联想控股
LEGEND HOLDINGS

EMPOWERING COMPANIES TOWARD GREATNESS

(A joint stock limited company incorporated in the People's Republic of China with limited liability)
Stock Code: 03396

ANNUAL REPORT 2022

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 Dental 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
"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
"EO"	ethylene oxide
"EOD"	ethylene oxide derivatives
"ESG Committee"	Environmental, Social and Governance Committee under the Board
"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)

"Group"	the Company and its subsidiaries
"H Share(s)"	overseas listed share(s) in the ordinary share capital of the Company with a nominal value of RMB1.00 each, listed on the Main Board of the Hong Kong Stock Exchange and trade in HKD
"Hankou Bank"	Hankou Bank Co., Ltd. (漢口銀行股份有限公司), a joint stock limited liability company incorporated under the laws of the PRC, and our associate
"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
"Huayu Tongfang"	Shandong Huayu Tongfang Electronic Material Co., Ltd. (山東華宇同方電子材料有限公司), a limited liability company incorporated under the laws of the PRC and a subsidiary of Levima Advanced Materials
"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: 992.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
"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" or "neurology specialty"	the collective term of the clinical discipline studying organic and functional diseases of central nervous system (brain, spinal cord). Clinically, the correspondent branch is neurosurgery and neurology depending on the types of disease and treatment methods
"Nine Masters"	Nine Masters (Shanghai) Catering Service Co., Ltd. (九橙（上海）餐飲服務有限公司), a limited liability company incorporated under the laws of the PRC and a subsidiary of Joyvio Group
"Nomination Committee"	Nomination Committee under the Board
"Oceanwide Group"	Oceanwide Group Co., Ltd. (泛海集團有限公司), a substantial Shareholder
"ordinary shares" or "shares"	ordinary shares issued by the Company

"our", "we" or "us"	our Company and all of its subsidiaries, or any one of them as the context may require
"PP"	polypropylene
"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, 2022
"Safe Kitchens"	Beijing Pingan Safe Kitchen Technology Co., Ltd. (北京平安雲廚科技有限公司), a limited liability company incorporated under the laws of the PRC
"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" or "SZSE"	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
"TMT"	technology, media and telecom
"Tohigh"	Tohigh Holdings Co., Ltd. (通海控股有限公司), a substantial Shareholder
"UCASEF"	University of the Chinese Academy of Sciences Education Foundation
"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)*
Ms. HAO Quan
Mr. NING Min

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:

In 2022, the global landscape underwent major changes and uncertainties and the domestic challenges of advancing reform, economic development and social stability were highly demanding. Against this backdrop, under the strong leadership of the CPC Central Committee with Comrade Xi Jinping at its core, China effectively coordinated COVID-19 pandemic prevention and control with economic and social development. Answering the calls to contain the pandemic, stabilize the economy and ensure a sound development, China stepped up macro-control efforts to address these challenges, achieving hard-won progress towards smooth and higher-quality economic development and social stability. The successful conclusion of the 20th CPC National Congress enabled China to embark on the new journey towards its second Centenary Goal.

In 2022, the complex and volatile external environment brought up great uncertainties and operational challenges for corporate enterprises. Legend Holdings' global footprint and extensive industrial chains across many sectors made it even more challenging to carry out management and maintain sound business operations. In 2022, Legend Holdings posted revenue of RMB483.7 billion, largely flat year-on-year, and net profit attributable to equity holders of the Company was RMB1.167 billion.

We weathered the stormy external environment last year and stabilized the fundamentals of our operations, overcoming multiple challenges. While enhancing our technological innovation capabilities, we continued to empower the real economy and support specialized and innovative enterprises as an industrial chain leader. We actively fulfilled our corporate social responsibilities and contributed to China's high-quality development and tech self-reliance.

BUSINESS FUNDAMENTALS POSTED SOLID RESULTS

The industrial operations segment is the cornerstone of Legend Holdings. By strengthening our operations and management in 2022, we remained resilient against external risks, maintained solid business operations and achieved good results and high-quality development in many areas. Lenovo maintained its leading position as the world's No. 1 PC maker. Meanwhile, it accelerated its businesses shift towards intelligent services, with its non-PC business accounting for more than 40% of total revenue. Levima Advanced Materials continued to maintain its leadership in niche markets like EVA photovoltaic film materials. At the same time, it seized the opportunities of green development and invested over RMB10 billion in new energy materials and biodegradable materials. While BIL successfully navigated the macroeconomic challenges in Europe, it continued to vigorously drive business growth in China by providing green loan services to Chinese firms and obtained QFLP status, through which it further supported the introduction of foreign capital into the Chinese market. Joyvio Group continued to deliver rapid growth in its fruit business. Furthermore, our funds promoted 20 investee companies to go public, making us one of the top performers in the industry. Fullhan Microelectronics and EAL also held onto their industry-leading positions with steady business growth.

STAYED TRUE TO ORIGINAL ASPIRATION: PROVIDING UNDERLYING TECH INNOVATION TO SUPPORT THE BUILDING OF A DIGITAL AND BEAUTIFUL CHINA

Legend Holdings remains true to its original aspiration of "revitalizing the country through business". In line with China's strategy of achieving high-quality development driven by technological innovation, Legend Holdings seized new development opportunities and increased its investment in tech innovation. In 2022, our R&D expenses increased by 21% year-on-year to RMB15.3 billion. Over the past three years, Legend Holdings' R&D expenses have totaled RMB37.8 billion with a CAGR of 27%, maintaining the leading position among large Chinese enterprises in terms of the scale and the growth of its R&D investments.

Meanwhile, Legend Holdings aligned itself with the goals outlined in the Report to the 20th National Congress of the Communist Party of China, and contributed to expediting the construction of a digital and beautiful China. Lenovo, its subsidiary, is an important player in China's effort to drive advances in information technology, digitalization and intelligent transformation. Leveraging its experience and advantages, Lenovo contributed to empowering the real economy through intelligent digital transformation. It has now supported over 500 large and medium-sized businesses in this area, providing solid technological support for the construction of a digital China. Meanwhile, Levima Advanced Materials, a leading new materials company, achieved the domestic substitution of photovoltaic film materials, creating a reliable technological pathway for the steady advancement of China's de-carbonization initiatives. Levima Advanced Materials will continue to focus on new energy materials and biodegradable materials to provide the underlying tech support for building a beautiful China.

PLAYED THE ROLE OF SUPPLY CHAIN LEADER TO EMPOWER THE REAL ECONOMY AND SUPPORT THE GROWTH OF SPECIALIZED AND INNOVATIVE ENTERPRISES

With its origin in the Chinese Academy of Sciences, Legend Holdings boasts rich experience in supporting the industrialization of technological achievements and the growth of SMEs. By harnessing its experience and advantages, Legend Holdings, a supply chain leader, supported the growth of SMEs and empowered the real economy through business collaboration, supply chain empowerment, fund investment and free training, contributing to the stability and reinforcement of China's industrial chain and the development of domestic specialized and innovative enterprises.

Lenovo has about 850 manufacturing suppliers, including about 220 SMEs. Through its self-built supply chain management platform, Lenovo shares its product, service, design and R&D capabilities with SMEs, enabling them to grow across the industrial chain. Lenovo's supply chain has nurtured 45 national specialized and innovative enterprises, 15 niche-sector leaders and 7 product leaders.

Legend Holdings continued to empower and support the development of specialized and innovative enterprises through its investment and charity programs. In 2022, Legend Holdings invested in more than 100 tech firms, and 95 of its portfolio companies had been selected as national specialized and innovative enterprises. The Legend Star Start-up CEOs Training Program has fostered more than 1,000 entrepreneurs over a span of 15 years. Fifty of the enterprises founded by the trainees have successfully listed, while 73 have been selected as national specialized and innovative enterprises.

FULFILLED CORPORATE SOCIAL RESPONSIBILITIES AND EXPANDED SUPPORT FOR PUBLIC INTEREST TECHNOLOGY PROJECTS

Legend Holdings always fulfills its corporate social responsibilities and attaches great importance to ESG-related work, striving to make a greater contribution to China's modernization. In 2022, Legend Holdings continued to boost local employment and support local economy through its development, and continued its long-term investment in supporting entrepreneurs, aiding rural revitalization, promoting social integrity and providing disaster relief. The Company also continued to encourage its subsidiaries to step up their ESG efforts, producing solid results.

In addition, as an enterprise that grew out of the Chinese Academy of Sciences ecosystem, Legend Holdings has been an active donor to technology projects in the public interest. It has entered into a donation agreement with the University of the Chinese Academy of Sciences Education Foundation (UCASEF), through which it will donate RMB60 million to establish the Scientific and Technological Innovation Project Fund of Legend Holdings, which will nurture domestic talent and basic research in areas like IT, AI, new materials and biotech. Legend Capital also made an initial donation of RMB15 million to the UCASEF to establish the Legend Capital Scholars Program aimed at funding young and middle-aged researchers and students and helping to build a hub of innovation talent in China. Lenovo has partnered with Shanghai Jiao Tong University and Tsinghua University to launch fundraising campaigns in support of training R&D talent in universities.

SEIZED THE HISTORIC OPPORTUNITY TO CONTRIBUTE TO A NEW CHAPTER IN CHINA'S CAUSE OF HIGH-QUALITY DEVELOPMENT

The year 2023 will see the early stages of the implementation of the guiding principles of the 20th CPC National Congress. Under the strong leadership of the CPC Central Committee with Comrade Xi Jinping at its core, China has been fully applying a new development philosophy, accelerating the establishment of a new development paradigm, vigorously driving high-quality development and steadily advancing along the Chinese modernization path. These initiatives will create a historic opportunity for the booming development of the Chinese economy. We will respond to the call of the country and the times, and follow the plans outlined at the Central Economic Work Conference. We will adhere to our original aspiration of "revitalizing the country through business", maintain our entrepreneurial spirit and work diligently. Meeting the nation's strategic needs, we will actively work towards achieving high-quality development driven by tech innovation. Guided by a philosophy of people-centered development, we will emphasize harmonious coexistence between humanity and nature. As China embarks on a new journey towards the second Centenary Goal, we will strengthen our capabilities, pursue growth, and navigate the uncertainties in the external environment and forge ahead to promote the high-quality development of the Company.

I'm grateful for our shareholders' long-term support, and for the efforts and dedication of our management and staff.

Let's work together and embark on a new journey towards greater success.

Legend Holdings Corporation
Ning Min
Chairman of the Board

CEO Report

Legend Holdings is a large industrial operation and investment group rooted in China that has integrated itself into the social and economic development of the country. While serving the domestic market, it has also gained a presence in international markets based on its solid competitive edges. In 2022, the surging global inflation and the US Federal Reserve's sustained interest rate hikes led to high volatility in the global financial and commodities markets, posing significant operational challenges to Legend Holdings. In 2022, Legend Holdings posted revenue of RMB483.663 billion, largely flat year-on-year, and net profit attributable to equity holders of Legend Holdings of RMB1.167 billion.

Legend Holdings has always been committed to its original aspiration of "revitalizing the country through business", following its characteristics and guidelines of industrial operations and technological innovation, and pursuing its long-term goal of establishing and developing pillar businesses across industries. During the Reporting Period, we continued to implement our established strategies with the principles of pursuing high-quality development, maintain stability while pursuing progress, forestall and defuse risks and challenges, optimize operations and management consistently, advance business development steadily, expand R&D investment and deployment in cutting-edge fields, seize opportunities presented by green development and promote energy savings and carbon reductions. Solid progress has been achieved across many fronts.

OPERATING HIGHLIGHTS

Steady progress and solid operations in the industrial operations segment

In 2022, guided by the Company's established strategies, the portfolio companies in the industrial operations segment seized the momentum in the new development stage, continued to improve their management and operations in a smooth and orderly manner. During the Reporting Period, the industrial operations segment posted revenue of RMB479.573 billion and net profit attributable to equity holders of Legend Holdings of RMB4.820 billion.

- Lenovo maintained its leading position in IT industry. As the world's No.1 PC maker, its PC business recorded a high operating margin of 7.5%. The non-PC business grew rapidly and accounted for more than 40% of total revenue in the fourth quarter of 2022. The Infrastructure Solutions Group (ISG) took advantage of the accelerated global digital transformation and the AI-driven revolution in computing power to deliver fast growth and a sharp increase in operating margin. The Solutions & Services Group (SSG), the core business of Lenovo's digital and smart transformation, continued to maintain high double-digit revenue and profit growth momentum with an operating margin of 21.6%, much higher than that of other Lenovo's business segments. During the Reporting Period, Lenovo posted revenue of RMB444.397 billion, and net profit attributable to equity holders of Legend Holdings was RMB4.188 billion, an increase of 4% year-on-year. All of Lenovo's main businesses have remained profitable for five consecutive quarters;

- Levima Group maintained its leading edge in the new materials niche market, implemented various measures to mitigate the impact of raw material and product prices volatility, and tapped into existing capacity to improve the operational efficiency and profitability of its devices. Meanwhile, it expanded into new business areas to seize the opportunity of green development in China. During the Reporting Period, Levima Group completed the technical upgrade and capacity expansion of its EVA devices to further enhance operational efficiency, with EVA capacity growing nearly 30% and several key projects moving ahead on track. The project covering lithium battery electrolyte materials completed its interim delivery and is about to be put into operation. Levima Group also entered the field of electronic materials by investing in electronic specialty gas. Construction of projects covering new energy materials for battery and biodegradable materials are progressing into the construction phase. The "New Energy Materials and Biodegradable Materials Integration Project" (新能源材料和生物可降解材料一體化項目) has obtained approval and is now under construction in an orderly manner. During the Reporting Period, Levima Group posted revenue of RMB9.045 billion, an increase of 9.36% year-on-year, and net profit attributable to equity holders of Legend Holdings of RMB504 million;

- BIL successfully navigated the macroeconomic challenges in Europe, ensuring the overall safety and stability of its operations. In the Luxembourg market, BIL further strengthened cross-selling capabilities and synergies among its various businesses, and advanced overall risk management. In China, BIL proactively drove business growth and provided green loan services to Chinese enterprises, through which it will further assist Chinese enterprises in going global and support the introduction of foreign capital into the Chinese market. Its CET-1 ratio was 13.35% and its international credit ratings remained high. During the Reporting Period, BIL posted revenue of RMB4.563 billion, an increase of 2% year-on-year. Net profit attributable to equity holders of Legend Holdings was RMB922 million, an increase of 6% year-on-year;

- Joyvio Group's fruit business continued to reinforce its vertically integrated supply chain and core product strategy, and stepped up the development of new e-commerce retail channels. While further strengthening the export business of the premium animal protein in overseas markets including the U.S., Europe and Asia Pacific, Joyvio Group focused on the domestic market by diversifying its product portfolio. During the Reporting Period, Joyvio Group posted revenue of RMB21.568 billion, an increase of 20% year-on-year. However, due to the rising operating costs driven by the surging prices of grains, fats and other commodities, and the US Federal Reserve's interest rate hikes, Joyvio Group made a provision for goodwill and asset impairment, recording a net loss attributable to equity holders of Legend Holdings of RMB794 million, versus a profit of RMB372 million in the previous year.

The industrial incubations and investments segment leveraged its advantages to support innovation

In 2022, Legend Holdings' industrial incubations and investments segment actively served China's national strategies. Its portfolio companies leveraged their unique advantages and focused on national key fields, supporting independent innovation and industrial chain upgrades, promoting the development of specialized and innovative enterprises, and linking economic chains in line with the dual circulation strategy. Various businesses in this segment made positive progress during the Reporting Period.

- Legend Capital: During the Reporting Period, Legend Capital retained its top position in primary market fund rankings, raising RMB6.4 billion in new capital and reporting an AUM of over RMB76 billion. In 2022, aligning with China's national strategies, Legend Capital invested or increased investment in nearly 90 projects, covering chips, digital economy, carbon neutrality, medical and healthcare services and other fields. It also partially or fully exited 48 projects. 11 of its portfolio companies went public and 4 were approved and are pending for IPO, bringing the total number of public portfolio companies to 106;

- Legend Star: During the Reporting Period, Legend Star had nearly 30 investment projects, covering chips, new energy, new materials, biopharmaceuticals, digital healthcare and other areas. Among its projects under management, nearly 70 completed their next round of funding, while 7 portfolio companies were selected as national specialized and innovative enterprises;

- Fullhan Microelectronics: During the Reporting Period, Fullhan Microelectronics stepped up its R&D investment, enriched its product lines, strengthened its position as a leading supplier and made headway in its three major segments, namely special-purpose video processing, general-purpose video processing and smart automotive products and solutions. Fullhan Microelectronics and Legend Holdings also deepened their business collaboration and jointly established a fund to invest in cutting-edge chip technologies;

- EAL: During the Reporting Period, EAL achieved remarkable results in ensuring smooth air freight logistics. It completed 174,000 cargo flights during the year. The air express business sustainably expanded its fleet to 15 aircraft. The comprehensive ground services continued to ensure smooth operations, improve its efficiency and enhance its capacity. The comprehensive logistics solutions business tapped its growth potential through direct customer acquisition.

Legend Holdings' industrial incubations and investments segment has promoted over 60 investee companies to go public over the past three years, empowering the Company's outperformance in the industry. These investments, however, measured at fair value, were susceptible to capital market fluctuations. Due to the downturn in global capital markets in 2022, the segment recorded a net loss attributable to equity holders of Legend Holdings of RMB2.332 billion, versus a profit of RMB1.540 billion in 2021.

Continued to expand R&D investment in frontier technologies

Legend Holdings has always attached great importance to technological innovation. It has been constantly improving its enterprise-led innovation system based on partnership among industry, academia and research institutes. The Company has created an innovation model powered by efficient collaboration with specialized and innovative enterprises and advanced the deep integration of innovation, industrial, capital and talent chains to boost its technological self-reliance.

- Legend Holdings will focus on technological innovation when exploring new industrial areas and allocating resources, and will make long-term commitments in selected industries. To this end, the Company has set up the innovation and development center and planned to strengthen exchanges and cooperation with top universities and international institutions on early-stage technologies in key innovation areas;

- Legend Holdings promoted its portfolio companies to continuously increase their investment in R&D. In 2022, Lenovo increased its R&D investment by 21% year-on-year to RMB15 billion, as it continued to fulfill its commitment to investing RMB100 billion in R&D segment within the next five years. Levima Advanced Materials invested RMB330 million in R&D, an increase of 21% year-on-year and had 408 R&D staff, accounting for nearly 20% of its workforce. It applied for 53 patents and obtained 58 granted patents during the Reporting Period. Fullhan Microelectronics' R&D investment increased by 20% year-on-year, mainly in chip R&D field, with R&D staff comprising 85% of its workforce;

- Legend Holdings promoted its funds to closely follow China's national industrial plans and policy guidance and to intensively invest in national strategic industries, such as next-generation information technology, chips, new energy, new materials and AI. In 2022, the funds invested in almost 150 technology companies.

Diversified measures utilized to enhance the quality and efficiency of the real economy

Legend Holdings gave full play to its strengths to empower the real economy through intelligent digital transformation. It focused on achieving breakthroughs in core technologies, and leveraged financing to facilitate activity in the real economy. Through these initiatives, Legend Holdings aimed to continuously improve its ability to serve the real economy.

- Lenovo is an integral part of the real economy and a leading provider of new IT solutions that empower intelligent digital transformation. Lenovo has been named to Gartner's Global Top 25 Supply Chain ranking for eight consecutive years. In 2022, it rose to ninth place and was the only Asia-Pacific high-tech manufacturer on the list. In 2022, its manufacturing bases in Tianjin and Shenzhen commenced operations, and its Hefei base was recognized as a "lighthouse" factory by the World Economic Forum for its leading intelligent manufacturing solutions. Lenovo's new IT solutions to intelligent transformation were successfully deployed by nearly 1,000 companies across various sectors, including CATL (寧德時代), SANY Heavy Industry (三一重工), and Geely Auto (吉利汽車);

- Joyvio Group and Lakala leveraged their practices and experience in intelligent digital transformation to help more enterprises digitally transform and upgrade their businesses. Joyvio Group reached a cooperation agreement with Yangtze Delta Region Institute of Tsinghua University in Zhejiang on online-offline integration of agriculture and food industries, under which both sides will carry out in-depth digital R&D and exploration in intelligent nutrition services. Lakala helped merchants digitally transform their payments, technology and supply chains. With a focus on the launch of new products, such as a digital wallet for merchants and the Lakala Open Platform, Lakala built a more comprehensive digital product portfolio;

- Levima Advanced Materials focused its investments in high-end new materials that were strategically important or in tight supply, with the aim of building itself into a new materials platform company. Its pioneering development of EVA photovoltaic film materials broke the monopoly previously held by foreign companies. In addition, Huayu Tongfang, its subsidiary, achieved a breakthrough in the domestic production of electronic-grade hydrogen chloride and chlorine products, also breaking the grip of foreign companies on the market. The "20,000 tons/year UHMWPE (Ultra-High-Molecular-Weight Polyethylene) Project" is scheduled to commence operation around mid-2023, with the aim of reducing the UHMWPE import over-dependence;

- Legend Holdings comprehensively improved its financial businesses' performance to serve the real economy, contributing to economic prosperity and stability. Legend Capital, Legend Star and other funds invested in key national industries and used their excellent post-investment management services to support the development of technology-driven enterprises. Adhering to its "finance + investment + industry" business model, Zhengqi Holdings leveraged a unique investment-loan linkage approach to fuel the development of the real economy. JC Finance & Leasing and Hankou Bank were also dedicated to serving micro and small businesses. For JC Finance & Leasing, the outstanding balance of micro and small manufacturers accounted for a steadily growing percentage of the total financial leasing business. Meanwhile, Hankou Bank fully supported inclusive financing to address the financing challenges of micro and small enterprises.

Actively practiced ESG strategy to meet China's de-carbonization goals

In response to China's goals of achieving carbon peak and carbon neutrality, Legend Holdings fully implemented the ESG philosophy, and actively pursued a low-carbon development path tailored to its unique circumstances, prodding its subsidiaries to focus on green and low-carbon development, reinforce technological innovation and advance measures for carbon emissions mitigation and efficiency improvement.

- As the first domestic high-tech manufacturer to pass the Science Based Targets initiative (SBTi) net-zero target validation, Lenovo pledged to achieve net-zero greenhouse gas emissions across its value chain by 2050. Lenovo has adopted renewable energy and improved energy efficiency in its operational processes. As the first company in the industry to roll out zero-carbon services, it has continued to create zero-carbon products and launch zero-carbon factories. Its Wuhan manufacturing base obtained the ICT industry's first zero-carbon factory certificate, while its Tianjin industrial park completed a pilot project that met the ICT industry's zero-carbon factory standard. So far, more than 95% of Lenovo's suppliers have obtained certification for quality, environmental practices and occupational health and safety, and with Lenovo's encouragement and guidance, 92% of its suppliers have set public carbon reduction targets;

- Levima Advanced Materials has been committed to seizing the opportunities of green development, deploying green products, upholding the green development philosophy and has improved its production techniques to promote green and low-carbon development. It has achieved the domestic substitution of EVA photovoltaic materials across its product lineup, improving self-sufficiency in terms of core raw materials in the photovoltaic industry. The implementation of its new biodegradable material PPC project improved carbon dioxide utilization to reduce carbon emissions. Meanwhile, through continuous process optimization and technological innovation, Levima Advanced Materials has enhanced the operation of its devices, thereby effectively reducing its carbon emissions to attain "National Green Factory" status;

- Joyvio Group drove agricultural emissions reduction and carbon sequestration by controlling the total amount of water used in agriculture and using fewer chemical fertilizers and pesticides. For blueberry planting, Joyvio Group adopted advanced soilless cultivation and drip irrigation technology, which used much less chemical fertilizer than traditional cultivation methods did. As a result of this transformation, its average water consumption during the 2022 production season was reduced by 65%. Joyvio Group's indigenous R&D in green technology for pest and disease control greatly reduced its use of pesticides, and effectively conserved soil fertility, promoting the green and sustainable development of the blueberry industry;

- In addition, Legend Holdings' subsidiaries contributed to China's de-carbonization initiatives through green finance. Legend Capital has made over 50 green investments, covering companies in fields such as energy de-carbonization, terminal electrification/intelligent terminals, energy conservation, environmental protection and ecological restoration. Leveraging fin-tech advantages derived from its position as the main data center of the national registration system for carbon credits, Hankou Bank launched "Guaranteed Loans for Green Companies", making it one of the first two commercial banks to roll out products of this type in China.

OUTLOOK

We are looking forward to 2023 with full confidence. China has made major strategic achievements in its fight against the COVID-19 pandemic, and the 20th CPC National Congress has laid a solid foundation for the domestic economy to move towards higher quality development. The international political and economic landscapes keep evolving. The crises involving Silicon Valley Bank and Credit Suisse indicate that the current global financial system remains fragile, while uncertainties remain over the US Federal Reserve's interest rate policy. However, China's long-term positive fundamentals will not change, and the Chinese economy will embrace vast opportunities. Legend Holdings' prospects are promising in deploying the country's major strategic initiatives, and we will closely follow the national strategy of achieving high-quality development driven by technological innovation. Industrial operations and technological innovation remain the cornerstones of our long-term development strategy, and we will allocate our resources primarily to the industrial and technological innovation fields. Meanwhile, we will continue to fulfill our corporate social responsibility (CSR) at a strategic level and advance the ESG work of Legend Holdings' subsidiaries.

In 2023, "stability" will remain our top priority in business management. We will continue to solidify the fundamentals of our business, set pragmatic goals, manage relevant risks and minimize the impact of the changing external environment on the business. Our team will continue to actively improve asset quality and solidify the fundamentals of industrial operations segment through substantive investments, management and services. Focusing on the long-term development, we will improve the business to position it for steady growth. In the industrial incubations and investments segment, technological innovation remains a key part of our strategy. While safeguarding against potential volatility in the capital markets, we will be creative and strive to discover new value creation opportunities.

In 2023, we will continue to promote the listing of qualified enterprises, realize cash returns for Legend Holdings and look for new strategic opportunities. Additionally, we will further study and fine-tune the pace and fields of future resource allocation. While steadily advancing various businesses and management work, we will further optimize organizational development, strengthen corporate culture, refine employee assessment and incentive mechanisms, and enhance our team's management and business capabilities, especially in the field of technological innovation. At the same time, we will step up staff training, attract more scientific and technological talent into the business, and strengthen exchanges and collaboration with leading experts at home and abroad.

Legend Holdings Corporation
LI Peng
Executive Director and Chief Executive Officer

Revenue contributions from the Company and its subsidiaries' businesses

Unit: RMB million

	2022	2021	Change in amount	Change %
Industrial Operations	**479,573**	486,004	(6,431)	(1%)
Lenovo	**444,397**	455,331	(10,934)	(2%)
Levima Group	**9,045**	8,271	774	9%
Joyvio Group	**21,568**	17,937	3,631	20%
BIL	**4,563**	4,465	98	2%
Industrial Incubations and Investments	**4,095**	3,875	220	6%
Elimination	**(5)**	(7)	2	N/A
Total	**483,663**	489,872	(6,209)	(1%)

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

Unit: RMB million

	2022	2021	Change in amount	Change %
Industrial Operations	**4,820**	5,857	(1,037)	(18%)
Lenovo	**4,188**	4,019	169	4%
Levima Group	**504**	593	(89)	(15%)
Joyvio Group	**(794)**	372	(1,166)	(313%)
BIL	**922**	873	49	6%
Industrial Incubations and Investments	**(2,332)**	1,540	(3,872)	(251%)
Unallocated	**(1,321)**	(1,642)	321	N/A
Total	**1,167**	5,755	(4,588)	(80%)

Asset allocation of the Company and its subsidiaries' businesses

Unit: RMB million

	2022	2021	Change in amount	Change %
Industrial Operations	**555,443**	548,037	7,406	1%
Lenovo	**274,520**	275,233	(713)	0%
Levima Group	**15,206**	13,107	2,099	16%
Joyvio Group	**23,088**	23,449	(361)	(2%)
BIL	**242,629**	236,248	6,381	3%
Industrial Incubations and Investments	**106,089**	114,808	(8,719)	(8%)
Unallocated	**22,696**	20,571	2,125	10%
Elimination	**(3,154)**	(2,730)	(424)	N/A
Total	**681,074**	680,686	388	0%

BUSINESS REVIEW

For the year ended December 31, 2022, Legend Holdings posted revenue of RMB483,663 million, largely flat compared with the previous year. Net profit attributable to Legend Holdings equity holders was RMB1,167 million. The decrease was mainly attributable to the following factors: 1) the fair value of some investments in the industrial incubations and investments segment declined due to increased capital markets volatility driven by the resurgent of COVID-19 pandemic, macroeconomic pressures and changing international monetary policies; and 2) net profit attributable to equity holders of the Company from Joyvio Group declined year-on-year, attributable to the provision for goodwill and asset impairment in 2022, which reflected both the impact of increased operating costs on the animal protein business caused by rising prices of raw materials and the effect of the US Federal Reserve's interest rate hikes.

Industrial Operations

Overview

Legend Holdings regards revitalizing the country through business as our mission. As a controlling shareholder, we pursue long-term growth and a strategic buildout in the fields we operate in, leveraging substantive investments and management expertise, as well as refined post-investment operations and management to create industry-leading enterprises with scale advantages and excellent profitability. Our industrial operations segment includes:

- Lenovo (Stock Code: 0992.HK), our subsidiary, which mainly provides innovative intelligent devices and infrastructure solutions, and develops intelligent solutions, services and software;
- Levima Group, our subsidiary, which focuses on new materials research, development, production and sales;
- Joyvio Group, our subsidiary, which operates businesses mainly in the fields of modern agriculture and food; and
- BIL, our subsidiary, which mainly provides comprehensive banking services, including corporate, institutional, retail and private banking, capital markets and other services.

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

Unit: RMB million

	2022	2021
Revenue	**479,573**	486,004
Net profit	**13,729**	15,475
Net profit attributable to equity holders of Legend Holdings	**4,820**	5,857

The industrial operations segment recorded revenue of RMB479,573 million during the Reporting Period, largely flat compared with the previous year. The net profit attributable to equity holders of Legend Holdings was RMB4,820 million, a year-on-year decrease of 18%. The decline was mainly attributable to the provision for goodwill and asset impairment in 2022, which reflected the impact of increased operating costs on the animal protein business caused by rising prices of grains, fats and other raw materials commodities, as well as the effect of the US Federal Reserve's interest rate hikes.

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, 2022, Legend Holdings held 32.12% equity interest in Lenovo, directly and indirectly.

In 2022, Lenovo continued to deliver solid performance, posting profits across all its main businesses for five consecutive quarters despite the challenges posed by the macro environment. Lenovo maintained its leadership position in the PC market and its non-PC business accounted for 37% of its revenue, contributing to its robust profitability. In addition, Lenovo adopted a variety of measures to reduce costs, improve operation efficiency, which improved its cash conversion cycle, maintained cash reserves at a sufficient level and optimized its channel inventory. Lenovo continued to invest in R&D, innovation and sustainability, steadily progressing towards its goal of doubling profitability.

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

Unit: RMB million

	2022	2021
Revenue	**444,397**	455,331
Net profit	**13,487**	12,966
Net profit attributable to equity holders of Legend Holdings	**4,188**	4,019

During the Reporting Period, Lenovo's revenue declined 2% year-on-year to RMB444,397 million. The decrease was mainly attributable to weaker PC demand caused by global macroeconomic headwinds. The Solutions and Services Group (SSG) and Infrastructure Solutions Group (ISG) continued to expand their market shares, both posting record-high revenues, up 30% and 28% year-on-year, respectively.

Lenovo's net profit attributable to Legend Holdings' equity holders grew 4% year-on-year to RMB4,188 million. The increase was mainly attributable to the following factors: 1) the high-margin SSG business further deepened its market penetration by seizing growth opportunities relating to virtual workplaces, the hybrid cloud and ESG-related businesses, and posted year-on-year operating profit growth of 29% with an operating profit margin of 21.6%; 2) ISG posted a record-high operating profit and has maintained year-on-year profit growth for seven consecutive quarters given its growing customer base, full-stack product portfolio, internal design elements and ODM+ business model; and 3) the Intelligent Devices Group (IDG) continued to maintain its industry-leading profit margin owing to its outstanding product competitiveness.

Intelligent Devices Group (IDG)

IDG is composed of PC, tablet, smartphone and other smart device businesses. During the Reporting Period, the segment's revenue and operating profit declined due to slowing PC demand. However, IDG maintained its industry-leading operating margin of 7.5% owing to its improved sales mix, disciplined expense management and operational excellence.

Backed by its outstanding product competitiveness, the PC business achieved global market share of 23.1% in the fourth quarter of 2022, capturing the largest share in three of the four geographical markets. With continued leadership in device activations, Lenovo further distanced itself from its competitors as an industry champion. IDG's smartphone business also grew rapidly and has posted a profit for 11 straight quarters, supported by 5G smartphone upgrades and continued functional improvements. Meanwhile, Lenovo continued to focus on driving innovation in Smart Devices, Smart Collaboration and Smart Space as Lenovo explored new growth opportunities beyond the PC business. Among them, its Smart Space solutions continued to demonstrate growth potential with key wins.

The total addressable global PC market is likely to remain at a structurally higher level compared to the pre-pandemic period, given the sustaining acceleration of digital and intelligent transformation across the world. Lenovo will continue to seize the opportunities presented by the commercial upgrade cycle and the trend of premiumization, while leveraging its operational strengths to drive its PC business' continued outperformance of the industry. The smartphone business will focus on expanding and differentiating its portfolio to capitalize on the accelerated adoption of 5G and drive continued profit growth. Lenovo will increase investment in non-PC business areas, with a special focus on new businesses including electronic accessories and work collaboration solutions.

Infrastructure Solutions Group (ISG)

As one of the fastest-growing infrastructure solutions providers globally, Lenovo is committed to developing industry-leading end-to-end integrated solutions with its full-stack product and solutions portfolio, broad customer coverage and unique ODM+ (Original Design and Manufacturing) model. During the Reporting Period, ISG achieved a record revenue of RMB60.4 billion, an increase of 28% year-on-year. It has achieved record-high revenues for three consecutive quarters and posted year-on-year operating profit growth for seven consecutive quarters.

Lenovo made significant progress in new product areas during the Reporting Period, with servers, storage and software products generating record revenue and AI edge computing products posting record-high shipments. Server sales recorded percentage growth in the high teens off a high base, while storage sales more than doubled year-on-year. According to third-party data, Lenovo doubled its global market share in the storage sector in the fourth quarter of 2022, and its server market share rose to third globally. Both Cloud Service Provider (CSP) and Enterprise & Small-and-Medium Business (ESMB) revenue reached a record high.

Going forward, Lenovo will continue to invest in innovative technologies, particularly relating to AI-powered areas like edge computing and hybrid cloud, while strengthening the competitiveness of its high-margin and high value-added product portfolio. Powered by its unique ODM+ model, Lenovo will be better positioned to address growing demand for vertically integrated supply chains and build a diverse customer base. Lenovo will also capture new accounts and sustain its rapid growth through design wins.

Solutions & Services Group (SSG)

SSG targets the fast-growing "New IT" service field to facilitate its service-led transformation. It comprises three major business segments: Support Services, Managed Services and Project & Solutions. During the Reporting Period, SSG delivered high revenue growth and profitability, with revenue growing 30% year-on-year to RMB43.2 billion and operating profit growing 29% year-on-year to RMB9.3 billion, registering a 21.6% operating margin.

During the Reporting Period, revenue from non-hardware-tied solutions and services accounted for a record-high 50% of SSG's revenue, as demand continued to rise. Driven by the continued growth of TruScale everything-as-a-service, Managed Services saw year-on-year revenue growth of 83%. Project & Solutions grew steadily as it launched more scalable and reusable module-based general solutions utilizing Lenovo's proprietary intellectual properties.

Going forward, digitalization and structural changes in the workplace will create new opportunities, unleashing enterprise demand for premium services, X as-a-service (XaaS, including device-as-a-service and software-as-a-service), sustainability and vertical solutions. In response, Lenovo will drive SSG to ramp up R&D investment in software tools, platforms and vertical industry solutions while strengthening its cooperation with channels and business partners for high-quality growth.

Levima Group

Levima Advanced Materials (Stock Code: 003022.SZ) is held by the Company through Levima Group, our subsidiary. Levima Advanced Materials mainly engages in the R&D, production and sale of new material products. As of December 31, 2022, the Company held 51.77% equity interest in Levima Advanced Materials.

During the Reporting Period, Levima Advanced Materials adhered to its annual operation plan and worked to leverage its core competitive advantages. It achieved its goal of full production and sale of its products, improved its industrial layout and enhanced its core competency through refined management, operational improvements, product structure optimization, new product and process development as well as the orderly construction and operation of fundraising and new projects. In terms of R&D and innovation resources, Levima Advanced Materials has accumulated various new processes and technologies that are ready for application.

