联想控股
LEGEND HOLDINGS

EMPOWERING COMPANIES TOWARD GREATNESS

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

2023 ANNUAL REPORT

Contents

Definitions

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

"AI"	Artificial Intelligence
"associate(s)"	for the purpose of this report, all entities over which the Group has significant influence. Significant influence represents the power to participate in the financial and operational policy decision of the investees, but without control or joint control rights over these policies
"Audit Committee"	Audit Committee under the Board
"BIL"	Banque Internationale à Luxembourg S.A., a credit institution in the form of a Luxembourg limited liability company (société anonyme) and our subsidiary
"Board"	board of directors of the Company
"Bountifresh"	Shenzhen Bountifresh Modern Agriculture Co., Ltd. (深圳市鑫果佳源現代農業有限公司), a limited liability company incorporated under the laws of the PRC and a subsidiary of Joyvio Group
"Bybo Dental"	Taikang Bybo Dental Group Co., Ltd. (泰康拜博醫療集團有限公司), a limited liability company incorporated under the laws of the PRC, and our associate
"CAS Holdings"	Chinese Academy of Sciences Holdings Co., Ltd. (中國科學院控股有限公司), a substantial Shareholder
"China Starfish"	China Starfish Co., Ltd. (青島國星食品股份有限公司), a joint stock limited liability company incorporated under the laws of the PRC, and a subsidiary of Joyvio Food
"China Oceanwide"	China Oceanwide Holdings Group Co., Ltd. (中國泛海控股集團有限公司), a substantial Shareholder
"Company", "our Company" or "Legend Holdings"	Legend Holdings Corporation (聯想控股股份有限公司), a joint stock limited liability company incorporated under the laws of PRC, and its overseas listed shares are listed on the Main Board of the Hong Kong Stock Exchange (Stock Code: 03396)
"CSP"	cloud service providers
"Director(s)"	the director(s) of the Company
"Domestic Shares"	domestic share(s) in the ordinary share capital of the Company with the nominal value of RMB1.00 each

"EAL"	Eastern Air Logistics Co., Ltd. (東方航空物流股份有限公司), a joint stock limited liability company incorporated under the laws of the PRC and listed on the Shanghai Stock Exchange (Stock Code: 601156.SH), and our associate
"EO"	ethylene oxide
"EVA"	ethylene-vinylacetate copolymer
"ESG Committee"	Environmental, Social and Governance Committee under the Board
"ESMB"	enterprise and small and medium businesses
"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)
"GPU"	graphics processing unit
"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 traded in HKD
"Hankou Bank"	Hankou Bank Co., Ltd. (漢口銀行股份有限公司), a joint stock limited liability company incorporated under the laws of the PRC, and our associate
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Hony Capital" or "Hony"	a series of private equity investment funds, together with their respective management companies/general partners
"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
"IPO"	Initial Public Offering
"IT"	information technology
"JC Finance & Leasing"	JC International Finance & Leasing Company Limited (君創國際融資租賃有限公司), a limited liability company incorporated under the laws of the PRC, and our subsidiary

"Joy Wing Mau"	Joy Wing Mau Fruit Technologies Corporation Limited (鑫榮懋果業科技集團股份有限公司), a large fruit supply chain enterprise in China. It is a joint stock limited liability company incorporated under the laws of the PRC, and a subsidiary of Joyvio Group
"Joyvio Food"	Joyvio Food Co., Ltd. (佳沃食品股份有限公司), a joint stock limited liability company incorporated under the laws of the PRC, listed on the ChiNext board of Shenzhen Stock Exchange (Stock Code: 300268.SZ), and a subsidiary of Joyvio Group
"Joyvio Group" or "Joyvio"	Joyvio Group Co., Ltd. (佳沃集團有限公司), a limited liability company incorporated under the laws of the PRC, and our subsidiary
"KB Food"	KB Food International Holding (Pte.) Limited, a limited liability company established under the laws of Singapore, and a subsidiary of Joyvio Group
"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), and our subsidiary
"Levima Chemicals"	Levima (Shandong) Chemicals Co., Ltd (聯泓(山東)化學有限公司), a limited liability company incorporated under the laws of the PRC and a subsidiary of Levima Advanced Materials
"Levima Group"	Levima Group Limited (聯泓集團有限公司), a limited liability company incorporated under the laws of the PRC, and our subsidiary
"Levima Advanced Materials"	Levima Advanced Materials Corporation (聯泓新材料科技股份有限公司), a joint stock limited liability company incorporated under the laws of the PRC, the shares of which are listed on the Main Board of the Shenzhen Stock Exchange (Stock Code: 003022.SZ), and a subsidiary of the Company
"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
"NEEQ"	National Equities Exchange and Quotations (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
"Nomination Committee"	Nomination Committee under the Board
"Oceanwide Group"	Oceanwide Group Co., Ltd. (泛海集團有限公司), a substantial Shareholder
"ordinary shares" or "shares"	ordinary shares issued by the Company
"our", "we" or "us"	our Company and all of its subsidiaries, or any one of them as the context may require
"PLA"	polylatic acid
"POE"	polyolefin elastomer
"PP"	polypropylene
"PPC"	poly propylene carbonate
"Raycom Property"	Raycom Property Investment Co., Ltd. (融科物業投資有限公司), a limited liability company incorporated under the laws of the PRC, and our subsidiary
"Raycom Technology"	Raycom Technology Co., Ltd. (融科智地科技股份有限公司), a joint stock limited liability company incorporated under the laws of the PRC, and our subsidiary
"Remuneration Committee"	Remuneration Committee under the Board
"Reporting Period"	for the year ended December 31, 2023
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) as amended, supplemented or otherwise modified from time to time

Definitions

"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
"Shareholder(s)"	holder(s) of the shares of the Company
"Shenzhen Stock Exchange" or "SZSE"	Shenzhen Stock Exchange
"SME(s)"	small and medium-sized enterprise(s)
"Strategy Committee"	Strategy Committee under the Board
"subsidiary"	has the meaning ascribed thereto under the Listing Rules
"Supervisor(s)"	the supervisor(s) of the Company
"TMT"	technology, media and telecom
"Tohigh"	Tohigh Holdings Co., Ltd. (通海控股有限公司), a substantial Shareholder
"UHMWPE"	ultra-high molecular weight polyethylene
"VA"	vinyl acetate
"Zhengqi Holdings"	Zhengqi Holdings Corporation (正奇控股股份有限公司), a joint stock limited liability company incorporated under the laws of the PRC, and our subsidiary

Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Directors

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

Independent Non-executive Directors

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

BOARD OF SUPERVISORS

Supervisors

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

NOMINATION COMMITTEE

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

SECRETARY OF THE BOARD

Mr. WANG Wei

JOINT COMPANY SECRETARIES

Mr. WANG Wei
Ms. YEUNG Yee Har

H SHARE REGISTRAR

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

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor

COMPLIANCE ADVISOR

Somerley Capital Limited

REGISTERED OFFICE

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

HEAD OFFICE IN THE PRC

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

PRINCIPAL BANKS

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

COMPANY'S WEBSITE

www.legendholdings.com.cn

STOCK CODE

03396

Chairman's Statement

Respected Shareholders:

The year 2023 marked the first year of implementing the guiding principles of the 20th National Congress of the Communist Party of China. Confronted with complex and evolving domestic and international landscapes, China has achieved significant strides in promoting high-quality development, ensured the steady operation of economy and society and maintained overall stability under the guidance of the CPC Central Committee with Comrade Xi Jinping at its core. The country is steadily moving towards the Two Centenary Goals of building a great modern socialist country in all respects and a moderately prosperous society in all respects. The year 2023 also posed difficulties and challenges to enterprises. The global economic recovery was sluggish, geopolitical tensions were intensified, and domestic economic restructuring was compounded by various cyclical and structural issues across industries. As a result, risks were heightened in certain sectors, leading to declines in business profits. This landscape posed even greater challenges to the management and operation of Legend Holdings given its footprint and extensive industrial chains across many sectors. Despite short-term setbacks in performance due to changes in the external environment, the Company stayed true to its original aspiration of revitalizing the country through business. Guided by Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, the Company fully implemented the new development philosophy, maintained strategic focus, reinforced its industrial foundation, and enhanced resilience against risks. Aligning itself with China's high-quality development, Legend Holdings prioritized innovation-led growth and the goal of achieving self-reliance on high-level technologies by intensifying its investments in key cutting-edge fields, proactively fulfilling its corporate social responsibilities, and practicing green and low-carbon development. By doing so, Legend Holdings secured the overall stable operation of its businesses. In 2023, Legend Holdings posted revenue of RMB436 billion down 10% year-on-year, and a net loss attributable to equity holders of Legend Holdings of RMB3.874 billion.

STOOD UNDAUNTED, STAYED TRUE TO ORIGINAL ASPIRATIONS, AND FORGED AHEAD WITH FORTITUDE

In 2023, the external environment experienced significant changes: the global PC market witnessed a nearly 15% year-on-year drop in shipments, hitting a record low in nearly two decades; the Russia-Ukraine conflict drove up global grain and feed prices; the Federal Reserve's interest rate hikes led to a substantial rise in the cost of overseas debt; domestic EVA prices continued to decline, reaching a three-year low; China's capital markets saw intensified volatility with a decrease in IPOs, and a tightening regulatory environment put forward higher requirements for market participants. These factors collectively impacted the Company's performance negatively in the short term.

Legend Holdings confronted the tremendous challenges in the external environment with resilience and strength. Thanks to the relentless efforts of all staff members, Legend Holdings maintained stable operation of all its businesses, secured solid headway in business objectives, and witnessed momentum for growth in its operation. Lenovo maintained its leading position as the world's No. 1 PC maker and ranked among the top three in the server industry. Lenovo launched the world's first artificial intelligence (AI) PC with the share of its non-PC business in its overall revenue further rising to 42%, demonstrating the effectiveness of its diversified growth drivers. Levima Group continued to maintain its market leadership and saw further optimization in its operational indicators. New projects were well underway. The VA and ultra-high molecular weight Polypropylene (UHMWPE) devices were successfully delivered in January 2024. Several other projects related to lactic acid and PLA are slated to become operational in the first half of the year. BIL rolled out its new Core Banking System to accelerate its intelligent transformation process, serving as a solid technological foundation and a driving force to propel the bank's development. Joyvio Group kept introducing new fruit categories and put its intelligent warehousing and logistics center into trial operations. Legend Holdings' financial investment successfully promoted the listing of 10 invested companies and raised nearly 10 billion yuan, maintaining its leading position in the industry.

FOCUSED ON DEVELOPING NEW QUALITY PRODUCTIVE FORCES, ADVANCED STEADILY THE INNOVATION-DRIVEN DEVELOPMENT STRATEGY, AND FOSTERED NEW OPPORTUNITIES AMIDST CHANGES

President Xi Jinping has called on China to "promote industrial innovation through technological innovation, especially by using ground-breaking and cutting-edge technologies to foster new industries, new models and growth drivers, and develop new quality productive forces." As a company rooted in and benefiting from technology, Legend Holdings has capitalized on the tremendous growth opportunities arising from China's economic development and social progress. Therefore, Legend Holdings has always stayed committed to its original aspiration of revitalizing the country through business. With the pursuit of "developing new quality productive forces" as its guiding principle, the Company has adopted multi-pronged measures to enhance its capabilities in technology and innovation systematically. Through its unwavering pursuit of innovation-driven growth, it aims to chart new frontiers for and inject renewed momentum for deepening China's modernization drive.

As a supply chain leader, Legend Holdings strives to stay at the forefront of future development by driving industrial upgrades and forging new competitive advantages through technological innovation: the Company continued to leverage its strengths to capture opportunities in areas where it already excels to expand its competitive edge and contribute to China's leading role in these related industries. As a global leader in the PC market, Lenovo introduced the world's first AI PC and made ongoing improvements to its performance and AI capabilities, setting the pace for the product forms and directions for global AI PC development. After achieving the domestic substitution of EVA photovoltaic adhesive film materials, Levima Advanced Materials made breakthroughs in "bottleneck" technologies as it made its foray into the polyolefin elastomer (POE) field, with a planned production of 300,000 tons in annual capacity. This initiative broke the monopoly in the POE field currently held by foreign companies by achieving domestic substitution.

As a leading global science and technology firm, Legend Holdings made significant investments in technological innovation, particularly in AI-related fields, with R&D expenses bucking the trend to increase and investments covering over 100 scientific and technological enterprises: the AI era is driving ubiquitous adoption of AI technology across sectors. As a leader in IT, digitalization and intelligent transformation, Legend Holdings is strategically positioned to make large-scale early investments by leveraging its deep-seated AI expertise. In 2023, its R&D spending reached a record high of RMB14.8 billion, approximately six times its before-tax net profit. R&D expense ratio grew significantly to 3.4% in 2023 from 2.6% in 2021. Additionally, Legend Holdings encouraged its funds to step up support for Chinese tech firms, investing in an all-time high of more than 100 ventures.

Legend Holdings harnessed its market-leading presence in China's AI landscape to build an inclusive AI industrial ecosystem for broad participation, resource sharing and close collaboration, accelerating value creation and synergy across industrial and supply chains: AI is a crucial engine for developing new quality productive forces. Over the past 20 years, Legend Holdings has cumulatively invested in over 200 AI enterprises and established a competitive edge in the AI domain with a full-stack AI portfolio covering layers of "device, technology, model, platform and application" (基礎層－技術層－模型層－平台層－應用層). Leveraging its established ecosystem advantage, it has partnered with top AI firms to pioneer forward-looking initiatives, develop "AI+" solutions and empower a wide range of industries. Recently, it has signed a strategic partnership agreement with Zhipu AI to carry out product and service R&D cooperation in areas including AI PC business, AI servers, proprietary general-purpose LLMs and intelligent solutions. The R&D cooperation also covers vertical LLMs for smart manufacturing, financial technology, digital marketing and biotechnology.

As a leading force in the industrialization of China's scientific and technological achievements, Legend Holdings established the Innovation Development Center to advance collaboration among industry, academia and research institutes: with a focus on national strategic needs, Legend Holdings leveraged its position as a leader in scientific and technological industrialization and consolidated domestic and international scientific and technological innovation resources to tackle technical challenges and develop cutting-edge technologies driving new quality productive forces. To date, the center has collaborated with more than 60 sci-tech innovation enterprises, universities and research institutes and established a technology project database with 40 technologies selected for commercialization. It has also engaged in joint commercial development in a number of areas. These efforts have contributed to the establishment of a collaborative innovation consortium comprised of various innovative entities, led by industry leaders and supported by academic institutions, expediting the transformation of scientific and technological achievements into real productivity.

