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

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

(Stock Code: 03396)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2022

The Board of Legend Holdings Corporation announces the audited annual results of the Company and its subsidiaries for the year ended December 31, 2022 together with the comparative figures for the corresponding period of last year as follows:

	Year Ended December 31,	
	2022 (RMB million)	2021 (RMB million)
Revenue	483,663	489,872
Industrial operations	479,573	486,004
Industrial incubations and investments	4,095	3,875
Elimination	(5)	(7)
Net profit contributions attributable to equity holders of the Company	1,167	5,755
Industrial operations	4,820	5,857
Industrial incubations and investments	(2,332)	1,540
Unallocated	(1,321)	(1,642)
Basic earnings per share (RMB)	0.50	2.46
Diluted earnings per share (RMB)	0.37	2.28

CEO REPORT

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

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

OPERATING HIGHLIGHTS

Steady progress and solid operations in the industrial operations segment

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

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

- Levima Group maintained its leading edge in the new materials niche market, implemented various measures to mitigate the impact of raw material and product prices volatility, and tapped into existing capacity to improve the operational efficiency and profitability of its devices. Meanwhile, it expanded into new business areas to seize the opportunity of green development in China. During the Reporting Period, Levima Group completed the technical upgrade and capacity expansion of its EVA devices to further enhance operational efficiency, with EVA capacity growing nearly 30% and several key projects moving ahead on track. The project covering lithium battery electrolyte materials completed its interim delivery and is about to be put into operation. Levima Group also entered the field of electronic materials by investing in electronic specialty gas. Construction of projects covering new energy materials for battery and biodegradable materials are progressing into the construction phase. The “New Energy Materials and Biodegradable Materials Integration Project” (新能源材料和生物可降解材料一體化項目) has obtained approval and is now under construction in an orderly manner. During the Reporting Period, Levima Group posted revenue of RMB9.045 billion, an increase of 9.36% year-on-year, and net profit attributable to equity holders of Legend Holdings of RMB504 million.
- BIL successfully navigated the macroeconomic challenges in Europe, ensuring the overall safety and stability of its operations. In the Luxembourg market, BIL further strengthened cross-selling capabilities and synergies among its various businesses, and advanced overall risk management. In China, BIL proactively drove business growth and provided green loan services to Chinese enterprises, through which it will further assist Chinese enterprises in going global and support the introduction of foreign capital into the Chinese market. Its CET-1 ratio was 13.35% and its international credit ratings remained high. During the Reporting Period, BIL posted revenue of RMB4.563 billion, an increase of 2% year-on-year. Net profit attributable to equity holders of Legend Holdings was RMB922 million, an increase of 6% year-on-year.
- Joyvio Group’s fruit business continued to reinforce its vertically integrated supply chain and core product strategy, and stepped up the development of new e-commerce retail channels. While further strengthening the export business of the premium animal protein in overseas markets including the U.S., Europe and Asia Pacific, Joyvio Group focused on the domestic market by diversifying its product portfolio. During the Reporting Period, Joyvio Group posted revenue of RMB21.568 billion, an increase of 20% year-on-year. However, due to the rising operating costs driven by the surging prices of grains, fats and other commodities, and the US Federal Reserve’s interest rate hikes, Joyvio Group made a provision for goodwill and asset impairment, recording a net loss attributable to equity holders of Legend Holdings of RMB794 million, versus a profit of RMB372 million in the previous year.

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

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

- **Legend Capital:** During the Reporting Period, Legend Capital retained its top position in primary market fund rankings, raising RMB6.4 billion in new capital and reporting an AUM of over RMB76 billion. In 2022, aligning with China's national strategies, Legend Capital invested or increased investment in nearly 90 projects, covering chips, digital economy, carbon neutrality, medical and healthcare services and other fields. It also partially or fully exited 48 projects. 11 of its portfolio companies went public and 4 were approved and are pending for IPO, bringing the total number of public portfolio companies to 106;
- **Legend Star:** During the Reporting Period, Legend Star had nearly 30 investment projects, covering chips, new energy, new materials, biopharmaceuticals, digital healthcare and other areas. Among its projects under management, nearly 70 completed their next round of funding, while 7 portfolio companies were selected as national specialized and innovative enterprises;
- **Fullhan Microelectronics:** During the Reporting Period, Fullhan Microelectronics stepped up its R&D investment, enriched its product lines, strengthened its position as a leading supplier and made headway in its three major segments, namely special-purpose video processing, general-purpose video processing and smart automotive products and solutions. Fullhan Microelectronics and Legend Holdings also deepened their business collaboration and jointly established a fund to invest in cutting-edge chip technologies;
- **EAL:** During the Reporting Period, EAL achieved remarkable results in ensuring smooth air freight logistics. It completed 174,000 cargo flights during the year. The air express business sustainably expanded its fleet to 15 aircraft. The comprehensive ground services continued to ensure smooth operations, improve its efficiency and enhance its capacity. The comprehensive logistics solutions business tapped its growth potential through direct customer acquisition.

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

Continued to expand R&D investment in frontier technologies

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

- Legend Holdings will focus on technological innovation when exploring new industrial areas and allocating resources, and will make long-term commitments in selected industries. To this end, the Company has set up the innovation and development center and planned to strengthen exchanges and cooperation with top universities and international institutions on early-stage technologies in key innovation areas;
- Legend Holdings promoted its portfolio companies to continuously increase their investment in R&D. In 2022, Lenovo increased its R&D investment by 21% year-on-year to RMB15 billion, as it continued to fulfill its commitment to investing RMB100 billion in R&D segment within the next five years. Levima Advanced Materials invested RMB330 million in R&D, an increase of 21% year-on-year and had 408 R&D staff, accounting for nearly 20% of its workforce. It applied for 53 patents and obtained 58 granted patents during the Reporting Period. Fullhan Microelectronics' R&D investment increased by 20% year-on-year, mainly in chip R&D field, with R&D staff comprising 85% of its workforce;
- Legend Holdings promoted its funds to closely follow China's national industrial plans and policy guidance and to intensively invest in national strategic industries, such as next-generation information technology, chips, new energy, new materials and AI. In 2022, the funds invested in almost 150 technology companies.

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

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

- Lenovo is an integral part of the real economy and a leading provider of new IT solutions that empower intelligent digital transformation. Lenovo has been named to Gartner’s Global Top 25 Supply Chain ranking for eight consecutive years. In 2022, it rose to ninth place and was the only Asia-Pacific high-tech manufacturer on the list. In 2022, its manufacturing bases in Tianjin and Shenzhen commenced operations, and its Hefei base was recognized as a “lighthouse” factory by the World Economic Forum for its leading intelligent manufacturing solutions. Lenovo’s new IT solutions to intelligent transformation were successfully deployed by nearly 1,000 companies across various sectors, including CATL (寧德時代), SANY Heavy Industry (三一重工), and Geely Auto (吉利汽車);
- Joyvio Group and Lakala leveraged their practices and experience in intelligent digital transformation to help more enterprises digitally transform and upgrade their businesses. Joyvio Group reached a cooperation agreement with Yangtze Delta Region Institute of Tsinghua University in Zhejiang on online-offline integration of agriculture and food industries, under which both sides will carry out in-depth digital R&D and exploration in intelligent nutrition services. Lakala helped merchants digitally transform their payments, technology and supply chains. With a focus on the launch of new products, such as a digital wallet for merchants and the Lakala Open Platform, Lakala built a more comprehensive digital product portfolio;
- Levima Advanced Materials focused its investments in high-end new materials that were strategically important or in tight supply, with the aim of building itself into a new materials platform company. Its pioneering development of EVA photovoltaic film materials broke the monopoly previously held by foreign companies. In addition, Huayu Tongfang, its subsidiary, achieved a breakthrough in the domestic production of electronic-grade hydrogen chloride and chlorine products, also breaking the grip of foreign companies on the market. The “20,000 tons/year UHMWPE (Ultra-High-Molecular-Weight Polyethylene) Project” is scheduled to commence operation around mid-2023, with the aim of reducing the UHMWPE import over-dependence;

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

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

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

- As the first domestic high-tech manufacturer to pass the Science Based Targets initiative (SBTi) net-zero target validation, Lenovo pledged to achieve net-zero greenhouse gas emissions across its value chain by 2050. Lenovo has adopted renewable energy and improved energy efficiency in its operational processes. As the first company in the industry to roll out zero-carbon services, it has continued to create zero-carbon products and launch zero-carbon factories. Its Wuhan manufacturing base obtained the ICT industry's first zero-carbon factory certificate, while its Tianjin industrial park completed a pilot project that met the ICT industry's zero-carbon factory standard. So far, more than 95% of Lenovo's suppliers have obtained certification for quality, environmental practices and occupational health and safety, and with Lenovo's encouragement and guidance, 92% of its suppliers have set public carbon reduction targets;
- Levima Advanced Materials has been committed to seizing the opportunities of green development, deploying green products, upholding the green development philosophy and has improved its production techniques to promote green and low-carbon development. It has achieved the domestic substitution of EVA photovoltaic materials across its product lineup, improving self-sufficiency in terms of core raw materials in the photovoltaic industry. The implementation of its new biodegradable material PPC project improved carbon dioxide utilization to reduce carbon emissions. Meanwhile, through continuous process optimization and technological innovation, Levima Advanced Materials has enhanced the operation of its devices, thereby effectively reducing its carbon emissions to attain “National Green Factory” status;

- Joyvio Group drove agricultural emissions reduction and carbon sequestration by controlling the total amount of water used in agriculture and using fewer chemical fertilizers and pesticides. For blueberry planting, Joyvio Group adopted advanced soilless cultivation and drip irrigation technology, which used much less chemical fertilizer than traditional cultivation methods did. As a result of this transformation, its average water consumption during the 2022 production season was reduced by 65%. Joyvio Group’s indigenous R&D in green technology for pest and disease control greatly reduced its use of pesticides, and effectively conserved soil fertility, promoting the green and sustainable development of the blueberry industry;
- In addition, Legend Holdings’ subsidiaries contributed to China’s de-carbonization initiatives through green finance. Legend Capital has made over 50 green investments, covering companies in fields such as energy de-carbonization, terminal electrification/intelligent terminals, energy conservation, environmental protection and ecological restoration. Leveraging fin-tech advantages derived from its position as the main data center of the national registration system for carbon credits, Hankou Bank launched “Guaranteed Loans for Green Companies”, making it one of the first two commercial banks to roll out products of this type in China.