In terms of strategic layout, Levima Advanced Materials adheres to the strategy of innovation-driven development with a special emphasis on industrial and consumption upgrades in the new materials sector. Its development strategy prioritizes green, low-carbon and high-quality growth, and emphasizes premiumization, differentiation and refinement. To develop its business footprint, it has invested heavily in new energy materials, biodegradable materials and specialized materials. The implementation of numerous key projects is expected to strengthen Levima Advanced Materials' industrial base, improve core competencies, drive sustainable and rapid development and foster new sources of profit.

(1) The fundraising project "EVA Device Tubular Tail Technology Upgrade Investment Project" (EVA裝置管式尾技術升級改造項目) was completed in March 2022 and achieved the expected results across all indicators, including higher product output, reduced energy and material consumption and optimized EVA product mix, significantly enhancing Levima Advanced Materials' profitability.

(2) The fundraising project "100,000 tons/year Lithium Material-Carbonate Combined Device Investment Project" (10萬噸／年鋰電材料－碳酸酯聯合裝置項目) completed its interim delivery at the end of 2022, and is about to be put into operation. The project boasted outstanding technological advantages as the raw materials needed for the project, mainly EO, carbon dioxide and methanol, were all self-produced by Levima Advanced Materials or its subsidiaries. The project fully synergized with Levima Advanced Materials' existing industrial chains and enabled the comprehensive recycling and utilization of its resources, generating clear competitive advantages.

(3) The "20,000 tons/year UHMWPE (Ultra-High-Molecular-Weight Polyethylene) and 90,000 tons/year Ethylene and Acetate Combined 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), listed as a major project in Shandong Province, is under construction, and is scheduled to be completed and put into operation in 2023. Once the project becomes operational, Levima Advanced Materials will effectively extend its ethylene deep processing industry chain and establish its presence in the field of high-end polyethylene fiber materials and lithium battery separator materials. It will also be able to supply vinyl acetate materials for EVA equipment, thereby reducing the cost of EVA raw materials and further enhancing its competency and profitability.

(4) The "Biodegradable Material PLA (Polylactic Acid) Project" (生物可降解材料聚乳酸項目) has been listed in the 5020 Key Projects in Jiangxi Province (江西省「5020」重點項目). Its construction is underway, with completion and the commencement of operations scheduled for the end of 2023. Once the project becomes operational, it will further accelerate Levima Advanced Materials' business development in the field of biodegradable materials and foster a new source of growth.

(5) The "New Energy Materials and Biodegradable Materials Integration Project" (新能源材料和生物可降解材料一體化項目) was listed as a major implementation project in Shandong Province. Safety, energy and environmental impact assessments for the project have been completed, and construction is well underway. Completion and the commencement of operations are scheduled for the first half of 2025.

(6) The "High-purity Electronic Specialty Gas and Lithium Battery Additive Project" (電子級高純特氣和鋰電添加劑項目), a new project undertaken by Levima Advanced Materials subsidiary Huayu Tongfang, is under construction. It is scheduled to be completed and put into operation in the fourth quarter of 2023. Once the project becomes operational, it will represent an important breakthrough for Levima Advanced Materials in electronic specialty gases. Through complementing its existing line of carbonate solvents for batteries, the project will complete its footprint in electrolyte solvents and additives for lithium batteries of Levima Advanced Materials.

In terms of production and operation, with the continuous development of refined management, Levima Advanced Materials has improved its operational efficiency, strengthened management of technology and equipment and optimized device operating conditions, thus ensuring the safe, stable and efficient operation of its production devices. Levima Advanced Materials continued to improve the operational capacity and exploit the potential of its EVA devices during the Reporting Period. After the EVA device tubular tail technology upgrade was completed on schedule in the first quarter of 2022, EVA production capacity rose by nearly 30%, and the operational cycle of the devices was extended. This further consolidated Levima Advanced Materials' advantages in product structures, significantly boosting the production scheduling proportion of photovoltaic film materials and therefore enhancing its profitability and the market influence of its core products. By adjusting its production processes to mainly use MTO-grade methanol, Levima Advanced Materials further reduced its raw material costs. It also effectively capitalized on its synergies with Levima Chemical to achieve cost reductions and efficiency improvement, including through the optimized mutual use and supply of public utilities.

In terms of market expansion, Levima Advanced Materials has focused on market demand and maintained its advantages in the advanced polymer materials and specialty fine materials segments. It has flexibly scheduled its production and dynamically optimized its product mix according to market demand and product profitability, and increased the proportion of high-margin products such as EVA and specialty surfactants in niche categories.

During the Reporting Period:

(1) All EVA devices were scheduled to produce high VA content products or other high value-added products, among which photovoltaic film materials saw production and sales increase further, with annual sales growth of about 132%. Levima Advanced Materials maintained solid partnerships with major domestic photovoltaic film manufacturers. Levima Advanced Materials' wire and cable materials also maintained their leadership in the domestic wire and cable specialty material industry;

(2) Thin-walled PP injection molding products maintained their dominant market share and influence in China. It's high melting point PP specialty materials posted 25% year-on-year sales growth, based on improving market recognition, an expanding customer base and enhanced industry influence;

(3) Levima Advanced Materials' EOD business focused on high-end products and achieved great progress in exports. Levima Advanced Materials' specialty surfactant sales grew steadily, increasing about 23% year-on-year. It's specialty surfactants for photovoltaic cutting posted 268% year-on-year sales growth, as these surfactants have become a mainstream domestically produced raw material in the industry. Fine specialty materials posted 89% year-on-year sales growth, and recorded solid progress in terms of exports, entering the supply chains of many well-known international companies;

(4) In the field of electronic specialty gases, Huayu Tongfang, Levima Advanced Materials' subsidiary, possesses a number of key technologies for the purification of electronic grade specialty gases. It has achieved a breakthrough in making electronic grade hydrogen chloride and chlorine products, for which it holds proprietary intellectual property rights, thereby breaking foreign companies' monopoly.

In terms of innovation, Levima Advanced Materials is committed to driving growth through innovation, and has adopted the collaborative innovation model of "independent research + cooperative development" to optimize its R&D footprint. During the Reporting Period, Levima Advanced Materials focused on the R&D of key materials for power batteries, building a platform and cultivating its evaluation capacities for the R&D and application of new energy battery materials. It also expanded its footprint in biomaterials by fine-tuning its capacity to evaluate the biodegradability of biomaterials, conducting R&D into new bio-based and biodegradable materials and collaborating on the development of new high-end biofermentation products. It further worked on developing processes for electronic specialty gases to enhance its product competitiveness. Levima Advanced Materials also conducted R&D on new processes and technologies related to various other new materials. Its reserves of innovation are expected to gradually enter the application stage in the future. Meanwhile, the national key R&D program titled "R&D and Industrialization Demonstration of Supercritical Polymerization of Biodegradable CO_2-based Plastics"「超臨界聚合製備生物降解二氧化碳基塑料的研發與工業化示範」 jointly proposed by Levima Advanced Materials, the Changchun Institute of Applied Chemistry and the Institute of Process Engineering, Chinese Academy of Sciences, has been approved by the Ministry of Science and Technology. During the Reporting Period, it completed laboratory R&D development for 11 new products and processes, production technology development for 10 new products and the industrialization of 12 new products. Levima Advanced Materials applied for 53 patents, including 19 invention patents, and added 58 granted patents, including 16 invention patents, to its portfolio. As of the end of the Reporting Period, it held a total of 217 granted patents, including 69 invention patents. Additionally, Levima Advanced Materials was named among 2022's Top 500 Global New Energy Enterprises, Top 100 Fine Chemical Enterprises in China and Best Managed Companies in China. It has also been named for multiple consecutive years as a Top 100 Private Chinese Petroleum and Chemical Enterprise, a Top 100 Petroleum and Chemical Enterprise in Shandong Province and a Top 10 New Chemical Materials Company in Shandong Province.

During the Reporting Period, Levima Advanced Materials was included in the list of underlying stocks for margin trading on the Shenzhen Stock Exchange, the SZSE Component Index, Shenzhen Stock Connect, and the FTSE Russell Large Cap, CSI 300 Alternative and CSI Photovoltaic Industry indices. During the Reporting Period, Levima Group's revenue and net profit were set out as follows:

Unit: RMB million

	2022	2021
Revenue	**9,045**	8,271
Net profit	**984**	1,166
Net profit attributable to equity holders of Legend Holdings	**504**	593

During the Reporting Period, Levima Group posted a record revenue of RMB9,045 million, an increase of 9% year-on-year. The increase was mainly attributable to the expanded production capacity as a result of EVA technology upgrades, improved product mix and increases of production, sales and average selling price compared with the previous year. Levima Group's net profit attributable to equity holders of Legend Holdings was RMB504 million, a decrease of 15% year-on-year. The decline was mainly attributable to the changes in macroeconomic landscape, disturbance in downstream demands and rising prices of raw materials, as well as other factors such as the 28-day shutdown of EVA equipment and 7-15-day shutdown of other related equipment in the first quarter due to the technical upgrade and capacity expansion of EVA devices, construction and maintenance of Carbonate Combined Device, UHMWPE equipment and utility system connections.

Joyvio Group

Joyvio Group is a company in our industrial operations segment that focuses on agriculture and food. Joyvio Group's core businesses cover high-end fruit and premium animal protein, while it is also expanding its footprint in the smart group meal and intelligent agricultural technology segments. As of December 31, 2022, Legend Holdings held 81.72% equity interest in Joyvio Group.

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

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

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

Unit: RMB million

	2022	2021
Revenue	**21,568**	17,937
Net (loss)/profit	**(1,766)**	373
Net (loss)/profit attributable to equity holders of Legend Holdings	**(794)**	372

During the Reporting Period, Joyvio Group posted revenue of RMB21,568 million, a year-on-year increase of 20%. This significant growth was mainly driven by its subsidiary Joy Wing Mau's supply chain reinforcement efforts and channel advantages, as well as its core products. Net loss attributable to the equity holders of Legend Holdings was RMB794 million. The loss was mainly attributed to a large goodwill impairment incurred by the impact of the US Federal Reserve's interest rate hikes, higher feed costs and lower salmon production and sales, as well as a large impairment on productive biological assets in the fruit business due to product upgrades.

(1) Fruit business

During the Reporting Period, Joy Wing Mau continued building its channels. It achieved rapid revenue growth across supermarkets and e-commerce-driven new retail channels, attributable to its focus on core products and key regions and enhanced efforts to expand its customer base in lower-tier markets, as well as product premiumization. Joy Wing Mau also continued to strengthen its supply chain. Its intelligent warehousing and logistics centers in Shenyang and Shenzhen are expected to be completed and put into operation in 2023. As of December 31, 2022, Joyvio Group held 39.46% equity interest in Joy Wing Mau.

During the Reporting Period, Bountifresh completed its high-end product upgrades through a comprehensive digital intelligent transformation project that integrated its planting, processing, enterprise resource planning (ERP) and workplace collaboration systems. Following its implementation of a digital system for purchasing, storage and processing, it posted substantial revenue growth by integrating the purchasing, storage and processing of Yunnan blueberries and Hainan pineapples. As of December 31, 2022, Joyvio Group held 63.78% equity interest in Bountifresh.

(2) Animal protein business

With the impact of the COVID-19 pandemic gradually subsiding in domestic and overseas markets, demand for salmon was robust during the Reporting Period, further driving up prices. In the second half of the year, the snowfish and sweet shrimp businesses achieved significant revenue and profit growth by capitalizing on the opportunities generated by improved customs clearance efficiency in China and supply and production of raw materials. In 2022, Joyvio Food recorded a goodwill impairment incurred by the impact of the US Federal Reserve's interest rate hikes, higher feed costs and lower salmon production and sales. As of December 31, 2022, Joyvio Group held 46.08% equity interest in Joyvio Food.

During the Reporting Period, KB Food recorded sales and profit growth in its catering and supermarket channels by proactively reinforcing its seafood processing network in Australia, improving the efficiency of its factory operations and strengthening its development of new products. As of December 31, 2022, Joyvio Group held 100% equity interest in KB Food.

(3) Smart group meal and intelligent technology business

During the Reporting Period, Joyvio Group integrated its smart group meal and SaaS innovation business Safe Kitchens with Nine Masters, and seized the opportunities presented by the gradual recovery of domestic catering channels to expand its customer base. It also continued to advance the commercialization of its intelligent technology business and enlisted a large number of seed customers to use its products. As of December 31, 2022, Joyvio Group held 34.63% equity interest in Safe Kitchens through its affiliated platform company.

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 a Top 3 bank in Luxembourg in terms of market share and is recognized as systemically important by the European Central Bank. As of December 31, 2022, the Company held 89.98% equity interest in BIL.

Before Legend Holdings' acquisition, BIL's businesses 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 that connects China (Beijing and the Greater Bay Area), Luxembourg and Switzerland.

In 2022, Europe faced multiple macroeconomic challenges, including geopolitical shifts and high inflation, which created heightened economic uncertainty. BIL navigated these external challenges by remaining committed to its transformation towards a future-proof business model, laying the foundations for its long-term growth. In 2022, BIL comprehensively enhanced the quality and efficiency of its financial services, and provided its clients with innovative financial solutions that helped to bring multiple key projects to life.

During the Reporting Period, BIL actively promoted the development of its businesses in China. Building on Luxembourg's status as an international green finance hub, as well as its own internal advantages, BIL provided green loan services to Chinese enterprises going global and continued to expand its businesses in areas such as green bond issuance, listing and corporate financial advisory services. In addition, BIL obtained QFLP status in Shenzhen, through which it will further support the introduction of foreign capital into China's market. Leveraging its experience in international asset management, BIL will proactively engage in building Shenzhen into a global venture capital investment center, providing support for China's technological innovation and the real economy.

In the Luxembourg market, following the restructuring of the organization in 2021, BIL further strengthened cross-selling and synergies among its retail, corporate and wealth management businesses. Aiming to better meet customer expectations in the fast-evolving market, it also underscored its position as a brand serving entrepreneurs. During the Reporting Period, BIL further developed its two main wealth management centers, located in Luxembourg and Switzerland, and built a broader and more diversified investment product offering for its wealth management clients. Meanwhile, BIL pursued proactive and sufficient risk management, further managed its non-performing loans and improved its asset quality. During the Reporting Period, BIL formulated and launched a Green Bond Framework, becoming the first bank in Luxembourg to do so.

Despite the impact of the macroeconomic environment uncertainty on the Luxembourg market, commercial banks and wealth management businesses, BIL delivered solid financial performance during the Reporting Period due to its business resilience and risk management capabilities:

- BIL reported net profit attributable to equity holders of Legend Holdings of RMB922 million, a year-on-year increase of 6%, owing to the solid growth of its core businesses and a year-on-year decrease in loan provisions;

- Customer deposits increased to EUR21 billion, up from EUR20.7 billion at the end of 2021. Customer loans increased to EUR16.5 billion, up from EUR16.3 billion at the end of 2021. Assets Under Management (AUM) decreased slightly to EUR43.5 billion compared with the previous year due to the volatility of the capital markets, which was partially offset by positive Net New Asset inflows of EUR0.87 billion;

- At the end of 2022, BIL's CET-1 ratio was 13.35% (before the 2022 profit allocation);

- At the end of 2022, BIL's ratings by both Moody's and Standard & Poor's remained unchanged at A2/Stable/P-1 and A-/Stable/A-2, respectively.

As the global economy is changing rapidly, BIL will carry out the following measures to further enhance its competencies:

- By continuing to enhance its synergic advantages among retail, corporate, institutional and private banking businesses, it aims to deliver added value to its clients and further bolster its strong position as one of the leading banks in Luxembourg;

- By continuing to develop its China-related business on a step-by-step basis, BIL aims to become a leading bank for Chinese enterprises "going global" and European enterprises "bringing in";

- By delivering its new core banking system, BIL will enhance support for its businesses, boost its operating efficiency and achieve its business goals through high-quality operations;

- By continuing to hone its future-proof sustainable business models and platforms, BIL will balance its commitment to long-term strategies with tactical agility.

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

Unit: RMB million

	2022	2021
Revenue	**4,563**	4,465
Net profit	**1,024**	970
Net profit attributable to equity holders of Legend Holdings	**922**	873

Industrial incubations and investments

Overview

Legend Holdings integrates its own aspiration of revitalizing the country through business with the mission of driving forward China's technological innovation. Legend Holdings leverages both its experience supporting the industrialization of technological achievements and its professional advantages in fund investment to pursue its goal of long-term development or abundant financial returns. Legend Holdings intends to nurture or establish its presence in a range of enterprises that have the potential to become leading businesses with excellent profitability in multiple industries. Legend Holdings' industrial incubations and investments segment covers:

- Legend Capital, a fund management company under Legend Holdings that focuses on early-stage venture capital and growth-stage private equity investment;
- Legend Star, an early-stage investment and incubation arm of Legend Holdings that 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 special-purpose video processing, general-purpose video processing and smart automotive products;
- Lakala (Stock Code: 300773.SZ), which mainly provides merchants with a full spectrum of digitization services covering payment, technology, supply sourcing, logistics, finance, branding 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 runs private equity, real estate, public offering fund management, hedge fund and venture capital business;
- Shanghai Neuromedical Center, which mainly focuses on neurology, and provides other comprehensive hospital services;
- Hankou Bank, which mainly engages in commercial banking services;
- Bybo Dental, a chain provider of dental healthcare service; and
- Raycom Property and Raycom Technology, which mainly holds the Raycom Info Tech Park, the investment property.

During the Reporting Period, the revenue and net (loss)/profit of the industrial incubations and investments segment were as follows:

Unit: RMB million

	2022	2021
Revenue	**4,095**	3,875
Net (loss)/profit	**(2,015)**	2,215
Net (loss)/profit attributable to equity holders of Legend Holdings	**(2,332)**	1,540

During the Reporting Period, revenue from the industrial incubations and investments segment was RMB4,095 million, a year-on-year increase of 6%. The net loss attributable to Legend Holdings' equity holders was RMB2,332 million, a year-on-year drop of 251%, mainly due to a decrease in investment income caused by capital market volatility.

Legend Capital

Legend Capital is one of the leading private equity investment institutions in China. As of December 31, 2022, Legend Capital managed a total of nine USD TMT funds (two of which were settled), six RMB general growth funds (one of which was settled), three RMB TMT innovation funds, three USD funds specializing in the healthcare sector, three RMB funds specializing in the healthcare sector, one RMB fund on the frontier of the healthcare sector, two RMB funds specializing in the culture and sports sector, two funds operated in collaboration with local governments, one fund focusing on the red-chip return concept and two USD continuation funds, with an AUM of over RMB76 billion. The total amount raised by the funds during the Reporting Period was RMB6.418 billion.

During the Reporting Period, Legend Capital completed 45 new investment projects, spanning innovative growth-stage enterprises in the advanced manufacturing, technology and services, TMT, innovative consumption and healthcare sectors. It partially or completely exited 48 projects.

During the Reporting Period, 11 of Legend Capital's portfolio companies went public on the domestic or overseas capital markets, namely, Shaanxi Lighte Optoelectronics Material Co., Ltd. (陝西萊特光電材料股份有限公司), Jiangsu Recbio Technology Co., Ltd. (江蘇瑞科生物技術股份有限公司), Fortior Technology (Shenzhen) Co., Ltd. (峰岹科技（深圳）股份有限公司), ANYCOLOR Inc., Lunit Inc., R&G PharmaStudies Co., Ltd. (諾思格（北京）醫藥科技股份有限公司), Shanghai MicuRx Pharmaceuticals Co., Ltd. (上海盟科藥業股份有限公司), Giant Biogene Holding Co., Ltd. (巨子生物控股有限公司), Atour Lifestyle Holdings Limited, Sipai Health Technology Co., Ltd. (思派健康科技有限公司) and Jiangsu Leadmicro Nano Technology Co., Ltd. (江蘇微導納米科技股份有限公司). As of December 31, 2022, 106 of Legend Capital's portfolio companies had gone public (not including those listed on NEEQS).

Legend Star

Legend Star is one of China's leading angel investment institutions. Since its establishment in 2008, Legend Star has leveraged its unique brand advantages and resources to systematically expand its presence in three major fields: TMT, healthcare and cutting-edge technology.

As of December 31, 2022, Legend Star managed 11 funds, the total AUM of which exceeded RMB4.5 billion. It has 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 (小馬智行), 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), Jingfeng Medical (精鋒醫療) and other high-quality projects.

During the Reporting Period, the total number of domestic and overseas investment projects was close to 30, covering various niche segments such as semiconductor chips, new energy, new materials, biopharmaceuticals and digital healthcare. Among the projects under management, nearly 70 completed their next funding round, and Legend Star exited nearly 20 projects. The closing of the fifth USD fund, the final closing of the artificial intelligence special fund, and the second-round closing of the fifth RMB fund were also completed.

Fullhan Microelectronics

In 2020, Legend Holdings made a strategic investment in Fullhan Microelectronics via our subsidiary, gaining its first foothold in the semiconductor field. As of December 31, 2022, Legend Holdings held 15.82% 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 special-purpose video processing, general-purpose video processing and smart automotive products. Through years of independent R&D and innovation, the firm has developed a range of proprietary core technologies covering chip algorithm research, IP core development, SoC chip implementation, product solutions and other areas, while maintaining a high level of investment in R&D.

During the Reporting Period, Fullhan Microelectronics continued to strengthen its technological R&D capabilities and invest in a wide range of areas. It accumulated extensive experience in image signal processing, HD video codecs and high-performance chip design algorithms, and has now put in place a full series of chip products and solutions to multiple scenarios.

(1) Special-purpose video processing: Fullhan Microelectronics offers a complete analog solution covering front-end (Image Signal Processing), transmission link RX and back-end XVR SoC. It has created T-Magic, the first coaxial communication protocol which provides clients with the coaxial audio and fast upgrade capability, gaining wide recognition. Its IPC (IP Camera) products have set the benchmark for graphic effects and established good client guidance by integrating the system's software and hardware, widely recognized by leading enterprise customers in the industry. At present, Fullhan Microelectronics has built a pipeline of coordinated front-end and back-end products, with adequate product lines at all levels. By offering comprehensive, one-stop solutions, it has established itself as a stronger competitor in the industry.

(2) General-purpose video processing: Fullhan Microelectronics provides customers with competitive general-purpose video processing chip solutions and maintains a long-term strategic partnership with China's leading smart home manufacturers and solutions providers.

(3) Smart automotive: Fullhan Microelectronics has developed a series of competitive products, from factory-installed to after-market installed and from the inside to the outside of the vehicle. It boasts a complete line of automotive-grade video chips covering front-end cameras, transmission links and back-end hosts. Among these, multiple chips have obtained AEC-Q100 certification. With in-depth technical expertise and leading design and R&D capabilities in visual chips, a complete product range, extraordinary product performance and excellent technical service, Fullhan Microelectronics has built a diverse customer base comprising many top-quality and industry-benchmark enterprises that contribute to its unrivaled industry-leading market position. It has become a major chip supplier in the industry based on its competitive products, good price-to-performance ratio, fast response times and enhanced cooperation with vehicle manufacturers.

In addition, Legend Holdings and Fullhan Microelectronics have formed close alignments in the semiconductor industry. We jointly founded the 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 fund mainly focuses on areas that have the potential to create synergies with Fullhan Microelectronics's core businesses, so as to create conducive conditions for it and Legend Holdings to closely track industry trends and capitalize on industry advancements. The Hanlian Semiconductor Industry Fund has also received support from the local government; the Jiangsu Jiangyin People's Government (江蘇省江陰市人民政府) invested RMB300 million in the fund, providing all kinds of support to promote the advancement of the semiconductor industry and improve its industrial layout and ecosystem.

Lakala

The principal operations of Lakala comprise digital payment and technology service business. As a commercial digitalized operations service provider, Lakala is upgrading and transforming its role from "collecting payments for merchants" to "making profits for merchants", empowering merchants across services covering payments, technology and supply chain to lower their costs, improve their efficiency and enhance their competitive edge. As of December 31, 2022, the Company held 26.14% equity interest in Lakala.

During the Reporting Period, Lakala's digital payment business upgraded its e-CNY technology solutions, continued to improve the user experience of its QR code payment products and vigorously expanded its cooperation with key accounts, industry customers and channels in the face of adverse impacts such as the resurgence of the COVID-19 pandemic. Lakala maintained its industry-leading position in transaction volume. In the technology services segment, Lakala proactively provided technological support for other businesses. Based on growing demand for digital transformation among merchants, banks and other organizations, Lakala advanced the integration of cutting-edge technologies like artificial intelligence and blockchain within the industry.

EAL

EAL mainly engages in the air logistics business. As of December 31, 2022, Legend Holdings held 15.29% equity interest in EAL.

During the Reporting Period, complex changes in the global landscape and external environment impacted export demand and the aviation supply chain. EAL prioritized stability and progress, coordinated its operations with pandemic prevention and control, achieved solid development, and recorded steady financial growth. In terms of the air express business, EAL continued to strengthen its operational capacity despite external pressures, stabilizing its operational efficiency and ensuring flight support. It also sustainably expanded its fleet to establish a "two-hub, two-wing" air freight network with Shanghai as the primary hub, Guangzhou and Shenzhen regions as the secondary hub, and Beijing, Chengdu and Chongqing regions as the "wings". In terms of comprehensive ground services, during the pandemic, EAL strictly implemented the pandemic prevention policies and ensured the stable and smooth operation of the Shanghai airports. Second, it enhanced its customer retention and acquisition efforts, gained a deeper understanding of customers' needs and promptly adjusted its resource allocation to ensure smooth cargo operations and transportation during the pandemic lockdown. Third, EAL sped up infrastructure construction. EAL's Northwestern Airport Industrial Park was completed and put into operation in September 2022. Construction and equipment sourcing for the second phase of Terminal Three of the Western Freight Area at Shanghai Pudong International Airport, which will enhance its ground service capacity, proceeded as planned. Fourth, EAL expedited the intelligent upgrade of its freight terminals, advanced the construction of smart freight terminals and furthered its digital transformation to boost operational efficiency. Turning to comprehensive logistics solutions, drawing on its resource integration strengths and service capabilities, EAL ensured the security and stability of customers' supply chains by rapidly responding to their needs and smoothing logistics channels. In addition, EAL continued to expand its presence in various market segments and achieved remarkable results in terms of direct customer acquisition.

Zhengqi Holdings

Zhengqi Holdings is an innovative investment holding group focusing on innovative technology enterprises. Through its "finance + investment + industry" (金融+投資+產業) business model, it promotes the development of innovative technology enterprises through investment-loan linkage and various empowerment initiatives, thus enhancing industrial chain value. As of December 31, 2022, Legend Holdings 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 via investment banking initiatives" (產業聚焦、投行引領、區域深耕、資源優配). It focused its business on strategically important emerging industries and their ecosystem supply chains, encompassing semiconductors, high-end equipment manufacturing, new materials, new energy, energy conservation and environmental protection. From an investment bank perspective, it substantially increased its presence in these industries and consistently optimized and adjusted its business structure. It strategically expanded in the Yangtze River Delta, the Greater Bay Area, the Beijing-Tianjin-Hebei region and the Yangtze River Economic Belt. Through micro loans, financial leasing, commercial factoring, equity investment and other business services, it provided a wide array of investment-loan linkage and empowerment services for innovative technology enterprises and aligned with these enterprises to achieve mutual benefits and growth.

During the Reporting Period, Zhengqi Holdings portfolio companies Anhui Higasket Plastics Co., Ltd. (安徽萬朗磁塑股份有限公司) and Smartgiant Technology Co., Ltd. (廣州思林傑科技股份有限公司) were listed on the main board of the Shanghai Stock Exchange on January 24, 2022 and on the STAR Market on March 14, 2022, respectively. Union Semiconductor (Hefei) Co., Ltd. (合肥新匯成微電子股份有限公司), Zhengqi Holdings' investment in the integrated circuit business, was approved for IPO on March 23, 2022 and listed on the STAR Market on August 18, 2022. Zhengqi Holdings' investee company Atour Lifestyle Holdings Limited (亞朵生活控股有限公司) was listed on Nasdaq on November 11, 2022. Another investee company, Changzhou Wujin Zhongrui Electronic Technology Co., Ltd. (常州武進中瑞電子科技股份有限公司) was approved for IPO on December 16, 2022. In addition, Zhengqi Holdings has a number of investee companies whose listing applications have been accepted for review or are about to be submitted. Zhengqi Holdings entered a harvest period in which it realized a sound cash return from successful project exits.

JC Finance & Leasing

Founded in November 2015, JC Finance & Leasing is a Legend Holdings subsidiary that specializes in financial leasing and related financial businesses. Backed by Legend Holdings' brand and management expertise, JC Finance & Leasing collaborates with well-regarded domestic and overseas equipment manufacturers. It focuses on industries and industrial chains and develops its financial leasing business in fields that comprise 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, 2022, Legend Holdings held 90.31% equity interest in JC Finance & Leasing.

During the Reporting Period, JC Finance & Leasing overcame the negative impacts of the pandemic and economic downturn and maintained steady growth, with both operating income and net profit increasing year-on-year. While maintaining a high-quality asset portfolio, the financial leasing business saw its balance increase over the course of the year to RMB12,196 million as of the end of the Reporting Period. MSMEs accounted for 20% of this balance, which also represented an increase from the beginning of the year. JC Finance & Leasing further expanded its MSME service capacity as it continued to optimize its business structure. JC Finance & Leasing continued to strengthen its external financing during the Reporting Period. In 2022, it completed the issuance of three Asset-Backed Notes (ABNs) totaling RMB3.4 billion.

Hony Capital

Hony Capital runs private equity, real estate, public offering fund, hedge fund and venture capital businesses. As of December 31, 2022, 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, which specializes in secondary market investment and fund management businesses, managed seven public offering funds, including six hybrid funds and one index fund, as of the end of the Reporting Period.

Hony Capital's private equity funds continued to focus on industry-specific investments in intelligent services, life sciences, chain catering, green and low-carbon economy and advanced manufacturing, among other sectors. The property funds focused on office buildings in first-tier cities to achieve above-market-average returns. These returns were driven by the completion of various value-added activities, such as renovations, operational enhancements and functional adjustments to office buildings in first-tier cities and other commercial buildings that could potentially be converted into offices. The cultural industry fund will focus on integrated investments, cross-border investments and early-stage investments in cultural industry projects. It will prioritize the film and television, culture, 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 devise public offering fund products with distinctive characteristics and excellent performance.

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

Shanghai Neuromedical Center

Founded in 2013, Shanghai Neuromedical Center is a specialized hospital built according to specialized tertiary hospital standards. It specializes in clinical neuroscience and comprehensive hospital services. As of December 31, 2022, Legend Holdings held 58% equity interest in Shanghai Neuromedical Center through our subsidiary.

Amid the impact of the pandemic, Shanghai Neuromedical Center took various measures to ensure normal access to its medical services and meet the medical needs of its patients while supporting pandemic prevention and control efforts. During the Reporting Period, Shanghai Neuromedical Center's operating revenue grew 9% year-on-year. It further developed its advanced neurology specialty and other departments, so as to facilitate medical discipline development, improve overall medical service quality and capabilities, and establish its unique healthcare advantages. Meanwhile, Shanghai Neuromedical Center participated in public welfare activities, such as providing targeted medical support and free diagnosis services, to fulfill its social responsibility. Working in cooperation with Alibaba Health, a targeted insurance was created to help epilepsy patients, addressing the difficulty and rejection that such patients commonly face when trying to obtain insurance, and protecting their families from falling into or returning to poverty due to disease. In addition, Shanghai Neuromedical Center offered free epilepsy diagnosis services in Luxi, Yunnan province, giving professional medication guidance and psychological services in order to support patients from families in need.

Hankou Bank

Hankou Bank primarily operates commercial banking businesses covering corporate and retail banking and the financial markets. Hankou Bank operates a network that covers all the cities in Hubei Province and it also has branches in Chongqing. As of December 31, 2022, Legend Holdings held 13.11% equity interest in Hankou Bank.

In 2022, Hankou Bank navigated the complex and changing external environment and mitigated the impact of multiple waves of the pandemic to record excellent operational performance. While giving its full support to the real economy, it achieved new progress in its high-quality development. First, it continued to improve the quality and efficiency of its support for the real economy, and fully supported the high-quality development of local markets. Second, it explored a high-quality modern operational model and pursued progress while prioritizing stability. Third, it worked toward the goal of establishing a fintech, digital and listed bank to maintain its strategic position as financial industry transformation accelerates. Fourth, the bank implemented strict management policies to further enhance management efficiency for high-quality development. Fifth, it deepened Party-building work to lead the high-quality development of the bank.

During the Reporting Period, Hankou Bank was named Best Innovative Small and Medium-sized Bank by *Modern Bankers* and Annual Leading Bank for Social Responsibility by Hexun.com's 20th Annual China Financial Champion Awards program, among other accolades.

Bybo Dental

Bybo Dental provides dental healthcare services that cover the whole dental lifecycle from prevention to treatment. It caters to the needs of dental patients by providing preventative care, treatment for accidental damage and comprehensive dental treatment services. As of December 31, 2022, Legend Holdings held 26.05% equity interest in Bybo Dental.

As of December 31, 2022, Bybo Dental operated 204 outlets, including 31 hospitals and 173 clinics across 22 municipalities and provinces. Together they house 2,016 dental chairs. Bybo Dental improved its operational efficiency through cost reductions and insurance synergies over the Reporting Period, mitigating the impact of the pandemic and the policy of centralized procurement of dental implants. Led by eight dental academic committees covering the disciplines of orthodontics, implantology, endodontics, aesthetic restoration, periodontics, general dentistry, pediatric dentistry and maxillofacial surgery, Bybo Dental further accelerated practice development in various disciplines, optimized its discipline structure, strengthened its expertise, cultivated talent, and established the Bybo standards of medical service, quality, maintenance and insurance to meet patients' need for comprehensive, comfortable oral treatments.

Raycom Property and Raycom Technology

Through its subsidiaries Raycom Property and Raycom Technology, Legend Holdings holds the Raycom Info Tech Park Tower A, Tower B, and Tower C high-end office buildings in Zhongguancun, Beijing[Note]. Raycom Info Tech Park is leased as premium office space and shops, with a portion reserved for our own use. The buildings were certified by the US Green Building Council with "Leadership in Energy and Environmental Design" (LEED) for the high standards of their energy-efficient design. As of December 31, 2022, Raycom Info Tech Park's occupancy rate was about 95%, and the fair value of its investment properties amounted to RMB11.77 billion (excluding the portion reserved for our 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 increased from RMB5,730 million for the year ended 2021 to RMB6,912 million for the year ended 2022. Increase in finance costs was mainly the result of higher interest rates on foreign currency borrowings and Lenovo's use of factoring programs.

Taxation

Our taxation reduced from RMB6,042 million for the year ended 2021 to RMB2,455 million for the year ended 2022. Decline in the amount of taxation was mainly due to the decrease in profit before tax compared to the previous year and the increase in recognised deferred income tax assets.

Capital expenditures and capital commitments

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

As of December 31, 2022, we had RMB5,108 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, 2022, our cash at bank and on hand were RMB84,403 million, among which, RMB, CHF, USD, EUR, HKD and other currencies accounted for 22%, 16%, 23%, 26%, 1% and 12%, respectively, while the amount as of December 31, 2021 was RMB86,196 million, among which, RMB, CHF, USD, EUR, HKD and other currencies accounted for 22%, 21%, 16%, 30%, 3% and 8%, 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.

In the foreseeable future, on top of the cash generated from the Company's operations accumulated over the years and to be acquired in the future, we expect to continue to maintain finance portions of our capital expenditures with bank loans, other loans and corporate bonds at a proper scale.

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, 2022	As of December 31, 2021
Bank loans		
– Unsecured loans	**33,203**	33,306
– Guaranteed loans	**20,790**	17,731
– Collateralised loans	**8,403**	8,913
Other loans		
– Unsecured loans	**870**	870
– Guaranteed loans	**727**	1,566
– Collateralised loans	**5,592**	5,760
Corporate bonds		
– Unsecured	**54,959**	59,344
– Asset-backed securities and notes	**2,270**	465
– Convertible bonds	**5,673**	4,914
	132,487	132,869
Less: Non-current portion	**(81,585)**	(95,244)
Current portion	**50,902**	37,625

As of December 31, 2022, among our total borrowings, 47% was denominated in RMB (December 31, 2021: 51%), 34% was denominated in USD (December 31, 2021: 28%) and 19% was denominated in other currencies (December 31, 2021: 21%). If categorized by whether the interest rates were fixed or not, the fixed interest rates borrowings and the floating interest rates borrowings accounted for 58% and 42% of our total borrowings, respectively, while as of December 31, 2021 accounted for 56% and 44%, respectively. Our indebtedness was essentially unchanged from the debt at December 31, 2021.

