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联想控股
LEGEND HOLDINGS
BUILDING GREAT COMPANIES

聯想控股股份有限公司
Legend Holdings Corporation

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

(Stock Code: 03396)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2019

The board of directors (“**the Board**”) of Legend Holdings Corporation (“**the Company**”/“**Legend Holdings**”) announces the audited annual results of the Company and its subsidiaries for the year ended December 31, 2019 together with the comparative figures for the corresponding period of last year as follows:

FINANCIAL HIGHLIGHTS

- Combined revenue of the Company and its subsidiaries was RMB389.218 billion, representing an increase of 8% compared with the corresponding period of last year
- Net profit attributable to equity holders of the Company was RMB3,607 million, representing a decrease of 17% compared with the corresponding period of last year
- Basic earnings per share was RMB1.54, representing a decrease of 17% as compared with the corresponding period of last year
- The Board recommends the payment of a final dividend of RMB0.33 per ordinary share (before tax) for the year ended December 31, 2019, representing an increase of 10% as compared with the corresponding period of last year

	Year ended December 31,	
	2019	2018
	(RMB Million)	(RMB Million)
Revenue	389,218	358,920
Strategic investments	388,574	358,301
Financial investments	704	651
Elimination	(60)	(32)
Net profit attributable to equity holders of the Company	3,607	4,362
Strategic investments	4,095	5,223
Financial investments	906	540
Unallocated	(1,390)	(1,401)
Elimination	(4)	–
Basic earnings per share (RMB)	1.54	1.87
Diluted earnings per share (RMB)	1.51	1.85

CEO REPORT

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

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

OPERATIONAL HIGHLIGHTS

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

- Lenovo has accelerated its intelligent transformation by implementing the 3S strategy (smart Internet of Things, smart vertical, and smart infrastructure), paving a new way for long-term sustainable growth. In 2019, thanks to its outstanding operation and strong strategic execution, Lenovo delivered a record high performance, with the record-high pre-tax income and RMB1.608 billion of net profit attributable to equity holders of the Company. In particular, its PC and smart device business continued to lead the industry with a record high pre-tax income rate. In addition to business growth, Lenovo has made strategic investments in such areas as telecommunications, edge computing and artificial intelligence, making steady progress in exploring and nurturing future growth opportunities.
- BIL also did a brilliant job in the first full fiscal year after Legend Holdings' acquisition. Its retail banking, corporate banking and wealth management all recorded good results. The assets under management increased by 10.3% year on year to EUR43.5 billion, and profit before tax from core businesses increased by 20% year on year to EUR136 million. The CET-1 ratio rose to 12.47%. BIL has formulated the new five-year strategic plan "Together 2025", in which its

new businesses in China will become a strategic focus. In September 2019, BIL opened its Beijing Representative Office; in October, it obtained the approval from European and Hong Kong regulators for acquiring a Hong Kong-based wealth management platform. An international service network of BIL is taking shape connecting Luxembourg, Beijing, the Greater Bay Area and Switzerland.

- In 2019, Joyvio Group took another step forward in establishing a business presence along the whole industrial chain with global footprint. Joyvio Agriculture, its high-end animal protein operating platform, acquired a Chilean salmon asset, turning the first Chinese company to acquire high-quality salmon upstream assets overseas. The deal has allowed Joyvio Agriculture to consolidate and substantially enhance its control over upstream high-quality resources in short supply and to further expand its domestic distribution channels. The fruit supply chain platform Joy Wing Mau further consolidated its leading position in the industry and successfully built up the high-end fruit brand “Joyvio” with extensive brand influence in China. Joy Wing Mau filed for domestic IPO counseling in September 2019. Joyvio Group’s annual revenue increased by 21% year on year, and net profit attributable to equity holders of Legend Holdings increased by 12% year on year.
- In 2019, Levima Group saw its profit increase by 147% year on year to RMB523 million, the highest since it was put into full production. In the past year, Levima Advanced Materials has actively extended to the upstream and downstream value chain, acquiring 17.5% equity interest of Xinneng Fenghuang (Tengzhou) Energy Co., Ltd., a methanol supplier in the upstream, and 51.01% equity interest of Jiangsu Chaoli Electric Co., Ltd., a downstream water-reducing agent producer, thus creating an initial presence along the industrial chain. Levima is a greenfield investment cultivated all by Legend Holdings. A green hand in the chemical industry, Levima has grown into what it is today thanks to the professional management team and the commercialization of the technologies and resources from China Academy of Sciences (CAS), demonstrating Legend Holdings’ ability of developing successful businesses. Levima is actively preparing for its A-share listing. It will further integrate the advantages given by CAS and make new breakthroughs in the downstream fine chemicals.
- Lakala was listed on the ChiNext Board and saw rapid growth in performance and value. Lakala is one of the successful “two-wheel-drive” examples between Legend Holdings and Legend Capital. Legend Holdings is its single largest shareholder. Lakala went public on the ChiNext Board on April 25, 2019, becoming the first A-share public third-party payment company. In 2019, the net profit attributable to its shareholders increased by 34% year on year to RMB806 million, and its fast-growing market capitalization also boosted the fair value of the equities we hold in it.

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

- Legend Capital newly raised two USD funds and one RMB fund in 2019, namely, the 8th USD fund, the 2nd USD medical fund, and the 3rd RMB TMT innovation fund. The total amount raised during the Reporting Period stood at RMB9.391 billion, with the newly raised amount of over RMB4.2 billion. During the Reporting Period, Legend Capital completed investments in 29 new project and full or partial exits from 40 projects. In 2019 alone, it created nearly RMB10 billion cashback for its LPs and over RMB2 billion for Legend Holdings. In 2019, 10 portfolio companies of Legend Capital went IPO and got listed.
- Legend Star maintained steady growth in 2019. It has forged competitiveness and influence in frontier technologies and healthcare. In 2019, Legend Star kicked off the fundraising and finished the first closing of the 4th RMB fund and the 4th USD fund. The number of follow-up financing and post-investment value growth both registered new records. Nearly 60 projects had follow-up financing during the Reporting Period and almost 20 projects were exited.
- Hony Capital completed the final closing of its cultural industry fund, and the 3rd property fund sent the notice for the first closing. Hony Horizon launched together 4 new funds. Investments and project exits were conducted in an orderly manner, contributing over RMB1.2 billion to Legend Holdings.

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

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

BUSINESS REVIEW

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

- Revenue of the IT segment increased by 8% year on year to RMB357.212 billion, and net profit attributable to equity holders of the Company increased by 48% to RMB1.608 billion, a record high driven by Lenovo's strategy implementation and operation improvement;
- Revenue of the financial services segment increased by 27% year on year to RMB8,815 million, mainly contributed by the consolidated revenue of BIL in the whole year of 2019; net profit attributable to equity holders of the Company dropped by 19% year on year to RMB2,076 million, mainly due to the strategic downsizing of businesses of companies in the segment and the fair value changes of relevant portfolio companies;
- Revenue of the innovative consumption and services segment decreased by 30% year on year to RMB905 million, mainly due to the deconsolidation of Bybo Dental's revenue since it was transformed into an associate of the Company; net loss attributable to equity holders of the Company was RMB295 million, basically equal to that of 2018 on the operational level (excluding the one-off gains from the equity financing of Bybo Dental in 2018);
- Revenue of the agriculture and food segment increased by 21% year on year to RMB15.695 billion, mainly contributed by Joy Wing Mau and the newly consolidated revenue from the acquisition of the Chilean Australis project; net profit attributable to equity holders of the Company increased by 10% year on year to RMB230 million;

- Revenue of the advanced manufacturing and professional services segment decreased by 6% year on year to RMB5.947 billion, mainly due to the supply chain business adjustments; net profit attributable to equity holders of the Company increased by 82% year on year to RMB476 million, mainly driven by the growth of Levima Advanced Materials;
- Net profit attributable to equity holders of the Company of the financial investments segment increased by 68% year on year to RMB906 million. Though the portfolio value of Legend Star and Legend Capital increased in 2019 and contributed considerable realized gains, the fair value downgrade of certain projects offset the aforementioned gains.

OUTLOOK

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

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

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

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

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

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

Legend Holdings Corporation

LI Peng

Executive Director and Chief Executive Officer

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue contributions from the Group's businesses

Unit: RMB million

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

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

Unit: RMB million

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

Asset allocation of the Group's businesses

Unit: RMB million

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

BUSINESS REVIEW

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

Strategic Investments

IT

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

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

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

	<i>Unit: RMB million</i>	
	2019	2018
Revenue	357,212	330,780
Net profit	6,026	3,787
Net profit attributable to equity holders of Legend Holdings	1,608	1,085

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

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

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

Intelligent Devices Group – Mobile Business Group (MBG)

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

Data Center Group (DCG)

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

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

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

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

Outlook

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

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

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

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

Financial Services

Overview

Our subsidiaries and associates in the financial services mainly include:

- Banque Internationale à Luxembourg S.A. (BIL), our subsidiary, mainly provides comprehensive banking services, including corporate and institutional banking, retail banking, private banking, capital markets and other businesses;
- Zhengqi Financial, our subsidiary, mainly provides SMEs with comprehensive financial solutions such as direct loans, financial leasing, commercial factoring and equity investments;
- JC Finance & Leasing, our subsidiary, mainly provides financial leasing services;
- Kaola Technology, our subsidiary, mainly provides innovative financial services;
- Lakala Payment, our associate, mainly provides services such as payment technology, financial technology, e-commerce technology, information technology, etc. for micro, small and medium businesses;
- Hankou Bank, our associate, mainly engages in commercial banking services; and
- Union Insurance, our associate, mainly provides insurance brokerage and related services.

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

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

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

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

	<i>Unit: RMB million</i>	
	2019	2018
Revenue	8,815	6,962
Net profit	2,294	2,896
Net profit attributable to equity holders of Legend Holdings	2,076	2,567

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

Operating Highlights:

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

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

BIL

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

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

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

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

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

- Retail and affluent clients have access to a network of 41 branches to meet all their banking, financing, saving and investment needs. BIL has made its mark as an innovator when it comes to the early introduction of new technologies such as mobile banking, cardless cash withdrawals, contactless payments and fingerprint recognition;
- BIL is a strong partner of companies of all sizes, financial and institutional clients and provides a comprehensive range of banking services and advice, primarily for Luxembourg-based businesses;
- BIL helps private banking clients to manage and structure their wealth and financial sector professionals to develop their activities. BIL offers private very high net worth clients integrated financial and non-financial solutions such as asset structuring, life insurances, credit solutions, wealth and estate planning as well as capital protection.

The “Retail, Corporate and Wealth Management” business areas delivered a solid performance in 2019¹:

- Assets under Management (AuM) increased by 10.3% reaching EUR 43.5 billion compared with EUR 39.5 billion at the end of 2018. This increase was resulted from new net inflows of EUR 1.4 billion across all the business lines and from a highly positive market effect of EUR 2.6 billion following the favorable market conditions in 2019;
- Customer deposits increased by 10%, reaching EUR 19 billion compared with EUR 17.3 billion at year-end 2018. Nevertheless, the Bank continued to encourage cash conversion for clients and further strengthened its good reputation as an investment advisor;

¹ Percentages calculated on accurate numbers may lead to rounding differences

- Customer loans increased by 9.9% to EUR 14.7 billion compared with EUR 13.4 billion at year-end 2018 essentially due to the commercial activities' contribution which increased by EUR 1.4 billion (+10.3% compared with year-end 2018), proof of BIL's ongoing support of the local economy;
- BIL reported a net income after tax of EUR 113 million versus EUR 131 million at year-end 2018 mainly influenced by the non-recurring items evolution. The core operating net income before tax (excluding non-recurring items) reached EUR 136 million compared with EUR 114 million in 2018, which represents an increase of EUR 22 million (20%); This positive result was marked by a solid performance in commercial business lines in line with the commercial franchise evolution, cost containment measures and a limited impact in terms of cost of risk;
- CET-1 ratio 12.47% as the end of 2019 versus 12.04% end of 2018;
- In 2019, both Moody's and Standard & Poor's affirmed BIL's ratings of A2/Stable/P-1 and A-/Stable/A-2 respectively.

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

	<i>Unit: RMB million</i>	
		For the six months from July to December
	2019	2018
Revenue	4,477	2,165
Net profit	833	510

Zhengqi Financial

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

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

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

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

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

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

	<i>Unit: RMB million</i>	
	2019	2018
Revenue	1,271	1,831
Net profit	217	720

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

JC Finance & Leasing

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

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

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

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

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

	<i>Unit: RMB million</i>	
	2019	2018
Revenue	1,044	903
Net profit	207	230

Kaola Technology

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

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

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

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

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

	<i>Unit: RMB million</i>	
	2019	2018
Revenue	1,898	1,950
Net Profit	227	453

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

Associates in Financial Services Segment

Lakala Payment

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

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

Lakala is in liaison with more than 21 million merchants, covering production and consumption scenarios both online and offline. With the arrival of its Strategy 4.0, Lakala continuously launched onto the market the cloud-service-based SaaS products such as Yunshoudan (雲收單)、Yunxiaodian (雲小店)、Huiguandian (匯管店)、Shoukuanma (收款碼), etc., so as to provide customers with differentiated operation solutions and promote rapid growth of the merchant service businesses. Merchant operations will become a second essential engine for rapid growth of Lakala's performance next to its payment business.

