrease by 1 year in assumption
Life expectancy		Increase by 1.53% or 2.00%	Decrease by 1.49% or 2.00%

(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, 2021 and 2020.

46. 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,	
	2021	2020
	RMB'000	*RMB'000*
Present value of funded obligations	**–**	184,113
Fair value of plan assets *(Note 46(c))*	**–**	(3,106)
Deficit of funded plans	**–**	181,007
Present value of unfunded obligations	**192,986**	7,811
Liabilities in the balance sheet	**192,986**	188,818

46. 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:

	2021			2020		
	Quoted	Unquoted	Total	Quoted	Unquoted	Total
Pension						
Equity instruments *(i)*	6.15%	–	4.51%	3.21%	–	2.02%
Debt instruments *(ii)*	80.47%	–	59.04%	78.22%	–	49.32%
Property	0.29%	12.86%	3.64%	–	4.81%	1.78%
Qualifying insurance policies	–	41.30%	11.00%	–	41.11%	15.19%
Cash and cash equivalents	2.49%	1.73%	2.29%	5.02%	1.12%	3.58%
Investment funds	10.60%	23.17%	13.95%	13.55%	7.91%	11.46%
Structured bonds	–	17.90%	4.77%	–	43.25%	15.98%
Others	–	3.04%	0.80%	–	1.80%	0.67%
	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Medical Plan						
– Cash and cash equivalents	–	–	–	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, 2021 and 2020, the weighted average duration of defined benefit obligation is 13 years and 15 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, 2021 and 2020.

46. 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:

Pension	Year ended December 31, 2021 RMB'000	2020 RMB'000
Opening fair value	**4,437,758**	4,444,881
Interest income	**16,259**	32,910
Actuarial gains	**58,678**	43,380
Contributions by the employer	**205,981**	326,175
Contributions by plan participants	**18,102**	18,170
Benefits paid	**(234,386)**	(288,047)
Exchange adjustment	**(90,728)**	85,425
Others	**(4,974)**	(225,136)
Closing fair value	**4,406,690**	4,437,758
Actual return on plan assets	**74,937**	76,290

Medical Plan	Year ended December 31, 2021 RMB'000	2020 RMB'000
Opening fair value	**3,106**	10,541
Exchange adjustment	**(783)**	(640)
Interest income	**110**	277
Actuarial losses	**(39)**	(28)
Contributions by the employer	**2,885**	235
Benefits paid	**(5,279)**	(7,279)
Closing fair value	**–**	3,106
Actual return on plan assets	**71**	249

Contribution of RMB181 million are estimated to be made for the year ending December 31, 2022 (For the year ending December 31, 2021: RMB145 million).

46. 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:

Pension	Year ended December 31, 2021 RMB'000	2020 RMB'000
Opening defined benefit obligation	**7,312,270**	7,326,768
Current service cost	**161,062**	154,756
Past service cost	**(3,741)**	(61,687)
Interest cost	**33,325**	59,854
Actuarial losses	**6,409**	161,830
Contributions by plan participants	**12,926**	12,840
Benefits paid	**(256,515)**	(303,401)
Curtailment losses/(gains)	**6,292**	(2,744)
Exchange adjustment	**(376,597)**	(35,946)
Closing defined benefit obligation	**6,895,431**	7,312,270

Medical Plan	Year ended December 31, 2021 RMB'000	2020 RMB'000
Opening defined benefit obligation	**191,924**	202,896
Exchange adjustment	**1,011**	(13,060)
Current service cost	**2,426**	3,152
Interest cost	**2,465**	5,378
Actuarial losses	**439**	837
Benefits paid	**(5,279)**	(7,279)
Closing defined benefit obligation	**192,986**	191,924

For the year ended December 31, 2021 and 2020, benefit of RMB22 million and RMB15 million were paid directly by the Group.