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, 2022	As of December 31, 2021
Within 1 year	**50,902**	37,625
After 1 year but within 2 years	**25,680**	36,180
After 2 years but within 5 years	**25,949**	41,373
After 5 years	**29,956**	17,691
	132,487	132,869

As of December 31, 2022, we had the following major corporate bonds outstanding:

Issuer	**Type of bonds**	**Currency**	**Issuance date**	**Term**	**Principal amount**
The Company	Corporate bonds	RMB	July 6, 2016	10 years	RMB2,000 million
The Company	Corporate bonds	RMB	January 31, 2018	5 years	RMB1,000 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 29, 2018	5 years	USD487 million
Lenovo	Convertible bonds	USD	January 24, 2019	5 years	USD220 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	USD929 million
Lenovo	Medium term notes	USD	July 27, 2022	5.5 years	USD625 million
Lenovo	Medium term notes	USD	July 27, 2022	10 years	USD610 million
Lenovo	Convertible bonds	USD	August 26, 2022	7 years	USD675 million
Joyvio Food	Convertible bonds	USD	June 14, 2019	5 years	USD62.5 million

Issuer	Type of bonds	Currency	Issuance date	Term	Principal amount
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	September 1, 2021 and February 8, 2022	5 years	JPY1,000 million
BIL	Medium term notes	EUR	2014-2022	1.5-50 years	EUR2,416 million
BIL	Medium term notes	USD	2019-2022	1-5 years	USD24 million
BIL	Medium term notes	CHF	September 22, 2020 and November 30, 2020	2.5-4.6 years	CHF185 million
BIL	Medium term notes	SEK	January 29, 2021	3 years	SEK166 million
BIL	Medium term notes	GBP	2021-2022	2-5 years	GBP11 million
Zhengqi Holdings	Corporate bonds	RMB	September 14, 2021	3 years	RMB600 million
JC Finance & Leasing	Corporate bonds	RMB	March 30, 2021	3 years	RMB195 million
JC Finance & Leasing	Asset-backed notes	RMB	January 28, 2022	1-2 years	RMB357 million
JC Finance & Leasing	Asset-backed notes	RMB	May 31, 2022	1-2 years	RMB690 million
JC Finance & Leasing	Asset-backed notes	RMB	October 27, 2022	1-2 years	RMB1,221 million

The annual interest rates of our bonds listed above as of December 31, 2022 ranged from 0% to 7.20%.

Current ratio and total debts to total capital ratio

	As of December 31, 2022	As of December 31, 2021
Current ratio (times)	**0.8**	0.8
Total debts to total capital ratio	**56%**	59%

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, 2021. 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 13.35% (before the 2022 profit allocation), 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, 2021, which mainly due to the increase in the size of our total equity.

Pledged assets

As of December 31, 2022, we pledged the assets of RMB21.3 billion (December 31, 2021: RMB20.7 billion) to secure our borrowings, assets of RMB3 billion (December 31, 2021: RMB4.9 billion) to secure other payables and accruals and other non-current liabilities.

By December 31, 2022, other financial assets measured at amortised cost, financial assets measured at fair value through other comprehensive income, and loans to customers and credit institutions with an aggregate carrying value of RMB10.1 billion were encumbered assets of BIL.

Other restricted assets mainly comprised restricted deposits of RMB1.7 billion and financial assets measured at fair value through profit or loss of RMB80 million.

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, 2022 and December 31, 2021, the provisions made by us were RMB100 million and RMB96 million respectively.

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

Unit: RMB million

	As of December 31, 2022	As of December 31, 2021
Financial guarantee of guarantee business	**8,171**	8,666
Other guarantee		
– Related parties	**1,728**	2,629
– Unrelated parties	**180**	480

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, Legend Holdings, its subsidiaries and its investee companies should identify, assess and manage various kinds of risks. Risk management by our investee companies, in particular, is key to our post-investment management, and we coordinate and standardize risk management and increasing value of investment through effective management control and services.

Macroeconomic and market risk

From the macroeconomic perspective, the growth of global economy have slowed down sharply against the backdrop of increasing inflation, rising interest rates and declining investment. Moreover, the mounting geopolitical tensions and the volatility in current international politics may trigger fluctuations in financial markets worldwide. The business of our member companies has a global presence across various industries including information technology, financial services, new material production and R&D, modern agriculture and food. The continued volatility in the macroeconomic environment and global stock markets, and the downturns in global economic conditions have caused the consumers to lower their expectation on the future economic prospect and thus either delay or reduce their consumptions. Together with the rising trade protectionism around the world, the businesses and profitability of our member companies may be affected, which may result in the risk of fluctuations in the Company's overall operating results.

From the perspective of market risks, unfavorable changes resulting from the external political and economic environment, changes in the investment property business, interest rates, secondary market prices, exchange rates and other market risks may expose us to unexpected losses, imposing influence on the operations of multiple industries, or lead to a decline in the value of the Company's asset pack or an increase in our business counterparts' credit risks, affecting the quality of the Company's existing business assets or the pricing of future assets. In respect of our investments 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 influence our overall values, and the realized losses will reduce our expected cash backflow.

To cope with the aforesaid risks, we influence the changes in macro economy, regulatory policies and market environment, develop our core business closely in line with major national strategies, and at the same time predict possible issues and make feasible adjustments on time, including requiring our member companies to improve business structures, adjust operational strategies and increase capital adequacy. The Company also regularly assesses the risks of the overall portfolio, and optimizes and adjusts the portfolio based on the assessment results in a timely manner. We adapt to the relevant changes by making timely adjustments to our strategic development routes in order to ensure the achievement of our core objectives of sustainable and stable development.

Industrial risk

From the perspective of industrial risk, IT manufacturing, the industry our subsidiaries operate in, is characterized by rapid iterations of product and technology, emerging of competitors and intensifying competitions. 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 therefore actively monitor the 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 customer experience to gain diversified advantages and market share and recognition. In addition, our subsidiaries have introduced and implemented a 3S strategy (Smart IoT, Smart Infrastructure and Smart Verticals), increased investment in innovation and striven for becoming a leader in intelligent transformation so as to protect and drive profitability in businesses.

New materials industry, where some of our subsidiaries operate in, is capital-intensive and technology-intensive. Despite of its high industry barriers, the industry positions of our subsidiaries are still challenged by the new market entrants in the future. Our subsidiaries 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 plants, optimize the product structure, and consolidate the competitive advantages. They will also accelerate the construction of new projects, achieve a production an efficiency improvement 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 trends may differ from the actual conditions, which results in risks of lower-than-expected return on investments. Based on our thorough researches and tracking on domestic and overseas industrial development trends and national industrial policies, we have put more focus on studying our targeted companies and will prudently select new investment projects so as 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 the 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 and service capabilities offered to our investee companies, continuously collects information about the operations of the investee companies, closely monitor the liquidity of the investee companies, adhere to the bottom-lines of financial security, and provide more personnel trainings on financial and tax-related professional services, corporate culture and other fields, so as to assists them to specifically improve their operational and management efficiencies and achieve effective risk management.

Fluctuations of raw material prices and finished goods sales prices risk

Our subsidiaries engage in various industries with raw materials ranging from animal protein, fruits, coal, methanol to vinyl acetate. Affected by the fluctuation of the prices in international markets and the prices of commodities, the prices of such raw materials were volatile. Consequently, if our subsidiaries fail to respond effectively in terms of pricing of their products for sale and controls of inventory costs, the stability of our operating performance would be affected.

Our subsidiaries closely track the trends of prices and market supplies and demands of such raw materials. On the one hand, we sign annual sales contracts with important customers and devise effective procurement plans; on the other hand, when prices fluctuate substantially, we make flexible adjustments with the help of the broad product categories and channel advantages as well as strategic partnerships with upstream principal suppliers formed over the years, so as to minimize the operating risks brought to our subsidiaries as a result of purchase price fluctuations and actively seek merger and integration opportunities for upstream principal resources.

Supply risk

Our subsidiaries' supply chains are highly complex, involving a broad base and multiple tiers of suppliers, as well as owned and third-party manufacturing sites.

Despite the supply chain spans across many countries geographically, there may also be supply or production concentration in certain countries and regions, and our subsidiaries also have several tiers of suppliers. Given the wide range of products of our subsidiaries, 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 attribute to many factors, including but not limited to the damage of its own or its suppliers' manufacturing activities or logistics hubs arising from catastrophic events, natural disasters, outbreak of epidemics or other local or global health issues, suppliers insolvency, unfavorable business, political or economic factors. 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 favorable pricing, their revenues, profitability and competitive positions may be adversely affected.

The complex supply chains of our subsidiaries may also likely be prone to hidden and uncontrollable environmental, social and governance (ESG) risks. For example, the laws and regulatory standards of the countries in which indirect suppliers of the Company's subsidiaries may not be sound enough and thus products may not be sold in the country in which the purchaser locates as such products fails to meet the regulatory standards thereat. Violation by any supplier (whether direct or indirect) may damage the reputation of our subsidiaries and the operation of the supply chain or even result in revocation of business licenses. As ESG has been an increasingly important factor that our clients take into consideration when making purchase decisions, our subsidiaries may lose customers who value ESG factors such as suppliers' codes of conduct and environmental impact.

Our subsidiaries actively manage the risks in their complex supply chains, in a bid to understand the potential impact through cost and operational analysis and keep making efforts on optimization of their efficiency. They manage concentration risks through a wide range of supplier sources (i.e. avoiding reliance on a single or individual source) and have diversified the production globally. The resilience of owned manufacturing bases, especially those situated in key locations, has been created owing to the ongoing investment in risk improvement projects. In addition, recovery plan for disaster has been put in place to minimize its impact on the affected region to as much as possible and ensure such plan will bring the desired effect. Our subsidiaries are committed to practising ESG throughout the entire supply chain. A system backed by contractual obligations has been developed to ensure that suppliers will observe all applicable standards regarding labor, environment, health, safety, and ethics and, as members of Responsible Business Alliance (RBA), they will join hands with other players in electronic industry to address issues concerning the supply chain and comply with RBA's code of conduct and relevant audit requirements. It also directly attests several tiers of suppliers' compliance with the RBA system and independent audits. To further optimize the due diligence work for their supply chains, our subsidiaries also use EcoVadis' IQ and the sustainable assessment tools integrated into suppliers' management practices. The supplier appraisal, risk identification, improvement suggestion, and progress report provided through the integration can bring forth improvement on an annual basis.

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 our subsidiaries have to comply with more stringent regulatory requirements. 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 shall also continue to optimize the 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 salmon breeding in the animal protein business and strictly abided by the Chilean Fisheries and Aquaculture Law (LGPA). Facing the potential environmental pollution and natural disasters, our subsidiaries have purchased commercial insurance to forestall and defuse those risks.

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, our subsidiaries utilize advanced breeding and monitoring technologies such as artificial intelligence and machine vision 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 damaging 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 hack into their networks and exploit any security vulnerability in their systems and products.

Hardware, operating systems, product software and applications that the Company's subsidiaries indigenously produced or procure from partners may contain "design defects" that may interrupt the operation of systems, triggering security risks. Breaches of the security measures and misappropriation of proprietary information, sensitive or confidential data about the Company's subsidiaries and their customers 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.

Our subsidiaries are subject to the laws and regulations of the countries in which 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. Our subsidiaries are required to notify individuals or regulators of any data security breach.

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

a) development and maintenance of a robust cyber security culture through sound policies, robust incident response plans and processes, and training of our employees on 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; and

d) formulation of policies and processes to ensure that hardware, operating systems, product software and applications that our subsidiaries indigenously produce or procure from third parties protect and use customer data in a responsible manner.

Intellectual property risk

Our subsidiaries may 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 more stringent licensing requirements from patent holders;
- loss or impairment of intellectual property as an asset, as a result of unenforceability of legal findings and challenges to title or ownership;
- higher legal costs to defend against claims for intellectual property infringement and potential settlement or damages;
- product design costs and negative impacts on customer or supplier relationships;
- risk of interruption of their ability to ship products as a result of injunctions or exclusion orders in particular countries resulting from adverse judgments in IP infringement cases filed against them; and
- our subsidiaries' reputational harm if they were 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 their patents, and register and protect their trademarks and copyrights;
- license IP as appropriate and monitor its continued validity and value to our subsidiaries;
- obtain IP indemnification from suppliers, or otherwise transfer the responsibility of protection of the intellectual property rights to them;
- monitor, develop and implement IP litigation defense strategy;
- continue to develop and use the patent portfolio of our subsidiaries if appropriate to reduce potential costs; and
- cooperate with other technology/product companies, and lobby for patent system reform to reduce 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. The occurrence of food quality problems will have material adverse impacts on their 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. They establish and implement a food safety assurance system from raw materials to finished products, and have passed GMP (Good Manufacturing Practice), SSOP (Sanitation Standard Operating Procedure), HACCP (Hazard Analysis and Critical Control Points) and BRC (British Retail Consortium Global Standard for Food Safety) and other quality management system certifications, in line with relevant food safety laws and regulations of China, Europe, United States, Chile and other countries. In terms of source management, quality system operation and enterprise self-inspection and self-control capabilities, they have reached a high level in the industry. Our subsidiaries established an emergency response system for consumer complaints and quality issues to minimize 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 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 own financial risks. 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 closely monitor the amount of assets and liabilities and transactions denominated in foreign currencies in order to minimize the foreign exchange risk and enter into forward foreign exchange contracts when necessary.

- **Price risk**
  We are exposed to equity securities price risk for the investments we hold and those investments included in the consolidated balance sheets which are measured 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 make judgment on and deal with the potential impacts of price changes.

  We have equity investments in 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 mismatches between contractual maturities or re-pricing dates of interest generating assets and interest-bearing liabilities. Each of our operating entities has formulated its own interest risk management policies and procedures covering identification, measurement, monitoring and control of risks. We manage interest rate risk based on market conditions, and control potential loss from interest rate risk at an acceptable level.

- **Application of derivative instruments**
  We will apply derivative instruments as appropriate to hedge the abovementioned risk exposure and control potential loss at an acceptable level.

- **Credit risk**
  Credit risk is the risk of financial loss when our customers or counterparties fail to fulfill their contractual obligations. Credit risks mainly arise from loans granted to customers by our subsidiaries engaged in banking business and non-banking business, as well as credit exposure from account receivables. Credit risks also include risks arising from bonds 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 reflect the assessment results of the probability of default for individual counterparty; and are supplemented with external data such borrower ratings from credit agency. In addition, expert judgement of credit risk managers will also be incorporated 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 credit assessment of customers to determine the credit limit.

- **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, secure sufficient unused committed lines of credit 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 liability, regulatory penalties, financial or reputation losses arising from non-compliant operations, management or practice by directors, supervisors, senior management and employees of the Company and our subsidiaries Our business activities and investments cover, but are 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 of 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 the subsidiaries and increase compliance costs, and in turn may have impact on our financial performance.

We consistently and closely monitor our compliance policy adjustment, adhere to the concept of compliance operation, put increasing emphasis on the research and understanding of the latest laws, regulations and regulatory policies, while strengthening review on the effectiveness of our internal controls and risk management. We promote the improvement and implementation of the accountability mechanism; increase the supervision and penalty on violations so as to improve the quality of compliance management. We also seek advice from the compliance advisors as well as internal and external lawyers on compliance issues from time to time in order to make prompt adjustments to enterprises' blueprint on compliance. During the Reporting Period, we 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 of December 31, 2022, the Company and its subsidiaries had approximately 102,187 employees.

The Company acknowledges the importance of building a top-notch professional team with high efficiency to fully support the Company's strategy and business development. To attract and retain top-notch talents, the overall remuneration level has to be fairly competitive in the market. Therefore, the Company established a general remuneration system for its core management members ("Senior Management") and general employees, 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 and 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- and 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 enable 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, level of operation returns 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 the performance results and remuneration of Senior Management based on the overall performance of the Company, their job duties and their duties of performance objectives. The annual remuneration and mid- and 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- and long-term incentives, formulated in accordance with the Company's mid- and long-term strategic targets, comprises of a combination of equity incentives and mid- and long-term performance bonuses and so forth, which enable value creators to receive a level of incentive that grows with the overall value of the Company. The 2019 and 2021 mid- and long-term incentive schemes were approved in the annual 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 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 employees with more comprehensive benefits, the Company also provides diversified supplemental benefits, 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.

Employee Training and Development

Lengend Holdings firmly believes that talent is the most valuable asset of the Company. We pay close attention to the construction of a talent development system to ensure talent promotion channels are efficient, provides abundant training and learning resources for employees, and continuously injects fresh blood for the stable development of the Company.

For details of the Company's employee training, please refer to the Company's 2022 Environmental, Social and Governance Report.

RECOMMENDATION OF FINAL DIVIDEND

The Board has recommended a final cash dividend of RMB0.20 per ordinary share (before tax) for the year ended December 31, 2022 (2021: RMB0.40). The proposed final dividend is subject to the approval of the Shareholders at the 2022 annual general meeting of the Company (the "2022 AGM") to be held on Thursday, June 29, 2023. The proposed cash dividend will be paid to the Shareholders (whose names appear on the register of members of the Company on Monday, July 10, 2023) on or before Wednesday, August 30, 2023. 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 2022 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 2022 AGM).

CLOSURE OF REGISTER OF MEMBERS

In order to determine the Shareholders entitled to attend and vote at the 2022 AGM, the register of members of the Company will be closed from Monday, June 26, 2023 to Thursday, June 29, 2023 (both days inclusive), during which time no transfer of the H Shares will be registered. Accordingly, unregistered H Shareholders shall lodge relevant share transfer documents with the Company's H share registrar, Link Market Services (Hong Kong) Pty Limited, at Suite 1601, 16/F Central Tower, 28 Queen's Road Central, Hong Kong not later than 4:30 p.m. on Friday, June 23, 2023.

In order to determine the entitlement of the H Shareholders to the final dividend for 2022, the H share register of the Company will be closed from Wednesday, July 5, 2023 to Monday, July 10, 2023 (both days inclusive). The H Shareholders who wish to receive the final dividend for 2022 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 4, 2023.

Mr. NING Min *Chairman and Executive Director*

Mr. NING Min (寧旻), aged 53, 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, and 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 of the Asset Management Department, assistant president and senior vice president of the Company. 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. 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 Electronic Zone High-tech Group 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 2001.

Mr. LI Peng *Executive Director and CEO*

Mr. LI Peng (李蓬), aged 51, 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 the vice chairman of BIL, and as a director in various members of the Company such as Lakala, Levima Advanced Materials and Fullhan Microelectronics (all listed on the Shenzhen Stock Exchange). 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 and general manager of the Investment Management Department, 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 60, 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, 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 60, 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 (百福控股有限公司), the chairman of the board of directors and executive director of Goldstream Investment Limited (金涌投資有限公司) (all listed on the Hong Kong Stock Exchange) and a non-executive director of Zoomlion Heavy Industry Science & Technology Development Co., Ltd. (中聯重科股份有限公司) (listed on the Hong Kong and Shenzhen Stock Exchanges). He previously served as the chairman of the board of China Glass Holdings Limited 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), a non-executive director of Eros STX Global Corporation (listed on the New York Exchange), a non-executive director of Simcere Pharmaceutical Group Limited (先聲藥業集團有限公司) (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 Natural Gas Co., Ltd. (新奧天然氣股份有限公司) (both listed on the Shanghai Stock Exchange).

Mr. ZHAO obtained his bachelor's degree in physics 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 59, 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, 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 the 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 53, 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, the vice-chairman and general manager of CAS Holdings, a director of China Science Publishing & Media Ltd. (中國科技出版傳媒股份有限公司) (listed on the 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 of China (中國科學技術大學) in 1998.

Mr. MA Weihua *Independent Non-executive Director*

Mr. MA Weihua (馬蔚華), aged 74, 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), 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), an independent non-executive director of China World Trade Center Co., Ltd. (中國國際貿易中心股份有限公司) (listed on the Shanghai Stock Exchange), and 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). 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 64, 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 the 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 65, 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 54, 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 44, 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 Group Co., Ltd. (中國泛海控股集團有限公司), a supervisor of Minsheng Holdings Co., Ltd. (民生控股股份有限公司) and Oceanwide Holdings Co., Ltd. (泛海控股股份有限公司) (both 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).

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 53, 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, and the chairman of Chinese Academy of Sciences Capital Management Co., Ltd. (中科院資本管理有限公司). 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 the Shanghai Stock Exchange) and 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).

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

Ms. YANG Qiuyan *Senior Management*

Ms. YANG Qiuyan (楊秋燕), aged 47, 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, assistant general manager, deputy general manager and general manager of the Finance Department, 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), aged 42, 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, 2022, the distributable reserve of the Company amounted to RMB2,933 million (2021: RMB1,857 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 116 to 117 of this annual report.

The overall financial position of the Company and its subsidiaries as at December 31, 2022 are set out in the consolidated balance sheet on pages 118 to 120 of this annual report, and the financial position of the Company as at December 31, 2022 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 123 to 124 of this annual report.

The Board has recommended a final cash dividend of RMB0.20 per ordinary share (before tax) for the year ended December 31, 2022 (2021: RMB0.40). The proposed final dividend is subject to the approval of the Shareholders at the 2022 annual general meeting of the Company (the "2022 AGM") to be held on Thursday, June 29, 2023. The proposed cash dividend will be paid to the Shareholders (whose names appear on the register of members of the Company on Monday, July 10, 2023) on or before Wednesday, August 30, 2023. 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 2022 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 2022 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 of 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, 2022. 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, 2022.

EQUITY-LINKED AGREEMENTS

No equity-linked agreement was entered into by the Company during the year ended December 31, 2022 or as at December 31, 2022.

DONATIONS

During the year, donations for charity or other purposes made by the Company and its subsidiaries amounted to RMB134 million (2021: RMB125 million).

BUSINESS REVIEW

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

1. A fair review of the business of the Company and its subsidiaries
   "Management Discussion and Analysis" on pages 16 to 47 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 16 to 47 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 2022, 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 2022 Environmental, Social and Governance Report containing such information is published by way of a separate report which had been posted on the Hong Kong Stock Exchange website (www.hkexnews.hk) and the Company website (www.legendholdings.com.cn). 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 2022 Environmental, Social and Governance 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 21%. 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 12%
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, 2022 and in the latest four fiscal years are set out on page 300 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, 2022, 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.

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, 2022, 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, 2023 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. SUO Jishuan#
Mr. YANG Jianhua#
Mr. MA Weihua*
Ms. HAO Quan*
Mr. YIN Jian'an*

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. ZHANG Yong

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.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

All Directors and Supervisors have service contracts with the Company for three years commencing on June 10, 2021. For the year ended December 31, 2022, none of the Directors or Supervisors entered into any service contract with the Company or any of its members which is not determinable within one year without payment of any compensation (other than statutory compensation).

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, 2022, 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, 2022 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.

CHANGES IN DIRECTORS AND SUPERVISORS

Pursuant to the listing rule 13.51B (1), the changes in Directors and Supervisors are as follow:

Mr. LI Peng, an Executive Director, resigned as a director of Zhengqi Holdings, a subsidiary of the Company with effect from October 8, 2022.

Mr. ZHAO John Huan, a Non-executive Director, resigned as a director of ENN Natural Gas Co., Ltd. (新奧天然氣股份有限公司) (Stock Code: 600803.SH), Shanghai Jin Jiang International Hotel Co., Ltd. (上海錦江國際酒店股份有限公司) (Stock Code: 600754.SH), and a non-executive director of Simcere Pharmaceutical Group Ltd. (先聲藥業集團有限公司) (Stock Code: 2096.HK) with effect from July 25, 2022, June 16, 2022 and August 31, 2022 respectively.

Mr. MA Weihua, an Independent Non-executive Director, resigned as an independent director of Guangdong Qunxing Toys Joint Stock Co., Ltd. (廣東群興玩具股份有限公司) (Stock Code: 002575.SZ) with effect from October 30, 2022.

Mr. ZHANG Yong, a Supervisor, resigned as 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) (Stock Code: 300678.SZ) with effect from December 13, 2022.

Mr. LUO Cheng, a Supervisor, was appointed as a supervisor of Oceanwide Holdings Co., Ltd. (泛海控股股份有限公司) (Stock Code: 000046.SZ) with effect from March 30, 2022.

CONNECTED TRANSACTIONS, CONTINUING CONNECTED TRANSACTIONS AND MATERIAL RELATED PARTY TRANSACTIONS

For the year ended December 31, 2022, 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

During the year, none of the transactions entered into by the Company and its subsidiaries constituted connected transactions.

CONTINUING CONNECTED TRANSACTIONS

1. 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, 2022, the actual aggregate transaction amount of the above continuing connected transactions did not exceed relevant annual caps prescribed in the above agreements.

2. On February 21, 2020, Lenovo, a subsidiary of the Company and NEC Corporation ("NEC"), NEC Fielding, Ltd. ("NEC Fielding") and NEC Networks & System Integration Corporation ("NESIC") entered into the Renewal Agreement of the Products and Brand Agreements and the Transitional Services 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, 2022, the actual aggregate transaction amount of the above continuing connected transactions did not exceed relevant annual caps prescribed in the above agreements.

3. 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 by December 31, 2022, pursuant to the 2021 Financial Assistance Agreement, the maximum amount of financial assistance provided by the Company to Better Education amounted to RMB165 million, and did not exceed the annual cap prescribed in the agreement (RMB210 million or its equivalent in US dollars).

4. 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 annualized 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)

   Pursuant to the 2022 Continuing Guarantee Support Framework Agreement, at any time during the period from January 1, 2022 to December 31, 2022, the Company granted the Guarantees to Levima Advanced Materials for a maximum of RMB250 million, which did not exceed the cap stipulated in the agreement (RMB300 million). The guarantee support granted by the Company to Levima Advanced Materials was nil since March 1, 2022.

5. On December 28, 2021, Tengzhou Guozhuang Mining Co., Ltd. ("Guozhuang Mining"), a subsidiary of the Company, and Levima Advanced Materials 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)

   Pursuant to the 2022 Coal and Labour Outsourcing Services Agreement, at any time during the period from January 1, 2022 to December 31, 2022, the actual aggregate amount of the coal and labour outsourcing services provided by Guozhuang Mining to Levima Advanced Materials amounted to RMB449 million, which was within the limit stipulated in the agreement (RMB719 million).

   On December 19, 2022, Guozhuang Mining and Levima Advanced Materials entered into the 2023 Coal and Labour Outsourcing Services Agreement for the period from January 1, 2023 to December 31, 2023, 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 RMB714 million (exclusive of tax). (For details, please refer to the announcement of the Company dated December 20, 2022)

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 1 to 5 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 1 to 5 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, 2022, 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 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.

MATERIAL TRANSACTIONS AND SIGNIFICANT INVESTMENTS HELD

For the year ended December 31, 2022, a subsidiary of the Company entered into the following material transaction:

On June 14, 2022, for the purpose of forming a strategic partnership with PCCW Limited, Lenovo and the Seller entered into the SPA, pursuant to which Lenovo conditionally agreed to purchase, and the Seller conditionally agreed to sell, the Sale Shares (representing a direct interest of 80% in PCCW Lenovo Technology Solutions and a direct interest of 20% in PCCW Network Services) for US$610 million, including cash and Lenovo's shares as consideration shares. Lenovo completed the above acquisition as at the end of the Reporting Period. For details of the above discloseable transaction, please refer to the announcement of the Company dated June 14, 2022 and the capitalized terms set out in this paragraph shall have the same meanings as defined in such announcement unless the context otherwise requires.

Saved as disclosed above, there was no other material acquisitions or disposal of subsidiaries, associates and joint ventures during the Reporting Period. There is no plan for material investments or capital assets as at the date of this annual report. There are no significant investments held by the Company during the Reporting Period.

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, 2022. The consolidated financial statements for 2022 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 2022 AGM.

EQUITY INCENTIVE PLANS

Shareholders of the Company approved the 2019 Medium and Long-Term Incentive Plan on June 13, 2019, and the 2021 Medium and Long-Term Incentive Plan on June 10, 2021. Unless the context requires otherwise, the terms and expressions used herein shall have the same meanings ascribed to them in the circulars dated April 18, 2019 and April 23, 2021. The effective equity incentive plans of the Company during the Reporting Period are as follows:

	2019 Medium and Long-Term Incentive Plan	**2021 Medium and Long-Term Incentive Plan**
Purposes	The plan aims to establish and improve the incentive and restraint mechanism for the Company, and to attract, retain and motivate the Company's senior management members and key business personnel to create corporate value and to share its value growth, thereby effectively aligning Shareholders' interests and the Company's interests with personal interests, so as to better support the effective implementation of the Company's strategic objectives, and ensure the long-term stable development of the Company.	The plan aims to establish and improve the incentive and restraint mechanism for the Company, and to attract, retain and motivate the Company's Executive Directors, senior management members and key business personnel to create corporate value and to share its value growth, thereby effectively aligning Shareholders' interests and the Company's interests with personal interests, so as to better support the effective implementations of the Company's strategic objectives, achieve the Company's performance-orientations and ensure its healthy, stable and sustainable development.
Methods of incentives	There are two types of plan, namely the Restricted Shares Incentive Plan and the Share Options Incentive Plan.	
Incentive targets	Executive Directors, senior management members of the Company, and key personnel that the Company considers should be motivated, excluding those who are not eligible to become incentive targets in accordance with the requirements of relevant laws and regulations.	Executive Directors, senior management members of the Company, and key personnel that the Company considers should be motivated, excluding those who are not eligible to become incentive targets in accordance with the requirements of relevant laws and regulations.

		2019 Medium and Long-Term Incentive Plan	2021 Medium and Long-Term Incentive Plan
Maximum number of shares		The Company will entrust custodians to purchase certain numbers of H Shares in the secondary market for granting to the incentive targets.	
		• Under the Restricted Shares Incentive Plan, the total number of H Shares to be granted to the incentive targets will not exceed 7.6 million H Shares, representing approximately 0.32% of the total issued Shares of the Company.	• Under the Restricted Shares Incentive Plan, the total number of H Shares to be granted to the incentive targets will not exceed 18.60 million H Shares, representing approximately 0.79% of the total issued Shares of the Company.
		• Under the Share Options Incentive Plan, the total number of Share Options to be granted to the incentive targets will not exceed 15 million H Shares, representing approximately 0.64% of the total issued Shares of the Company.	• Under the Share Options Incentive Plan, the total number of Share Options to be granted to the incentive targets will not exceed 12 million H Shares, representing approximately 0.51% of the total issued Shares of the Company.
Maximum number of Shares to be issued to each incentive target		There is no maximum limit for the entitlement of Shares for each qualified incentive target.	
Exercise period and vesting period	Restricted Shares	The lock-up period of Restricted Shares commenced from the date the Restricted Shares have been granted to the incentive targets and ended on December 31, 2020.	The lock-up period of Restricted Shares commences from the date the Restricted Shares are granted to the incentive targets and ends on December 31, 2023*.

**Note*: In December 2021, in order to motivate our employees, the management of the Company made a decision to alter the incentive cycle and vesting period of the Restricted Shares under the 2021 Medium and Long-Term Incentive Plan:

Original Plan: The lock-up period commences from the date on which the Restricted Shares are granted to the incentive targets and ends on December 31, 2023. Upon the expiry of the lock-up period, the Board or the Remuneration Committee of the Board of Directors (as the case may be) would authorize the management of the Company to determine the vesting based on the vesting conditions with effect from January 1, 2024.

New Plan: The Restricted Shares will be vested in two phases: Phase I: The lock-up period commences from the date on which the Restricted Shares were granted to the incentive targets and ended on December 31, 2022. Upon the expiry of the lock-up period, the Board or the Remuneration Committee of the Board of Directors (as the case may be) authorize the management of the Company to determine the vesting based on the vesting conditions with effect from January 1, 2023. Phase 2: The lock-up period commences from the date on which the Restricted Shares are granted to the incentive targets and ends on December 31, 2023. Upon expiry of the lock-up period, the Board or the Remuneration Committee of the Board of Directors (as the case may be) will authorize the management of the Company to determine the vesting based on the vesting conditions with effect from January 1, 2024.

Except for the abovementioned alterations, other terms of the 2021 Medium and Long-Term Incentive Plan remained unchanged.

<table>
<tr><th colspan="2"></th><th>2019 Medium and Long-Term Incentive Plan</th><th>2021 Medium and Long-Term Incentive Plan</th></tr>
<tr><td rowspan="4">Exercise period and vesting period</td><td>Restricted Shares</td><td colspan="2">After the expiration of the Restricted Shares lock-up period, the authorized personnel of the Board or the Remuneration Committee of the Board (as the case may be) will determine whether vesting may occur based on the following conditions: (a) the Company does not have any of the following circumstances: neither the auditor of the Company issues an adverse opinion or a disclaimer of an opinion in the Company's auditor's report; nor the Company has been penalized by the securities regulators or other relevant authorities due to material violations; (b) the overall performance of the Company meets the Board's expectations after assessment; and (c) relevant incentive targets are considered to be competent in the performance appraisal during the Restricted Shares lock-up period.</td></tr>
<tr><td rowspan="3">Share Options</td><td>The lock-up period of Share Options commenced from the date of granting Share Options to incentive targets and ended on December 31, 2020. The exercise period commenced from January 1, 2021 and ends on December 31, 2025.</td><td>The lock-up period of Share Options commences from the date of granting Share Options to incentive targets and ends on December 31, 2023. The exercise period commences from January 1, 2024 and ends on December 31, 2028.</td></tr>
<tr><td colspan="2">The Board or the Remuneration Committee of the Board (as the case may be) may decide whether the incentive targets have the right to exercise the Share Options granted to them based on the following conditions: (a) the Company does not have any of the following circumstances: neither the auditor of the Company issues an adverse opinion or a disclaimer of an opinion in the Company's auditor's report; nor the Company has been penalized by the securities regulators or any other relevant authorities due to material violations; (b) the overall performance of the Company meets the Board's expectations after assessment; and (c) relevant incentive targets are considered to be competent in the performance appraisal during the Share Options lock-up period. After the above conditions are met, the incentive targets may acquire the H Shares corresponding to the Share Options after payment of the exercise prices through the Company or the custodians selected by the Company.</td></tr>
<tr><td>The incentive targets may purchase the H Shares of the Company at the option exercise price commencing from January 1, 2021 and ending on December 31, 2025, subject to the exercise conditions.</td><td>The incentive targets may purchase the H Shares of the Company at the option exercise price commencing from January 1, 2024 and ending on December 31, 2028, subject to the exercise conditions.</td></tr>
<tr><td colspan="2">Payment for the Acceptance of Restricted Shares/Share Options</td><td colspan="2">No consideration will be required to be paid by the incentive targets for the acceptance of the grants of Restricted Shares or Share Options.</td></tr>
<tr><td colspan="2">Determination of the exercise price</td><td colspan="2">The option exercise price shall be determined by the Board based on the average of the closing prices of the Shares as stated in the Hong Kong Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of grant of the Share Options.</td></tr>
<tr><td colspan="2">Remaining life of the Share Options Plan</td><td>The remaining term of the Share Options Plan is 32 months.</td><td>The remaining term of the Share Options Plan is 68 months.</td></tr>
</table>

During the Reporting Period, share incentives granted to the Directors and employees of the Company were as follows:

Name	Type of incentive	Date of grant (mm/dd/yy)	Number of units of incentive granted for the year ended December 31, 2022	Vesting period (mm/dd/yy)	Key performance targets (if any)	Closing price of shares immediately before the date of grant *(HKD per share)*	Fair value as at the date of grant *(HKD)*
Employee	Restricted Shares	4/1/2022	819,000	1/1/2023-12/31/2023	(a) neither the auditor of the Company issues an adverse opinion or a disclaimer of an opinion in the Company's auditor's report; nor the Company has been penalized by the securities regulators or any other relevant authorities for material violations; (b) the overall performance of the Company meets the Board's expectations after assessment; and (c) relevant incentive targets are considered to be competent in the performance appraisal during the lock-up period of the Restricted Shares.	9.86	8,157,240
Employee	Restricted Shares	9/30/2022	123,000	1/1/2023-12/31/2023		6.91	838,860
Total			942,000				

Note: Mr NING Min and Mr LI Peng voluntarily waived the Restrictive Shares and Share Options granted to them under 2021 Medium and Long-Term Incentive Plan.