The 2019 net profit attributable to shareholders of Lakala reached RMB806 million, representing an increase of 34.45% compared with the corresponding period last year.

Hankou Bank

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

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

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

Union Insurance

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

Innovative Consumption and Services

Overview

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

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

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

model of our companies in the financial investment segment including Legend Star, Legend Capital and Hony Investment, so as to explore a variety of joint investment opportunities.

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

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

	<i>Unit: RMB million</i>	
	2019	2018
Revenue	905	1,288
Net (loss)/profit	(264)	1,005
Net (loss)/profit attributable to equity holders of Legend Holdings	(295)	1,099

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

Better Education

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

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

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

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

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

	<i>Unit: RMB million</i>	
	2019	2018
Revenue	603	497
Net Profit	58	51

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

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

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

Shanghai Neuromedical Center

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

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

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

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

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

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

	<i>Unit: RMB million</i>	
	2019	2018
Revenue	302	273
Net profit/(loss)	8	(9)

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

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

Associates of Innovative Consumption and Services

CAR

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

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

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

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

	<i>Unit: RMB million</i>	
	2019	2018
Revenue	7,691	6,444
Net Profit	31	290

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

Bybo Dental

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

During the Reporting Period, Bybo Dental continued to strengthen its medical teams. While recruiting quality medical personnel, it also improved the overall level of healthcare through discipline training and cultivation of teams. In December 2019, Bybo Dental and Shanghai Stomatological Hospital of Fudan University (上海復旦大學附屬口腔醫院) entered into a strategic partnership for the collaboration on and innovation in areas of training of stomatologists, stomatology education, scientific research and innovation, transformation of achievement, clinical collaboration and academic exchange. In addition, Bybo Dental has continuously enhanced the standard stomatology service system, established standards of quality and service procedures for the process and scenarios of medical services, and provided customers with quality dental treatment. In December 2019, the CDSO (China Dental Service Organizations) was founded by four well-known dental chain organizations including Bybo Dental,

Enjoy Dental Clinic, Malo Clinic Dental Care and Jinsong Dental Hospital, which achieved synergistic cooperation in various aspects from procurement of materials, research and development of technology, clinical management and control and resource integration, etc., so as to control medical expenses and improve the quality of medical services at the same time.

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

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

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

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

Agriculture and Food

Overview

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

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

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

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

Operating Highlights

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

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

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

	<i>Unit: RMB million</i>	
	2019	2018
Revenue	15,695	12,940
Net profit	322	435
Net profit attributable to equity holders of Legend Holdings	230	210

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

(1) Fruit business

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

distribution, Joy Wing Mau has achieved a business layout in 16 first-class and second-class fruit markets in China and has become the largest importer and distributor of kiwifruits, apples, blueberries, cherries and grapes in China.

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

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

(2) Animal protein business

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

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

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

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

(4) Drinks business

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

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

(5) Packaged food business

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

Advanced Manufacturing and Professional Services

Overview

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

- Levima Group, our subsidiary, mainly engages in the research and development and production of advanced polymer materials and special chemicals;
- Zeny Supply Chain, our subsidiary, mainly provides logistics services; and
- EAL, our associate, mainly engages in air logistics related businesses.

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

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

	<i>Unit: RMB million</i>	
	2019	2018
Revenue	5,947	6,331
Net profit	693	355
Net profit attributable to equity holders of Legend Holdings	476	262

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

Operating highlights:

- Benefiting from the safe and stable operation, continuous reduction in material and energy consumption of its devices, constant optimization of its product mix, and significant decrease in cost of major raw materials, Levima Group achieved a year-on-year increase of profit by 147% to RMB523 million in 2019, being the historical high since full production;
- Levima Advanced Materials Corporation, a subsidiary of Levima Group, has actively extended upstream and downstream of the value chain. It has acquired 17.5% equity interest in Xinneng Fenghuang (新能鳳凰) upstream, a methanol raw material supplier, and 51.01% equity interest in Jiangsu Chaoli (江蘇超力) downstream, a water-reducing agent producer. The two investment acquisitions have effectively improved the company's ability to withstand the volatility risk of raw materials, provided direct access to the industry's end customers, enabled the company to flexibly and efficiently provide customized products and services to end customers in the industry, and greatly improved customer loyalty and profitability of the company.

Levima Group

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

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

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

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

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

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

	<i>Unit: RMB million</i>	
	2019	2018
Revenue	5,822	5,945
Net Profit	523	212

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

Zeny Supply Chain

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

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

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

	<i>Unit: RMB million</i>	
	2019	2018
Revenue	125	386
Net profit/(loss)	13	(60)

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

Associates of advanced manufacturing and professional services

EAL

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

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

In terms of the strategic layout, EAL has actively assisted the coordinated development of Beijing-Tianjin-Hebei. Relying on the freight logistics base in Beijing Daxing International Airport, it resolved to develop the air freight customers in northern China and continuously explored the transportation capacity of the transferring European and American flights to meet the needs of customers. Meanwhile, EAL promoted the construction of the Logistics Park of Xi'an Western Xianyang New Area Airport (西安西鹹新區空港物流園) to ensure that the construction commenced on schedule. In addition, EAL has strived to support the regional integration strategy in Yangtze River Delta and the establishment of the Shanghai Free Trade Zone, and to continuously extend and upgrade its service capabilities, including the optimization of strategic cooperation with Suzhou Industrial Park and Shanghai Zhangjiang Free Trade Zone, promotion of the supervision of direct businesses through air freight and free-trade businesses. EAL prepared for the opening of the second phase of cargo terminal for the Western District of Pudong Airport, optimized the terminal's functional positioning to give full play to its advantages. In cross-border fresh products, EAL continued to strengthen the leading position of chartered cherry air freight in China, exerted

great efforts to expand South American salmon and North American lobster flights, gradually expanded the air freight business of seafood products from Europe, and extended to the upstream and downstream in order to create a platform of “global fresh food supply chain” that provides global, full-season and multi-category fresh products to the Chinese market.

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

Financial Investments

Overview

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

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

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

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

	<i>Unit: RMB million</i>	
	2019	2018
Revenue	704	651
Investment income and gains	908	615
Net profit	954	466
Net profit attributable to equity holders of Legend Holdings	906	540

Legend Star

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

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

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

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

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

Legend Capital

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

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

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

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

for the A-share listing of of QuantumCTek Co., Ltd. and Suzhou Cybrid Technologies Inc. have been approved. As of December 31, 2019, a total of 69 of Legend Capital's portfolio companies have been successfully listed (excluding those listed on NEEQS).

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

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

Name of Fund	Fund Term		Total Commitment	Investment Sector	Interests held by Legend Holdings as a limited partner (%)
	Commencement	End Date			
	Date (month/day/year)	(month/day/year)			
<i>RMB Funds (in RMB million)</i>					
Beijing Legend Capital Ruizhi Venture Investment Center, L.P. (北京君聯睿 智創業投資中心(有 限合夥))	9/18/2009	9/18/2019	1,000	TMT, healthcare, consumer goods, modern services, clean technology and advanced manufacture	31.00%
Tianjin Junruiqi Equity Investment, L.P. (天 津君睿祺股權投資 合夥企業(有限合 夥))	3/31/2011	3/31/2021	3,632	TMT, healthcare, consumer goods, modern services, clean technology and advanced manufacture	31.67%
Beijing Legend Capital Maolin Equity Investment, L.P. (北 京君聯茂林股權投 資合夥企業(有限 合夥))	9/9/2014	9/8/2022	3,204	innovative consumption, modern services, TMT, healthcare, etc.	31.21%
Shanghai Qiji Venture Investment, L.P. (上 海祺跡創業投資合 夥企業(有限合夥))	5/30/2015	5/29/2023	500	TMT and innovative consumer service sector	16.00%
Beijing Legend Capital Mingde Equity Investment, L.P. (北 京君聯名德股權投 資合夥企業(有限 合夥))	7/31/2015	7/30/2021	1,247	Culture entertainment, sports	20.05%
Beijing Legend Capital Xinhai Equity Investment, L.P. (北 京君聯新海股權投 資合夥企業(有限 合夥))	8/11/2015	8/10/2020	1,698	Return of red-chip, cross-border investment and other high- growth projects	17.67%

Name of Fund	Fund Term		Total Commitment	Investment Sector	Interests held by Legend Holdings as a limited partner (%)
	Commencement Date (month/day/year)	End Date (month/day/year)			
Beijing Legend Capital Yikang Equity Investment, L.P. (北 京君聯益康股權投 資合夥企業(有限 合夥))	2/5/2016	2/4/2024	1,621	Healthcare	18.50%
Beijing Legend Capital Huicheng Equity Investment, L.P. (北 京君聯慧誠股權投 資合夥企業(有限 合夥))	8/30/2016	8/29/2024	4,500	TMT and innovative consumption, intelligent manufacturing, professional services and healthcare services	22.22%
Suzhou JunJunde Equity Investment, L.P. (蘇 州君駿德股權投資 合夥企業(有限合 夥))	6/30/2017	6/29/2025	1,315	Culture entertainment, sports, innovative consumption	28.52%
Suzhou Junlian Xinkang Venture Investment, L.P. (蘇州君聯欣康 創業投資合夥企業 (有限合夥))	4/16/2018	4/15/2026	1,600	Healthcare	25.00%
Beijing Junlian Shengyuan Equity Investment, L.P. (北京君聯晟源 股權投資合夥企業 (有限合夥))	7/9/2018	7/8/2026	7,000	TMT, innovative consumption, intelligent manufacturing	18.57%
Shanghai Junlian Shenghao Venture Investment, L.P. (上 海君聯晟灝創業投 資合夥企業(有限 合夥))	12/18/2018	12/17/2026	804	Industrial technology, industry internet, enterprise information technology	34.20%

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

Notes:

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

Hony Capital

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

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

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

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

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

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

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

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

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

Name of Fund	Fund Term		Total Commitment	Investment Sector	Interests held by Legend Holdings as a limited partner (%)
	Commencement	End Date			
	Date <i>(month/day/year)</i>	<i>(month/day/year)</i>			
<i>USD Funds (in USD million)</i>					
Hony International Limited	N/A	N/A	29	In view of China’s economic environment and policy direction, Hony Capital’s equity investment funds strategically focus on the opportunities of SOE reforms, private enterprise and cross-border M&As. In terms of industry selection, the funds focus on industries directly benefiting from China’s macro trends, including consumption, health, services and high-end manufacturing, as well as transformation from mobile Internet.	40%
Hony Capital II, L.P.	7/26/2004	8/31/2014	87		41%
Hony Capital Fund III, L.P.	9/19/2006	11/10/2016	580		34%
Hony Capital Fund 2008, L.P.	5/27/2008	6/26/2020	1,398		14%
Hony Capital Fund V, L.P.	8/10/2011	12/15/2021	2,368		11%
Hony Capital Fund VIII (Cayman), L.P.	8/18/2015	10/30/2025	1,647		16%

Name of Fund	Fund Term		Total Commitment	Investment Sector	Interests held by Legend Holdings as a limited partner (%)
	Commencement Date (month/day/year)	End Date (month/day/year)			
Goldstream Capital Master Fund I	12/1/2017	N/A	31	Goldstream Greater China long and short position fund starts from the fundamentals, systematically covering a group of industries and enterprises with Hony's cognitive advantages. It seeks opportunities for value and growth investment in line with its requirements for investment risks and returns by in-depth, careful, timely, comprehensive research to build a long and short position combination and create excellent long- term risk-adjusted returns for investors.	82%

RMB Funds (in RMB million)

Hony Capital RMB I, L.P. (弘毅投資產業一期基金(天津)(有限合夥))	4/24/2008	4/23/2019	5,026		30%
Hony Capital RMB Fund 2010, L.P. (北京弘毅貳零壹零股權投資中心(有限合夥))	8/12/2010	8/11/2020	9,965		20%
Hony Capital Fund 2015, L.P. (弘毅貳零壹伍(深圳)股權投資基金中心(有限合夥))	10/13/2015	10/12/2025	3,596		9%

Name of Fund	Fund Term		Total Commitment	Investment Sector	Interests held by Legend Holdings as a limited partner (%)
	Commencement Date (month/day/year)	End Date (month/day/year)			
Hony Capital Real Estate Fund 2015, L.P. (弘毅貳零壹伍(深圳)地產投資中心(有限合夥))	9/28/2016	9/27/2021	2,563	The property funds focus strategically on office buildings in first-tier cities to create excess return by applying various value-added	20%
Beijing Haidian Technology Industry Space Optimization Fund, L.P. (北京海淀科技產業空間優化基金中心(有限合夥))	12/8/2016	6/30/2022	2,157	means such as renovation, enhanced operation and functional adjustment to the office buildings in first-tier cities or other commercial buildings with the potential to be converted into office	2%
Shenzhen Hony 2019 Corporate Management Center (Limited. Partnership) (深圳弘毅貳零壹玖企業管理中心(有限合夥))	7/9/2019	1/15/2025	1,600	buildings.	50%
Hony Horizon state-owned enterprise transformation and upgrading hybrid securities investment fund (弘毅遠方國企轉型升級混合型發起式證券投資基金)	10/31/2018	N/A	109	The fund focuses on the investment opportunities contained in the process of transformation and upgrading of Chinese state-owned enterprises and pursues long-term appreciation of fund assets on the basis of strict control on investment risks.	17%
Hony Horizon consumption upgrading hybrid fund (弘毅遠方消費升級混合型發起式證券投資基金)	1/30/2019	N/A	132	The fund looks for opportunities in the consumption upgrade driven by per capita income and demographic features and pursues stable and sustainable value growth of the fund's assets on the premise of strict Control on portfolio risks.	38%

Name of Fund	Fund Term		Total Commitment	Investment Sector	Interests held by Legend Holdings as a limited partner (%)
	Commencement	End Date			
	Date (month/day/year)	Date (month/day/year)			
Hony Horizon Guozheng consumption 100 ETF (弘毅遠方國證消費100交易型開放式指數證券投資基金)	12/19/2019	N/A	211	The fund mainly adopts the full replication method, i.e. the fund portfolio of is constructed solely in accordance with the composition and weight of the constituents of the CSI100 Index, and is adjusted according to changes in the constituents of the underlying index and their weights.	43%

Notes:

- (1) The end date is extendable in accordance with the relevant limited partnership agreement.
- (2) Total commitment represents the aggregate capital commitment by partners of limited partnerships or investors for the funds in the form of limited liability companies, if applicable, as of the final closing date.
- (3) Hony Capital Fund VIII (Cayman), L.P. and Hony Capital Fund 2015, L.P. (弘毅貳零壹伍(深圳)股權投資基金中心(有限合夥)) are collectively named as “Hony RMB Fund VIII” in the above table.