OUTLOOK

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

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

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

Legend Holdings Corporation

LI Peng

Executive Director and Chief Executive Officer

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue contributions from the Company and its subsidiaries' businesses

Unit: RMB million

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

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

Unit: RMB million

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

Asset allocation of the Company and its subsidiaries' businesses

Unit: RMB million

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

BUSINESS REVIEW

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

INDUSTRIAL OPERATIONS

Overview

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

- Lenovo (Stock Code: 0992.HK), our subsidiary, which mainly provides innovative intelligent devices and infrastructure solutions, and develops intelligent solutions, services and software;
- Levima Group, our subsidiary, which focuses on new materials research, development, production and sales;

- Joyvio Group, our subsidiary, which operates businesses mainly in the fields of modern agriculture and food; and
- BIL, our subsidiary, which mainly provides comprehensive banking services, including corporate, institutional, retail and private banking, capital markets and other services.

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

	<i>Unit: RMB million</i>	
	2022	2021
Revenue	479,573	486,004
Net profit	13,729	15,475
Net profit attributable to equity holders of Legend Holdings	4,820	5,857

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

Lenovo

Lenovo, a Fortune Global 500 company, develops, manufactures and sells high-end technology products and provides related services to corporate and individual customers. As of December 31, 2022, Legend Holdings held 32.12% equity interest in Lenovo, directly and indirectly.

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

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

	<i>Unit: RMB million</i>	
	2022	2021
Revenue	444,397	455,331
Net profit	13,487	12,966
Net profit attributable to equity holders of Legend Holdings	4,188	4,019

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

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

Intelligent Devices Group (IDG)

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

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

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

Infrastructure Solutions Group (ISG)

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

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

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

Solutions & Services Group (SSG)

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

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

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

Levima Group

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

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

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

- (1) The fundraising project “EVA Device Tubular Tail Technology Upgrade Investment Project” (EVA裝置管式尾技術升級改造項目) was completed in March 2022 and achieved the expected results across all indicators, including higher product output, reduced energy and material consumption and optimized EVA product mix, significantly enhancing Levima Advanced Materials' profitability.
- (2) The fundraising project “100,000 tons/year Lithium Material-Carbonate Combined Device Investment Project” (10萬噸／年鋰電材料－碳酸酯聯合裝置項目) completed its interim delivery at the end of 2022, and is about to be put into operation. The project boasted outstanding technological advantages as the raw materials needed for the project, mainly EO, carbon dioxide and methanol, were all self-produced by Levima Advanced Materials or its subsidiaries. The project fully synergized with Levima Advanced Materials' existing industrial chains and enabled the comprehensive recycling and utilization of its resources, generating clear competitive advantages.

- (3) The “20,000 tons/year UHMWPE (Ultra-High-Molecular-Weight Polyethylene) and 90,000 tons/year Ethylene and Acetate Combined Device Project” (2萬噸／年超高分子量聚乙烯和9萬噸／年醋酸乙烯聯合裝置項目), listed as a major project in Shandong Province, is under construction, and is scheduled to be completed and put into operation in 2023. Once the project becomes operational, Levima Advanced Materials will effectively extend its ethylene deep processing industry chain and establish its presence in the field of high-end polyethylene fiber materials and lithium battery separator materials. It will also be able to supply vinyl acetate materials for EVA equipment, thereby reducing the cost of EVA raw materials and further enhancing its competency and profitability.
- (4) The “Biodegradable Material PLA (Polylactic Acid) Project” (生物可降解材料聚乳酸項目) has been listed in the 5020 Key Projects in Jiangxi Province (江西省「5020」重點項目). Its construction is underway, with completion and the commencement of operations scheduled for the end of 2023. Once the project becomes operational, it will further accelerate Levima Advanced Materials’ business development in the field of biodegradable materials and foster a new source of growth.
- (5) The “New Energy Materials and Biodegradable Materials Integration Project” (新能源材料和生物可降解材料一體化項目) was listed as a major implementation project in Shandong Province. Safety, energy and environmental impact assessments for the project have been completed, and construction is well underway. Completion and the commencement of operations are scheduled for the first half of 2025.
- (6) The “High-purity Electronic Specialty Gas and Lithium Battery Additive Project” (電子級高純特氣和鋰電添加劑項目), a new project undertaken by Levima Advanced Materials subsidiary Huayu Tongfang, is under construction. It is scheduled to be completed and put into operation in the fourth quarter of 2023. Once the project becomes operational, it will represent an important breakthrough for Levima Advanced Materials in electronic specialty gases. Through complementing its existing line of carbonate solvents for batteries, the project will complete its footprint in electrolyte solvents and additives for lithium batteries of Levima Advanced Materials.

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

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

During the Reporting Period:

- (1) All EVA devices were scheduled to produce high VA content products or other high value-added products, among which photovoltaic film materials saw production and sales increase further, with annual sales growth of about 132%. Levima Advanced Materials maintained solid partnerships with major domestic photovoltaic film manufacturers. Levima Advanced Materials' wire and cable materials also maintained their leadership in the domestic wire and cable specialty material industry;
- (2) Thin-walled PP injection molding products maintained their dominant market share and influence in China. Its high melting point PP specialty materials posted 25% year-on-year sales growth, based on improving market recognition, an expanding customer base and enhanced industry influence;
- (3) Levima Advanced Materials' EOD business focused on high-end products and achieved great progress in exports. Levima Advanced Materials' specialty surfactant sales grew steadily, increasing about 23% year-on-year. Its specialty surfactants for photovoltaic cutting posted 268% year-on-year sales growth, as these surfactants have become a mainstream domestically produced raw material in the industry. Fine specialty materials posted 89% year-on-year sales growth, and recorded solid progress in terms of exports, entering the supply chains of many well-known international companies;
- (4) In the field of electronic specialty gases, Huayu Tongfang, Levima Advanced Materials' subsidiary, possesses a number of key technologies for the purification of electronic grade specialty gases. It has achieved a breakthrough in making electronic grade hydrogen chloride and chlorine products, for which it holds proprietary intellectual property rights, thereby breaking foreign companies' monopoly.

In terms of innovation, Levima Advanced Materials is committed to driving growth through innovation, and has adopted the collaborative innovation model of "independent research + cooperative development" to optimize its R&D footprint. During the Reporting Period, Levima Advanced Materials focused on the R&D of key materials for power batteries, building a platform and cultivating its evaluation capacities for the R&D and application of new energy battery materials. It also expanded its footprint in biomaterials by fine-tuning its capacity to evaluate the biodegradability of biomaterials, conducting R&D into new bio-based and biodegradable materials and collaborating on the development of new high-end biofermentation products. It further worked on developing processes for electronic specialty gases to enhance its product competitiveness. Levima Advanced Materials also conducted R&D on new processes and technologies related to various other new materials. Its reserves of innovation are expected to gradually enter the application stage in the future. Meanwhile, the national key R&D program titled "R&D and Industrialization Demonstration of Supercritical Polymerization of Biodegradable CO₂-based Plastics" 「超臨界聚合製備

生物降解二氧化碳基塑料的研發與工業化示範」 jointly proposed by Levima Advanced Materials, the Changchun Institute of Applied Chemistry and the Institute of Process Engineering, Chinese Academy of Sciences, has been approved by the Ministry of Science and Technology. During the Reporting Period, it completed laboratory R&D development for 11 new products and processes, production technology development for 10 new products and the industrialization of 12 new products. Levima Advanced Materials applied for 53 patents, including 19 invention patents, and added 58 granted patents, including 16 invention patents, to its portfolio. As of the end of the Reporting Period, it held a total of 217 granted patents, including 69 invention patents. Additionally, Levima Advanced Materials was named among 2022's Top 500 Global New Energy Enterprises, Top 100 Fine Chemical Enterprises in China and Best Managed Companies in China. It has also been named for multiple consecutive years as a Top 100 Private Chinese Petroleum and Chemical Enterprise, a Top 100 Petroleum and Chemical Enterprise in Shandong Province and a Top 10 New Chemical Materials Company in Shandong Province.

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

	<i>Unit: RMB million</i>	
	2022	2021
Revenue	9,045	8,271
Net profit	984	1,166
Net profit attributable to equity holders of Legend Holdings	504	593

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

Joyvio Group

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

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

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

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

	<i>Unit: RMB million</i>	
	2022	2021
Revenue	21,568	17,937
Net (loss)/profit	(1,766)	373
Net (loss)/profit attributable to equity holders of Legend Holdings	(794)	372

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

(1) Fruit business

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

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

(2) *Animal protein business*

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

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

(3) *Smart group meal and intelligent technology business*

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

BIL

Founded in 1856, BIL is one of the oldest financial institutions in Luxembourg. It has always played an active role in the main stages of Luxembourg's economic development. It is a Top 3 bank in Luxembourg in terms of market share and is recognized as systemically important by the European Central Bank. As of December 31, 2022, the Company held 89.98% equity interest in BIL.

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

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

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

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

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

- BIL reported net profit attributable to equity holders of Legend Holdings of RMB922 million, a year-on-year increase of 6%, owing to the solid growth of its core businesses and a year-on-year decrease in loan provisions;
- Customer deposits increased to EUR21 billion, up from EUR20.7 billion at the end of 2021. Customer loans increased to EUR16.5 billion, up from EUR16.3 billion at the end of 2021. Assets Under Management (AUM) decreased slightly to EUR43.5 billion compared with the previous year due to the volatility of the capital markets, which was partially offset by positive Net New Asset inflows of EUR0.87 billion;
- At the end of 2022, BIL's CET-1 ratio was 13.35% (before the 2022 profit allocation);
- At the end of 2022, BIL's ratings by both Moody's and Standard & Poor's remained unchanged at A2/Stable/P-1 and A-/Stable/A-2, respectively.

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

- By continuing to enhance its synergic advantages among retail, corporate, institutional and private banking businesses, it aims to deliver added value to its clients and further bolster its strong position as one of the leading banks in Luxembourg;
- By continuing to develop its China-related business on a step-by-step basis, BIL aims to become a leading bank for Chinese enterprises “going global” and European enterprises “bringing in”;
- By delivering its new core banking system, BIL will enhance support for its businesses, boost its operating efficiency and achieve its business goals through high-quality operations;
- By continuing to hone its future-proof sustainable business models and platforms, BIL will balance its commitment to long-term strategies with tactical agility.