Legend Holdings leveraged its industry-leading expertise to promote in-depth integration of digital and real economies and advance digital transformation across industries: Facing a new wave of scientific and technological revolution and industrial transformation, digitalization across industries is speeding up, leading to exponential growth in the data volume and a significant spike in demand for data storage, processing and application in society. As the world's largest provider of computing power, Legend Holdings' subsidiary Lenovo strategically deployed computing resources to enhance efficiency and leveraged advanced AI algorithms and foundational LLMs to unlock data value, thereby better supporting operational processes and decision-making. Presently, Lenovo has expanded its expertise in computing power, technologies and industrial operations to over 300 enterprises and public institutions, including Sany Heavy Industry, China Minmetals, Great Wall Motor, Longping High-tech, Peking University and Shanghai Jiao Tong University. These endeavors have contributed to the integration of digital and real economies in China and the high-quality development of the manufacturing sector in particular.

FULFILLED CORPORATE SOCIAL RESPONSIBILITIES AND DELIVERED ON COMMITMENTS TO GREEN AND LOW-CARBON DEVELOPMENT WITH DEDICATION AND PERSEVERANCE

Legend Holdings always fulfills its corporate social responsibilities and attaches great importance to ESG-related work, striving to make greater contributions to China's modernization drive. In 2023, Legend Holdings continued to boost local employment and support the local economy through its development and remained steadfast in its long-term efforts in supporting entrepreneurs, serving rural revitalization, promoting social integrity and providing disaster relief. It also continued to promote the in-depth implementation of ESG practices across its subsidiaries.

- Legend Holdings promoted green and low-carbon development of its subsidiaries in line with national carbon peak and carbon neutrality goals. Lenovo was the first domestic high-tech manufacturer to pass the Science Based Targets initiative (SBTi) net-zero target validation. The Lenovo (Tianjin) Smart Innovation Service Industrial Park, which became operational in 2023, represents the highest level of zero-carbon intelligent manufacturing in the industry and the first eco-grade (the highest level) "zero-carbon factory" built from scratch in China's ICT industry. Besides, the Lenovo (Wuhan) Industrial Base was awarded the first Zero Carbon Factory Certificate in the ICT industry.

- As a national high-tech enterprise and green factory, Levima Advanced Materials led the way in green development with its green technology through innovation in production processes, industrial organization and layout as well as management models. It expanded into green businesses including EVA and POE photovoltaic adhesive film materials, biodegradable plastics and new energy battery electrolytes, contributing to China's efforts towards its carbon peak and carbon neutrality goals.

- Zhengqi Holdings made its foray into the photovoltaic industry. It signed a contract for a 20GW High-Efficiency N-Type Solar Cells Smart Manufacturing Project (20GW高效N型電池片智能製造產業化項目) in the city of Ma'anshan in Anhui province in early 2023. The first phase of 5GW high-efficiency N-type solar cells, which utilizes advanced TOPC on high-efficiency battery manufacturing technology and automated cell production equipment and production lines, was completed and put into operation in December 2023.

- Hony Capital won the 12th China Charity Award for its long-term commitments and contributions to the Mountain Village Kindergarten Program.

DETERMINATION LEADS TO SUCCESS

The year 2024 marks the 75th anniversary of the founding of the People's Republic of China. As we stay closely rallied around the CPC Central Committee with Comrade Xi Jinping at its core, we will follow the directives outlined in the Central Economic Work Conference while staying true to our original aspiration of revitalizing the country through business. By carrying on China's entrepreneurial spirit and aligning ourselves with the trend of high-quality development driven by scientific and technological innovation, we will advance the development of new quality productive forces while adhering to the people-centered development philosophy. We will also navigate external uncertainties by enhancing our comprehensive capabilities and striving to make greater contributions to China's modernization drive.

I extend our sincere gratitude to our shareholders for their long-term support and to our management and staff for their unwavering efforts and dedication.

Legend Holdings Corporation
NING Min
Chairman of the Board

CEO Report

In 2023, the macro environment at home and abroad was complicated and volatile. This was marked by a slowdown in the global economy, heightened uncertainties in the global markets, and particularly a surge in trade protectionism and geopolitical risks. These factors collectively disrupted the stability of the world economy. Despite all these unfavorable factors, China's economy continued to advance under the strong leadership of the CPC Central Committee. Industrial transformation and upgrading have been steadily advanced, the new development paradigm featuring "dual circulation" has been promoted in a well-conceived manner, and a new chapter of high-quality economic development has begun in full swing. The fundamentals sustaining China's economic growth in the long run remain unchanged. However, short-term influences such as fluctuations in the economic cycle and policy adjustments have led to challenges, including sluggish internally-driven growth momentum, a lack of efficient market demand, and pressure on the operating margins in the real economy. Consequently, Legend Holdings experienced a significant downturn in performance compared with the previous year. The decline suggests ample room for enhancing our business structure and the management of certain subsidiaries, and also underscores the need to meticulously examine and address any deficiencies. On the bright side, despite facing various challenges on the path to achieving high-quality development, Legend Holdings remained steadfast in its commitment to revitalizing China through its business and innovation-driven development strategy. In addition, by overcoming the adverse impact of external factors on its operations, Legend Holdings persevered in fulfilling its corporate social responsibilities, contributing to the social and economic development of the country, and integrating itself into China's strategy for modernization.

In 2023, Legend Holdings posted revenue of RMB436,012 million, a 10% year-on-year decrease. The net loss attributable to equity holders of Legend Holdings was RMB3,874 million, versus a profit of RMB1,167 million in the previous year.

OPERATIONAL HIGHLIGHTS

The industrial operations segment remained resolute strategic determination with progress in expanding and strengthening its pillar industries

During the Reporting Period, the industrial operations segment recorded revenue of RMB431,589 million, down by 10% year-on-year. Net profit attributable to Legend Holdings' equity holders decreased by 36% year-on-year to RMB3,078 million. Confronted with both opportunities and challenges, Legend Holdings has demonstrated unwavering strategic resolve. It has diligently focused on expanding and strengthening its pillar industries and accelerating the development of leading enterprises with international competitiveness and command over the industrial chain.

- Lenovo maintained its leading position in the IT industry. As the global PC market saw a year-on-year decline in shipments, Lenovo maintained its leading position in the PC market with strong outperformance and superior profitability. The share of Lenovo's non-PC business in its overall revenue further rose to 42%, demonstrating the effectiveness of its diversified growth engines. The performance of the Infrastructure Solutions Group (ISG) was under short-term pressure due to industry and market factors, but Lenovo retained its third position in the world in the storage device and AI infrastructure markets. In terms of high-performance computing, Lenovo held on to the top spot in the global TOP500 and Green100 rankings. During the Reporting Period, the Solutions and Services Group (SSG) secured its largest TruScale IaaS deal to date and continued to maintain high double-digit revenue and profit growth momentum with an operating margin of 20%, much higher than other Lenovo's business segments. During the Reporting Period, Lenovo posted revenue of RMB392,493 million and net profit attributable to equity holders of Legend Holdings was RMB1,982 million.

- Levima Advanced Materials adhered to its strategy of innovation-driven development amid a complex and dynamic environment in 2023. Following its annual business plan, it endeavored to leverage its core competencies to deal with market changes and challenges. It continued to optimize its product mix by elevating the proportion of high-margin products. It also ramped up efforts to achieve technological breakthroughs and enhance both operational and managerial efficiencies. The EVA output recorded a 13% year-on-year increase in 2023. In addition, Levima Advanced Materials remained committed to innovation-driven growth, aligning with China's national development strategies. It stepped up its independent R&D and innovation efforts in the fields of new energy materials, biomaterials and electronic materials to drive the development of new products and technologies. Simultaneously, it made advancements in new projects as planned, aiming for an early commencement of production. Levima Advanced Materials also continued to invest in new businesses. During the Reporting Period, Levima Group recorded revenue of RMB6,879 million and net profit attributable to equity holders of Legend Holdings of RMB228 million.

- In 2023, BIL recorded its best performance in nearly a decade despite external macro-economic challenges and its ongoing strategic transformation. It posted revenue of RMB6,127 million, an increase of 34% year-on-year. Net profit attributable to equity holders of Legend Holdings was RMB1,316 million, an increase of 43% year-on-year. BIL's solid revenue growth was accompanied by prudent cost and risk management. Its CET-1 ratio was 13.37%, and its international credit ratings remained relatively high level. Moreover, BIL rolled out its new Core Banking System to accelerate its intelligent transformation process. BIL has made significant progress in broadening its ESG investment product and service offerings. Its green finance practice case was selected as an excellent one in the BRBR Green Finance Practice Cases (2023 Edition).

- Joyvio Group has continuously reinforced its fruit business by enhancing its vertically integrated supply chain and expanding strategic core products and market share, leveraging its channel advantages. While bolstering its premium animal protein export business in overseas markets, including the U.S., Europe and Asia-Pacific, Joyvio Group also focused on the domestic market by diversifying its product portfolio. However, the overseas salmon business has encountered a substantial profitability downturn due to rising feed costs, inflation, and elevated U.S. dollar rates, posing multiple challenges to its development. During the Reporting Period, Joyvio Group posted revenue of RMB26,090 million, an increase of 21% year-on-year, and a net loss attributable to equity holders of Legend Holdings of RMB448 million.

The industrial incubations and investments segment concentrated on emerging industries with a forward-looking approach and a commitment to long-term investment

During the Reporting Period, revenue from the industrial incubations and investments segment was RMB4,431 million, a year-on-year increase of 8%. The net loss attributable to equity holders of Legend Holdings was RMB5,574 million. Closely adhering to China's industrial plans and policy guidance, Legend Holdings focused its efforts on key areas such as AI, integrated circuits, new energy and advanced materials to support the country's emerging pillar industries in gaining competitive advantages. It also accelerated efforts to nurture specialized and innovative enterprises and strived to play a leading role in China's industrial upgrading.

- In 2023, Legend Capital raised RMB9 billion in new capital and reported assets under management (AUM) of over RMB80 billion. Legend Capital newly invested or increased investment in more than 50 projects, covering semiconductors, the digital economy, carbon peak and carbon neutrality, medical and healthcare services and other fields. It also partially or fully exited 65 projects. Four of its portfolio companies went public, and another four were approved to go through the IPO process. To date, its public portfolio companies has totaled 110. Legend Capital has invested in over 100 provincial specialized and innovative enterprises, over 80 national specialized and innovative "little giants", more than 60 provincial enterprise technology centers, 16 state-level enterprise technology centers, and 16 niche-sector leaders in the manufacturing industry. Legend Capital is the fund manager of the Social Security Zhongguancun Independent Innovation Special Fund with an initial scale of RMB5 billion.

- In 2023, Legend Star reported AUM of nearly RMB5 billion and invested in more than 20 projects, covering large language models (LLMs), semiconductors, new energy, advanced materials, biopharmaceuticals, digital and intelligent healthcare and other fields. Legend Star exited nearly 15 projects, and nearly 60 projects completed their next funding rounds. Adlai Nortye, one of its portfolio companies, was listed on Nasdaq. To date, nearly 20 Legend Star's portfolio companies have been selected as national specialized and innovative "little giants".

- In 2023, Fullhan Microelectronics saw a decline in its performance amid adverse external conditions. However, it realized steady business development. Offering a full range of products from low- to high-end, Fullhan Microelectronics has been capable of providing one-stop solutions to its customers. Its products have been widely adopted in video processing and consumer segments, and have further found applications in the automotive and other sectors. With its performance under pressure, Fullhan Microelectronics maintained high R&D investment and accelerated its in-house R&D and innovation in key technologies. It was selected as a national specialized and innovative enterprise. In addition, several of its subsidiaries were selected as provincial and municipal specialized and innovative enterprises.

- In 2023, proactively approaching to national carbon-peak and carbon-neutrality targets, Zhengqi Holdings ventured into the photovoltaic industry by establishing a subsidiary, ZQi Solar Technology Co., Ltd. (正奇光能科技). Early in the same year, Zhengqi Holdings also signed a contract for the 20GW High-Efficiency N-type Solar Cells Smart Manufacturing Project (20GW高效N型電池片智能製造產業化項目) in Ma'anshan, Anhui province. The project, which will be implemented in three phases, saw the operation of the first phase of the 5GW high-efficiency N-type solar cells in December 2023. This represented a key step in Zhengqi Holdings' transition to industrial operations from industrial investment. Meanwhile, Zhengqi Holdings continued to improve and innovate its products and services. Through its "finance + investment + industry" (金融+投資+產業) business model, it fostered the growth of innovative technology enterprises through investment-loan linkage and various empowerment initiatives, thus augmenting the value of its industrial chain. During the Reporting Period, two of Zhengqi Holdings' investee companies were approved to go through the IPO process, and another three submitted listing applications that were accepted for review. To date, Zhengqi Holdings has served more than 6,000 industrial clients. The proportion of business from the strategically important emerging industries was 51% and 87%, respectively, for its debt and leasing businesses. Zhengqi Holdings has also served 22 national specialized and innovative enterprises and 6 provincial specialized and innovative enterprises through its investment business.

Empowered high-quality development by investing in artificial intelligence

Dedicated to an innovation-driven growth strategy, Legend Holdings prioritizes the AI sector within its invested sectors. Since its investment in iFLYTEK in 2000, which marked its first foothold in the AI industry, Legend Holdings has been persistently pursuing AI opportunities. The collective efforts of Legend Holdings and its subsidiaries have culminated in a distinctive AI full-stack solution that integrates underlying technologies with practical business applications, spans products, services, and investments, and puts equal emphasis on short- and long-term values.