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

Investment Properties

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

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

FINANCIAL REVIEW

Finance costs

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

Taxation

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

Capital expenditures and capital commitments

Our capital expenditures mainly arise from purchases of property, plant and equipment, new construction in progress and intangible assets, and payment for investment. Capital expenditures were mainly funded by internally generated resources and external borrowings. Details of capital expenditures for each of the business segments are set out in Note 3 to the financial statements.

As of December 31, 2019, we had RMB4,602 million of capital expenditures contracted but not yet generated. Such capital commitments were mainly used for purchases of property, plant and equipment, and investment. Details of capital commitments are set out in Note 24 to the financial statements.

Liquidity and financial resources

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

Cash and cash equivalents

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

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

Indebtedness

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

Unit: RMB million

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

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

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

Unit: RMB million

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

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

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

Issuer	Type of bonds	Currency	Issuance date	Term	Principal amount
JC Finance & Leasing	Asset backed securities	RMB	November 27, 2018	1–2 years	RMB230 million
JC Finance & Leasing	Corporate bonds	RMB	September 6, 2019	2 years	RMB400 million
JC Finance & Leasing	Asset backed securities	RMB	October 16, 2019	1–3 years	RMB550 million
JC Finance & Leasing	Corporate bonds	RMB	November 21, 2019	2 years	RMB300 million
BIL	Bank subordinate bonds	EUR	June 30, 2014	25.5 years	EUR31 million
BIL	Bank subordinate bonds	EUR	June 8, 2016	12 years	EUR50 million
BIL	Bank subordinate bonds	USD	October 18, 2016	12 years	USD100 million
BIL	Medium term notes	JPY	December 19, 2002	20 years	JPY500 million
BIL	Medium term notes	EUR	2013 to 2019	2–20 years	EUR1,970 million
BIL	Medium term notes	USD	2018 to 2019	2–5 years	USD45 million
BIL	Medium term notes	CHF	2016 to 2019	6–6.5 years	CHF250 million
Lenovo Finance	Asset backed securities	RMB	September 26, 2018	1.5 years	RMB103 million
Joyvio Agriculture	Convertible bonds	USD	June 14, 2019	5 years	USD125 million

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

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

Current ratio and net debt to equity ratio

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

Current ratio

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

Net debt to equity ratio

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

Pledged assets

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

Contingencies

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

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

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

Unit: RMB million

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

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

EVENTS AFTER THE REPORTING PERIOD

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

The novel coronavirus, COVID-19, outbreak (“**the outbreak**”) in early 2020 makes the world struggle in the epidemic prevention. The outbreak has restricted the development of the Company’s strategic investments business, such as manufacturing, supplying and logistics services and has also made financial investments face fluctuation risks in the global capital market. As at the announcement date, the Company and its subsidiaries are still assessing the impact on their businesses.

RECOMMENDATION OF FINAL DIVIDEND

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

CLOSURE OF REGISTER OF MEMBERS

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

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

Consolidated Income Statement
For the year ended December 31, 2019

		Year ended December 31,	
		2019	2018
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Sales of goods and services	3	<u>384,241,810</u>	<u>354,835,826</u>
Interest income		7,649,123	5,401,298
Interest expense		<u>(2,672,669)</u>	<u>(1,317,445)</u>
Net interest income	3	<u>4,976,454</u>	<u>4,083,853</u>
Total revenue	3	389,218,264	358,919,679
Cost of sales and services	6	<u>(320,544,108)</u>	<u>(303,813,715)</u>
Gross profit		68,674,156	55,105,964
Selling and distribution expenses	6	(22,376,957)	(18,985,479)
General and administrative expenses	6	(31,855,609)	(26,335,388)
Impairment losses for financial assets	6	(1,375,362)	(1,200,700)
Investment income and gains	4	2,766,083	4,648,201
Other losses	5	(304,758)	(616,975)
Finance income	7	1,244,658	915,288
Finance costs	7	(6,724,968)	(5,306,315)
Share of profit of associates and joint ventures accounted for using the equity method		<u>476,743</u>	<u>676,205</u>
Profit before income tax		10,523,986	8,900,801
Income tax expense	8	<u>(1,894,460)</u>	<u>(1,359,827)</u>
Profit for the year		<u><u>8,629,526</u></u>	<u><u>7,540,974</u></u>
Profit attributable to:			
– Equity holders of the Company		3,606,896	4,361,525
– Perpetual securities holders		370,390	355,897
– Other non-controlling interests		<u>4,652,240</u>	<u>2,823,552</u>
		<u><u>8,629,526</u></u>	<u><u>7,540,974</u></u>
Earnings per share for the profit attributable to the equity holders of the Company <i>(expressed in RMB per share)</i>			
Basic earnings per share	9	<u><u>1.54</u></u>	<u><u>1.87</u></u>
Diluted earnings per share	9	<u><u>1.51</u></u>	<u><u>1.85</u></u>

Consolidated Statement of Comprehensive Income
For the year ended December 31, 2019

	Year ended December 31,	
	2019	2018
<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the year	<u>8,629,526</u>	<u>7,540,974</u>
Other comprehensive loss:		
Items that will not be reclassified to income statement:		
Change in fair value of equity securities measured at fair value through other comprehensive income, net of taxes	20,558	(583,364)
Share of other comprehensive income/(loss) of associates using equity accounting, net of taxes	113,695	(353,699)
Remeasurements of post-employment benefit obligations, net of taxes	(260,755)	(194,435)
Revaluation of investment properties upon reclassification from property, plant and equipment, net of taxes	52,656	38,977
Items that may be reclassified subsequently to income statement:		
Change in fair value of debt securities measured at fair value through other comprehensive income, net of taxes	(11,842)	(83,023)
Currency translation differences	306,557	(84,911)
Share of other comprehensive income of associates using equity accounting	8,979	121,627
Share of other comprehensive income reclassified to consolidated income statement on disposal of associates using equity accounting	–	(76,469)
Fair value change on cash flow hedges, net of taxes	<u>(239,784)</u>	<u>131,013</u>

Consolidated Statement of Comprehensive Income (Continued)*For the year ended December 31, 2019*

	Year ended December 31,	
	2019	2018
<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Other comprehensive loss for the year, net of taxes	<u>(9,936)</u>	<u>(1,084,284)</u>
Total comprehensive income for the year	<u>8,619,590</u>	<u>6,456,690</u>
Attributable to:		
– Equity holders of the Company	3,999,992	4,144,600
– Perpetual securities holders	370,390	355,897
– Other non-controlling interests	<u>4,249,208</u>	<u>1,956,193</u>
	<u>8,619,590</u>	<u>6,456,690</u>

Consolidated Balance Sheet

As at December 31, 2019

		As at December 31,	
		2019	2018
	Note	RMB'000	RMB'000
ASSETS			
Non-current assets			
Leasehold land and land use rights		–	3,802,332
Property, plant and equipment		23,927,948	21,212,687
Right-of-use assets		7,265,904	–
Investment properties		12,316,171	11,707,510
Intangible assets		70,021,402	64,186,472
Consumptive biological assets		286,658	–
Associates and joint ventures using equity accounting		19,258,345	18,700,363
Associates measured at fair value through profit or loss		17,404,859	18,069,535
Financial assets at fair value through other comprehensive income		10,969,080	12,198,089
Financial assets at fair value through profit or loss		8,394,224	8,210,584
Loans to customers	12	82,212,421	66,877,679
Loans to credit institutions		690,241	2,598,660
Derivative financial assets		505,099	457,356
Other financial assets at amortised cost		48,052,348	38,181,924
Deferred income tax assets		17,507,825	14,537,358
Other non-current assets		11,849,898	8,968,805
		330,662,423	289,709,354

Consolidated Balance Sheet (*Continued*)
As at December 31, 2019

		As at December 31,	
		2019	2018
	<i>Note</i>	RMB'000	RMB'000
Current assets			
Inventories		30,166,081	27,862,003
Consumptive biological assets		1,615,243	–
Properties under development		656,674	439,355
Accounts and notes receivables	10	74,180,577	54,189,146
Prepayments, other receivables and current assets	11	43,691,837	43,656,633
Loans to customers	12	47,993,361	53,518,460
Loans to credit institutions		6,725,571	3,734,588
Derivative financial assets		2,377,292	2,147,800
Financial assets at fair value through profit or loss		11,496,627	12,393,559
Financial assets at fair value through other comprehensive income		364,768	693,949
Other financial assets at amortised cost		2,466,904	1,712,559
Restricted deposits	13	9,075,991	6,504,353
Bank deposits	13	262,286	333,304
Cash and cash equivalents	13	62,339,559	60,023,193
		293,412,771	267,208,902
Completed properties held for sale		–	1,348,635
		293,412,771	268,557,537
Total assets		624,075,194	558,266,891

Consolidated Balance Sheet (*Continued*)*As at December 31, 2019*

		As at December 31,	
		2019	2018
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital	14	2,356,231	2,356,231
Reserves		58,181,008	55,116,523
Total equity attributable to equity holders of the Company			
		60,537,239	57,472,754
Perpetual securities	15	8,161,897	6,807,157
Other non-controlling interests		28,149,657	23,762,430
Put option written on non-controlling interests	18(c)(1)	(5,024,368)	(5,024,368)
Total equity		91,824,425	83,017,973

Consolidated Balance Sheet (Continued)*As at December 31, 2019*

		As at December 31,	
		2019	2018
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
LIABILITIES			
Non-current liabilities			
Borrowings	20	85,704,024	68,548,293
Lease liabilities		3,355,772	–
Amounts due to credit institutions		4,235,307	6,275,997
Amounts due to customers	19	4,634,959	4,233,726
Derivative financial liabilities		2,518,477	1,965,909
Deferred revenue		6,040,154	4,667,751
Retirement benefit obligations		3,112,233	2,995,928
Provisions	21	2,193,198	2,045,103
Financial liabilities at fair value through profit or loss		8,154,983	5,221,173
Deferred income tax liabilities		7,583,124	6,044,310
Other non-current liabilities	18	11,085,065	10,106,305
		<u>138,617,296</u>	<u>112,104,495</u>

Consolidated Balance Sheet (Continued)*As at December 31, 2019*

		As at December 31,	
		2019	2018
	<i>Note</i>	RMB'000	RMB'000
Current liabilities			
Trade and notes payables	16	73,068,967	59,786,285
Other payables and accruals	17	82,962,737	76,031,797
Amounts due to credit institutions		19,960,243	16,840,728
Amounts due to customers	19	143,699,602	131,201,865
Financial liabilities at fair value through profit or loss		2,044,184	2,112,274
Derivative financial liabilities		2,786,684	2,490,615
Provisions	21	5,430,413	5,591,777
Advance from customers		2,090,890	1,878,270
Deferred revenue		5,928,919	5,237,006
Income tax payables		2,712,254	2,297,002
Lease liabilities		747,777	—
Borrowings	20	52,200,803	59,676,804
		393,633,473	363,144,423
Total liabilities		532,250,769	475,248,918
Total equity and liabilities		624,075,194	558,266,891
Net current liabilities		(100,220,702)	(94,586,886)
Total assets less current liabilities		230,441,721	195,122,468