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

	<i>Unit: RMB million</i>	
	2022	2021
Revenue	4,563	4,465
Net profit	1,024	970
Net profit attributable to equity holders of Legend Holdings	922	873

INDUSTRIAL INCUBATIONS AND INVESTMENTS

Overview

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

- Legend Capital, a fund management company under Legend Holdings that focuses on early-stage venture capital and growth-stage private equity investment;
- Legend Star, an early-stage investment and incubation arm of Legend Holdings that provides specialized services for entrepreneurs in terms of early-stage investment and in-depth incubation;

- Fullhan Microelectronics (Stock Code: 300613.SZ), which mainly specializes in the design and development of chips for special-purpose video processing, general-purpose video processing and smart automotive products;
- Lakala (Stock Code: 300773.SZ), which mainly provides merchants with a full spectrum of digitization services covering payment, technology, supply sourcing, logistics, finance, branding and marketing;
- EAL (Stock Code: 601156.SH), which mainly engages in air logistics-related business;
- Zhengqi Holdings, which mainly provides SMEs with comprehensive financial solutions, such as equity investment, direct loans, financial leasing and commercial factoring;
- JC Finance & Leasing, which mainly provides financial leasing services for MSMEs;
- Hony Capital, which runs private equity, real estate, public offering fund management, hedge fund and venture capital business;
- Shanghai Neuromedical Center, which mainly focuses on neurology, and provides other comprehensive hospital services;
- Hankou Bank, which mainly engages in commercial banking services;
- Bybo Dental, a chain provider of dental healthcare service; and
- Raycom Property and Raycom Technology, which mainly holds the Raycom Info Tech Park, the investment property.

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

	<i>Unit: RMB million</i>	
	2022	2021
Revenue	4,095	3,875
Net (loss)/profit	(2,015)	2,215
Net (loss)/profit attributable to equity holders of Legend Holdings	(2,332)	1,540

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

Legend Capital

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

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

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

Legend Star

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

As of December 31, 2022, Legend Star managed 11 funds, the total AUM of which exceeded RMB4.5 billion. It has invested in over 300 domestic and overseas projects, including iDreamSky Games (樂逗遊戲), Megvii Face ++ (曠視科技 face ++), AISpeech (思必馳), Yunding Technology (雲丁科技), Axera (愛芯科技), CAES (中儲國能), Pony.ai (小馬智行), CIDI (希迪智駕), Hai Robotics (海柔創新), Teemsun (國科天成), Burning Rock Dx (燃石醫學), Kintor Pharmaceuticals (開拓藥業), PegBio (派格生物), Keymed Biosciences (康諾亞生物), Axonics, HiFiBiO, Ribo Life Science (瑞博生物), Coyote Bioscience (卡尤迪生物), Jingfeng Medical (精鋒醫療) and other high-quality projects.

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

Fullhan Microelectronics

In 2020, Legend Holdings made a strategic investment in Fullhan Microelectronics via our subsidiary, gaining its first foothold in the semiconductor field. As of December 31, 2022, Legend Holdings held 15.82% equity interest in Fullhan Microelectronics through our subsidiary.

Fullhan Microelectronics is China's leading company specializing in the design and development of chips for video-based special-purpose video processing, general-purpose video processing and smart automotive products. Through years of independent R&D and innovation, the firm has developed a range of proprietary core technologies covering chip algorithm research, IP core development, SoC chip implementation, product solutions and other areas, while maintaining a high level of investment in R&D.

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

- (1) **Special-purpose video processing:** Fullhan Microelectronics offers a complete analog solution covering front-end (Image Signal Processing), transmission link RX and back-end XVR SoC. It has created T-Magic, the first coaxial communication protocol which provides clients with the coaxial audio and fast upgrade capability, gaining wide recognition. Its IPC (IP Camera) products have set the benchmark for graphic effects and established good client guidance by integrating the system's software and hardware, widely recognized by leading enterprise customers in the industry. At present, Fullhan Microelectronics has built a pipeline of coordinated front-end and back-end products, with adequate product lines at all levels. By offering comprehensive, one-stop solutions, it has established itself as a stronger competitor in the industry.
- (2) **General-purpose video processing:** Fullhan Microelectronics provides customers with competitive general-purpose video processing chip solutions and maintains a long-term strategic partnership with China's leading smart home manufacturers and solutions providers.
- (3) **Smart automotive:** Fullhan Microelectronics has developed a series of competitive products, from factory-installed to after-market installed and from the inside to the outside of the vehicle. It boasts a complete line of automotive-grade video chips covering front-end cameras, transmission links and back-end hosts. Among these, multiple chips have obtained AEC-Q100 certification. With in-depth technical expertise and leading design and R&D capabilities in visual chips, a complete product range, extraordinary product performance and excellent technical service, Fullhan Microelectronics has built a diverse customer base comprising many top-quality and industry-benchmark enterprises that contribute to its unrivaled industry-leading market position. It has become a major chip supplier in the industry based on its competitive products, good price-to-performance ratio, fast response times and enhanced cooperation with vehicle manufacturers.

In addition, Legend Holdings and Fullhan Microelectronics have formed close alignments in the semiconductor industry. We jointly founded the Jiangyin Hanlian Zhixin Equity Investment Partnership (Limited Partnership) (江陰瀚聯智芯股權投資合夥企業(有限合夥)) (“Hanlian Semiconductor Industry Fund”). The fund mainly focuses on areas that have the potential to create synergies with Fullhan Microelectronics’s core businesses, so as to create conducive conditions for it and Legend Holdings to closely track industry trends and capitalize on industry advancements. The Hanlian Semiconductor Industry Fund has also received support from the local government; the Jiangsu Jiangyin People’s Government (江蘇省江陰市人民政府) invested RMB300 million in the fund, providing all kinds of support to promote the advancement of the semiconductor industry and improve its industrial layout and ecosystem.

Lakala

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

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

EAL

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

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

Zhengqi Holdings

Zhengqi Holdings is an innovative investment holding group focusing on innovative technology enterprises. Through its “finance + investment + industry” (金融+投資+產業) business model, it promotes the development of innovative technology enterprises through investment-loan linkage and various empowerment initiatives, thus enhancing industrial chain value. As of December 31, 2022, Legend Holdings held 94.62% equity interest in Zhengqi Holdings.

During the Reporting Period, Zhengqi Holdings maintained its business strategy of “optimizing resource allocation in targeted industries and regions via investment banking initiatives” (產業聚焦、投行引領、區域深耕、資源優配). It focused its business on strategically important emerging industries and their ecosystem supply chains, encompassing semiconductors, high-end equipment manufacturing, new materials, new energy, energy conservation and environmental protection. From an investment bank perspective, it substantially increased its presence in these industries and consistently optimized and adjusted its business structure. It strategically expanded in the Yangtze River Delta, the Greater Bay Area, the Beijing-Tianjin-Hebei region and the Yangtze River Economic Belt. Through micro loans, financial leasing, commercial factoring, equity investment and other business services, it provided a wide array of investment-loan linkage and empowerment services for innovative technology enterprises and aligned with these enterprises to achieve mutual benefits and growth.

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

JC Finance & Leasing

Founded in November 2015, JC Finance & Leasing is a Legend Holdings subsidiary that specializes in financial leasing and related financial businesses. Backed by Legend Holdings' brand and management expertise, JC Finance & Leasing collaborates with well-regarded domestic and overseas equipment manufacturers. It focuses on industries and industrial chains and develops its financial leasing business in fields that comprise key growth drivers of China's new economy, such as advanced manufacturing, energy conservation and environmental protection, digital information, agri-food, healthcare services, public services and transportation. As of December 31, 2022, Legend Holdings held 90.31% equity interest in JC Finance & Leasing.

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

Hony Capital

Hony Capital runs private equity, real estate, public offering fund, hedge fund and venture capital businesses. As of December 31, 2022, Hon y Capital mainly managed eight equity investment funds, three property funds, one cultural industry fund and one venture capital fund. Hon y Horizon Fund Management Co., Ltd., a public offering fund management company under Hon y Capital, which specializes in secondary market investment and fund management businesses, managed seven public offering funds, including six hybrid funds and one index fund, as of the end of the Reporting Period.

Hony Capital's private equity funds continued to focus on industry-specific investments in intelligent services, life sciences, chain catering, green and low-carbon economy and advanced manufacturing, among other sectors. The property funds focused on office buildings in first-tier cities to achieve above-market-average returns. These returns were driven by the completion of various value-added activities, such as renovations, operational enhancements and functional adjustments to office buildings in first-tier cities and other commercial buildings that could potentially be converted into offices. The cultural industry fund will focus on integrated investments, cross-border investments and early-stage investments in cultural industry projects. It will prioritize the film and television, culture, entertainment and sports industries, and keeps a close eye on new media and digital consumption businesses driven by new technologies. Hon y Horizon Fund, a public offering fund management company of Hon y Capital, leverages Hon y Capital's expertise in consumer services, catering, medical and other industries, and focuses on value investment to devise public offering fund products with distinctive characteristics and excellent performance.

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

Shanghai Neuromedical Center

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

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

Hankou Bank

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

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

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

Bybo Dental

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

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

Raycom Property and Raycom Technology

Through its subsidiaries Raycom Property and Raycom Technology, Legend Holdings holds the Raycom Info Tech Park Tower A, Tower B, and Tower C high-end office buildings in Zhongguancun, Beijing^{Note}. Raycom Info Tech Park is leased as premium office space and shops, with a portion reserved for our own use. The buildings were certified by the US Green Building Council with "Leadership in Energy and Environmental Design" (LEED) for the high standards of their energy-efficient design. As of December 31, 2022, Raycom Info Tech Park's occupancy rate was about 95%, and the fair value of its investment properties amounted to RMB11.77 billion (excluding the portion reserved for our own use).

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

FINANCIAL REVIEW

Finance costs

Finance costs after deducting capitalized amounts increased from RMB5,730 million for the year ended 2021 to RMB6,912 million for the year ended 2022. Increase in finance costs was mainly the result of higher interest rates on foreign currency borrowings and Lenovo's use of factoring programs.

Taxation

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

Capital expenditures and capital commitments

Our capital expenditures mainly arise from purchases of property, plant and equipment, new construction in progress and intangible assets, and payment for investment. Capital expenditures were mainly funded by internally generated resources and external borrowings.

As of December 31, 2022, we had RMB5,108 million of capital expenditures contracted but not yet generated. Such capital commitments were mainly used for purchases of property, plant and equipment, and investment.

