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联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, 2020

The Board of Legend Holdings Corporation announces the audited annual results of the Company and its subsidiaries for the year ended December 31, 2020 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 RMB417.567 billion, representing an increase of 7% compared with the corresponding period of last year
- Net profit attributable to equity holders of the Company was RMB3,868 million, representing an increase of 7% compared with the corresponding period of last year
- Basic earnings per share was RMB1.66, representing an increase of 8% as compared with the corresponding period of last year
- The Board recommends the payment of a final dividend of RMB0.36 per ordinary share (before tax) for the year ended December 31, 2020, representing an increase of 9% as compared with the corresponding period of last year

	Year ended December 31,	
	2020	2019
	(RMB Million)	(RMB Million)
Revenue	417,567	389,218
Strategic investments	416,765	388,574
Financial investments	821	704
Elimination	(19)	(60)
Net profit attributable to equity holders of the Company	3,868	3,607
Strategic investments	2,847	4,095
Financial investments	2,439	906
Unallocated	(1,418)	(1,390)
Elimination	—	(4)
Basic earnings per share (RMB)	1.66	1.54
Diluted earnings per share (RMB)	1.62	1.51

CEO REPORT

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

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

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

OPERATING HIGHLIGHTS

Turning crisis to opportunities through strategic investments and solid operations

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

- Lenovo was a textbook example of converting crises into opportunities. While the pandemic had caused tremendous difficulties for Lenovo's globalized operations, it also brought opportunities for business development. At the beginning of the outbreak, Wuhan was the epicenter, while one of Lenovo's most important factories was located there. To overcome the adverse impact of the pandemic on production, Lenovo formed an emergency command team to actively launch anti-pandemic prevention and control tasks, and to coordinate internal and external resources to support the resumption of work and production. Backed by years of experience in global operations, Lenovo

flexibly deployed resources and seamlessly connected upstream and downstream of the global supply chain to stabilize the production and operations in its factories around the world. For example, Lianbao Factory in Hefei City made quick forecasts to lock its material supplies, hence guaranteeing sufficient supply of components and parts. Not only did the pandemic create challenges for production and supply chain arrangements, but it also fueled the trends of online working, home entertainment and e-learning at home, which led to exponential demand for IT equipment. With its strong global supply chain management and production capacities, Lenovo seized the opportunities during the pandemic, leading to rapid growth in sales revenue to a record high for two consecutive quarters. The company cemented its championship in the global PC market and made a breakthrough in service-led transformation, with rapidly increasing revenue in this new business area. In 2020, Lenovo achieved revenue of RMB384.992 billion, a year-on-year increase of 8%, and net profit of RMB7.544 billion, a year-on-year increase of 25%.

- Levima Advanced Materials has been groomed by us to become a leader in the field of new materials. In the early stages of the pandemic, Levima took steps to ensure the procurement of raw materials and product sales. It coordinated raw material reservations, product shipments, material transportation and order fulfillment, to effectively resolve issues on sales caused by the pandemic and maintain steady production. The unit consumption of methanol for its DMTO device and other key consumption indicators continued to decrease to industry-best levels. The OCC project completed its first trial run in October and produced qualified products, which further reduced the unit consumption of methanol significantly. Levima maintained a leading market share in the cable material product market. It also maintained a stable supply of high-quality EVA used for producing photovoltaic films, as market demand for the product outstripped supply. The company is also capturing a bigger market share for new products such as PP special materials for making milk-tea cups. Its special EOD products achieved a notable breakthrough in the laundry gel capsules market. In 2020, Levima Advanced Materials realized revenue of RMB5.931 billion, a year-on-year increase of 5%, and net profit of RMB655 million, a year-on-year increase of 21%.
- COVID-19 hampered the operations of domestic small and medium-sized enterprises. Our business in the financial segment also faced a more complicated external operational environment compounded by the pandemic. However, Zhengqi Financial, JC International Finance and Leasing and Lakala Payment responded through risk control and business consolidation to buck the trend and achieve performance growth. Zhengqi Financial refined its risk control processes through a systematic and comprehensive evaluation of business risks. It implemented multiple measures to help customers overcome difficulties and keep its core business stable. At the same time, the benefits of its “investment loan linkage” model became apparent, with the IPO of five investee companies – ActBlue Co. Ltd., Trina Solar Co., Ltd., Sansure Biotech Co. Ltd., BlueSword and Harbour BioMed. Meanwhile, the IPO applications for Chemclin Diagnostics Corporation and Gocom Information Technology have been approved. Zhengqi Financial realized a net income of RMB521 million in 2020, a year-on-year increase of 140%. JC International Finance and Leasing ensured stable business operations by strengthening risk audits and post-leasing management, as well as stricter reviews of new projects. As a result of sound customer screening and risk control management, NPL ratio of JC International Finance and Leasing declined compared to 2019, JC International Finance and Leasing achieved a net profit of RMB265 million, a year-on-year increase of 28%. Lakala Payment continued to push forward SaaS and

digital transformation of its business. Through greater efforts in product innovation and market expansion, it overcame the impact of COVID-19 and achieved a record payment transaction volume of RMB4.34 trillion, a year-on-year increase of 34%. Its merchant business also continued to grow rapidly. The net profit attributable to the equity holders of Lakala for 2020 was RMB935 million, a year-on-year increase of 16%.

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

Outstanding financial investment performance generating good profit and cash returns

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

- Legend Capital raised a total of RMB4.524 billion in funds in 2020, completed 51 new project investments and exited 44 projects, partially or in full. Among the investee companies, 11 companies landed in the capital market, namely Ucloud, Cybrid Technologies Inc., Yanmade Technology, QuantumCTek Co., Wireless Power Amplifier Module Inc., Hichain Logistics, Shenzhen Hymson Laser Intelligent Equipments Co., Ltd., Big Hit Entertainment Co., Ltd., Harbour BioMed, ContextLogic Inc and CNGR Advanced Material Co. Ltd.
- Legend Star completed the final closing of its 4th RMB fund in 2020 and the second-round closing of the 4th USD fund. During the Reporting Period, it invested in more than 20 domestic and overseas projects. More than 50 investee companies had follow-up financing. Legend Star also exited from 14 projects. Burning Rock Biotech and Kintor Pharmaceuticals were listed on the NASDAQ and Hong Kong Stock Exchange respectively during the Reporting Period.

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

Facilitating the IPO of strategic core businesses

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

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

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

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

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

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

New achievement with the two-wheel-drive strategy

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

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

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

OUTLOOK

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

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

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

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

Legend Holdings Corporation

LI Peng

Executive Director and Chief Executive Officer

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue contributions from the Company and its subsidiaries' businesses

Unit: RMB million

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

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

Unit: RMB million

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

Asset allocation of the Company and its subsidiaries' businesses

Unit: RMB million

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

BUSINESS REVIEW

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

Strategic Investments

IT

We engage in IT businesses mainly through our subsidiary Lenovo. Lenovo is a Fortune Global 500 company which develops, manufactures and sells high-end technology products and provides related services to corporate and individual customers. As of December 31, 2020, we held, 31.45% equity interest in Lenovo, directly and indirectly.

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

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

	<i>Unit: RMB million</i>	
	2020	2019
Revenue	384,992	357,212
Net Profit	7,544	6,026
Net profit attributable to equity holders of Legend Holdings	2,093	1,608

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

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

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

Intelligent Devices Group – Mobile Business Group (MBG)

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

Data Centre Group (DCG)

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

Outlook

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

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

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

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

Financial Services

Overview

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

- Banque Internationale à Luxembourg S.A. (BIL), our subsidiary, which mainly provides comprehensive banking services, including corporate and institutional banking, retail banking, private banking, capital markets and other businesses;
- Zhengqi Financial, our subsidiary, which mainly provides SMEs with comprehensive financial solutions such as direct loans, financial leasing, commercial factoring and equity investment;
- JC Finance & Leasing, our subsidiary, which mainly provides financial leasing services;
- Lakala Payment, our associate, is a well-known comprehensive financial technology company. It uses payment services as an entry point to consolidate information technology, to serve offline businesses and to empower the operations of SMEs with all-round support;

- Kaola Technology, our associate, which mainly provides innovative financial services;
- Hankou Bank, our associate, which engages in commercial banking services; and
- Hyundai Insurance, our associate, which is a technology-driven insurance company that specialises in property insurance services.

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

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

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

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

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

	<i>Unit: RMB million</i>	
	2020	2019
Revenue	7,767	8,815
Net profit	1,911	2,294
Net profit attributable to equity holders of Legend Holdings	1,874	2,076

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

Operating Highlights

- During the Reporting Period, although the pandemic dealt a blow to the economy of Luxembourg, BIL maintained a stable financial performance. At the end of 2020, Assets under Management (AuM) reached EUR 43.7 billion. Customer deposits increased by 4.1% to EUR 19.8 billion. Customer loans increased 4.8% to EUR 15.4 billion. CET-1 ratio went up to 13.44% at the end of 2020, versus 12.47% at the end of 2019. BIL's ratings with both Moody's and Standard & Poor's stayed at a relatively high level (at A2/Stable/P-1 and A-/Stable/A-2 respectively). BIL continued to pursue the development of Chinese market. In February 2020, BIL completed the acquisition of 100% equity of Sino Suisse Financial Group (Hong Kong) Limited, and renamed it BIL Wealth Management Limited. It will be a key platform for driving BIL's expansion in the Greater Bay Area. BIL's global business network formed of Luxembourg, Beijing, the Greater Bay Area and Switzerland was taking shape, to provide internationalised, professional and customised financial services for Chinese customers.
- During the Reporting Period, Lakala Payment overcame the impact of COVID-19. Payment technology reported an income of RMB4.665 billion, an increase of 7% year-on-year. Transaction volume was a record high of RMB4.34 trillion, an increase of 34%. The ratio of income and profit from financial, IT and ecommerce technological services went up further. Merchant operations reported a revenue of RMB633 million for the year, an increase of 43% year-on-year. Lakala Payment also continued to intensify product innovation and research and development and reached a collaboration agreement with the Institute of Digital Money of the People's Bank of China and six major operational organisations to facilitate the implementation of digital RMB in pilot cities. Due to positive operational results, Lakala Payment achieved revenue of RMB5,557 million for the year, an increase of 13% year-on-year. The net profit attributable to equity holders of Lakala Payment was RMB935 million, a year-on-year increase of 16%. It has been growing at an annual rate above 15% for six consecutive years.
- During the Reporting Period, Zhengqi Financial maintained the "investment loan linkage" (投貸聯動) business model, and was reaping results in a new round of capital market reforms. In 2020, it completed the IPO of five investee companies: ActBlue Co. Ltd. (艾可藍), Trina Solar Co., Ltd. (天合光能), Sansure Biotech Co. Ltd. (聖湘生物), BlueSword (蘭劍智慧) and Harbour BioMed (和鉑醫藥). The IPO applications for Chemclin Diagnostics Corporation (科美診斷) and Gocom Information Technology (工大高科) were approved. The IPO of a number of investee companies were being processed or about to be filed. Coronavirus test kit manufacturer Sansure is a classic investment case study. Based on the share price of Sansure at the end of the Reporting

Period, it would bring around 50-times return for Zhengqi Financial. During the Reporting Period, the net profit of Zhengqi Financial increased 140% year-on-year to RMB521 million. The business growth is a testament to Zhengqi Financial strategic investments based on the business strategy of “optimising resources in targeted industries and regions with investment banking initiatives” (產業聚焦、投行引領、區域深耕、資源優配), and realising returns when the investee companies were listed during the period.