Consolidated Statement of Changes in Equity

For the year ended December 31, 2019

	Attributable to the equity holders of the Company													
	Share capital RMB'000	Share premium RMB'000	Statutory surplus reserve RMB'000	Revaluation reserve RMB'000	Share-based compensation reserve RMB'000	Shares held for share scheme RMB'000	Hedging reserve RMB'000	Exchange reserve RMB'000	Other reserve RMB'000	Retained earnings RMB'000	Perpetual securities RMB'000	Other non-controlling interests RMB'000	Put option written on non-controlling interests RMB'000	Total RMB'000
As December 31, 2018	2,356,231	11,281,940	460,852	(134,422)	2,456,936	(196,352)	22,443	(2,241,850)	3,903,548	39,563,428	6,807,157	23,762,430	(5,024,368)	83,017,973
Changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
As January 1, 2019	2,356,231	11,281,940	460,852	(134,422)	2,456,936	(196,352)	22,443	(2,241,850)	3,903,548	39,563,428	6,807,157	23,762,430	(5,024,368)	83,017,973
Profit for the year	-	-	-	-	-	-	-	-	-	3,606,896	370,390	4,652,240	-	8,629,526
Other comprehensive income/(loss)	-	-	-	57,794	-	-	-	-	-	-	-	(49,078)	-	8,716
Fair value changes on financial assets at fair value through other comprehensive income	-	-	-	125,455	-	-	-	-	-	-	-	(2,781)	-	122,674
Share of other comprehensive income/(loss) of associates using equity accounting	-	-	-	-	-	-	(52,197)	-	-	-	-	(187,587)	-	(239,784)
Fair value change on cash flow hedges	-	-	-	-	-	-	-	289,391	-	-	-	17,166	-	306,557
Currency translation differences	-	-	-	-	-	-	-	-	(75,433)	-	-	(185,322)	-	(260,755)
Remeasurement of post-employment benefit obligations	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Revaluation of investment properties upon reclassification from property, plant and equipment	-	-	-	48,086	-	-	-	-	-	-	-	4,570	-	52,656
Total comprehensive income/(loss) for the year	-	-	-	231,335	-	-	(52,197)	289,391	(75,433)	3,606,896	370,390	4,249,208	-	8,619,590
Transfer to retained earnings	-	-	-	328,973	-	-	-	-	-	(328,973)	-	-	-	-
Total transactions with owners, recognised directly in equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	512,428	-	512,428
Disposal of subsidiaries	-	-	-	(535)	-	-	-	-	-	-	-	(71,851)	-	(72,386)
Transaction with other non-controlling interests	-	-	-	-	-	-	-	-	(562,474)	-	-	(936,990)	-	(1,499,464)
Contribution from other non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	1,693,265	-	1,693,265
Issuance of convertible bonds	-	-	-	-	-	-	-	-	151,487	-	-	369,050	-	520,537
Issuance of perpetual securities (Note 15)	-	-	-	-	-	-	-	-	-	-	1,354,740	-	-	1,354,740
Transfer to reserve	-	-	-	-	-	-	-	-	(618)	9,166	-	30,562	-	39,110
Share of other reserve of associates	-	-	-	-	-	-	-	-	(64,005)	-	-	495	-	(63,510)
Share-based compensation	-	-	-	-	371,777	71,700	-	-	(8,367)	-	-	870,188	-	1,305,298
Purchase of shares under share scheme	-	-	-	-	-	(134,502)	-	-	-	-	-	-	-	(134,502)
Interest on contingent convertible bond	-	-	-	-	-	-	-	-	-	(62,267)	-	(6,968)	-	(69,235)
Transfer to statutory surplus reserve	-	-	59,271	-	-	-	-	-	-	(59,271)	-	-	-	-
Dividends paid (Note 22)	-	-	-	-	-	-	-	-	-	(706,869)	-	(2,322,160)	-	(3,029,029)
Distribution to perpetual securities holders	-	-	-	-	-	-	-	-	-	-	(370,390)	-	-	(370,390)
Total transactions with owners, recognised directly in equity	-	-	59,271	(535)	371,777	(62,802)	-	-	(483,977)	(819,241)	984,350	138,019	-	186,862
As December 31, 2019	2,356,231	11,281,940	520,123	425,351	2,828,713	(259,154)	(29,754)	(1,952,459)	3,344,138	42,022,110	8,161,897	28,149,657	(5,024,368)	91,824,425

Consolidated Statement of Changes in Equity (Continued)

For the year ended December 31, 2019

	Attributable to the equity holders of the Company												Put option written on non-controlling interests RMB'000	Total RMB'000
	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		
As at January 1, 2018	2,356,231	11,281,940	385,655	299,875	2,075,511	(259,842)	(101,767)	(2,842,279)	4,215,903	36,311,554	6,807,157	18,977,732	(1,343,399)	78,255,271
Profit for the year	-	-	-	-	-	-	-	-	-	4,361,525	355,897	2,823,552	-	7,540,974
Other comprehensive (loss)/income	-	-	-	-	-	-	-	-	-	-	-	(152,047)	-	(666,387)
Fair value changes on financial assets at fair value through other comprehensive income	-	-	-	(514,340)	-	-	-	-	-	-	-	-	-	(76,469)
Reclassified to income statement on disposal of associates using equity accounting	-	-	-	(76,469)	-	-	-	-	-	-	-	(19,128)	-	(232,072)
Share of other comprehensive loss of associates using equity accounting	-	-	-	(212,944)	-	-	-	-	-	-	-	-	-	1,260,701
Fair value change on forward foreign exchange contracts	-	-	-	-	-	-	361,973	-	-	-	-	898,728	-	(1,129,688)
Reclassified to income statement on forward foreign exchange contracts	-	-	-	-	-	-	(328,763)	-	-	-	-	(800,925)	-	(84,911)
Currency translation differences	-	-	-	-	-	-	-	600,429	-	-	-	(685,340)	-	(194,435)
Remeasurement of post-employment benefit obligations	-	-	-	-	-	-	-	-	(85,788)	-	-	(108,647)	-	38,977
Revaluation of investment properties upon reclassification from property, plant and equipment	-	-	-	38,977	-	-	-	-	-	-	-	-	-	-
Total comprehensive (loss)/income for the year	-	-	-	(764,776)	-	-	33,210	600,429	(85,788)	4,361,525	355,897	1,956,193	-	6,456,690
Transfer to retained earnings	-	-	-	356,847	-	-	-	-	-	(356,847)	-	-	-	-
Total transactions with owners, recognised directly in equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	3,606,490	-	3,606,490
Disposal of subsidiaries	-	-	-	(26,368)	-	-	-	-	-	-	-	582,105	-	555,737
Transaction with other non-controlling interests	-	-	-	-	-	-	-	-	(318,216)	-	-	(722,307)	-	(1,040,523)
Contribution from other non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	295,514	-	295,514
Put option written on non-controlling interests (Note 18(c)(1))	-	-	-	-	-	-	-	-	-	-	-	-	(5,024,368)	(5,024,368)
Termination of put option written on non-controlling interests	-	-	-	-	-	-	-	-	22,951	-	-	55,914	1,343,399	1,422,264
Transfer to reserve	-	-	-	-	-	-	-	-	55,000	(41,425)	-	3,434	-	17,009
Share of other reserve of associates	-	-	-	-	-	-	-	-	13,698	-	-	-	-	13,698
Share-based compensation	-	-	-	-	381,425	63,490	-	-	-	-	-	921,379	-	1,366,294
Transfer to statutory surplus reserve	-	-	75,197	-	-	-	-	-	-	(75,197)	-	-	-	-
Dividends paid (Note 22)	-	-	-	-	-	-	-	-	-	(636,182)	-	(1,914,024)	-	(2,550,206)
Distribution to perpetual securities holders	-	-	-	-	-	-	-	-	-	-	(355,897)	-	-	(355,897)
Total transactions with owners, recognised directly in equity	-	-	75,197	(26,368)	381,425	63,490	-	-	(226,567)	(752,804)	(355,897)	2,828,505	(3,680,969)	(1,693,988)
As at December 31, 2018	2,356,231	11,281,940	460,852	(134,422)	2,456,936	(196,352)	22,443	(2,241,850)	3,903,548	39,563,428	6,807,157	23,762,430	(5,024,368)	83,017,973

Consolidated Cash Flow Statement
For the year ended December 31, 2019

		Year ended December 31,	
		2019	2018
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cash flows from operating activities			
Cash generated from operations	23	12,755,534	5,716,588
Income tax paid		(3,548,563)	(2,955,238)
Net cash generated from operating activities		<u>9,206,971</u>	<u>2,761,350</u>
Cash flows from investing activities			
Purchases of property, plant and equipment and intangible assets		(7,898,955)	(5,006,604)
Proceeds from sale of property, plant and equipment and intangible assets		154,221	858,694
Purchase of financial assets at fair value through profit or loss		(15,331,056)	(4,897,697)
Proceeds from the disposal of financial assets at fair value through profit or loss		15,508,743	1,689,696
Dividends from financial assets at fair value through profit or loss		414,677	213,826
Capital injection in associates measured at fair value through profit or loss		(1,198,365)	(1,529,718)
Distributions from associates measured at fair value through profit or loss		2,757,699	1,456,596
Acquisition of and capital injection in associates and joint ventures using equity accounting		(298,636)	(2,895,738)

Consolidated Cash Flow Statement (Continued)*For the year ended December 31, 2019*

		Year ended December 31,	
		2019	2018
	<i>Note</i>	RMB'000	RMB'000
Proceeds from disposal of associates using equity accounting		1,157,962	111,712
Dividends from associates using equity accounting		432,469	246,160
Purchase of financial assets at fair value through other comprehensive income		(3,006,266)	(26,670)
Disposal of financial assets at fair value through other comprehensive income		1,665,169	863,535
Dividends from financial assets at fair value through other comprehensive income		37,853	4,722
Acquisition of subsidiaries, net of cash acquired		(6,438,246)	19,668,239
Disposal of subsidiaries, net of cash disposed		1,693,062	547,877
Loans granted to related parties and third parties		(926,018)	(2,606,794)
Repayment of contingent consideration and deferred consideration		(142,256)	(218,330)
Interest received		515,741	442,695
Decrease in fixed deposits for more than 3 months		333,752	5,766,469
Net cash (used in)/generated from investing activities		<u>(10,568,450)</u>	<u>14,688,670</u>

Consolidated Cash Flow Statement (*Continued*)
For the year ended December 31, 2019

		Year ended December 31,	
		2019	2018
	<i>Note</i>	RMB'000	RMB'000
Cash flows from financing activities			
Proceeds from borrowings		88,063,552	86,713,579
Repayments of borrowings		(94,095,258)	(81,084,034)
Repurchase of shares		(134,502)	–
Repayments of lease liabilities		(896,151)	–
Issue of perpetual capital securities	15	1,379,787	–
Issue of convertible bonds, net of issuance costs	20	5,436,742	–
Issue of other bonds, net of issuance costs		10,558,181	13,677,842
Issue of convertible preferred shares		2,066,910	–
Issue of financial liabilities at fair value through profit or loss		–	15,532
Capital contributions from other non-controlling interests		2,852,792	862,234
Distribution to perpetual securities holders		(370,390)	(355,897)
Distribution to other non-controlling interests		(2,351,052)	(1,891,292)
Transaction with other non-controlling interests		(1,330,957)	(1,207,848)
Dividends paid to equity holders of the Company	22	(706,871)	(636,182)
Interest paid		(7,565,793)	(6,637,402)
Net cash generated from financing activities		<u>2,906,990</u>	<u>9,456,532</u>
Net decrease in cash and cash equivalents		1,545,511	26,906,552
Cash and cash equivalents at beginning of year		60,023,193	32,202,477
Exchange gains on cash and cash equivalents		770,855	914,164
Cash and cash equivalents at end of year	13	<u><u>62,339,559</u></u>	<u><u>60,023,193</u></u>

1. GENERAL INFORMATION

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

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

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

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

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

2. 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 and financial liabilities at fair value through other comprehensive income, financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss, 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, exercise its judgment of which some areas involve a higher degree of judgment or complexity, or involve assumptions and estimates that are significant to the consolidated financial statements.

2.1 New standards and interpretations adopted

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

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

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

2.2 New standards and interpretations not yet adopted

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

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

(1) Effective for the accounting period beginning on January 1, 2020

(2) Effective for the accounting period beginning on January 1, 2021(likely to be extended to January 1, 2022)

(3) Applicable to reporting periods commencing on or after the given date

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

3. SEGMENT INFORMATION

The Board of Directors is the Group's chief operating decision-maker. Management has determined the operating segments based on the information reviewed by the Board of Directors for the purpose of allocating resources and assessing performance.

For management purpose, the Group is organized into business units based on their products and services. Different businesses require different technologies and marketing strategies. The Group, therefore, separately manages the production and operation of each segment and evaluates their operating results respectively, in order to make decisions about resources to be allocated to these segments and to assess their performance.

The Group identifies 6 reportable segments as follows:

- IT segment, which is mainly engaged in the development, manufacturing and marketing high-quality and easy-to-use for technology products and services for customers and enterprises;
- Financial services segment, which offers services including banking, short-term financing, credit guarantees, entrusted loans, financial leasing, insurance brokerage services, third party payment, internet finance, trusts and customised financial solutions to customers;
- Innovative consumption and services segment, which operates mainly to provide comprehensive medical and health services, car rental business, Internet healthcare services and education for kids;
- Agriculture and food segment, which is mainly engaged in the production and marketing of salmon, planting and selling of premium fruit and tea products, producing and selling Chinese liquor, supplying seafood and accessory products and liquor direct sales chain;
- Advanced manufacturing and professional services segment, which includes the fine chemicals, energy materials production services, logistics services and aviation logistic related business services;
- Financial investments segment, which is engaged in investment in the private equity funds and venture capital funds as a limited partner and holds interest in the general partners of certain funds. It also makes early stage or “angel” investments in technology start-ups and minority investments in other entities. It also provides office rental services to consumers and enterprises.