Liquidity and financial resources

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

Cash at bank and on hand

Our cash at bank and on hand include cash and cash equivalents, mandatory reserve deposits, bank deposit and restricted funds. As of December 31, 2022, our cash at bank and on hand were RMB84,403 million, among which, RMB, CHF, USD, EUR, HKD and other currencies accounted for 22%, 16%, 23%, 26%, 1% and 12%, respectively, while the amount as of December 31, 2021 was RMB86,196 million, among which, RMB, CHF, USD, EUR, HKD and other currencies accounted for 22%, 21%, 16%, 30%, 3% and 8%, respectively. It is our policy to place our cash in interest-bearing principal-protected demand or short-term deposits in reputable PRC and foreign banks.

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

Indebtedness

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

Unit: RMB million

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

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

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

Unit: RMB million

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

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

Issuer	Type of bonds	Currency	Issuance date	Term	Principal amount
The Company	Corporate bonds	RMB	July 6, 2016	10 years	RMB2,000 million
The Company	Corporate bonds	RMB	January 31, 2018	5 years	RMB1,000 million
The Company	Corporate bonds	RMB	January 15, 2019	5 years	RMB1,000 million
The Company	Corporate bonds	RMB	June 21, 2019	5 years	RMB2,000 million
The Company	Corporate bonds	RMB	June 3, 2020	3 years	RMB1,800 million
Lenovo	Medium term notes	USD	March 29, 2018	5 years	USD487 million
Lenovo	Convertible bonds	USD	January 24, 2019	5 years	USD220 million
Lenovo	Medium term notes	USD	April 24, 2020 and May 12, 2020	5 years	USD1,000 million
Lenovo	Medium term notes	USD	November 2, 2020	10 years	USD929 million
Lenovo	Medium term notes	USD	July 27, 2022	5.5 years	USD625 million
Lenovo	Medium term notes	USD	July 27, 2022	10 years	USD610 million
Lenovo	Convertible bonds	USD	August 26, 2022	7 years	USD675 million
Joyvio Food	Convertible bonds	USD	June 14, 2019	5 years	USD62.5 million
BIL	Bank subordinate bonds	EUR	June 8, 2016	12 years	EUR50 million

Issuer	Type of bonds	Currency	Issuance date	Term	Principal amount
BIL	Bank subordinate bonds	USD	October 18, 2016	12 years	USD100 million
BIL	Bank subordinate bonds	EUR	May 18, 2021	10.25 years	EUR100 million
BIL	Medium term notes	JPY	September 1, 2021 and February 8, 2022	5 years	JPY1,000 million
BIL	Medium term notes	EUR	2014-2022	1.5-50 years	EUR2,416 million
BIL	Medium term notes	USD	2019-2022	1-5 years	USD24 million
BIL	Medium term notes	CHF	September 22, 2020 and November 30, 2020	2.5-4.6 years	CHF185 million
BIL	Medium term notes	SEK	January 29, 2021	3 years	SEK166 million
BIL	Medium term notes	GBP	2021-2022	2-5 years	GBP11 million
Zhengqi Holdings	Corporate bonds	RMB	September 14, 2021	3 years	RMB600 million
JC Finance & Leasing	Corporate bonds	RMB	March 30, 2021	3 years	RMB195 million
JC Finance & Leasing	Asset-backed notes	RMB	January 28, 2022	1-2 years	RMB357 million
JC Finance & Leasing	Asset-backed notes	RMB	May 31, 2022	1-2 years	RMB690 million
JC Finance & Leasing	Asset-backed notes	RMB	October 27, 2022	1-2 years	RMB1,221 million

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

Current ratio and total debts to total capital ratio

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

Current ratio

Current ratio is our current assets divided by our current liabilities at the end of each financial period. Our current ratio at the end of the reporting period has maintained stable as compared with December 31, 2021. Current ratio of less than 1 was mainly as a result of consolidation of BIL into our consolidated financial statements. The measures used to gauge liquidity risk in the banking industry differ from those commonly used in other non-banking industries. BIL is not required to classify and present separately the current and non-current portion of its assets and liabilities on its standalone statement of financial position. Nonetheless, such classification was effected to the extent that uniform accounting policies on consolidated accounts are required, which may not reflect the underlying liquidity characteristics of the banking business of the Company. As at the end of the Reporting Period, the Core Equity Tier 1 ratio of BIL stood at 13.35% (before the 2022 profit allocation), bespeaking robust business stability. Moreover, despite of a current ratio of less than 1, we have confidence to honor maturing debts when they fall due in consideration of our operating cash flow forecast, undrawn credit facilities of the Company and its subsidiaries.

Total debts to total capital ratio

Total debts to total capital ratio is calculated by dividing total debts (total borrowings) by total equity and total debts at the end of each financial period. The total debts to total capital ratio decreased slightly at the end of the Reporting Period compared to December 31, 2021, which mainly due to the increase in the size of our total equity.

Pledged assets

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

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

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

Contingencies

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

We evaluated the financial positions of financial guarantees provided in connection with our financial services business periodically and made provisions accordingly. As of December 31, 2022 and December 31, 2021, the provisions made by us were RMB100 million and RMB96 million respectively.

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

	<i>Unit: RMB million</i>	
	As of December 31, 2022	As of December 31, 2021
Financial guarantee of guarantee business	8,171	8,666
Other guarantee		
– Related parties	1,728	2,629
– Unrelated parties	180	480

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

RECOMMENDATION OF FINAL DIVIDEND

The Board has recommended a final cash dividend of RMB0.20 per ordinary share (before tax) for the year ended December 31, 2022 (2021: RMB0.40). The proposed final dividend is subject to the approval of the Shareholders at the 2022 annual general meeting of the Company (the “2022 AGM”) to be held on Thursday, June 29, 2023. The proposed cash dividend will be paid to the Shareholders (whose names appear on the register of members of the Company on Monday, July 10, 2023) on or before Wednesday, August 30, 2023. The specific arrangement for the distribution of final dividend (including arrangement of withholding and payment of income tax for the Shareholders) will be disclosed separately in the notice of 2022 AGM. The dividends for Domestic Shares will be paid in RMB, and the dividends for H Shares will be denominated in RMB and paid in HKD (the exchange rate for RMB to HKD shall be calculated based on the average selling price for RMB to HKD released by the People’s Bank of China for a calendar week before the date of the 2022 AGM).

CLOSURE OF REGISTER OF MEMBERS

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

In order to determine the entitlement of the H Shareholders to the final dividend for 2022, the H share register of the Company will be closed from Wednesday, July 5, 2023 to Monday, July 10, 2023 (both days inclusive). The H Shareholders who wish to receive the final dividend for 2022 shall deliver the share certificates accompanied by the transfer documents to the H share registrar of the Company, Link Market Services (Hong Kong) Pty Limited, at Suite 1601, 16/F Central Tower, 28 Queen's Road Central, Hong Kong not later than 4:30 p.m. on Tuesday, July 4, 2023.

CONSOLIDATED INCOME STATEMENT

For the year ended December 31, 2022

		Year ended December 31,	
		2022	2021
	Note	RMB'000	RMB'000
Sales of goods and services	3	<u>480,695,487</u>	<u>487,259,121</u>
Interest income	3	5,072,941	3,968,497
Interest expense	3	<u>(2,105,731)</u>	<u>(1,355,941)</u>
Net interest income		<u>2,967,210</u>	<u>2,612,556</u>
Total revenue	3	483,662,697	489,871,677
Cost of sales and services	6	<u>(398,208,721)</u>	<u>(403,940,867)</u>
Gross profit		85,453,976	85,930,810
Selling and distribution expenses	6	(25,363,417)	(24,259,912)
General and administrative expenses	6	(38,917,593)	(39,972,079)
Expected credit loss	6	(727,954)	(1,740,258)
Investment (losses)/income and gains	4	(2,990,551)	6,954,366
Other gains/(losses) – net	5	698,827	(935,040)
Finance income	7	1,460,073	864,078
Finance costs	7	(6,911,733)	(5,729,570)
Share of profit of associates and joint ventures accounted for using the equity method		<u>147,784</u>	<u>977,935</u>
Profit before income tax		12,849,412	22,090,330
Income tax expense	8	<u>(2,455,439)</u>	<u>(6,041,822)</u>
Profit for the year		<u>10,393,973</u>	<u>16,048,508</u>

CONSOLIDATED INCOME STATEMENT (CONTINUED)*For the year ended December 31, 2022*

		Year ended December 31,	
		2022	2021
	<i>Note</i>	RMB'000	RMB'000
Profit attributable to:			
– Equity holders of the Company		1,167,063	5,754,886
– Other non-controlling interests		9,226,910	10,293,622
		<u>10,393,973</u>	<u>16,048,508</u>
Earnings per share for the profit attributable to the equity holders of the Company <i>(expressed in RMB per share)</i>			
Basic earnings per share	9	<u>0.50</u>	<u>2.46</u>
Diluted earnings per share	9	<u>0.37</u>	<u>2.28</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2022

	Year ended December 31,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the year	10,393,973	16,048,508
Other comprehensive income/(loss)		
Items that will not be reclassified to income statement:		
Change in fair value of non-trading equity securities measured at fair value through other comprehensive income, net of taxes	(709,003)	487,511
Change in credit risk on financial liabilities measured at fair value through profit or loss, net of taxes	8,160	(1,328)
Share of other comprehensive income/(loss) of associates using equity accounting, net of taxes	28,565	(988)
Remeasurements of post-employment benefit obligation, net of taxes	756,205	12,708
Revaluation of investment properties upon reclassification from property, plant and equipment, net of taxes	558	89,487
Items that may be reclassified subsequently to income statement:		
Change in fair value of debt securities measured at fair value through other comprehensive income, net of taxes	(70,711)	(27,750)
Currency translation differences	1,582,730	(3,419,086)
Share of other comprehensive (loss)/income of associates using equity accounting, net of taxes	(3,046)	56,597
Fair value change on cash flow hedges, net of taxes	(1,088,444)	923,344
Other comprehensive income/(loss) for the year, net of taxes	505,014	(1,879,505)
Total comprehensive income for the year	10,898,987	14,169,003
Attributable to:		
– Equity holders of the Company	2,465,803	4,967,304
– Other non-controlling interests	8,433,184	9,201,699
	10,898,987	14,169,003