46. 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:

Pension	Year ended December 31, 2021 RMB'000	2020 RMB'000
Current service cost	**161,062**	154,756
Past service cost	**(3,741)**	(61,687)
Interest cost	**33,325**	59,854
Interest income	**(16,259)**	(32,910)
Curtailment losses/(gains)	**6,292**	(2,744)
Total expense recognised in the consolidated income statement	**180,679**	117,269

Medical Plan	Year ended December 31, 2021 RMB'000	2020 RMB'000
Current service cost	**2,426**	3,152
Interest cost	**2,465**	5,378
Interest income	**(110)**	(277)
Total expense recognized in the consolidated income statement	**4,781**	8,253

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

	Year ended December 31, 2021 RMB'000	2020 RMB'000
Present value of defined benefit obligations	**7,088,417**	7,504,194
Fair value of plan assets	**(4,406,690)**	(4,440,864)
Deficit	**2,681,727**	3,063,330
Actuarial gains arising on plan assets	**58,639**	43,352
Actuarial losses arising on plan liabilities	**(6,848)**	(162,667)
	51,791	(119,315)

47. 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, 2021	**7,533,565**	**225,364**	**40,666**	**85,661**	**61,992**	**7,947,248**
Provision made	**6,845,792**	**166,819**	**49,526**	**–**	**30,735**	**7,092,872**
Unused amounts reversed	**–**	**–**	**(3,100)**	**(54,757)**	**(1,473)**	**(59,330)**
Amount utilised	**(5,985,804)**	**(157,674)**	**(26,918)**	**23,148**	**(15,388)**	**(6,162,636)**
Exchange adjustment	**(286,180)**	**(26,075)**	**(5,118)**	**(10,842)**	**(6,282)**	**(334,497)**
Acquisition of subsidiaries	**–**	**–**	**–**	**52,558**	**–**	**52,558**
At end of the year	**8,107,373**	**208,434**	**55,056**	**95,768**	**69,584**	**8,536,215**
Non-current portion	**(1,611,414)**	**(180,260)**	**(3,704)**	**(94,137)**	**(8,672)**	**(1,898,187)**
As at December 31, 2021	**6,495,959**	**28,174**	**51,352**	**1,631**	**60,912**	**6,638,028**
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

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.

47. 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, 2021 and December 31, 2020:

	As at December 31,	
	2021	2020
	RMB'000	*RMB'000*
Financial guarantee of guarantee business *(a)*	**8,666,462**	11,221,643
Other guarantee *(b)*		
– Related parties *(Note 55(e))*	**2,628,577**	6,028,917
– Unrelated parties	**479,826**	639,826
	11,774,865	17,890,386

(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, 2021 and 2020, the guarantee balance was RMB8,666 million and RMB11,222 million respectively. The Directors evaluate the financial position of the guaranteed entities and make provision accordingly. As at December 31, 2021 and 2020, the provision made by the Group was RMB96 million and RMB86 million respectively, which were included in "Provision" in the consolidated balance sheet.

(b) Other guarantee

As at December 31, 2021 and 2020, of the total guarantee balances the Group provided to related parties and unrelated parties are approximately RMB3,108 million and RMB6,669 million respectively. 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, 2021 and 2020, no provision was recorded in relevant to the preceding guarantee.

48. DIVIDENDS

A dividend in respect of the year ended December 31, 2021 of RMB0.40 per share, amounting to a total dividend of RMB942 million, is to be proposed at the forthcoming 2021 annual general meeting for approval. These financial statements do not reflect this dividend payable. The dividends paid in 2021 and 2020 were RMB848 million (RMB0.36 per share) and RMB778 million (RMB0.33 per share) respectively.

49. BUSINESS COMBINATIONS

In 2021, the major business combination completed by the Group is listed below:

On May 10, 2021, Levima Advanced Materials Corporation ("Levima Advanced Materials"), a subsidiary of the Company, has completed the acquisition of purchasing approximately 82.5% of the issued shares of Xinneng Fenghuang Energy Co., Ltd. ("Xinneng Fenghuang"). In order to achieve the strategic layout and the need of production and operation. Xinneng Fenghuang mainly engages in the production and selling of methanol. Before the transaction, Levima Advanced Materials held 17.5% shares of Xinneng Fenghuang. After the transaction, Xinneng Fenghuang will be the wholly owned subsidiary of Levima Advanced Materials, and renamed Levima (Shandong) Chemicals Co. Ltd ("Levima Chemicals").