The unallocated amounts primarily represent corporate expenses that are not directly allocated to one of the aforementioned operating segments. The unallocated amounts also include other income statement items such as employee benefit expenses, finance income and finance costs, which cannot be directly identified to specific operating segments. Segment assets consist, primarily of investment properties, property, plant and equipment, intangible assets, right-of-use assets, inventories, receivables and cash and cash equivalents. Segment liabilities primarily comprise operating liabilities.

The Board of Directors assesses the performance of the operating segments based on a measure of net profit and profit attributable to equity holders of the Company.

Year ended December 31, 2019

	Strategic investments						Total RMB'000
	IT RMB'000	Financial services RMB'000	Innovative consumption and services RMB'000	Agriculture and food RMB'000	Advanced manufacturing and professional services RMB'000	Financial investments RMB'000	
Segment revenue							
Sales/provide services to external customers	357,212,047	3,838,518	905,026	15,661,045	5,946,696	678,478	384,241,810
Net interest income	-	4,976,454	-	-	-	-	4,976,454
Inter-segment sales/provide services	-	-	-	33,566	-	25,402	-
Total	357,212,047	8,814,972	905,026	15,694,611	5,946,696	703,880	389,218,264
Segment results							
Profit/(loss) before income tax	7,720,977	2,599,725	(252,114)	344,994	790,717	1,177,623	10,523,986
Income tax (expense)/credit	(1,694,935)	(305,840)	(12,355)	(23,288)	(97,682)	(223,938)	(1,894,460)
Profit/(loss) for the year	6,026,042	2,293,885	(264,469)	321,706	693,035	953,685	8,629,526
Profit/(loss) attributable to equity holders of the Company	1,608,188	2,075,828	(294,564)	229,696	476,185	905,921	3,606,896
Segment assets	230,079,324	271,977,672	7,007,349	24,377,626	10,717,469	64,298,547	624,075,194
Segment liabilities	211,873,438	237,030,758	685,499	14,893,080	5,390,756	10,165,691	532,250,769
Other segment information:							
Depreciation and amortisation	(6,413,835)	(461,286)	(72,514)	(290,470)	(361,935)	(68,542)	(7,686,920)
Impairment loss for non-current assets	-	(300,000)	(115,583)	-	-	-	(415,583)
Investment income and gains	655,672	1,040,664	8,893	126,475	66,848	907,531	2,766,083
Finance income	329,100	27,719	2,297	82,231	21,544	9,502	1,244,658
Finance costs	(3,172,576)	(317,962)	(30,757)	(401,748)	(214,330)	(344,214)	(6,724,968)
Share of (loss)/profit of associates and joint ventures accounted for using the equity method	(115,375)	661,663	(225,109)	60,307	170,674	(71,792)	476,743
Material non-cash items other than depreciation and amortisation	(1,738,917)	-	-	-	-	(63,333)	(1,802,250)
Capital expenditure	7,425,269	691,594	27,983	631,707	211,889	81,020	9,085,812
Associates and joint ventures using equity accounting	444,705	7,737,831	4,204,811	1,951,471	1,412,772	3,506,755	19,258,345
Associates measured at fair value through profit or loss	-	401,079	-	-	-	17,003,780	17,404,859

Year ended December 31, 2018

	Strategic investments						Total RMB'000
	IT RMB'000	Financial services RMB'000	Innovative consumption and services RMB'000	Agriculture and food RMB'000	Advanced manufacturing and professional services RMB'000	Financial investments RMB'000	
Segment revenue							
Sales/provide services to external customers	330,779,738	2,871,674	1,287,941	12,940,152	6,331,387	624,934	354,835,826
Net interest income	-	4,083,853	-	-	-	-	4,083,853
Inter-segment sales/provide services	-	6,920	-	-	-	26,516	-
Total	<u>330,779,738</u>	<u>6,962,447</u>	<u>1,287,941</u>	<u>12,940,152</u>	<u>6,331,387</u>	<u>651,450</u>	<u>358,919,679</u>
Segment results							
Profit/(loss) before income tax	4,721,826	3,315,995	1,002,521	472,470	393,361	865,426	8,900,801
Income tax (expense)/credit	(934,606)	(420,391)	2,973	(37,030)	(38,508)	(399,840)	(1,359,827)
Profit/(loss) for the year	<u>3,787,220</u>	<u>2,895,604</u>	<u>1,005,494</u>	<u>435,440</u>	<u>354,853</u>	<u>465,586</u>	<u>7,540,974</u>
Profit/(loss) attributable to equity holders of the Company	<u>1,084,730</u>	<u>2,567,136</u>	<u>1,099,166</u>	<u>210,312</u>	<u>262,080</u>	<u>541,324</u>	<u>4,361,525</u>
Segment assets	<u>202,592,857</u>	<u>250,982,456</u>	<u>6,335,414</u>	<u>13,221,351</u>	<u>11,286,762</u>	<u>60,833,229</u>	<u>558,266,891</u>
Segment liabilities	<u>186,106,470</u>	<u>221,074,469</u>	<u>480,895</u>	<u>4,962,291</u>	<u>6,826,381</u>	<u>10,334,357</u>	<u>475,248,918</u>
Other segment information:							
Depreciation and amortisation	(5,215,334)	(174,176)	(26,683)	(223,754)	(378,637)	(54,456)	(6,092,875)
Impairment loss for non-current assets	-	(121)	-	(428,699)	(13,854)	(138,728)	(581,402)
Investment income and gains	1,023,643	1,173,703	1,283,000	516,597	36,586	614,672	4,648,201
Finance income	165,847	46,637	631	49,741	9,204	130,434	915,288
Finance costs	(2,146,877)	(245,137)	(80,587)	(133,977)	(250,621)	(428,533)	(5,306,315)
Share of (loss)/profit of associates and joint ventures accounted for using the equity method	(36,384)	495,505	(63,497)	28,315	198,005	54,760	676,205
Material non-cash items other than depreciation and amortisation	(1,390,473)	-	-	-	-	(63,490)	(1,453,963)
Capital expenditure	4,052,149	554,389	25,406	334,425	164,875	53,096	5,203,074
Associates and joint ventures using equity accounting	502,942	6,710,668	4,528,247	1,932,360	1,307,867	3,754,119	18,700,363
Associates measured at fair value through profit or loss	-	308,440	-	-	-	17,761,095	18,069,535

The amount of its revenue and non-current assets from external customers broken down by location of the customers is shown in the tables below.

(a) Revenue from external customers

	Year ended December 31,	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
China	101,140,154	104,841,822
Asia-Pacific region excluding China	82,094,692	62,453,172
Europe/Middle East/Africa	89,874,004	85,616,648
Americas	116,109,414	106,008,037
Total	<u>389,218,264</u>	<u>358,919,679</u>

(b) Non-current assets

	As at December 31,	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
China	56,010,874	52,198,207
Asia-Pacific region excluding China	15,304,799	14,197,247
Europe/Middle East/Africa	15,323,879	14,025,582
Americas	29,280,753	21,553,310
Total	<u>115,920,305</u>	<u>101,974,346</u>

The non-current assets information above is based on the locations of the assets and excludes financial assets, investments in associates and joint ventures and deferred income tax assets.

4. INVESTMENT INCOME AND GAINS

	Year ended December 31,	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Gains on disposal/dilution of associates	137,431	324,208
Gains on disposal of subsidiaries	283,833	2,183,525
Dividend income from financial assets at fair value through other comprehensive income	47,509	69,466
Fair value gains/(losses) and dividend income from associates measured at fair value through profit or loss	963,343	(649,951)
Fair value gains and dividend income from financial assets at fair value through profit or loss	1,201,106	2,672,117
Others	132,861	48,836
	<u>2,766,083</u>	<u>4,648,201</u>

5. OTHER LOSSES

	Year ended December 31,	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Government grants	603,553	747,764
Gains/(losses) on disposal of property, plant and equipment and intangible assets	6,749	(52,550)
Fair value gains on investment properties	361,132	413,063
Net foreign exchange losses	(299,315)	(454,954)
Severance and related costs (<i>Note 21</i>)	(37,876)	(274,941)
Non-recourse factoring costs	(146,027)	(634,894)
Others	(792,974)	(360,463)
	<u>(304,758)</u>	<u>(616,975)</u>

6. EXPENSES BY NATURE

	Year ended December 31,	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Cost of inventories sold	301,524,420	285,861,231
Employee benefit expense	34,350,332	29,429,754
Office and administrative expense	5,373,725	4,325,454
Advertising costs	6,768,484	5,113,837
Depreciation and amortisation	7,686,920	6,092,875
Impairment loss for loan to customers	909,189	1,011,064
Impairment loss for other financial assets	466,173	189,636
Impairment loss for non-current assets	415,583	581,402
Consultancy and professional fees	1,915,629	1,327,041
Customer support service	3,811,306	2,719,470
Auditors' remuneration-audit services	97,768	82,466
Auditors' remuneration-non audit services	24,143	42,902
Labs and testing	736,313	379,597
Operating lease payments (i)	176,753	1,007,877
Business tax and surcharge and other taxes	807,686	643,341
Transportation expense	691,789	584,470
Inventory write-down	378,558	548,248
Other expenses (ii)	10,017,265	10,394,617
	376,152,036	350,335,282

- (i) The Group has adopted IFRS 16 for the financial year beginning on January 1, 2019. During 2019, operating lease fees include only short-term lease fees and low-value lease-related expenses.
- (ii) Other expenses mainly include non-base manufacturing costs from IT business, which are costs that are periodic in nature as opposed to product specific. They are typically incurred after the physical completion of the product and include items such as outbound freight for in-country finished goods shipments, warranty costs, engineering charges, storage and warehousing costs. Non-base manufacturing costs are included in the calculation of gross margin but not inventoriable costs.

7. FINANCE INCOME AND COSTS

	For the year ended December 31,	
	2019	2018
	RMB'000	RMB'000
Interest expense (i)		
– Bank loans and overdrafts	2,428,477	1,812,553
– Other loans	699,920	891,249
– Bonds	1,947,441	1,949,490
– Lease liabilities	163,628	–
Factoring costs	1,294,106	589,420
Interest costs on contingent considerations and put option liability	187,937	60,709
Commitment fee	3,459	3,313
Total finance costs	6,724,968	5,306,734
Less: amounts capitalised on qualifying assets	–	(419)
Finance costs	6,724,968	5,306,315
Finance income (i):		
– Interest income on bank deposits and money market funds	(603,980)	(544,633)
– Interest income on loans to related parties	(80,164)	(30,782)
– Interest income on loans to non-related parties	(560,514)	(339,873)
Finance income	(1,244,658)	(915,288)
Net finance costs	5,480,310	4,391,027

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

8. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% while the income tax provision for group entities operating in Mainland China is based on a statutory rate of 25%. Income tax of other group entities operating in overseas countries and regions are calculated at the rates applicable in the respective jurisdictions.

	Year ended December 31,	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Current income tax	4,247,763	3,295,781
Deferred income tax	(2,353,303)	(1,935,954)
Income tax expense	<u>1,894,460</u>	<u>1,359,827</u>

9. 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.

	Year ended December 31,	
	2019	2018
Basic earnings attributable to equity holders of the Company (<i>RMB'000</i>)	3,606,896	4,361,525
Diluted impact on earnings (<i>RMB'000</i>) (i)	(62,303)	(2,662)
Diluted earnings attributable to the equity holders of the Company (<i>RMB'000</i>)	<u>3,544,593</u>	<u>4,358,863</u>
Weighted average number of issued ordinary shares (<i>thousands</i>)	2,356,231	2,356,231
Less shares held for share incentive plan (<i>thousands</i>)	(15,076)	(19,200)
Weighted average number of issued ordinary shares for calculating basic earnings per share (<i>thousands</i>)	<u>2,341,155</u>	<u>2,337,031</u>

	Year ended December 31,	
	2019	2018
Potential dilutive effect arising from share incentive plan (<i>thousands</i>) (ii)	<u>4,738</u>	<u>19,200</u>
Weighted average number of issued ordinary shares for calculating diluted earnings per share (<i>thousands</i>) (ii)	<u><u>2,345,893</u></u>	<u><u>2,356,231</u></u>
Earnings per share		
– Basic (<i>RMB per share</i>)	1.54	1.87
– Diluted (<i>RMB per share</i>)	1.51	1.85

- (i) Diluted impact on earnings is due to the effect of three categories of dilutive instruments, namely bonus warrants, mid-long term incentive awards and convertible bonds. Diluted earnings per share is calculated by adjusting earnings attributable to the equity holders of the Company.
- (ii) Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue to assume conversion of all dilutive potential ordinary shares. The Company's dilutive potential ordinary shares comprise shares issued under the share incentive plan. A calculation is done to determine the number of shares that could have been converted at fair value (determined as the average market share price of the Company's shares during the year) based on the monetary value of share options and the subscription rights attached to outstanding unvested awarded shares. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the conversion of the restricted shares and share options, with the difference being adjusted in arriving at the weighted average number of shares for diluted earnings per share.