- With forward-looking investments in intelligent transformation, Lenovo has embraced AI from all perspectives by building pocket-to-cloud computing capabilities with a suite of AI-embedded smart terminals, AI-oriented infrastructure, and AI-native solutions and services. As the first PC maker to put forward and implement the AI PC vision, Lenovo provides consumers with tailor-made AI solutions through AI PCs. In the realm of AI-oriented infrastructure, Lenovo has built a comprehensive AI product line globally, with its shipments ranking firmly third in the world. In terms of high-performance computing, Lenovo held the first spot in the global TOP500 and Green100 rankings. In the field of AI-native solutions and services, Lenovo's AI Professional Services Practice helps customers develop the best AI strategies in a period of rapid changes. In addition, Lenovo worked closely with NVIDIA to provide professional AI services and has committed RMB7 billion to expedite the AI technology deployment and application. By continuously investing in AI technology innovation and expanding partnerships with other leading producers, Lenovo is well-positioned to capture the tremendous opportunities in the AI era.

- To date, Legend Holdings Family Group have invested in over 200 AI-related companies in various segments. Legend Holdings has grown to be one of the few Chinese enterprises with a full-stack AI portfolio covering layers of "device, technology, model, platform, and application". With invested companies ranging from AI chip developers such as Cambricon Technologies, large language model (LLM) developers such as Zhipu AI, Langboat Technology, and DataGrand to AI application players Pony.ai and Megvii, Legend Holdings boasts industry-leading core technologies across all AI-related sectors, providing inexhaustible impetus for developing new quality productive forces. Meanwhile, Legend Holdings kept driving innovation through collaborations. For instance, it entered into a strategic partnership with Zhipu AI to engage in collaborative efforts in generative AI software and hardware and intelligent solutions and to investigate further opportunities for complementary and win-win cooperation. Moreover, by setting up venture funds with government entities and enhancing the coordination of industries, academia and research institutes, Legend Holdings Family Group is working with partners to drive AI applications and boost AI ecosystem development.

Diversified strategic measures implemented to expedite China's new industrialization

Designated by the CPC Central Committee with Comrade Xi Jinping at its core, the advancement of new industrialization serves as a major strategic plan to achieve the great rejuvenation of the Chinese nation in an era of unprecedented changes. As an enterprise that grew out of the Chinese Academy of Sciences ecosystem, Legend Holdings concentrates on multiple aspects, including building an innovation system powered by efficient collaboration, fostering more resilient and secure industrial and supply chains, and promoting the digital and intelligent transformation of SMEs. It adopted a range of measures to hasten the new industrialization process and drive the building of a manufacturing power of quality.

- Provided impetus for advancing new industrialization through enhanced technological innovation. Legend Holdings continued to achieve breakthroughs in core technologies in key areas and landmark products of strategic significance. During the Reporting Period, Lenovo launched a new generation of AI PC and multiple AI servers. Levima Advanced Materials' polyolefin elastomer (POE) project, with a planned production capacity of 300,000 tons, will break the monopoly in the POE field held by foreign companies. Legend Holdings built an enterprise-led and market-oriented technological innovation system that features in-depth integration among industry, academia, research institutes, and end users. It set up the Legend Holdings Forward-Looking Technology Research Institute (聯想控股前瞻技術研究院), in an effort to build an open and innovative incubation system and empower commercialization of R&D results. It also partnered with research universities to explore approaches to integrated development across education, technology, talent, and industries. Meanwhile, Legend Holdings supported high-tech entrepreneurs and innovation talent through free training programs. About half of the trainees of the 16th CEO Training Program are from frontier technology enterprises. Companies founded by the trainees cover a diverse range, including 32 high-tech enterprises and 28 specialized and innovative enterprises (accounting for 43%), with 11 among the latter titled as national specialized and innovative "little giants".

- Built an industrial ecosystem involving SMEs, leading enterprises, and specialized and innovative enterprises. Leveraging its leading role in the industrial chain, Legend Holdings enhanced the robustness of both upstream and downstream businesses and encouraged domestic substitution, thereby laying a solid foundation for advancing new industrialization. To date, Lenovo has established intelligent collaboration platforms with more than 2,000 core upstream and downstream enterprises. Its supply chain has nurtured 45 national specialized and innovative enterprises, 15 niche-sector leaders, and seven product leaders. Levima Advanced Materials took the lead in achieving domestic substitution of EVA photovoltaic adhesive film materials. It also kept developing vertical industrial clusters in biomaterials and specialized materials in niche segments, intending to build itself into a leading new materials platform company. Fullhan Microelectronics placed great emphasis on the development opportunities along the upstream and downstream industrial chain. It engaged in efforts to incubate and invest in technology start-ups by fully leveraging its professional strengths and the resources and capabilities brought by the industry fund established with Legend Holdings. While creating development opportunities for start-ups, these efforts also enhanced its vertical integration and horizontal expansion capabilities.

- Accelerated the digital and intelligent transformation of SMEs and enhanced the quality and efficiency to advance new industrialization. Aligning itself with national policies, Legend Holdings, as an industrial chain leader, made significant progress in expediting the intelligent transformation of SMEs. Its subsidiary, Lenovo, provided SMEs with a matrix of smart end devices, stable computing power for all scenarios, hybrid cloud, industry solutions, and life-cycle intelligent transformation services. To date, Lenovo has served over a million SMEs and supported the intelligent transformation of more than 30,000 specialized and innovative enterprises, including over 3,000 national specialized and innovative "little giants". Joyvio Group has completed the product R&D of its digital intelligent solutions for the fruit business and continued to explore a comprehensive and widely accepted system powered by digital and intelligent technologies to drive the integration between digitalization and the real economy in the agri-food industry. Its efforts to invigorate innovation and drive development also contributed to the local economy and rural revitalization.

Fulfilled its corporate social responsibilities by engaging in environmentally friendly projects to advance rural revitalization

Since the 19th CPC National Congress, the rural revitalization strategy has been a key component of the broader goal of rejuvenating the Chinese nation. The 20th CPC National Congress further emphasized the need to "move faster to build up China's strength in agriculture and steadily promote the revitalization of businesses, talent, culture, ecosystems, and organizations in the countryside". Contributing to rural revitalization is a significant aspect of Legend Holdings' corporate social responsibilities. Over the course of more than three decades, Legend Holdings has developed distinctive approaches to crucial initiatives such as nurturing rural talent and invigorating rural industries.

- Legend Holdings increased its support for rural education, providing support for more than 3,000 impoverished students in their educational and living expenses through the Legend Enterprising Class (聯想進取班). This program aims to build a strong talent pool to boost the revitalization of rural industries. Lenovo, a subsidiary making the most of its strengths, donated nearly 100 smart classrooms and built an educational ecosystem covering more than 1,500 schools, 300 enterprises, 3,000 teachers, and 10 educational disciplines, to bridge the gap between rural and urban education systems by sharing educational resources.

- Legend Holdings explored tailored development solutions, focusing on practical matters concerning people's livelihoods. Since 2018, it has been supporting the Revolving Loans for Mothers project (母親創業循環金項目), helping women from low-income families start their businesses, which has benefited more than 1,500 people. While making efforts to gradually realize the informatization, standardization and intelligent transformation of agricultural production processes and rural governance services, Lenovo also launched the "Smart Agricultural Brain (智慧農業大腦)" for the government – the "Lenovo Le Farming (聯想Le農)", a platform for smart agricultural and rural development. Joyvio Group developed a digital transformation solution for agri-food scenarios with Chinese characteristics – the "Digital and Intelligent Brain for Agri-food (農食數智大腦)", propelling efforts to enhance the quality and efficiency of the vertically integrated agricultural industry. Thanks to its innovative application of digital and intelligent technology, Joyvio Group's blueberry planting area in Yunnan Province reached 200,000 mu (about 13,333 hectares), creating nearly 200,000 new jobs for local farmers.

Apart from supporting rural revitalization, Legend Holdings actively participated in public-interest and charitable projects in many other ways. Legend Holdings financed livelihood projects, including helping the poor and needy, donating to schools, promoting social integrity, fighting epidemics, and providing disaster relief. In 2023, Legend Holdings Family Group's contributions and donations amounted to about RMB150 million.

OUTLOOK

The decline in operational performance in 2023 requires in-depth reflection by the management. The year 2024 commemorates the 40th anniversary of Legend Holdings' establishment. Legend Holdings will stay true to its original aspiration of revitalizing China through business, continue to drive growth through innovation, and pursue high-quality development. Well-positioned to seize opportunities from this new wave of technological innovation, Legend Holdings is set to enhance the efficiency of transforming R&D results into commercial successes and the industrial application of technological advancements. We will also strengthen our core capabilities by capitalizing on our strengths in AI and other sectors. Meanwhile, we will continue to advance the strategic transformation of the Company and coordinate high-quality development with high-level security. We must confront challenges head-on and diffuse enterprise risks as we refine our business portfolio, increase returns on investments and optimize financial structure. We will encourage talent cultivation and fulfill our corporate social responsibilities. Forging ahead with fortitude, we will integrate ourselves into the country's pursuit of high-quality economic growth and contribute to China's modernization, technological self-reliance, and industrial transformation and upgrading.

Legend Holdings Corporation
LI Peng
Executive Director and Chief Executive Officer

Revenue contributions from the Company and its subsidiaries' businesses

Unit: RMB million

	2023	2022	Change in amount	Change %
Industrial Operations	**431,589**	479,573	(47,984)	(10%)
Lenovo	**392,493**	444,397	(51,904)	(12%)
Levima Group	**6,879**	9,045	(2,166)	(24%)
Joyvio Group	**26,090**	21,568	4,522	21%
BIL	**6,127**	4,563	1,564	34%
Industrial Incubations and Investments	**4,431**	4,095	336	8%
Elimination	**(8)**	(5)	(3)	N/A
Total	**436,012**	483,663	(47,651)	(10%)

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

Unit: RMB million

	2023	2022	Change in amount	Change %
Industrial Operations	**3,078**	4,820	(1,742)	(36%)
Lenovo	**1,982**	4,188	(2,206)	(53%)
Levima Group	**228**	504	(276)	(55%)
Joyvio Group	**(448)**	(794)	346	N/A
BIL	**1,316**	922	394	43%
Industrial Incubations and Investments	**(5,574)**	(2,332)	(3,242)	N/A
Unallocated	**(1,378)**	(1,321)	(57)	N/A
Total	**(3,874)**	1,167	(5,041)	(432%)

Asset allocation of the Company and its subsidiaries' businesses

Unit: RMB million

	2023	2022	Change in amount	Change %
Industrial Operations	**543,372**	555,443	(12,071)	(2%)
Lenovo	**261,392**	274,520	(13,128)	(5%)
Levima Group	**17,964**	15,206	2,758	18%
Joyvio Group	**21,800**	23,088	(1,288)	(6%)
BIL	**242,216**	242,629	(413)	(0%)
Industrial Incubations and Investments	**101,721**	106,089	(4,368)	(4%)
Unallocated	**24,540**	22,696	1,844	8%
Elimination	**(3,900)**	(3,154)	(746)	N/A
Total	**665,733**	681,074	(15,341)	(2%)

BUSINESS REVIEW

As of December 31, 2023, Legend Holdings posted revenue of RMB436,012 million, down 10% year on year. Its net profit was RMB630 million, a decrease of 94% year on year. The net loss attributable to Legend Holdings' equity holders was RMB3,874 million, representing a change from profit to loss. The loss was mainly attributable to the following factors: (1) Against the backdrop of the global economic slowdown, profits contributed by Lenovo and Levima Group in the Company's industrial operations segment declined year-on-year as a result of market and industry factors; (2) The investment gain in the industrial incubations and investments segment declined year-on-year because of the unfavorable market environment.

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 layout in the fields we operate in, leveraging substantive investments and refined post-investment operation and management to foster 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, and offers intelligent solutions, services, and software;

- Levima Group, our subsidiary, which mainly focuses on advanced materials research, development, production and sales;

- BIL, our subsidiary, which mainly provides comprehensive banking services, including corporate, institutional, retail and private banking, capital markets, and other businesses;

- Joyvio Group, our subsidiary, which operates businesses mainly in the fields of modern agriculture and food.

The industrial operations segment's revenue and net profit during the Reporting Period are as follows:

Unit: RMB million

	2023	2022
Revenue	**431,589**	479,573
Net profit	**7,482**	13,730
Net profit attributable to equity holders of Legend Holdings	**3,078**	4,820

During the Reporting Period, revenue from the industrial operations segment was RMB431,589 million, a year-on-year decline of 10%. The net profit attributable to equity holders of Legend Holdings was RMB3,078 million, a year-on-year decrease of 36%. The decrease was caused by the global economic slowdown, resulting in lower revenue and profit for Lenovo and Levima Group due to market and industry factors.

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, 2023, Legend Holdings held a 31.44% equity interest in Lenovo, directly and indirectly.

Despite a multifaceted and complex global environment and shifting market dynamics in 2023, Lenovo sustained solid operating performance. Although the core PC business experienced a decline in performance due to an industry downturn, it resumed its growth in the fourth quarter as the PC industry almost completed its inventory destocking cycle. In spite of a global decline in PC shipments year-on-year, Lenovo managed to maintain its leading position in the PC market distinguished by its exceptional performance and keep its leading profitability. The proportion of revenue from its non-PC business further rose to 42%, demonstrating the effectiveness of its diversified growth drivers. Additionally, Lenovo continued to increase its investments in innovation and R&D personnel to enhance its distinctive edge in artificial intelligence. Lenovo's R&D staff accounts for more than 25% of its total workforce, with R&D expenses in 2023 reaching a record high.

Lenovo's revenue and net profit during the Reporting Period are as follows:

Unit: RMB million

	2023	2022
Revenue	**392,493**	444,397
Net profit	**6,722**	13,487
Net profit attributable to equity holders of Legend Holdings	**1,982**	4,188

During the Reporting Period, Lenovo posted revenue of RMB392,493 million, down 12% year-on-year. The decrease was mainly attributable to a 15% year-on-year decline in the revenue of Intelligent Devices Group (IDG) caused by the inventory destocking cycle, which impacted the entire industry. Lenovo's net profit attributable to equity holders of Legend Holdings decreased by 53% year-on-year to RMB1,982 million, due to a 21% year-on-year decline in IDG's operating profit and the loss recorded by the Infrastructure Solutions Group (ISG) as a result of short-term market pressures.