As of December 31, 2022, the movements in the share incentives granted to the Directors and employees of the Company were as follows (excluding the share incentives granted during the Reporting Period):

Name	Type of incentive	Date of grant (mm/dd/yy)	Exercise price *(HKD)*	Grant price *(HKD)*	Vesting period (mm/dd/yy)	Exercise period (mm/dd/yy)	Total outstanding as at January 1, 2022	As at January 1, 2022 (vested)	As at January 1, 2022 (unvested)	Vested during the period	Exercised during the period	Lapsed/ nullified/ canceled during the period	As at December 31, 2022 (unvested)	Total outstanding as at December 31, 2022
NING Min	Share Options	8/9/2019	16.856	N/A	1/1/2021-12/31/2021	1/1/2021-12/31/2025	1,900,000	1,900,000	–	–	–	–	–	1,900,000
NING Min	Share Options	6/19/2020	16.856	N/A	1/1/2021-12/31/2021	1/1/2021-12/31/2025	850,000	850,000	–	–	–	–	–	850,000
NING Min	Restricted Shares	8/9/2019	N/A	0	1/1/2021-12/31/2021	N/A	N/A	1,000,000	–	–	–	–	–	N/A
NING Min	Restricted Shares	6/19/2020	N/A	0	1/1/2021-12/31/2021	N/A	N/A	400,000	–	–	–	–	–	N/A
LI Peng	Share Options	8/9/2019	16.856	N/A	1/1/2021-12/31/2021	1/1/2021-12/31/2025	1,900,000	1,900,000	–	–	–	–	–	1,900,000
LI Peng	Share Options	6/19/2020	16.856	N/A	1/1/2021-12/31/2021	1/1/2021-12/31/2025	650,000	650,000	–	–	–	–	–	650,000
LI Peng	Restricted Shares	8/9/2019	N/A	0	1/1/2021-12/31/2021	N/A	N/A	1,000,000	–	–	–	–	–	N/A
LI Peng	Restricted Shares	6/19/2020	N/A	0	1/1/2021-12/31/2021	N/A	N/A	300,000	–	–	–	–	–	N/A
ZHU Linan	Share Options	8/9/2019	16.856	N/A	1/1/2021-12/31/2021	1/1/2021-12/31/2025	3,600,000	3,600,000	–	–	–	–	–	3,600,000
ZHU Linan	Restricted Shares	8/9/2019	N/A	0	1/1/2021-12/31/2021	N/A	N/A	1,800,000	–	–	–	–	–	N/A
ZHAO John Huan	Share Options	8/9/2019	16.856	NA	1/1/2021-12/31/2021	1/1/2021-12/31/2025	1,200,000	1,200,000	–	–	–	–	–	1,200,000
ZHAO John Huan	Restricted Shares	8/9/2019	N/A	0	1/1/2021-12/31/2021	N/A	N/A	600,000	–	–	–	–	–	N/A
Employee	Restricted Shares	7/7/2021	N/A	0	1/1/2023-12/31/2023, 1/1/2024-12/31/2024	N/A	N/A	–	9,952,000	–	–	200,000	9,752,000	N/A
Total							10,100,000	15,200,000	9,952,000			200,000	9,752,000	10,100,000

Long-term incentive program of Lenovo

Lenovo operates a Long-Term Incentive Program ("LTI Program") which was adopted by Lenovo in 2005 and amended in 2008, 2016, and 2022 respectively. The purpose of the LTI Program is to attract, retain, reward and motivate executive and non-executive directors, senior management and selected top-performing employees of Lenovo and its subsidiaries, while reinforcing direct alignment with shareholders' interests.

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

(i) Share Appreciation Rights ("SARs")

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

(ii) Restricted Share Units ("RSUs")

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

Lenovo reserves the right to settle any awards under the LTI Program in cash or in ordinary shares at its discretion. Lenovo has created and funded a trust to pay shares to eligible recipients. In the case of SARs, units are due for exercising after the recipients satisfy all vesting conditions, and then shares are due once the vested SAR units are exercised by the recipients. In the case of RSUs, shares are due after the employees satisfy all vesting conditions.

The number of units awarded under the LTI Program is set and reviewed annually, by considering each individual's contribution to the long-term performance of Lenovo, Lenovo's performance, and competitive market positioning of their total compensation packages. In certain circumstances, awards under the LTI Program may be made to support strategic new hires.

During the Reporting Period, share incentives granted to the Directors of Lenovo under the LTI Program were as follows:

Name	Type of incentive	Date of grant (mm/dd/yy)	Number of units of incentive granted for the year ended December 31, 2022	Vesting period (mm/dd/yy)	Exercise period (mm/dd/yy)	Exercise price *(HKD)*	Performance targets (if any)	Closing price of shares immediately before the date of grant *(HKD per share)*	Fair values of SAR/incentives at date of grant *(HKD)*
YANG Yuanqing	SAR	06/20/2022	30,705,901	06/01/2024-06/01/2026	06/20/2029	7.34	Lenovo's revenue, profit level, strategic objectives and personal targets, etc.	7.19	54,042,386
YANG Yuanqing	RSU	06/20/2022	4,987,562	06/20/2025	N/A	N/A	Deferred long-term incentives, the amount of which is determined based on the results of the annual bonus plan and the achievement of personal targets	7.19	37,606,217
YANG Yuanqing	RSU	06/20/2022	10,751,138	06/01/2024-06/01/2026	N/A	N/A	Lenovo's revenue, profit level, strategic objectives and personal targets, etc.	7.19	81,063,581
ZHU Linan	RSU	09/14/2022	301,069	09/14/2023-09/14/2025	N/A	N/A	N/A	6.34	1,883,789
ZHAO John Huan	RSU	09/14/2022	301,069	09/14/2023-09/14/2025	N/A	N/A	N/A	6.34	1,883,789
William O. Grabe	RSU	01/17/2022	58,606	01/17/2022	N/A	N/A	N/A	9.03	525,696
William O. Grabe	RSU	07/04/2022	35,535	07/04/2022	N/A	N/A	N/A	7.33	264,913
William O. Grabe	RSU	09/14/2022	42,338	09/14/2022	N/A	N/A	N/A	6.34	264,909
William O. Grabe	RSU	09/14/2022	301,069	09/14/2023-09/14/2025	N/A	N/A	N/A	6.34	1,883,789
William O. Grabe	RSU	11/29/2022	40,622	11/29/2022	N/A	N/A	N/A	6.20	263,637
William Tudor Brown	RSU	09/14/2022	301,069	09/14/2023-09/14/2025	N/A	N/A	N/A	6.34	1,883,789
Yang Chih-Yuan Jerry	RSU	09/14/2022	301,069	09/14/2023-09/14/2025	N/A	N/A	N/A	6.34	1,883,789
Gordon Robert Halyburton Orr	RSU	09/14/2022	301,069	09/14/2023-09/14/2025	N/A	N/A	N/A	6.34	1,883,789
Woo Chin Wan Raymond	RSU	09/14/2022	301,069	09/14/2023-09/14/2025	N/A	N/A	N/A	6.34	1,883,789
YANG Lan	RSU	09/14/2022	301,069	09/14/2023-09/14/2025	N/A	N/A	N/A	6.34	1,883,789
YANG Lan	RSU	09/26/2022	96,611	09/26/2023-09/26/2025	N/A	N/A	N/A	5.87	588,747
WANG Hsiueh Hong	RSU	11/15/2022	297,703	11/15/2023-11/15/2025	N/A	N/A	N/A	6.65	1,878,506
XUE Lan	RSU	09/14/2022	301,069	09/14/2023-09/14/2025	N/A	N/A	N/A	6.34	1,883,789
Total			49,725,637						

Note: The pricing model adopted for the fair value of SARs is set out in note 33(a) to the financial statements.

As of December 31, 2022, the movements in the share incentives granted to the directors of Lenovo under the LTI Program were as follows (excluding the share incentives granted during the Reporting Period):

Name	Type of incentive	Date of grant (mm/dd/yy)	Exercise price *(HKD)*	Grant price *(HKD)*	Vesting period (mm/dd/yy)	Exercise period (mm/dd/yy)	Total outstanding as at January 1, 2022	As at January 1, 2022 (unvested)	Vested during the period	Exercised during the period	Lapsed/nullified/ cancelled during the period	As at December 31, 2022 (unvested)	Total outstanding as at December 31, 2022
YANG Yuanqing	SAR	06/01/2015	12.29	N/A	06/01/2016-06/01/2019	06/01/2022	12,703,664	–	–	–	12,703,664	–	–
YANG Yuanqing	SAR	06/01/2016	4.90	N/A	06/01/2017-06/01/2019	06/01/2023	126,972,471	–	–	43,500,000	–	–	83,472,471
YANG Yuanqing	SAR	08/31/2017	4.95	N/A	06/01/2018-06/01/2020	06/01/2024	45,893,773	–	–	–	–	–	45,893,773
YANG Yuanqing	SAR	06/01/2018	4.00	N/A	06/01/2019-06/01/2021	06/01/2025	39,305,643	–	–	–	–	–	39,305,643
YANG Yuanqing	SAR	06/03/2019	5.79	N/A	06/03/2020-06/03/2022	06/03/2026	79,451,149	13,241,858	13,241,858	–	–	–	79,451,149
YANG Yuanqing	SAR	06/01/2020	4.22	N/A	06/01/2021-06/01/2023	06/01/2027	76,048,055	38,024,028	25,349,352	–	–	12,674,676	76,048,055
YANG Yuanqing	SAR	06/01/2021	9.45	N/A	06/01/2022-06/01/2024	03/30/2022	35,644,748	35,644,748	–	–	35,644,748	–	–
YANG Yuanqing	RSU	06/03/2019	N/A	5.79	06/03/2020-06/03/2022	N/A	N/A	2,594,080	2,594,080	N/A	–	–	N/A
YANG Yuanqing	RSU	06/01/2020	N/A	4.22	06/01/2021-06/01/2023	N/A	N/A	9,388,132	6,258,755	N/A	–	3,129,377	N/A
YANG Yuanqing	RSU	06/01/2021	N/A	9.50	06/01/2022-06/01/2024	N/A	N/A	12,421,157	5,175,101	N/A	2,070,957	5,175,099	N/A
YANG Yuanqing	RSU	06/01/2021	N/A	9.50	06/01/2022	N/A	N/A	3,871,508	3,871,508	N/A	–	–	N/A
ZHU Linan	SAR	08/26/2015	7.49	N/A	08/14/2016-08/14/2018	08/14/2022	403,970	–	–	403,970	–	–	–
ZHU Linan	SAR	09/02/2016	5.38	N/A	08/19/2017-08/19/2019	08/19/2023	205,253	–	–	205,253	–	–	–
ZHU Linan	SAR	09/06/2017	4.74	N/A	08/21/2018-08/21/2020	08/21/2024	636,877	–	–	636,877	–	–	–
ZHU Linan	SAR	08/17/2018	4.39	N/A	08/17/2019-08/17/2021	08/17/2025	1,125,232	–	–	1,125,232	–	–	–
ZHU Linan	RSU	09/19/2019	N/A	5.48	09/19/2020-09/19/2022	N/A	N/A	109,543	109,543	N/A	–	–	N/A
ZHU Linan	RSU	09/01/2020	N/A	5.01	09/01/2021-09/01/2023	N/A	N/A	237,251	118,625	N/A	–	118,626	N/A
ZHU Linan	RSU	08/18/2021	N/A	7.73	08/18/2022-08/18/2024	N/A	N/A	241,806	80,602	N/A	–	161,204	N/A
ZHAO John Huan	SAR	08/26/2015	7.49	N/A	08/14/2016-08/14/2018	08/14/2022	403,970	–	–	–	403,970	–	–
ZHAO John Huan	SAR	09/02/2016	5.38	N/A	08/19/2017-08/19/2019	08/19/2023	615,761	–	–	–	–	–	615,761

Name	Type of incentive	Date of grant (mm/dd/yy)	Exercise price *(HKD)*	Grant price *(HKD)*	Vesting period (mm/dd/yy)	Exercise period (mm/dd/yy)	Total outstanding as at January 1, 2022	As at January 1, 2022 (unvested)	Vested during the period	Exercised during the period	Lapsed/nullified/ cancelled during the period	As at December 31, 2022 (unvested)	Total outstanding as at December 31, 2022
ZHAO John Huan	SAR	09/06/2017	4.74	N/A	08/21/2018-08/21/2020	08/21/2024	955,316	–	–	–	–	–	955,316
ZHAO John Huan	SAR	08/17/2018	4.39	N/A	08/17/2019-08/17/2021	08/17/2025	1,125,232	–	–	–	–	–	1,125,232
ZHAO John Huan	RSU	09/19/2019	N/A	5.48	09/19/2020-09/19/2022	N/A	N/A	109,543	109,543	N/A	–	–	N/A
ZHAO John Huan	RSU	09/01/2020	N/A	5.01	09/01/2021-09/01/2023	N/A	N/A	237,251	118,625	N/A	–	118,626	N/A
ZHAO John Huan	RSU	08/18/2021	N/A	7.73	08/18/2022-08/18/2024	N/A	N/A	241,806	80,602	N/A	–	161,204	N/A
William O. Grabe	SAR	08/26/2015	7.49	N/A	08/14/2016-08/14/2018	08/14/2022	403,970	–	–	–	403,970	–	–
William O. Grabe	SAR	09/02/2016	5.38	N/A	08/19/2017-08/19/2019	08/19/2023	615,761	–	–	–	–	–	615,761
William O. Grabe	SAR	09/06/2017	4.74	N/A	08/21/2018-08/21/2020	08/21/2024	955,316	–	–	–	–	–	955,316
William O. Grabe	SAR	08/17/2018	4.39	N/A	08/17/2019-08/17/2021	08/17/2025	1,125,232	–	–	–	–	–	1,125,232
William O. Grabe	RSU	09/19/2019	N/A	5.48	09/19/2020-09/19/2022	N/A	N/A	109,543	109,543	N/A	–	–	N/A
William O. Grabe	RSU	09/01/2020	N/A	5.01	09/01/2021-09/01/2023	N/A	N/A	237,252	118,626	N/A	–	118,626	N/A
William O. Grabe	RSU	08/18/2021	N/A	7.73	08/18/2022-08/18/2024	N/A	N/A	241,806	80,602	N/A	–	161,204	N/A
William Tudor Brown	SAR	08/26/2015	7.49	N/A	08/14/2016-08/14/2018	08/14/2022	403,970	–	–	–	403,970	–	–
William Tudor Brown	SAR	09/02/2016	5.38	N/A	08/19/2017-08/19/2019	08/19/2023	615,761	–	–	–	–	–	615,761
William Tudor Brown	SAR	09/06/2017	4.74	N/A	08/21/2018-08/21/2020	08/21/2024	955,316	–	–	–	–	–	955,316
William Tudor Brown	SAR	08/17/2018	4.39	N/A	08/17/2019-08/17/2021	08/17/2025	1,125,232	–	–	–	–	–	1,125,232
William Tudor Brown	RSU	09/19/2019	N/A	5.48	09/19/2020-09/19/2022	N/A	N/A	109,543	109,543	N/A	–	–	N/A
William Tudor Brown	RSU	09/01/2020	N/A	5.01	09/01/2021-09/01/2023	N/A	N/A	237,252	118,626	N/A	–	118,626	N/A
William Tudor Brown	RSU	08/18/2021	N/A	7.73	08/18/2022-08/18/2024	N/A	N/A	241,806	80,602	N/A	–	161,204	N/A
Yang Chih-Yuan Jerry	SAR	08/26/2015	7.49	N/A	08/14/2016-08/14/2018	08/14/2022	403,970	–	–	403,970	–	–	–
Yang Chih-Yuan Jerry	SAR	08/26/2015	11.07	N/A	11/06/2015-11/06/2017	08/27/2022	37,202	–	–	–	37,202	–	–
Yang Chih-Yuan Jerry	SAR	09/02/2016	5.38	N/A	08/19/2017-08/19/2019	08/19/2023	615,761	–	–	–	–	–	615,761
Yang Chih-Yuan Jerry	SAR	09/06/2017	4.74	N/A	08/21/2018-08/21/2020	08/21/2024	955,316	–	–	–	–	–	955,316

Name	Type of incentive	Date of grant (mm/dd/yy)	Exercise price *(HKD)*	Grant price *(HKD)*	Vesting period (mm/dd/yy)	Exercise period (mm/dd/yy)	Total outstanding as at January 1, 2022	As at January 1, 2022 (unvested)	Vested during the period	Exercised during the period	Lapsed/nullified/ cancelled during the period	As at December 31, 2022 (unvested)	Total outstanding as at December 31, 2022
Yang Chih-Yuan Jerry	SAR	08/17/2018	4.39	N/A	08/17/2019-08/17/2021	08/17/2025	1,125,232	–	–	–	–	–	1,125,232
Yang Chih-Yuan Jerry	RSU	09/19/2019	N/A	5.48	09/19/2020-09/19/2022	N/A	N/A	109,543	109,543	N/A	–	–	N/A
Yang Chih-Yuan Jerry	RSU	09/01/2020	N/A	5.01	09/01/2021-09/01/2023	N/A	N/A	237,252	118,626	N/A	–	118,626	N/A
Yang Chih-Yuan Jerry	RSU	08/18/2021	N/A	7.73	08/18/2022-08/18/2024	N/A	N/A	241,806	80,602	N/A	–	161,204	N/A
Gordon Robert Halyburton Orr	SAR	11/16/2015	7.25	N/A	09/18/2016-09/18/2018	09/18/2022	224,107	–	–	–	224,107	–	–
Gordon Robert Halyburton Orr	SAR	09/02/2016	5.38	N/A	08/19/2017-08/19/2019	08/19/2023	615,761	–	–	–	–	–	615,761
Gordon Robert Halyburton Orr	SAR	09/06/2017	4.74	N/A	08/21/2018-08/21/2020	08/21/2024	955,316	–	–	–	–	–	955,316
Gordon Robert Halyburton Orr	SAR	08/17/2018	4.39	N/A	08/17/2019-08/17/2021	08/17/2025	1,125,232	–	–	–	–	–	1,125,232
Gordon Robert Halyburton Orr	RSU	09/19/2019	N/A	5.48	09/19/2020-09/19/2022	N/A	N/A	109,543	109,543	N/A	–	–	N/A
Gordon Robert Halyburton Orr	RSU	09/01/2020	N/A	5.01	09/01/2021-09/01/2023	N/A	N/A	237,252	118,626	N/A	–	118,626	N/A
Gordon Robert Halyburton Orr	RSU	08/18/2021	N/A	7.73	08/18/2022-08/18/2024	N/A	N/A	241,806	80,602	N/A	–	161,204	N/A
Woo Chin Wan Raymond	RSU	09/19/2019	N/A	5.48	09/19/2020-09/19/2022	N/A	N/A	119,460	119,460	N/A	–	–	N/A
Woo Chin Wan Raymond	RSU	09/01/2020	N/A	5.01	09/01/2021-09/01/2023	N/A	N/A	237,251	118,625	N/A	–	118,626	N/A
Woo Chin Wan Raymond	RSU	08/18/2021	N/A	7.73	08/18/2022-08/18/2024	N/A	N/A	241,806	80,602	N/A	–	161,204	N/A
YANG Lan	RSU	09/01/2020	N/A	5.01	09/01/2021-09/01/2023	N/A	N/A	208,489	104,245	N/A	–	104,244	N/A
YANG Lan	RSU	08/18/2021	N/A	7.73	08/18/2022-08/18/2024	N/A	N/A	241,806	80,602	N/A	–	161,204	N/A
Total							433,749,569	119,765,927	58,846,812	46,275,302	51,892,588	23,203,410	337,652,636

Long-term incentive plan for the five highest paid individuals

During the Reporting Period, share incentives granted to the five highest paid individuals under the LTI Program were as follows:

Name	Type of incentive	Date of grant (mm/dd/yy)	Number of units of incentive granted for the year ended December 31, 2022	Vesting period (mm/dd/yy)	Exercise period (mm/dd/yy)	Exercise price *(HKD)*	Performance Targets (if any)	Closing price of shares immediately before the date of grant *(HKD per share)*	Fair value of SAR/incentives as at the date of grant *(HKD)*
Five highest paid individuals	SAR	06/20/2022	30,705,901	06/01/2024-06/01/2026	06/20/2029	7.34	Lenovo's revenue, profit level, strategic objectives and personal targets, etc.	7.19	54,042,386
Five highest paid individuals	SAR	06/16/2022	12,778,604	06/16/2023-06/16/2025	06/16/2029	7.13	Lenovo's revenue, profit level, strategic objectives and personal targets, etc.	7.29	21,723,627
Five highest paid individuals	SAR	06/01/2022	35,102,904	06/01/2023-06/01/2025	06/01/2029	7.63	Lenovo's revenue, profit level, strategic objectives and personal targets, etc.	7.74	63,887,286
Five highest paid individuals	RSU	06/20/2022	4,987,562	06/20/2025	N/A	N/A	Deferred long-term incentives, the amount of which is determined based on the results of the annual bonus plan and the achievement of personal targets	7.19	37,606,217
Five highest paid individuals	RSU	06/20/2022	10,751,138	06/01/2024-06/01/2026	N/A	N/A	Lenovo's revenue, profit level, strategic objectives and personal targets, etc.	7.19	81,063,581
Five highest paid individuals	RSU	06/16/2022	4,276,304	06/16/2023-06/16/2025	N/A	N/A	Lenovo's revenue, profit level, strategic objectives and personal targets, etc.	7.29	32,585,436
Five highest paid individuals	RSU	06/16/2022	935,496	06/16/2023	N/A	N/A	Deferred long-term incentives, the amount of which is determined based on the results of the annual bonus plan and the achievement of personal targets	7.29	7,128,480
Five highest paid individuals	RSU	06/01/2022	14,119,864	06/01/2023-06/01/2025	N/A	N/A	Lenovo's revenue, profit level, strategic objectives and personal targets, etc.	7.74	108,016,960
Five highest paid individuals	RSU	06/01/2022	3,040,112	06/01/2023	N/A	N/A	Deferred long-term incentives, the amount of which is determined based on the results of the annual bonus plan and the achievement of personal targets	7.74	23,256,856
Five highest paid individuals	RSU	03/01/2022	11,174,990	03/01/2022	N/A	N/A	Special long-term incentives granted for achievement of performance targets for years	8.69	97,580,013
Total			127,872,875						

Note: The pricing model adopted for the fair value of the SARs is set out in note 33(a) to the financial statements.

As of 31 December 2022, the movements in the share incentives granted to the five highest paid individuals under the LTI Program were as follows:

Name	Type of incentive	Date of grant (mm/dd/yy)	Exercise price *(HKD)*	Grant price *(HKD)*	Vesting period (mm/dd/yy)	Exercise period (mm/dd/yy)	Total of outstanding as at January 1, 2022	As at January 1, 2022 (unvested)	Vested during the period	Exercised during the period	Lapsed/nullified/ canceled during the period	As at December 31, 2022 (unvested)	Total outstanding as at December 31, 2022
Five highest paid individuals	SAR	06/01/2015	12.29	N/A	06/01/2016-06/01/2019	06/01/2022	14,673,224	–	–	–	14,673,224	–	–
Five highest paid individuals	SAR	06/01/2016	4.90	N/A	06/01/2017-06/01/2019	06/01/2023	138,880,248	–	–	55,407,777	–	–	83,472,471
Five highest paid individuals	SAR	08/31/2017	4.95	N/A	06/01/2018-06/01/2020	06/01/2024	45,893,773	–	–	–	–	–	45,893,773
Five highest paid individuals	SAR	06/01/2018	4.00	N/A	06/01/2019-06/01/2021	06/01/2025	66,017,245	–	–	9,200,000	–	–	56,817,245
Five highest paid individuals	SAR	06/03/2019	5.79	N/A	06/03/2020-06/03/2022	06/03/2026	149,599,787	28,585,113	28,585,113	3,550,000	–	–	146,049,787
Five highest paid individuals	SAR	06/01/2020	4.22	N/A	06/01/2021-06/01/2023	06/01/2027	139,500,526	78,213,097	52,138,679	2,649,078	–	26,074,418	136,851,448
Five highest paid individuals	SAR	06/01/2021	9.45	N/A	06/01/2022-06/01/2024	03/30/2022	35,644,748	35,644,748	–	–	35,644,748	–	–
Five highest paid individuals	SAR	06/01/2017	4.95	N/A	06/01/2018-06/01/2020	06/01/2024	50,564,153	–	–	–	–	–	50,564,153
Five highest paid individuals	SAR	06/01/2021	9.45	N/A	06/01/2022-06/01/2024	06/01/2028	41,038,466	41,038,466	20,517,402	–	10,591,977	15,225,076	30,446,489
Five highest paid individuals	SAR	12/01/2016	4.79	N/A	02/21/2018-12/01/2019	12/01/2023	4,881,200	–	–	–	–	–	4,881,200
Five highest paid individuals	RSU	06/03/2019	N/A	5.79	06/03/2020-06/03/2022	N/A	N/A	5,599,825	5,599,825	N/A	–	–	N/A
Five highest paid individuals	RSU	06/01/2020	N/A	4.22	06/01/2021-06/01/2023	N/A	N/A	19,310,814	12,873,041	N/A	–	6,437,773	N/A
Five highest paid individuals	RSU	06/01/2021	N/A	9.50	06/01/2022-06/01/2024	N/A	N/A	25,309,428	11,618,597	N/A	2,070,957	11,619,874	N/A
Five highest paid individuals	RSU	06/01/2021	N/A	9.50	06/01/2022	N/A	N/A	8,266,112	8,266,112	N/A	–	–	N/A
Total							686,693,370	241,967,603	139,598,769	70,806,855	62,980,906	59,357,141	554,976,566

Note: Share incentives granted during the Reporting Period were excluded.

DIRECTORS' INTERESTS IN SECURITIES

As at December 31, 2022, 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(ii)	2,750,000			
LI Peng	Beneficial owner	H Shares	1,844,100	4,394,100	0.34%	0.18%
		Share Options(ii)	2,550,000			
ZHU Linan	Beneficial owner	H Shares	52,630,000	56,230,000	4.42%	2.38%
		Share Options(ii)	3,600,000			
ZHAO John Huan	Beneficial owner	H Shares	600,000	1,800,000	0.14%	0.07%
		Share Options(ii)	1,200,000			

Notes:

(i) As of December 31, 2022, 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) The Share Options granted under the medium to long-term incentive plan for the year 2019 approved by the Shareholders of the Company on June 13, 2019 for a term commencing on January 1, 2021 and ending on December 31, 2025, at an exercise price of HK$16.856. Please refer to the circular dated April 18, 2019 for details of the rules of the Share Options incentive plan.

(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	3,667,199[a]	0.03%
ZHAO John Huan	Lenovo	Beneficial owner	Long Position	4,864,009[b]	0.04%

Notes:

(a) Mr. ZHU Linan owns 3,086,300 ordinary shares and 580,899 units of share awards which are convertible into ordinary shares.

(b) Mr. ZHAO John Huan owns 1,586,801 ordinary shares and 3,277,208 units of share awards which are convertible into ordinary shares.

(c) The calculation is based on the total number of 12,128,130,291 shares issued by Lenovo as at December 31, 2022.

INTERESTS OF THE SUBSTANTIAL SHAREHOLDERS

As at December 31, 2022, so far as the Directors are aware, the following persons or corporations had an interest and/or a short position in the Shares or underlying Shares of the Company which are required to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, and an interest and/or a short position as recorded by the Company in the register required to be kept under section 336 of the SFO:

Name of Shareholder	Class of Shares/ underlying Shares	Nature of interest	Number of Shares/ underlying Shares held	Approximate percentage holding in the relevant class of Shares(1)	Approximate percentage holding in the total issued Shares(2)
CAS Holdings	Domestic Shares	Beneficial owner	684,376,910	63.11%	29.04%
Beijing Lian Chi Zhi Yuan Management Consulting Center Limited Partnership (北京聯持志遠管理諮詢中心（有限合夥）) ("Lian Chi Zhi Yuan")	H Shares-Long Position	Beneficial owner	480,000,000	37.74%	20.37%
Beijing Lian Chi Zhi Tong Management Consulting Limited (北京聯持志同管理諮詢有限責任公司) ("Lian Chi Zhi Tong")(3)	H Shares-Long Position	Interest in controlled corporation	480,000,000	37.74%	20.37%
LU Zhiqiang(4)	Domestic Shares	Interest in controlled corporation	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%

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)
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	93,813,000	7.37%	3.98%
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	93,813,000	7.37%	3.98%
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, 2022. As of December 31, 2022, 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, 2022.

(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 general partner of Lian Heng Yong Xin and has de facto control over it. Accordingly, Lian Heng Yong Kang is deemed to be interested in 93,813,000 H Shares.

As at December 31, 2022, 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, 2023

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).

The following matters were approved and passed by resolutions of the Board of Supervisors in 2022. 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, 2022, the audited consolidated financial statements of the Company for the year ended December 31, 2021 (prepared in accordance with International Accounting Standards), the Company's profit distribution plan for the year 2021, annual results announcement of the Company for the year ended 2021, the 2021 annual report of the Company, the Company's audited consolidated financial statements for the year 2021 (prepared in accordance with China Accounting Standards for Business Enterprises) as well as the 2021 Supervisor's Report of the Company were considered and passed; and

2. On August 31, 2022, the unaudited consolidated financial statements of the Company for the six months ended June 30, 2022 (prepared in accordance with the International Accounting Standards), interim results announcement of the Company for the six months ended June 30, 2022, the 2022 interim report of the Company as well as the Company's unaudited consolidated financial statements for the six months ended June 30, 2022 (prepared in accordance with China Accounting Standards for Business Enterprises) were considered and passed.

In 2022, 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 2021, 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 2022, 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 2023, 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, 2023

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, 2022, 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.

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 48 to 56 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 and the Environmental, Social and Governance 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 109 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 124 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 105 to 115 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, 2022, the remuneration paid and payable to the Company's external independent auditor, is set out below:

Type of Services	*RMB'000*
Audit services	93,890
Non-audit services	6,266

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, 2022, the Board of the Company comprised nine members, including one female member. 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.

Pursuant to the existing Board diversity policy, the Company will take the opportunity to identify and nominate suitable candidates for directors and gradually increase the proportion of female directors. The Company will, on a best effort basis, move 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, and focus on a wider range of areas in order to strengthen our female talent pipeline of potential successors to the Board.

The Company promoted diversity at all levels of the workforce through the provision of equal opportunities for employment, training and career development. During the year ended December 31, 2022, the proportions of male and female employees (including senior management) of the Company and its subsidiaries (excluding Lenovo) are fairly balanced, at 48% and 52% 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 2021 (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);
- 2021 annual profit distribution plan;
- The audit fee for 2021 and the re-appointment of the independent auditor for 2022;
- The annual results announcement for the year ended December 31, 2021 and the 2021 annual report of the Company and its subsidiaries;
- Connected transactions and continuing connected transactions in 2021;
- The unaudited consolidated financial statements for the three months ended March 31, 2022 and the nine months ended September 30, 2022 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, 2022 and the 2022 interim report of the Company and its subsidiaries;
- Matters related to interim review for 2022 (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 2022 Interim Financial Information of the Company and Its Subsidiaries", "Management's Statement of 2022 Annual Audit of the Company and Its Subsidiaries" and management's comment;
- Annual audit planning for the financial year ended December 31, 2022 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;
- Confirmation on the effectiveness of risk control and management and internal control systems by management; and
- Adopting Non-Assurance Services Concurrence Framework.

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 perspective of overall situation, pragmatic, ambition and people-centric 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 formulated and continuously improved various management regulations and systems such as the Anti-corruption Management Policy and the Code of Ethics for Employees, striving to improve the systemic management of whole-process anti-fraud work, covering preventions, controls and accountability. The Company also requires its subsidiaries to operate legally and compliantly on the basis of integrity and honesty, improve the anti-fraud system to achieve coordination at all levels to jointly prevent individual acts of corruption. The Company has established various reporting channels, including email, telephone, website and Wechat official accounts, to strengthen the collection of risk and fraud clues within the Group, conduct investigations independently, legally and impartially, and deal with misconducts in accordance with relevant regulations. The Company prohibits all kinds of retaliation related to anti-fraud and has protection measures and working mechanisms in place. For details on anti-fraud, please refer to the Company's 2022 Environmental, Social and Governance Report.

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 cover 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:

	For business of the headquarters of the Company	For business of subsidiaries
Supervision of the Board and the Audit Committee	• 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.	

	For business of the headquarters of the Company	For business of subsidiaries
Supervision and communication of the management	• 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.	
Risk accountability of business divisions	• 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.	• 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.
Supervision and monitoring of relevant functional departments	• 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.	
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, 2022 were effective and sufficient and no material issues were identified.

The Audit Committee reviews the effectiveness of the risk management and internal control system annually, covering the Board opinions and the audit findings of the Audit Department of the entire fiscal year. 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 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 semi-annually 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, the Listing Rules and other Hong Kong Listing Regulatory Rules, as well as the Securities Law, the Measures for the Administration of the Issuance and Trading of Corporate Bonds, the Rules of Listing of Corporate Bonds on the Shanghai Stock Exchange and other domestic bond regulatory 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 Ms. HAO Quan, an Independent Non-executive Director, and Mr. NING Min, an 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 two meetings 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 2021;
- The performance appraisal and bonus implementation in 2021 for senior management;
- Disclosure of the Directors', Supervisors' and senior management's remuneration in the 2021 annual report;
- The remuneration and performance appraisal system for senior management of the Company; and
- Principles for determining the target total remuneration and remuneration levels for senior management of 2022.

For the year ended December 31, 2022, 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**
RMB4,100,001 – RMB4,600,000	1
RMB5,100,001 – RMB5,600,000	1

The details of remuneration of the Directors and Supervisors for the year ended December 31, 2022 are set out in note 52(a) to the financial statements.

NOMINATION COMMITTEE

For the period from January 1, 2022 to December 31, 2022, The Nomination Committee comprises three 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 two members are Mr. MA Weihua and Mr. YIN Jian'an, both Independent Non-executive Directors.

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

In accordance with the provisions of Terms of Reference of the Nomination Committee, 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;

- 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 amendments to Board diversity policy, presented results of the management review of Board diversity in 2022 to the Board for approval and adoption, and suggested that the number of female Board members should be increased to at least two by the end of 2030. Details of the Board diversity are set out in Corporate Governance Report, page 90.

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, 2022, no candidate has been nominated to join the Board.

CORPORATE GOVERNANCE FUNCTIONS

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

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

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

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

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITTEE

On March 31, 2022, the Environmental, Social and Governance Committee ("ESG Committee") was established with the approval of the Board to take over from the Nomination Committee the functions of assisting the Board in guiding and monitoring sustainability-related policies and objectives, continuously exploring sustainability trends in the domestic and international capital markets and the industry, and reviewing the progress of sustainability-related issues and matters. The ESG Committee comprises four members. The Chairman of the ESG Committee is Mr. MA Weihua, an Independent Non-executive Director, and the other members are Mr. NING Min, Mr. LI Peng, Executive Directors, and Mr. SUO Jishuan, a Non-executive Director.

The key responsibilities of the ESG Committee are set out in the Company's 2022 Environmental, Social and Governance Report. The ESG Committee convened one meeting in the year to review, discuss, consider and approve the following matters:

- Reviewed the progress of the implementation of the Company's ESG objectives for 2022;
- Monitored the development of the Company's ESG objectives for 2023; and
- Understood the domestic and overseas ESG trends in 2022.

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	–	2/2	1/1	3/3
Mr. LI Peng	4/4	–	–	–	3/3
Non-executive Directors					
Mr. ZHU Linan	4/4	–	–	–	3/3
Mr. ZHAO John Huan	3/4	–	–	–	3/3
Mr. SUO Jishuan	3/4	2/3	–	–	0/3
Mr. YANG Jianhua	4/4	–	–	–	0/3
Independent Non-executive Directors					
Mr. MA Weihua	3/4	–	–	1/1	0/3
Ms. HAO Quan	4/4	3/3	2/2	–	3/3
Mr. YIN Jian'an	4/4	3/3	2/2	1/1	3/3

Note:

(1) The Company held the Annual General Meeting of 2021 on June 29, 2022. Immediately after the closure of this meeting, the 2022 first H Share Class General Meeting and the 2022 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. ZHANG Yong (shareholder representative).

In accordance with the Articles of Association of the Company, the Board of Supervisors is responsible for the Shareholders' general meeting, which is principally responsible for conducting supervision on compliance regarding the Directors, Chief Executive Officer and other senior management when carrying out their duties, reviewing the Company's financial situation and auditing financial information such as financial reports, business reports and profit distribution plan submitted to the 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 83 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 and the Board had reviewed the shareholders' communication policy during the Reporting Period.