(a) Set forth below is the calculation of goodwill:

	At the acquisition date
	Levima Chemicals
	RMB'000
Purchase consideration	
– Consideration paid	**1,187,765**
– Consideration payables *(i)*	**15,149**
– Fair value of previously held interests	**258,423**
Total purchase consideration	**1,461,337**
Less: Fair value of net assets acquired	**(1,454,378)**
Goodwill	**6,959**

(i) As at 31 December 2021, the relevant consideration has been paid in full.

The goodwill is attributable to the expansibility of the acquired business. It will not be deductible for tax purposes.

49. BUSINESS COMBINATIONS (Continued)

(b) The major components of assets and liabilities arising from the business combination activities are as follows:

	At the acquisition date
	Levima Chemicals *RMB'000*
Cash and cash equivalents	**344,715**
Property, plant and equipment	**2,172,892**
Other non-current assets	**24,917**
Intangible assets and land use rights	**373,847**
Net working capital, except cash and cash equivalents	**(1,376,213)**
Non current liabilities	**(59,237)**
Deferred tax liabilities	**(26,543)**
Fair value of net assets acquired	**1,454,378**

(c) Net cash outflow from acquisition of a subsidiary

	At the acquisition date
	Levima Chemicals *RMB'000*
Purchase consideration settled in cash	**1,187,765**
Less: cash and cash equivalents in subsidiary acquired	**(344,715)**
Acquisition of subsidiary, net of cash paid	**843,050**

(d) Impact of acquisitions on the results of the Group

The operation results of other newly acquired business does not have significant impact on the condensed consolidated financial information for the year ended December 31, 2021.

50. CASH GENERATED FROM OPERATIONS

(a) Cash generated from operations

	Year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
Profit before income tax	**22,090,330**	12,632,829
Adjustments for:		
Impairment loss for non-current assets *(Note 8)*	**869,890**	903,871
Impairment loss on loans to customers *(Note 8)*	**689,623**	1,457,130
Impairment loss on other financial assets *(Note 8)*	**1,050,635**	1,036,156
Inventory write-down *(Note 8)*	**1,942,121**	907,338
Depreciation of property, plant and equipment *(Note 15)*	**3,193,032**	2,935,242
Depreciation of right-of-use assets *(Note 16)*	**1,094,357**	846,760
Amortisation	**5,368,109**	4,789,917
Gains on disposal of property, plant and equipment and intangible assets *(Note 7)*	**(254,677)**	(186,149)
Fair value (gains)/losses on investment properties *(Note 7)*	**(57,737)**	312,395
Fair value gains on consumable biological assets *(Note 18)*	**(406,128)**	(75,392)
Fair value (gains)/losses on financial liabilities	**(113,068)**	205,500
Disposal gains/fair value gains/dividend income from financial assets at fair value through profit or loss *(Note 6)*	**(2,209,387)**	(3,225,407)
Fair value gains and dividend income from associates measured at fair value through profit or loss *(Note 6)*	**(2,780,159)**	(4,308,429)
Net finance costs *(Note 10)*	**4,865,492**	5,263,300
Gains on disposal/dilution of associates *(Note 6)*	**(1,133,499)**	(309,856)
(Gains)/Losses on disposal of subsidiaries *(Note 6)*	**(422,787)**	75,712
Dividend income from financial assets at fair value through other comprehensive income *(Note 6)*	**(8,390)**	(18,878)
Share-based payments *(Note 33(c))*	**2,423,341**	1,883,935
Share of (profit)/losses of associates and joint ventures using equity accounting	**(977,935)**	432,836
Net foreign exchange losses/(gains) *(Note 7)*	**958,349**	(227,073)
Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation):		
Inventories, consumable biological assets and properties under development	**(17,899,859)**	(12,270,504)
Trade and other receivables	**(20,260,904)**	(4,280,227)
Loans repaid/(granted) and other financial assets at amortised cost	**19,648,963**	(13,844,599)
(Decrease)/increase in amount due to customers and credit institutions	**(13,171,691)**	19,590,362
Trade and other payables	**23,129,223**	32,597,948
Cash generated from operating activities	**27,627,244**	47,124,717