Intelligent Devices Group (IDG)

The IDG segment is composed of PC, tablet, smartphone, and other smart device businesses. During the Reporting Period, the segment's revenue and operating profit declined 15% and 21% year-on-year, respectively, due to the industry's inventory destocking cycle. Lenovo navigated the external challenges by driving innovation and improving operations and saw the segment resume its positive growth in the fourth quarter. The PC business consolidated its first place in the world with its growth outpacing the market average by 5.8 percentage points. The third-party data showed that its market share was close to 24%, reaching its highest level after the outbreak of Covid-19. The segment's operating profit margin also recovered to an industry-leading 7.4% in the second half of 2023.

IDG is committed to propelling growth in both the PC business and other diversified businesses beyond PCs, primarily through strengthened innovation, superior product offerings, and new solutions. The businesses beyond PCs contributed to a higher share of IDG's revenue. The smartphone business delivered robust results in the Asia-Pacific, and EMEA (Europe, the Middle East and Africa) regions, recording a double-digit year-on-year revenue growth. In the fourth quarter, smartphone shipments increased by nearly 32%, a double-digit growth outperforming the broader market. The proportion of revenue from premium products rose to a record high. The tablet business also beat expectations, with shipments exceeding the average growth rate for the market.

The total available market of the global PC sector is set to recover to a level structurally higher than the pre-pandemic one. PC consumption will continue to trend towards premiumization amid rising demand for AI, ESG, gaming, design, and other functional features. AI capabilities will be a key factor in boosting product pricing and accelerating PC replacement. Lenovo will seize the opportunities created by the business upgrade cycle and product premiumization to ensure that the PC business will stand out from the industry and sustain its strong profitability. In addition, Lenovo is accelerating AI innovation for its terminal devices, expanding the range from hardware to components and software. To capitalize on the accelerated adoption of 5G smartphones, Lenovo will strive for sustained profit growth in the smartphone business by expanding and differentiating its business portfolio. Furthermore, Lenovo will further step up investment in the non-PC business to drive stronger growth, focusing on fostering new businesses such as electronic accessories and work collaboration solutions.

Infrastructure Solutions Group (ISG)

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 came under short-term pressure and recorded a loss of RMB1,008 million caused by slower economic growth, decreasing IT spending by corporates, GPU supply shortage, as well as high R&D spending on AI projects.

As the rebound in global market demand for cloud infrastructure services in the fourth quarter drove growth in computing and storage demand, Lenovo reported its highest quarterly total revenues from the storage, software, and services businesses. In addition, the edge computing business also achieved a strong double-digit growth, marking the 11th consecutive quarter of growth. Lenovo maintained its third-place standing in the world in the storage device and AI infrastructure markets, and the top position in the global TOP500 and Green100 rankings in terms of high-performance computing.

In response to the escalating demand for AI computing power, Lenovo announced its AI computing power strategy, aiming to build an AI-based computing power infrastructure and develop a diversified array of products and solutions. Leveraging its profound technological foundation in AI infrastructure and visionary strategic approach, Lenovo has begun generating revenue from its generative AI products. To meet the increasing requirements for computing power performance, Lenovo continued to enhance its product competitiveness and delivery proficiencies. It is positioned to provide AI infrastructure software and hardware products, as well as complete solutions to customers in various industries, supported by its comprehensive product line, strong development and service capabilities, and heterogeneous intelligent computing platform. Looking ahead, Lenovo will continue to strengthen the competitiveness of its high-margin and high-value-added product portfolio. The ESMB segment will also capitalize on growth opportunities in AI Powered Edge, hybrid cloud, High Performance Computing, and solutions for the Telco/communication sectors. For the CSP segment, ISG has a unique ODM+ business model to cater to the growing demand for vertically integrated supply chains. Such approach will achieve a great balance between general purpose and customized offerings.

Solutions and Services Group (SSG)

Targeting the fast-growing "New IT" service field, SSG is committed to driving Lenovo's service-oriented transformation. It consists of three major business segments: Support Services, Maintenance Services, and Project & Solution Services. During the Reporting Period, SSG delivered strong growth in revenue and profitability. Both revenue and operating profit registered record highs, increasing by 19% and 12% year-on-year to RMB51,486 million and RMB10,435 million, respectively. The operating profit margin stood at 20%, which was significantly higher than those of other business segments.

During the Reporting Period, the Support Services segment achieved a year-on-year revenue growth of 13%, driven by the higher penetration of Premier Support and Premier Support Plus services. Continued expansion in the Device-as-a-Service (DaaS) and Infrastructure-as-a-Service (IaaS) segments drove up the revenue of the Maintenance Services segment by 37% year-on-year. SSG won its largest TruScale IaaS deal to date in the fourth quarter. In addition, Lenovo's Maintenance Services segment became the preferred choice for a number of international companies expanding overseas thanks to its professional technical support and global resources. The Project & Solution Services segment's revenue grew 17% year-on-year, propelled by strong demand for integrated complex solutions across verticals and effective cross-team execution.

Going forward, enterprises will maintain a strong demand for hybrid AI solutions. Lenovo will continue to launch new AI-native services and AI-embedded functions that cater to customer needs in areas such as digital workplaces, hybrid cloud and sustainability services. It will also drive continued growth in SSG by providing high-value-added support services for deployed PCs and infrastructure. Moreover, Lenovo will further strengthen cooperation with channels and business partners to help customers accelerate digital transformation.

Levima Group

Levima Advanced Materials (Stock Code: 003022.SZ) is held by the Company through our subsidiary Levima Group. Levima Advanced Materials mainly engages in the R&D, production and sale of advanced material products. As of December 31, 2023, the Company held a 51.77% equity interest in Levima Advanced Materials.

During the Reporting Period, in terms of strategic layout, Levima Advanced Materials remained focused on the advanced materials sector, adhering to a green, low-carbon, shared and high-quality growth strategy. To expand its footprint, it focused on investing in new energy materials, biodegradable materials, and specialized materials through the following projects:

(1) In the field of new energy photovoltaic adhesive film materials, Levima Advanced Materials made headway on its "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), and accelerated efforts to expand annual production capacity by 200,000 tons of EVA from the existing 150,000 tons. When the new capacity becomes operational in 2025, the annual production capacity of EVA will exceed 350,000 tons, leading to more flexible production operations and an optimized product mix supported by the two types of EVA production devices with different techniques. In addition, the VA device with an annual capacity of 90,000 tons, was successfully commissioned on its first run in January 2024, allowing Levima Advanced Materials to further reduce production costs with a complete self-supply of raw materials for the existing EVA devices and a stable supply of VA raw materials for the 200,000 tons-per-year EVA device that is under construction. While maintaining its competitive strength in EVA products, Levima Advanced Materials is also expanding its presence in the POE business, with a planned project of 300,000 tons in annual capacity to produce high-end olefin materials such as POE photovoltaic adhesive film materials and toughening materials. The first phase of the 100,000-tons-per-year POE project is expected to be completed and put into operation in 2025. Going forward, Levima Advanced Materials will offer both EVA and POE photovoltaic adhesive film products, further diversifying its footprint in new energy photovoltaic materials and reinforcing its core competitiveness.

(2) In terms of new energy battery materials, Levima Advanced Materials looks to develop its footprint across multiple categories of lithium battery materials with synergistic advantages, building on its existing business in UHMWPE, lithium battery carbonate solvents and additives. It completed the mid-term delivery of its 20,000-tons-per-year UHMWPE device in January 2024. Positioned to produce high-end products, the device applies the jointly developed new continuous process technology, ensuring product quality and stability. The main raw materials required for the 100,000-tons-per-year lithium battery carbonate solvent project, such as EO and carbon dioxide, are all produced by Levima Advanced Materials itself, which creates synergies with the existing industrial chain and contributes to resource recycling and multipurpose use. On lithium battery additives project, the 4,000-tons-per-year VC device is scheduled to become operational in the first half of 2024 and the products will boast technical and industry chain advantages. As Levima Advanced Materials continued to track the developments of the new energy battery industry, it strengthened R&D efforts for new products in key new energy battery materials, improved its materials synthesis and R&D application platform, and innovated battery materials. During the Reporting Period, Levima Advanced Materials and Beijing WeLion New Energy Technology Co., Ltd. (北京衛藍新能源科技有限公司) jointly established Levima WeLion (Jiangsu) New Energy Technology Co., Ltd. (聯泓衛藍（江蘇）新能源技術有限公司) to ramp up the R&D, production and sale of key functional materials for solid-state batteries and semi-solid-state batteries. Moreover, Levima Advanced Materials became the largest shareholder of Wenzhou Nashu New Energy Technology Co., Ltd. (溫州鈉術新能源科技有限公司) through strategic investment, aiming to expand into the segment of cathode materials for sodium-ion batteries and drive the R&D and production of Prussian White cathode materials. Such investments enabled Levima Advanced Materials to further diversify its product portfolio of new energy battery materials and expand its footprint in the relevant business.

(3) In the area of biomaterials, Levima Advanced Materials grew its footprint across multiple products, including PLA and PPC, leveraging its proprietary development technologies. It accelerated the construction of biodegradable materials projects. The 100,000-tons-per-year lactic acid device and the 40,000-tons-per-year PLA device are slated to become operational in the first half of 2024, so is the 50,000-tons-per-year PPC device in 2025. These projects are coordinated with existing production bases and industrial chains, contributing to resource recycling and multipurpose use and delivering the benefits of industrial chain integration. The project of "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 included on the list of national key R&D programs by the Ministry of Science and Technology. Meanwhile, Levima Advanced Materials developed key technologies for the chemical recycling of biodegradable materials and technologies for the enzyme catalysis and separation and purification of bio-based chemicals, driving the development and industrialization of new biomaterials, including one for new bio-based sugar substitutes.

(4) In the specialty fine materials segment, Huayu Tongfang (華宇同方), a subsidiary of Levima Advanced Materials, accelerated 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), which produces electronic-grade hydrogen chloride and electronic-grade chlorine. These products are widely used in applications including display panels, semiconductor chips and solar panels. Once operational, the project will expand Levima Advanced Materials' product portfolio to semiconductors industrial chain.

In terms of production and operations, Levima Advanced Materials continued to achieve technological breakthroughs, improve operational efficiency, and ensure the safe, stable and efficient operation of all production devices. During the Reporting Period, the operational cycle of the EVA device was optimized, driving a 13% year-on-year increase in EVA output in 2023. Levima Advanced Materials also reduced Polypropylene (PP) production costs and reached a milestone in the revamp of its PP devices which increased their workload, one of the steps taken to explore new products and reduce costs. Meanwhile, through benchmarked management, it overhauled the Methanol-to-Olefins (MTO) device for methanol pre-heating and optimized the reflux ratio of the EO rectifying tower, thus reducing operational costs. Levima Advanced Materials implemented a number of energy-saving measures, reducing steam consumption by 7% year-on-year. It also capitalized on synergies with its subsidiary Levima Chemical (聯泓化學) to lower costs and improve efficiency through a new desalinated water linkage and a steam pipeline network.

In terms of market expansion, Levima Advanced Materials maintained a good foothold in the niche markets for advanced polymer materials and specialty fine materials. It flexibly scheduled production and optimized product mix based on market demand and product profitability, thus increasing the proportion of high-margin products such as EVA and niche products, including specialty surfactants. Meanwhile, Levima Advanced Materials developed plans as new projects become operational in order to drive sales of new products and identify potential customers.

In terms of innovation, Levima Advanced Materials remained committed to the strategy of innovation-driven development. It continued to strengthen R&D efforts in basic materials and engaged in both independent and collaborative R&D activities. During the Reporting Period, Levima Advanced Materials set up its Innovation Committee to integrate innovation resources, enhance collaboration, pinpoint development trends, expand investment in new industries, and drive the commercialization of innovation results. Levima Advanced Materials accelerated independent R&D and innovation in new energy materials, biomaterials, specialty fine materials, and electronic materials. In the realm of new energy materials, Levima Advanced Materials stepped up R&D efforts for new products in key new energy battery materials. With an improved materials synthesis and application evaluation platform, and a test platform for soft pack batteries, Levima Advanced Materials developed key functional materials for new batteries, such as solid-state batteries and semi-solid-state batteries, and completed the development of small-scale pilot processes for several types of lithium materials. On biomaterials, Levima Advanced Materials developed key technologies for the chemical recycling of biodegradable materials as well as enzyme catalysis and separation and purification technologies for bio-based chemicals and drove the industrialization of other new biomaterials. In specialty fine materials, Levima Advanced Materials completed the development of such high-end products as photovoltaic cutting fluid polyether and photovoltaic wetting agents. In electronic materials, it improved its layout in electronic specialty gases by creating a platform for composite distillation and quantitative calculations and developing various relevant process technologies.

During the Reporting Period, Levima Advanced Materials passed the certification review for its High- and New-Technology Enterprise (HNTE) status, and its subsidiary Levima Research Institute was certified as an HNTE. Committed to the development and innovation of new products and technologies, Levima Advanced Materials completed the laboratory R&D for 13 new products or processes, production process development for 17 new products and the industrialization of 13 new products. Besides, Levima Advanced Materials applied for 63 patents, including 32 invention patents, and added 35 granted patents, including 17 invention patents. As of the end of the Reporting Period, Levima Advanced Materials held a total of 250 granted patents, including 85 invention patents. Additionally, Levima Advanced Materials was ranked among 2023's Top 500 Petroleum and Chemical Enterprises in China; Top 100 Private Petroleum and Chemical Enterprises in China; Top 100 Fine Chemical Enterprises in China; Best Managed Companies in China; Benchmark Enterprises for Management in Shandong Province; Top 100 Private Enterprises with Innovation Potential in Shandong Province; Top 50 Chemical Enterprises with Development Potential in Shandong Province; Top 50 Chemical Enterprises as Measured by Development Potential Index in Shandong Province; and 2022's Top 50 New Materials Enterprises in Shandong Province. Moreover, Levima Advanced Materials received Grade A for the 2022 annual information disclosure assessment by the Shenzhen Stock Exchange (SZSE), and the 2023 Awards for Outstanding Practice of the Board of Directors for Public Companies and for Best Practice of the Board of Directors' Office for Public Companies from China Association for Public Companies. Levima Advanced Materials was included in the list of underlying stocks for margin trading on the SZSE. It was also included in the SZSE Component Index, the Shenzhen Stock Connect, the FTSE Russell Large Cap, the CSI 500 and the CSI Photovoltaic Industry Index.