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 2022, 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

At the annual general meeting of the Company held on June 29, 2022, the Shareholders approved the amendments to the Articles of Association of the Company as set out in the Appendix to the circular dated April 29, 2022. The latest version of 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 2023, 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 116 to 299, comprise:

- the consolidated balance sheet as at December 31, 2022;
- 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, 2022, 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, 2022, the Group had goodwill of RMB37,874 million and other intangible assets with indefinite useful lives of RMB14,030 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 CGUs related to goodwill and determining key assumptions such as revenue growth rates, gross margin and discount rates, etc (including considering the impact of COVID-19 to such assumptions). Management believes that the impairment of goodwill of RMB1,344 million occurred during the year was mainly due to the decrease in recoverable amount of individual businesses of Joyvio group caused by increased discount rate, change in future operating strategies and lower-than-expected performance. The remaining goodwill and intangible assets with indefinite useful lives were not subject to impairment during the year. 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 sensitivity analysis around the key assumptions made by management when assuming expected revenue growth rates, discount rates. etc., 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, 2022, the Group has financial assets measured at fair value with level 3 inputs of RMB49,032 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 RMB6,450 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, 2022, the Group had deferred income tax assets of RMB20,299 million. In addition, the Group had unrecognized temporary difference and tax loss of RMB17,097 million and RMB30,631 million respectively as at December 31, 2022. 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, 2022 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, 2022, 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 December 31, 2022, the gross balance of loans to customers of the subsidiaries engaged in banking business of RMB124,527 million against which a corresponding allowance for expected credit loss ("ECL") of RMB2,206 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; and • 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" and out-of-model adjustments 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, 2023

Consolidated Income Statement

For the year ended December 31, 2022

	Note	Year ended December 31, 2022 RMB'000	2021 RMB'000
Sales of goods and services	5	**480,695,487**	487,259,121
Interest income	5	**5,072,941**	3,968,497
Interest expense	5	**(2,105,731)**	(1,355,941)
Net interest income		**2,967,210**	2,612,556
Total revenue	5	**483,662,697**	489,871,677
Cost of sales and services	8	**(398,208,721)**	(403,940,867)
Gross profit		**85,453,976**	85,930,810
Selling and distribution expenses	8	**(25,363,417)**	(24,259,912)
General and administrative expenses	8	**(38,917,593)**	(39,972,079)
Expected credit loss	8	**(727,954)**	(1,740,258)
Investment (losses)/income and gains	6	**(2,990,551)**	6,954,366
Other gains/(losses) – net	7	**698,827**	(935,040)
Finance income	10	**1,460,073**	864,078
Finance costs	10	**(6,911,733)**	(5,729,570)
Share of profit of associates and joint ventures accounted for using the equity method		**147,784**	977,935
Profit before income tax		**12,849,412**	22,090,330
Income tax expense	13	**(2,455,439)**	(6,041,822)
Profit for the year		**10,393,973**	16,048,508
Profit attributable to:			
– Equity holders of the Company		**1,167,063**	5,754,886
– Other non-controlling interests		**9,226,910**	10,293,622
		10,393,973	16,048,508
Earnings per share for the profit attributable to the equity holders of the Company *(expressed in RMB per share)*			
Basic earnings per share	14	**0.50**	2.46
Diluted earnings per share	14	**0.37**	2.28

Consolidated Statement of Comprehensive Income

For the year ended December 31, 2022

	Note	Year ended December 31, 2022 RMB'000	2021 RMB'000
Profit for the year		**10,393,973**	16,048,508
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	**(709,003)**	487,511
Changes in credit risk on financial liabilities measured at fair value through profit or loss, net of taxes	13	**8,160**	(1,328)
Share of other comprehensive income/(loss) of associates using equity accounting, net of taxes	13	**28,565**	(988)
Remeasurements of post-employment benefit obligation, net of taxes	13	**756,205**	12,708
Revaluation of investment properties upon reclassification from property, plant and equipment, net of taxes	13	**558**	89,487
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	**(70,711)**	(27,750)
Currency translation differences	13	**1,582,730**	(3,419,086)
Share of other comprehensive (loss)/income of associates using equity accounting, net of taxes	13	**(3,046)**	56,597
Fair value change on cash flow hedges, net of taxes	13	**(1,088,444)**	923,344
Other comprehensive income/(loss) for the year, net of taxes		**505,014**	(1,879,505)
Total comprehensive income for the year		**10,898,987**	14,169,003
Attributable to:			
– Equity holders of the Company		**2,465,803**	4,967,304
– Other non-controlling interests		**8,433,184**	9,201,699
		10,898,987	14,169,003

Consolidated Balance Sheet

As at December 31, 2022

	Note	As at December 31, 2022 RMB'000	2021 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	15	32,230,915	26,613,671
Right-of-use assets	16	5,959,354	7,665,396
Investment properties	17	15,807,609	12,466,265
Intangible assets	19	68,394,957	63,617,646
Associates and joint ventures using equity accounting	12	16,714,672	14,935,406
Associates measured at fair value through profit or loss	12	18,521,268	19,903,531
Financial assets at fair value through other comprehensive income	21	6,682,661	8,641,382
Financial assets at fair value through profit or loss	31	10,959,316	10,371,834
Loans to customers	26	82,584,125	77,874,281
Loans to credit institutions	27	–	1,320,193
Derivative financial assets	22	5,856,183	498,200
Other financial assets at amortised cost	28	51,077,681	48,203,427
Deferred income tax assets	45	20,299,139	18,606,062
Other non-current assets	23	12,036,748	12,449,355
Total non-current assets		347,124,628	323,166,649
Current assets			
Inventories	29	55,976,227	56,201,248
Consumable biological assets	18	1,240,637	1,750,507
Properties under development	30	19,252	1,444,087
Accounts and notes receivables	24	77,932,211	89,699,633
Prepayments, other receivables and other current assets	25	33,377,120	41,206,026
Loans to customers	26	44,999,257	45,951,978
Loans to credit institutions	27	4,214,574	2,697,271
Derivative financial assets	22	1,028,367	1,112,998
Financial assets at fair value through profit or loss	31	21,322,964	24,020,159
Financial assets at fair value through other comprehensive income	21	1,852,118	1,948,322
Other financial assets at amortised cost	28	7,583,530	5,291,381
Balances with central banks	32	1,309,158	24,058,838
Restricted deposits	32	1,800,681	1,945,704
Bank deposits	32	134,427	234,743
Cash and cash equivalents	32	81,159,017	59,956,630
Total current assets		333,949,540	357,519,525
Total assets		681,074,168	680,686,174

	Note	As at December 31, 2022 RMB'000	2021 RMB'000
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital	*34*	**2,356,231**	2,356,231
Reserves		**60,229,196**	58,913,657
Total equity attributable to equity holders of the Company		**62,585,427**	61,269,888
Perpetual securities	*35*	**1,360,118**	1,558,457
Other non-controlling interests		**41,843,891**	35,006,747
Put option written on non-controlling interests	*40(c)(1)*	**(3,633,810)**	(5,024,368)
Total equity		**102,155,626**	92,810,724
LIABILITIES			
Non-current liabilities			
Borrowings	*44*	**81,584,846**	95,243,773
Lease liabilities	*16*	**2,893,169**	2,898,182
Amounts due to credit institutions	*41*	**2,324,565**	16,164,589
Amounts due to customers	*42*	**2,986,590**	2,648,144
Derivative financial liabilities	*22*	**1,843,337**	1,922,328
Deferred revenue	*37*	**9,730,974**	9,117,512
Retirement benefit obligations	*46*	**2,045,291**	2,803,639
Provisions	*47*	**1,844,006**	1,898,187
Financial liabilities at fair value through profit or loss	*43*	**11,053,595**	9,261,093
Deferred income tax liabilities	*45*	**9,675,846**	9,938,336
Other non-current liabilities	*40*	**7,924,679**	10,048,093
Total non-current liabilities		**133,906,898**	161,943,876

	Note	As at December 31, 2022 RMB'000	2021 RMB'000
Current liabilities			
Trade and notes payables	*36*	**80,492,436**	90,080,446
Other payables and accruals	*38*	**106,070,837**	112,540,532
Amounts due to credit institutions	*41*	**22,898,166**	13,464,130
Amounts due to customers	*42*	**153,161,123**	146,671,919
Financial liabilities at fair value through profit or loss	*43*	**4,228,212**	1,612,896
Derivative financial liabilities	*22*	**2,563,646**	1,174,850
Provisions	*47*	**6,248,117**	6,638,028
Advance from customers	*39*	**1,749,006**	2,540,884
Deferred revenue	*37*	**11,263,168**	8,709,517
Income tax payables		**4,281,068**	3,743,298
Lease liabilities	*16*	**1,153,466**	1,130,162
Borrowings	*44*	**50,902,399**	37,624,912
Total current liabilities		**445,011,644**	425,931,574
Total liabilities		**578,918,542**	587,875,450
Total equity and liabilities		**681,074,168**	680,686,174

The consolidated financial statements on pages 116 to 299 were approved by the Board of Directors on March 31, 2023 and were signed on its behalf.

NING Min
Director

LI Peng
Director

Consolidated Statement of Changes in Equity

For the year ended December 31, 2022

	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, 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
Profit for the year	–	–	–	–	–	–	–	–	–	1,167,063	–	9,226,910	–	10,393,973
Other comprehensive (loss)/income														
Fair value changes on financial assets at fair value through other comprehensive income	–	–	–	(700,388)	–	–	–	–	–	–	–	(79,326)	–	(779,714)
Credit risk changes on financial liabilities measured at fair value through profit or loss	–	–	–	7,342	–	–	–	–	–	–	–	818	–	8,160
Share of other comprehensive income of associates using equity accounting	–	–	–	25,519	–	–	–	–	–	–	–	–	–	25,519
Fair value change on cash flow hedges	–	–	–	–	–	–	(252,968)	–	–	–	–	(835,476)	–	(1,088,444)
Currency translation differences	–	–	–	–	–	–	–	1,958,077	–	–	–	(375,347)	–	1,582,730
Remeasurement of post-employment benefit obligations	–	–	–	–	–	–	–	–	260,656	–	–	495,549	–	756,205
Revaluation of investment properties upon reclassification from property, plant and equipment	–	–	–	502	–	–	–	–	–	–	–	56	–	558
Total comprehensive (loss)/income for the year	–	–	–	(667,025)	–	–	(252,968)	1,958,077	260,656	1,167,063	–	8,433,184	–	10,898,987
Total transfer to retained earnings	–	–	–	11,025	–	–	–	–	–	(11,025)	–	–	–	–
Total transactions with owners, recognised directly in equity														
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	219,520	–	219,520
Disposal of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	(18,876)	–	(18,876)
Transaction with other non-controlling interests *(Note 54)*	–	–	–	–	–	–	–	–	213,820	–	–	453,408	–	667,228
Contribution from other non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	977,489	–	977,489
Issuance of convertible bonds	–	–	–	–	–	–	–	–	278,679	–	–	652,074	–	930,753
Repurchase of convertible bonds	–	–	–	–	–	–	–	–	(206,957)	–	–	(484,254)	–	(691,211)
Decrease of perpetual capital	–	–	–	–	–	–	–	–	–	–	(200,000)	–	–	(200,000)
Transfer to reserve	–	–	–	–	–	–	–	–	4,772	(135,319)	–	(16,375)	–	(146,922)
Recognize repurchase obligations based on the convertible bond agreement	–	–	–	–	–	–	–	–	(589,270)	–	–	(31,014)	–	(620,284)
Share of other reserve of associates	–	–	–	–	–	–	–	–	(44,939)	–	–	289	–	(44,650)
Share-based compensation	–	–	–	–	547,912	–	–	–	–	–	–	1,119,152	–	1,667,064
Transfer to statutory surplus reserve	–	–	223,616	–	–	–	–	–	–	(223,616)	–	–	–	–
Dividends paid and declared *(Note 48)*	–	–	–	–	–	–	–	–	–	(942,506)	–	(3,281,098)	–	(4,223,604)
Coupon paid/interest adjustment holders of perpetual securities	–	–	–	–	–	–	–	–	–	(61,680)	1,661	(6,869)	–	(66,888)
Exercise of put option written on non-controlling interest	–	–	–	–	–	–	–	–	(214,776)	–	–	(1,179,486)	1,390,558	(3,704)
Total transactions with owners, recognised directly in equity	–	–	223,616	–	547,912	–	–	–	(558,671)	(1,363,121)	(198,339)	(1,596,040)	1,390,558	(1,554,085)
As at December 31, 2022	2,356,231	11,281,940	919,845	(127,215)	4,320,128	(336,574)	(145,490)	(4,376,379)	(828,997)	49,521,938	1,360,118	41,843,891	(3,633,810)	102,155,626

	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, 2021	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 Cash Flow Statement

For the year ended December 31, 2022

	Note	Year ended December 31, 2022 RMB'000	2021 RMB'000
Cash flows from operating activities			
Cash generated from operations	50	**51,384,148**	27,627,244
Income tax paid		**(3,831,988)**	(5,459,143)
Net cash generated from operating activities		**47,552,160**	22,168,101
Cash flows from investing activities			
Purchases of property, plant and equipment and intangible assets		**(14,295,810)**	(9,856,639)
Proceeds from sale of property, plant and equipment and intangible assets		**260,906**	611,760
Purchase of financial assets at fair value through profit or loss		**(9,515,945)**	(13,397,354)
Proceeds from the disposal of financial assets at fair value through profit or loss		**9,682,542**	10,970,193
Dividends from financial assets at fair value through profit or loss		**219,449**	202,729
Capital injection in associates measured at fair value through profit or loss		**(1,153,492)**	(1,482,212)
Distributions from associates measured at fair value through profit or loss		**1,821,010**	2,329,827
Acquisition of and capital injection in associates and joint ventures using equity accounting		**(1,150,052)**	(223,971)
Proceeds from disposal of associates using equity accounting		**1,677,866**	4,331,574
Dividends from associates using equity accounting		**518,212**	1,158,171
Purchase of financial assets at fair value through other comprehensive income		**(697,615)**	(425,281)
Disposal of financial assets at fair value through other comprehensive income		**674,611**	649,265
Dividends from financial assets at fair value through other comprehensive income		**34,862**	38,457
Acquisition of subsidiaries, net of cash acquired	49	**(3,356,034)**	(902,609)
Disposal of subsidiaries, net of cash disposed		**20,953**	866,244
Loans (granted to)/repaid from related parties and third parties		**(891,130)**	1,009,187
Interest received		**701,518**	457,363
Increase/(decrease) in fixed deposits for more than 3 months		**506,262**	(590,247)
Disposal of financial assets at amortized cost and derivative financial instruments		**92,082**	735
Prepaid proposed transactions		**–**	(629,001)
Net cash used in investing activities		**(14,849,805)**	(4,881,809)

	Note	Year ended December 31, 2022 RMB'000	2021 RMB'000
Cash flows from financing activities			
Proceeds from borrowings		113,114,490	114,179,342
Repayments of borrowings		(126,167,090)	(120,940,919)
Repayments of lease liabilities		(1,624,010)	(1,246,766)
Issue of convertible bonds, net of issuance costs	44	4,470,533	–
Issue of other bonds, net of issuance costs		11,385,604	2,708,034
Repurchase of convertible bonds		(3,671,472)	–
Repurchase of convertible preferred shares		–	(1,642,377)
Payment of put option liabilities		(1,895,000)	–
Capital injections from other non-controlling interests		817,638	1,973,537
Distribution to other non-controlling interests		(3,261,485)	(2,903,317)
Transaction with other non-controlling interests		87,984	(9,277,225)
Dividends paid to equity holders of the Company	48	(836,012)	(849,678)
Interest paid		(7,464,504)	(6,187,716)
Net cash used in financing activities		(15,043,324)	(24,187,085)
Net increase/(decrease) in cash and cash equivalents		17,659,031	(6,900,793)
Cash and cash equivalents at beginning of year		59,956,630	69,718,438
Exchange gains/(losses) on cash and cash equivalents		3,543,356	(2,861,015)
Cash and cash equivalents at end of year	32	81,159,017	59,956,630

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.

2.1.1 New and amended standards and interpretations adopted

The following amended standards and interpretation are mandatory for the first time for the Groups financial year beginning on January 1, 2022 and are applicable for the Group:

IFRS 3 (Amendments)	Reference to the conceptual framework
IAS 16 (Amendments)	Property, plant and equipment: Proceeds before Intended Use
IAS 37 (Amendments)	Onerous contracts – Cost of fulfilling a contract
Annual improvements	Annual improvements to IFRS Standards 2018-2020 Cycle
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combinations

Amendments to IFRS and IAS effective for the financial year beginning on January 1, 2022 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 standards not yet adopted

The following are new and amended standards that have been issued but are not yet effective for the financial year beginning on January 1, 2022 and have not been early adopted.

		Effective for financial year beginning on or after
IFRS 17	Insurance Contracts	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)	Assets and liabilities arising from a single transaction Deferred taxes related to liabilities	1 January 2023
IAS 1 (Amendments)	Classification of Liabilities as Current or Non-current and non-current Liabilities with Covenants	1 January 2024
IAS 16 (Amendments)	Lease Liabilities in a Sale-and-Leaseback	1 January 2024
IAS 5 (Amendments)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contain a Repayment on Demand Clause	1 January 2024
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 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, 2022 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 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 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 gains/(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 gains/(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 lands, buildings 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 gains/(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 and trout, 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 and trout 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.
		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 gains/(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 gains/(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 gains/(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 gains/(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 (losses)/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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16 Derivative financial instruments and hedging activities (Continued)

(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 gains/(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 gains/(losses)-net".

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss on the hedging instrument that has been recognised as other comprehensive income from the period when the hedge was effective shall remain separately in equity until the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the cumulative gain or loss on the hedging instrument that has been recognised as other comprehensive income from the period when the hedge was effective shall be immediately reclassified from equity to the consolidated income statement within "other gains/(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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16 Derivative financial instruments and hedging activities (Continued)

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

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

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 income statement.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.18 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. The majority of other receivables are arising from IT business and represent amounts due from subcontractors for part components sold in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Receivables are initially measured at consideration amounts with no additional conditions, with the exception that receivables containing material financing component should be initially measured at fair value. Receivables' cash flows represent SPPI. Trade and notes receivables that are held for collection of contractual cash flows and for selling the assets shall be measured at FVOCL. Receivables that are held for collection of contractual cash flows are measured at amortised cost using effective interest rate method. For more information on accounting treatment of account receivables of the Group, please see Note 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).

2.19 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

2.22 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.23 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.24 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the consolidated income statement in the period in which they are incurred.

2.25 Current and deferred income tax

The income tax expense for the period comprises current and deferred income tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statement. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, joint ventures and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.25 Current and deferred income tax (Continued)

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same tax authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.26 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation can not be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

2.27 Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of subsidiaries or associates to secure loans, overdrafts and other banking facilities.

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:

- the amount determined in accordance with the expected credit loss model under IFRS 9 Financial Instruments and

- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15 Revenue from Contracts with Customers.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of associates and joint venture are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.28 Employee benefits

The Group operates various post-employment schemes. The schemes are generally funded through payments to insurance companies or trustee-administrated funds, which are measured by periodic actuarial calculation. The Group has both defined benefit and defined contribution plans.

(a) Pension obligations

Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past service costs. Significant portion of the defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

The current service cost of the defined benefit plan, recognised in the consolidated income statement in employee benefit expense, except where included in the cost of an asset, reflects the increase in the defined benefit obligation results from employee service in the current year, benefit changes, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the consolidated income statement.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.28 Employee benefits (Continued)

(a) Pension obligations (Continued)

Past service costs are recognised immediately in the income statement, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortised on a straight-line basis over the vesting period.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee services in the current and prior periods. The contributions are recognised as employee benefit expense when they are due and are reduced by employer's portion of voluntary contributions forfeited by those employees who leave the scheme prior to vesting fully. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

The Group's contributions to local municipal government retirement schemes in connection with retirement benefit schemes in the Mainland of China are expensed as incurred. The local municipal governments in the Mainland of China assume the retirement benefit obligations of the qualified employees.

(b) Post-employment medical benefits

The Group operates a number of post-employment medical benefit schemes, the largest being in the United States. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using an accounting methodology similar to that for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised as other comprehensive loss in the period in which they arise. The obligations of these schemes in the United States are valued annually by independent qualified actuaries.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.29 Share-based payments

The Group operates a number of equity-settled compensation plans, including the long-term incentive program adopted by a principal subsidiary, Lenovo, 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 finance costs.

(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 and recorded in deferred revenue or advances from customers is recognized. As at December 31, 2022, 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, 2022, 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 gains/(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 Company 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 exchange risk arising from various currency exposures, primarily with respect to United States dollar ("USD"), Renminbi ("RMB"), Euro ("EUR") and Swiss Franc ("CHF"). Foreign exchange 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, 2022					
	USD	RMB	EUR	CHF	Other	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Account and other receivables	6,292,154	80,315	1,350,614	6,426	173,162	7,902,671
Cash and cash equivalents, bank deposits, restricted deposits and balances with central banks	2,378,475	162,038	961,789	12,156,060	1,461,932	17,120,294
Loans to customers and credit institutions	7,090,029	–	1,682,988	767,202	2,229,544	11,769,763
Other financial assets at amortized cost	10,254,074	–	913,210	–	–	11,167,284
Financial assets at fair value through profit and loss	95,860	–	–	–	3,275	99,135
Financial assets at fair value through other comprehensive income	210,761	–	–	10,635	946	222,342
Derivative financial assets	454,270	–	25,599	12,893	425,830	918,592
Other assets	31,845	2,393	–	–	5,772	40,010
Trade and other payables	(3,830,154)	(42,897)	(1,246,714)	(3,114)	(2,172,824)	(7,295,703)
Amount due to customers and credit institutions	(28,728,902)	–	(1,897,041)	(1,116,690)	(8,046,208)	(39,788,841)
Borrowings	(6,234,046)	–	(1,156,697)	–	(636,468)	(8,027,211)
Financial liabilities at fair value through profit and loss	(2,956,575)	–	–	(1,169,826)	(1,439,759)	(5,566,160)
Derivative financial liabilities	(493,631)	(11,024)	(573,736)	(72,093)	(584,332)	(1,734,816)
Other liabilities	(916,825)	(3,725)	(6,778)	(1,400,626)	(257,903)	(2,585,857)
Intercompany balances before elimination	2,508,235	30,549,951	(614,716)	–	(3,310,070)	29,133,400
Gross exposure	(13,844,430)	30,737,051	(561,482)	9,190,867	(12,147,103)	13,374,903
Notional amounts of contracts used as economic hedge	45,193,372	(247,403)	(13,358,869)	–	(1,625,143)	29,961,957
Net exposure	31,348,942	30,489,648	(13,920,351)	9,190,867	(13,772,246)	43,336,860

4. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(I) Foreign exchange risk (Continued)

	As at December 31, 2021					
	USD *RMB'000*	RMB *RMB'000*	EUR *RMB'000*	CHF *RMB'000*	Other *RMB'000*	Total *RMB'000*
Account and other receivables	3,624,178	126,207	1,798,683	774	493,130	6,042,972
Cash and cash equivalents, bank deposits, 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 customers 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 liabilities	(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)

As at December 31, 2022, 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 RMB882 million (As at December 31, 2021, RMB859 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 rate risk

The Group's interest rate risk arises from the mismatches between contractual maturities or re-pricing dates of interest-generating assets and interest-bearing liabilities. Each of 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 based on market conditions 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, 2022					
	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 equivalents, bank deposit, restricted deposit and balances with central banks *(Note 32)*	83,769,536	633,747	–	–	–	84,403,283
Financial assets at fair value through other comprehensive income *(ii) (Note 21)*	1,913,869	946	1,570,144	1,214,850	–	4,699,809
Financial assets at fair value through profit and loss *(ii) (Note 31)*	1,749,184	83,113	1,239,907	–	–	3,072,204
Other financial assets at amortised cost *(Note 28)*	10,931,931	3,574,966	23,609,656	20,544,658	–	58,661,211
Loans to customers *(Note 26)*	36,503,327	7,438,790	17,412,279	66,228,986	–	127,583,382
Loans to credit institutions *(Note 27)*	4,214,574	–	–	–	–	4,214,574
Derivative financial assets *(iii)*	119,477	7	–	–	6,216,939	6,336,423
Receivables *(iv)*	14,696,914	2,914,722	2,603,464	–	–	20,215,100
Total	153,898,812	14,646,291	46,435,450	87,988,494	6,216,939	309,185,986

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(II) Interest rate risk (Continued)

(A) Interest-generating assets (Continued)

	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 equivalents, 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 assets *(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 rate risk (Continued)

(B) Interest bearing liabilities

	As at December 31, 2022					
	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)*	140,903,139	12,233,118	2,983,727	27,729	–	156,147,713
Amount due to credit institutions *(Note 41)*	18,196,334	4,701,832	1,856,703	467,862	–	25,222,731
Financial liabilities at fair value through profit and loss *(Note 43)*	3,871,879	2,947,541	6,269,868	2,192,519	–	15,281,807
Borrowings *(Note 44)*	19,041,281	55,850,121	34,257,952	23,337,891	–	132,487,245
Derivative financial liabilities *(iii)*	23,595	76	–	–	3,084,205	3,107,876
Payables *(v)*	3,571,443	1,100,895	1,827,991	35,480	–	6,535,809
Total	185,607,671	76,833,583	47,196,241	26,061,481	3,084,205	338,783,181

	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

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(II) Interest rate risk (Continued)

(C) Interest rate risk gap

	As at December 31, 2022				
	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	(31,708,859)	(62,187,292)	(760,791)	61,927,013	3,132,734

	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)

(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 accounts and notes receivables, other receivables and long-term receivables.

(v) Payables are mainly composed of trade and notes 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 in 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,	
	2022	2021
	RMB'000	*RMB'000*
Listed equity securities		
Equity securities – Mainland China	**236,408**	469,413
Equity securities – Hong Kong	**28,489**	34,587
Equity securities – Europe	**8,999**	14,924
Equity securities – United States	**14,553**	28,893
Fair value change of listed equity securities	**288,449**	547,817

Listed equity securities at fair value through other comprehensive income:

	Impact on other comprehensive income Year ended December 31,	
	2022	2021
	RMB'000	*RMB'000*
Listed equity securities		
Equity securities – Japan	**5,152**	4,933
Equity securities – Hong Kong	**9,918**	10,084
Equity securities – Others	**12,820**	16,003
Fair value change of listed equity securities	**27,890**	31,020

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 reverse repurchase agreements and settlement balances with market counterparties.

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 securities 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 IFRS 9 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 pre-determined threshold which is conditional to the exposure type (e.g. retail, corporates 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, and (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 components 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, European Central Bank and European Commission, 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 2022

	LUXEMBOURG						EUROZONE					
	December 2022			December 2021			December 2022			December 2021		
	Actual	Upside	Downside	Baseline	Upside	Downside	Actual	Upside	Downside	Baseline	Upside	Downside
Real GDP	1.6	1.6	1.6	3.0	4.7	(1.3)	3.3	3.3	3.3	3.8	5.6	(0.4)
Unemployment	4.8	4.8	4.8	5.5	5.4	5.9	6.7	6.7	6.7	7.6	7.1	8.9
Consumer Prices	8.4	8.4	8.4	3.2	4.3	1.8	8.4	8.4	8.4	3.2	4.4	1.4
Stock Prices	(5.2)	(5.2)	(5.2)	9.5	30.8	(26.5)	(5.2)	(5.2)	(5.2)	4.5	13.4	(18.5)
Residential Property Prices	10.3	10.3	10.3	2.3	6.1	(2.0)	7.0	7.0	7.0	6.0	8.4	1.3

Year 2023

	LUXEMBOURG						EUROZONE					
	December 2022			December 2021			December 2022			December 2021		
	Baseline	Upside	Downside	Baseline	Upside	Downside	Baseline	Upside	Downside	Baseline	Upside	Downside
Real GDP	1.1	3.0	(3.0)	2.8	3.8	1.5	0.5	2.2	(3.4)	2.7	3.5	1.4
Unemployment	5.1	5.1	5.9	5.7	5.4	7.0	7.1	6.8	8.3	7.4	6.7	9.7
Consumer Prices	4.3	4.3	1.7	1.3	1.8	0.1	6.6	6.5	4.0	1.0	1.8	(0.6)
Stock Prices	(25.8)	(19.2)	(50.6)	(1.0)	7.9	3.8	0.3	8.2	(28.1)	0.8	4.2	7.8
Residential Property Prices	5.9	6.1	2.6	3.9	6.2	1.2	(0.1)	1.0	(4.8)	4.7	7.0	(2.2)

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)

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, 2022			As at December 31, 2021		
	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%	10%	30%	482,476	242,849	725,325	339,326	238,250	577,576
Modelled ECL	60%	20%	20%	450,718	233,896	684,614	NA	NA	NA
Stressed ECL	100%	–	–	411,674	222,761	634,435	267,129	223,811	490,940
	–	100%	–	350,287	206,282	556,569	209,371	216,591	425,962
	–	–	100%	668,135	295,283	963,418	700,311	303,227	1,003,538
	80%	–	20%	462,966	237,236	700,202	353,765	238,250	592,015
	60%	–	40%	514,258	251,785	766,043	440,401	252,690	693,091

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

D **ECL Post-Model Adjustment – Adjustment of the weighting of Macroeconomic Scenarios**

BIL has implemented a Post-Model Adjustment since June 30, 2022 on its modelled ECL where it reviewed the weighting of each macroeconomic scenario (Baseline, Downside and Upside) from 60%/20%/20% to 60%/30%/10%. The implementation of an ECL Post-Model Adjustment (PMA) on macroeconomic scenario weighting is supported by the current macroeconomic outlook which is surrounded by heightened uncertainty and risks predominantly tilted to the downside, notably with the Russia-Ukraine conflict and the progressive normalisation of monetary policies made by central banks. The impact of the PMA on the modelled ECL as at December 31, 2022 amounts to RMB39.0 million.

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)

E Management Overlays

From December 31, 2020 to December 31, 2021, BIL implemented two management overlays to modelled ECL 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 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.

These two management overlays were reversed as from June 30, 2022. This reversal is justified by the continued repayments made on the loans benefitting from moratoria and the analysis of the financial documents for the MidCorp perimeter that do not justify the one-notch downgrade anymore.

ECL Management Overlay (Outreach Program)
BIL has chosen to implement a management overlay, as an additional layer of prudence for an amount of RMB12.8 million to anticipate potential credit losses on variable rate retail mortgage borrowers pre-identified as vulnerable in a context of increasing interest rates.

ECL Management Overlay (Origination Date)
BIL has addressed through a management overlay a deficiency identified in its ECL model where the Significant Increase in Credit Risk for some exposure was not calibrated based on the issuance date of a Credit Commitment but on the first drawdown of a credit line leading to a management overlay for a total amount of RMB7.1 million.

3. FINANCIAL RISK MANAGEMENT (Continued)

3.2 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 2022				
	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)*	36,090,255	1,242,038	686,352	72,684,700	110,703,345
Loans to credit institutions *(Note 27)*	4,221,893	291	43	–	4,222,227
Loans to customers *(Note 26)*	101,402,392	23,232,615	6,731,073	–	131,366,080
Other financial assets at amortised cost *(Note 28)*	58,077,075	652,235	–	–	58,729,310
Financial assets at fair value through other comprehensive income *(ii)*	4,699,809	–	–	–	4,699,809
Gross balance	204,491,424	25,127,179	7,417,468	72,684,700	309,720,771
Allowance for impairment losses	(798,518)	(310,645)	(3,313,376)	(1,689,239)	(6,111,778)
Net balance	203,692,906	24,816,534	4,104,092	70,995,461	303,608,993

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 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

(i) Receivables mainly composed of trade and note receivables, receivables generated from finance leasing, other receivables, long-term receivables, other current assets and other non-current assets.

(ii) These financial assets are debt securities.

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(III) Credit risk exposure (Continued)

Maximum exposure to credit risk-Financial instruments subject to impairment (Continued)

IFRS 9 has been adopted by the Group to measure provisions for loans commitments and financial guarantees etc. As at December 31, 2022, the maximum exposure to credit risk of the commitments in respect of loans granted and commitments in respect of guarantee given is RMB38,306 million (As at December 31, 2021, RMB37,392 million), ECL provision recognized is RMB100 million (As at December 31,2021, RMB96 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, 2022	As at December 31, 2021
	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)*	**3,072,204**	3,140,695
Derivative financial assets *(Note 22)*	**6,884,550**	1,611,198

(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, 2022		
	Overdue 1-90 days RMB'000	Overdue over 91 days RMB'000	Total RMB'000
Unsecured	597,634	682,585	1,280,219
Guaranteed	4,025	689,470	693,495
Secured by collateral	812,542	576,975	1,389,517
Secured by pledge	47,008	344,711	391,719
	1,461,209	2,293,741	3,754,950

	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, 2022 and 2021, the Group's maximum exposure covered by the fair value of collateral held of overdue loans is RMB3,315 million and RMB3,463 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:

Stage 1 Credit Risk Exposure	As at December 31, 2022 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	1,102,349	2,677,962	4,994,881	3,160,306	–	11,935,498
Commitments in respect of loans granted	3,203,355	8,857,170	5,803,706	4,196,285	–	22,060,516
Financial assets at FVOCI (debt securities only)	2,233,753	1,993,066	–	369,468	–	4,596,287
Loans and advances	34,415,079	54,181,153	37,213,532	8,796,992	–	134,606,756
Other financial assets at amortised cost	44,041,446	14,904,711	404,284	4,781,855	–	64,132,296
Stage 1 Total Credit Risk Exposures	84,995,982	82,614,062	48,416,403	21,304,906	–	237,331,353

Stage 2 Credit Risk Exposure	As at December 31, 2022 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	5,812	153,454	600,503	191,388	–	951,157
Commitments in respect of loans granted	358,913	264,284	2,037,356	101,412	–	2,761,965
Loans and advances	1,291,522	2,471,168	14,214,285	566,970	–	18,543,945
Other financial assets at amortised cost	79,083	497,857	113,538	3,676	–	694,154
Stage 2 Total Credit Risk Exposures	1,735,330	3,386,763	16,965,682	863,446	–	22,951,221

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, 2022					
	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	42,448	–	28,968	–	154,274	225,690
Commitments in respect of loans granted	2,566	–	12,819	–	159,679	175,064
Loans and advances	176,087	–	1,187	–	2,450,593	2,627,867
Stage 3 Total Credit Risk Exposures	221,101	–	42,974	–	2,764,546	3,028,621

Other Credit Risk Exposure	As at December 31, 2022					
	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	137,057	9,154,103	37,778	74,222	54	9,403,214
Financial assets at FVPL (debt securities only)	432	–	–	–	–	432
Total other Credit Risk Exposures	137,489	9,154,103	37,778	74,222	54	9,403,646
Total Credit Risk Exposures	87,089,902	95,154,928	65,462,837	22,242,574	2,764,600	272,714,841

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, 2021					
	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 securities 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

Stage 2 Credit Risk Exposure	As at December 31, 2021					
	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)

	As at December 31, 2021					
Stage 3 Credit Risk Exposure	AAA to AA–	A+ to BBB–	Non investment grade	Unrated	Default	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Commitments in respect of guarantees given	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

	As at December 31, 2021					
Other Credit Risk Exposure	AAA to AA–	A+ to BBB–	Non investment grade	Unrated	Default	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Derivatives	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)

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 utilization 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, 2022 and 2021 is RMB80 million and RMB236 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, 2022	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 equivalents, bank deposit, restricted deposit and balances with central banks *(Note 32)*	83,670,131	733,152	–	–	84,403,283
Financial assets at fair value through other comprehensive income *(ii) (Note 21)*	1,851,172	946	1,632,343	1,215,348	4,699,809
Financial assets at fair value through profit and loss *(ii) (Note 31)*	1,472,852	359,445	1,239,907	–	3,072,204
Other financial assets at amortised cost *(Note 28)*	4,008,564	3,574,966	25,058,395	26,019,286	58,661,211
Loans to customers *(Note 26)*	35,703,025	9,296,232	16,080,031	66,504,094	127,583,382
Loans to credit institutions *(Note 27)*	2,784,715	1,429,859	–	–	4,214,574
Receivables *(iii)*	87,667,585	10,716,098	7,768,389	2,507,046	108,659,118
Total	217,158,044	26,110,698	51,779,065	96,245,774	391,293,581
Liabilities					
Amount due to customers *(Note 42)*	140,112,496	13,048,627	2,959,234	27,356	156,147,713
Amount due to credit institutions *(Note 41)*	18,654,075	4,244,091	1,856,703	467,862	25,222,731
Financial liabilities at fair value through profit and loss *(Note 43)*	1,039,160	3,189,052	8,848,159	2,205,436	15,281,807
Borrowings *(Note 44)*	14,055,107	36,847,292	51,628,878	29,955,968	132,487,245
Lease liabilities *(Note 16)*	279,942	873,524	2,364,104	529,065	4,046,635
Payables *(iv)*	136,243,547	24,206,624	4,662,876	539,014	165,652,061
Total	310,384,327	82,409,210	72,319,954	33,724,701	498,838,192
Net liquidity exposure	(93,226,283)	(56,298,512)	(20,540,889)	62,521,073	(107,544,611)

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

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 equivalents, 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)

(i) Including at sight and on demand.

(ii) These financial assets are debt securities.

(iii) Receivables mainly composed of accounts and notes receivables, other receivables and long-term receivables.

(iv) Payables mainly composed of trade and notes 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, 2022 and 2021 are as follows:

	As at December 31,	
	2022	2021
	RMB'000	*RMB'000*
Total borrowings *(Note 44)*	**132,487,245**	132,868,685
Total equity	**102,155,626**	92,810,724
	234,642,871	225,679,409
Total debt to total capital ratio	**56.46%**	58.87%

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, 2022 and 2021.

	As at December 31, 2022			
	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	–	–	18,521,268	18,521,268
Financial assets at fair value through profit or loss				
– Listed equity securities	4,271,678	179,978	1,317,322	5,768,978
– Unlisted equity securities	–	–	23,441,098	23,441,098
– Listed debt securities	549,011	810	–	549,821
– Unlisted debt securities	–	96,621	2,425,762	2,522,383
Derivative financial assets	–	6,834,833	49,717	6,884,550
Financial assets at fair value through other comprehensive income				
– Listed equity securities	557,796	–	–	557,796
– Unlisted equity securities	–	–	3,277,174	3,277,174
– Listed debt securities	4,699,809	–	–	4,699,809
Accounts and notes receivable	–	64,473,893	–	64,473,893
Total	10,078,294	71,586,135	49,032,341	130,696,770
Liabilities				
Financial liabilities at fair value through profit or loss	–	9,411,832	5,869,975	15,281,807
Derivative financial liabilities	–	3,827,386	579,597	4,406,983
Total	–	13,239,218	6,449,572	19,688,790

3. FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

	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)

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 1% to 33%. The balance of assets of this category was RMB1,317 million as at December 31, 2022. (The significant non-observable input for the restricted shares is the discount for lack of marketability, which ranges from 5% to 22% in 2021. The balance of assets of this category was RMB960 million as at December 31, 2021).