10. ACCOUNTS AND NOTES RECEIVABLES

	As at December 31,	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	68,327,059	50,108,204
Notes receivables	674,195	343,619
Receivables arising from finance leases	6,052,222	4,520,196
Less: provision for impairment	<u>(872,899)</u>	<u>(782,873)</u>
Account and notes receivables – net	<u>74,180,577</u>	<u>54,189,146</u>

As at December 31, 2019 and 2018, the ageing analyses of the trade receivables based on invoice date were as follows:

	As at December 31,	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Up to 3 months	63,806,776	44,399,383
3 to 6 months	3,451,460	3,791,071
6 months to 1 year	692,826	1,380,745
1 to 2 years	70,697	224,844
2 to 3 years	85,900	54,601
Over 3 years	<u>219,400</u>	<u>257,560</u>
	<u>68,327,059</u>	<u>50,108,204</u>

As at December 31, 2019 and 2018, trade and notes receivables with a net amount of RMB1,061 million and RMB3,212 million were used as collateral for borrowings of RMB637 million and RMB2,593 million.

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

11. PREPAYMENT, OTHER RECEIVABLES AND OTHER CURRENT ASSETS

	As at December 31,	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Receivables from parts subcontractors	12,285,245	14,489,453
Prepayments	13,171,594	16,631,352
Prepaid tax	6,180,642	6,134,809
Amounts due from related parties	2,632,897	1,516,283
Advance to suppliers	3,580,451	1,683,037
Deposits receivable	431,472	451,713
Advance to employees	79,198	80,513
Adjustment for in-transit products	255,667	175,577
Interest receivable	352,532	368,137
Others	4,978,944	2,238,910
	43,948,642	43,769,784
Less: provision for impairment	(256,805)	(113,151)
	<u>43,691,837</u>	<u>43,656,633</u>

12. LOANS TO CUSTOMERS

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

	As at December 31,	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Banking service(i)	117,520,588	107,589,811
Other service(ii)	15,765,380	15,850,477
Total	133,285,968	123,440,288
Less: allowances for impairment loss (iii)	(3,080,186)	(3,044,149)
Net loans to customers	130,205,782	120,396,139
Less: current portion	(47,993,361)	(53,518,460)
Non-current portion	82,212,421	66,877,679

(i) Banking service :

	As at December 31,	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
On demand and short notice	2,718,353	4,778,625
Finance leases	1,394,123	1,302,106
Other term loans	113,408,112	101,509,080
Total	117,520,588	107,589,811
Less: allowances for impairment loss		
–Stage 1	(265,984)	(161,038)
–Stage 2	(96,101)	(132,657)
–Stage 3	(1,752,309)	(1,811,671)
Total allowances for impairment loss	(2,114,394)	(2,105,366)
Net loans to customers	115,406,194	105,484,445

(ii) Other service :

	As at December 31,	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Direct loans and pawn loans to customers	13,286,056	14,852,525
Entrusted loans to customers	2,479,324	997,952
Total	15,765,380	15,850,477
Less: allowances for impairment loss		
–Stage 1	(330,518)	(327,676)
–Stage 2	(175,336)	(131,820)
–Stage 3	(459,938)	(479,287)
Total allowances for impairment loss	(965,792)	(938,783)
Net loans to customers	14,799,588	14,911,694

(iii) Impairment loss provision

	Stage 1	Stage 2	Stage 3	Total
As at January 1, 2018	(420,655)	(97,389)	(428,251)	(946,295)
Provision made	(95,141)	(43,887)	(839,994)	(979,022)
Unused amounts reversed	114,751	11,846	374,265	500,862
Transfer of stages, write-off and disposal	56,257	(25,693)	587,552	618,116
Acquisition of subsidiaries	(140,430)	(106,525)	(1,917,263)	(2,164,218)
Exchange adjustment	(3,496)	(2,829)	(67,267)	(73,592)
As at December 31, 2018	(488,714)	(264,477)	(2,290,958)	(3,044,149)
	Stage 1	Stage 2	Stage 3	Total
As at January 1, 2019	(488,714)	(264,477)	(2,290,958)	(3,044,149)
Provision made	(340,581)	(265,031)	(369,176)	(974,788)
Unused amounts reversed	197,914	240,381	327,746	766,041
Transfer of stages, write-off and disposal	36,035	17,142	124,160	177,337
Exchange adjustment	(1,156)	548	(4,019)	(4,627)
As at December 31, 2019	(596,502)	(271,437)	(2,212,247)	(3,080,186)

13. RESTRICTED DEPOSITS, BANK DEPOSITS, CASH AND CASH EQUIVALENTS

	As at December 31,	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Restricted deposits		
Deposits for guarantee business	385,660	345,942
Deposits for notes payables and borrowings	726,000	879,604
Other restricted deposits	7,964,331	5,278,807
– Cash and balances with central banks of the country of the subsidiaries (mandatory reserves)	7,376,236	4,312,155
– Others	588,095	966,652
	<u>9,075,991</u>	<u>6,504,353</u>
Bank deposits		
Matured between three to twelve months	<u>262,286</u>	<u>333,304</u>
Cash and cash equivalents		
Cash at bank and in hand	37,509,199	31,503,750
Cash and balances with central banks of the country of the subsidiaries (other than mandatory reserves)	19,817,571	19,985,998
Loans and advances to credit institutions	1,889,593	3,229,953
Money market funds	3,123,196	5,303,492
	<u>62,339,559</u>	<u>60,023,193</u>
Total	<u><u>71,677,836</u></u>	<u><u>66,860,850</u></u>
Maximum exposure to credit risk	<u><u>71,677,836</u></u>	<u><u>66,860,850</u></u>
Effective annual interest rates	0% – 4.5%	0% – 6.5%

14. SHARE CAPITAL

	As at December 31, 2019		As at December 31, 2018	
	Number of shares	Share capital <i>RMB'000</i>	Number of shares	Share capital <i>RMB'000</i>
Ordinary shares issued				
and fully paid	2,356,230,900	2,356,231	2,356,230,900	2,356,231
– H shares	1,271,853,990	1,271,854	1,271,853,990	1,271,854
– Domestic shares	1,084,376,910	1,084,377	1,084,376,910	1,084,377

15. PERPETUAL SECURITIES

During 2017, Lenovo issued a total of USD1,000 million perpetual securities through its wholly owned subsidiary, Lenovo Perpetual Securities Limited (“the issuer”), the net proceed amounted to approximately USD991 million. The securities are perpetual, non-callable in the first 5 years and entitle the holders to receive distributions at a distribution rate of 5.375% per annum in the first 5 years, floating thereafter and with a fixed step up margin, payable semi-annually in arrears, cumulative and compounding. The distributions are at the Lenovo’s discretion, if the issuer and Lenovo as guarantor of the securities, do not (a) declare or pay dividends to their shareholders or (b) cancel or reduce their share capital within each distribution payment period. As the perpetual securities do not contain any contractual obligation to pay cash or other financial assets, they are classified as equity and for accounting purpose regarded as part of non-controlling interests.

At November 14, 2019, Banque Internationale à Luxembourg S.A. (“BIL”) issued a total of EUR175 million Fixed Rate Resettable Callable Perpetual Additional Tier 1 Capital Notes (the “Notes”) which were admitted to trading on a regulated market in the European Economic Area (“EEA”) and/or offered to the public other than any retail investors in the EEA. The annual coupon rate of the Notes for the first 6 years is 5.25%, resetting every 5 years thereafter. Interest is payable semi annually in arrear on 14 May and 14 November of each year commencing on May 14, 2020, the Notes were used to strengthen BIL’s Additional Tier 1 capital. As at December 31, 2019, issuance of the Notes has been completed, the net proceed amounted to approximately RMB1,380 million.

As (a) BIL may elect, at its sole and absolute discretion, to cancel in whole or in part the payment of interest on the Notes and may pay dividends on its ordinary shares notwithstanding such cancellation (b) The Notes have no fixed maturity and noteholders do not have the right to call for their redemption. BIL may, at its option, redeem the Notes at any time in the six months prior to and including 14 November 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.

16. ACCOUNTS AND NOTES PAYABLES

	As at December 31,	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	63,621,683	52,045,304
Notes payables	9,447,284	7,740,981
	<u>73,068,967</u>	<u>59,786,285</u>

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

	As at December 31,	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
0–30 days	37,318,099	29,580,268
31–60 days	14,777,989	12,444,220
61–90 days	6,861,640	7,156,613
91 days-1 year	4,552,263	2,834,164
Over 1 year	111,692	30,039
	<u>63,621,683</u>	<u>52,045,304</u>

Notes payable of the Group is mainly repayable within three months.

17. OTHER PAYABLES AND ACCRUALS

	As at December 31,	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Payable to parts subcontractors	32,479,903	35,535,199
Allowance for billing adjustment (i)	14,402,853	11,894,406
Accrued expenses	8,477,974	7,945,518
Payroll payable	5,683,132	4,562,599
Other taxes payable	3,401,064	3,255,364
Transferred loans to be redeemed	2,651,587	627,327
Amounts due to related parties (ii)	961,906	327,751
Contingent consideration (iii)	816,257	213,967
Social security payable	809,281	694,979
Deposits payable	779,600	740,795
Interest payable	770,850	635,765
Royalty payable	629,860	678,242
Deferred consideration (iii)	437,373	434,836
Others	10,661,097	8,485,049
	82,962,737	76,031,797

- (i) Allowance for billing adjustment relates primarily to allowances for future volume discounts, price protection, rebates and customer sales returns.
- (ii) As at December 31, 2019 and December 31, 2018, the amounts due to related parties are unsecured and uninterested.
- (iii) Pursuant with the completion of business combinations, the Group is required to pay in cash to the respective shareholders/sellers deferred consideration according to the relevant conditions in contracts reached with the respective shareholders/sellers.

18. OTHER NON-CURRENT LIABILITIES

	As at December 31,	
	2019	2018
	RMB'000	RMB'000
Deferred considerations (a)	174,907	172,074
Contingent considerations (a)	–	788,415
Government incentives and grants received in advance (b)	804,662	694,875
Written put option liability (c)	6,913,037	5,335,493
Deferred rent liabilities	–	425,045
Long-term payables	2,460,697	1,742,374
Others	731,762	948,029
	11,085,065	10,106,305

(a) Deferred considerations and contingent considerations

Pursuant to the completion of a business combination, the Group is required to pay in cash to the then respective shareholders/sellers contingent considerations with reference to certain performance indicators as written in the respective agreements with those then shareholders/sellers, and deferred considerations. The contingent considerations are subsequently re-measured as a result of change in the expected performance at each balance sheet date, with any resulting gain or loss recognized in the consolidated income statement. Deferred consideration is subsequently carried at amortised cost.

As at December 31, 2019 and 2018, the potential undiscounted amounts of future payments in respect of the contingent and deferred considerations that the Group could be required to make to the respective shareholders/sellers under the arrangements are as follows:

	As at December 31,	
	2019	2018
Joint venture with NEC Corporation	USD25 million	USD25 million
Fujitsu Limited (“Fujitsu”)	JPY2.55 billion	JPY2.55 billion
	to JPY12.75 billion	to JPY12.75 billion
Hebei Hengshui Laobaigan	Nil to RMB530 million	Nil to RMB530 million
Precision Capital S.A.	EUR47 million	Nil to EUR79 million

As at 31 December 2019, contingent consideration has been reclassified as a current liability due to maturity within one year (Note 17).

(b) Government incentives and grants received in advance

Government incentives and grants received in advance by certain group companies included in other non-current liabilities are mainly related to research and development projects and construction of property, plant and equipment. These group companies are obliged to fulfil certain conditions under the terms of the government incentives and grants. Government incentives and grants are credited to the consolidated income statement upon fulfilment of those conditions. Government incentives and grants relating to assets are credited to the consolidated income statement on a straight-line basis over the expected lives of the related assets.

(c) Written put option liability

The financial liability that may become payable under the put option is initially recognized at present value of redemption within other non-current liabilities with a corresponding charge directly to equity. The put option liability shall be re-measured with any resulting gain or loss recognized in the consolidated income statement at each balance sheet date. In the event that the put option lapses unexercised, the liability will be derecognized with a corresponding adjustment to equity.

- (1) Pursuant to the joint venture agreement entered into between Lenovo and Fujitsu, Lenovo and Fujitsu are respectively granted call and put options which entitle Lenovo to purchase from Fujitsu and Development Bank of Japan (“DBJ”), or Fujitsu and DBJ to sell to Lenovo, 49% interest in Fujitsu Client Computing Limited. Both options will be exercisable following the fifth anniversary of the date of completion (after May 2, 2023). The exercise price for the call and put options will be determined based on the fair value of the 49% interest as of the day of exercising the option.

Pursuant to the option agreement entered into between a wholly-owned subsidiary of Lenovo and Hefei Yuan Jia Start-up Investment LLP (“Yuan Jia”), which holds 99.31% interest in Hefei Zhi Ju Sheng Bao Equity Investment Co., Ltd. (合肥智聚晟寶股權投資有限公司, “ZJSB”), Lenovo and Yuan Jia are respectively granted call and put options which entitle Lenovo to purchase from Yuan Jia, or Yuan Jia to sell to Lenovo, the 99.31% interest in ZJSB. The call and put options will be exercisable at any time after August 31, 2022 and August 31, 2021 respectively. The exercise price for the call and put options will be determined in accordance with the joint venture agreement, and up to a maximum of RMB2,300 million (approximately USD334 million).