Levima Group's revenue and net profit during the Reporting Period are as follows:

Unit: RMB million

	2023	2022
Revenue	**6,879**	9,045
Net profit	**444**	984
Net profit attributable to equity holders of Legend Holdings	**228**	504

During the Reporting Period, Levima Group recorded revenue of RMB6,879 million, a decrease of 24% year on year, which was mainly attributable to slower downstream demand growth and declining product prices. Levima Group's net profit attributable to equity holders of Legend Holdings was RMB228 million, a decrease of 55% year-on-year. The decrease in performance was largely attributable to the decline in revenue, coupled with diminishing gross profit margin due to high energy prices and narrowing product-to-material price spreads.

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 three bank in Luxembourg in terms of market share and is recognized as one of the Systemically Important Banks (SIBs) by the European Central Bank. As of December 31, 2023, Legend Holdings held 89.98% equity interest in BIL.

Prior to the acquisition by Legend Holdings, BIL's operations were mainly focused on the European market. After the acquisition, China became 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.

Throughout 2023, European central banks continued to tighten monetary policies amid multiple macroeconomic challenges, such as geopolitical shifts and high inflation. The euro zone's economy faced sustained pressures, leading to a lingering deceleration in growth. In response to the challenges, BIL initiated strategic transformations and upgrades, capitalizing on its emerging technologies and evolving market trends to build momentum for sustainable growth. During the Reporting Period, BIL remained committed to supporting its diverse clientele, which included entrepreneurs, institutions, and individual clients, with a suite of innovative financial solutions. It also provided comprehensive and professional advisory services to its commercial clients across principal markets, equipping them to confront the aforementioned economic challenges. Concurrently, BIL refined its risk management system, ensuring the continuity and resilience of its operations, while expanding sustainable product and service offerings into new areas.

In 2023, BIL successfully launched its new Core Banking System, a system that provides an integrated platform for BIL's future technological applications. The system also allows BIL to be even more responsive to customer needs and improve expense control while speeding up its structural strategic transformations, including its development into a future-proof and robust operating model.

In terms of sustainability investments, BIL has made significant progress in strengthening its ESG commitments and expanding its ESG investment product and service offerings. It now has six investment funds for this purpose. In addition, BIL has launched a range of products in green financing, including solar panel loans, climate loans, and environmentally friendly vehicle financing. Since the inauguration of the Green Bond Framework in May 2022, BIL has issued multiple green bonds to investors. As a member of the Belt and Road Bankers Roundtable (BRBR), BIL designed a case, which was selected as an excellent one in the BRBR Green Finance Practice Cases (2023 Edition). Besides, it plans to launch a brand-new business offering ESG solutions for clients in 2024, which has already obtained ESG-related certification.

In 2024, BIL will stay committed to prioritizing customers and will leverage its new Core Banking System to create a new paradigm in developing comprehensive commercial banking services for future growth. Additionally, BIL will enhance its new Target Operating Model to establish a more flexible and efficient banking system and consistently solidify its position as the top-choice bank among entrepreneurs.

Despite the complex macroeconomic environment, BIL delivered sound financial performance during the Reporting Period, thanks to the resilience of its businesses and its solid risk management capabilities:

- Facing an adverse global landscape, BIL prudently increased its provision and recorded a net profit after tax of EUR202 million, up by EUR49 million or 32% year-on-year. The surge was driven by solid revenue growth and good expense control;

- Assets Under Management (AUM) increased to EUR43.8 billion, compared with EUR43.5 billion at year-end of 2022. Customer deposits decreased by 12% to EUR18.5 billion compared with EUR21 billion at year-end 2022. Customer loans decreased slightly to EUR16.3 billion, down from EUR16.5 billion at the end of 2022. Customer deposits and loans shrank as high interest rates incentivized clients to move their deposits to more remunerative products and proceed to the early repayment of their floating-rate loans;

- At the end of 2023, BIL showcased sound asset quality and strong liquidity indicators, with CET-1 ratio (before profit allocation for 2023) remaining healthy at 13.37%, and the liquidity coverage ratio registering at 174%;

- At the end of 2023, BIL's ratings by both Moody's and Standard & Poor's remained unchanged at A2/Stable/P-1 and A-/Stable/A-2, respectively.

BIL's revenue and net profit during the Reporting Period are as follows:

Unit: RMB million

	2023	2022
Revenue	**6,127**	4,563
Net profit	**1,463**	1,024
Net profit attributable to equity holders of Legend Holdings	**1,316**	922

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, and it is now expanding its footprint in the smart nutrition and digital and intelligent agricultural and food businesses. As of December 31, 2023, Legend Holdings held a 77.829% equity interest in Joyvio Group.

In the fruit supply chain, Joyvio Group owns Joy Wing Mau (鑫榮懋), China's largest vertically integrated fruit company, and Bountifresh (鑫果佳源), China's leading fruit producer. Joyvio Group has created a leading global operations platform with a fully integrated industrial chain that propels digital and intelligent transformation. Joy Wing Mau capitalized on market growth and implemented a core product strategy leveraging its channel advantages, achieving a year-on-year revenue growth of 37.9%. Bountifresh continued to reinforce its advantages in the production of premium blueberries, achieving record-high output, and introduced new fruit varieties to upgrade its offerings. It also actively expanded into new product categories and explored new business areas such as storing and processing and digital brand empowerment to foster new growth drivers.

In the seafood supply chain, Joyvio Group owns KB Food, a leading Australian seafood supplier, Joyvio Food (Stock Code: 300268.SZ) and its subsidiary Australis Seafoods S.A., Chile's leading salmon producer, as well as China Starfish (青島國星), a leading pollock and coldwater shrimp supplier based in Qingdao, China. Based on this business structure, Joyvio Group continued to expand and consolidate its global animal protein supply chain.

Joyvio Group's revenue and net loss during the Reporting Period are as follows:

Unit: RMB million

	2023	2022
Revenue	**26,090**	21,568
Net loss	**(1,147)**	(1,766)
Net loss attributable to equity holders of Legend Holdings	**(448)**	(794)

During the Reporting Period, Joyvio Group's fruit business reported revenue and net profit growth. Its subsidiary Joyvio Food, however, suffered a loss due to a significant decline in gross profit, as its overseas salmon business was pressured by geopolitical conflicts pushing up feed costs, inflation-induced expenses, and a large interest burden caused by rising U.S. dollar rates. These factors combined resulted in a revenue of RMB26,090 million for Joyvio Group, a year-on-year increase of 21%, and a net loss attributable to equity holders of Legend Holdings of RMB448 million.

(1) Fruit business

During the Reporting Period, Joy Wing Mau continued to capitalize on market growth, with a focus on core products in key regions, achieving a year-on-year revenue growth of 37.9%. Joy Wing Mau also continued to strengthen its supply chain. Its intelligent warehousing and logistics centers in Shenyang and Shenzhen commenced trial operations. As of December 31, 2023, Joyvio Group held a 39.46% equity interest in Joy Wing Mau.

Bountifresh comprehensively upgraded its blueberry varieties during the Reporting Period, achieving record-high output and fueling rapid revenue growth on a year-on-year basis. Apart from maintaining its leading position in the blueberry market, Bountifresh also steadily increased its market share in the pineapple market, a new business category. To identify new growth opportunities, it enhanced place-of-origin standardization, informatization, and branding in the new category. As of December 31, 2023, Joyvio Group held a 63.78% equity interest in Bountifresh.

(2) Animal protein business

Joyvio Food's new salmon processing plant in Chile commenced operations during the Reporting Period, further improving its product quality. On the one hand, it recorded a significant loss due to factors such as higher costs driven by geopolitical conflicts and inflation, and elevated interest expenses amid rising U.S. dollar rates. On the other hand, its subsidiary China Starfish further reinforced its leading position in the pollock and coldwater shrimp businesses and delivered steady growth in both revenue and net profit. Besides, Joyvio Food also established an innovative offline fresh-cut fruit chain brand to meet consumer needs directly, which received a positive market response. As of December 31, 2023, Joyvio Group held a 46.08% equity interest in Joyvio Food.

KB Food doubled the output of its seafood processing factory in Victoria on Australia's east coast during the Reporting Period, by continuing to consolidate its leading position in the Australian retail market through product innovation and branding. The catering business posted solid revenue growth in the transition from product-oriented to customer-oriented operations. As of December 31, 2023, Joyvio Group held 100% equity interest in KB Food.

(3) Smart nutrition services and digital and intelligent agricultural and food businesses

During the Reporting Period, Joyvio Group built up core competencies in smart nutrition services by completing the business restructuring, rolling out a number of national benchmark demonstration projects, furthering regional integration of the group meal business, and developing and upgrading new products, including an AI nutritionist chatbot and an AI smart food safety cube (AI智能食安盒子). For internal digital and intelligent practices, it completed the digital and intelligent construction at its headquarters and across major business lines. In this regard, Joyvio Group received such honors as the Annual Panel Award in the selection of the well-known Dingge Award (鼎革獎), and the Ram Charan Management Practice Award (拉姆•查蘭管理實踐獎), affirming its digital and intelligent transformation capabilities and practices for the agricultural and food industries. For external digital and intelligent practices, Joyvio Group started exploring the commercialization of its digital and intelligent business for the agri-food industry, in a move to provide industrial partners with a full range of agri-food digital and intelligent services integrating software and hardware operation and maintenance.

Industrial Incubations and Investments

Overview

Legend Holdings stays committed to its aspiration of revitalizing China through business and its mission of advancing China's technological innovation. Capitalizing on its experience in facilitating the commercialization of technological achievements and its professional advantages in fund investment, and with the objective of pursuing long-term corporate development or generating substantial financial returns, Legend Holdings intends to nurture or establish 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 that focuses on early-stage venture capital and growth-stage private equity investment;
- Legend Star, an early-stage investment and incubation subsidiary 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 smart video, smart homes, and smart automotive products;
- Lakala (Stock Code: 300773.SZ), which mainly provides merchants with a full spectrum of digitalization services covering payments, technology, supply sourcing, logistics, finance, branding, and marketing;
- EAL (Stock Code: 601156.SH), which mainly engages in the air logistics business;
- Zhengqi Holdings, which mainly provides scientific and technological enterprises with comprehensive solutions, such as equity investment, science and technology loans, financial leasing, and commercial factoring and operates photovoltaic industry entities;
- JC Finance & Leasing, which mainly provides financial leasing services for MSMEs;
- Hony Capital, which runs private equity investment, real estate investment, public offering funds, hedge funds and venture capital businesses;
- Shanghai Neuromedical Center, which provides neurology specialty and other comprehensive hospital services;

- Hankou Bank, which mainly engages in commercial banking services;
- Bybo Dental, a chain provider of dental healthcare services; and
- Raycom Property Investment and Raycom Technology, which mainly holds the Raycom Infotech Park, an investment property.

The industrial incubations and investments segment's revenue and net loss during the Reporting Period are as follows:

Unit: RMB million

	2023	2022
Revenue	**4,431**	4,095
Net loss	**(5,474)**	(2,015)
Net loss attributable to equity holders of Legend Holdings	**(5,574)**	(2,332)

During the Reporting Period, revenue from the industrial incubations and investments segment was RMB4,431 million, a year-on-year increase of 8%. The net loss attributable to equity holders of Legend Holdings was RMB5,574 million, which was mainly caused by the decline in the number of listed enterprises promoted by the industrial incubations and investments segment and the fluctuation of investment income due to the volatile capital market and the slowdown in the progress of investment exits.

Legend Capital

Legend Capital is one of the leading private equity investment institutions in China. As of December 31, 2023, Legend Capital managed a total of nine USD TMT funds (three 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, four RMB funds specializing in the healthcare sector, one RMB healthcare sector frontier fund, two RMB funds specializing in the culture and sports sector, two funds operated in collaboration with local governments (one of which was settled), one fund focusing on the red-chip return concept, two USD continuation funds, one RMB continuation fund and one special fund, with a combined AUM of more than RMB80 billion. As of December 31, 2023, Legend Capital had raised funds of more than RMB9 billion.

During the Reporting Period, Legend Capital completed 28 new investment projects, spanning innovative and growth-stage enterprises in the advanced manufacturing, technology and services, TMT, and healthcare sectors. It partially or completely exited 65 projects.

As of December 31, 2023, 110 of Legend Capital's portfolio companies had gone public (excluding those listed on the National Equities Exchange and Quotations (NEEQ)).

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 technologies.

As of December 31, 2023, Legend Star managed 11 funds, the combined AUM of which reached nearly RMB5 billion. It invested in over 350 domestic and overseas projects, including iDreamSky Games (樂逗游戲), Megvii Face++ (曠視科技 face ++), AISpeech (思必馳), LOCKIN (鹿客科技), Axera (愛芯元智), 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), ORIENSPACE (東方空間), KHAT (孔輝科技), Burning Rock Dx (燃石醫學), Kintor Pharma (開拓藥業), PegBio (派格生物), Keymed Biosciences (康諾亞生物), Axonics, HiFiBiO (高誠生物), Ribo Life Science (瑞博生物), Coyote Bioscience (卡尤迪生物), Edge Medical (精鋒醫療) and other high-quality projects.

During the Reporting Period, Legend Star engaged in more than 20 domestic and overseas investment projects, spanning various niche segments such as large language models, semiconductor chips, new energy, advanced materials, biopharmaceuticals, and digital and intelligent healthcare. Among the projects under management, nearly 60 secured the next round of funding, and nearly 15 projects were exited. Adlai Nortye (阿諾醫藥), a portfolio company of Legend Star, was listed on NASDAQ. Legend Star also closed its fifth RMB fund.

Fullhan Microelectronics

In 2020, Legend Holdings made a strategic investment in Fullhan Microelectronics through its subsidiary, gaining its first foothold in the semiconductor sector. As of December 31, 2023, Legend Holdings held a 15.75% equity interest in Fullhan Microelectronics through its subsidiary.

Fullhan Microelectronics is a video-based chips and solutions provider with a long track record in the field of vision, covering applications such as smart video, smart IoT, and smart automotive products. Through continuous technological innovation and refinement, it has become an "internationally renowned and domestically leading" provider of intelligent vision chips and technical services.

In 2023, Fullhan Microelectronics managed to maintain its leading position in the industry despite a decline in operational performance caused by a global economic slowdown, dampened consumer electronics demand, and ongoing international trade disputes and other adverse impacts. It continued to pursue market demand and increased its R&D efforts across its three major business segments – smart video, smart IoT, and smart automotive products. It also accelerated the introduction of new products and exploration of new market opportunities, uncovering a wider array of innovative application scenarios. These efforts have continuously enhanced Fullhan Microelectronics' comprehensive competitiveness.