- During the Reporting Period, JC Finance & Leasing overcame the adverse impact of COVID-19 dampening the economy, and bucked the trend to achieve growth. The net profit increased 28% year-on-year. JC Finance & Leasing continued to strengthen its business planning and market development. The end-of-year balance of its retail financial leasing business represented by heavy truck and small and micro enterprises leasing increased 64% compared to the beginning of the year, comprising 18% of its total assets as of December 31, 2020, marking it a key growth driver of the company.
- During the Reporting Period, Legend Holdings and Didi Chuxing (滴滴出行) co-operated in capital injections in Hyundai Insurance, acquiring 32% of its equity interest respectively. The transaction was approved by the China Banking and Insurance Regulatory Commission. It represents the Company’s strategic presence in the insurance industry.

BIL

Founded in 1856, BIL is one of the oldest financial institutions in Luxembourg. It has always played an active role in the main stages of Luxembourg’s economic development. It is the third-biggest bank in Luxembourg in terms of market share and is recognised as systemically important by the European Central Bank, with a total balance sheet size of EUR 30.6 billion as of December 31, 2020, an increase of 9% compared to 2019. As of December 31, 2020, we held 89.98% equity interest in BIL.

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

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

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

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

- Assets under Management (AuM) reached EUR 43.7 billion compared with EUR 43.5 billion at the end of 2019, mainly due to positive market effect. Customer deposits increased by 4.1% year-on-year, reaching EUR 19.8 billion, from EUR 19 billion at the end of 2019. A large part of this evolution is due to clients’ propensity for spending being hampered by the uncertainty of the situation and lockdown measures, limited investments due to market turbulence and liquidity monitoring by corporate clients. Customer loans increased by 4.8% to EUR 15.4 billion, from EUR 14.7 billion at the end of 2019, essentially due to new commercial loans of EUR 700 million for local enterprises affected by the pandemic;
- In 2020, BIL reported a net profit of RMB739 million, 11% lower than in 2019, mainly due to increased expenditure in non-recurring items and increased loan provisions due to COVID-19;
- At the end of 2020, CET-1 ratio was 13.44%, versus 12.47% at the end of 2019;
- At the end of 2020, BIL’s ratings with both Moody’s and Standard & Poor’s remained unchanged at A2/Stable/P-1 and A-/Stable/A-2 respectively.

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

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

Unit: RMB million

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

Zhengqi Financial

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

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

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

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

	<i>Unit: RMB million</i>	
	2020	2019
Revenue	785	1,271
Net profit	521	217

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

JC Finance and Leasing

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

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

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

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

	<i>Unit: RMB million</i>	
	2020	2019
Revenue	1,132	1,044
Net profit	265	207

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

Associates in Financial Services Segment

Lakala Payment

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

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

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

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

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

Kaola Technology

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

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

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

Hankou Bank

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

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

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

Hyundai Insurance

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

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

Innovative Consumption and Services

Overview

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

- Better Education, our subsidiary, mainly provides pre-school education services;
- Shanghai Neuromedical Center, our subsidiary, mainly provides neurology specialist and other comprehensive medical healthcare services;
- CAR, our associate, mainly provides comprehensive vehicle rental services including car rentals, fleet rentals and financial leasing, as well as sales of used cars. On March 2, 2021, Legend Holdings completed the sale of CAR shares. Since then, CAR was no longer an associate of Legend Holdings; and
- Bybo Dental, our associate, mainly provides dental healthcare services through chain operations.

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

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

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

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

	<i>Unit: RMB million</i>	
	2020	2019
Revenue	739	905
Net loss	(1,584)	(264)
Net loss attributable to equity holders of Legend Holdings	(1,518)	(295)

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

Better Education

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

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

Better Education key information:

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

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

	<i>Unit: RMB million</i>	
	2020	2019
Revenue	380	603
Net (loss)/profit	(122)	58

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

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

Shanghai Neuromedical Center

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

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

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

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

Shanghai Neuromedical Center key information:

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

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

	<i>Unit: RMB million</i>	
	2020	2019
Revenue	359	302
Net profit	7	8

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

Associates of Innovative Consumption and Services

CAR

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

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

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

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

	<i>Unit: RMB million</i>	
	2020	2019
Revenue	6,124	7,691
Net (loss)/profit	(4,163)	31

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

Bybo Dental

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

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

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

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

Agriculture and Food

Overview

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

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

Operating Highlights

- Despite COVID-19 challenges, Golden Wing Mau increased its investment in the market and developed more source markets to ensure a rapid increase in revenues for the whole year;
- Golden Wing Mau successfully brought in Central Enterprise Poverty Area Industrial Investment Fund Co., Ltd. (中央企業貧困地區產業投資基金股份有限公司) as a strategic investor to enhance fruit circulation;
- Packaged food investee Huawen Food completed its IPO on the Shenzhen Stock Exchange.

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

	<i>Unit: RMB million</i>	
	2020	2019
Revenue	17,037	15,695
Net (loss)/profit	(984)	322
Net (loss)/profit attributable to equity holders of Legend Holdings	(368)	230

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

(1) Fruit business

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

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

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

(2) Animal protein business

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

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

(3) Ready-to-Cook business

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

(4) Drinks business

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

(5) Packaged food business

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

Advanced Manufacturing and Professional Services

Overview

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

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

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

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

	<i>Unit: RMB million</i>	
	2020	2019
Revenue	6,230	5,947
Net profit	1,028	693
Net profit attributable to equity holders of Legend Holdings	766	476

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

Operating Highlights

- Levima Advanced Materials was listed on the Shenzhen Stock Exchange on December 8, 2020, (A Shares Stock Code: 003022). Benefiting from keen demand downstream, Levima Advanced Materials' product prices went up. Coupled with other factors, such as the IPO fundraising project OCC going into production and lowering of the unit cost for production, Levima Advanced Materials achieved outstanding results in 2020, with a record net profit of RMB655 million;
- EAL's IPO was approved by the China Securities Regulatory Commission on March 11, 2021. As an air logistics business securing a "lifeline", EAL made significant contributions to anti-pandemic relief efforts and the resumption of business and production. EAL achieved record results in 2020, due to tight air freight capacity globally driving up freight costs.

Levima Advanced Materials

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

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

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

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

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

	<i>Unit: RMB million</i>	
	2020	2019
Revenue	5,931	5,674
Net profit	655	541

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

Zeny Supply Chain

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

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

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

	<i>Unit: RMB million</i>	
	2020	2019
Revenue	186	125
Net (loss)/profit	(45)	13

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

Associate of Advanced Manufacturing and Professional Service

EAL

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

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

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

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

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

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

Forward planning with the two-wheel-drive model

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

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

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

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

Financial Investments

Overview

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

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

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

	<i>Unit: RMB million</i>	
	2020	2019
Revenue	821	704
Investment income and gains	3,422	908
Net profit	2,521	954
Net profit attributable to equity holders of Legend Holdings	2,439	906

Legend Star

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

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

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

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

Legend Capital

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

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

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

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

The following table sets forth the information of Legend Capital's funds in which Legend Holdings and its subsidiaries held direct or indirect interests in their capacity as a limited partner, as of December 31, 2020:

Name of Fund	Fund Term		Total Commitment	Investment Sector	Interests held by Legend Holdings as a limited partner as a limited partner (%)
	Commencement Date (month/day/year)	End Date (month/day/year)			
USD Funds (in USD million)					
LC Fund III, L.P.	4/27/2006	N/A	170	IT and related sectors (investment in extension period involves the non-IT sector)	68.64%
LC Fund IV, L.P.	4/15/2008	N/A	350	TMT, healthcare, consumer goods, modern services, clean technology and advanced manufacture	29.77%
LC Fund V, L.P.	5/31/2011	5/30/2021	515	TMT, healthcare, consumer goods, modern services, etc.	19.42%
LC Fund VI, L.P.	1/30/2014	4/17/2024	500	TMT, healthcare, modern services, etc.	23.20%
LC Healthcare Fund I, L.P.	9/29/2015	2/4/2025	250	Healthcare	20.00%
LC Fund VII, L.P.	2/5/2016	2/4/2024	448	TMT, innovative consumption, modern services, intelligent manufacture	22.31%
LC Healthcare Fund II, L.P.	1/31/2019	12/30/2030	225	Healthcare	26.61%
LC Fund VIII, L.P.	2/15/2019	2/14/2029	497	TMT and innovative consumption, 2B enterprise services, hard technology	18.07%
Great Unity Fund I, L.P.	7/26/2018	N/A	611	Investment in LC Fund VIII, LC Healthcare Fund II, etc.	49.08%
LC Continued Fund IV, L.P.	12/18/2019	12/31/2024	187	TMT, healthcare, consumer goods, modern services, clean technology and advanced manufacture	2.67%
RMB Funds (in RMB million)					
Tianjin Junruiqi Equity Investment, L.P. (天津君睿祺股權投資合夥企業(有限合夥))	3/31/2011	3/31/2021	3,632	TMT, healthcare, consumer goods, modern services, clean technology and advanced manufacture	31.67%
Beijing Legend Capital Maolin Equity Investment, L.P. (北京君聯茂林股權投資合夥企業(有限合夥))	9/9/2014	9/8/2022	3,204	Consumer goods, modern services, TMT, healthcare, etc	31.21%
Shanghai Qiji Venture Investment, L.P. (上海祺迹創業投資合夥企業(有限合夥))	5/30/2015	5/29/2023	500	TMT and innovative consumer service sector	16.00%