CONSOLIDATED BALANCE SHEET

As at December 31, 2022

		As at December 31,	
		2022	2021
	Note	RMB'000	RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		32,230,915	26,613,671
Right-of-use assets		5,959,354	7,665,396
Investment properties		15,807,609	12,466,265
Intangible assets		68,394,957	63,617,646
Associates and joint ventures using equity accounting		16,714,672	14,935,406
Associates measured at fair value through profit or loss		18,521,268	19,903,531
Financial assets at fair value through other comprehensive income		6,682,661	8,641,382
Financial assets at fair value through profit or loss		10,959,316	10,371,834
Loans to customers	12	82,584,125	77,874,281
Loans to credit institutions		–	1,320,193
Derivative financial assets		5,856,183	498,200
Other financial assets at amortised cost		51,077,681	48,203,427
Deferred income tax assets		20,299,139	18,606,062
Other non-current assets		12,036,748	12,449,355
Total non-current assets		347,124,628	323,166,649

CONSOLIDATED BALANCE SHEET (CONTINUED)*As at December 31, 2022*

		As at December 31,	
		2022	2021
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Current assets			
Inventories		55,976,227	56,201,248
Consumable biological assets		1,240,637	1,750,507
Properties under development		19,252	1,444,087
Accounts and notes receivables	<i>10</i>	77,932,211	89,699,633
Prepayments, other receivables and other current assets	<i>11</i>	33,377,120	41,206,026
Loans to customers	<i>12</i>	44,999,257	45,951,978
Loans to credit institutions		4,214,574	2,697,271
Derivative financial assets		1,028,367	1,112,998
Financial assets at fair value through profit or loss		21,322,964	24,020,159
Financial assets at fair value through other comprehensive income		1,852,118	1,948,322
Other financial assets at amortised cost		7,583,530	5,291,381
Balances with central banks	<i>13</i>	1,309,158	24,058,838
Restricted deposits	<i>13</i>	1,800,681	1,945,704
Bank deposits	<i>13</i>	134,427	234,743
Cash and cash equivalents	<i>13</i>	81,159,017	59,956,630
Total current assets		333,949,540	357,519,525
Total assets		681,074,168	680,686,174

CONSOLIDATED BALANCE SHEET (CONTINUED)

As at December 31, 2022

		As at December 31,	
		2022	2021
	Note	RMB'000	RMB'000
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital	14	2,356,231	2,356,231
Reserves		<u>60,229,196</u>	<u>58,913,657</u>
Total equity attributable to equity holders of the Company			
Perpetual securities	15	62,585,427	61,269,888
Other non-controlling interests		1,360,118	1,558,457
Put option written on non-controlling interests	18(c)(1)	41,843,891	35,006,747
		<u>(3,633,810)</u>	<u>(5,024,368)</u>
Total equity		<u>102,155,626</u>	<u>92,810,724</u>
LIABILITIES			
Non-current liabilities			
Borrowings	20	81,584,846	95,243,773
Lease liabilities		2,893,169	2,898,182
Amounts due to credit institutions		2,324,565	16,164,589
Amounts due to customers	19	2,986,590	2,648,144
Derivative financial liabilities		1,843,337	1,922,328
Deferred revenue		9,730,974	9,117,512
Retirement benefit obligations		2,045,291	2,803,639
Provisions	21	1,844,006	1,898,187
Financial liabilities at fair value through profit or loss		11,053,595	9,261,093
Deferred income tax liabilities		9,675,846	9,938,336
Other non-current liabilities	18	7,924,679	10,048,093
Total non-current liabilities		<u>133,906,898</u>	<u>161,943,876</u>

CONSOLIDATED BALANCE SHEET (CONTINUED)*As at December 31, 2022*

		As at December 31,	
		2022	2021
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Current liabilities			
Trade and notes payables	16	80,492,436	90,080,446
Other payables and accruals	17	106,070,837	112,540,532
Amounts due to credit institutions		22,898,166	13,464,130
Amounts due to customers	19	153,161,123	146,671,919
Financial liabilities at fair value through profit or loss		4,228,212	1,612,896
Derivative financial liabilities		2,563,646	1,174,850
Provisions	21	6,248,117	6,638,028
Advance from customers		1,749,006	2,540,884
Deferred revenue		11,263,168	8,709,517
Income tax payables		4,281,068	3,743,298
Lease liabilities		1,153,466	1,130,162
Borrowings	20	50,902,399	37,624,912
Total current liabilities		445,011,644	425,931,574
Total liabilities		578,918,542	587,875,450
Total equity and liabilities		681,074,168	680,686,174

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2022

	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, 2021	2,356,231	11,281,940	696,229	528,785	3,772,216	(336,574)	107,478	(6,334,456)	(530,982)	49,729,021	1,558,457	35,006,747	(5,024,368)	92,810,724
Profit for the year	-	-	-	-	-	-	-	-	-	1,167,063	-	9,226,910	-	10,393,973
Other comprehensive (loss)/income	-	-	-	(700,388)	-	-	-	-	-	-	-	(79,326)	-	(779,714)
Fair value changes on financial assets at fair value through other comprehensive income	-	-	-	7,342	-	-	-	-	-	-	-	818	-	8,160
Credit risk changes on financial liabilities measured at fair value through profit or loss	-	-	-	25,519	-	-	-	-	-	-	-	-	-	25,519
Share of other comprehensive income of associates using equity accounting	-	-	-	-	-	-	(252,968)	-	-	-	-	(835,476)	-	(1,088,444)
Fair value change on cash flow hedges	-	-	-	-	-	-	-	-	-	-	-	(375,347)	-	1,582,730
Currency translation differences	-	-	-	-	-	-	1,958,077	-	-	-	-	-	-	-
Remeasurement of post-employment benefit obligations	-	-	-	-	-	-	-	-	260,656	-	-	495,549	-	756,205
Revaluation of investment properties upon reclassification from property, plant and equipment	-	-	-	502	-	-	-	-	-	-	-	56	-	558
Total comprehensive (loss)/income for the year	-	-	-	(667,025)	-	-	(252,968)	1,958,077	260,656	1,167,063	-	8,433,184	-	10,898,987
Total transfer to retained earnings	-	-	-	11,025	-	-	-	-	-	(11,025)	-	-	-	-

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the year ended December 31, 2022

	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
Total transactions with owners, recognised directly in equity														
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	219,520	-	219,520
Disposal of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(18,876)	-	(18,876)
Transaction with other non-controlling interests	-	-	-	-	-	-	-	213,820	-	-	-	453,408	-	667,228
Contribution from other non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	977,489	-	977,489
Issuance of convertible bonds	-	-	-	-	-	-	-	-	278,679	-	-	652,074	-	930,753
Repurchase of convertible bonds	-	-	-	-	-	-	-	-	(206,957)	-	-	(484,254)	-	(691,211)
Decrease of perpetual capital	-	-	-	-	-	-	-	-	-	(200,000)	-	-	-	(200,000)
Transfer to reserve	-	-	-	-	-	-	-	-	4,772	(135,319)	-	(16,375)	-	(146,922)
Recognize repurchase obligations based on the convertible bond agreement	-	-	-	-	-	-	-	-	(589,270)	-	-	(31,014)	-	(620,284)
Share of other reserve of associates	-	-	-	-	-	-	-	-	(44,939)	-	-	289	-	(44,650)
Share-based compensation	-	-	-	-	547,912	-	-	-	(44,939)	-	-	1,119,152	-	1,667,064
Transfer to statutory surplus reserve	-	-	223,616	-	-	-	-	-	-	(223,616)	-	-	-	-
Dividends paid and declared (Note 22)	-	-	-	-	-	-	-	-	-	(942,506)	-	(3,281,098)	-	(4,223,604)
Coupon paid/interest adjustment holders of perpetual securities	-	-	-	-	-	-	-	-	-	(61,680)	1,661	(6,869)	-	(66,888)
Exercise of put option written on non-controlling interest	-	-	-	-	-	-	-	(214,776)	-	-	-	(1,179,486)	1,390,558	(3,704)
Total transactions with owners, recognised directly in equity	-	-	223,616	-	547,912	-	-	(558,671)	-	(1,363,121)	(198,339)	(1,596,040)	1,390,558	(1,554,085)
As at December 31, 2022	2,356,231	11,281,940	919,845	(127,215)	4,320,128	(336,574)	(145,490)	(4,376,379)	(828,997)	49,521,938	1,360,118	41,843,891	(3,633,810)	102,155,626

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the year ended December 31, 2022

	Attributable to the equity holders of the Company													
	Share capital RMB'000	Share premium RMB'000	Statutory surplus reserve RMB'000	Revaluation reserve RMB'000	Share-based compensation reserve RMB'000	Shares held for share scheme RMB'000	Hedging reserve RMB'000	Exchange reserve RMB'000	Other reserve RMB'000	Retained earnings RMB'000	Perpetual securities RMB'000	Other non-controlling interests RMB'000	Put option written on non-controlling interests RMB'000	Total RMB'000
As at January 1, 2021	2,356,231	11,281,940	663,295	(23,265)	3,321,166	(287,079)	(238,900)	(4,614,040)	3,055,915	44,919,099	1,554,740	29,708,464	(5,024,368)	86,673,198
Profit for the year	-	-	-	-	-	-	-	-	-	5,754,886	-	10,293,622	-	16,048,508
Other comprehensive income/(loss)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fair value changes on financial assets at fair value through other comprehensive income	-	-	-	404,106	-	-	-	-	-	-	-	55,655	-	459,761
Credit risk changes on financial liabilities measured at fair value through profit or loss	-	-	-	(1,195)	-	-	-	-	-	-	-	(133)	-	(1,328)
Share of other comprehensive income of associates using equity accounting	-	-	-	55,609	-	-	-	-	-	-	-	-	-	55,609
Fair value change on cash flow hedges	-	-	-	-	-	-	346,378	-	-	-	-	576,966	-	923,344
Currency translation differences	-	-	-	-	-	-	-	(1,681,191)	-	-	-	(1,737,895)	-	(3,419,086)
Remeasurement of post-employment benefit obligations	-	-	-	-	-	-	-	-	(732)	-	-	13,440	-	12,708
Revaluation of investment properties upon reclassification from property, plant and equipment	-	-	-	89,443	-	-	-	-	-	-	-	44	-	89,487
Total comprehensive income/(loss) for the year	-	-	-	547,963	-	-	346,378	(1,681,191)	(732)	5,754,886	-	9,201,699	-	14,169,003
Total transfer to retained earnings	-	-	-	4,087	-	-	-	-	-	(4,087)	-	-	-	-
Total transactions with owners, recognised directly in equity	-	-	-	-	-	-	-	-	1,602	-	-	34,023	-	35,625
Acquisition of subsidiaries	-	-	-	-	-	-	-	(39,225)	(3,337,469)	-	-	(79,886)	-	(119,111)
Disposal of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	(7,773,017)
Transaction with other non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	1,926,573	-	1,926,573
Contribution from other non-controlling interests	-	-	-	-	-	-	-	-	(5,995)	6,208	-	(2,353)	-	(2,140)
Transfer to reserve	-	-	-	-	-	-	-	-	(232,670)	-	-	(1,781)	-	(234,451)
Share of other reserve of associates	-	-	-	-	-	-	-	-	8,367	-	-	846,162	-	1,256,084
Share-based compensation	-	-	-	-	451,050	(49,495)	-	-	-	(32,934)	-	-	-	-
Transfer to statutory surplus reserve	-	-	32,934	-	-	-	-	-	-	(848,243)	-	-	-	-
Dividends paid (Note 22)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Coupon paid/interest adjustment to holders of perpetual securities	-	-	-	-	-	-	-	-	-	(65,908)	3,717	(7,339)	-	(69,530)
Total transactions with owners, recognised directly in equity	-	-	32,934	-	451,050	(49,495)	-	(39,225)	(3,586,165)	(940,877)	3,717	(3,903,416)	-	(8,031,477)
As at December 31, 2021	2,356,231	11,281,940	696,229	528,785	3,772,216	(336,574)	107,478	(6,334,456)	(530,982)	49,729,021	1,538,457	35,006,747	(5,024,368)	92,810,724