50. CASH GENERATED FROM OPERATIONS (Continued)

(b) Net debt reconciliation

	As at December 31, 2021 RMB'000	As at December 31, 2020 RMB'000
Cash and cash equivalents	**59,956,630**	69,718,438
Borrowings – repayable within one year	**(37,624,912)**	(37,311,415)
Borrowings – repayable after one year	**(95,243,773)**	(99,078,041)
Net debt	**(72,912,055)**	(66,671,018)
Cash and cash equivalents	**59,956,630**	69,718,438
Gross debt – fixed interest rates	**(75,027,379)**	(91,421,230)
Gross debt – floating interest rates	**(57,841,306)**	(44,968,226)
Net debt	**(72,912,055)**	(66,671,018)

	Cash and cash equivalents RMB'000	Borrowings due within 1 year RMB'000	Borrowing due after 1 year RMB'000	Total RMB'000
Net debt as at January 1, 2020	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)
Cash flows	**(6,900,793)**	**28,683,865**	**(24,630,322)**	**(2,847,250)**
Foreign exchange (losses)/gains	**(2,861,015)**	**(2,588,848)**	**2,567,223**	**(2,882,640)**
Acquisition of subsidiaries	**–**	**(571,288)**	**–**	**(571,288)**
Disposal of subsidiaries	**–**	**60,141**	**–**	**60,141**
Other non-cash movements	**–**	**(25,897,367)**	**25,897,367**	**–**
Net debt as at December 31, 2021	**59,956,630**	**(37,624,912)**	**(95,243,773)**	**(72,912,055)**

51. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

(a) Balance sheet of the Company

	As at December 31,	
	2021	2020
	RMB'000	*RMB'000*
ASSETS		
Non-current assets		
Property, plant and equipment	**7,301**	15,456
Right-of-use assets	**28,432**	53,109
Intangible assets	**15,118**	11,436
Investments in subsidiaries	**33,205,647**	29,071,954
Associates using equity accounting	**9,976,764**	9,410,844
Associates measured at fair value through profit or loss	**1,246,208**	1,319,149
Financial assets at fair value through profit or loss	**1,277,040**	1,289,137
Deferred income tax assets	**–**	47,968
Other non-current assets	**2,927,776**	522,162
	48,684,286	41,741,215
Current assets		
Amounts due from subsidiaries	**16,530,043**	22,216,922
Amounts due from related parties	**496,095**	1,889,027
Prepayment, other receivables and other current assets	**558,193**	697,732
Financial assets at fair value through profit or loss	**973,466**	1,421,324
Bank deposit	**30,000**	30,000
Cash and cash equivalents	**5,522,157**	7,274,966
	24,109,954	33,529,971
Total assets	**72,794,240**	75,271,186
Share capital	**2,356,231**	2,356,231
Reserves *(Note 51(b))*	**15,483,937**	15,638,711
Total equity	**17,840,168**	17,994,942

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

(a) Balance sheet of the Company (Continued)

	As at December 31,	
	2021	2020
	RMB'000	*RMB'000*
LIABILITIES		
Non-current liabilities		
Borrowings	**29,526,403**	31,483,571
Lease Liabilities	**1,256**	25,022
Deferred income tax liabilities	**6,958**	–
Other non-current liabilities	**27,975**	10,578
	29,562,592	31,519,171
Current liabilities		
Amounts due to subsidiaries	**12,080,441**	9,349,848
Amounts due to related parties	**50,830**	137,377
Other payables and accruals	**690,844**	994,989
Borrowings	**12,543,547**	15,248,210
Lease Liabilities	**25,818**	26,649
	25,391,480	25,757,073
Total liabilities	**54,954,072**	57,276,244
Total equity and liabilities	**72,794,240**	75,271,186

The balance sheet of the Company was approved by the Board of Directors on March 31, 2022 and was signed on its behalf.