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, 2022 and December 31, 2021, 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, 2022 and 2021, respectively.

	Associates measured at fair value through profit or loss *RMB'000*	Financial assets at fair value through profit or loss *RMB'000*	Financial assets at fair value through other comprehensive income *RMB'000*	Derivative financial assets *RMB'000*	Total *RMB'000*
At January 1, 2022	**19,903,531**	**23,308,924**	**3,790,458**	**39,840**	**47,042,753**
Additions/capital contributions	**1,221,601**	**7,452,900**	**116,225**	**38,800**	**8,829,526**
Disposals/return of capital	**(672,945)**	**(3,258,924)**	**(50,408)**	**–**	**(3,982,277)**
Transfers out to level 1 *(i)*	**–**	**(900,319)**	**–**	**–**	**(900,319)**
Transfers in from level 2*(i)*	**–**	**–**	**1,361**	**–**	**1,361**
(Losses)/gains recognised in income statement	**(2,732,739)**	**216,830**	**–**	**(30,437)**	**(2,546,346)**
Losses recognised in other comprehensive income	**–**	**–**	**(654,175)**	**–**	**(654,175)**
Exchange adjustment	**801,820**	**364,771**	**73,713**	**1,514**	**1,241,818**
At December 31, 2022	**18,521,268**	**27,184,182**	**3,277,174**	**49,717**	**49,032,341**
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 *(i)*	–	(4,823,731)	–	–	(4,823,731)
Transfers in from level 2 *(i)*	–	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

(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, 2022 and 2021.

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, 2022 and 2021.

	Amounts *RMB'000*
At January 1, 2022	**4,468,518**
Additions	**3,264,414**
Derecognition	**(1,324,785)**
Recognised in consolidated income statement	**(212,363)**
Exchange adjustment	**259,174**
Interest payment	**(5,386)**
At December 31, 2022	**6,449,572**
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	(2,603,577)
At December 31, 2021	4,468,518

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 and market approach, 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 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(b)).

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, 2022 and 2021, the Group is the single largest shareholder of Lenovo with 32.12% and 33.45% 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, 2022 and 2021, 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.

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; and

- 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, 2022

	Industrial Operations							
	Lenovo *RMB'000*	Levima Group *RMB'000*	Joyvio Group *RMB'000*	BIL *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	444,397,338	9,045,102	21,567,859	2,071,545	3,613,643	–	–	480,695,487
Interest income	–	–	–	4,597,572	475,369	–	–	5,072,941
Interest expense	–	–	–	(2,105,731)	–	–	–	(2,105,731)
Inter-segment sales/provide services	–	–	–	–	6,202	–	(6,202)	–
Total	444,397,338	9,045,102	21,567,859	4,563,386	4,095,214	–	(6,202)	483,662,697
Segment results								
Profit/(loss)before income tax	17,252,288	1,000,403	(1,847,288)	1,085,715	(2,880,970)	(1,760,736)	–	12,849,412
Income tax (expense)/credit	(3,765,001)	(16,531)	81,533	(61,319)	865,695	440,184	–	(2,455,439)
Profit/(loss) for the year	13,487,287	983,872	(1,765,755)	1,024,396	(2,015,275)	(1,320,552)	–	10,393,973
Profit/(loss) attributable to equity holders of the Company for the year	4,188,042	503,507	(793,877)	921,751	(2,331,808)	(1,320,552)	–	1,167,063
Segment assets	274,520,303	15,205,632	23,087,946	242,629,393	106,088,820	22,696,418	(3,154,344)	681,074,168
Segment liabilities	247,314,749	7,242,861	17,629,621	223,572,903	30,411,356	55,901,396	(3,154,344)	578,918,542
Other segment information:								
Depreciation and amortisation	(9,003,942)	(590,620)	(577,886)	(407,976)	(158,546)	(8,434)	–	(10,747,404)
Impairment loss for non-current assets *(Note 8)*	–	–	(1,998,637)	(14,395)	–	–	–	(2,013,032)
Investment income and gains/(losses) *(Note 6)*	458,762	2,803	148,075	263,603	(3,863,794)	–	–	(2,990,551)
Finance income	788,955	42,782	25,402	–	65,977	558,616	(21,659)	1,460,073
Finance costs	(3,665,049)	(150,462)	(540,295)	–	(475,844)	(2,101,742)	21,659	(6,911,733)
Share of (loss)/profit of associates and joint ventures accounted for using the equity method	(657,606)	1,182	61,962	–	742,246	–	–	147,784
Material non-cash items other than depreciation and amortisation *(Note 33(c))*	(2,322,523)	–	(34,012)	–	(62,872)	–	–	(2,419,407)
Capital expenditure	15,195,519	2,180,381	1,366,503	840,364	71,736	5,193	–	19,659,696
Associates and joint ventures using equity accounting	2,516,349	291,536	698,707	–	13,208,080	–	–	16,714,672
Associates measured at fair value through profit or loss	–	–	–	–	18,521,268	–	–	18,521,268

5. SEGMENT INFORMATION (Continued)
Year ended December 31, 2021

	Industrial Operations							
	Lenovo *RMB'000*	Levima Group *RMB'000*	Joyvio Group *RMB'000*	BIL *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	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)

(a) Revenue from external customers

	Year ended December 31,	
	2022	2021
	RMB'000	*RMB'000*
China	**136,713,406**	141,863,359
Asia-Pacific region excluding China	**75,804,733**	77,994,795
Europe/Middle East/Africa	**114,952,209**	122,124,140
Americas	**156,192,349**	147,889,383
Total	**483,662,697**	489,871,677

(b) Non-current assets

	As at December 31,	
	2022	2021
	RMB'000	*RMB'000*
China	**62,866,736**	59,356,992
Asia-Pacific region excluding China	**18,569,077**	13,824,670
Europe/Middle East/Africa	**15,736,450**	14,303,495
Americas	**26,981,885**	25,799,216
Total	**124,154,148**	113,284,373

The non-current assets information above is based on the locations of the assets 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,	
	2022	2021
	RMB'000	*RMB'000*
At a point in time	**460,294,119**	471,212,942
Over time	**23,368,578**	18,658,735
	483,662,697	489,871,677

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

As at December 31, 2022, deferred revenue and advance from customers amounting to RMB22,743 million (2021: RMB20,368 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. RMB11,250 million (2021: RMB8,974 million) was recognized as revenue during the year that was included in such balance at the beginning of the year.

(e) Transaction price allocated to the remaining performance obligations

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

	Year ended December 31,	
	2022	2021
	RMB'000	*RMB'000*
Within one year	**13,012,174**	11,250,401
More than one year	**9,730,974**	9,117,512
Total	**22,743,148**	20,367,913

6. INVESTMENT (LOSSES)/INCOME AND GAINS

	Year ended December 31,	
	2022	2021
	RMB'000	*RMB'000*
Gains on disposal/dilution of associates	**692,873**	1,133,499
(Losses)/gains on disposal of subsidiaries	**(30,944)**	422,787
Dividend income from financial assets at fair value through other comprehensive income	**11,995**	8,390
Fair value (losses)/gains and dividend income from associates measured at fair value through profit or loss	**(1,393,686)**	2,780,159
Disposal gains, fair value (losses)/gains, dividend income from financial instruments at fair value through profit or loss and others	**(2,270,789)**	2,609,531
	(2,990,551)	6,954,366

7. OTHER GAINS/(LOSSES) – NET

	Year ended December 31,	
	2022	2021
	RMB'000	*RMB'000*
Government grants	**805,567**	601,427
(Losses)/gains on disposal of property, plant and equipment and intangible assets	**(96,328)**	254,677
Fair value gains on investment properties *(Note 17)*	**1,414,414**	57,737
Net foreign exchange losses	**(1,133,800)**	(958,349)
Severance and related costs	**(23,628)**	(49,526)
Non-recourse factoring costs	**(94,258)**	(335,588)
Others	**(173,140)**	(505,418)
	698,827	(935,040)

8. EXPENSES BY NATURE

	Year ended December 31,	
	2022	2021
	RMB'000	*RMB'000*
Cost of inventories sold	**372,504,108**	377,493,130
Employee benefit expense *(Note 9)*	**38,766,612**	41,918,530
Office and administrative expense	**5,349,488**	3,963,350
Advertising costs	**7,059,614**	6,962,992
Depreciation and amortisation	**10,747,404**	9,655,498
Impairment loss for loan to customers	**366,551**	689,623
Impairment loss for other financial assets	**361,403**	1,050,635
Impairment loss for non-current assets *(i)*	**2,013,032**	869,890
Consultancy and professional fees	**2,287,274**	2,046,782
Customer support service	**4,877,821**	4,990,098
Auditors' remuneration-audit services	**93,890**	110,660
Auditors' remuneration-non audit services	**6,266**	29,552
Labs and testing	**2,211,457**	2,834,812
Lease payments	**205,079**	190,225
Taxes and surcharges	**1,056,576**	892,057
Transportation expense	**1,073,438**	916,018
Inventory write-down	**1,610,784**	1,942,121
Other expenses *(ii)*	**12,626,888**	13,357,143
	463,217,685	469,913,116

(i) For the year ended December 31, 2022, impairment loss on non-current assets mainly consists of impairment loss of intangible assets of RMB1,345 million (2021: RMB588 million) and impairment loss of property, plant and equipment of RMB664 million (2021: RMB235 million). Impairment loss of intangible assets and property, plant and equipment is set out in Note 19 and Note 15.

(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,	
	2022	2021
	RMB'000	*RMB'000*
Wages and salaries	**29,520,921**	32,911,548
Social security costs other than pension	**2,638,723**	2,321,718
Long-term incentive awards granted *(Note 33(c))*	**2,419,407**	2,423,341
Pension costs – defined contribution plans	**2,070,919**	1,925,333
Pension costs – defined benefit plans *(Note 46)*	**162,268**	185,460
Others	**1,954,374**	2,151,130
	38,766,612	41,918,530

10. FINANCE INCOME AND COSTS

	Year ended December 31,	
	2022	2021
	RMB'000	*RMB'000*
Interest expense *(i)*:		
– Bank loans and overdrafts	**2,386,954**	2,132,452
– Other loans	**626,375**	443,303
– Bonds	**2,054,491**	2,091,373
– Lease liabilities	**163,363**	186,100
Factoring costs	**1,599,905**	701,365
Interest costs on put option liability	**80,645**	174,977
Finance costs	**6,911,733**	5,729,570
Interest income *(i)*:		
– Interest income on bank deposits and money market funds	**(1,182,486)**	(504,089)
– Interest income on loans to related parties	**(152,264)**	(225,371)
– Interest income on loans to non-related parties	**(125,323)**	(134,618)
Finance income	**(1,460,073)**	(864,078)
Net finance costs	**5,451,660**	4,865,492

(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, 2022 and 2021 or form a substantial portion of the net assets of the Group at December 31, 2022 and 2021. The directors consider that giving details of other subsidiaries would result in particulars of excessive length.

Company name	Corporate category	Place of incorporation and principal place of business	Issued share capital/ Paid-in capital (in RMB, unless otherwise stated)	Principal activities	Voting rights held 2022	Voting rights held 2021
Lenovo (聯想集團)(i)	Limited liability company	China/Hong Kong, China	USD3,282,318,000	Develop manufacture and market reliable, high-quality, secure and easy-to-use technology products and services	32.12%	33.45%
Raycom Technology Co., Ltd. (融科智地科技股份有限公司)	Joint stock limited liability company	China/Mainland China	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	China/Mainland China	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	China/Hong Kong, China	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	China/Mainland China	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	China/Mainland China	4,000,000,000	Investment and management	100.00%	100.00%
Beijing Huichengdongfang Investment Co., Ltd. (北京慧成東方投資有限公司)	Limited liability company	China/Mainland China	2,005,000,000	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	China/Mainland China	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	China/Mainland China	474,156,235	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	China/Mainland China	1,491,793,341	Providing cold chain and various logistics service	99.20%	99.20%
Levima Group (聯泓集團)	Limited liability company	China/Mainland China	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	China/Mainland China	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")	Joint stock limited liability company	China/Mainland China	3,322,545,963	Providing financial service for small-and medium-sized entities, and investment management	94.62%	94.62%
Shanghai Weimin Hospital Investment Management Co., Ltd. (上海為民醫院投資管理有限公司)	Limited liability company	China/Mainland China	56,969,808	Investment management and medical consultation	58.00%	58.00%

11. SUBSIDIARIES (Continued)

Company name	Corporate category	Place of incorporation and principal place of business	Issued share capital/ Paid-in capital (in RMB, unless otherwise stated)	Principal activities	Voting rights held 2022	Voting rights held 2021
JC International Finance&Leasing Co,.Ltd (君創國際融資租賃有限公司, "JC Finance&Leasing")	Limited liability company	China/Mainland China	2,039,462,533	Finance lease, lease business, purchase lease assets from domestic and overseas.	90.31%	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	China/Mainland China	174,200,000	Trading, processing and sale of seafood and other animal protein-related products	46.08%	46.08%
BIL	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 (鑫榮懋果業科技集團股份有限公司)	Joint stock limited liability company	China/Mainland China	406,000,000	Agriculture products planting and trading,agricultural investment,logistics,foods trading	39.46%	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	China/Mainland China	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	China/Mainland China	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	China/Mainland China	2,010,000,000	Enterprise management service	100.00%	100.00%
Australis Seafoods S.A.	Joint stock limited liability company	Chile/Santiago	USD305,340,247	Production and selling salmon	99.91%	99.89%

11. SUBSIDIARIES (Continued)

(i) In the first half of 2022, the Company's subsidiaries sold 131 million shares of Lenovo to the open market and in the second half of 2022, Lenovo issued shares and upon completion of these transactions, the Company's shareholding in the Lenovo decreased from 33.45% to 32.12% (including the shares held directly and indirectly through Union Star Limited).

As at December 31, 2022, certain equity interests of a few subsidiaries of the Company were subject to restrictions to obtain borrowings, primarily including: i) the 2.57% 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) the 34.29% 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 financing.

Subsidiaries with material non-controlling interests

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

	As at December 31,	
	2022	2021
	RMB'000	*RMB'000*
Non-controlling interests	**31,274,129**	25,277,377
Put option written on a non-controlling interest	**(3,633,810)**	(5,024,368)

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

	Year ended December 31,	
	2022	2021
	RMB'000	*RMB'000*
Net profit attributable to other non-controlling interests	**9,299,245**	8,946,979
Dividends paid to other non-controlling interests	**(2,836,513)**	(2,255,342)

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,	
	2022	2021
	RMB'000	*RMB'000*
Current		
Assets	**181,999,094**	194,816,548
Liabilities	**(201,396,960)**	(214,534,907)
Net current liabilities	**(19,397,866)**	(19,718,359)
Non-current		
Assets	**109,010,707**	95,881,602
Liabilities	**(49,286,563)**	(45,748,982)
Net non-current assets	**59,724,144**	50,132,620
Net assets	**40,326,278**	30,414,261

Summarised Income Statement of Lenovo

	Year ended December 31,	
	2022	2021
	RMB'000	*RMB'000*
Revenue	**444,397,338**	455,330,921
Profit before income tax	**17,252,288**	16,958,918
Income tax expense	**(3,765,001)**	(3,992,539)
Net profit	**13,487,287**	12,966,379
Other comprehensive loss	**(1,304,157)**	(1,335,154)
Total comprehensive income	**12,183,130**	11,631,225

11. SUBSIDIARIES (Continued)

Summarised Cash Flow Statement of Lenovo

	Year ended December 31,	
	2022	2021
	RMB'000	*RMB'000*
Cash flows from operating activities		
Cash generated from operations	**33,486,342**	27,387,438
Income tax paid	**(3,365,994)**	(4,131,793)
Net cash generated from operating activities	**30,120,348**	23,255,645
Net cash used in investing activities	**(14,709,372)**	(8,398,240)
Net cash used in financing activities	**(5,971,869)**	(16,492,414)
Net increase/(decrease) in cash and cash equivalents	**9,439,107**	(1,635,009)
Cash and cash equivalents at beginning of the year	**23,950,113**	26,361,568
Exchange gains/(losses) on cash and cash equivalents	**1,565,397**	(776,446)
Cash and cash equivalents at end of the year	**34,954,617**	23,950,113

12. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

	As at December 31,	
	2022	2021
	RMB'000	*RMB'000*
Investments in associates and joint ventures:		
Associates using equity accounting	**14,752,398**	13,481,577
Joint ventures using equity accounting	**1,962,274**	1,453,829
Using equity accounting *(a)*	**16,714,672**	14,935,406
Measured at fair value through profit or loss *(b)*	**18,521,268**	19,903,531
	35,235,940	34,838,937

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, 2022 and 2021, 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 and principal place of operations	Principal activities	Effective interest held	
			2022	2021
Hankou Bank Co., Ltd. (漢口銀行股份有限公司, "Hankou Bank") *(i)*	China/Wuhan	Commercial banking business	**13.11%**	13.11%
Eastern Air Logistics Co., Ltd. (東方航空物流股份有限公司, "EAL") *(i)*	China/Shanghai	Transportation, warehousing and postal services	**15.29%**	18.09%
Lakala Payment Corporation (拉卡拉支付股份有限公司)	China/Beijing	Provision of terminal-based payment and various internet financial services	**26.14%**	28.24%
Taikang Bybo Dental Group Co., Ltd. (泰康拜博醫療集團有限公司, "Bybo Dental")	China/Zhuhai	Dental and other medical service	**26.05%**	26.05%
Jinzai Food Group Co., Ltd. (勁仔食品集團股份有限公司, "Jinzai Food")*(i)*	China/Yueyang	Research, manufacture of food; sale of prepackaged and bulk food; import and export of self-operated and agency goods and technology	**8.68%**	17.68%
Tibet Kaola Science & Technology Development Co., Ltd. (西藏考拉科技發展有限公司, "Kaola Technology")	China/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%.

As at December 31, 2022, Associates and joint ventures using equity accounting with a carrying value of RMB128 million were pledged as collateral for the borrowings of RMB72 million.

During 2022, Lenovo has transferred its interest in a property project under a joint operation arrangement to a joint venture at its carrying amount of RMB1,836 million. The joint venture was set up with the same joint venture partner of the joint operation and there is no change in the interest of the property project held by Lenovo.

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

12. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (Continued)

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

Hankou Bank

Reconciliation of summarised consolidated financial information

	Year ended December 31, 2022 RMB'000	Year ended December 31, 2021 RMB'000
Share of net assets at January 1	**3,384,907**	3,191,545
Share of comprehensive income for the year *(ii)*	**228,649**	226,527
Share of distribution of profit	**(63,300)**	(63,300)
Other increase	**6,547**	30,135
Share of net assets at December 31	**3,556,803**	3,384,907
Goodwill	**577,863**	577,863
Carrying value of investment in the associate	**4,134,666**	3,962,770

(ii) 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, 2022 RMB'000	Year ended December 31, 2021 RMB'000
Share of profit for the year	**538,324**	816,978
Share of other comprehensive income/(loss)	**24,134**	(4,550)
Share of total comprehensive income	**562,458**	812,428
Carrying value of other investment in associates	**10,617,732**	9,518,807

The Group's share of joint ventures:

	Year ended December 31, 2022 RMB'000	Year ended December 31, 2021 RMB'000
Share of loss for the year	**(617,805)**	(5,411)
Share of comprehensive loss for the year	**(617,805)**	(5,411)
Carrying value of investment in joint ventures using equity accounting	**1,962,274**	1,453,829

12. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (Continued)

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

Company Name	Place of incorporation and registration	Type	2022 Fair value RMB'000	2022 Effective interest held	2021 Fair value RMB'000	2021 Effective interest held
– LC Fund III, L.P. *(i)*	Cayman Islands	USD Funds	1,248,544	68.64%	1,732,478	68.64%
– Hony Capital Fund VIII(Cayman),L.P. *(ii)*	Cayman Islands	USD Funds	1,571,645	16.40%	1,670,108	16.40%
– LC Fund VI, L.P.	Cayman Islands	USD Funds	697,040	23.20%	930,222	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))	China/Beijing	RMB Funds	1,904,335	22.22%	1,919,164	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)*	China/Beijing	RMB Funds	1,535,892	15.71%	2,071,586	17.79%
– 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))	China/Beijing	RMB Funds	584,416	31.21%	1,002,603	31.21%
– Great Unity Fund I, L.P.	Cayman Islands	USD Funds	2,541,570	49.08%	2,039,800	49.08%
– Hony Capital Fund V, L.P. *(ii)*	Cayman Islands	USD Funds	915,898	10.98%	906,439	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)*	China/Beijing	RMB Funds	251,614	17.67%	573,494	17.67%
– LC Fund VII, L.P.	Cayman Islands	USD Funds	953,843	22.31%	841,000	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)*	China/Shenzhen	RMB Funds	595,654	19.51%	625,046	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))	China/Tianjin	RMB Funds	25,725	31.67%	219,344	31.67%
– LC Fund V, L.P. *(ii)*	Cayman Islands	USD Funds	231,348	18.94%	336,480	18.94%
– Hongchuang Lianchi Assets Management, L.P. (弘創聯持(深圳)資產管理(有限合夥)) *(ii)*	China/Shenzhen	RMB Funds	343,429	12.40%	444,621	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)*	China/Beijing	RMB Funds	355,196	18.50%	437,677	18.50%
– LC Healthcare Fund I, L.P.	Cayman Islands	USD Funds	411,140	20.00%	538,852	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))	China/Suzhou	RMB Funds	641,325	22.50%	602,720	22.50%
– Shenzhen Hony Tongren Consultant Business L.P. (深圳弘毅同人顧問企業(有限合夥))	China/Shenzhen	RMB Funds	438,415	42.91%	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)*	China/Shenzhen	RMB Funds	186,251	8.90%	313,060	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))	China/Suzhou	RMB Funds	293,632	28.52%	349,560	28.52%
– Hony Capital Fund 2008,L.P. *(ii)*	Cayman Islands	USD Funds	125,237	14.31%	117,952	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))	China/Beijing	RMB Funds	45,545	20.07%	140,206	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))	China/Beijing	RMB Funds	122,197	20.05%	185,844	20.05%

12. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (Continued)

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

Company Name	Place of incorporation and registration	Type	2022 Fair value RMB'000	2022 Effective interest held	2021 Fair value RMB'000	2021 Effective interest held
– Hony International Limited	China/Hong Kong	USD Funds	70,844	40.00%	145,161	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)) *(ii)*	China/Suzhou	RMB Funds	595,271	17.68%	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)*	China/Beijing	RMB Funds	312,884	10.00%	235,172	10.87%
– 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))	China/Shenzhen	RMB Funds	162,623	44.94%	168,742	44.94%
– 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))	China/Shanghai	RMB Funds	393,180	28.22%	359,432	28.22%
– Hony Capital Fund III, L.P.	Cayman Islands	USD Funds	99,995	34.48%	86,176	34.48%
– LC Fund IV, L.P.	Cayman Islands	USD Funds	14,921	29.77%	16,615	29.77%
– Hony Capital II, L.P.	Cayman Islands	USD Funds	35,483	41.38%	32,483	41.38%
– LC Healthcare Fund III, L.P.	Cayman Islands	USD Funds	137,276	32.14%	49,613	33.90%
– Shenzhen Junlian Shenyun Private Equity Investment L.P (深圳君聯深運私募股權投資基金合夥企業(有限合夥))	China/Shenzhen	RMB Funds	222,802	37.18%	–	–
– Others		RMB/USD Funds	456,098	2.32%-54.82%	198,596	2.32%-54.82%
			18,521,268		19,903,531	

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)

(b) 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, 2022	
	Loss for the year, net of tax	**Total comprehensive loss**
	RMB'000	***RMB'000***
RMB funds	**(3,425,026)**	**(3,425,026)**
USD funds	**(5,633,174)**	**(5,633,174)**
Total	**(9,058,200)**	**(9,058,200)**

	Year ended December 31, 2021	
	Profit for the year, net of tax	Total comprehensive income
	RMB'000	*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

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 of 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,	
	2022	2021
	RMB'000	*RMB'000*
Current income tax	**3,998,097**	5,475,625
Deferred income tax *(Note 45)*	**(1,542,658)**	566,197
Income tax expense	**2,455,439**	6,041,822

The Group has been granted certain tax concessions by tax authorities in Mainland of 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,	
	2022	2021
	RMB'000	*RMB'000*
Profit before tax	**12,849,412**	22,090,330
Tax effects of:		
Tax calculated at domestic rates applicable in countries or regions concerned	**2,602,927**	6,005,734
Income not subject to tax	**(3,579,549)**	(4,347,204)
Expenses not deductible for tax purposes	**2,879,751**	2,591,005
Utilisation of previously unrecognised tax losses/temporary differences *(i)*	**(1,263,704)**	(450,412)
Deferred income tax assets not recognised	**2,055,081**	2,355,355
Others	**(288,614)**	(192,597)
Enterprise income tax	**2,405,892**	5,961,881
Land appreciation tax	**49,547**	79,941
Income tax expense	**2,455,439**	6,041,822

(i) In 2022 and 2021, individual 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 2022 and 2021, 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,					
	2022			2021		
	Before tax *RMB'000*	**Tax credit/ (charge)** *RMB'000*	**After tax** *RMB'000*	Before tax *RMB'000*	Tax credit/ (charge) *RMB'000*	After tax *RMB'000*
Fair value changes on non-trading equity securities measured at fair value through other comprehensive income	**(709,609)**	**606**	**(709,003)**	480,581	6,930	487,511
Credit risk changes on financial liabilities measured at fair value through profit or loss	**10,885**	**(2,725)**	**8,160**	(1,328)	–	(1,328)
Fair value changes on debt securities measured at fair value through other comprehensive income	**(94,941)**	**24,230**	**(70,711)**	(37,167)	9,417	(27,750)
Share of other comprehensive income of associates	**25,519**	**–**	**25,519**	55,609	–	55,609
Actuarial income on post-employment benefit obligations	**767,019**	**(10,814)**	**756,205**	25,077	(12,369)	12,708
Fair value changes on cashflow hedges	**(1,081,997)**	**(6,447)**	**(1,088,444)**	928,038	(4,694)	923,344
Currency translation differences	**1,582,730**	**–**	**1,582,730**	(3,419,086)	–	(3,419,086)
Revaluation of investment properties upon reclassification from property, plant and equipment	**756**	**(198)**	**558**	119,045	(29,558)	89,487
Other comprehensive income/(loss)	**500,362**	**4,652**	**505,014**	(1,849,231)	(30,274)	(1,879,505)
Deferred tax *(Note 45)*		**4,652**			(30,274)	

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,	
	2022	2021
Basic earnings attributable to equity holders of the Company *(RMB'000)*	**1,167,063**	5,754,886
Diluted impact on earnings *(RMB'000) (i)*	**(296,737)**	(407,368)
Diluted earnings attributable to the equity holders of the Company *(RMB'000)*	**870,326**	5,347,518
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)**	(17,390)
Weighted average number of issued ordinary shares for calculating basic earnings per share *(thousands)*	**2,338,841**	2,338,841
Potential dilutive effect arising from share incentive plan *(thousands) (ii) (Note 33)*	**8,952**	1,712
Weighted average number of issued ordinary shares for calculating diluted earnings per share *(thousands) (ii)*	**2,347,793**	2,340,553
Earnings per share		
– Basic *(RMB per share)*	**0.50**	2.46
– Diluted *(RMB per share)*	**0.37**	2.28

(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, 2021								
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
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/transfers 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)
Exchange adjustment	(374,288)	(2,318)	(189,426)	58,385	(5,843)	29,078	–	(484,412)
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
For the year ended December 31, 2022								
Opening net book amount	**11,182,562**	**64,111**	**8,466,576**	**1,923,922**	**106,949**	**4,118,854**	**750,697**	**26,613,671**
Acquisition of subsidiaries	**1,695**	**1,504**	**15,348**	**62,740**	**202**	**16,244**	**–**	**97,733**
Additions/transfers from investment property	**629,444**	**48,083**	**1,893,933**	**1,143,346**	**80,496**	**7,815,467**	**23,345**	**11,634,114**
Transfers to intangible assets	**–**	**–**	**–**	**–**	**–**	**(2,283,461)**	**–**	**(2,283,461)**
Transfers from construction in progress	**1,573,830**	**61**	**1,578,646**	**302,277**	**3,173**	**(3,457,987)**	**–**	**–**
Transfers from properties under development	**104,309**	**–**	**–**	**–**	**–**	**–**	**–**	**104,309**
Disposals	**(128,774)**	**(4,034)**	**(169,674)**	**(133,711)**	**(26,316)**	**(35,798)**	**–**	**(498,307)**
Depreciation charge	**(932,546)**	**(26,334)**	**(1,658,677)**	**(864,006)**	**(36,667)**	**–**	**(30,798)**	**(3,549,028)**
Disposal of subsidiaries	**–**	**–**	**(2)**	**(35)**	**(41)**	**–**	**–**	**(78)**
Impairment loss	**(14,693)**	**–**	**(12,145)**	**–**	**(5)**	**–**	**(637,432)**	**(664,275)**
Exchange adjustment	**389,200**	**(1,049)**	**250,757**	**28,576**	**(2,710)**	**111,463**	**–**	**776,237**
Closing net book amount	**12,805,027**	**82,342**	**10,364,762**	**2,463,109**	**125,081**	**6,284,782**	**105,812**	**32,230,915**
As at December 31, 2022								
Cost	**18,627,210**	**251,625**	**19,490,709**	**6,856,927**	**428,366**	**6,284,782**	**882,291**	**52,821,910**
Accumulated depreciation	**(5,634,221)**	**(167,958)**	**(9,032,691)**	**(4,393,641)**	**(302,922)**	**–**	**(139,047)**	**(19,670,480)**
Accumulated impairment	**(187,962)**	**(1,325)**	**(93,256)**	**(177)**	**(363)**	**–**	**(637,432)**	**(920,515)**
Net book amount	**12,805,027**	**82,342**	**10,364,762**	**2,463,109**	**125,081**	**6,284,782**	**105,812**	**32,230,915**

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

Depreciation expense of RMB1,897 million and RMB1,718 million has been charged in "cost of sales and services", RMB224 million and RMB226 million in "selling and distribution expenses", RMB1,428 million and RMB1,249 million in "general and administrative expenses" for the year ended December 31, 2022 and 2021.

The land and buildings, construction in progress and bearer plants with a carrying amount of RMB474 million and RMB487 million were pledged as collateral for the borrowings of RMB178 million and RMB276 million as at December 31, 2022 and 2021, respectively. Refer to Note 17(c) for owner-occupied investment properties pledged.

(i) Impairment loss of Bearer plants

Chengdu kiwifruit planting business of Joyvio Group, a subsidiary of the Company, was affected by weak land, backward varieties and natural disasters. By comparing the recoverable amount and carrying value of this part of assets as at December 31, 2022, Joyvio Group charges the impairment of this asset of RMB314 million. The recoverable amount of the related assets is determined on the basis of fair value less disposal cost.

The competitiveness in Qingdao blueberry production area of Joyvio Group has weakened. The market shares have been gradually replaced by Yunnan modern agricultural production area through the planting varieties and cultivation methods. By comparing the recoverable amount and carrying value of these assets as at December 31, 2022, Joyvio Group charges the impairment of this assets of RMB323 million. The recoverable amount of the related assets is determined according to the value in use, which is similar to the fair value. The key assumptions used are discount rate 10.29% and the compound income growth rate 3.47%.

16. LEASE

(a) Items recognized in the consolidated balance sheet

	As at December 31,	
	2022	2021
	RMB'000	*RMB'000*
Right-of-use assets		
Land use right	**2,492,723**	4,409,828
Buildings	**3,095,698**	2,846,006
Equipment and others	**370,933**	409,562
	5,959,354	7,665,396
Lease liabilities		
Current lease liabilities	**1,153,466**	1,130,162
Non-current lease liabilities	**2,893,169**	2,898,182
	4,046,635	4,028,344

(b) Item recognized in the consolidated income statement

	Year ended December 31,	
	2022	2021
	RMB'000	*RMB'000*
Depreciation of right-of-use assets		
Land use right	**80,003**	89,625
Buildings	**1,143,689**	973,216
Equipment and others	**71,297**	31,516
	1,294,989	1,094,357
Interest expenses (included in financial cost)	**163,363**	186,100
Short term rental and low-value rental (included in general and administrative expenses)	**205,079**	190,225

17. INVESTMENT PROPERTIES

	Year ended December 31,	
	2022	2021
	RMB'000	*RMB'000*
At beginning of the year	**12,466,265**	12,315,945
Additions	**339,137**	27,647
Fair value gains	**1,414,414**	57,737
Disposal	**(119,393)**	(64,246)
Transfer (to)/from property, plant and equipment	**(3,999)**	150,738
Transfer from properties under development and right-of-use assets	**1,699,993**	–
Exchange adjustment	**11,192**	(21,556)
At end of the year	**15,807,609**	12,466,265

The Group's investment properties are mainly 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,	
	2022	2021
	RMB'000	*RMB'000*
Rental income	**751,459**	683,369
Direct operating expenses from properties that generated rental income	**(169,602)**	(143,740)
	581,857	539,629

The direct operating expenses from properties that did not generate rental income is immaterial to the Group during the year ended December 31, 2022 and 2021.

17. INVESTMENT PROPERTIES (Continued)

(b) Valuation basis

The valuations are derived using the income capitalisation method and the discounted cash flow method.

As at December 31, 2022 and 2021, all of the Group's investment properties were within level 3 of the fair value hierarchy as the valuation were arrived at by reference to certain significant unobservable inputs.

The fair value gains are recognised in "other gains/(losses)-net" of consolidated income statement.

Investment properties held by the Group were mainly revalued at the end of 2022 and 2021 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.

As at December 31, 2022 and 2021, 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, 2022 and 2021 were in the following ranges:

	Year ended December 31,	
	2022	2021
Capitalisation rate/discount rate	**4.00%-5.00% or 7.00%-7.50%**	4.00%-5.00%
Expected vacancy rate		
– Office	**3.00%-5.00% or 8.00%-12.00%**	5.00-8.00%
– Retail	**3.00%-5.00% or 0.00%**	3.00-5.00%
– Car park	**5.00% or 35.00%-45.00%**	5.00%
Prevailing market rents		
– Office (per sq.m. per month)	**RMB267-RMB552 or RMB220-RMB240**	RMB230-RMB550
– Retail (per sq.m. per month)	**RMB151-RMB696 or RMB160-RMB190**	RMB129-RMB780
– Car park (per spot per month)	**RMB880-RMB920 or RMB800-RMB1,800**	RMB890-RMB920

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, 2022	
	Favourable change by 10% ***RMB'000***	**Unfavourable change by 10%** ***RMB'000***
Capitalisation rate/discount rate	**869,656**	**(794,601)**
Expected vacancy rate	**121,154**	**(127,154)**

	Year ended December 31, 2021	
	Favourable change by 10% *RMB'000*	Unfavourable change by 10% *RMB'000*
Capitalisation rate	718,412	(653,901)
Expected vacancy rate	57,697	(57,697)

(c) Investment properties pledged as security

As at December 31, 2022, the investment properties with a fair value of RMB11,767 million and a net value of RMB164 million of land and buildings were pledged as collateral for the borrowings of RMB7,990 million. 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, 2022, the investment property with a fair value of RMB192 million and the land and buildings with a net value of RMB82 million were pledged for other payables and accruals and other non-current liabilities. 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,	
	2022 ***RMB'000***	2021 *RMB'000*
Within one year	**1,037,578**	906,400
Later than one year but no later than 5 years	**1,402,298**	1,226,358
Later than 5 years	**292,377**	304
	2,732,253	2,133,062

18. CONSUMABLE BIOLOGICAL ASSETS

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

	As at December 31,	
	2022	2021
	RMB'000	*RMB'000*
Atlantic salmon and trout (sea water) *(a)*	**1,132,811**	1,618,273
Atlantic salmon and trout (fresh water)	**107,826**	132,234
	1,240,637	1,750,507

The consumable biological assets with a carrying amount of USD164 million (RMB1,145 million) were pledged as collateral for the borrowings of USD58 million (RMB407 million) as at December 31, 2022. 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.