- (2) Pursuant to the contract of Chinese foreign equity joint venture (“the contract”) entered into between the Company, Joyvio Group Co., Ltd. (“Joyvio Group”) and Saturn Agriculture Investment Co., Limited (“Saturn”), the Company granted Saturn the put option which entitles Saturn to sell its whole or a part of interest in Joyvio Group (“the put option”), when certain causes appointed in the contract occur. The exercise price for the put option will be determined in accordance with the contract and up to maximum of RMB1.55 billion.

19. AMOUNT DUE TO CUSTOMERS

	As at December 31,	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Demand deposits	86,307,541	81,258,847
Savings deposits	27,145,445	27,213,839
Term deposits	34,471,523	26,894,923
Cash collateral	<u>410,052</u>	<u>67,982</u>
Total customer deposits	<u>148,334,561</u>	<u>135,435,591</u>
Less: Non-current portion	<u>(4,634,959)</u>	<u>(4,233,726)</u>
Current portion	<u><u>143,699,602</u></u>	<u><u>131,201,865</u></u>

Amount due to customers are from the Company's subsidiary, BIL, which is engaged in banking business.

20. BORROWINGS

	As at December 31,	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Bank loans		
– Unsecured loans	35,225,694	35,197,520
– Guaranteed loans	22,177,816	17,153,936
– Collateralised loans	11,213,988	5,486,420
Other loans (i)		
– Unsecured loans	2,750,001	3,124,854
– Guaranteed loans	5,455,230	7,790,888
– Collateralised loans	816,718	2,112,452
Corporate bonds (1)		
– Unsecured	55,075,391	57,256,027
– Guaranteed	103,000	103,000
– Convertible bonds (2)	5,086,989	–
	<u>137,904,827</u>	<u>128,225,097</u>
Less: current portion	<u>(52,200,803)</u>	<u>(59,676,804)</u>
Non-current portion	<u><u>85,704,024</u></u>	<u><u>68,548,293</u></u>

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

As at December 31, 2019 and 2018, the carrying value of the borrowings approximates their fair value.

- (1) The information about corporate bonds issued as of December 31, 2019 is as below:

Issuer	Type of bonds	Currency	Issuance date	Term	Principal amount (‘000)
The Company	Corporate bonds	RMB	November 30, 2012	10 years	1,983,906
The Company	Corporate bonds	RMB	July 6, 2016	5 years	1,500,000
The Company	Corporate bonds	RMB	July 6, 2016	10 years	2,000,000
The Company	Corporate bonds	RMB	July 5, 2017	5 years	2,500,000
The Company	Corporate bonds	RMB	January 31, 2018	5 years	1,000,000
The Company	Corporate bonds	RMB	June 29, 2018	3 years	1,600,000
The Company	Corporate bonds	RMB	December 3, 2018	5 years	1,500,000
The Company	Corporate bonds	RMB	January 15, 2019	3 years	2,000,000
The Company	Corporate bonds	RMB	January 15, 2019	5 years	1,000,000
The Company	Corporate bonds	RMB	June 21, 2019	5 years	2,000,000
The Company	Private placement bonds	RMB	September 25, 2019	1 years	1,000,000
The Company	Corporate bonds	RMB	October 18, 2019	3 years	1,600,000
Lenovo	Long term notes	RMB	June 10, 2015	5 years	4,000,000
Lenovo	Medium term notes	USD	March 16, 2017	5 years	500,000
Lenovo	Medium term notes	USD	March 29, 2018	5 years	750,000
Lenovo	Convertible bonds	USD	January 24, 2019	5 years	675,000
Zhengqi Financial	Corporate bonds	RMB	September 27, 2019	3 years	600,000
Zhengqi Financial	Corporate bonds	RMB	December 20, 2019	3 years	300,000
JC Finance & Leasing	Asset backed securities(i)	RMB	November 17, 2016	3–4 years	24,155
JC Finance & Leasing	Private placement bonds	RMB	March 28, 2017	3 years	500,000
JC Finance & Leasing	Asset backed securities(i)	RMB	June 23, 2017	3–4 years	352,801
JC Finance & Leasing	Private placement bonds	RMB	January 5, 2018	2 years	300,000
JC Finance & Leasing	Asset backed securities(i)	RMB	January 30, 2018	2–3 years	161,564
JC Finance & Leasing	Asset backed securities(i)	RMB	November 27, 2018	1–2 years	230,111
JC Finance & Leasing	Corporate bonds	RMB	September 6, 2019	2 years	400,000
JC Finance & Leasing	Asset backed securities(i)	RMB	October 16, 2019	1–3 years	550,257
JC Finance & Leasing	Corporate bonds	RMB	November 21, 2019	2 years	300,000
BIL	Bank subordinate bonds	EUR	June 30, 2014	25.5 years	31,100
BIL	Bank subordinate bonds	EUR	June 8, 2016	12 years	50,000
BIL	Bank subordinate bonds	USD	October 18, 2016	12 years	100,000
BIL	Medium term notes	JPY	December 19, 2002	20 years	500,000

Issuer	Type of bonds	Currency	Issuance date	Term	Principal amount (‘000)
BIL	Medium term notes	EUR	2013–2019	2–20 years	1,969,546
BIL	Medium term notes	USD	2018–2019	2–5 years	44,754
BIL	Medium term notes	CHF	2016–2019	6–6.5 years	250,000
Lenovo Finance	Asset backed securities	RMB	September 26, 2018	1.5 years	103,000
Joyvio Agriculture	Convertible bonds	USD	June 14, 2019	5 years	125,000

The annual interest rates of the above bonds are from 0% to 7.5%.

- (i) The asset backed securities packages issued by JC Financial & Leasing in 2019 (“2019 package”) and 2018 (“2018 package”) included multiple bonds. The principle amounts of the two packages on issuance dates amounted to RMB1,020 million and RMB1,596 million respectively.

(2) Convertible bonds

- A. On January 24, 2019, Lenovo completed the issuance of 5-Year USD675 million convertible bonds bearing annual interest at 3.375% due in January 2024 (“the Bonds”) to third party professional investors (“the bondholders”). The bondholders have the right, at any time on or after 41 days after the date of issue up to the 10th day prior to the maturity date, to convert part or all of the outstanding principal amount of the Bonds into ordinary shares of Lenovo at a conversion price of HKD7.99 per share, subject to adjustments. The outstanding principal amount of the Bonds is repayable by Lenovo upon the maturity of the Bonds on January 24, 2024, if not previously redeemed, converted or purchased and cancelled. The proceeds would be used to repay the outstanding 2019 notes and for Lenovo’s working capital and general corporate purposes. The initial fair value of the liability portion of the bond was determined using a market interest rate for an equivalent non-convertible bond at the issue date. The liability is subsequently recognized on an amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option and recognized in shareholders’ equity, net of income tax, and not subsequently remeasured.

The liability and equity components of convertible bonds of the Lenovo on initial recognition are presented as follows:

	<i>RMB'000</i>
The face value of convertible bonds on the issue date	4,542,971
Less: transaction cost	<u>(68,023)</u>
Net proceeds	4,474,948
Less: equity component	<u>(520,537)</u>
Liability component on initial recognition	<u><u>3,954,411</u></u>

- B. As of December 31, 2019, Fresh Investment SpA, a subsidiary of the Company, has completed the issuance of convertible bonds of USD125 million to Cangyuan Investment Co., Ltd. (“Cangyuan Investment”). Cangyuan Investment has the right to convert the convertible bonds into the shares of Fresh Investment SpA within 60 months, at the share’s price evaluated by a third-party evaluator which is agreed by the two parties when conversion. The proceeds were used to acquire the shares of Australis Seafoods S.A..

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

	As at December 31,	
	2019	2018
Bank loans	1.98%–8.13%	1.66%–9.00%
Other loans	4.85%–10.50%	0.00%–11.00%

(b) Borrowings are repayable as follows:

	As at December 31,	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year	52,200,803	59,676,804
After 1 year but within 2 years	23,014,910	19,812,766
After 2 years but within 5 years	50,878,958	42,054,885
After 5 years	11,810,156	6,680,642
	<u>137,904,827</u>	<u>128,225,097</u>

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

	As at December 31,	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
RMB	75,574,660	74,488,570
USD	40,060,228	33,337,657
EUR	18,967,283	18,276,438
HKD	1,332,487	1,235,292
CHF	1,801,962	695,821
Others	168,207	191,319
	<u>137,904,827</u>	<u>128,225,097</u>

21. PROVISIONS

	Warranties <i>RMB'000</i>	Environmental restoration <i>RMB'000</i>	Restructuring <i>RMB'000</i>	Financial guarantee and other provisions <i>RMB'000</i>	Total <i>RMB'000</i>
As at January 1, 2019	6,984,047	251,859	254,925	146,049	7,636,880
Provision made	5,647,163	129,609	37,876	51,010	5,865,658
Unused amounts reversed	–	–	–	(12,014)	(12,014)
Amount utilised	(5,557,935)	(144,753)	(244,699)	(28,650)	(5,976,037)
Exchange adjustment	74,665	6,936	(107)	(41,840)	39,654
Acquisition of business	–	–	–	69,470	69,470
At end of the year	7,147,940	243,651	47,995	184,025	7,623,611
Non-current portion	(1,869,876)	(228,726)	(11,434)	(83,162)	(2,193,198)
As at December 31, 2019	5,278,064	14,925	36,561	100,863	5,430,413
As at January 1, 2018	7,094,737	60,383	444,299	108,849	7,708,268
Provision made	5,538,369	86,022	274,941	78,933	5,978,265
Unused amounts reversed	–	–	–	(52,013)	(52,013)
Amount utilised	(5,801,564)	(69,015)	(537,648)	(225,302)	(6,633,529)
Exchange adjustment	152,505	12,210	9,746	7,319	181,780
Acquisition of business	–	162,259	63,587	228,263	454,109
At end of the year	6,984,047	251,859	254,925	146,049	7,636,880
Non-current portion	(1,797,445)	(231,571)	–	(16,087)	(2,045,103)
As at December 31, 2018	5,186,602	20,288	254,925	129,962	5,591,777

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

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

Restructuring costs provision mainly comprises lease termination obligation and employee termination payments, arising from a series of restructuring actions to reduce costs and enhance operational efficiency.

Other provision are mainly related to financial guarantees and loan commitments by the Group.

22. DIVIDENDS

A dividend in respect of the year ended December 31, 2019 of RMB0.33 per share, amounting to a total dividend of RMB778 million, is to be proposed at the forthcoming 2019 annual general meeting. These financial statements do not reflect this dividend payable. The dividends paid in 2019 and 2018 were RMB707 million (RMB0.3 per share) and RMB636 million (RMB0.27 per share) respectively.

23. CASH GENERATED FROM OPERATIONS

(a) Cash generated from operations

	Year ended December 31,	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Profit before income tax	10,523,986	8,900,801
Adjustments for:		
Impairment loss for non-current assets (<i>Note 6</i>)	415,583	581,402
Impairment loss on loans to customers (<i>Note 6</i>)	909,189	1,011,064
Impairment loss on other financial assets (<i>Note 6</i>)	466,173	189,636
Inventory write-down (<i>Note 6</i>)	378,558	548,248
Depreciation of property, plant and equipment	2,670,262	2,578,432
Depreciation of right-of-use assets	902,012	—
Amortisation	4,114,646	3,514,443
(Gains)/losses on disposal of property, plant and equipment and intangible assets (<i>Note 5</i>)	(6,749)	52,550
Fair value gains on investment properties (<i>Note 5</i>)	(361,132)	(413,063)
Fair value gains on consumptive biological assets	(205,024)	—
Fair value losses on financial liabilities	(293,965)	—
Fair value gains and dividend income from financial assets at fair value through profit or loss (<i>Note 4</i>)	(1,201,106)	(2,672,117)

	Year ended December 31,	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Fair value (gains)/losses and dividend income from associates measured at fair value through profit or loss <i>(Note 4)</i>	(963,343)	649,951
Net finance costs <i>(Note 7)</i>	5,480,310	4,391,027
Gains on disposal/dilution of associates <i>(Note 4)</i>	(137,431)	(324,208)
Gains on disposal of subsidiaries <i>(Note 4)</i>	(283,833)	(2,183,525)
Dividend income from financial assets at fair value through other comprehensive income <i>(Note 4)</i>	(47,509)	(69,466)
Share-based payments	1,802,250	1,453,963
Share of profit of associates and joint ventures using equity accounting	(476,743)	(676,205)
Net foreign exchange losses <i>(Note 5)</i>	299,315	454,954
Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation):		
Inventories, consumptive biological assets and properties under development	(2,342,412)	2,484,862
Trade and other receivables	(17,579,136)	(2,341,324)
Loans and other financial assets at amortised cost	(21,290,239)	(2,992,521)
Amount due to customers and credit institutions	13,977,795	(4,183,791)
Trade and other payables	16,004,077	(5,238,525)
Cash generated from operating activities	<u>12,755,534</u>	<u>5,716,588</u>

24. COMMITMENTS

(a) Capital commitments

Capital expenditure contracted for at the end of the reporting period but not yet incurred is as follows:

	As at December 31,	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Property, plant and equipment	1,419,471	860,785
Intangible assets	52,816	—
Investments (i)	3,130,064	10,230,185
Total	<u>4,602,351</u>	<u>11,090,970</u>

- (i) The Group has commitments in respect of investments in certain funds. Investment commitments represent the portion of committed capital not yet called for payment.