NING Min
Director

LI Peng
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, 2021 and 2020 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, 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 33)*	–	–	–	120,765	–	–	120,765
Purchase of shares under share scheme	–	–	–	(148,690)	–	–	(148,690)
Transfer to statutory surplus reserve	153,516	–	–	–	–	(153,516)	–
Dividends paid *(Note 48)*	–	–	–	–	–	(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
As at January 1, 2021	**663,295**	**(66,151)**	**231,971**	**(287,079)**	**11,887,758**	**3,208,917**	**15,638,711**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**736,477**	**736,477**
Share of other comprehensive loss of associates	**–**	**55,608**	**–**	**–**	**–**	**–**	**55,608**
Share of other reserve of associates	**–**	**–**	**–**	**–**	**(107,827)**	**1,109**	**(106,718)**
Share-based compensation *(Note 33)*	**–**	**–**	**75,303**	**(49,495)**	**8,367**	**–**	**34,175**
Transfer to statutory surplus reserve	**32,934**	**–**	**–**	**–**	**–**	**(32,934)**	**–**
Dividends paid *(Note 48)*	**–**	**–**	**–**	**–**	**–**	**(848,243)**	**(848,243)**
Remeasurement of post-employment benefits	**–**	**–**	**–**	**–**	**(26,073)**	**–**	**(26,073)**
As at December 31, 2021	**696,229**	**(10,543)**	**307,274**	**(336,574)**	**11,762,225**	**3,065,326**	**15,483,937**

52. BENEFITS AND INTERESTS OF DIRECTORS AND HIGHEST PAID INDIVIDUALS

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

The emoluments of each director, supervisor, and the chief executive officer for the year ended December 31, 2021 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 Directors							
Mr. NING Min (寧旻) *(i)*	–	13,800	–*	–*	1,159	1,550	16,509
Mr. LI Peng (李蓬) *(Chief Executive officer) (ii)*	–	11,200	–*	–*	941	1,294	13,435
Non-executive Directors							
Mr. ZHU Linan (朱立南) *(iii)*	645	–	–	1,542	–	–	2,187
Mr. ZHAO John Huan (趙令歡) *(iii)*	645	–	–	1,542	–	–	2,187
Mr. SUO Jishuan (索繼栓)	–	–	–	–	–	–	–
Mr. YANG Jianhua (楊建華) *(iv)*	–	–	–	–	–	–	–
Independent Non-executive Directors							
Mr. MA Weihua (馬蔚華)	400	–	–	–	–	–	400
Mr. ZHANG Xuebing (張學兵) *(v)*	100	–	–	–	–	–	100
Ms. HAO Quan (郝荃)	450	–	–	–	–	–	450
Mr. YIN Jianan (印建安) *(vi)*	450	–	–	–	–	–	450
Supervisors							
Mr. GAO Qiang (高強) *(vii)*	–	1,210	726	360	104	274	2,674
Mr. LUO Cheng (羅成)	–	–	–	–	–	–	–
Mr. ZHANG Yong (張勇) *(viii)*	–	–	–	–	–	–	–
	2,690	26,210	726	3,444	2,204	3,118	38,392

*Note: Executive Director Mr. NING Min voluntarily gave up 2021 discretionary bonuses and medium and long-term incentive.

*Note: Executive Director Mr. LI Peng voluntarily gave up 2021 discretionary bonuses and medium and long-term incentive.