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

	Year ended December 31, 2022	Year ended December 31, 2021
	RMB'000	*RMB'000*
At the beginning of the year	**1,750,507**	1,559,242
Increase from fattening and production	**2,636,271**	2,299,017
Decrease from harvest (measured at cost)	**(3,129,946)**	(2,068,751)
Fair value adjustment *(b)*	**1,120,986**	406,128
Fair value decrease from harvest	**(1,005,676)**	(406,643)
Provision for impairment of consumable biological assets	**(2,620)**	–
Exchange adjustment	**(128,885)**	(38,486)
At the end of the year	**1,240,637**	1,750,507

18. CONSUMABLE BIOLOGICAL ASSETS (Continued)

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

	As at December 31, 2022		
	Production costs *RMB'000*	**Fair value adjustment** *RMB'000*	**Carrying amount** *RMB'000*
Atlantic salmon	**1,101,403**	**(2,541)**	**1,098,862**
Trout	**28,915**	**5,034**	**33,949**
	1,130,318	**2,493**	**1,132,811**

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

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

	Year ended December 31, 2022 *RMB'000*	Year ended December 31, 2021 *RMB'000*
Atlantic salmon	**1,019,122**	366,581
Trout	**101,864**	39,547
	1,120,986	406,128

(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, 2022									
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
For the year ended December 31, 2022									
Opening 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
Additions	–	261	1,985,245	–	3,374,482	29,308	–	101,512	5,490,808
Acquisition of subsidiaries	–	134,826	24	2,333,580	171,640	–	556,021	–	3,196,091
Disposals	–	–	(15,050)	–	(14,481)	–	(74)	–	(29,605)
Disposal of subsidiaries	–	(14)	–	(63,489)	–	–	–	(261)	(63,764)
Amortisation charge	–	(13,827)	(1,772,172)	–	(3,047,022)	(430)	(958,417)	(111,519)	(5,903,387)
Impairment loss	–	(14)	(900)	(1,343,966)	–	–	–	(542)	(1,345,422)
Exchange adjustment	–	770,462	244,811	1,438,586	476,184	308,559	180,624	13,364	3,432,590
Closing net book amount	–	10,477,635	5,379,375	37,874,150	6,834,111	3,686,991	3,376,268	766,427	68,394,957
As at December 31, 2022									
Cost	597,736	10,764,429	18,259,228	40,222,215	24,968,271	3,688,949	10,945,749	1,703,005	111,149,582
Accumulated amortisation and impairment	(597,736)	(286,794)	(12,879,853)	(2,348,065)	(18,134,160)	(1,958)	(7,569,481)	(936,578)	(42,754,625)
Net book amount	–	10,477,635	5,379,375	37,874,150	6,834,111	3,686,991	3,376,268	766,427	68,394,957

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, 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
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)
Exchange adjustment	–	(340,440)	(148,960)	(1,570,807)	(209,290)	(79,138)	(260,304)	24,900	(2,584,039)
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

Amortisation of RMB952 million and RMB849 million are included in the "cost of sales and services"; RMB96 million and RMB73 million in "selling and distribution expenses"; and RMB4,855 million and RMB4,446 million in "general and administrative expenses" in the consolidated income statement for the year ended December 31,2022 and 2021.

As at December 31, 2022, intangible assets with a carrying value of RMB3,841 million (December 31, 2021: RMB3,428 million) were pledged for borrowings of RMB1,848 million (December 31, 2021: RMB1,531 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:

	As at December 31, 2022		As at December 31, 2021	
Group of CGUs	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	6,518,907	1,288,451	6,252,782	1,156,030
Europe/Middle East/Africa	1,325,391	647,708	1,178,883	550,917
Americas	1,733,990	390,018	1,488,555	336,017
Asia-pacific region excluding Mainland China	3,663,240	348,230	3,442,550	308,688
– Mobility business				
Mature market	4,643,709	1,372,026	4,297,222	1,256,013
Emerging market	5,418,637	1,831,690	4,973,046	1,676,809
– Infrastructure solutions business				
Mainland China	3,386,713	1,128,265	3,315,364	1,032,863
Europe/Middle East/Africa	418,986	215,903	490,929	197,647
Americas	2,372,232	856,646	2,180,489	784,211
Asia-pacific region excluding Mainland China	989,876	376,088	994,609	344,288
– Solutions and services business	4,091,428	369,124	2,360,411	451,731
– BIL				
– Banking business	1,053,160	1,009,514	1,031,401	981,879
– Joyvio Group				
– Salmon production and selling business	28,532	3,778,643	1,127,217	3,431,121
– Other Animal protein business	666,937	–	666,937	–
– Fruit business	402,575	–	399,141	–
– Semi-finished fresh business	56,623	–	165,059	–
– Seafood fishing and selling business	403,606	93,706	402,712	93,686
– Others				
– Education service business	468,302	324,000	531,791	324,000
– Comprehensive medical service business	137,873	–	137,873	–
– Others	93,433	–	72,468	–
	37,874,150	14,030,012	35,509,439	12,925,900

19. INTANGIBLE ASSETS (Continued)

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

Taken into consideration the global economic uncertainties and the impact of the COVID-19, the Group has completed impairment testing on goodwill and intangible assets with indefinite useful life for its Group of CGUs by comparing their recoverable amounts to the carrying amounts as at December 31, 2022. The recoverable amount of the Group of CGUs is determined by the higher of fair value less disposal cost and value in use.

On December 31, 2022, the Group adopted the fair value less disposal cost 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 Group of CGUs extrapolated using constant projections of cash flows beyond the five-year period, plus 0% to 3% (different levels of Group 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 Group of CGUs cash flow of each set. The estimated revenue growth rates used by the Group are determined by management based on historical results and expectations of market developments.

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 Group of CGUs with significant goodwill and intangible assets with indefinite useful lives are as follows:

Group of CGUs	Goodwill			
	As at December 31, 2022		As at December 31, 2021	
	Growth rate	Discount rate	Growth rate	Discount rate
Lenovo				
– PC and intellectual device business				
Mainland China	1.1%	11.0%	7.2%	12.0%
Europe/Middle East/Africa	–5.1%	9.0%	1.4%	9.0%
Americas	–4.4%	9.0%	2.0%	9.0%
Asia-Pacific region excluding Mainland China	–3.9%	10.0%	–1.8%	10.0%
– Mobility business				
Mature market	15.0%	13.0%	25.2%	11.0%
Emerging market	14.0%	14.0%	17.6%	12.0%
– Infrastructure solutions business				
Mainland China	15.7%	14.0%	17.7%	11.5%
Europe/Middle East/Africa	18.8%	11.0%	18.0%	11.0%
Americas	26.9%	12.0%	23.1%	11.0%
Asia-pacific region excluding Mainland China	21.5%	12.0%	21.0%	12.0%
– Solutions and services business	27.6%	13.0%	38.0%	9.7%
– BIL				
– Banking business	8.0%	10.0%	7.0%	10.0%
– Joyvio Group				
– Salmon production and selling business	2.1%	10.4%	7.5%	9.9%
– Fruit business	12.1%	10.0%	11.0%	9.9%
– Semi-finished fresh business	25.0%	14.0%	10.3%	11.5%
– Seafood fishing and selling business	8.2%	9.5%	4.3%	9.2%
– Others				
– Education service business	6.7%	12.2%	3.4%	12.3%
– Comprehensive medical service business	10.8%	10.4%	10.8%	9.1%

19. INTANGIBLE ASSETS (Continued)

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

In the year of 2022, the Group recorded a goodwill impairment of RMB1,344 million, consisting primarily of:

The discount rate increased by Global inflation and the Fed rate hike. And the rising prices of raw materials such as grains and fats have push up the cost. Above all, Joyvio Group decided to adjust its future business strategy and reduce its production and sales plan at the end of 2022, and the impairment of goodwill of RMB1,221 million was charged this year.

Due to the impact of COVID-19, the scale of the Semi-finished fresh business of Joyvio Group shrank sharply with no significant increase in new customers. Thus the business development did not meet expectations, and the impairment of goodwill of RMB108 million was charged this year.

At December 31, 2022, the Board of Directors considered that there was no significant indication of impairment of goodwill and intangible assets with indefinite useful lives, except for the salmon production and selling business and semi-finished fresh business of Joyvio Group.

The recoverable amount of the above related asset units shall be determined according to the value in use 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, 2022, a reasonably possible change in key assumptions used in the impairment test for goodwill would not cause any CGU's carrying amount to exceed its respective recoverable amount, except for seafood fishing and selling business of Joyvio Group.

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

Group of CGUs	**As of December 31, 2022**		As of December 31, 2021	
	Growth rate	**Discount rate**	Growth rate	Discount rate
– Joyvio Group				
– Seafood fishing and selling business	**8.2%**	**9.5%**	4.3%	9.2%

As at December 31, 2022, the recoverable amount will be equal to the carrying amount if the key assumptions of the above CGUs possibly and reasonably change as follows:

Group of CGUs	**Growth rate**		**Discount rate**	
	Before	After	Before	After
– Joyvio Group				
– Seafood fishing and selling business	8.2%	4.9%	9.5%	10.2%

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, 2022					
Assets					
Financial assets at fair value through other comprehensive income	–	–	–	8,534,779	8,534,779
Derivative financial assets	–	871,670	6,012,880	–	6,884,550
Account and notes receivables	13,458,318	–	–	64,473,893	77,932,211
Loans to customers	127,583,382	–	–	–	127,583,382
Loans to credit institutions	4,214,574	–	–	–	4,214,574
Other financial assets at amortised cost	58,661,211	–	–	–	58,661,211
Other receivables and other current assets	20,451,472	–	–	–	20,451,472
Other non-current assets	10,275,435	–	–	–	10,275,435
Financial assets at fair value through profit or loss	–	32,282,280	–	–	32,282,280
Associates measured at fair value through profit or loss	–	18,521,268	–	–	18,521,268
Restricted deposits and balances with central banks	3,109,839	–	–	–	3,109,839
Bank deposits	134,427	–	–	–	134,427
Cash and cash equivalents	81,159,017	–	–	–	81,159,017
	319,047,675	51,675,218	6,012,880	73,008,672	449,744,445

	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	132,487,245	–	–	132,487,245
Amounts due to customers	156,147,713	–	–	156,147,713
Amounts due to credit institutions	25,222,731	–	–	25,222,731
Lease liabilities	4,046,635	–	–	4,046,635
Derivative financial liabilities	–	2,815,468	1,591,515	4,406,983
Trade and notes payables	80,492,436	–	–	80,492,436
Other payables	79,957,735	–	–	79,957,735
Other non-current liabilities	5,201,890	–	–	5,201,890
Financial liabilities at fair value through profit or loss	–	15,281,807	–	15,281,807
	483,556,385	18,097,275	1,591,515	503,245,175

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, 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)

As at December 31, 2022, other financial assets at amortized cost, financial assets at fair value through other comprehensive income and loans to customers and credit institutions of BIL with a total carrying amount of RMB10,074 million (December 31, 2021: RMB24,691 million) was encumbered.

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,	
	2022	2021
	RMB'000	*RMB'000*
Listed equity securities:		
Equity securities – Hong Kong	**198,367**	201,682
Equity securities – Japan	**103,040**	98,657
Equity securities – Others	**256,389**	320,067
Market value of listed equity securities	**557,796**	620,406
Unlisted equity securities	**3,277,174**	3,791,685
Listed debt securities:		
Debt securities – Europe	**4,661,425**	6,149,076
Debt securities – United States	**–**	6,741
Debt securities – Mainland China	**37,438**	18,455
Debt securities – Others	**946**	3,341
Market value of listed debt securities	**4,699,809**	6,177,613
Total	**8,534,779**	10,589,704
Less: Current portion	**(1,852,118)**	(1,948,322)
Non-current portion	**6,682,661**	8,641,382

22. DERIVATIVE FINANCIAL INSTRUMENTS

	As at December 31,	
	2022	2021
	RMB'000	*RMB'000*
Derivative financial assets		
Derivatives held for trading	**871,670**	724,076
Derivatives designated as fair value hedges	**5,434,090**	430,321
Derivatives designated as cash flow hedges	**390,807**	402,910
Others	**187,983**	53,891
	6,884,550	1,611,198
Less: Current portion	**(1,028,367)**	(1,112,998)
Non-current portion	**5,856,183**	498,200
Derivative financial liabilities		
Derivatives held for trading	**2,815,468**	1,100,301
Derivatives designated as fair value hedges	**536,544**	1,822,000
Derivatives designated as cash flow hedges	**1,039,484**	162,869
Others	**15,487**	12,008
	4,406,983	3,097,178
Less: Current portion	**(2,563,646)**	(1,174,850)
Non-current portion	**1,843,337**	1,922,328

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 RMB3,066 million (as at December 31, 2021, RMB2,139 million) were pledged as collateral for the borrowings of RMB2,888 million (as at December 31, 2021, RMB1,750 million) as at December 31, 2022.

As at December 31, 2022, other non-current assets with a net value of RMB2,050 million (as at December 31, 2021, 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,	
	2022	2021
	RMB'000	*RMB'000*
Accounts and notes receivables at amortised cost		
Trade receivables	**6,958,288**	4,288,004
Notes receivables	**246,385**	865,515
Receivables arising from finance leases	**6,936,750**	6,697,172
Less: allowances of impairment loss	**(683,105)**	(555,195)
Accounts receivable and notes receivable measured at amortised cost – net	**13,458,318**	11,295,496
Trade receivables measured at FVOCI		
Trade receivables financing *(i)*	**64,473,893**	78,404,137
Account and notes receivables	**77,932,211**	89,699,633

(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, 2022, the allowance of impairment loss of receivables financing is RMB1,006 million (As at December 31,2021: RMB808 million).

24. ACCOUNTS AND NOTES RECEIVABLES (Continued)

As at December 31, 2022 and 2021, the ageing analyses of the trade receivables and trade receivables financing based on invoice date were as follows:

	As at December 31,	
	2022	2021
	RMB'000	*RMB'000*
Up to 3 months	**64,570,146**	79,412,122
3 to 6 months	**4,690,993**	2,681,983
6 months to 1 year	**2,031,868**	559,662
1 to 2 years	**758,288**	432,736
2 to 3 years	**293,719**	377,857
Over 3 years	**93,301**	35,799
	72,438,315	83,500,159

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

As at December 31, 2022 and 2021, accounts and notes receivables with a net amount of RMB453 million and RMB462 million were used as collateral for borrowings of RMB767 million and RMB609 million.

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

	Year ended December 31,	
	2022	2021
	RMB'000	*RMB'000*
At beginning of the year	**(1,363,213)**	(1,031,071)
Exchange adjustment	**(64,805)**	26,757
Addition	**(1,084,429)**	(1,327,860)
Uncollectible receivable written off	**63,820**	626,277
Unused amounts reversed	**759,388**	342,684
At end of the year	**(1,689,239)**	(1,363,213)

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,	
	2022	2021
	RMB'000	*RMB'000*
Receivables from parts subcontractors	**6,384,128**	17,757,774
Prepayments	**8,271,667**	6,481,834
Prepaid tax	**8,011,448**	5,644,386
Amounts due from related parties *(Note 55 (c))*	**1,300,286**	1,390,379
Advance to suppliers	**3,080,163**	3,268,830
Deposits receivable	**1,254,241**	1,231,406
Advance to employees	**74,138**	92,053
Adjustment for in-transit products	**59,297**	229,541
Interest receivable	**134,643**	101,284
Others	**5,162,096**	5,355,610
	33,732,107	41,553,097
Less: allowances for impairment loss	**(354,987)**	(347,071)
	33,377,120	41,206,026

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,	
	2022	2021
	RMB'000	*RMB'000*
Banking service *(a)*	**124,526,554**	120,437,196
Other service *(b)*	**6,839,526**	7,050,653
Total	**131,366,080**	127,487,849
Less: allowances for impairment loss *(c)*	**(3,782,698)**	(3,661,590)
Net loans to customers	**127,583,382**	123,826,259
Less: current portion	**(44,999,257)**	(45,951,978)
Non-current portion	**82,584,125**	77,874,281

(a) Banking service

	As at December 31,	
	2022	2021
	RMB'000	*RMB'000*
On demand and short notice	**1,659,467**	1,055,662
Finance leases	**1,622,359**	1,533,524
Other term loans	**121,244,728**	117,848,010
Total	**124,526,554**	120,437,196
Less: allowances for impairment loss		
– Stage 1	**(350,873)**	(321,600)
– Stage 2	**(242,426)**	(217,245)
– Stage 3	**(1,612,551)**	(1,606,450)
Total allowances for impairment loss	**(2,205,850)**	(2,145,295)
Net loans to customers	**122,320,704**	118,291,901

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, 2022	97,772,472	18,381,087	4,283,637	120,437,196
To Stage 2 from Stage 1	(8,435,851)	8,435,851	–	–
To Stage 1 from Stage 2	4,404,289	(4,404,289)	–	–
To Stage 3 from Stage 2	–	(314,222)	314,222	–
To Stage 2 from Stage 3	–	258,488	(258,488)	–
To Stage 3 from Stage 1	(633,267)	–	633,267	–
To Stage 1 from Stage 3	144,430	–	(144,430)	–
Origination	21,195,480	3,819,311	391,713	25,406,504
Write-offs	–	–	(72,325)	(72,325)
Derecognition during the period other than write-offs	(19,937,851)	(4,085,155)	(1,050,892)	(25,073,898)
Exchange adjustment	2,932,419	780,809	115,849	3,829,077
As at December 31, 2022	97,442,121	22,871,880	4,212,553	124,526,554

	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

26. LOANS TO CUSTOMERS (Continued)

(b) Other service

	As at December 31,	
	2022	2021
	RMB'000	*RMB'000*
Direct loans and pawn loans to customers	**4,321,005**	4,496,796
Entrusted loans to customers	**2,518,521**	2,553,857
Total	**6,839,526**	7,050,653
Less: allowances for impairment loss		
– Stage 1	**(104,044)**	(98,502)
– Stage 2	**(81,084)**	(37,464)
– Stage 3	**(1,391,720)**	(1,380,329)
Total allowances for impairment loss	**(1,576,848)**	(1,516,295)
Net loans to customers	**5,262,678**	5,534,358

As at December 31, 2022, loans to customers with a carrying value of RMB207 million were pledged for borrowings of RMB167 million. 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, 2022, no loans to customers were pledged for other non-current liabilities. 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 *RMB'000*	Stage 2 *RMB'000*	Stage 3 *RMB'000*	Total *RMB'000*
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)

	Stage 1 ***RMB'000***	**Stage 2** ***RMB'000***	**Stage 3** ***RMB'000***	**Total** ***RMB'000***
As at January 1, 2022	**(420,102)**	**(254,709)**	**(2,986,779)**	**(3,661,590)**
Allowance made *(i)*	**(491,107)**	**(383,020)**	**(595,681)**	**(1,469,808)**
Unused amounts reversed *(ii)*	**395,420**	**306,004**	**398,240**	**1,099,664**
Transfer of stages, write-off and disposal	**71,684**	**13,061**	**242,171**	**326,916**
Exchange adjustment	**(10,812)**	**(4,846)**	**(62,222)**	**(77,880)**
As at December 31, 2022	**(454,917)**	**(323,510)**	**(3,004,271)**	**(3,782,698)**

(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,	
	2022	2021
	RMB'000	*RMB'000*
Cash collateral	**3,352,974**	2,479,692
Loans and other advances	**869,253**	1,538,002
Total	**4,222,227**	4,017,694
Less: allowances for impairment loss		
– stage 1	**(7,636)**	(230)
– stage 2	**(11)**	–
– stage 3	**(6)**	–
Total allowances for impairment loss	**(7,653)**	(230)
Net loans to credit institution	**4,214,574**	4,017,464
Less: Current portion	**(4,214,574)**	(2,697,271)
Non-current portion	**–**	1,320,193

28. OTHER FINANCIAL ASSETS AT AMORTISED COST

	As at December 31,	
	2022	2021
	RMB'000	*RMB'000*
Bonds issued by public bodies	**33,514,225**	33,938,476
Other bonds and fixed-income instruments	**25,215,085**	19,703,772
Total	**58,729,310**	53,642,248
Less: allowances for impairment loss		
– stage 1	**(64,659)**	(13,776)
– stage 2	**(3,440)**	(6,620)
– stage 3	**–**	(127,044)
Total allowances for impairment loss	**(68,099)**	(147,440)
Net other financial assets at amortised cost	**58,661,211**	53,494,808
Less: Current portion	**(7,583,530)**	(5,291,381)
Non-current portion	**51,077,681**	48,203,427

29. INVENTORIES

	As at December 31,	
	2022	2021
	RMB'000	*RMB'000*
Raw materials	**31,172,732**	36,911,046
Work in progress	**77,027**	82,570
Finished goods	**20,735,547**	15,932,924
Service parts	**3,572,889**	3,081,835
Others	**418,032**	192,873
	55,976,227	56,201,248

30. PROPERTIES UNDER DEVELOPMENT

	As at December 31,	
	2022	2021
	RMB'000	*RMB'000*
At beginning of the year	**1,444,087**	986,020
Additions	**267,014**	458,067
Disposals	**(790,920)**	–
Transfer to property, plant and equipment	**(104,309)**	–
Transfer to investment properties	**(796,620)**	–
At end of the year	**19,252**	1,444,087
Properties under development comprise:		
Land use rights	**16,455**	16,455
Construction costs and capitalised expenditure	**2,797**	1,427,632
Total	**19,252**	1,444,087

As at December 31, 2022 and 2021, no properties under development were pledged as collateral for borrowings.

31. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at December 31,	
	2022	2021
	RMB'000	*RMB'000*
Listed equity securities:		
Equity securities – Mainland China	**4,728,166**	9,388,276
Equity securities – Hong Kong, China	**569,785**	691,731
Equity securities – Europe	**179,977**	298,473
Equity securities – United State	**291,050**	577,856
Market value of listed equity securities	**5,768,978**	10,956,336
Unlisted equity securities	**23,441,098**	20,294,962
Listed debt securities:		
Debt securities – Mainland China	**510,287**	897,312
Debt securities – Hong Kong, China	**38,723**	56,724
Debt securities – Europe	**811**	–
Market value of listed debt securities	**549,821**	954,036
Unlisted debt securities	**2,522,383**	2,186,659
Total	**32,282,280**	34,391,993
Less: Non-current portion	**(10,959,316)**	(10,371,834)
Current portion	**21,322,964**	24,020,159

Changes in fair values of financial assets at fair value through profit or loss are recorded in "investment (losses)/ income and gains" in the consolidated income statement.

As at December 31, 2022, financial assets at fair value through profit or loss with a carrying amount of RMB679 million and the related dividend receivable of RMB20 million were pledged as other payables and accruals. 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,	
	2022	2021
	RMB'000	*RMB'000*
Balances with central bank		
Cash and balances with central banks of the country of the subsidiaries	**1,309,158**	24,058,838
Restricted deposits		
Deposits for guarantee business	**47,738**	23,008
Deposits for notes payables and borrowings	**1,147,420**	1,595,742
Other restricted deposits	**605,523**	326,954
	1,800,681	1,945,704
Bank deposits		
Matured between three to twelve months	**134,427**	234,743
Cash and cash equivalents		
Cash at bank and in hand	**37,278,080**	38,513,759
Cash and balances with central banks of the country of the subsidiaries (other than mandatory reserves)	**29,545,706**	17,799,145
Loans and advances to credit institutions	**5,174,235**	2,206,664
Money market funds	**9,160,996**	1,437,062
	81,159,017	59,956,630
Total	**84,403,283**	86,195,915
Maximum exposure to credit risk	**84,403,283**	86,195,915
Effective annual interest rates	**0.0%-13.8%**	0.0%-9.3%

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, 2022 and 2021 and their related weighted average fair values are as follows:

	Number of units	
	SARs	**RSUs**
Outstanding as at January 1, 2021	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
Granted during the year	**267,094,282**	**374,956,348**
Vested during the year	**(441,236,574)**	**(292,914,188)**
Cancelled during the year	**(52,394,488)**	**(22,749,261)**
Outstanding as at December 31, 2022	**494,805,729**	**498,521,653**

	Number of units	
	SARs	**RSUs**
Average fair value per unit *(HKD)*		
At December 31, 2022	**1.65**	**7.68**
At December 31, 2021	1.29	7.43

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, 2022 and 2021, 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 39.7% and 40.6% expected dividends rate during the vesting periods of 4.6% and 4.0% contractual life of 4.4 years and 4.4 years, and a risk-free interest rate of 2.5% and 0.44%.

As at December 31, 2022 and 2021, the average remaining vesting period of the awards granted under the above long-term incentive plans for Lenovo is 1.83 years and 1.67 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. The incentive targets do not required to make any cash contribution when the shares are granted.

Movements in the number of shares granted for the year ended December 31, 2022 are as follows:

	Number of shares
As at January 1, 2021	–
Granted during the year	9,952,000
Vested during the year	–
Lapsed/cancelled during the year	–
As at December 31, 2021	9,952,000
Granted during the year	942,000
Vested during the year	–
Lapsed/cancelled during the year	(200,000)
As at 31 December 31, 2022	**10,694,000**

As at December 31, 2022 and December 31, 2021, the average remaining service period of the awards granted under the incentive plans is 1.00 years and 1.31 years respectively.

(c)

For the year ended December 31, 2022 and 2021, the share-based payment expenses of RMB2,419 million and RMB2,423 million were recognised in the consolidated income statement.

34. SHARE CAPITAL

	As at December 31, 2022		As at December 31, 2021	
	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,	
	2022	2021
	RMB'000	*RMB'000*
Trade payables	**59,611,240**	83,015,123
Notes payables	**20,881,196**	7,065,323
	80,492,436	90,080,446

At December 31, 2022 and 2021, the ageing analyses of the trade payables based on invoice date were as follows:

	As at December 31,	
	2022	2021
	RMB'000	*RMB'000*
0-30 days	**33,286,369**	58,745,328
31-60 days	**14,057,680**	13,877,053
61-90 days	**5,858,504**	6,586,847
91 days-1 year	**6,314,470**	3,707,141
Over 1 year	**94,217**	98,754
	59,611,240	83,015,123

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,	
	2022	2021
	RMB'000	*RMB'000*
Payable to parts subcontractors	**38,991,539**	43,767,115
Allowance for billing adjustment *(i)*	**21,643,344**	22,441,233
Accrued expenses	**14,484,019**	14,588,860
Payroll payable	**7,923,782**	10,653,415
Other taxes payable	**2,945,947**	4,169,163
Amounts due to related parties *(ii) (Note 55(c))*	**887,969**	597,071
Social security payable	**1,087,920**	1,072,481
Deposits payable	**554,235**	497,563
Interest payable	**474,665**	613,037
Royalty payable	**445,358**	510,056
Deferred consideration	**97,408**	199,907
Written put option liability *(Note 40(c))*	**3,151,892**	2,209,467
Others	**13,382,759**	11,221,164
	106,070,837	112,540,532

(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, 2022 and 2021, 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,	
	2022	2021
	RMB'000	*RMB'000*
Deferred considerations *(a)*	**174,616**	159,852
Government incentives and grants received in advance *(b)*	**1,045,955**	965,966
Written put option liability *(c)*	**1,794,288**	4,663,277
Long-term payables	**3,347,107**	3,518,480
Others	**1,562,713**	740,518
	7,924,679	10,048,093

(a) Deferred considerations

Pursuant to the completed Business Combination, the Group is required to pay the deferred consideration in cash to the relevant shareholders/sellers by reference to certain terms set out in the respective agreements with the then shareholders/sellers. As at the balance sheet date, the deferred consideration is calculated on an amortised cost basis. Deferred consideration due within one year is reclassified to "other payables and accruals".

As at December 31, 2022 and 2021, 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,	
	2022	2021
Joint venture with NEC Corporation	**USD25 million**	USD25 million
Precision Capital S.A.	**–**	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. The exercise price for the call and put options will be determined based on the fair value of the 49% interest as of the day of exercising the option. At December 31, 2022, the written put option liabilities to Fujitsu have been reclassified to current liabilities as the written put option will be exercisable within the next twelve months.

During the period ended March 31, 2019, Hefei Zhi Ju Sheng Bao Equity Investment Co., Ltd. ("ZJSB") acquired the 49% interest in a joint venture company ("JV Co") from Compal Electronics, Inc. Lenovo and ZJSB respectively own 51% and 49% of the interest in the JV Co. Pursuant to the option agreement entered into between a wholly owned subsidiary of Lenovo and Hefei Yuan Jia Start-up Investment LLP ("Yuan Jia") in 2018, which holds 99.31% interest in 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.

During the option exercise period, Yuan Jia notified Lenovo of its intention to exercise its put option. On December 28, 2021, ZJSB, Yuan Jia and Lenovo entered into an agreement pursuant to which ZJSB transferred 39% interest in the JV Co to Lenovo at an exercise price of RMB1,895 million (approximately USD297 million). Upon completion on January 10, 2022, Lenovo and ZJSB respectively owns 90% and 10% of the interest in the JV Co.

Yuan Jia continues to hold 99.31% interest in ZJSB and is subject to a new option agreement whereby 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 after 54 months and from the 48 months to the 54 months respectively from the date of the new option agreement. The exercise price for the call and put options will be determined in accordance with the new option agreement, and up to a maximum of RMB500 million (approximately USD72 million).

(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,	
	2022	2021
	RMB'000	*RMB'000*
On demand	**1,550,748**	1,780,134
Term	**173,735**	1,023,012
Cash collateral	**5,004,143**	177,784
Repurchase agreement operations	**3,856,781**	4,317,423
Central bank of the country of subsidiary	**1,863,300**	15,893,719
Others	**12,774,024**	6,436,647
Total	**25,222,731**	29,628,719
Less: Non-current portion	**(2,324,565)**	(16,164,589)
Current portion	**22,898,166**	13,464,130

(a) Analysis by nature

	As at December 31,	
	2022	2021
	RMB'000	*RMB'000*
Unsecured	**19,509,248**	9,505,703
Collateralised	**5,713,483**	20,123,016
	25,222,731	29,628,719

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

	As at December 31,	
	2022	2021
	RMB'000	*RMB'000*
EUR	**15,712,957**	23,241,710
USD	**8,530,041**	5,455,166
CHF	**339,315**	463,186
GBP	**269,124**	197,873
Others	**371,294**	270,784
	25,222,731	29,628,719

Amount due to credit institutions are all from BIL.

42. AMOUNT DUE TO CUSTOMERS

	As at December 31,	
	2022	2021
	RMB'000	*RMB'000*
Demand deposits and savings deposits	**109,822,392**	119,632,792
Term deposits	**46,313,085**	29,678,550
Cash collateral	**12,236**	8,721
Total	**156,147,713**	149,320,063
Less: Non-current portion	**(2,986,590)**	(2,648,144)
Current portion	**153,161,123**	146,671,919

Amount due to customers are all from BIL.

43. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at December 31,	
	2022	2021
	RMB'000	*RMB'000*
Debt instruments *(i)*	**14,954,659**	10,593,579
Accept preferred shares injection	**327,148**	280,410
Total	**15,281,807**	10,873,989
Less: Current portion	**(4,228,212)**	(1,612,896)
Non-current portion	**11,053,595**	9,261,093

(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.

44. BORROWINGS

	As at December 31, 2022 RMB'000	2021 RMB'000
Bank loans		
– Unsecured loans	**33,203,541**	33,305,947
– Guaranteed loans	**20,789,706**	17,731,358
– Collateralised loans	**8,403,071**	8,912,996
Other loans *(i)*		
– Unsecured loans	**870,000**	870,000
– Guaranteed loans	**727,336**	1,566,034
– Collateralised loans	**5,592,000**	5,759,891
Corporate bonds *(1)*		
– Unsecured bonds	**54,959,341**	59,343,792
– Asset-backed securities and notes	**2,269,731**	464,820
– Convertible bonds *(2)*	**5,672,519**	4,913,847
	132,487,245	132,868,685
Less: Current portion	**(50,902,399)**	(37,624,912)
Non-current portion	**81,584,846**	95,243,773

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

44. BORROWINGS (Continued)

As at December 31, 2022 and 2021, the carrying amount of the borrowings approximates their fair value.

(1) The information about corporate bonds issued as at December 31, 2022 is as below:

Issuer	Type of bonds	Issuance date	Term	Principal amount
The Company	Corporate bonds	July 6, 2016	10 years	RMB2,000 million
The Company	Corporate bonds	January 31, 2018	5 years	RMB1,000 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 29, 2018	5 years	USD487 million
Lenovo	Convertible bonds *(2)*	January 24, 2019	5 years	USD220 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	USD929 million
Lenovo	Medium term notes	July 27, 2022	5.5 years	USD625 million
Lenovo	Medium term notes	July 27, 2022	10 years	USD610 million
Lenovo	Convertible bonds *(2)*	August 26, 2022	7 years	USD675 million
Joyvio Food	Convertible bonds *(2)*	June 14, 2019	5 years	USD62.5 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	September 1, 2021 & February 8, 2022	5 years	JPY1,000 million
BIL	Medium term notes	2014-2022	1.5-50 years	EUR2,416 million
BIL	Medium term notes	2019-2022	1-5 years	USD24 million
BIL	Medium term notes	September 22, 2020 & November 30, 2020	2.5-4.6 years	CHF185 million
BIL	Medium term notes	January 29, 2021	3 years	SEK166 million
BIL	Medium term notes	2021-2022	2-5 years	GBP11 million
Zhengqi Holdings	Corporate bonds	September 14, 2021	3 years	RMB600 million
JC Finance & Leasing	Corporate bonds	March 30, 2021	3 years	RMB195 million
JC Finance & Leasing	Asset-backed notes *(i)*	January 28, 2022	1-2 years	RMB357 million
JC Finance & Leasing	Asset-backed notes *(i)*	May 31, 2022	1-2 years	RMB690 million
JC Finance & Leasing	Asset-backed notes *(i)*	October 27, 2022	1-2 years	RMB1,221 million

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

(i) The asset-backed notes packages issued by JC Finance & Leasing in 2022 and 2021 include multiple notes. The principle amounts of the two packages on issuance dates amounted to RMB3,095 million and RMB526 million respectively.

44. BORROWINGS (Continued)

(2) Convertible bonds

A. On 24 January 2019, Lenovo completed the issuance of 5-Year USD675 million convertible bonds bearing annual interest at 3.375% due in January 2024 ("the 2024 Convertible Bonds") to third party professional investors ("the bondholders"). The proceeds were used to repay previous notes and for general corporate purposes. The bondholders have the right, at any time on or after 41 days after the date of issue and up to the 10th day prior to the maturity date, to convert part or all of the outstanding principal amount of the 2024 Convertible Bonds into ordinary shares of the Company at a conversion price of HKD7.99 per share, subject to adjustments. The conversion price was adjusted to HKD6.51 per share effective on November 30, 2022.

The outstanding principal amount of the Bonds is repayable by Lenovo upon the maturity of the Bonds on January 24, 2024, if not previously redeemed, converted or purchased and cancelled. On January 24, 2021, the bondholders had the right, at the bondholders' option, to require Lenovo to redeem part or all of the 2024 Convertible Bonds on January 24, 2021 at their principal amount and USD0.5 million were redeemed. On August 29, 2022, approximately USD455 million in principal amount of the 2024 Convertible Bonds were purchased by Lenovo. Approximately USD220 million in principal amount of the 2024 Convertible Bonds remained outstanding. Assuming full conversion of the 2024 Convertible Bonds at the adjusted conversion price of HKD6.51 per share, the 2024 Convertible Bonds will be convertible into 264,428,379 shares.

B. On August 26, 2022, Lenovo completed the issuance of 7-Year USD675 million convertible bonds bearing annual interest at 2.5% due in August 2029 ("the 2029 Convertible Bonds") to the bondholders. The proceeds were used to repay the previous convertible debenture and for general corporate purposes. The bondholders 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 2029 Convertible Bonds into ordinary shares of the Company at a conversion price of HKD9.94 per share, subject to adjustments. The conversion price was adjusted to HKD9.80 per share effective on November 30, 2022. Assuming full conversion of the 2029 Convertible Bonds at the conversion price of HKD9.80 per share, the 2029 Convertible Bonds will be convertible into 539,896,684 shares.

44. BORROWINGS (Continued)

(2) Convertible bonds (Continued)

B. (Continued)

The liability and equity components of the 2029 Convertible Bonds on initial recognition are presented as follows:

	USD'000
Face value of the convertible bonds on the issue date	675,000
Less: Transaction costs	(11,000)
Net proceeds	664,000
Less: equity component	(138,243)
Liability component on initial recognition	525,757

The outstanding principal amount of the Bonds is repayable by Lenovo upon the maturity of the Bonds on August 26, 2029 if not previously redeemed, converted or purchased and cancelled. On August 26, 2026, the bondholders will have the right, at the bondholders' option, to require Lenovo to redeem part or all of the 2029 Convertible Bonds at their principal amount.

At any time after September 9, 2026 and prior to August 26, 2029, Lenovo will have the right to redeem in whole, but not in part, the 2029 Convertible Bonds for the time being outstanding at their principal amount upon occurrence of certain specified conditions.

The initial fair value of the liability portion of the convertible bonds 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 was allocated to the conversion option and recognized in shareholders' equity, net of income tax, and not subsequently remeasured.

Lenovo expects that it will be able to meet its redemption obligations based on the financial position of Lenovo had conversion of the 2024 Convertible Bonds and 2029 Convertible Bonds not exercised on maturity.

C. 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.. In July 2022, Joyvio Group and Cangyuan Investment entered into the Convertible Bond Transfer Agreement, under which Joyvio Group was assigned the principal amount of USD62.5 million convertible bonds issued by Fresh Investment SpA held by Cangyuan Investment and the deferred payment of interest corresponding to such portion of convertible bonds. As at December 31, 2022, the remaining convertible bonds held by Cangyuan Investment have not yet been converted.