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 Mingde Equity Investment, L.P. (北京君聯名德股權投資 合夥企業(有限合夥))	7/31/2015	7/30/2021	1247	Culture entertainment, sports	20.05%
Beijing Legend Capital Xinhai Equity Investment, L.P. (北京君聯新海股權投資 合夥企業(有限合夥))	8/11/2015	8/11/2021	1,698	Return of red-chip, cross-border investment and other high-growth projects	17.67%
Beijing Legend Capital Yikang Equity Investment, L.P. (北京君聯益康股權投資 合夥企業(有限合夥))	2/5/2016	2/4/2024	1,621	Healthcare	18.50%
Beijing Legend Capital Huicheng Equity Investment, L.P. (北京君聯慧誠股權投資 合夥企業(有限合夥))	8/30/2016	8/29/2024	4,500	TMT and innovative consumption, intelligent manufacturing, professional services and healthcare services	22.22%
Beijing Legend Chengye Equity Investment, L.P. (北京君聯成業股權投資 合夥企業(有限合夥))	8/30/2016	8/29/2024	1,700	TMT and innovative consumption, intelligent manufacturing, professional services and healthcare services	5.88%
Suzhou JunJunde Equity Investment, L.P. (蘇州君駿德股權投資 合夥企業(有限合夥))	6/30/2017	6/29/2025	1,315	Culture entertainment, sports,	28.52%
Suzhou Junlian Xinkang Venture Investment, L.P. (蘇州君聯欣康創業投資 合夥企業(有限合夥))	4/16/2018	4/15/2026	1,600	Healthcare	25.00%
Beijing Junlian Shengyuan Equity Investment, L.P. (北京君聯晟源股權投資 合夥企業(有限合夥))	7/9/2018	7/8/2026	7,000	TMT, innovative consumption, intelligent manufacturing	18.57%
Shanghai Junlian Shenghao Venture Investment, L.P. (上海君聯晟灝創業投資 合夥企業(有限合夥))	12/18/2018	12/17/2026	843	Enterprise IT services and preface Technology, smart hardware and new technologies, the Internet and innovative consumption	28.22%
Beijing Junlian Huikang Equity Investment, L.P. (北京君聯惠康股權投資 合夥企業(有限合夥))	10/22/2020	10/21/2028	931	Healthcare	32.23%

Remarks:

- (1) The end date can be extended based on relevant limited partnership agreements.
- (2) Total Commitment refers to the total amount of capital committed, as of the final raising date, by the partners of the limited partnership.

Hony Capital

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

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

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

During the Reporting Period, Honky Capital proceeded with new investment projects in various business segments and progressively made follow-on investments in existing projects. Certain portfolio companies were listed, and Honky Capital also actively exited projects, thereby contributing a constant and steady cash return to Legend Holdings.

The following table sets forth the main information of the funds managed by Hony Capital in which Legend Holdings and its subsidiaries held direct interests as of December 31, 2020:

Name of Fund	Fund Term		Total Commitment	Investment Sector	Interests held by Legend Holdings as a limited partner (%)
	Commencement Date (month/day/year)	End Date (month/day/year)			
USD Funds (in USD million)					
Hony International Limited	N/A	N/A	29	In view of China’s economic environment and policy direction, Hony Capital’s equity investment funds strategically focus on the opportunities of SOE reforms, private enterprise and cross-border M&As. In terms of industry selection, the funds focus on industries directly benefiting from China’s macro trends, including consumption, health, services and high-end manufacturing, as well as transformation from mobile Internet.	40.00%
Hony Capital II, L.P.	7/26/2004	8/31/2014	87		41.38%
Hony Capital Fund III, L.P.	9/19/2006	11/10/2016	580		34.48%
Hony Capital Fund 2008, L.P.	5/27/2008	6/26/2020	1,398		14.31%
Hony Capital Fund V, L.P.	8/10/2011	12/15/2021	2,368		10.98%
Hony Capital Fund VIII (Cayman), L.P.	8/18/2015	10/30/2025	1,647		16.40%
Goldstream Capital Master Fund I	12/1/2017	N/A	39	Goldstream Greater China long and short position fund starts from the fundamentals, systematically covering a group of industries and enterprises with Hony’s cognitive advantages. It seeks opportunities for value and growth investment in line with its requirements for investment risks and returns by in-depth, careful, timely, comprehensive research to build a long and short position combination and create excellent long-term risk-adjusted returns for investors	79.32%
Goldstream Healthcare Focus Fund SP	6/13/2019	N/A	24		12.31%

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 RMB I, L.P. (弘毅投資產業一期基金 (天津)(有限合夥))	4/24/2008	4/23/2019	5,026	In view of the development direction of China's economic environment and policies, Hony Equity Investment Fund strategically focuses on opportunities in the field of state-owned enterprise restructuring, private enterprise mergers and acquisitions, and cross-border mergers and acquisitions. In terms of industry selection, it focuses on industries that directly benefit from China's macro trends, including consumer, health, service, and high-end manufacturing, and pays attention to the transformation opportunities brought about by the mobile Internet.	29.84%
Hony Capital RMB Fund 2010, L.P. (北京弘毅貳零壹零股權投資中心(有限合夥))	8/12/2010	8/11/2020	9,965		20.07%
Hony Capital Fund 2015, L.P. (弘毅貳零壹伍(深圳)股權投資基金中心(有限合夥))	10/13/2015	10/12/2025	3,596		8.90%
Hony Capital Real Estate Fund 2015, L.P. (弘毅貳零壹伍(深圳)地產投資中心(有限合夥))	9/28/2016	9/27/2021	2,563	The property funds focus strategically on office buildings in first-tier cities to create excess return by applying various value-added means such as renovation, enhanced operation and functional adjustment to the office buildings in first-tier cities or other commercial buildings with the potential to be converted into office buildings.	19.51%
Beijing Haidian Technology Industry Space Optimization Fund, L.P. (北京海淀科技產業空間優化基金中心(有限合夥))	12/8/2016	6/30/2022	2,157		2.32%
Shenzhen Hony 2019 Corporate Management Center(Limited Partnership) (深圳弘毅貳零壹玖企業管理中心(有限合夥))	7/9/2019	1/15/2025	1,780		44.94%
Hony Horizon Guozheng consumption 100 ETF (弘毅遠方國證消費100交易型開放式指數證券投資基金)	12/19/2019	N/A	59	The fund mainly adopts the full replication method, i.e. the fund portfolio of is constructed solely in accordance with the composition and weight of the constituents of the CSI 100 Index, and is adjusted according to changes in the constituents of the underlying index and their weights.	57.74%

Notes:

- (1) The end date is extendable in accordance with the relevant limited partnership agreement.
- (2) Total commitment represents the aggregate capital commitment by partners of limited partnerships or investors for the funds in the form of limited liability companies, if applicable, as of the final closing date.
- (3) Hony Capital Fund VIII (Cayman), L.P and Hony Capital Fund 2015, L.P. (弘毅貳零壹伍 (深圳) 股權投資基金中心 (有限合夥)) are collectively named as “Hony RMB Fund VIII” in the above table.
- (4) For Goldstream Capital Master Fund I, Goldstream Healthcare Focus Fund SP and Hony Horizon Guozheng consumption 100 ETF (弘毅遠方國證消費100交易型開放式指數證券投資基金) in the above table, the total commitment is presented as the total share of the fund, and the proportion of the share of the fund held by Legend Holdings is the ratio of the share held by Legend Holdings to the total share of the fund.

Investment Properties

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

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

FINANCIAL REVIEW

Finance costs

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

Taxation

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

Capital expenditures and capital commitments

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

As of December 31, 2020, we had RMB4,075 million of capital expenditures contracted but not yet generated. Such capital commitments were mainly used for purchases of property, plant and equipment, and investment. Details of capital commitments are set out in Note 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, 2020, our cash and cash equivalents were RMB69,718 million, among which, RMB, CHF, USD, EUR, HKD and other currencies accounted for 31%, 35%, 17%, 2%, 3% and 12%, respectively, while the amount as of December 31, 2019 was RMB62,340 million, among which, RMB, CHF, USD, EUR, HKD and other currencies accounted for 31%, 30%, 20%, 3%, 6% and 10%, respectively. It is our policy to place our cash in interest-bearing principal-protected demand or short-term deposits in reputable PRC and foreign banks.

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

Indebtedness

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

Unit: RMB million

	As of December 31, 2020	As of December 31, 2019
Bank loans		
– Unsecured loans	32,353	35,226
– Guaranteed loans	20,475	22,178
– Collateralised loans	10,295	11,214
Other loans		
– Unsecured loans	870	2,750
– Guaranteed loans	820	5,455
– Collateralised loans	1,637	817
Corporate bonds		
– Unsecured	65,049	55,075
– Guaranteed	–	103
– Convertible bonds	4,890	5,087
	136,389	137,905
Less: non-current portion	(99,078)	(85,704)
Current portion	37,311	52,201

As of December 31, 2020, among our total borrowings, 51% was denominated in RMB (December 31, 2019: 55%), 29% was denominated in USD (December 31, 2019: 29%) and 20% was denominated in other currencies (December 31, 2019: 16%). If categorized by whether the interest rates were fixed or not, the fixed interest rates borrowings and the floating interest rates borrowings accounted for 67% and 33% of our total borrowings, respectively, while as of December 31, 2019 accounted for 69% and 31%, respectively. As of December 31, 2020, our indebtedness remained stable as compared with that as of December 31, 2019.