52. BENEFITS AND INTERESTS OF DIRECTORS AND HIGHEST PAID INDIVIDUALS (Continued)

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

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

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

52. BENEFITS AND INTERESTS OF DIRECTORS AND HIGHEST PAID INDIVIDUALS (Continued)

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

The changes in the emoluments of directors, supervisors and the chief executive officer in 2021 as compared to 2020 are 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 Directors							
Mr. NING Min (寧旻) *(i)*	–	–	(20,700)	(18,145)	655	59	(38,131)
Mr. LI Peng (李蓬) *(Chief Executive officer) (ii)*	–	–	(16,800)	(17,175)	521	73	(33,381)
Non-executive Directors							
Mr. ZHU Linan (朱立南) *(iii)*	(46)	–	–	(25,907)	(33,732)	(109)	(59,794)
Mr. ZHAO John Huan (趙令歡) *(iii)*	(46)	–	–	(8,610)	–	–	(8,656)
Mr. WU Lebin (吳樂斌) *(ix)*	–	–	–	–	–	–	–
Mr. SUO Jishuan (索繼栓)	–	–	–	–	–	–	–
Mr. WANG Yusuo (王玉鎖) *(ix)*	–	–	–	–	–	–	–
Mr. YANG Jianhua (楊建華) *(iv)*	–	–	–	–	–	–	–
Independent Non-executive Directors							
Mr. MA Weihua (馬蔚華)	–	–	–	–	–	–	–
Mr. ZHANG Xuebing (張學兵) *(v)*	(300)	–	–	–	–	–	(300)
Ms. HAO Quan (郝荃)	–	–	–	–	–	–	–
Mr. YIN Jianan (印建安) *(vi)*	37	–	–	–	–	–	37
Supervisors							
Mr. GAO Qiang (高強) *(vii)*	–	220	231	126	–	87	664
Mr. LUO Cheng (羅成)	–	–	–	–	–	–	–
Mr. YANG Jianhua (楊建華) *(iv)*	–	–	–	–	–	–	–
Mr. ZHANG Yong (張勇) *(viii)*	–	–	–	–	–	–	–
	(355)	220	(37,269)	(69,711)	(32,556)	110	(139,561)

52. BENEFITS AND INTERESTS OF DIRECTORS AND HIGHEST PAID INDIVIDUALS (Continued)

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

(i) 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.

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

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

(iv) Appointed as supervisor from June 2020, appointed as non-executive director and resigned as the supervisor of the company on June 2021.

(v) Resignation on March, 2021.

(vi) Appointed on February, 2020.

(vii) Appointed on January, 2020.

(viii) Appointed on June, 2021.

(ix) Retired on June, 2021.

(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"), a connected entity 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.

52. BENEFITS AND INTERESTS OF DIRECTORS AND HIGHEST PAID INDIVIDUALS (Continued)

(b) Interest of Directors and Supervisors (Continued)

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 a connected entity of Mr. ZHAO. All of the conditions precedent to the Subscription Agreement were completed on February 27, 2019, upon its completion, Leap Wave subscribed and was granted convertible bonds in the aggregate principal amount of HKD800 million by Hospital Corporation at an initial conversion price of HKD20.00 per conversion share. On August 12, 2021, Leap Wave approved Hospital Corporation to enter into an amendment to amend certain provisions relating to early redemption of the convertible notes. In accordance with the amended terms, Hong Wa Kinai and Leap Wave have agreed to a full HKD784 million instalment arrangement for the early redemption of convertible bonds.

In 2018, the Company and Better Education entered into the Financial Assistance Agreement, pursuant to which the Company or its subsidiaries 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. The financial assistance agreement will terminate on August 9, 2021. On August 10, 2021, the Company and Better Education entered into a 2021 Financial Assistance Agreement, whereby the Company or its subsidiaries agree to provide Better Education and its subsidiaries with financial assistance not exceeding RMB210 million or equivalent US dollars within a period of 36 months upon Better education's written request. Better Education is a connected entity 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.

(c) Five highest paid individuals

The emoluments of the five highest paid individuals of the Group for the year ended December 31, 2021 are as follows:

1) The five highest paid individuals exclude any of the company's directors and senior management for the year ended December 31, 2021.

2) The five highest paid individuals include one of the company's directors for the year ended December 31, 2020, whose emoluments are reflected in the analysis in Note 52(a).