During the Reporting Period, in addition to solidifying its presence in the smart video market, Fullhan Microelectronics also achieved breakthroughs in key product lines such as automotive imaging and smart homes. Leveraging its robust R&D capabilities and the rapid expansion of its application-based downstream customer base, Fullhan Microelectronics garnered favorable market responses and customer recognition in consumer and automotive electronics, spurring a secondary growth trajectory.

For smart video, Fullhan Microelectronics offers one-stop products and solutions with front-end and back-end collaboration. Leveraging its established brand image and reputation, which are built on its reliable and high-performance products, Fullhan Microelectronics has maintained solid business relations with top industry players. These partnerships provide Fullhan Microelectronics with in-depth insights into the latest industry developments, which enables prompt adaptations to product customization and innovations to stay ahead of changing market conditions. In the smart IoT segment, Fullhan Microelectronics focused on AIoT by consistently expanding multiple-scenario applications. Its AIoT chip products gained significant market penetration in sectors such as education and office, commercial retail, and industrial applications, empowering digital transformation across these industries. In the smart automotive products segment, Fullhan Microelectronics has achieved full coverage of application scenarios in automotive electronics and has gained market recognition for its high-performance products and rapid response to market trends. Several of its newly launched automotive-grade chip products have been adopted by mainstream automotive brands, supporting a wide range of automotive applications including new energy vehicles. Fullhan Microelectronics has forged strong partnerships with major car manufacturers, a relationship that is poised for further growth in the future.

In 2024, Fullhan Microelectronics will endeavor to achieve new technological breakthroughs across industrial vision, robotics, and AI chips to maintain its advantages in domestic markets while expanding its presence in overseas markets, providing strong momentum for future growth.

Lakala

Lakala's principal operations comprise digital payments and technology services. As a provider of services for digital business operations, Lakala is committed to the philosophy of "people-oriented payments". Committed to advancing the building of a digital China and serving the real economy, Lakala promotes digital payments, shares digital technology, and delivers digital value. All this has laid a solid foundation for Lakala's sustainable development. As of December 31, 2023, Legend Holdings held a 26.14% equity interest in Lakala.

During the Reporting Period, Lakala took advantage of the recovery of the domestic offline consumption, pushed forward product innovation and market expansion, and strengthened compliance management. It recorded RMB4.51 trillion in total transaction volume throughout the year and maintained its industry-leading position. Its QR code transaction volume was up 31% year-on-year, recording RMB1.2 trillion. In short, Lakala's revenue increased, and the profitability of its main business improved.

EAL

EAL mainly engages in the air logistics business. As of December 31, 2023, Legend Holdings held a 13.29% equity interest in EAL.

During the Reporting Period, the air logistics market was pressured by declining import and export demand, influenced primarily by a broader economic slowdown and subdued demand growth. Despite the headwinds, EAL prioritized stability while making progress. By focusing on its main responsibilities and main businesses, EAL upheld high-quality development and high-level security, and promoted the reasonable qualitative and quantitative growth of its business. In the air express business, EAL continued to strengthen its operational capacity and expanded its fleet in a well-considered way. It introduced three B777 freighters in 2023, bringing its all-cargo fleet to a total of 14 B777 freighters as of the end of the Reporting Period and achieving uniformity of its fleet types. It also further improved its air freight network by increasing flight frequencies on popular routes. EAL established a well-connected domestic and international air freight network providing wide coverage and easy access. The domestic network effectively integrated dual-regional operations in eastern and southern China, with Shanghai as the core hub and Guangzhou and Shenzhen as major hubs. Internationally, an efficient and comprehensive network was developed with Europe and the United States being primary markets and the Asia Pacific as secondary market. In terms of comprehensive ground services, EAL further enhanced its freight terminal service capacity and expanded its one-stop air services to several airports, including Shanghai Hongqiao International Airport. Besides, EAL sped up its construction of the Western Freight Area of Shanghai Pudong International Airport, Ningbo Fresh Produce Terminal, and Chengdu Fresh Produce Terminal, thereby accelerating the layout of its ground service network with increased service capability. EAL also made progress in building smart freight terminals and its digital transformation initiatives to boost operational efficiency. In terms of comprehensive logistics solutions, EAL drew on its resource integration strengths and service capabilities to ensure the security and stability of customers' supply chains, rapidly responding to their evolving needs and removing logistic blockades. In addition, EAL continued to strengthen cooperation with leading cross-border e-commerce platforms to expand its presence in various niche markets. It accelerated the building of a fresh produce express freight network by integrating a "two-axis, four-wing" product and cold-chain transport system. It also partnered with Freightos, the world's leading cargo booking and payment company, and cargo.one, a German online air freight booking platform to deepen the development of the global freight logistics market.

Zhengqi Holdings

Zhengqi Holdings is an innovative investment holding group focused 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, 2023, Legend Holdings held a 94.62% equity interest in Zhengqi Holdings.

During the Reporting Period, Zhengqi Holdings aligned with Legend Holdings' aspiration of revitalizing China through business and oriented itself towards "ecological empowerment, industrial and financial coordination, investment-loan linkage and winning market share" (生態賦能、產融共創、投貸聯動、正合奇勝). It also advanced on its strategic transformation to foster a second growth trajectory and accelerate its transition from industrial investment to industrial operations.

During the Reporting Period, Zhengqi Holdings established a subsidiary called Zhengqi Photovoltaic Power Technology, marking its first foray into the photovoltaic industry. Such move aligns with the national carbon peak and carbon neutrality goals. Zhengqi Holdings also signed a contract for a 20GW N-type cell smart manufacturing project in Ma'anshan City, Anhui Province, with the 5GW Phase I project put into operation on December 22, thus achieving its goal of contracting, constructing and operating in the same year. This expanded Zhengqi Holdings' presence in industrial entities, fueling its long-term sustainable development.

Zhengqi Holdings continued to improve the structure of its debt business, focusing on increasing the medium- and long-term value of underlying assets. It had a higher proportion of clients operating in strategically important emerging industries such as semiconductors, high-end equipment manufacturing, advanced materials, new energy, energy conservation, and environmental protection. In terms of equity investment, among its portfolio companies, Hefei Snowky Electric Co., Ltd. (合肥雪祺電氣股份有限公司) was listed on the main board of Shenzhen Stock Exchange on January 11, 2024, Baotou INST Magnetic New Materials Co., Ltd. (包頭市英思特稀磁新材料股份有限公司) was approved to go public on August 17, 2023, Changzhou Wujin Zhongrui Electronic Technology Co., Ltd. (常州武進中瑞電子科技股份有限公司) received approval for its ChiNext listing application in January 2024, and Hanshow Technology Co., Ltd. (漢朔科技股份有限公司) and Suzhou Lilai Industrial Intelligent Manufacturing Co., Ltd. (蘇州利來工業智造股份有限公司) submitted listing applications, which have been accepted for review. By the end of the Reporting Period, Zhengqi Holdings has invested in 72 companies, 12 of which have gone public. Anhui Zhidao Investment Co., Ltd., Zhengqi Holdings' wholly-owned subsidiary, managed eight private equity funds.

JC Finance & Leasing

JC Finance & Leasing, a Legend Holdings subsidiary, specializes in financial leasing and related financial businesses. Backed by its collaboration with well-regarded domestic and overseas equipment manufacturers, it focuses on industries and industrial chains and develops its financial leasing business in fields that represent new key growth drivers of China's economy, such as advanced manufacturing, energy conservation, and environmental protection, digital information, agri-food, healthcare services, public services, and transportation. As of December 31, 2023, Legend Holdings held a 90.31% equity interest in JC Finance & Leasing.

As the Chinese economy recovered, JC Finance & Leasing seized the opportunity to achieve robust business growth during the Reporting Period. The leasing assets increased to RMB13,708 million as compared to the beginning of the year and its revenue has seen a year-on-year growth as of the end of the Reporting Period. JC Finance & Leasing served altogether 4,500 MSMEs, continuously providing high-quality financial services to entity enterprises. During the Reporting Period, JC Finance & Leasing issued its first RMB-denominated ESG syndicated loan of RMB600 million and three asset-backed notes (ABN), with a total financing of RMB3.79 billion. The proceeds will be used to support domestic MSMEs, create jobs, and practice sustainable development. During the Reporting Period, JC Finance & Leasing was listed among China's top 50 financial leasing companies by Forbes in 2022, and won the China Financial Leasing Achievement Award for 2023 and the 2023 Top Human Resources Management Awards, garnering further recognition from the market.

Hony Capital

Hony Capital runs private equity investment, real estate private equity investment, securities funds (onshore publicly offered funds and offshore privately offered funds), dedicated investment accounts, and proprietary capital investment businesses. As of December 31, 2023, Hony Capital mainly managed eight equity investment funds, three property funds, one cultural industry fund, one capital fund, one green capital fund, the Technology and Innovation Capital Fund (科創創投基金), and the Hongshang Capital Fund (弘尚創投基金).

Hony Capital has strategically concentrated its private equity investment business within China, targeting key sectors such as life and health, green and low-carbon initiatives, digital creative technology, mass consumption and services, and real estate investment. Through its investments, Hony Capital has added value to more than 100 industry leaders. Its portfolio companies include China Glass Holdings (中玻控股), CSPC Pharmaceutical Group (石藥集團), ZOOMLION (中聯重科), Simcere Pharmaceutical (先聲藥業), ByteDance (字節跳動), POWERKEEPER (電管家), Shanghai Chengtou Holding (城投控股), Jin Jiang International Holdings (錦江股份), ENN Natural Gas (新奧股份), and Meishubao (美術寶). Hony Capital's private real estate fund business has focused on value-added commercial real estate investments within the central cities of China. It has established a large-scale and unique competitive edge in China's real estate investment market with a unique blend of "real estate + finance + operations" capabilities. It has about 900,000 square meters of commercial property assets under management in first-tier cities. Hony Horizon Fund Management Co., Ltd. (弘毅遠方基金) is a public offering fund management company operating under Hony Capital that specializes in secondary market investments and fund management services. It manages eight public funds, including six hybrid funds, one index fund, and one bond fund. Owned by Hony Capital, Goldstream Investment (金涌投資) is a multi-manager, multi-strategy, and multi-asset investment and service platform powered by human and machine intelligence and oriented towards both domestic and overseas markets.

Shanghai Neuromedical Center

Shanghai Neuromedical Center is a specialized hospital built in accordance with specialized tertiary hospital standards. It specializes in clinical neuroscience and also provides comprehensive healthcare services. As of December 31, 2023, Legend Holdings held a 58% equity interest in Shanghai Neuromedical Center through its subsidiary.

During the Reporting Period, Shanghai Neuromedical Center further developed its advanced neurology specialty and other departments to facilitate medical discipline development and improve its overall medical practices. Benefiting from over a decade of development and efforts, Shanghai Neuromedical Center was certified and licensed by the China Heart Failure Association (中國心衰中心), which marked an important milestone of Shanghai Neuromedical Center as its overall treatment techniques for heart failure, rules of diagnosis and treatments as well as management have been highly recognized. In response to the ongoing reform of national health insurance payment methods, Shanghai Neuromedical Center has stepped up efforts to improve diagnosis and treatment, medical quality, and cost management, which have resulted in more cost-effective use of health insurance funds, reduced medical care expenses for the people, and a higher-quality development and refinement.

During the Reporting Period, Shanghai Neuromedical Center placed a consistent emphasis on academic exchanges and continuing education. The Center organized a series of academic training and exchange events to facilitate learning, discussions, and collaboration, to further promote the advancement of neurology and provide better and safer healthcare services.

Hankou Bank

Hankou Bank primarily operates commercial banking businesses covering corporate banking, retail banking, and the financial markets. It operates a network covering all the cities in Hubei Province, and it also has branches in Chongqing. As of December 31, 2023, Legend Holdings held a 13.11% equity interest in Hankou Bank.

Throughout 2023, Hankou Bank pooled in wisdom and efforts to contribute to Wuhan's practice in advancing China's modernization drive. It remained focused on its core businesses, leveraging its strong footing in local markets and adhering to national strategies and regional planning, including those pertaining to the Yangtze River Economic Belt and the initiatives to establish Hubei Province as a pioneer area for fostering a new development paradigm. Hankou Bank made substantial progress toward its goal of high-quality development and enhanced its competitive edge by staying focused on key initiatives, addressing weaknesses, and leveraging its strengths. Adhering to regulatory requirements and conforming with the standards of leading peers, it has continuously advanced operational transformation and has made solid gains in exploring high-quality operation models of modern commercial banks.

In 2023, Hankou Bank was recognized as the Best Rural Revitalization Service Bank of the Year in the Gold Medal Award of Chinese Financial Institutions for 2023 by the Financial Times, and the Outstanding Corporate Brand for High-Quality Development of Finance for 2023 at the ninth Green Development Forum hosted by Xinhuanet. It also received the Innovative Model Award in the Inclusive Finance category for 2023 by People's Daily Online.

Bybo Dental

Bybo Dental is a leading provider of comprehensive dental healthcare services spanning the entire dental lifecycle from prevention to treatment. Its services encompass diagnosis and treatment, personalized services and health plan formulation with great emphasis on the long-term maintenance of oral health. Its practice prioritized prevention over treatment and promotes the public awareness of oral health. During the Reporting Period, ByBo Dental delivered a certain extent of growth in both revenue and profit by capitalizing on market opportunities and leveraging its advantages to offer high-quality dental care combined with its integrated insurance services. As of December 31, 2023, Legend Holdings held a 21.23% equity interest in Bybo Dental.

As of December 31, 2023, Bybo Dental operated 177 outlets, including 23 hospitals and 154 clinics, across 20 municipalities and provinces. Together, they housed 1,828 dental chairs. Bybo Dental has continued to improve its discipline development, medical care quality, and services. It has embraced new digital technology in dental implants for enhanced precision and consistency to ensure minimally invasive results for patients. It also further improved dentists' capabilities and refined their operational management through telemedicine, a service platform, and digitized operational data.