CONSOLIDATED CASH FLOW STATEMENT

For the year ended December 31, 2022

		Year ended December 31,	
		2022	2021
	Note	RMB'000	RMB'000
Cash flows from operating activities			
Cash generated from operations	23	51,384,148	27,627,244
Income tax paid		(3,831,988)	(5,459,143)
Net cash generated from operating activities		47,552,160	22,168,101
Cash flows from investing activities			
Purchases of property, plant and equipment and intangible assets		(14,295,810)	(9,856,639)
Proceeds from sale of property, plant and equipment and intangible assets		260,906	611,760
Purchase of financial assets at fair value through profit or loss		(9,515,945)	(13,397,354)
Proceeds from the disposal of financial assets at fair value through profit or loss		9,682,542	10,970,193
Dividends from financial assets at fair value through profit or loss		219,449	202,729
Capital injection in associates measured at fair value through profit or loss		(1,153,492)	(1,482,212)
Distributions from associates measured at fair value through profit or loss		1,821,010	2,329,827
Acquisition of and capital injection in associates and joint ventures using equity accounting		(1,150,052)	(223,971)
Proceeds from disposal of associates using equity accounting		1,677,866	4,331,574
Dividends from associates using equity accounting		518,212	1,158,171
Purchase of financial assets at fair value through other comprehensive income		(697,615)	(425,281)
Disposal of financial assets at fair value through other comprehensive income		674,611	649,265
Dividends from financial assets at fair value through other comprehensive income		34,862	38,457
Acquisition of subsidiaries, net of cash acquired		(3,356,034)	(902,609)
Disposal of subsidiaries, net of cash disposed		20,953	866,244
Loans (granted to)/repaid from related parties and third parties		(891,130)	1,009,187
Interest received		701,518	457,363
Increase/(decrease) in fixed deposits for more than 3 months		506,262	(590,247)
Disposal of financial assets at amortized cost and derivative financial instruments		92,082	735
Prepaid proposed transactions		–	(629,001)
Net cash used in investing activities		(14,849,805)	(4,881,809)

CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

For the year ended December 31, 2022

		Year ended December 31,	
		2022	2021
	Note	RMB'000	RMB'000
Cash flows from financing activities			
Proceeds from borrowings		113,114,490	114,179,342
Repayments of borrowings		(126,167,090)	(120,940,919)
Repayments of lease liabilities		(1,624,010)	(1,246,766)
Issue of convertible bonds, net of issuance costs		4,470,533	–
Issue of other bonds, net of issuance costs		11,385,604	2,708,034
Repurchase of convertible bonds		(3,671,472)	–
Repurchase of convertible preferred shares		–	(1,642,377)
Payment of put option liabilities		(1,895,000)	–
Capital injections from other non-controlling interests		817,638	1,973,537
Distribution to other non-controlling interests		(3,261,485)	(2,903,317)
Transaction with other non-controlling interests		87,984	(9,277,225)
Dividends paid to equity holders of the Company	22	(836,012)	(849,678)
Interest paid		(7,464,504)	(6,187,716)
Net cash used in financing activities		(15,043,324)	(24,187,085)
Net increase/(decrease) in cash and cash equivalents			
Cash and cash equivalents at beginning of year		59,956,630	69,718,438
Exchange gains/(losses) on cash and cash equivalents		3,543,356	(2,861,015)
Cash and cash equivalents at end of year	13	81,159,017	59,956,630

1. GENERAL INFORMATION

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

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

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

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

The industrial incubations and investments sector conducts investment in private equity funds (“PE Funds”) and venture capital funds (“VC Funds”) as a limited partner and holds interest in the general partners of certain funds. The Group also makes early stage or “angel” investments in technology start-ups and minority investments in other entities. It also provides aviation logistics, financial services, medical and health care, and office leasing services, etc.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. The areas involve a higher degree of judgment or complexity, or the areas where assumptions and estimates that are significant to the consolidated financial statements.

2.1.1 New and amended standards and interpretations adopted

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

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

Amendments to IFRS and IAS effective for the financial year beginning on January 1, 2022 do not have a material impact on the Group’s consolidated financial statements.

2.1.2 New and amended standards not yet adopted

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

		Effective for financial year beginning on or after
IFRS 17	Insurance Contracts	1 January 2023
IAS 1 and IFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies	1 January 2023
IAS 8 (Amendments)	Definition of Accounting Estimates	1 January 2023
IAS 12 (Amendments)	Assets and liabilities arising from a single transaction Deferred taxes related to liabilities	1 January 2023
IAS 1 (Amendments)	Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants	1 January 2024
IAS 16 (Amendments)	Lease Liability in a Sale and Leaseback	1 January 2024
IAS 5 (Amendments)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024
IFRS 10 and IAS 28 (Amendments)	Sale or Contribution of assets between an investor and its associate or joint venture	To be Determined

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

Impact of new standard released not yet adopted

Certain new and amended accounting standards have been published that are not mandatory for the financial year beginning on January 1, 2022 and have not been early adopted by the Group. The Group's assessment of the impact of these new and amendment standards is still in progress.

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.

Industrial operations:

- Lenovo, which is primarily engaged in providing innovative intelligent devices and infrastructure, and creates intelligent solutions, services and software;
- Levima Group, which mainly engaged in the research and development, production and sales of advanced material products;
- Joyvio Group, which operates mainly to engaged in modern agriculture and food related business; and
- BIL, which mainly offers integrated banking services, including corporate and institutional banking, retail banking, private banking, capital markets, etc.

Industrial incubations and investments:

Which is engaged in investment in the PE Funds and VC Funds as a limited partner and holds interest in the general partners of certain funds. It also makes early stage or "angel" investments in technology start-ups and minority investments in other entities. It also provides aviation logistics, financial services, medical and health care, and office leasing services related business, etc.

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

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

Year ended December 31, 2022

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

Year ended December 31, 2021

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

(a) Revenue from external customers

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

(b) Non-current assets

	As at December 31,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
China	62,866,736	59,356,992
Asia-Pacific region excluding China	18,569,077	13,824,670
Europe/Middle East/Africa	15,736,450	14,303,495
Americas	26,981,885	25,799,216
Total	<u>124,154,148</u>	<u>113,284,373</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,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
At a point in time	460,294,119	471,212,942
Over time	23,368,578	18,658,735
	<u>483,662,697</u>	<u>489,871,677</u>

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

As at December 31, 2022, deferred revenue and advance from customers amounting to RMB22,743 million (2021: RMB20,368 million) primarily relate to the Group's unsatisfied performance obligations for which consideration has been received at the reporting date. Revenue is recognized in the period when the performance obligations are satisfied. RMB11,250 million (2021: RMB8,974 million) was recognized as revenue during the year that was included in such balance at the beginning of the year.

(e) **Transaction price allocated to the remaining performance obligations**

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

	As at December 31,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	13,012,174	11,250,401
More than one year	9,730,974	9,117,512
Total	<u>22,743,148</u>	<u>20,367,913</u>

4. INVESTMENT (LOSSES)/INCOME AND GAINS

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

5. OTHER INCOME/(LOSSES)-NET

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

6. EXPENSES BY NATURE

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

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

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

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

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 of China is based on a statutory rate of 25%. Income tax of other group entities operating in overseas countries and regions are calculated at the rates applicable in the respective jurisdictions.

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Current income tax	3,998,097	5,475,625
Deferred income tax	(1,542,658)	566,197
	<u>2,455,439</u>	<u>6,041,822</u>
Income tax expense		

The Group has been granted certain tax concessions by tax authorities in Mainland of China and overseas whereby the subsidiaries operating in the respective jurisdictions are entitled to tax concessions.

Taxation on the Group's profit before tax differs from the theoretical amount that would arise using the enacted tax rate of the home country of the Group entities as follows:

	Year ended December 31,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Profit before tax	<u>12,849,412</u>	<u>22,090,330</u>
Tax effects of:		
Tax calculated at domestic rates applicable in countries or regions concerned	2,602,927	6,005,734
Income not subject to tax	(3,579,549)	(4,347,204)
Expenses not deductible for tax purposes	2,879,751	2,591,005
Utilisation of previously unrecognised tax losses/temporary differences	(1,263,704)	(450,412)
Deferred income tax assets not recognised	2,055,081	2,355,355
Others	(288,614)	(192,597)
Enterprise income tax	2,405,892	5,961,881
Land appreciation tax	49,547	79,941
Income tax expense	<u>2,455,439</u>	<u>6,041,822</u>

9. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year excluding shares held for the share incentive plan.