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

Unit: RMB million

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

As of December 31, 2020, we had the following major corporate bonds outstanding:

Issuer	Type of bonds	Currency	Issuance date	Term	Principal amount
The Company	Corporate bonds	RMB	November 30, 2012	10 years	RMB1,984 million
The Company	Corporate bonds	RMB	July 6, 2016	5 years	RMB1,500 million
The Company	Corporate bonds	RMB	July 6, 2016	10 years	RMB2,000 million
The Company	Corporate bonds	RMB	July 5, 2017	5 years	RMB2,500 million
The Company	Corporate bonds	RMB	January 31, 2018	5 years	RMB1,000 million
The Company	Corporate bonds	RMB	June 29, 2018	3 years	RMB1,600 million
The Company	Corporate bonds	RMB	December 3, 2018	5 years	RMB1,500 million
The Company	Corporate bonds	RMB	January 15, 2019	3 years	RMB2,000 million
The Company	Corporate bonds	RMB	January 15, 2019	5 years	RMB1,000 million
The Company	Corporate bonds	RMB	June 21, 2019	5 years	RMB2,000 million
The Company	Private placement bonds	RMB	September 25, 2019	2 years	RMB370 million
The Company	Corporate bonds	RMB	June 3, 2020	3 years	RMB1,800 million
Lenovo	Medium term notes	USD	March 16, 2017	5 years	USD337 million
Lenovo	Medium term notes	USD	March 29, 2018	5 years	USD687 million
Lenovo	Convertible bonds	USD	January 24, 2019	5 years	USD675 million
Lenovo	Medium term notes	USD	April 24, 2020 and May 12, 2020	5 years	USD1,000 million
Lenovo	Medium term notes	USD	November 2, 2020	10 years	USD1,000 million
Zhengqi Financial	Corporate bonds	RMB	September 27, 2019	3 years	RMB600 million
Zhengqi Financial	Corporate bonds	RMB	December 20, 2019	3 years	RMB300 million
Zhengqi Financial	Corporate bonds	RMB	August 28, 2020	3 years	RMB200 million
JC Finance & Leasing	Asset backed securities	RMB	June 23, 2017	3-4 years	RMB12 million
JC Finance & Leasing	Corporate bonds	RMB	September 6, 2019	2 years	RMB400 million
JC Finance & Leasing	Asset backed securities	RMB	October 16, 2019	1-3 years	RMB186 million
JC Finance & Leasing	Corporate bonds	RMB	November 21, 2019	2 years	RMB300 million
JC Finance & Leasing	Private placement bonds	RMB	January 22, 2020	2 years	RMB400 million
JC Finance & Leasing	Asset backed securities	RMB	March 13, 2020	1-2 years	RMB24 million
JC Finance & Leasing	Asset backed securities	RMB	March 26, 2020	2 years	RMB191 million
JC Finance & Leasing	Asset backed securities	RMB	July 16, 2020	1-2 years	RMB252 million
JC Finance & Leasing	Asset backed securities	RMB	September 17, 2020	2 years	RMB81 million
JC Finance & Leasing	Asset backed securities	RMB	December 28, 2020	1-2 years	RMB120 million

Issuer	Type of bonds	Currency	Issuance date	Term	Principal amount
BIL	Bank subordinate bonds	EUR	June 8, 2016	12 years	EUR50 million
BIL	Bank subordinate bonds	USD	October 18, 2016	12 years	USD100 million
BIL	Medium term notes	JPY	December 19, 2002	20 years	JPY500 million
BIL	Medium term notes	EUR	2013-2020	1-20 years	EUR2,438 million
BIL	Medium term notes	USD	2018-2020	2-5 years	USD69 million
BIL	Medium term notes	CHF	2016-2020	2.5-6.5 years	CHF285 million
Joyvio Agriculture	Convertible bonds	USD	June 14, 2019	5 years	USD125 million

The annual interest rates of our bonds listed above as of December 31, 2020 ranged from 0% to 7.50%.

As of December 31, 2020, the Company had undrawn banking facilities of RMB82.2 billion. The Company has entered into formal or informal cooperation agreements with various major banks in China. According to these agreements, those banks granted the Company general banking facilities to support its capital needs. Prior approval of individual projects from banks in accordance with bank regulations of China must be obtained before the use of these banking facilities.

Current ratio and net debt to equity ratio

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

Current ratio

Current ratio is our current assets divided by our current liabilities at the end of each financial period. Our current ratio at the end of the reporting period has raised to a certain extent as compared with December 31, 2019. Current ratio of less than 1 was mainly due to the effect of acquisition of BIL. The measures used to gauge liquidity risk in the banking industry differ from those commonly used in other non-banking industries. BIL is not required to classify and present separately the current and non-current portion of its assets and liabilities on its standalone statement of financial position. Nonetheless, such classification was effected to the extent that uniform accounting policies on consolidated accounts are required, which may not reflect the underlying liquidity characteristics of the banking business of the Company. As at the end of the reporting period, the Core Equity Tier 1 ratio of BIL stood at 13.44%, bespeaking robust business stability. Moreover, despite of a current ratio of less than 1, we have confidence to honor maturing debts when they fall due in consideration of our operating cash flow forecast, undrawn credit facilities of the Company and its subsidiaries.

Net debt to equity ratio

Net debt to equity ratio is calculated by dividing our net debt (total borrowings less cash and cash equivalents) as a percentage of total equity at the end of each financial period. The decrease in the net debt to equity ratio at the end of the reporting period as compared with that as of December 31, 2019 was mainly due to the decrease of our net debt.

Pledged assets

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

Contingencies

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

We evaluated the financial position of financial guarantees provided in connection with our financial services business periodically and made provision accordingly. As of December 31, 2020 and December 31, 2019, the provision made by us was RMB86 million and RMB116 million respectively.

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

	<i>Unit: RMB million</i>	
	As of December 31, 2020	As of December 31, 2019
Financial guarantee of guarantee business	11,222	10,736
Other guarantee		
– Related parties	6,029	3,768
– Unrelated parties	640	4,221

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

EVENTS AFTER THE REPORTING PERIOD

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

RECOMMENDATION OF FINAL DIVIDEND

The Board has recommended a final cash dividend of RMB0.36 per ordinary share (before tax) for the year ended December 31, 2020 (2019: RMB0.33). The proposed final dividend is subject to the approval of the Shareholders at the 2020 annual general meeting of the Company (the “2020 AGM”) to be held on Thursday, June 10, 2021. The proposed cash dividend will be paid to the Shareholders (whose names appear on the register of members of the Company on Wednesday, June 16, 2021) on or before Thursday, July 15, 2021. The specific arrangement for the distribution of final dividend (including arrangement of withholding and payment of income tax for the Shareholders) will be disclosed separately in the notice of 2020 AGM. The dividends for Domestic Shares will be paid in RMB, and the dividends for H Shares will be denominated in RMB and paid in HKD (the exchange rate for RMB to HKD shall be calculated based on the average selling price for RMB to HKD released by the People’s Bank of China for a calendar week before the date of the 2020 AGM).

CLOSURE OF REGISTER OF MEMBERS

In order to determine the Shareholders entitled to attend and vote at the 2020 AGM, the register of members of the Company will be closed from Monday, June 7, 2021 to Thursday, June 10, 2021 (both days inclusive), during which time no transfer of the H Shares will be registered. Accordingly, unregistered H Shareholders shall lodge relevant share transfer documents with the Company’s H share registrar, Link Market Services (Hong Kong) Pty Limited, at Suite 1601, 16/F Central Tower, 28 Queen’s Road Central, Hong Kong not later than 4:30 p.m. on Friday, June 4, 2021.

In order to determine the entitlement of the H Shareholders to the final dividend for 2020, the H share register of the Company will be closed from Thursday, June 17, 2021 to Friday, June 18, 2021 (both days inclusive). The H Shareholders who wish to receive the final dividend for 2020 shall deliver the share certificates accompanied by the transfer documents to the H share registrar of the Company, Link Market Services (Hong Kong) Pty Limited, at Suite 1601, 16/F Central Tower, 28 Queen’s Road Central, Hong Kong not later than 4:30 p.m. on Wednesday, June 16, 2021.

CONSOLIDATED INCOME STATEMENT

For the year ended December 31, 2020

		Year ended December 31,	
		2020	2019
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Sales of goods and services	3	<u>413,730,939</u>	<u>384,241,810</u>
Interest income	3	5,520,200	7,649,123
Interest expense	3	<u>(1,684,286)</u>	<u>(2,672,669)</u>
Net interest income		<u>3,835,914</u>	<u>4,976,454</u>
Total revenue	3	417,566,853	389,218,264
Cost of sales and services	6	<u>(347,222,508)</u>	<u>(320,544,108)</u>
Gross profit		70,344,345	68,674,156
Selling and distribution expenses	6	(20,672,076)	(22,376,957)
General and administrative expenses	6	(36,408,630)	(31,855,609)
Expected credit loss	6	(2,493,286)	(1,375,362)
Investment income and gains	4	7,888,990	2,766,083
Other losses-net	5	(330,378)	(304,758)
Finance income	7	1,045,990	1,244,658
Finance costs	7	(6,309,290)	(6,724,968)
Share of profit of associates and joint ventures accounted for using the equity method		<u>(432,836)</u>	<u>476,743</u>
Profit before income tax		12,632,829	10,523,986
Income tax expense	8	<u>(3,614,400)</u>	<u>(1,894,460)</u>
Profit for the year		<u>9,018,429</u>	<u>8,629,526</u>

CONSOLIDATED INCOME STATEMENT (CONTINUED)*For the year ended December 31, 2020*

		Year ended December 31,	
		2020	2019
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Profit attributable to:			
– Equity holders of the Company		3,868,011	3,606,896
– Perpetual securities holders		317,801	370,390
– Other non-controlling interests		4,832,617	4,652,240
		<u>9,018,429</u>	<u>8,629,526</u>
Earnings per share for the profit attributable to the equity holders of the Company (expressed in RMB per share)			
Basic earnings per share	9	<u>1.66</u>	<u>1.54</u>
Diluted earnings per share	9	<u>1.62</u>	<u>1.51</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2020