Raycom Property Investment and Raycom Technology

Through its subsidiaries, Raycom Property Investment and Raycom Technology, Legend Holdings holds high-end office buildings, the Raycom Infotech Park's Buildings A, B, and C in Zhongguancun, Beijing[note]. Raycom Infotech Park is leased as premium office space and shops, with a portion reserved for our use. The buildings hold the US Green Building Council's "Leadership in Energy and Environmental Design" (LEED) certification for their energy-efficient design. As of December 31, 2023, Raycom Infotech Park's occupancy rate was about 92%, and the fair value of its investment properties amounted to RMB11.7 billion (excluding the portion reserved for our use).

Note: Raycom Infotech Park's Buildings A, B, and C are located at No. 2, Ke Xue Yuan Nanlu, Haidian District, Beijing 100190, and the termination dates of the relevant land use rights are 2051, 2057, and 2053, respectively.

FINANCIAL REVIEW

Finance costs

Finance costs after deducting capitalized amounts increased from RMB6,912 million for the year ended 2022 to RMB9,129 million for the year ended 2023. Increase in finance costs was mainly attributed to escalated interest rates of borrowings denominated in foreign currencies and the utilization of the factoring project of Lenovo, a subsidiary of the Company.

Taxation

Our taxation decreased from RMB2,455 million for the year ended 2022 to RMB1,794 million for the year ended 2023. Decrease in the amount of taxation was mainly due to the decrease in profit before tax.

Capital expenditures and capital commitments

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

As of December 31, 2023, we had RMB4,175 million of capital expenditures contracted but not yet generated. Such capital commitments were mainly used for purchases of property, plant and equipment, and investment. Details of capital commitments are set out in Note 53 to the financial statements.

Liquidity and financial resources

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

Cash at bank and on hand

Our cash at bank and on hand include cash and cash equivalents, balances with central banks, bank deposit and restricted funds. As of December 31, 2023, our cash at bank and on hand were RMB63,782 million, among which, RMB, CHF, USD, EUR, HKD and other currencies accounted for 28%, 11%, 14%, 31%, 2% and 14%, respectively, while the amount as of December 31, 2022 was RMB84,403 million, among which, RMB, CHF, USD, EUR, HKD and other currencies accounted for 22%, 16%, 23%, 26%, 1% and 12%, 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, 2023	As of December 31, 2022
Bank loans		
– Unsecured loans	**31,858**	33,203
– Guaranteed loans	**22,811**	20,790
– Collateralized loans	**9,669**	8,403
Other loans		
– Unsecured loans	**500**	870
– Guaranteed loans	**292**	727
– Collateralized loans	**6,674**	5,592
Corporate bonds		
– Unsecured	**44,880**	54,959
– Asset-backed notes	**3,351**	2,270
– Convertible bonds	**4,478**	5,673
	124,513	132,487
Less: Non-current portion	**(68,358)**	(81,585)
Current portion	**56,155**	50,902

As of December 31, 2023, among our total borrowings, 51% was denominated in RMB(December 31, 2022: 47%), 31% was denominated in USD (December 31, 2022: 34%) and 18% was denominated in other currencies (December 31, 2022: 19%). 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, 2022 accounted for 58% and 42%, respectively. Our indebtedness reduction was mainly due to the repayment of our debts.

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

Unit: RMB million

	As of December 31, 2023	As of December 31, 2022
Within 1 year	**56,155**	50,902
After 1 year but within 2 years	**20,596**	25,680
After 2 years but within 5 years	**22,981**	25,949
After 5 years	**24,781**	29,956
	124,513	132,487

As of December 31, 2023, 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 15, 2019	5 years	RMB1,000 million
The Company	Corporate bonds	RMB	June 21, 2019	5 years	RMB2,000 million
Lenovo	Convertible bonds	USD	January 24, 2019	5 years	USD11 million
Lenovo	Medium term notes	USD	April 24, 2020 and May 12, 2020	5 years	USD965 million
Lenovo	Medium term notes	USD	November 2, 2020	10 years	USD900 million
Lenovo	Medium term notes	USD	July 27, 2022	5.5 years	USD600 million
Lenovo	Medium term notes	USD	July 27, 2022	10 years	USD563 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
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	Bank subordinate bonds	EUR	February 1, 2023	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	2014-2023	1-20 years	EUR1,734 million
BIL	Medium term notes	USD	2019-2023	0.5-5 years	USD44 million
BIL	Medium term notes	CHF	November 30, 2020	4.6 years	CHF180 million
BIL	Medium term notes	SEK	January 29, 2021	3 years	SEK167 million

Issuer	Type of bonds	Currency	Issuance date	Term	Principal amount
BIL	Medium term notes	GBP	November 5, 2021 and January 19, 2022	5 years	GBP6 million
BIL	Medium term notes	RMB	November 3, 2023	3 years	CNH300 million
JC Finance & Leasing	Asset-backed notes	RMB	May 31, 2022	1-2 years	RMB27 million
JC Finance & Leasing	Asset-backed notes	RMB	October 27, 2022	1-2 years	RMB290 million
JC Finance & Leasing	Asset-backed notes	RMB	May 8, 2023	1-2 years	RMB452 million
JC Finance & Leasing	Asset-backed notes	RMB	August 9, 2023	1-2 years	RMB1,452 million
JC Finance & Leasing	Asset-backed notes	RMB	December 6, 2023	1-2 years	RMB1,130 million

The annual interest rates of our bonds listed above as of December 31, 2023 ranged from 0% to 7.20%.

Current ratio and total debts to total capital ratio

	As of December 31, 2023	As of December 31, 2022
Current ratio (times)	0.7	0.8
Total debts to total capital ratio	55%	56%

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, 2022. Current ratio of less than 1 was mainly 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 13.37% (before profit allocation for 2023), 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, 2022, which mainly due to the decrease in the size of our total debts.

Pledged assets

As of December 31, 2023, we pledged the assets of RMB26.3 billion (December 31, 2022: RMB21.3 billion) to secure our borrowings, assets of RMB2 billion (December 31, 2022: RMB3 billion) to secure other payables and accruals and other non-current liabilities.

As of December 31, 2023, BIL's other financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income, and loans to customers and credit institutions with an aggregate carrying value of RMB5.5 billion (December 31, 2022: RMB10.1 billion) were encumbered.

Other restricted assets were mainly restricted deposits of RMB2.5 billion (December 31, 2022: RMB1.7 billion), and financial assets measured at fair value through profit or loss of RMB80 million (December 31, 2022: 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, 2023 and December 31, 2022, the provisions made by us were RMB130 million and RMB100 million respectively.

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

Unit: RMB million

	As of December 31, 2023	As of December 31, 2022
Financial guarantee of guarantee business	**6,476**	8,171
Other guarantee		
– Related parties	**622**	1,728
– Unrelated parties	**100**	180

MAJOR RISKS AND RESPONSE MANAGEMENT

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

Macroeconomic and market risk

The macroeconomic environment is complex and volatile. In recent years, factors such as high interest rates in the US and Europe, continuing geopolitical conflicts and growing trade protectionism across the globe have increased uncertainty and risk to the world economy. The business of our member companies has a global presence across various industries including information technology, financial services, new material production and R&D, modern agriculture and food. Macroeconomic environment changes, industrial structure transformation, upgrading and adjustment, the continuous fluctuation in the global stock market and other circumstances may affect the businesses and profitability of our member companies, which may result in the risk of fluctuations in the Company's overall operating results.

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

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

Fluctuations of raw material prices and finished goods sales prices risk

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

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

Industrial risk

From the perspective of industrial risk, IT manufacturing, the industry our subsidiaries operate in, is characterized by rapid iterations of product and technology, emerging of competitors and intensifying competitions. Failure to respond effectively to the changes in market trends or consumer preferences through timely launches of new products, or through competitive prices, could harm our subsidiaries' competitive position. Our subsidiaries therefore actively monitor the competitive environment and market trends. They maintain their competitive positions through commitments to innovate and build a broad product portfolio, enhance their brand awareness and customer experience to gain diversified advantages and market share and recognition. In addition, our subsidiaries have introduced and implemented a 3S strategy (Smart IoT, Smart Infrastructure and Smart Verticals), increased investment in innovation and striven for becoming a leader in intelligent transformation so as to protect and drive profitability in businesses.

New materials industry, where some of our subsidiaries operate in, is capital-intensive and technology-intensive. Despite of its high industry barriers, the industry positions of our subsidiaries are still challenged by the new market entrants in the future. Our subsidiaries will give full play to the advantages of advanced technology, long industrial chains and unique product structures to further improve the operational efficiency of the plants, optimize the product structure, and consolidate the competitive advantages. They will also accelerate the construction of new projects, achieve a production an efficiency improvement as soon as possible so as to enhance profitability and competitiveness.

Investment activities risk

The Company gathers resources for our industrial operations through direct investment. Due to the wide range of investments, our judgment on the industry development trends may differ from the actual conditions, which results in risks of lower-than-expected return on investments. Based on our thorough researches and tracking on domestic and overseas industrial development trends and national industrial policies, we have put more focus on studying our targeted companies and will prudently select new investment projects so as to ensure that we can keep abreast of the industry trends and make timely and dynamic adjustments to investment strategies in response to the changes in conditions.

The Company carries out domestic and overseas industrial investments in various industries and conducts strategic management and exercises control over the acquired enterprises after completion of the acquisition. This exposes the Company to risks in post-investment management and risks in operational, management and cultural integrations with the investee companies. The Company conducts in-depth analysis on the corporate culture and management team of the companies to be acquired before making investments to ensure these companies have common philosophies on development strategies and operational management with us and their cultures are able to integrate with ours. Meanwhile, we adopt various measures to strengthen our management and service capabilities offered to our investee companies, continuously collects information about the operations of the investee companies, closely monitor the liquidity of the investee companies, adhere to the bottom-lines of financial security, and provide more personnel trainings on financial and tax-related professional services, corporate culture and other fields, so as to assists them to specifically improve their operational and management efficiencies and achieve effective risk management.

Supply risk

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

Despite the supply chain spans across many countries geographically, there may also be supply or production concentration in certain countries and regions, and our subsidiaries also have several tiers of suppliers. Given the wide range of products of our subsidiaries, some products may be reliant on a few component suppliers. The disruption of the supply of any of its products, component parts, systems or services may affect product availability and customers' satisfaction. The disruption may attribute to many factors, including but not limited to the damage of its own or its suppliers' manufacturing activities or logistics hubs arising from catastrophic events, natural disasters, suppliers insolvency, unfavorable business, political or economic factors, as well as cyber-attack and other factors, which may lead to substantial recovery expenditure or prolonged recovery time. If they are unable to source alternative supplies during the period of shortage at a favorable pricing, their revenues, profitability and competitive positions may be adversely affected.

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

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

Environmental security risk

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

Extreme climate change risk

The continuous global warming has resulted in the increase in sea temperature, which affects the salmon farming environment, and may cause more red tides and epidemics. The Chile Region XII, where our subsidiaries' investment and development focus on, is the coldest area in Chile, and least affected by red tides and climate change. In addition, our subsidiaries utilize advanced breeding and monitoring technologies such as artificial intelligence and machine vision to improve refined breeding to better deal with red tides, epidemics and other disasters. In the event of extreme climate change, the performance of some of our portfolio companies will be affected, especially those in the fields of fresh food logistics, catering, tourism, offline services and manufacturing, and possible valuation volatilities will affect our investment exits. In this regard, we have adopted proactive post-investment management, closely monitoring the development trend of extreme climate change, urging investee to conduct stress testing and put in place emergency proposals to minimize the relevant impacts as much as possible.

Information, product and cyber security risks

Cyber-attacks and other data security breaches or similar circumstances are likely to adversely impact the operation of our subsidiaries by exposing them to data loss or misappropriation of proprietary and confidential data, disrupting their businesses and damaging their reputation.

Our subsidiaries manage and store proprietary information and sensitive or confidential data relating to their operations. In addition, their cloud computing business routinely processes, stores and transmits large amounts of data for their customers, including sensitive customer proprietary information and personally information. They may be subject to attacks from hackers and other malicious software programs that attempt to hack into their networks and exploit any security vulnerability in their systems and products.

Hardware, operating systems, product software and applications that the Company's subsidiaries indigenously produced or procure from third parties may contain "bugs" or similar threats that may unexpectedly interfere with the operation of systems, or may expose to unidentified security risks. The Company's subsidiaries may be required to inform regulators of security issue or bugs identified in its products. Violations of security requirements of the Company's subsidiaries and misappropriation of sensitive proprietary and confidential data in relation to the Group, its customers and staff, if not dealt with in a timely and effective manner, may result in loss of customer confidence, adverse impact on reputation, business disruption, potential litigation and liabilities, which could result in loss of revenue and increased cost.

Our subsidiaries are subject to the laws and regulations of the countries in which they operate relating to the collection, use, cross-border transfer and security of customer, consumer and employee data. They need to conduct normal business activities which include the collection, use, cross-border transfer and retention of personal or other data in relation to such activities. Our subsidiaries are required to notify individuals or regulators of any data security breach.

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

a) development and maintenance of a robust plan for cyber security risk governance and compliance and for security culture through sound policies, robust incident response plans and processes, business continuity plan and training of our employees on vital data protection practices;

b) enhanced cyber security controls and information security, product security and privacy protection awareness through continuous risk assessment and process improvement;

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

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

Intellectual property risk

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

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

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

- take appropriate legal measures to protect technological know-how and trade secrets, apply for and enforce their patents, and register and protect their trademarks and copyrights;
- license IP as appropriate and monitor its continued validity and value to our subsidiaries;
- obtain IP indemnification from suppliers, or otherwise transfer the responsibility of protection of the intellectual property rights to them;
- develop, execute and monitor an IP litigation defense strategy;
- continue to develop and use the patent portfolio of our subsidiaries if appropriate to reduce potential costs; and
- cooperate with other technology/product companies, and lobby for patent system reform to reduce costs.

Food safety risk

With the increasing emphasis on food safety in China, the deepening of consumers' awareness on food safety and the heightening of protection of one's rights and interests, and as relevant government departments continue to increase the supervision of food safety, food quality and safety control have become the top priorities of food companies. The occurrence of food quality problems will have material adverse impacts on their production, operation and reputation. Our subsidiaries attach great importance to the safety, hygiene and quality control of product processing, actively implement standardized production and management. They establish and implement a food safety assurance system from raw materials to finished products, and have passed GMP (Good Manufacturing Practice), SSOP (Sanitation Standard Operating Procedure), HACCP (Hazard Analysis and Critical Control Points) and BRC (British Retail Consortium Global Standard for Food Safety) and other quality management system certifications, in line with relevant food safety laws and regulations of China, Europe, United States and other countries. In terms of source management, quality system operation and enterprise self-inspection and self-control capabilities, they have reached a high level in the industry. Our subsidiaries established an emergency response system for consumer complaints and quality issues to minimize the resulting food safety risks.