44. BORROWINGS (Continued)

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

	As at December 31,	
	2022	2021
Bank loans	**1.72%-9.28%**	1.60%-7.50%
Other loans	**4.21%-7.40%**	4.41%-8.00%

(b) Borrowings are repayable as follows:

	As at December 31,	
	2022	2021
	RMB'000	*RMB'000*
Within 1 year	**50,902,399**	37,624,912
After 1 year but within 2 years	**25,679,638**	36,180,258
After 2 years but within 5 years	**25,949,240**	41,373,356
After 5 years	**29,955,968**	17,690,159
	132,487,245	132,868,685

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

	As at December 31,	
	2022	2021
	RMB'000	*RMB'000*
RMB	**62,518,162**	67,363,557
USD	**45,044,188**	37,296,431
EUR	**20,244,026**	23,023,906
HKD	**2,647,083**	2,526,193
CHF	**1,399,411**	1,996,244
Others	**634,375**	662,354
	132,487,245	132,868,685

45. DEFERRED INCOME TAX

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

	As at December 31,	
	2022	2021
	RMB'000	*RMB'000*
Deferred tax assets:		
Recovered after 12 months	**13,339,813**	12,160,340
Recovered within 12 months	**6,959,326**	6,445,722
	20,299,139	18,606,062
Deferred tax liabilities:		
Recovered after 12 months	**(9,675,846)**	(9,938,336)
Deferred tax assets – net	**10,623,293**	8,667,726

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

	As at December 31,	
	2022	2021
	RMB'000	*RMB'000*
At beginning of the year	**8,667,726**	9,928,466
Acquisition of subsidiaries	**(157,231)**	(31,963)
Credited/(charged) to the income statement *(Note 13)*	**1,542,658**	(566,197)
Offset/(charged) to other comprehensive income *(Note 13)*	**4,652**	(30,274)
Directly (charged)/credited to equity	**(293,658)**	55,399
Exchange adjustment and reclassification	**859,146**	(687,705)
At end of the year	**10,623,293**	8,667,726

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, 2021	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
Acquisition of subsidiaries	**13,613**	**–**	**–**	**–**	**13,613**
Credited/(charged) to the income statement	**187,570**	**689,547**	**202,369**	**(210,866)**	**868,620**
Charged to other comprehensive income	**(10,814)**	**–**	**–**	**(6,447)**	**(17,261)**
Directly credited/(charged) to equity	**15**	**(135,139)**	**–**	**(158,561)**	**(293,685)**
Exchange adjustment and reclassification	**238,253**	**924,406**	**(61,668)**	**86,859**	**1,187,850**
At December 31, 2022	**6,133,954**	**12,287,433**	**1,480,781**	**994,702**	**20,896,870**

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, 2021	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
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
Acquisition of subsidiaries	**–**	**–**	**–**	**–**	**131,135**	**39,709**	**170,844**
Charged/(credited) to the income statement	**299,565**	**(682,350)**	**(302,906)**	**66,062**	**(266,908)**	**212,499**	**(674,038)**
Charged/(credited) to other comprehensive income	**198**	**(22,111)**	**–**	**–**	**–**	**–**	**(21,913)**
Directly credited to equity	**–**	**(27)**	**–**	**–**	**–**	**–**	**(27)**
Exchange adjustment and reclassification	**–**	**169,784**	**–**	**27,563**	**126,941**	**4,416**	**328,704**
At December 31, 2022	**2,765,791**	**2,064,467**	**683,581**	**966,334**	**1,824,342**	**1,969,062**	**10,273,577**

(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, 2022 and 2021, the Group did not recognise deferred income tax assets in respect of deductible temporary differences of approximately RMB17,097 million and RMB15,369 million and tax losses of approximately RMB30,631 million and RMB26,633 million that can be carried forward against future taxable income, of which tax losses of RMB15,190 million and RMB11,367 million can be carried forward indefinitely as at December 31, 2022 and 2021. The balances of unrecognised tax losses will expire as follows:

	As at December 31,	
	2022	2021
	RMB'000	*RMB'000*
– within 1 year	**2,904,979**	1,315,814
– 1 to 2 years	**445,637**	2,688,561
– 2 to 3 years	**1,707,391**	451,295
– 3 to 4 years	**5,480,903**	3,731,697
– Over 4 years	**20,092,126**	18,446,021
	30,631,036	26,633,388

46. RETIREMENT BENEFIT OBLIGATIONS

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

	As at December 31,	
	2022	2021
	RMB'000	*RMB'000*
Pension obligation included in non-current liabilities		
Pension benefits *(a)*	**1,853,388**	2,610,653
Post-employment medical benefits *(b)*	**191,903**	192,986
	2,045,291	2,803,639
Expensed in income statement		
Pension benefits *(Note 9)*	**154,607**	180,679
Post-employment medical benefits *(Note 9)*	**7,661**	4,781
	162,268	185,460
Remeasurements for		
Defined pension benefits	**742,444**	52,269
Post-employment medical benefits	**24,575**	(478)
	767,019	51,791

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 Mobility'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,	
	2022	2021
	RMB'000	*RMB'000*
Present value of funded obligations	**4,807,724**	5,593,603
Fair value of plan assets *(Note 46 (c))*	**(4,075,818)**	(4,406,690)
Deficit of funded plans	**731,906**	1,186,913
Present value of unfunded obligations	**991,626**	1,301,828
Liabilities in the balance sheet	**1,723,532**	2,488,741
Representing:		
Retirement benefits obligation	**1,853,388**	2,610,653
Retirement plan assets	**(129,856)**	(121,912)
	1,723,532	2,488,741

46. RETIREMENT BENEFIT OBLIGATIONS (Continued)

(a) Pension benefits (Continued)

The principal actuarial assumptions used were as follows:

	As at December 31,	
	2022	2021
Discount rate	**0.5%-3.6%**	0.3%-2.5%
Future salary increases	**0.00%-3.00%**	0.00%-3.00%
Future pension increases	**0.00%-2.00%**	0.00%-2.00%
Life expectancy for male aged 60	**21.80-27.70**	21.80-27.60
Life expectancy for female aged 60	**26.00-29.60**	26.00-29.40

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

	Year ended December 31, 2022		
	Impact on defined benefit obligation *(i)*		
	Change in assumption	**Increase in assumption**	**Decrease in assumption**
Discount rate	**0.50%**	**Decrease by 6.60% or 3.28%**	**Increase by 7.20% or 3.57%**
Salary growth rate	**0.50%**	**Increase by 1.20% or 1.40%**	**Decrease by 1.80% or 1.21%**
Pension growth rate	**0.50% or N/A**	**Increase by 6.20% or NA**	**Decrease by 6.10% or NA**
		Increase by 1 year in assumption	**Decrease by 1 year in assumption**
Life expectancy		**Increase by 1.60% or 1.14%**	**Decrease by 1.60% or 1.10%**

46. RETIREMENT BENEFIT OBLIGATIONS (Continued)

(a) Pension benefits (Continued)

	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%

(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, 2022 and 2021.

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,	
	2022	2021
	RMB'000	*RMB'000*
Present value of funded obligations	**–**	–
Fair value of plan assets *(Note 46(c))*	**–**	–
Deficit of funded plans	**–**	–
Present value of unfunded obligations	**191,903**	192,986
Liabilities in the balance sheet	**191,903**	192,986

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:

	2022			2021		
	Quoted	Unquoted	Total	Quoted	Unquoted	Total
Pension						
Equity instruments *(i)*	7.07%	–	4.87%	6.15%	–	4.51%
Debt instruments *(ii)*	78.13%	–	53.83%	80.47%	–	59.04%
Properties	0.30%	12.70%	4.16%	0.29%	12.86%	3.64%
Qualifying insurance policies	–	31.54%	9.81%	–	41.30%	11.00%
Cash and cash equivalents	5.35%	4.44%	5.07%	2.49%	1.73%	2.29%
Investment funds	9.15%	35.59%	17.37%	10.60%	23.17%	13.95%
Structured bonds	–	12.79%	3.98%	–	17.90%	4.77%
Others	–	2.94%	0.91%	–	3.04%	0.80%
	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Medical Plan						
– Cash and cash equivalents	–	–	–	–	–	–

(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, 2022 and 2021, the weighted average duration of defined benefit obligation is 12 years and 13 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, 2022 and 2021.

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:

	Year ended December 31,	
Pension	**2022**	2021
	RMB'000	*RMB'000*
Opening fair value	**4,406,690**	4,437,758
Interest income	**30,362**	16,259
Actuarial (losses)/gains	**(361,808)**	58,678
Contributions by the employer	**192,373**	205,981
Contributions by plan participants	**20,546**	18,102
Benefits paid	**(272,392)**	(234,386)
Exchange adjustment	**64,722**	(90,728)
Others	**(4,675)**	(4,974)
Closing fair value	**4,075,818**	4,406,690
Actual return on plan assets	**(331,446)**	74,937

	Year ended December 31,	
Medical Plan	**2022**	2021
	RMB'000	*RMB'000*
Opening fair value	**–**	3,106
Interest income	**114**	110
Actuarial losses	**–**	(39)
Contributions by the employer	**7,561**	2,885
Benefits paid	**(7,689)**	(5,279)
Exchange adjustment	**14**	(783)
Closing fair value	**–**	–
Actual return on plan assets	**114**	71

Contribution of RMB237 million are estimated to be made for the year ending December 31, 2023 (For the year ending December 31, 2022: RMB181 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:

	Year ended December 31,	
Pension	**2022**	2021
	RMB'000	*RMB'000*
Opening defined benefit obligations	**6,895,431**	7,312,270
Current service cost	**137,948**	161,062
Past service cost	**1,166**	(3,741)
Interest cost	**51,948**	33,325
Actuarial (gains)/losses	**(1,104,252)**	6,409
Contributions by plan participants	**13,733**	12,926
Benefits paid	**(295,471)**	(256,515)
Curtailment (gains)/losses	**(6,093)**	6,292
Exchange adjustment	**104,940**	(376,597)
Closing defined benefit obligations	**5,799,350**	6,895,431

	Year ended December 31,	
Medical Plan	**2022**	2021
	RMB'000	*RMB'000*
Opening defined benefit obligations	**192,986**	191,924
Exchange adjustment	**23,406**	1,011
Current service cost	**2,699**	2,426
Interest cost	**5,076**	2,465
Actuarial (gains)/losses	**(24,575)**	439
Benefits paid	**(7,689)**	(5,279)
Closing defined benefit obligations	**191,903**	192,986

For the year ended December 31, 2022 and 2021, benefit of RMB23 million and RMB22 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, 2022 RMB'000	2021 RMB'000
Current service cost	**137,948**	161,062
Past service cost	**1,166**	(3,741)
Interest cost	**51,948**	33,325
Interest income	**(30,362)**	(16,259)
Curtailment (gains)/losses	**(6,093)**	6,292
Total expense recognised in the consolidated income statement	**154,607**	180,679

Medical Plan	Year ended December 31, 2022 RMB'000	2021 RMB'000
Current service cost	**2,699**	2,426
Interest cost	**5,076**	2,465
Interest income	**(114)**	(110)
Total expense recognized in the consolidated income statement	**7,661**	4,781

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

	Year ended December 31, 2022 RMB'000	2021 RMB'000
Present value of defined benefit obligations	**5,991,253**	7,088,417
Fair value of plan assets	**(4,075,818)**	(4,406,690)
Deficit	**1,915,435**	2,681,727
Actuarial (losses)/gains arising on plan assets	**(361,808)**	58,639
Actuarial gains/(losses) arising on plan liabilities	**1,128,827**	(6,848)
	767,019	51,791

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, 2022	**8,107,373**	**208,434**	**55,056**	**95,768**	**69,584**	**8,536,215**
Provision made	**4,835,581**	**150,880**	**23,452**	**156**	**57,980**	**5,068,049**
Unused amounts reversed	**–**	**–**	**(1,354)**	**(51,691)**	**–**	**(53,045)**
Amount utilised	**(5,813,356)**	**(150,167)**	**(47,240)**	**(226)**	**(15,389)**	**(6,026,378)**
Exchange adjustment	**516,558**	**(5,607)**	**(2,853)**	**2,739**	**2,769**	**513,606**
Acquisition of subsidiaries	**–**	**–**	**–**	**53,676**	**–**	**53,676**
At end of the year	**7,646,156**	**203,540**	**27,061**	**100,422**	**114,944**	**8,092,123**
Non-current portion	**(1,501,359)**	**(173,906)**	**(3,808)**	**(97,966)**	**(66,967)**	**(1,844,006)**
As at December 31, 2022	**6,144,797**	**29,634**	**23,253**	**2,456**	**47,977**	**6,248,117**
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

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 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, 2022 and December 31, 2021:

	As at December 31,	
	2022	2021
	RMB'000	*RMB'000*
Financial guarantee of guarantee business *(a)*	**8,171,256**	8,666,462
Other guarantee *(b)*		
– Related parties *(Note 55(e))*	**1,728,095**	2,628,577
– Unrelated parties	**180,000**	479,826
	10,079,351	11,774,865

(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, 2022 and 2021, the guarantee balance was RMB8,171 million and RMB8,666 million respectively. The Directors evaluate the financial position of the guaranteed entities and make provision accordingly. As at December 31, 2022 and 2021, the provision made by the Group was RMB100 million and RMB96 million respectively, which were included in "Provisions" in the consolidated balance sheet.

(b) Other guarantee

As at December 31, 2022 and 2021, of the total guarantee balances the Group provided to related parties and unrelated parties are approximately RMB1,908 million and RMB3,108 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, 2022 and 2021, no provision was recorded in relevant to the preceding guarantee.

48. DIVIDENDS

A dividend in respect of the year ended December 31, 2022 of RMB0.20 per share, amounting to a total dividend of RMB471 million, is to be proposed at the forthcoming 2022 annual general meeting for approval. These financial statements do not reflect this dividend payable. The dividends paid in 2022 and 2021 were RMB836 million (RMB0.40 per share) and RMB848 million (RMB0.36 per share) respectively.

49. BUSINESS COMBINATIONS

In 2022, the major business combination completed by the Group is listed below:

On August 12, 2022, Lenovo completed the acquisition of 80% direct interest in Lenovo PCCW Solutions Limited ("LPS", formerly known as PCCW Lenovo Technology Solutions Limited) from PCCW Solutions Holdings Limited ("Seller"). On completion, LPS became a subsidiary of Lenovo respectively.

LPS and its subsidiaries are principally engaged in the provision of digital solutions and managed services primarily serving customers across the Asia Pacific region. The acquisition provides Lenovo with strong capabilities in systems integration and application development and a highly skilled talent pool. It also allows Lenovo to expand its IT services capabilities, its suite of service offerings as well as the geographic and vertical coverage of customers and partners. Lenovo will be able to accelerate its growth in the services business and capture opportunities under the megatrend of digital transformation through leveraging the track record of successful delivery of the information technology solutions services business and Lenovo's existing go-to-market strategies and solutions development capabilities,as well as Lenovo's strong customer relationships across the globe.

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

	At the acquisition date
	LPS
	RMB'000
Purchase consideration	
– Cash Consideration *(i)*	**2,685,370**
– Fair value of consideration shares *(ii)*	**434,834**
Total purchase consideration	**3,120,204**
Less: fair value of net identifiable assets attributable to the interest acquired	**(809,502)**
Goodwill	**2,310,702**

(i) Cash consideration comprising cash paid of RMB2,848 million and an estimated downward adjustment of RMB163 million calculated with reference to the actual working capital amount and the actual net debt at the completion date.

(ii) The fair value of the 86,424,677 ordinary shares of Lenovo issued as part of the purchase consideration at completion was based on the closing market price on August 12, 2022.

The goodwill is attributable to the expansibility and high growth 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 on a provisional basis are as follows:

	At the acquisition date
	LPS
	RMB'000
Cash and cash equivalents	**130,208**
Property, plant and equipment and right-of-use assets	**156,378**
Other non-current assets	**20,797**
Intangible assets	**851,426**
Net working capital, except cash and cash equivalents	**87,961**
Non-current liabilities	**(234,887)**
Less: Share of other non-controlling interests	**(202,381)**
Fair value of net assets acquired	**809,502**

(c) Net cash outflow from acquisition of a subsidiary

	At the acquisition date
	LPS
	RMB'000
Purchase consideration settled in cash	**2,848,408**
Less: cash and cash equivalents in subsidiary acquired	**(130,208)**
Acquisition of subsidiary, net of cash paid	**2,718,200**

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

The total revenue of the newly acquired business included in the consolidated income statement from its acquisition date to December 31, 2022 was RMB1,473 million. During the same period, the newly acquired business also contributed a net profit of RMB115 million.

If the above newly acquired business had been completed on January 1, 2022, the commencement date of the financial year, the consolidated income statement would have shown increased revenue of RMB1,789 million and a net profit of RMB27 million.

Intangible assets arising from the business combinations mainly represent customer relationships, brand name and technology. Lenovo has engaged external valuers to perform fair value assessments. The fair values of the intangible assets are measured using either relief-from-royalty method or multi-period excess earnings method.

As at December 31, 2022, Lenovo have not finalized the fair value assessments for net assets acquired (including intangible assets) from the business combinations. The relevant fair values of net assets stated above are on a provisional basis.

The operation results of other newly acquired business do not have significant impact on the consolidated financial information for the year ended December 31, 2022.

50. CASH GENERATED FROM OPERATIONS

(a) Cash generated from operations

	Year ended December 31, 2022 RMB'000	2021 RMB'000
Profit before income tax	**12,849,412**	22,090,330
Adjustments for:		
Impairment loss for non-current assets *(Note 8)*	**2,013,032**	869,890
Impairment loss on loans to customers *(Note 8)*	**366,551**	689,623
Impairment loss on other financial assets *(Note 8)*	**361,403**	1,050,635
Inventory write-down *(Note 8)*	**1,610,784**	1,942,121
Depreciation of property, plant and equipment *(Note 15)*	**3,549,028**	3,193,032
Depreciation of right-of-use assets *(Note 16)*	**1,294,989**	1,094,357
Amortisation *(Note 19)*	**5,903,387**	5,368,109
Losses/(gains) on disposal of property, plant and equipment and intangible assets *(Note 7)*	**96,328**	(254,677)
Fair value gains on investment properties *(Note 7)*	**(1,414,414)**	(57,737)
Fair value gains on consumable biological assets *(Note 18)*	**(1,120,986)**	(406,128)
Fair value gains on financial liabilities	**(1,139,064)**	(113,068)
Disposal (gains)/fair value losses/(gains)/dividend income from financial assets at fair value through profit or loss and others	**3,409,853**	(2,209,387)
Fair value losses/(gains) and dividend income from associates measured at fair value through profit or loss *(Note 6)*	**1,393,686**	(2,780,159)
Net finance costs *(Note 10)*	**5,451,660**	4,865,492
Gains on disposal/dilution of associates *(Note 6)*	**(692,873)**	(1,133,499)
Losses/(gains) on disposal of subsidiaries *(Note 6)*	**30,944**	(422,787)
Dividend income from financial assets at fair value through other comprehensive income *(Note 6)*	**(11,995)**	(8,390)
Share-based payments *(Note 33(c))*	**2,419,407**	2,423,341
Share of profit of associates and joint ventures using equity accounting	**(147,784)**	(977,935)
Net foreign exchange losses *(Note 7)*	**1,133,800**	958,349
Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation):		
Inventories, consumable biological assets and properties under development	**5,616,721**	(17,899,859)
Trade and other receivables	**31,949,936**	(20,260,904)
Loans repaid and other financial instruments	**8,932,945**	19,648,963
Amount due to customers and credit institutions	**2,421,662**	(13,171,691)
Trade and other payables	**(34,894,264)**	23,129,223
Cash generated from operating activities	**51,384,148**	27,627,244

50. CASH GENERATED FROM OPERATIONS (Continued)

(b) Net debt reconciliation

	As at December 31, 2022 RMB'000	As at December 31, 2021 RMB'000
Cash and cash equivalents	**81,159,017**	59,956,630
Borrowings – repayable within one year	**(50,902,399)**	(37,624,912)
Borrowings – repayable after one year	**(81,584,846)**	(95,243,773)
Net debt	**(51,328,228)**	(72,912,055)
Cash and cash equivalents	**81,159,017**	59,956,630
Gross debt – fixed interest rates	**(76,236,216)**	(75,027,379)
Gross debt – floating interest rates	**(56,251,029)**	(57,841,306)
Net debt	**(51,328,228)**	(72,912,055)

	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, 2021	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)
Cash flows	**17,659,031**	**26,299,505**	**(21,487,153)**	**22,471,383**
Foreign exchange gains/(losses)	**3,543,356**	**(1,257,944)**	**(3,169,338)**	**(883,926)**
Acquisition of subsidiaries	**–**	**(3,630)**	**–**	**(3,630)**
Other non-cash movements	**–**	**(38,315,418)**	**38,315,418**	**–**
Net debt as at December 31, 2022	**81,159,017**	**(50,902,399)**	**(81,584,846)**	**(51,328,228)**

51. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

(a) Balance sheet of the Company

	As at December 31,	
	2022	2021
	RMB'000	*RMB'000*
ASSETS		
Non-current assets		
Property, plant and equipment	**5,774**	7,301
Right-of-use assets	**1,291**	28,432
Intangible assets	**12,188**	15,118
Investments in subsidiaries	**31,185,347**	33,205,647
Associates using equity accounting	**9,646,714**	9,976,764
Associates measured at fair value through profit or loss	**899,462**	1,246,208
Financial assets at fair value through profit or loss	**1,239,907**	1,277,040
Deferred income tax assets	**639,933**	–
Other non-current assets	**3,276,578**	2,927,776
	46,907,194	48,684,286
Current assets		
Amounts due from subsidiaries	**16,350,574**	16,530,043
Amounts due from related parties	**267,762**	496,095
Prepayment, other receivables and other current assets	**408,780**	558,193
Financial assets at fair value through profit or loss	**658,741**	973,466
Bank deposit	**–**	30,000
Cash and cash equivalents	**2,659,219**	5,522,157
	20,345,076	24,109,954
Total assets	**67,252,270**	72,794,240
Share capital	**2,356,231**	2,356,231
Reserves *(Note 51(b))*	**16,791,396**	15,483,937
Total equity	**19,147,627**	17,840,168

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

(a) Balance sheet of the Company (Continued)

	As at December 31,	
	2022	2021
	RMB'000	*RMB'000*
LIABILITIES		
Non-current liabilities		
Borrowings	**15,605,310**	29,526,403
Lease Liabilities	**427**	1,256
Deferred income tax liabilities	**–**	6,958
Other non-current liabilities	**4,496,320**	27,975
	20,102,057	29,562,592
Current liabilities		
Amounts due to subsidiaries	**6,850,579**	12,080,441
Amounts due to related parties	**45,838**	50,830
Other payables and accruals	**650,646**	690,844
Borrowings	**20,454,684**	12,543,547
Lease Liabilities	**829**	25,818
Contractual Liabilities	**10**	–
	28,002,586	25,391,480
Total liabilities	**48,104,643**	54,954,072
Total equity and liabilities	**67,252,270**	72,794,240

The balance sheet of the Company was approved by the Board of Directors on March 31, 2023 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, 2022 and 2021 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, 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
As at January 1, 2022	**696,229**	**(10,543)**	**307,274**	**(336,574)**	**11,762,225**	**3,065,326**	**15,483,937**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**2,135,008**	**2,135,008**
Share of other comprehensive loss of associates	**–**	**25,518**	**–**	**–**	**–**	**–**	**25,518**
Share of other reserve of associates	**–**	**–**	**–**	**–**	**20,724**	**5,843**	**26,567**
Share-based compensation *(Note 33)*	**–**	**–**	**62,872**	**–**	**–**	**–**	**62,872**
Transfer to statutory surplus reserve	**223,616**	**–**	**–**	**–**	**–**	**(223,616)**	**–**
Dividends paid and declared *(Note 48)*	**–**	**–**	**–**	**–**	**–**	**(942,506)**	**(942,506)**
As at December 31, 2022	**919,845**	**14,975**	**370,146**	**(336,574)**	**11,782,949**	**4,040,055**	**16,791,396**

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, 2022 is set out below:

Name	Fees	Salaries	Discretionary bonuses	Medium and long-term incentive plan	Retirement payment and employer's contribution to pension schedule	Other benefits	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive Director							
Mr. NING Min (寧旻)	–	5,500	2,532	–	–	265	8,297
Mr. LI Peng (李蓬) *(Chief Executive officer)*	–	5,450	2,501	–	–	261	8,212
Non-executive Director							
Mr. ZHU Linan (朱立南)	673	–	–	1,551	–	–	2,224
Mr. ZHAO John Huan (趙令歡)	673	–	–	1,551	–	–	2,224
Mr. SUO Jishuan (索繼栓)	–	–	–	–	–	–	–
Mr. YANG Jianhua (楊建華) *(i)*	–	–	–	–	–	–	–
Independent Non-executive Directors							
Mr. MA Weihua (馬蔚華)	437	–	–	–	–	–	437
Ms. HAO Quan (郝荃)	450	–	–	–	–	–	450
Mr. YIN Jianan (印建安)	450	–	–	–	–	–	450
Supervisors							
Mr. GAO Qiang (高強)	–	1,210	787	720	127	272	3,116
Mr. LUO Cheng (羅成)	–	–	–	–	–	–	–
Mr. ZHANG Yong (張勇) *(ii)*	–	–	–	–	–	–	–
	2,683	12,160	5,820	3,822	127	798	25,410

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, 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 Director							
Mr. NING Min (寧旻)	–	13,800	–*	–*	1,159	1,550	16,509
Mr. LI Peng (李蓬) *(Chief Executive officer)*	–	11,200	–*	–*	941	1,294	13,435
Non-executive Director							
Mr. ZHU Linan (朱立南)	645	–	–	1,542	–	–	2,187
Mr. ZHAO John Huan (趙令歡)	645	–	–	1,542	–	–	2,187
Mr. SUO Jishuan (索繼栓)	–	–	–	–	–	–	–
Mr. YANG Jianhua (楊建華) *(i)*	–	–	–	–	–	–	–
Independent Non-executive Directors							
Mr. MA Weihua (馬蔚華)	400	–	–	–	–	–	400
Mr. ZHANG Xuebing (張學兵) *(iii)*	100	–	–	–	–	–	100
Ms. HAO Quan (郝荃)	450	–	–	–	–	–	450
Mr. YIN Jianan (印建安)	450	–	–	–	–	–	450
Supervisors							
Mr. GAO Qiang (高強)	–	1,210	726	360	104	274	2,674
Mr. LUO Cheng (羅成)	–	–	–	–	–	–	–
Mr. ZHANG Yong (張勇) *(ii)*	–	–	–	–	–	–	–
	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 changes in the emoluments of directors, supervisors and the chief executive officer in 2022 as compared to 2021 are set out below:

Name	Fees	Salaries	Discretionary bonuses	Medium and long-term incentive plan	Retirement payment and employer's contribution to pension schedule	Other benefits	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive Director							
Mr. NING Min (寧旻)	–	(8,300)	2,532	–	(1,159)	(1,285)	(8,212)
Mr. LI Peng (李蓬) (Chief Executive officer)	–	(5,750)	2,501	–	(941)	(1,033)	(5,223)
Non-executive Director							
Mr. ZHU Linan (朱立南)	28	–	–	9	–	–	37
Mr. ZHAO John Huan (趙令歡)	28	–	–	9	–	–	37
Mr. SUO Jishuan (索繼栓)	–	–	–	–	–	–	–
Mr. YANG Jianhua (楊建華) *(i)*	–	–	–	–	–	–	–
Independent Non-executive Directors							
Mr. MA Weihua (馬蔚華)	37	–	–	–	–	–	37
Mr. ZHANG Xuebing (張學兵) *(iii)*	(100)	–	–	–	–	–	(100)
Ms. HAO Quan (郝荃)	–	–	–	–	–	–	–
Mr. YIN Jianan (印建安)	–	–	–	–	–	–	–
Supervisors							
Mr. GAO Qiang (高強)	–	–	61	360	23	(2)	442
Mr. LUO Cheng (羅成)	–	–	–	–	–	–	–
Mr. ZHANG Yong (張勇) *(ii)*	–	–	–	–	–	–	–
	(7)	(14,050)	5,094	378	(2,077)	(2,320)	(12,982)

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

(ii) Appointed in June, 2021.

(iii) Resignation in March 2021

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

(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.

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. As at 31 December 2022, HKD670 million has been recovered.

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.

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

(c) Five highest paid individuals

The emoluments of the five highest paid individuals of the Group for the year ended December 31, 2022 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, 2022.

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

	Year ended December 31,	
	2022	2021
	RMB'000	*RMB'000*
Salaries	**39,999**	36,530
Discretionary bonuses *(Note 1)*	**86,792**	236,773
Medium and long-term incentive plan *(Note 1)*	**381,747**	337,303
Retirement payment and employer's contribution to pension schedule *(Note 2)*	**3,233**	132,949
Other benefits	**8,655**	22,129
Total	**520,426**	765,684

Note 1: Discretionary bonuses and medium and long-term incentive awards accrued for the two years ended December 31, 2022 and 2021 represent the amounts related to performance-related discretionary bonuses and medium and long-term incentive awards for those two years, respectively. Comparative figures for the year ended December 31, 2021 have been restated to conform to the current year's presentation. In prior years, the discretionary bonuses and medium and long-term incentive awards presented in each year represented the amounts received for discretionary bonuses and medium and long-term incentive awards linked to the prior year's performance.

Note 2: RMB131 million of the 2021 retirement payment and employer's contribution to pension schedule is for the payment of the related pension to one of the five highest paid individuals upon his retirement in 2021.

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

(c) Five highest paid individuals (Continued)

Total remuneration falls within the following ranges – disclosed in RMB:

	Number of individuals Year ended December 31,	
	2022	2021
Emolument bands:		
RMB58,025,701 – RMB58,455,520	**1**	–
RMB63,613,361 – RMB64,043,180	**–**	1
RMB70,490,481 – RMB70,920,300	**1**	–
RMB71,779,941 – RMB72,209,760	**1**	–
RMB73,069,401 – RMB73,499,220	**–**	1
RMB149,577,361 – RMB150,007,180	**1**	–
RMB150,007,181 – RMB150,437,000	**–**	1
RMB169,349,081 – RMB169,778,900	**1**	–
RMB179,664,761 – RMB180,094,580	**–**	1
RMB297,865,261 – RMB298,295,080	**–**	1

For the year ended December 31, 2022 and 2021, 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,	
	2022 *RMB'000*	2021 *RMB'000*
Property, plant and equipment	**912,636**	832,678
Intangible assets	**13,269**	8,914
Investments *(i)*	**4,181,980**	4,087,189
Total	**5,107,885**	4,928,781

(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.

53. COMMITMENTS (Continued)

(b) Loans commitments

	As at December 31,	
	2022	2021
	RMB'000	*RMB'000*
Unused credit lines granted to credit institutions	**19,635**	132,880
Unused credit lines granted to customers	**26,560,506**	23,929,649
Total	**26,580,141**	24,062,529

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, 2022 are as follows:

	Year ended December 31,	
	2022	2021
	RMB'000	*RMB'000*
Acquisition of additional interests in subsidiaries *(a)*	**(234,956)**	(3,362,378)
Disposal of interests in subsidiaries without loss of control *(b)*	**448,776**	4,909
Net effect in equity attributable to equity holders of the Company	**213,820**	(3,357,469)

(a) Acquisition of additional interests in subsidiaries

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

	Year ended December 31,	
	2022	2021
	RMB'000	*RMB'000*
Carrying amount of non-controlling interests acquired	**610,062**	4,505,213
Consideration paid to non-controlling interests	**(845,018)**	(7,867,591)
Excess of consideration paid recognised within equity	**(234,956)**	(3,362,378)

(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,	
	2022	2021
	RMB'000	*RMB'000*
Carrying amount of non-controlling interests disposed	**(1,063,470)**	(89,665)
Consideration received from non-controlling interests	**1,512,246**	94,574
Gain on disposal within equity	**448,776**	4,909

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, 2022 and 2021, 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
Zeny Supply Chain (Tianjin) Co., Ltd. (增益供應鏈(天津)有限公司)	Associate of the Group
Honghe Jiayu Agricultural Technology Co., Ltd. (紅河佳裕農業科技有限公司)	Associate of the Group
Dehong Jiayu Agricultural Technology Co., Ltd. (德宏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

Saved as disclosed in note 12 to the financial statements, 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, 2022 and 2021:

	Year ended December 31,	
	2022	2021
	RMB'000	*RMB'000*
Purchase of goods from		
– Associates	**635,359**	994,460
Sale of goods to		
– Associates	**154,037**	156,935
Services received from		
– Associates	**379,229**	4,492
Rendering of services to		
– Associates	**170,024**	119,346
(Loans from related parties)/Loans to related parties, net		
– Associates	**786,536**	628,295
Interest income from		
– Associates	**213,200**	225,371
Interest expenses to		
– Associates	**140,823**	109,617
Equity received from		
– Associates	**–**	486,845
(Release of guarantees provided)/guarantees provided for related parties, net		
– Associates	**(900,482)**	(3,400,340)

55. RELATED PARTY TRANSACTIONS (Continued)

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

	As at December 31,	
	2022	2021
	RMB'000	*RMB'000*
Account and notes receivables		
– Associates	**33,781**	8,630
Prepayment, other receivables and other current assets *(i)*		
– Associates	**1,300,286**	1,390,379
Trade and notes payables		
– Associates	**25,489**	3,503
Advance from customers		
– Associates	**12,248**	–
Other payables and accruals		
– Associates	**887,969**	597,071
Other non-current assets		
– Associates	**2,850,804**	2,765,568
Borrowings		
– Associates	**2,810,950**	2,832,039
Loans to customers		
– Associates	**705,655**	607,057
Loans to credit institutions		
– Associates	**5,750**	10,779

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

	As at December 31,	
	2022	2021
	RMB'000	*RMB'000*
Shenzhen Science and Technology Park	**426,238**	426,238
Bybo Dental	**102,405**	97,290
Hefei Zhiran	**152,368**	96,170
Union Insurance	**–**	387,556
Others	**619,275**	383,125
Total	**1,300,286**	1,390,379

55. RELATED PARTY TRANSACTIONS (Continued)

(d) Key management compensation

	Year ended December 31,	
	2022	2021
	RMB'000	*RMB'000*
Fees	**2,683**	2,690
Salaries	**15,880**	29,930
Discretionary bonuses	**8,052**	3,250
Share option and rewards	**7,039**	5,227
Employer's contribution to pension schedule	**350**	2,427
Other benefits	**1,523**	3,839
	35,527	47,363

(e) Guarantee provided to related parties

	As at December 31,	
	2022	2021
	RMB'000	*RMB'000*
Well Faith	**766,106**	701,328
Honghe Jiayu Agriculture Technology Co.,Ltd.	**287,558**	388,450
Union Insurance	**170,000**	125,000
Fortune Eight Deacon Limited	**148,829**	155,040
Transportes Naviera Austral S.A.	**132,328**	121,138
Legend Capital Co., Ltd.	**79,858**	115,541
Dehong Jiayu Agricultural Technology Co.,Ltd.	**72,665**	–
Social Touch	**70,751**	140,000
Kaola Technology	**–**	882,080
	1,728,095	2,628,577

Five-year Financial Summary

CONDENSED CONSOLIDATED INCOME STATEMENT

	Year ended December 31,				
	2022	2021	2020	2019	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	**483,662,697**	489,871,677	417,566,853	389,218,264	358,919,679
Profit before income tax	**12,849,412**	22,090,330	12,632,829	10,523,986	8,900,801
Income tax expense	**(2,455,439)**	(6,041,822)	(3,614,400)	(1,894,460)	(1,359,827)
Profit for the year	**10,393,973**	16,048,508	9,018,429	8,629,526	7,540,974
Profit attributable to:					
– Equity holders of the Company	**1,167,063**	5,754,886	3,868,011	3,606,896	4,361,525
– Perpetual securities holders	**–**	–	317,801	370,390	355,897
– Non-controlling interests	**9,226,910**	10,293,622	4,832,617	4,652,240	2,823,552
	10,393,973	16,048,508	9,018,429	8,629,526	7,540,974
Earnings per share for the profit attributable to the equity holders of the Company (expressed in RMB per share)					
Basic earnings per share	**0.50**	2.46	1.66	1.54	1.87
Diluted earnings per share	**0.37**	2.28	1.62	1.51	1.85

CONDENSED CONSOLIDATED BALANCE SHEET

	As at December 31,				
	2022	2021	2020	2019	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets	**347,124,628**	323,166,649	331,888,932	330,662,423	289,709,354
Current assets	**333,949,540**	357,519,525	319,843,839	293,412,771	268,557,537
Total assets	**681,074,168**	680,686,174	651,732,771	624,075,194	558,266,891
Non-current liabilities	**133,906,898**	161,943,876	163,095,556	138,617,296	112,104,495
Current liabilities	**445,011,644**	425,931,574	401,964,017	393,633,473	363,144,423
Total liabilities	**578,918,542**	587,875,450	565,059,573	532,250,769	475,248,918
Net assets	**102,155,626**	92,810,724	86,673,198	91,824,425	83,017,973

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

联想控股

LEGEND HOLDINGS

EMPOWERING COMPANIES TOWARD GREATNESS