	Year ended December 31,	
	2020	2019
<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the year	9,018,429	8,629,526
Other comprehensive (loss)/income:		
Items that will not be reclassified to income statement:		
Change in fair value of equity securities measured at fair value through other comprehensive income, net of taxes	(609,336)	20,558
Share of other comprehensive income of associates using equity accounting, net of taxes	42,397	113,695
Remeasurements of post-employment benefit obligation, net of taxes	(118,586)	(260,755)
Revaluation of investment properties upon reclassification from property, plant and equipment, net of taxes	43,905	52,656
Items that may be reclassified subsequently to income statement:		
Change in fair value of debt securities measured at fair value through other comprehensive income, net of taxes	(32,630)	(11,842)
Currency translation differences	(3,790,925)	306,557
Share of other comprehensive income of associates using equity accounting	(95,189)	8,979
Fair value change on cash flow hedges, net of taxes	(466,627)	(239,784)
Other comprehensive loss for the year, net of taxes	(5,026,991)	(9,936)
Total comprehensive income for the year	3,991,438	8,619,590
Attributable to:		
– Equity holders of the Company	501,693	3,999,992
– Perpetual securities holders	317,801	370,390
– Other non-controlling interests	3,171,944	4,249,208
	3,991,438	8,619,590

CONSOLIDATED BALANCE SHEET

As at December 31, 2020

		As at December 31,	
		2020	2019
	Note	RMB'000	RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		23,351,343	23,927,948
Right-of-use assets		6,951,676	7,265,904
Investment properties		12,315,945	12,316,171
Intangible assets		65,450,440	70,021,402
Consumable biological assets		366,068	286,658
Associates and joint ventures using equity accounting		16,434,370	19,258,345
Associates measured at fair value through profit or loss		18,459,044	17,404,859
Financial assets at fair value through other comprehensive income		12,179,471	10,969,080
Financial assets at fair value through profit or loss		9,995,725	8,394,224
Loans to customers	12	81,164,394	82,212,421
Loans to credit institutions		22,570	690,241
Derivative financial assets		212,978	505,099
Other financial assets at amortised cost		57,131,509	48,052,348
Deferred income tax assets		18,290,286	17,507,825
Other non-current assets		9,563,113	11,849,898
Total non-current assets		331,888,932	330,662,423

CONSOLIDATED BALANCE SHEET (CONTINUED)

As at December 31, 2020

		As at December 31,	
		2020	2019
	Note	RMB'000	RMB'000
Current assets			
Inventories		39,987,790	30,166,081
Consumable biological assets		1,193,174	1,615,243
Properties under development		986,020	656,674
Accounts and notes receivables	10	71,754,864	74,180,577
Prepayments, other receivables and other current assets	11	42,289,228	43,691,837
Loans to customers	12	49,167,712	47,993,361
Loans to credit institutions		7,007,686	6,725,571
Derivative financial assets		2,397,724	2,377,292
Financial assets at fair value through profit or loss		18,319,240	11,496,627
Financial assets at fair value through other comprehensive income		473,817	364,768
Other financial assets at amortised cost		4,805,442	2,466,904
Restricted deposits	13	9,839,472	9,075,991
Bank deposits	13	269,231	262,286
Cash and cash equivalents	13	69,718,438	62,339,559
		<hr/>	<hr/>
Completed properties held for sale		318,209,838	293,412,771
		1,634,001	–
		<hr/>	<hr/>
Total current assets		319,843,839	293,412,771
		<hr/>	<hr/>
Total assets		651,732,771	624,075,194
		<hr/>	<hr/>

CONSOLIDATED BALANCE SHEET (CONTINUED)

As at December 31, 2020

		As at December 31,	
		2020	2019
	<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		<u>58,078,131</u>	<u>58,181,008</u>
Total equity attributable to equity holders of the Company		60,434,362	60,537,239
Perpetual securities	15	1,554,740	8,161,897
Other non-controlling interests		29,708,464	28,149,657
Put option written on non-controlling interests	18(c)(1)	<u>(5,024,368)</u>	<u>(5,024,368)</u>
Total equity		<u>86,673,198</u>	<u>91,824,425</u>
LIABILITIES			
Non-current liabilities			
Borrowings	20	99,078,041	85,704,024
Lease liabilities		2,932,067	3,355,772
Amounts due to credit institutions		12,647,567	4,235,307
Amounts due to customers	19	5,284,663	4,634,959
Derivative financial liabilities		3,849,885	2,518,477
Deferred revenue		7,548,109	6,040,154
Retirement benefit obligations		3,133,388	3,112,233
Provisions	21	2,087,503	2,193,198
Financial liabilities at fair value through profit or loss		7,945,455	8,154,983
Deferred income tax liabilities		8,361,820	7,583,124
Other non-current liabilities	18	<u>10,227,058</u>	<u>11,085,065</u>
Total non-current liabilities		<u>163,095,556</u>	<u>138,617,296</u>

CONSOLIDATED BALANCE SHEET (CONTINUED)*As at December 31, 2020*

		As at December 31,	
		2020	2019
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Current liabilities			
Trade and notes payables	16	76,415,717	73,068,967
Other payables and accruals	17	90,309,895	82,962,737
Amounts due to credit institutions		20,840,403	19,960,243
Amounts due to customers	19	153,347,840	143,699,602
Financial liabilities at fair value through profit or loss		2,453,574	2,044,184
Derivative financial liabilities		2,679,794	2,786,684
Provisions	21	5,859,745	5,430,413
Advance from customers		2,032,481	2,090,890
Deferred revenue		7,033,567	5,928,919
Income tax payables		2,860,000	2,712,254
Lease liabilities		819,586	747,777
Borrowings	20	37,311,415	52,200,803
Total current liabilities		401,964,017	393,633,473
Total liabilities		565,059,573	532,250,769
Total equity and liabilities		651,732,771	624,075,194

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY **For the year ended December 31, 2020**

	Attributable to the equity holders of the Company													
	Share capital RMB'000	Share premium RMB'000	Statutory surplus reserve RMB'000	Revaluation reserve RMB'000	Share-based compensation reserve RMB'000	Shares held for share scheme RMB'000	Hedging reserve RMB'000	Exchange reserve RMB'000	Other reserve RMB'000	Retained earnings RMB'000	Perpetual securities RMB'000	Other non-controlling interests RMB'000	Put option written on non-controlling interests RMB'000	Total RMB'000
As at December 31, 2019	2,356,231	11,281,940	509,779	425,351	2,828,713	(259,154)	(29,754)	(1,952,459)	3,344,138	42,032,454	8,161,897	28,149,657	(5,024,368)	91,824,425
Profit for the year	-	-	-	-	-	-	-	-	-	3,868,011	317,801	4,832,617	-	9,018,429
Other comprehensive (loss)/income	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fair value changes on financial assets at fair value through other comprehensive income	-	-	-	(439,836)	-	-	-	-	-	-	-	(202,130)	-	(641,966)
Share of other comprehensive (loss)/income of associates using equity accounting	-	-	-	(60,641)	-	-	(209,146)	-	-	-	-	7,849	-	(52,792)
Fair value change on cash flow hedges	-	-	-	-	-	-	-	-	-	-	-	(257,481)	-	(466,627)
Currency translation differences	-	-	-	-	-	-	-	(2,661,581)	-	-	-	(1,129,344)	-	(3,790,925)
Remeasurement of post-employment benefit obligations	-	-	-	-	-	-	-	-	(34,528)	-	-	(84,058)	-	(118,586)
Revaluation of investment properties upon reclassification from property, plant and equipment	-	-	-	39,414	-	-	-	-	-	-	-	4,491	-	43,905
Total comprehensive (loss)/income for the year	-	-	-	(461,063)	-	-	(209,146)	(2,661,581)	(34,528)	3,868,011	317,801	3,171,944	-	3,991,438
Total transfer to retained earnings	-	-	-	15,617	-	-	-	-	-	(15,617)	-	-	-	-
Total transactions with owners, recognised directly in equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	75,004	-	75,004
Disposal of subsidiaries	-	-	-	(3,170)	-	-	-	-	-	-	-	(1,370,296)	-	(1,373,466)
Transaction with other non-controlling interests	-	-	-	-	-	-	-	-	(131,541)	-	-	(1,008,674)	-	(1,140,215)
Contribution from other non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	2,057,840	-	2,057,840
Derecognition of perpetual capital	-	-	-	-	-	-	-	-	(108,416)	-	(6,698,762)	(264,122)	-	(7,071,300)
Issuance of perpetual capital (Note 15)	-	-	-	-	-	-	-	-	-	-	200,000	-	-	200,000
Transfer to reserve	-	-	-	-	-	-	-	-	(42,656)	40,993	-	7,203	-	5,540
Share of other reserve of associates	-	-	-	-	-	-	-	-	30,210	-	-	(1,473)	-	28,737
Share-based compensation	-	-	-	-	492,453	-	-	-	(1,292)	-	-	1,151,845	-	1,763,771
Purchase of shares under share scheme	-	-	-	-	-	120,765	-	-	-	-	-	-	-	(148,690)
Distribution to contingent convertible bond holders	-	-	-	-	-	(148,690)	-	-	-	(75,670)	-	(8,434)	-	(84,104)
Transfer to statutory surplus reserve	-	-	153,516	-	-	-	-	-	-	(153,516)	-	-	-	-
Dividends paid (Note 22)	-	-	-	-	-	-	-	-	-	(777,556)	-	(2,252,030)	-	(3,029,586)
Distribution to perpetual securities holders	-	-	-	-	-	-	-	-	-	-	(426,196)	-	-	(426,196)
Total transactions with owners, recognised directly in equity	-	-	153,516	(3,170)	492,453	(27,925)	-	-	(253,695)	(965,749)	(6,924,958)	(1,613,137)	-	(9,142,665)
As at December 31, 2020	2,356,231	11,281,940	663,295	(23,265)	3,321,166	(287,079)	(238,900)	(4,614,040)	3,055,915	44,919,099	1,554,740	29,708,464	(5,024,368)	86,673,198

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)
For the year ended December 31, 2020