52. BENEFITS AND INTERESTS OF DIRECTORS AND HIGHEST PAID INDIVIDUALS (Continued)

(c) Five highest paid individuals (Continued)

	Year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
Fees	**–**	691
Salaries	**36,530**	35,525
Discretionary bonuses	**189,779**	126,418
Medium and long-term incentive plan	**346,363**	293,990
Retirement payment and employer's contribution to pension schedule *(Note 1)*	**132,949**	64,268
Other benefits	**22,129**	7,361
Total	**727,750**	528,253

Note 1: The RMB131 million of the 2021 retirement payment and employer's contribution to pension schedule is used to pay the pension of one of the five highest paid individuals when he retired in 2021.

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

	Number of individuals Year ended December 31,	
	2021	2020
Emolument bands:		
RMB57,705,851 – RMB58,121,000	**–**	1
RMB59,781,601 – RMB60,196,750	**–**	1
RMB61,442,201 – RMB61,857,350	**1**	–
RMB61,857,351 – RMB62,272,500	**–**	1
RMB66,424,001 – RMB66,839,150	**1**	–
RMB69,745,201 – RMB70,160,350	**1**	–
RMB171,872,101 – RMB172,287,250	**–**	1
RMB176,023,601 – RMB176,438,750	**–**	1
RMB176,853,901 – RMB177,269,050	**1**	–
RMB352,047,201 – RMB352,462,350	**1**	–

For the year ended December 31, 2021 and 2020, 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.

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,	
	2021	2020
	RMB'000	*RMB'000*
Property, plant and equipment	**832,678**	955,528
Intangible assets	**8,914**	16,593
Investments *(i)*	**4,087,189**	3,103,112
Total	**4,928,781**	4,075,233

(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,	
	2021	2020
	RMB'000	*RMB'000*
Unused credit lines granted to credit institutions	**132,880**	313,589
Unused credit lines granted to customers	**23,929,649**	25,344,909
	24,062,529	25,658,498

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, 2021 are as follows:

	Year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
Acquisition of additional interests in subsidiaries *(a)*	**(3,362,378)**	(659,020)
Disposal of interests in subsidiaries without loss of control *(b)*	**4,909**	527,479
Net effect in equity attributable to equity holders of the Company	**(3,357,469)**	(131,541)

(a) Acquisition of additional interests in subsidiaries

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

	Year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
Carrying amount of non-controlling interests acquired	**4,505,213**	1,113,270
Consideration paid to non-controlling interests	**(7,867,591)**	(1,772,290)
Excess of consideration paid recognised within equity	**(3,362,378)**	(659,020)

(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,	
	2021	2020
	RMB'000	*RMB'000*
Carrying amount of non-controlling interests disposed	**(89,665)**	(104,596)
Consideration received from non-controlling interests	**94,574**	632,075
Gain on disposal within equity	**4,909**	527,479

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 11.

(a) For the year ended December 31, 2021 and 2020, 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
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
Legend Capital Management Limited	Associate of the Group
Well Faith	Associate of the Group
Hony Capital Management Limited	Associate of the Group
Union Insurance Co., Ltd. (聯保投資集團有限公司) ("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
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 (傑智控股有限公司)	Associate of the Group
Hankou Bank	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, 2021 and 2020:

	Year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
Purchase of goods from		
– Associates	**994,460**	992,947
Sale of goods to		
– Associates	**156,935**	17,511
Services received from		
– Associates	**4,492**	38,278
Rendering of services to		
– Associates	**119,346**	73,258
Loans to related parties/(Loans from related parties), net		
– Associates	**628,295**	(527,598)
Interest income from		
– Associates	**225,371**	118,536
Interest expenses to		
– Associates	**109,617**	42,515
Equity received from		
– Associates	**486,845**	1,055,603
Guarantee for related parties		
– Associates	**626,580**	742,302