	Year ended December 31,	
	2022	2021
Basic earnings attributable to equity holders of the Company (RMB'000)	1,167,063	5,754,886
Diluted impact on earnings (RMB'000) (i)	(296,737)	(407,368)
	870,326	5,347,518
Diluted earnings attributable to the equity holders of the Company (RMB'000)		
Weighted average number of issued ordinary shares (thousands)	2,356,231	2,356,231
Less shares held for share incentive plan (thousands)	(17,390)	(17,390)
Weighted average number of issued ordinary shares for calculating basic earnings per share (thousands)	2,338,841	2,338,841
Potential dilutive effect arising from share incentive plan (thousands) (ii)	8,952	1,712
Weighted average number of issued ordinary shares for calculating diluted earnings per share (thousands) (ii)	2,347,793	2,340,553
Earnings per share		
– Basic (RMB per share)	0.50	2.46
– Diluted (RMB per share)	0.37	2.28

(i) Diluted impact on earnings is due to the effect of three categories of dilutive instruments, namely bonus warrants, mid-long term incentive awards and convertible bonds. Diluted earnings per share is calculated by adjusting earnings attributable to the equity holders of the Company.

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

10. ACCOUNTS AND NOTES RECEIVABLES

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

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

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

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

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

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

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

11. PREPAYMENT, OTHER RECEIVABLES AND OTHER CURRENT ASSETS

	As at December 31,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Receivables from parts subcontractors	6,384,128	17,757,774
Prepayments	8,271,667	6,481,834
Prepaid tax	8,011,448	5,644,386
Amounts due from related parties	1,300,286	1,390,379
Advance to suppliers	3,080,163	3,268,830
Deposits receivable	1,254,241	1,231,406
Advance to employees	74,138	92,053
Adjustment for in-transit products	59,297	229,541
Interest receivable	134,643	101,284
Others	5,162,096	5,355,610
	<u>33,732,107</u>	<u>41,553,097</u>
Less: allowances for impairment loss	(354,987)	(347,071)
	<u>33,377,120</u>	<u>41,206,026</u>

12. LOANS TO CUSTOMERS

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

	As at December 31,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Banking service (a)	124,526,554	120,437,196
Other service (b)	6,839,526	7,050,653
	<u>131,366,080</u>	<u>127,487,849</u>
Less: allowances for impairment loss (c)	(3,782,698)	(3,661,590)
	<u>127,583,382</u>	<u>123,826,259</u>
Less: current portion	(44,999,257)	(45,951,978)
	<u>82,584,125</u>	<u>77,874,281</u>

(a) **Banking service**

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

(b) **Other service**

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

(c) Allowance for impairment loss

	Stage 1 <i>RMB'000</i>	Stage 2 <i>RMB'000</i>	Stage 3 <i>RMB'000</i>	Total <i>RMB'000</i>
As at January 1, 2021	(468,220)	(230,677)	(2,931,472)	(3,630,369)
Allowance made (i)	(315,137)	(230,498)	(881,704)	(1,427,339)
Unused amounts reversed (ii)	267,158	171,494	284,879	723,531
Transfer of stages, write-off and disposal	57,142	14,786	386,637	458,565
Exchange adjustment	38,955	20,186	154,881	214,022
As at December 31, 2021	(420,102)	(254,709)	(2,986,779)	(3,661,590)
	Stage 1 <i>RMB'000</i>	Stage 2 <i>RMB'000</i>	Stage 3 <i>RMB'000</i>	Total <i>RMB'000</i>
As at January 1, 2022	(420,102)	(254,709)	(2,986,779)	(3,661,590)
Allowance made (i)	(491,107)	(383,020)	(595,681)	(1,469,808)
Unused amounts reversed (ii)	395,420	306,004	398,240	1,099,664
Transfer of stages, write-off and disposal	71,684	13,061	242,171	326,916
Exchange adjustment	(10,812)	(4,846)	(62,222)	(77,880)
As at December 31, 2022	(454,917)	(323,510)	(3,004,271)	(3,782,698)

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

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

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

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

14. SHARE CAPITAL

	As at December 31, 2022		As at December 31, 2021	
	Number of shares	Share capital <i>RMB'000</i>	Number of shares	Share capital <i>RMB'000</i>
– 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	<u>2,356,230,900</u>	<u>2,356,231</u>	<u>2,356,230,900</u>	<u>2,356,231</u>

15. PERPETUAL SECURITIES

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

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

16. TRADE AND NOTES PAYABLES

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

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

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

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

17. OTHER PAYABLES AND ACCRUALS

	As at December 31,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Payable to parts subcontractors	38,991,539	43,767,115
Allowance for billing adjustment (i)	21,643,344	22,441,233
Accrued expenses	14,484,019	14,588,860
Payroll payable	7,923,782	10,653,415
Other taxes payable	2,945,947	4,169,163
Amounts due to related parties (ii)	887,969	597,071
Social security payable	1,087,920	1,072,481
Deposits payable	554,235	497,563
Interest payable	474,665	613,037
Royalty payable	445,358	510,056
Deferred consideration	97,408	199,907
Written put option liability (Note 18(c))	3,151,892	2,209,467
Others	13,382,759	11,221,164
	<u>106,070,837</u>	<u>112,540,532</u>

- (i) Allowance for billing adjustment relates primarily to allowances for future volume discounts, price protection, rebates and customer sales returns.
- (ii) As at December 31, 2022 and 2021, the amounts due to related parties are unsecured.

18. OTHER NON-CURRENT LIABILITIES

	As at December 31,	
	2022	2021
	RMB'000	RMB'000
Deferred considerations (a)	174,616	159,852
Government incentives and grants received in advance (b)	1,045,955	965,966
Written put option liability (c)	1,794,288	4,663,277
Long-term payables	3,347,107	3,518,480
Others	1,562,713	740,518
	7,924,679	10,048,093

(a) Deferred considerations

Pursuant to the completion of a business combination, the Group and its subsidiaries are required to pay the Deferred Consideration in cash to the relevant shareholders/sellers by reference to certain terms set out in the respective agreements with the then shareholders/sellers. As at the balance sheet date, the deferred consideration is calculated on an amortised cost basis. Deferred consideration due within one year is reclassified to “other payables and accruals”.

As at December 31, 2022 and 2021, the potential undiscounted amounts of future payments in respect of the deferred considerations that the Group could be required to make to the respective shareholders/sellers under the arrangements are as follows:

	As at December 31,	
	2022	2021
Joint venture with NEC Corporation	USD25 million	USD25 million
Precision Capital S.A.	–	EUR18 million

(b) Government incentives and grants received in advance

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

(c) Written put option liability

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

- (1) Pursuant to the joint venture agreement entered into between Lenovo and Fujitsu Limited (“Fujitsu”) effective in 2018, Lenovo and Fujitsu are respectively granted call and put options which entitle Lenovo to purchase from Fujitsu and Development Bank of Japan (“DBJ”), or Fujitsu and DBJ to sell to Lenovo, 49% interest in Fujitsu Client Computing Limited and its subsidiary, Shimane Fujitsu Limited (together “FCCL”). Both options will be exercisable following the fifth anniversary of the date of completion. The exercise price for the call and put options will be determined based on the fair value of the 49% interest as of the day of exercising the option. At December 31, 2022, the written put option liabilities to Fujitsu has been reclassified to current liabilities as the written put option will be exercisable within the next twelve months.

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

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

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

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

19. AMOUNT DUE TO CUSTOMERS

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

Amount due to customers are all from BIL.

20. BORROWINGS

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

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

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

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

Issuer	Type of bonds	Issuance date	Term	Principal amount
The Company	Corporate bonds	July 6, 2016	10 years	RMB2,000 million
The Company	Corporate bonds	January 31, 2018	5 years	RMB1,000 million
The Company	Corporate bonds	January 15, 2019	5 years	RMB1,000 million
The Company	Corporate bonds	June 21, 2019	5 years	RMB2,000 million
The Company	Corporate bonds	June 3, 2020	3 years	RMB1,800 million
Lenovo	Medium term notes	March 29, 2018	5 years	USD487 million
Lenovo	Convertible bonds (2)	January 24, 2019	5 years	USD220 million
Lenovo	Medium term notes	April 24, 2020 & May 12, 2020	5 years	USD1,000 million
Lenovo	Medium term notes	November 2, 2020	10 years	USD929 million
Lenovo	Medium term notes	July 27, 2022	5.5 years	USD625 million
Lenovo	Medium term notes	July 27, 2022	10 years	USD610 million
Lenovo	Convertible bonds (2)	August 26, 2022	7 years	USD675 million
Joyvio Food	Convertible bonds (2)	June 14, 2019	5 years	USD62.5 million
BIL	Bank subordinate bonds	June 8, 2016	12 years	EUR50 million
BIL	Bank subordinate bonds	October 18, 2016	12 years	USD100 million
BIL	Bank subordinate bonds	May 18, 2021	10.25 years	EUR100 million
BIL	Medium term notes	September 1, 2021 & February 8, 2022	5 years	JPY1,000 million
BIL	Medium term notes	2014-2022	1.5-50 years	EUR2,416 million
BIL	Medium term notes	2019-2022	1-5 years	USD24 million
BIL	Medium term notes	September 22, 2020 & November 30, 2020	2.5-4.6 years	CHF185 million
BIL	Medium term notes	January 29, 2021	3 years	SEK166 million
BIL	Medium term notes	2021-2022	2-5 years	GBP11 million
Zhengqi Holdings	Corporate bonds	September 14, 2021	3 years	RMB600 million
JC Finance & Leasing	Corporate bonds	March 30, 2021	3 years	RMB195 million
JC Finance & Leasing	Asset-backed notes (i)	January 28, 2022	1-2 years	RMB357 million
JC Finance & Leasing	Asset-backed notes (i)	May 31, 2022	1-2 years	RMB690 million
JC Finance & Leasing	Asset-backed notes (i)	October 27, 2022	1-2 years	RMB1,221 million

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

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

(2) Convertible bonds

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

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

- B. On August 26, 2022, Lenovo completed the issuance of 7-Year USD675 million convertible bonds bearing annual interest at 2.5% due in August 2029 (“the 2029 Convertible Bonds”) to the bondholders. The proceeds were used to repay previous convertible bonds and for general corporate purposes. The bondholders have the right, at any time on or after 41 days after the date of issue and up to the 10th day prior to the maturity date, to convert part or all of the outstanding principal amount of the 2029 Convertible Bonds into ordinary shares of the Company at a conversion price of HKD9.94 per share, subject to adjustments. The conversion price was adjusted to HKD9.80 per share effective on November 30, 2022. Assuming full conversion of the 2029 Convertible Bonds at the conversion price of HKD9.80 per share, the 2029 Convertible Bonds will be convertible into 539,896,684 shares.