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

CONSOLIDATED CASH FLOW STATEMENT

For the year ended December 31, 2020

		Year ended December 31,	
		2020	2019
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cash flows from operating activities			
Cash generated from operations	23	47,124,717	12,755,534
Income tax paid		(4,367,120)	(3,548,563)
Net cash generated from operating activities		42,757,597	9,206,971
Cash flows from investing activities			
Purchases of property, plant and equipment and intangible assets		(7,556,608)	(7,898,955)
Proceeds from sale of property, plant and equipment and intangible assets		326,479	154,221
Purchase of financial assets at fair value through profit or loss		(14,502,837)	(15,331,056)
Proceeds from the disposal of financial assets at fair value through profit or loss		10,769,896	15,508,743
Dividends from financial assets at fair value through profit or loss		334,623	414,677
Capital injection in associates measured at fair value through profit or loss		(1,894,250)	(1,198,365)
Distributions from associates measured at fair value through profit or loss		4,229,729	2,757,699
Acquisition of and capital injection in associates and joint ventures using equity accounting		(1,224,253)	(298,636)
Proceeds from disposal of associates using equity accounting		802,449	1,157,962
Dividends from associates using equity accounting		609,728	432,469
Purchase of financial assets at fair value through other comprehensive income		(2,224,588)	(3,006,266)
Disposal of financial assets at fair value through other comprehensive income		233,361	1,665,169
Dividends from financial assets at fair value through other comprehensive income		1,490	37,853
Acquisition of subsidiaries, net of cash acquired		(249,947)	(6,438,246)
Disposal of subsidiaries, net of cash disposed		(690,763)	1,693,062
Loans granted to related parties and third parties		(1,785,246)	(926,018)
Repayment of contingent consideration and deferred consideration		(1,086,214)	(142,256)
Interest received		384,417	515,741
(Increase)/decrease in fixed deposits for more than 3 months		(143,194)	333,752
Purchase of financial assets at amortized cost		(51,116)	–
Advance from proposed transactions		685,121	–
Net cash used in investing activities		(13,031,723)	(10,568,450)

CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)*For the year ended December 31, 2020*

		Year ended December 31,	
		2020	2019
	<i>Note</i>	RMB'000	RMB'000
Cash flows from financing activities			
Proceeds from borrowings		72,660,159	88,063,552
Repayments of borrowings		(94,300,622)	(94,095,258)
Repurchase of shares		–	(134,502)
Repayments of lease liabilities		(1,026,388)	(896,151)
Issue of perpetual securities	15	200,000	1,379,787
Issue of convertible bonds, net of issuance costs	20	–	5,436,742
Issue of other bonds, net of issuance costs		17,360,925	10,558,181
Issue of convertible preferred shares		–	2,066,910
Repayments of perpetual securities		(7,071,300)	–
Capital contributions from other non-controlling interests		2,781,217	2,852,792
Distribution to perpetual securities holders		(426,196)	(370,390)
Distribution to other non-controlling interests		(2,271,182)	(2,351,052)
Transaction with other non-controlling interests		(1,253,331)	(1,330,957)
Dividends paid to equity holders of the Company	22	(775,950)	(706,871)
Interest paid		(7,152,251)	(7,565,793)
Net cash (used in)/generated from financing activities		(21,274,919)	2,906,990
Net increase in cash and cash equivalents		8,450,955	1,545,511
Cash and cash equivalents at beginning of year		62,339,559	60,023,193
Exchange (losses)/gains on cash and cash equivalents		(1,072,076)	770,855
Cash and cash equivalents at end of year	13	69,718,438	62,339,559

1. GENERAL INFORMATION

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

The 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 mainly offers services including banking, short-term financing, financial leasing, insurance brokerage services, third party payment, internet finance, property insurance and other related business services; (c) innovative consumption and services industry, which operates mainly to provide medical and health services, car rental business and education for kids; (d) agriculture and food industry, which is mainly engaged in the production and selling of salmon, planting and selling of premium fruit and tea products, producing and selling Chinese liquor, supplying seafood and accessory products and liquor direct sales chain, etc.; and (e) advanced manufacturing and professional services industry, which includes new chemical materials R&D, production and selling services, logistics services and aviation logistics related business services.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company and its subsidiaries (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.

2.1.1 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, 2020:

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

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

Amendments to IFRS and IAS effective for the financial year beginning on January 1, 2020 do not have a material impact on the Group’s Interim Financial Information.

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

2.1.2 New standards and interpretations not yet adopted

The following are new standards and amendments to standards that have been issued but are not yet effective and have not been early adopted.

		Effective for financial year beginning on or after
Amendments to IFRS 9, IAS 39, IFRS7, IFSR 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2	1 January 2021
IFRS 3 (amendment)	Reference to the Conceptual Framework	1 January 2022
IAS 16 (amendment)	Property, Plant, and Equipment: Proceeds before intended use	1 January 2022
IAS 37 (amendment)	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Annual Improvements	Annual Improvements to IFRS Standards 2018-2020	1 January 2022
IFRS 17	Insurance contracts	1 January 2023
IAS 1 (amendment)	Classification of Liabilities as Current or Non-current	1 January 2023
IFRS 10 and IAS 28 (amendment)	Sale or Contribution of assets between an investor and its associate or joint venture	To be Determined

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

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, financial leasing, insurance brokerage services, third party payment, internet finance, property insurance and other related business services;
- Innovative consumption and services segment, which operates mainly to provide medical and health services, car rental business and education for kids;
- Agriculture and food segment, which is mainly engaged in the production and selling of salmon, planting and selling of premium fruit and tea products, producing and selling Chinese liquor, supplying seafood and accessory products and liquor direct sales chain, etc.;

- Advanced manufacturing and professional services segment, which includes new chemical materials R&D, production and selling services, logistics services and aviation logistic related business services;
- Financial investments segment, which is engaged in investment in the PE Funds and VC Funds as a limited partner and holds interest in the general partners of certain funds. It also makes early stage or “angel” investments in technology start-ups and minority investments in other entities. It also provides office rental services to consumers and enterprises.

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

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

Year ended December 31, 2020

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

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

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
Interest income	-	7,649,123	-	-	-	-	7,649,123
Interest expense	-	(2,672,669)	-	-	-	-	(2,672,669)
Inter-segment sales/provide services	-	-	-	33,566	-	25,402	-
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	476,195	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

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

(b) Non-current assets

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

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

(c) Analysis of revenue by timing of revenue recognition

	Year ended December 31,	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Point in time	399,258,704	371,988,146
Over time	18,308,149	17,230,118
	<u>417,566,853</u>	<u>389,218,264</u>

4. INVESTMENT INCOME AND GAINS

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

5. OTHER LOSSES-NET

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

6. EXPENSES BY NATURE

	Year ended December 31,	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Cost of inventories sold	324,363,667	301,524,420
Employee benefit expense	39,034,757	34,350,332
Office and administrative expense	4,108,475	5,373,725
Advertising costs	4,605,703	6,768,484
Depreciation and amortisation	8,571,919	7,686,920
Impairment loss for loan to customers	1,457,130	909,189
Impairment loss for other financial assets	1,036,156	466,173
Impairment loss for non-current assets (i)	903,871	415,583
Consultancy and professional fees	2,252,677	1,915,629
Customer support service	5,058,385	3,811,306
Auditors' remuneration-audit services	92,584	97,768
Auditors' remuneration-non audit services	20,669	24,143
Labs and testing	1,647,517	736,313
Lease payments	136,470	176,753
Business tax and surcharge and other taxes	746,430	807,686
Transportation expense	673,264	691,789
Inventory write-down	907,338	378,558
Other expenses (ii)	11,179,488	10,017,265
	<u>406,796,500</u>	<u>376,152,036</u>

- (i) For the year ended December 31, 2020, impairment loss on non-current assets mainly represent impairment loss of associates using equity accounting of RMB386 million (2019: RMB416 million) and impairment loss of intangible assets of RMB479 million (2019: nil). As a result of increased competition in the industry, the Group recorded impairment loss of RMB370 million for an associate using equity accounting of Innovative Consumption and Services segment, that fell far short of expectations and the development of new businesses was hindered, with the related recoverable amount determined based on its value in use, using a discount rate of 12%.
- (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,	
	2020	2019
	RMB'000	RMB'000
Interest expense (i):		
– Bank loans and overdrafts	2,615,002	2,428,477
– Other loans	222,940	699,920
– Bonds	2,169,787	1,947,441
– Lease liabilities	174,947	163,628
Factoring costs	944,742	1,294,106
Interest costs on contingent considerations and put option liability	181,872	187,937
Commitment fee	–	3,459
Finance costs	<u>6,309,290</u>	<u>6,724,968</u>
Finance income (i):		
– Interest income on bank deposits and money market funds	(440,821)	(603,980)
– Interest income on loans to related parties	(118,536)	(80,164)
– Interest income on loans to non-related parties	(486,633)	(560,514)
Finance income	<u>(1,045,990)</u>	<u>(1,244,658)</u>
Net finance costs	<u>5,263,300</u>	<u>5,480,310</u>

- (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,	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Current income tax	4,394,393	4,247,763
Deferred income tax	(779,993)	(2,353,303)
	<hr/>	<hr/>
Income tax expense	3,614,400	1,894,460
	<hr/>	<hr/>

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

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

10. ACCOUNTS AND NOTES RECEIVABLES

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

- (i) Credit terms of Lenovo Group Limited ("Lenovo"), a subsidiary of the Company, takes trade receivables as factoring financing and classifies it as FVOCI, for the needs of daily fund management. The accounts receivable also meets the conditions of terminal confirmation.

As at December 31, 2020, the provision for the measurement of expected credit loss of this part of trade receivables financing is RMB475 million (AS at December 31, 2019: RMB798 million).