On November 18, 2018, the Joyvio Group Co., Ltd. signed a commitment acquisition agreement, agreeing to enter into a share purchase and purchase agreement pending the conclusion of a number of preconditions to acquire approximately 95% of the voting shares of Australis Seafood S.A. from the committed seller. As at December 31, 2019, the relevant share purchase has been completed.

(b) Loans commitments

	As at December 31,	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Unused credit lines granted to credit institutions	710,866	698,641
Unused credit lines granted to customers	23,842,489	19,760,728
	<u>24,553,355</u>	<u>20,459,369</u>

25. SUBSEQUENT EVENTS

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

The novel coronavirus, COVID-19, outbreak (“the outbreak”) in early 2020 makes the world struggle in the epidemic prevention. The outbreak has restricted the development of the Group’s strategic investments business, such as manufacturing, supplying and logistics services and has also made financial investments face fluctuation risks in the global capital market. As at the announcement date, the Group is still assessing the impact on its businesses.

CORPORATE GOVERNANCE CODE

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

The circular to shareholders enclosed in the notice of the extraordinary general meeting of the Company dated December 27, 2019 contained, among other things, the information regarding the proposal to elect Mr. YIN Jian'an (“**Mr. Yin**”) as an independent non-executive director which did not include the following information:

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted the Model Code for Securities Transactions by the Directors and Supervisors (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 period ended December 31, 2019.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

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

AUDIT COMMITTEE

Members of the Audit Committee of the Company are Ms. HAO Quan (Chairperson), Mr. ZHANG Xuebing and Mr. SUO Jishuan.

The Audit Committee has reviewed the results of the Group for the year ended December 31, 2019 and has discussed with the management the accounting policies and practices adopted by the Company, and its internal controls and financial reporting matters.

AUDITOR

PricewaterhouseCoopers ("PwC") was appointed as the Company's Auditor for the year ended December 31, 2019. The 2019 consolidated financial statements of the Company prepared in accordance with International Financial Reporting Standards have been audited by PwC.

PUBLICATION OF ANNUAL RESULTS ON THE WEBSITES OF HONG KONG STOCK EXCHANGE AND THE COMPANY

This announcement was published on the website of Hong Kong Stock Exchange (www.hkexnews.hk) and on the website of the Company (www.legendholdings.com.cn). The annual report for the year ended December 31, 2019 will be despatched to the Shareholders and published on the websites of Hong Kong Stock Exchange and the Company in due course.

DEFINITIONS

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

“associate(s)”	for the purpose of this announcement, all entities over which the Group has significant influence. Significant influence represents the power to participate in the financial and operational policy decision of the investees, but without control or joint control rights over these policies
“Audit Committee”	Audit Committee under the Board
“Better Education”	Better Education Group Corporation (三 育 教 育 集 團 股 份 有 限 公 司), an exempted limited liability company incorporated under the laws of Cayman Islands, and our subsidiary
“BIL”	Banque Internationale à Luxembourg S.A., a credit institution in the form of a Luxembourg limited liability company (société anonyme) and our subsidiary
“Board”	board of directors of the Company
“Bybo Dental”	Bybo Dental Group Co., Ltd. (拜 博 醫 療 集 團 有 限 公 司) (formerly known as Guangdong Bybo Dental Investment Management Co., Ltd. (廣 東 拜 博 口 腔 醫 療 投 資 管 理 有 限 公 司), a limited liability company incorporated under the laws of the PRC, and our associate
“CAR”	CAR Inc., an exempted company incorporated in the Cayman Islands with limited liability and listed on the Main Board of the Hong Kong Stock Exchange (Stock Code:699), and our associate
“Company”, “our Company” or “Legend Holdings”	Legend Holdings Corporation (聯 想 控 股 股 份 有 限 公 司), a joint stock limited liability company incorporated under the laws of PRC and its overseas listed shares are listed on the Main Board of the Hong Kong Stock Exchange (Stock Code: 03396)
“CSRC”	China Securities Regulatory Commission

“Director(s)”	the director(s) of the Company
“DMTO”	the technique for using coal or natural gas instead of oil for production of ethylene and propene
“Domestic Shares”	domestic share(s) in the ordinary share capital of the Company with the nominal value of RMB1.00 each
“EAL”	Eastern Air Logistics Co., Ltd. (東方航空物流股份有限公司), a joint stock limited liability company incorporated under the laws of the PRC, and our associate
“EOD”	ethylene oxide derivatives
“EVA”	ethylene-vinylacetate copolymer
“Group”, “our”, “we” or “us”	our Company and all of its subsidiaries, or any one of them as the context may require or, where the context refers to any time prior to its incorporation, the business which its predecessors or the predecessors of its present subsidiaries, or any one of them as the context may require, were or was engaged in and which were subsequently assumed by it
“H Share(s)”	overseas listed share(s) in the ordinary share capital of the Company with a nominal value of RMB1.00 each, listed on the main board of the Hong Kong Stock Exchange and trade in HKD
“Hankou Bank”	Hankou Bank Co., Ltd. (漢口銀行股份有限公司), a joint stock limited liability company incorporated under the laws of the PRC, and our associate
“Hebei Hengshui Laobaigan”	Hebei Hengshui Laobaigan Liquor Co., Ltd. (河北衡水老白干酒業股份有限公司), a joint stock limited liability company incorporated under the laws of the PRC and listed on the Shanghai Stock Exchange (A Share Stock Code: 600559)
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Hony Capital” or “Hony”	a series of private equity investment funds, together with their respective management companies/general partner
“Hortifrut”	Hortifrut S.A., a limited liability company incorporated under the laws of Chile
“Huawen Food”	Huawen Food Co., Ltd. (華文食品股份有限公司), a joint stock limited liability company incorporated under the laws of the PRC, and our associate
“Internet”	a global network of interconnected, separately administered public and private computer networks that uses the Transmission Control Protocol/Internet Protocol for communications
“IPO”	Initial Public Offering
“IT”	information technology
“JC Finance & Leasing”	JC International Finance & Leasing Company Limited (君創國際融資租賃有限公司), a limited liability company incorporated under the laws of the PRC, and our subsidiary
“Joyvio Agriculture”	Joyvio Agriculture Development Co., Ltd. (佳沃農業開發股份有限公司) (formerly known as Wanfu Shengke (Hunan) Agriculture Development Co., Ltd. 萬福生科(湖南)農業開發股份有限公司) a joint stock limited liability company incorporated under the laws of the PRC, listed on the ChiNext board on Shenzhen Stock Exchange (A Share Stock Code: 300268), and a subsidiary of Joyvio Group
“Joy Wing Mau”	Joy Wing Mau Agricultural Produce Corporation (深圳市鑫榮懋農產品股份有限公司), a large fruit supply chain enterprise in China. It is a joint stock limited liability company incorporated under the laws of the PRC, and a subsidiary of Joyvio Group

“Joyvio Group” or “Joyvio”	Joyvio Group Co., Ltd. (佳沃集團有限公司), a limited liability company incorporated under the laws of the PRC, and our subsidiary
“Kaola Technology”	Tibet Kaola Science & Technology Development Co., Ltd. (西藏考拉科技發展有限公司), a limited liability company incorporated under the laws of the PRC, and our subsidiary
“KB Food”	KB Food International Holding (Pte.) Limited, a limited liability company established under the laws of Singapore, and our subsidiary
“Lakala Payment” or “Lakala”	Lakala Payment Corporation (拉卡拉支付股份有限公司) (formerly known as Lakala Payment Co., Ltd. (拉卡拉支付有限公司), a joint stock limited liability company incorporated under the laws of the PRC, and our associate, listed on the ChiNext Board of the Shenzhen Stock Exchange (A share stock code: 300773)
“Legend Capital”	a series of venture capital funds, together with their respective management companies/partners
“Legend Star”	a series of angel investment funds, together with their respective management companies/partners
“Lenovo”	Lenovo Group Limited (聯想集團有限公司), a limited liability company incorporated under the laws of Hong Kong and listed on the Main Board of the Hong Kong Stock Exchange (Stock Code: 992), and our subsidiary
“Lenovo Finance”	Beijing Lenovo Finance Co., Ltd. (北京聯想金服科技有限公司), a limited liability company incorporated under the law of the PRC, and our subsidiary
“Levima Group”	Levima Group Limited (聯泓集團有限公司), a limited liability company incorporated under the laws of the PRC, and our subsidiary

”Levima Advanced Materials”	Levima Advanced Materials Corporation (聯泓新材料科技股份有限公司) (formerly known as Levima New Materials Limited (聯泓新材料有限公司)), a joint stock limited liability company incorporated under the laws of the PRC, a subsidiary of Levima Group
“Liquor Easy”	Henan Liquor Easy Commercial Corporation (河南酒便利商業股份有限公司), a joint stock limited liability company incorporated under the laws of the PRC, and our associate, listed on the NEEQS in 2016
“Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange, as amended, supplemented or otherwise modified from time to time
“N/A”	not applicable
“NEEQS”	National Equities Exchange and Quotations System (全國中小企業股份轉讓系統), a platform established for the sale of existing shares or private placing of new shares by SMEs
“neurology specialist”	the collective term of the clinical discipline studying organic and functional diseases of central nervous system (brain, spinal cord). Clinically, the correspondent branch is neurosurgery and neurology depending on the types of disease and treatment methods
“Nine Masters”	Nine Masters (Shanghai) Catering Service Co., Ltd. (九橙(上海)餐飲服務有限公司), a limited liability company incorporated under the laws of the PRC and a subsidiary of Joyvio Group
“ordinary shares” or “shares”	ordinary shares issued by the Company
“PE”	private equity
“PP”	polypropylene
“Qingdao Starfish”	China Starfish Co., Ltd. (青島國星食品股份有限公司), a joint stock limited liability company incorporated under the laws of the PRC, and a subsidiary of Joyvio Agriculture

“Raycom Property”	Raycom Property Investment Co., Ltd. (融科物業投資有限公司), a limited liability company incorporated under the laws of the PRC, and our subsidiary
“Raycom Real Estate”	Raycom Real Estate Development Co., Ltd. (融科智地房地產股份有限公司), a joint stock limited liability company incorporated under the laws of the PRC, and our subsidiary
“Reporting Period”	for the year ended December 31, 2019
“Shanghai Neuromedical Center”	Shanghai Neuromedical Center Co., Ltd. (上海德濟醫院有限公司), a limited liability company incorporated under the laws of the PRC, and our subsidiary
“Shanghai Stock Exchange”	Shanghai Stock Exchange
“Shareholders”	holders of the shares of the Company
“Shenzhen Stock Exchange”	Shenzhen Stock Exchange
“SME(s)”	small and medium-sized enterprise(s)
“SOE”	State-owned enterprise
“subsidiary”	has the meaning ascribed thereto under the Listing Rules
“Supervisor(s)”	the supervisor(s) of the Company
“Taikang Life Insurance”	Taikang Life Insurance Co.,Ltd.
“TMT”	technology, media and telecom
“UCAR”	UCAR Inc (神州優車股份有限公司), a joint stock limited liability company incorporated under the PRC law and listed on the NEEQS in 2016
“Union Insurance”	Union Insurance Broker Group Co., Ltd. (聯保投資集團有限公司), a limited liability company incorporated under the laws of the PRC, and our associate

“VA”	vinyl acetate
“Xinguojiayuan”	Shenzhen Xinguojiayuan Modern Agriculture Co., Ltd. (深圳市鑫果佳源現代農業有限公司), a limited liability company incorporated under the laws of the PRC and a subsidiary of Joyvio Group
“Zeny Supply Chain”	Zeny Supply Chain Co., Ltd. (增益供應鏈有限公司), a limited liability company incorporated under the laws of the PRC, and our subsidiary
“Zhengqi Financial”	Zhengqi Financial Holdings Corporation (正奇金融控股股份有限公司) (formerly known as Zhengqi Anhui Financial Holdings Co., Ltd. (正奇安徽金融控股股份有限公司)), a joint stock limited liability company incorporated under the laws of the PRC, and our subsidiary

By order of the Board
Legend Holdings Corporation
NING Min
Chairman

Hong Kong, March 26, 2020

As at the date of this announcement, the Executive Directors of the Company are Mr. NING Min and Mr. LI Peng; the Non-executive Directors are Mr. ZHU Linan, Mr. ZHAO John Huan, Mr. WU Lebin, Mr. SUO Jishuan and Mr. WANG Yusuo; and the Independent Non-executive Directors are Mr. MA Weihua, Mr. ZHANG Xuebing, Ms. HAO Quan and Mr. YIN Jian'an.

Should there be any discrepancies between the Chinese and English versions of this announcement, the Chinese version shall prevail.