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

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

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

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

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

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

C. Fresh Investment SpA, a subsidiary of the Company, has completed the issuance of convertible bonds of USD125 million to Cangyuan Investment Co., Ltd. (“Cangyuan Investment”) in 2019. Cangyuan Investment has the right to convert the convertible bonds into the shares of Fresh Investment SpA within 60 months, at the share’s price evaluated by a third-party evaluator which is agreed by the two parties when conversion. The proceeds were used to acquire the shares of Australis Seafoods S.A.. In July 2022, Joyvio Group and Cangyuan Investment entered into the Convertible Bond Transfer Agreement, under which Joyvio Group was assigned the principal amount of USD62.5 million convertible bonds issued by Fresh Investment SpA held by Cangyuan Investment and the deferred payment of interest corresponding to such portion of convertible bonds. As at December 31, 2022, the remaining convertible bonds held by Cangyuan Investment have not yet been converted.

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

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

(b) Borrowings are repayable as follows:

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

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

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

21. PROVISIONS

	Warranties RMB'000	Environmental restoration RMB'000	Restructuring RMB'000	Financial guarantees RMB'000	Other provisions RMB'000	Total RMB'000
As at January 1, 2022	8,107,373	208,434	55,056	95,768	69,584	8,536,215
Provision made	4,835,581	150,880	23,452	156	57,980	5,068,049
Unused amounts reversed	-	-	(1,354)	(51,691)	-	(53,045)
Amount utilised	(5,813,356)	(150,167)	(47,240)	(226)	(15,389)	(6,026,378)
Exchange adjustment	516,558	(5,607)	(2,853)	2,739	2,769	513,606
Acquisition of subsidiaries	-	-	-	53,676	-	53,676
At end of the year	7,646,156	203,540	27,061	100,422	114,944	8,092,123
Non-current portion	(1,501,359)	(173,906)	(3,808)	(97,966)	(66,967)	(1,844,006)
As at December 31, 2022	<u>6,144,797</u>	<u>29,634</u>	<u>23,253</u>	<u>2,456</u>	<u>47,977</u>	<u>6,248,117</u>
As at January 1, 2021	7,533,565	225,364	40,666	85,661	61,992	7,947,248
Provision made	6,845,792	166,819	49,526	-	30,735	7,092,872
Unused amounts reversed	-	-	(3,100)	(54,757)	(1,473)	(59,330)
Amount utilised	(5,985,804)	(157,674)	(26,918)	23,148	(15,388)	(6,162,636)
Exchange adjustment	(286,180)	(26,075)	(5,118)	(10,842)	(6,282)	(334,497)
Acquisition of subsidiaries	-	-	-	52,558	-	52,558
At end of the year	8,107,373	208,434	55,056	95,768	69,584	8,536,215
Non-current portion	(1,611,414)	(180,260)	(3,704)	(94,137)	(8,672)	(1,898,187)
As at December 31, 2021	<u>6,495,959</u>	<u>28,174</u>	<u>51,352</u>	<u>1,631</u>	<u>60,912</u>	<u>6,638,028</u>

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

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

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

22. DIVIDENDS

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

23. CASH GENERATED FROM OPERATIONS

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

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

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

(b) Loans commitments

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

CORPORATE GOVERNANCE CODE

During the year ended December 31, 2022, the Company complied with all code provisions of the Corporate Governance Code (the “Corporate Governance Code”) contained in Appendix 14 of the Listing Rules applicable during the relevant period.

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

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, 2022.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

During the year ended December 31, 2022, neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

AUDIT COMMITTEE

During the year ended December 31, 2022, members of the Audit Committee comprised of Ms. HAO Quan (Chairperson), Mr. SUO Jishuan and Mr. YIN Jian’an.

The Audit Committee reviewed the results of the Group for the year ended December 31, 2022 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, 2022. The 2022 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, 2022 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
“BIL”	Banque Internationale à Luxembourg S.A., a credit institution in the form of a Luxembourg limited liability company (société anonyme) and our subsidiary
“Board”	board of directors of the Company
“Bountifresh”	Shenzhen Bountifresh Modern Agriculture Co., Ltd. (深圳市鑫果佳源現代農業有限公司), a limited liability company incorporated under the laws of the PRC and a subsidiary of Joyvio Group
“Bybo Dental”	Taikang Bybo Dental Group Co., Ltd. (泰康拜博醫療集團有限公司), a limited liability company incorporated under the laws of the PRC, and our associate
“Company”, “our Company” or “Legend Holdings”	Legend Holdings Corporation (聯想控股股份有限公司), a joint stock limited liability company incorporated under the laws of PRC and its overseas listed shares are listed on the Main Board of the Hong Kong Stock Exchange (Stock Code: 03396.HK)
“Director(s)”	the director(s) of the Company
“EAL”	Eastern Air Logistics Co., Ltd. (東方航空物流股份有限公司), a joint stock limited liability company incorporated under the laws of the PRC and listed on the Shanghai Stock Exchange (Stock Code: 601156.SH), and our associate

“EO”	ethylene oxide
“EOD”	ethylene oxide derivatives
“EVA”	ethylene-vinyl acetate copolymer
“Fullhan Microelectronics”	Shanghai Fullhan Microelectronics Co., Ltd. (上海富瀚微電子股份有限公司), a joint stock limited company incorporated under the laws of the PRC and listed on the ChiNext Board on the SZSE (Stock Code: 300613.SZ)
“Group”	the Company and its subsidiaries
“H Share(s)”	overseas listed share(s) in the ordinary share capital of the Company with a nominal value of RMB1.00 each, listed on the main board of the Hong Kong Stock Exchange and trade in HKD
“Hankou Bank”	Hankou Bank Co., Ltd. (漢口銀行股份有限公司), a joint stock limited liability company incorporated under the laws of the PRC, and our associate
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Hony Capital” or “Hony”	a series of private equity investment funds, together with their respective management companies/general partner
“Huayu Tongfang”	Shandong Huayu Tongfang Electronic Material Co., Ltd. (山東華宇同方電子材料有限公司), a limited liability company incorporated under the laws of the PRC and a subsidiary of Levima Advanced Materials
“IT”	information technology
“JC Finance & Leasing”	JC International Finance & Leasing Company Limited (君創國際融資租賃有限公司), a limited liability company incorporated under the laws of the PRC, and our subsidiary
“Joy Wing Mau”	Joy Wing Mau Fruit Technologies Corporation Limited (鑫榮懋果業科技集團股份有限公司), a large fruit supply chain enterprise in China. It is a joint stock limited liability company incorporated under the laws of the PRC, and a subsidiary of Joyvio Group

“Joyvio Food”	Joyvio Food Co., Ltd. (佳沃食品股份有限公司), a joint stock limited liability company incorporated under the laws of the PRC, listed on the ChiNext board of Shenzhen Stock Exchange (Stock Code: 300268.SZ), and a subsidiary of Joyvio Group
“Joyvio Group” or “Joyvio”	Joyvio Group Co., Ltd. (佳沃集團有限公司), a limited liability company incorporated under the laws of the PRC, and our subsidiary
“KB Food”	KB Food International Holding (Pte.) Limited, a limited liability company established under the laws of Singapore, and our subsidiary
“Lakala”	Lakala Payment Corporation (拉卡拉支付股份有限公司), a joint stock limited liability company incorporated under the laws of the PRC, and our associate, listed on the ChiNext Board of the Shenzhen Stock Exchange (Stock Code: 300773.SZ)
“Legend Capital”	a series of venture capital funds, together with their respective management companies/partners
“Legend Star”	a series of angel investment funds, together with their respective management companies/partners
“Lenovo”	Lenovo Group Limited (聯想集團有限公司), a limited liability company incorporated under the laws of Hong Kong and listed on the Main Board of the Hong Kong Stock Exchange (Stock Code: 992.HK), and our subsidiary
“Levima Advanced Materials”	Levima Advanced Materials Corporation (聯泓新材料科技股份有限公司), a joint stock limited liability company incorporated under the laws of the PRC, the shares of which are listed on the Shenzhen Stock Exchange (Stock Code: 003022.SZ), and a subsidiary of the Company
“Levima Group”	Levima Group Limited (聯泓集團有限公司), a limited liability company incorporated under the laws of the PRC, and our subsidiary
“Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange, as amended, supplemented or otherwise modified from time to time
“MSME(s)”	micro small and medium sized enterprise(s)

“N/A”	not applicable
“NEEQS”	National Equities Exchange and Quotations System (全國中小企業股份轉讓系統), a platform established for the sale of existing shares or private placing of new shares by SMEs
“neurology” or “neurology specialty”	the collective term of the clinical discipline studying organic and functional diseases of central nervous system (brain, spinal cord). Clinically, the correspondent branch is neurosurgery and neurology depending on the types of disease and treatment methods
“Nine Masters”	Nine Masters (Shanghai) Catering Service Co., Ltd. (九橙(上海)餐飲服務有限公司), a limited liability company incorporated under the laws of the PRC and a subsidiary of Joyvio Group
“ordinary shares” or “shares”	ordinary shares issued by the Company
“our”, “we” or “us”	our Company and all of its subsidiaries, or any one of them as the context may require
“PP”	polypropylene
“Raycom Property”	Raycom Property Investment Co., Ltd. (融科物業投資有限公司), a limited liability company incorporated under the laws of the PRC, and our subsidiary
“Raycom Technology”	Raycom Technology Co., Ltd. (融科智地科技股份有限公司), a joint stock limited liability company incorporated under the laws of the PRC, and our subsidiary
“Reporting Period”	for the year ended December 31, 2022
“Safe Kitchens”	Beijing Pingan Safe Kitchen Technology Co., Ltd. (北京平安雲廚科技有限公司), a limited liability company incorporated under the laws of the PRC
“Shanghai Neuromedical Center”	Shanghai Neuromedical Center Co., Ltd. (上海德濟醫院有限公司), a limited liability company incorporated under the laws of the PRC, and our subsidiary
“Shanghai Stock Exchange”	Shanghai Stock Exchange

“Shareholders”	holders of the shares of the Company
“Shenzhen Stock Exchange” or “SZSE”	Shenzhen Stock Exchange
“SME(s)”	small and medium-sized enterprise(s)
“subsidiary”	has the meaning ascribed thereto under the Listing Rules
“Supervisor(s)”	the supervisor(s) of the Company
“TMT”	technology, media and telecom
“Zhengqi Holdings”	Zhengqi Holdings Corporation (正奇控股股份有限公司), a joint stock limited liability company incorporated under the laws of the PRC, and our subsidiary

By order of the Board
Legend Holdings Corporation
NING Min
Chairman

March 31, 2023

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. SUO Jishuan and Mr. YANG Jianhua; 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.