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

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

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

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

11. PREPAYMENT, OTHER RECEIVABLES AND OTHER CURRENT ASSETS

	As at December 31,	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Receivables from parts subcontractors	17,127,060	12,285,245
Prepayments	9,422,074	13,171,594
Prepaid tax	5,882,885	6,180,642
Amounts due from related parties	2,243,770	2,632,897
Advance to suppliers	2,870,168	3,580,451
Deposits receivable	212,359	431,472
Advance to employees	57,116	79,198
Adjustment for in-transit products	162,020	255,667
Interest receivable	168,739	352,532
Others	4,510,778	4,978,944
	<hr/>	<hr/>
	42,656,969	43,948,642
Less: provision for impairment	(367,741)	(256,805)
	<hr/>	<hr/>
	42,289,228	43,691,837
	<hr/>	<hr/>

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

(i) Bank service:

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

Gross loans to customers by stage

	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Total RMB'000
As at January 1, 2020	93,737,583	19,297,526	4,485,479	117,520,588
To Stage 2 from Stage 1	(7,435,004)	7,435,004	–	–
To Stage 1 from Stage 2	4,344,281	(4,344,281)	–	–
To Stage 3 from Stage 2	–	(877,740)	877,740	–
To Stage 2 from Stage 3	–	142,386	(142,386)	–
To Stage 3 from Stage 1	(1,534,962)	–	1,534,962	–
To Stage 1 from Stage 3	235,829	–	(235,829)	–
Origination	33,350,438	3,511,865	256,263	37,118,566
Write-offs	(165,538)	–	(110,385)	(275,923)
Derecognition during the period other than write-offs	(27,399,934)	(3,407,695)	(884,765)	(31,692,394)
Exchange adjustment	2,444,201	498,462	124,772	3,067,435
Others	769,836	(127,526)	–	642,310
As at December 31, 2020	98,346,730	22,128,001	5,905,851	126,380,582
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Total RMB'000
As at January 1, 2019	84,987,837	17,927,177	4,674,797	107,589,811
To Stage 2 from Stage 1	(6,145,797)	6,145,797	–	–
To Stage 1 from Stage 2	4,002,413	(4,002,413)	–	–
To Stage 3 from Stage 2	–	(340,684)	340,684	–
To Stage 2 from Stage 3	–	44,252	(44,252)	–
To Stage 3 from Stage 1	(355,027)	–	355,027	–
To Stage 1 from Stage 3	140,379	–	(140,379)	–
Origination	32,668,064	3,790,256	406,826	36,865,146
Write-offs	–	–	(114,906)	(114,906)
Derecognition during the period other than write-offs	(20,797,997)	(4,266,256)	(1,034,367)	(26,098,620)
Exchange adjustment	82,074	22,727	(5,145)	99,656
Others	(844,363)	(23,330)	47,194	(820,499)
As at December 31, 2019	93,737,583	19,297,526	4,485,479	117,520,588

(ii) Other services:

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

(iii) Impairment loss provision

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

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

	As at December 31,	
	2020	2019
	RMB'000	RMB'000
Restricted deposits		
Deposits for guarantee business	266,067	385,660
Deposits for notes payables and borrowings	540,503	726,000
Other restricted deposits	9,032,902	7,964,331
– Cash and balances with central banks of the country of the subsidiaries (mandatory reserves)	8,684,834	7,376,236
– Others	348,068	588,095
	<hr/>	<hr/>
Current portion	9,839,472	9,075,991
	<hr/>	<hr/>
Bank deposits		
Matured between three to twelve months	269,231	262,286
	<hr/>	<hr/>
Cash and cash equivalents		
Cash at bank and in hand	40,746,560	37,509,199
Cash and balances with central banks of the country of the subsidiaries (mandatory reserves)	24,053,057	19,817,571
Loans and advances to credit institutions	2,779,404	1,889,593
Money market funds	2,139,417	3,123,196
	<hr/>	<hr/>
	69,718,438	62,339,559
	<hr/>	<hr/>
Total	79,827,141	71,677,836
	<hr/>	<hr/>
Maximum exposure to credit risk	79,827,141	71,677,836
Effective annual interest rates	0.0%–2.0%	0.0%–4.5%

14. SHARE CAPITAL

	As at December 31, 2020		As at December 31, 2019	
	Number of shares	Share capital RMB'000	Number of shares	Share capital RMB'000
– H shares	1,271,853,990	1,271,854	1,271,853,990	1,271,854
– Domestic shares	1,084,376,910	1,084,377	1,084,376,910	1,084,377
Ordinary shares issued and fully paid	2,356,230,900	2,356,231	2,356,230,900	2,356,231

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, which were redeemed and cancelled during 2020.

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

As (a) BIL may elect, at its sole and absolute discretion, to cancel in whole or in part the payment of interest on the Notes and may pay dividends on its ordinary shares notwithstanding such cancellation (b). The Notes have no fixed maturity, noteholders do not have the right to call for their redemption and BIL may, at its option, redeem the Notes at any time in the six months prior to and including November 14, 2025 or on any interest payment date thereafter, the Notes do not contain any contractual obligation to pay cash or other financial assets, and are classified as a component of non-controlling interests within Equity for accounting purpose.

16. TRADE AND NOTES PAYABLES

	As at December 31,	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	68,132,927	63,621,683
Notes payables	8,282,790	9,447,284
	<u>76,415,717</u>	<u>73,068,967</u>

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

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

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

17. OTHER PAYABLES AND ACCRUALS

	As at December 31,	
	2020	2019
	RMB'000	RMB'000
Payable to parts subcontractors	36,233,142	32,479,903
Allowance for billing adjustment (i)	15,941,009	14,402,853
Accrued expenses	10,569,814	8,477,974
Payroll payable	8,322,571	5,683,132
Other taxes payable	3,928,059	3,401,064
Collection of factoring payments	1,764,978	189,299
Transferred loans to be redeemed	–	2,651,587
Amounts due to related parties (ii)	377,507	961,906
Contingent consideration (iii)	–	816,257
Social security payable	965,837	809,281
Deposits payable	602,059	779,600
Interest payable	651,632	770,850
Royalty payable	686,067	629,860
Deferred consideration	659,018	437,373
Others	9,608,202	10,471,798
	90,309,895	82,962,737

- (i) Allowance for billing adjustment relates primarily to allowances for future volume discounts, price protection, rebates and customer sales returns.
- (ii) As at December 31, 2020 and 2019, the amounts due to related parties are unsecured and non-interested.
- (iii) Pursuant to the completion of business combinations, the Group is required to pay in cash to the then respective shareholders/sellers contingent consideration and deferred consideration, according to the relevant conditions in contracts reached with the respective shareholders/sellers.

18. OTHER NON-CURRENT LIABILITIES

	As at December 31,	
	2020	2019
	RMB'000	RMB'000
Deferred considerations (a)	163,592	174,907
Government incentives and grants received in advance (b)	839,924	804,662
Written put option liability (c)	7,081,830	6,913,037
Long-term payables	1,404,941	2,460,697
Others	736,771	731,762
	10,227,058	11,085,065

(a) Deferred considerations and contingent considerations

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

As at December 31, 2020 and 2019, the potential undiscounted amounts of future payments in respect of the contingent and deferred considerations that the Group could be required to make to the respective shareholders/sellers under the arrangements are as follows:

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

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

(ii) The underlying performance has been achieved and the contingent consideration has been derecognised.

(b) Government incentives and grants received in advance

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

(c) Written put option liability

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

- (1) Pursuant to the joint venture agreement entered into between Lenovo and Fujitsu effective in 2018, Lenovo and Fujitsu are respectively granted call and put options which entitle Lenovo to purchase from Fujitsu and Development Bank of Japan (“DBJ”), or Fujitsu and DBJ to sell to Lenovo, 49% interest in Fujitsu Client Computing Limited. Both options will be exercisable following the fifth anniversary of the date of completion (after May 2, 2023). The exercise price for the call and put options will be determined based on the fair value of the 49% interest as of the day of exercising the option.

Pursuant to the option agreement entered into between a wholly-owned subsidiary of Lenovo and Hefei Yuan Jia Start-up Investment LLP (“Yuan Jia”) in 2018, which holds 99.31% interest in Hefei Zhi Ju Sheng Bao Equity Investment Co., Ltd. (合肥智聚晟寶股權投資有限公司, “ZJSB”), Lenovo and Yuan Jia are respectively granted call and put options which entitle Lenovo to purchase from Yuan Jia, or Yuan Jia to sell to Lenovo, the 99.31% interest in ZJSB. The call and put options will be exercisable at any time after August 31, 2022 and August 31, 2021 respectively. The exercise price for the call and put options will be determined in accordance with the joint venture agreement, and up to a maximum of RMB2,300 million (approximately USD334 million).

- (2) Pursuant to the contract of Chinese foreign equity joint venture (“the Contract”) entered into between the Company in 2019, Joyvio Group and Saturn Agriculture Investment Co., Limited (“Saturn”), the Company granted Saturn the put option which entitles Saturn to sell its whole or a part of interest in Joyvio Group (“the put option”), upon the occurrence of certain conditions specified in the Contract. The exercise price for the put option will be determined in accordance with the contract and up to maximum of RMB1.55 billion.

19. AMOUNT DUE TO CUSTOMERS

	As at December 31,	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Demand deposits	98,768,312	86,307,541
Savings deposits	27,048,264	27,145,445
Term deposits	32,554,791	34,471,523
Cash collateral	261,136	410,052
	<hr/>	<hr/>
Total	158,632,503	148,334,561
Less: Non-current portion	(5,284,663)	(4,634,959)
	<hr/>	<hr/>
Current portion	153,347,840	143,699,602
	<hr/>	<hr/>

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

20. BORROWINGS

	As at December 31,	
	2020	2019
	RMB'000	RMB'000
Bank loans		
– Unsecured loans	32,353,479	35,225,694
– Guaranteed loans	20,475,064	22,177,816
– Collateralised loans	10,294,916	11,213,988
Other loans (i)		
– Unsecured loans	870,000	2,750,001
– Guaranteed loans	820,000	5,455,230
– Collateralised loans	1,637,016	816,718
Corporate bonds (1)		
– Unsecured	65,049,295	55,075,391
– Guaranteed	–	103,000
– Convertible bonds (2)	4,889,686	5,086,989
	<u>136,389,456</u>	<u>137,904,827</u>
Less: current portion	<u>(37,311,415)</u>	<u>(52,200,803)</u>
Non-current portion	<u>99,078,041</u>	<u>85,704,024</u>