55. RELATED PARTY TRANSACTIONS (Continued)

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

	As at December 31,	
	2021	2020
	RMB'000	*RMB'000*
Account and notes receivables		
– Associates	**8,630**	3,142
Prepayment, other receivables and other current assets *(i)*		
– Associates	**1,390,379**	2,243,770
Trade and notes payables		
– Associates	**3,503**	222
Advance from client		
– Associates	**–**	5,082
Other payables and accruals		
– Associates	**597,071**	377,507
Other non-current assets		
– Associates	**2,765,568**	49,721
Borrowings		
– Associates	**2,832,039**	1,549,886
Loans to customers		
– Associates	**607,057**	288,457
Loans to credit institutions		
– Associates	**10,779**	17,363

(i) Prepayment, other receivables and other current assets includes amounts receivables from the following parties:

	As at December 31,	
	2021	2020
	RMB'000	*RMB'000*
Shenzhen Science and Technology Park	**426,238**	795,415
Bybo Dental	**97,290**	316,667
Hefei Zhiran	**96,170**	98,829
Union Insurance	**387,556**	200,394
Kaola Technology	**–**	567,367
Others	**383,125**	265,098
Total	**1,390,379**	2,243,770

55. RELATED PARTY TRANSACTIONS (Continued)

(d) Key management compensation

	Year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
Fees	**2,690**	3,045
Salaries	**29,930**	29,610
Discretionary bonuses	**3,250**	40,348
Share option and rewards	**5,227**	74,310
Employer's contribution to pension schedule	**2,427**	34,876
Other benefits	**3,839**	3,560
	47,363	185,749

(e) Guarantee provided to related parties

	As at December 31,	
	2021	2020
	RMB'000	*RMB'000*
Kaola Technology	**882,080**	3,385,893
Union Insurance	**125,000**	295,000
Bybo Dental	**–**	622,509
Social Touch	**140,000**	140,000
Legend Capital Co., Ltd	**115,541**	115,541
Well Faith	**701,328**	717,737
Fortune Eight Deacon Limited	**155,040**	159,598
Honghejiayu Agriculture technology Co., Ltd	**388,450**	234,920
Transportes Naviera Austral S.A.	**121,138**	60,851
Hefei Zhiran	**–**	296,868
	2,628,577	6,028,917

Five-year Financial Summary

CONDENSED CONSOLIDATED INCOME STATEMENT

	Year ended December 31,				
	2021	2020	2019	2018	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	**489,871,677**	417,566,853	389,218,264	358,919,679	316,262,914
Profit before income tax	**22,090,330**	12,632,829	10,523,986	8,900,801	7,431,880
Income tax expense	**(6,041,822)**	(3,614,400)	(1,894,460)	(1,359,827)	(2,574,187)
Profit for the year	**16,048,508**	9,018,429	8,629,526	7,540,974	4,857,693
Profit attributable to:					
– Equity holders of the Company	**5,754,886**	3,868,011	3,606,896	4,361,525	5,047,826
– Perpetual securities holders	**–**	317,801	370,390	355,897	284,639
– Non-controlling interests	**10,293,622**	4,832,617	4,652,240	2,823,552	(474,772)
	16,048,508	9,018,429	8,629,526	7,540,974	4,857,693
Earnings per share for the profit attributable to the equity holders of the Company (expressed in RMB per share)					
Basic earnings per share	**2.46**	1.66	1.54	1.87	2.16
Diluted earnings per share	**2.28**	1.62	1.51	1.85	2.14

CONDENSED CONSOLIDATED BALANCE SHEET

	As at December 31,				
	2021	2020	2019	2018	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets	**323,166,649**	331,888,932	330,662,423	289,709,354	161,513,542
Current assets	**357,519,525**	319,843,839	293,412,771	268,557,537	173,560,199
Total assets	**680,686,174**	651,732,771	624,075,194	558,266,891	335,073,741
Non-current liabilities	**161,943,876**	163,095,556	138,617,296	112,104,495	82,693,896
Current liabilities	**425,931,574**	401,964,017	393,633,473	363,144,423	173,398,197
Total liabilities	**587,875,450**	565,059,573	532,250,769	475,248,918	256,092,093
Net assets	**92,810,724**	86,673,198	91,824,425	83,017,973	78,981,648

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