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

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

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

Issuer	Type of bonds	Currency	Issuance date	Term	Principal amount RMB'000
The Company	Corporate bonds	RMB	November 30, 2012	10 years	1,983,906
The Company	Corporate bonds	RMB	July 6, 2016	5 years	1,500,000
The Company	Corporate bonds	RMB	July 6, 2016	10 years	2,000,000
The Company	Corporate bonds	RMB	July 5, 2017	5 years	2,500,000
The Company	Corporate bonds	RMB	January 31, 2018	5 years	1,000,000
The Company	Corporate bonds	RMB	June 29, 2018	3 years	1,600,000
The Company	Corporate bonds	RMB	December 3, 2018	5 years	1,500,000
The Company	Corporate bonds	RMB	January 15, 2019	3 years	2,000,000
The Company	Corporate bonds	RMB	January 15, 2019	5 years	1,000,000
The Company	Corporate bonds	RMB	June 21, 2019	5 years	2,000,000
The Company	Private placement bonds	RMB	September 25, 2019	2 years	370,000
The Company	Corporate bonds	RMB	June 3, 2020	3 years	1,800,000
Lenovo	Medium term notes	USD	March 16, 2017	5 years	337,000
Lenovo	Medium term notes	USD	March 29, 2018	5 years	687,000
Lenovo	Convertible bonds (2)	USD	January 24, 2019	5 years	675,000
Lenovo	Medium term notes	USD	April 24, 2020 & May 12, 2020	5 years	1,000,000
Lenovo	Medium term notes	USD	November 2, 2020	10 years	1,000,000
Zhengqi Financial	Corporate bonds	RMB	September 27, 2019	3 years	600,000
Zhengqi Financial	Corporate bonds	RMB	December 20, 2019	3 years	300,000
Zhengqi Financial	Corporate bonds	RMB	August 28, 2020	3 years	200,000
JC Finance & Leasing	Asset backed securities (i)	RMB	June 23, 2017	3-4 years	12,021
JC Finance & Leasing	Corporate bonds	RMB	September 6, 2019	2 years	400,000
JC Finance & Leasing	Asset backed securities (i)	RMB	October 16, 2019	1-3 years	185,516
JC Finance & Leasing	Corporate bonds	RMB	November 21, 2019	2 years	300,000
JC Finance & Leasing	Private placement bonds	RMB	January 22, 2020	2 years	400,000
JC Finance & Leasing	Asset backed securities (i)	RMB	March 13, 2020	1-2 years	23,772
JC Finance & Leasing	Asset backed securities (i)	RMB	March 26, 2020	2 years	190,878
JC Finance & Leasing	Asset backed securities (i)	RMB	July 16, 2020	1-2 years	252,381
JC Finance & Leasing	Asset backed securities (i)	RMB	September 17, 2020	2 years	81,213
JC Finance & Leasing	Asset backed securities (i)	RMB	December 28, 2020	1-2 years	120,000
BIL	Bank subordinate bonds	EUR	June 8, 2016	12 years	50,000
BIL	Bank subordinate bonds	USD	October 18, 2016	12 years	100,000
BIL	Medium term notes	JPY	December 19, 2002	20 years	500,000
BIL	Medium term notes	EUR	2013-2020	1-20 years	2,438,283
BIL	Medium term notes	USD	2018-2020	2-5 years	68,754
BIL	Medium term notes	CHF	2016-2020	2.5-6.5 years	285,000
Joyvio Agriculture	Convertible bonds (2)	USD	June 14, 2019	5 years	125,000

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

- (i) The asset backed securities packages issued by JC Financial & Leasing in 2020 (“2020 package”) and 2019 (“2019 package”) included multiple bonds. The principle amounts of the two packages on issuance dates amounted to RMB1,926 million and RMB1,020 million respectively.

(2) Convertible bonds

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

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

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

- B. Fresh Investment SpA, a subsidiary of the Company, has completed the issuance of convertible bonds of USD125 million to Cangyuan Investment Co., Ltd. (“Cangyuan Investment”) in 2019. Cangyuan Investment has the right to convert the convertible bonds into the shares of Fresh Investment SpA within 60 months, at the share’s price evaluated by a third-party evaluator which is agreed by the two parties when conversion. The proceeds were used to acquire the shares of Australis Seafoods S.A.. As at December 31, 2020, the convertible bonds have not yet been converted.

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

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

- (b) Borrowings are repayable as follows:

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

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

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

21. PROVISIONS

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

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

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

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

22. DIVIDENDS

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

23. CASH GENERATED FROM OPERATIONS

(a) Cash generated from operations

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

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

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

(b) Loans commitments

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

25. SUBSEQUENT EVENTS

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

CORPORATE GOVERNANCE CODE

The Company 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, 2020.

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

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 confirmed that they had complied with the Model Code during the period ended December 31, 2020.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

For the year ended December 31, 2020, the Company purchased an aggregate of 11,722,100 H Shares through custodian for granting as incentives pursuant to the medium and long-term incentive plans.

Save as the aforesaid purchases, during the year ended December 31, 2020, neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

AUDIT COMMITTEE

During the year ended December 31, 2020, members of the Audit Committee comprised of Ms. HAO Quan (Chairperson), Mr. ZHANG Xuebing (“**Mr. Zhang**”) and Mr. SUO Jishuan. Mr. Zhang resigned as an independent non-executive director and a member of the Audit Committee with effect from March 12, 2021. The Board will use its best endeavours to identify suitable candidate with a view to fulfil the requirements of the Listing Rules and the terms of reference of the Audit Committee as soon as possible.

The Audit Committee reviewed the results of the Group for the year ended December 31, 2020 and 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, 2020. The 2020 consolidated financial statements of the Company prepared in accordance with International Financial Reporting Standards were 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, 2020 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”	Taikang Bybo Dental Group Co., Ltd. (泰康拜博醫療集團有限公司) (formerly known as Bybo Dental Group Co., Ltd. (拜博醫療集團有限公司), a limited liability company incorporated under the laws of the PRC, and our associate
“CAR”	CAR Inc., (神州租車有限公司) an exempted company incorporated in the Cayman Islands with limited liability and listed on the Main Board of the Hong Kong Stock Exchange (Stock Code: 699)
“Company”, “our Company” or “Legend Holdings”	Legend Holdings Corporation (聯想控股股份有限公司), a joint stock limited liability company incorporated under the laws of PRC and its overseas listed shares are listed on the Main Board of the Hong Kong Stock Exchange (Stock Code: 03396)

“Director(s)”	the director(s) of the Company
“DMTO”	the technique for using coal or natural gas instead of oil for production of ethylene and propene
“Domestic Shares”	domestic share(s) in the ordinary share capital of the Company with the nominal value of RMB1.00 each
“EAL”	Eastern Air Logistics Co., Ltd. (東方航空物流股份有限公司), a joint stock limited liability company incorporated under the laws of the PRC, and our associate
“EOD”	ethylene oxide derivatives
“EVA”	ethylene-vinylacetate copolymer
“Fullhan Microelectronics”	Shanghai Fullhan Microelectronics Co., Ltd. (上海富瀚微電子股份有限公司), a joint-stock limited company incorporated under the laws of the PRC and listed on the ChiNext Board on the SZSE (A share stock code: 300613)
“Golden Wing Mau”	Golden Wing Mau Agricultural Produce Corporation (深圳市鑫榮懋農產品股份有限公司), a large fruit supply chain enterprise in China. It is a joint stock limited liability company incorporated under the laws of the PRC, and a subsidiary of Joyvio Group
“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
“Hyundai Insurance”	Hyundai Insurance (China) Company Limited (現代財產保險(中國)有限公司), a joint stock limited liability company incorporated under the laws of the PRC and our associate
“Internet”	a global network of interconnected, separately administered public and private computer networks that uses the Transmission Control Protocol/Internet Protocol for communications
“IPO”	Initial Public Offering
“IT”	information technology
“JC Finance & Leasing”	JC International Finance & Leasing Company Limited (君創國際融資租賃有限公司), a limited liability company incorporated under the laws of the PRC, and our subsidiary
“Joyvio Agriculture”	Joyvio Agriculture Development Co., Ltd. (佳沃農業開發股份有限公司) (formerly known as Wanfu Shengke (Hunan) Agriculture Development Co., Ltd. 萬福生科(湖南)農業開發股份有限公司) a joint stock limited liability company incorporated under the laws of the PRC, listed on the ChiNext board on Shenzhen Stock Exchange (A Share Stock Code: 300268), and a subsidiary of Joyvio Group
“Joyvio Group” or “Joyvio”	Joyvio Group Co., Ltd. (佳沃集團有限公司), a limited liability company incorporated under the laws of the PRC, and our subsidiary
“Kaola Technology”	Tibet Kaola Science & Technology Development Co., Ltd. (西藏考拉科技發展有限公司), a limited liability company incorporated under the laws of the PRC, and our subsidiary
“KB Food”	KB Food International Holding (Pte.) Limited, a limited liability company established under the laws of Singapore, and our subsidiary

“Lakala Payment” or “Lakala”	Lakala Payment Corporation (拉卡拉支付股份有限公司) (formerly known as Lakala Payment Co., Ltd. (拉卡拉支付有限公司)), a joint stock limited liability company incorporated under the laws of the PRC, and our associate, listed on the ChiNext Board of the Shenzhen Stock Exchange (A share stock code: 300773)
“Legend Capital”	a series of venture capital funds, together with their respective management companies/partners
“Legend Star”	a series of angel investment funds, together with their respective management companies/partners
“Lenovo”	Lenovo Group Limited (聯想集團有限公司), a limited liability company incorporated under the laws of Hong Kong and listed on the Main Board of the Hong Kong Stock Exchange (Stock Code: 992), and our subsidiary
“Levima 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), a joint stock limited liability company incorporated under the laws of the PRC, the shares of which are listed on the SME Board of the Shenzhen Stock Exchange (A Share Stock Code: 003022), and a subsidiary of the Company
“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
“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
“PE”	private equity
“PP”	polypropylene
“Qingdao Starfish”	China Starfish Co., Ltd. (青島國星食品股份有限公司), a joint stock limited liability company incorporated under the laws of the PRC, and a subsidiary of Joyvio Agriculture
“Raycom Property”	Raycom Property Investment Co., Ltd. (融科物業投資有限公司), a limited liability company incorporated under the laws of the PRC, and our subsidiary
“Raycom Real Estate”	Raycom Real Estate Co., Ltd. (融科智地科技股份有限公司) (formerly known as Raycom Real Estate Development Co., Ltd. (融科智地房地產股份有限公司)), a joint stock limited liability company incorporated under the laws of the PRC, and our subsidiary
“Reporting Period”	for the year ended December 31, 2020
“Shanghai Neuromedical Center”	Shanghai Neuromedical Center Co., Ltd. (上海德濟醫院有限公司), a limited liability company incorporated under the laws of the PRC, and our subsidiary
“Shanghai Stock Exchange”	Shanghai Stock Exchange
“Shareholders”	holders of the shares of the Company

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

By order of the Board
Legend Holdings Corporation
NING Min
Chairman

March 31, 2021

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, 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.