Financial risk

Business of the Company and its subsidiaries has global presence and therefore our financial condition may be adversely affected by fluctuations in the economic and financial market. Our activities are exposed to a variety of financial risks, which consist of market risks (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. Our overall financial risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on financial performance. We have implemented a unified and hierarchical financial control management system. We guide and supervise major aspects of the financial management of the subsidiaries and each subsidiary manages its own financial risks. We and some of our subsidiaries use derivative financial instruments to hedge certain risk exposures. Details of financial risks are set out in Note 3 to the financial statements.

- **Foreign exchange risk**

  The Group operates internationally and is exposed to foreign currency risk arising from various currency exposures, primarily with respect to USD, RMB, EUR and CHF. Foreign currency risks arise from future business transactions, recognized assets and liabilities and net investment in foreign operations denominated in a currency other than the functional currency of the Company and our subsidiaries. The Company and each of our subsidiaries closely monitor the amount of assets and liabilities and transactions denominated in foreign currencies in order to minimize the foreign exchange risk and enter into forward foreign exchange contracts when necessary.

- **Price risk**

  We are exposed to equity securities price risk for the investments we hold and those investments included in the consolidated balance sheets which are measured either at fair value through profit or loss or through other comprehensive income. To manage the price risk arising from investments in equity securities, we diversify our investment portfolio and constantly make judgment on and deal with the potential impacts of price changes.

  We have equity investments in other entities that are publicly traded in the following capital investment markets: Hong Kong, Mainland China, Europe, the US and Japan.

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

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

- **Credit risk**
  Credit risk is the risk of financial loss when our customers or counterparties fail to fulfill their contractual obligations. Credit risks mainly arise from loans granted to customers by our subsidiaries engaged in banking business and non-banking business, as well as credit exposure from account receivables. Credit risks also include risks arising from bonds and trading investment activities, together with the business of providing customers with off-balance sheet commitment and guarantee. We use internal credit risk ratings to reflect the assessment results of the probability of default for individual counterparty; and are supplemented with external data such borrower ratings from credit agency. In addition, expert judgement of credit risk managers will also be incorporated in the final internal credit rating for each exposure. This assessment model allows the inclusion of other data which may not be captured from other sources. For the credit risk rising from account receivables, our relevant subsidiaries have established credit policies credit assessment of customers to determine the credit limit.

- **Liquidity risk**
  Liquidity risk mainly represents the risk of the Company or its subsidiaries' failure to obtain sufficient funds in a timely manner or failure to do so at reasonable cost in order to repay debt upon maturity or fulfil other payment obligations. The Group adopts a prudent and sound financial strategy, closely monitoring the subsidiaries' short-term and long-term liquidity requirements and its rolling forecasts, to ensure they have sufficient cash and securities that are readily convertible to cash to meet their operational needs, while maintaining sufficient and available lines of credit from financial institutions, so as to meet the short-term and long-term liquidity requirements.

Compliance risk

Compliance risk refers to the risk of liability, regulatory penalties, financial or reputation losses arising from non-compliant operations, management or practice by directors, supervisors, senior management and employees of the Company and our subsidiaries Our business activities and investments cover, but are not limited to, Mainland China, Hong Kong, Europe, Australia and South America. We are also subject to the laws and regulatory rules of different jurisdictions and extensive supervision of industry regulators. A number of laws, regulations and policies related to financial and fund management have been introduced by relevant departments in China and the supervisions from industry regulatory bodies have become increasingly stringent. All these may restrict the operation of the subsidiaries and increase compliance costs, and in turn may have impact on our financial performance.

We consistently and closely monitor our compliance policy adjustment, adhere to the concept of compliance operation, put increasing emphasis on the research and understanding of the latest laws, regulations and regulatory policies, while strengthening review on the effectiveness of our internal controls and risk management. We promote the improvement and implementation of the accountability mechanism; increase the supervision and penalty on violations so as to improve the quality of compliance management. We also seek advice from the compliance advisors as well as internal and external lawyers on compliance issues from time to time in order to make prompt adjustments to enterprises' blueprint on compliance. During the Reporting Period, we complied with relevant regulations which have significant impacts on our business and operation in all material respects.

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

As of December 31, 2023, the Company and its subsidiaries had approximately 89,577 employees.

The Company recognizes the importance of an efficient professional team for its strategic and business development. It also acknowledges that maintaining a competitive compensation policy that aligns with market standards is crucial for attracting and retaining these professionals. Therefore, the Company established a general remuneration system for its core management members and general employees that corresponds to the Company's business features, asset scale, and operational performance. The overall remuneration comprises annual remuneration, medium-to-long-term incentives (if applicable) and benefits, with annual remuneration encompassing both base salaries and target bonuses.

The annual remuneration for the core management personnel adheres to the corporate governance standards of a publicly listed company, incorporating relevant decision-making processes and oversight by Shareholders. Initially, we conduct benchmarking against leading companies in the market, considering factors like company size, business type, stage of development, and performance level. This approach ensures that the determination of compensation for core management personnel is equitable and in line with China's national conditions. The Company will then determine performance results and remuneration plans in accordance to the Company's overall performance and the core management personnel's duties and their results of achieving performance targets. In respect of general employees, the remuneration plans are determined by their job responsibilities, the annual business performance of the Company, as well as their annual performance evaluation results.

The medium-to-long-term incentives, formulated in accordance with the Company's medium-to-long-term strategic targets, comprises of a combination of equity incentives and medium-to-long-term performance bonuses and so forth, which enable value creators to receive a level of incentive that grows with the overall value of the Company.

In compliance with relevant Chinese regulations, the Company provides employees with statutory benefits, including basic pension insurance, basic medical insurance, work-related injury insurance, unemployment insurance, maternity insurance, and housing provident fund. In addition, we have established a diverse range of supplementary welfare benefits at the Company level to provide our employees with more comprehensive welfare coverage, including supplement to pension insurance, medical insurance and health check-ups.

The remuneration for Independent Non-executive Directors is determined based on factors such as the time devoted, workload, duties undertaken, and market salary standards. The Remuneration Committee conducts regular reviews of the remuneration for Independent Non-executive Directors.

Employee Training and Development

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

For details of the Company's employee training, please refer to the Company's 2023 Environmental, Social and Governance Report.

FINAL DIVIDEND

The Board recommends that no dividend be paid for the year ended December 31, 2023 (2022: RMB0.20 per share).

CLOSURE OF REGISTER OF MEMBERS

In order to determine the Shareholders entitled to attend and vote at the 2023 AGM, the register of members of the Company will be closed from Monday, June 24, 2024 to Thursday, June 27, 2024 (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 21, 2024.

Biography of Directors, Supervisors and Senior Management

Mr. NING Min *Chairman and Executive Director*

Mr. NING Min (寧旻), aged 54, was appointed as the Chairman of the Board and the Chairman of Nomination Committee on January 1, 2020. He has been appointed as an Executive Director since December 27, 2018, and a member of the Remuneration Committee from December 27, 2018 to September 29, 2023 and is currently the Chairman of the Strategy Committee of the Company. Mr. NING served as a member of the Executive Committee and the Chief Financial Officer of the Company for an extensive period of time, during which he was fully responsible for the Company's financial and funds management, risk control and auditing, as well as the affairs relating to the capital markets and public relations. He was in charge of the operation and management of the financial investment business of Legend Holdings, and made profound contributions in the formulation of corporate strategy, business development, and organizational construction of the Company. Currently, Mr. NING also serves as a director of Levima Group, Joyvio Group, Hony Capital, Legend Star, EAL and various members of the Company.

Mr. NING joined the Company in 1991 and served consecutively as the deputy head of the Corporate Planning Office, the secretary of the Board and the deputy head of the Corporate Planning Office, the general manager of the Asset Management Department, assistant president and senior vice president of the Company. Mr. NING is currently a director of Xi'an Shaangu Power Co., Ltd. (西安陜鼓動力股份有限公司) (listed on the Shanghai Stock Exchange). He was a non-executive director of China Glass Holdings Limited (中國玻璃控股有限公司) (listed on the Hong Kong Stock Exchange), a director of Beijing Electronic Zone High-tech Group Co., Ltd. (北京電子城高科技集團股份有限公司) (listed on the Shanghai Stock Exchange), Levima Advanced Materials (聯泓新科) (listed on the Shenzhen Stock Exchange), and CAS Holdings (國科控股).

Mr. NING obtained his bachelor's degree in economics from Renmin University of China (中國人民大學) in 1997. Mr. NING completed courses of master of business administration offered by the Graduate School of Renmin University of China (中國人民大學研究生院) in 2001.

Mr. LI Peng *Executive Director and CEO*

Mr. LI Peng (李蓬), aged 52, was appointed as an Executive Director and the Chief Executive Officer of the Company on February 13, 2020 and is currently a member of the Strategy Committee of the Company. Mr. LI served as a member of the Executive Committee and a senior vice president of the Company for a long time, during which time he was dedicated to the development of strategic investment business and post-investment management of the Company. He currently serves as the vice chairman of BIL, and as a director in various members of the Company, such as Lakala, Levima Advanced Materials and Fullhan Microelectronics (all listed on the Shenzhen Stock Exchange). He was a non-executive director of Hospital Corporation of China Limited (弘和仁愛醫療集團有限公司) (listed on the Hong Kong Stock Exchange) from 2019 to 2020.

Mr. LI joined Legend Holdings in 2003. He successively served as the deputy general manager and general manager of the Investment Management Department, strategic investment director, assistant president, vice president, senior vice president and president of the Company. Prior to joining Legend Holdings, Mr. LI has successively held positions in Sinotrans Corporation (中國對外貿易運輸總公司) and Teradyne Connection Systems, US.

Mr. LI obtained his bachelor's degree in international finance from the University of International Business & Economics (對外經濟貿易大學) in China in 1994, and a master's degree in business administration from the University of New Hampshire State University (新罕布什爾州立大學) in the United States in 2001.

Mr. ZHU Linan *Non-executive Director*

Mr. ZHU Linan (朱立南), aged 61, was redesignated from an Executive Director to a Non-executive Director of the Company on January 1, 2020 and is currently a member of the Strategy Committee of the Company. Mr. ZHU joined the Company in 2001 and served consecutively as a Director and executive vice president, Executive Director and president. Mr. ZHU first joined Shenzhen Legend Computer Co., Ltd. (深圳聯想電腦有限公司), the Company's subsidiary in 1989 and served as the general manager. From 1997 to 2001, he joined Lenovo. He served consecutively as a general manager of the Business Development Department, an assistant president, deputy head and head of the Corporate Planning Office and a senior vice president. He was a founder of Legend Investment Limited (聯想投資有限公司), the predecessor of Legend Capital Co., Ltd. (君聯資本管理股份有限公司) in 2001 and held position as its director since establishment. Mr. ZHU is currently a non-executive director of Lenovo (listed on the Hong Kong Stock Exchange).

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

Mr. ZHAO John Huan *Non-executive Director*

Mr. ZHAO John Huan (趙令歡), aged 61, was redesignated from an Executive Director to a Non-executive Director of the Company on January 1, 2020 and is currently a member of the Strategy Committee of the Company. Mr. ZHAO joined the Company in 2003 when he founded Hony Capital. From 2003 to 2011, he served consecutively as executive vice president, senior vice president and Director and executive vice president of the Company. He is currently the chairman of Hony Capital. Mr. ZHAO has extensive experience in corporate management.

Mr. ZHAO is currently a non-executive director of Lenovo and a non-executive director of China Glass Holdings Limited (中國玻璃控股有限公司), the chairman and executive director of Best Food Holding Company Limited (百福控股有限公司), the chairman of the board of directors and executive director of Goldstream Investment Limited (金涌投資有限公司) (all listed on the Hong Kong Stock Exchange). He previously served as the chairman of the board of China Glass Holdings Limited and Hospital Corporation of China Limited (弘和仁愛醫療集團有限公司) (both listed on the Hong Kong Stock Exchange), the vice chairman and director of Shanghai Chengtou Holding Co., Ltd. (上海城投控股股份有限公司), Shanghai Environmental Group Co., Ltd. (上海環境集團股份有限公司) (both listed on the Shanghai Stock Exchange), a non-executive director of Eros STX Global Corporation (listed on the New York Stock Exchange), a non-executive director of Simcere Pharmaceutical Group Limited (先聲藥業集團有限公司) (listed on the Hong Kong Stock Exchange), a director of Shanghai Jin Jiang International Hotels Co., Ltd. (上海錦江國際酒店股份有限公司) and ENN Natural Gas Co., Ltd. (新奧天然氣股份有限公司) (both listed on the Shanghai Stock Exchange), and a non-executive director of Zoomlion Heavy Industry Science & Technology Development Co., Ltd. (中聯重科股份有限公司) (listed on the Hong Kong and Shenzhen Stock Exchanges).

Mr. ZHAO obtained his bachelor's degree in physics from Nanjing University (南京大學) in China in 1984 and a master of electronic engineering and science degree from Northern Illinois University in the United States in 1990 and a master of business administration degree from the J.L. Kellogg Graduate School of Management at Northwestern University in the United States in 1996.

Mr. SUO Jishuan *Non-executive Director*

Mr. SUO Jishuan (索繼栓), aged 60, was appointed as a Director and a member of Audit Committee of the Company on June 5, 2018 and a member of the Remuneration Committee of the Company on September 29, 2023. Mr. SUO served as the Supervisor of the Company from September 4, 2014 to June 5, 2018. Mr. SUO worked for Lanzhou Institute of Chemical Physics, Chinese Academy of Sciences (中國科學院蘭州化學物理研究所) (LICP) from 1991 to 2003. He served consecutively as deputy head of the State Key Laboratory for Oxo Synthesis and Selective Oxidation (羰基合成和選擇氧化國家重點實驗室), the head of the National Engineering Research Center of Fine Petrochemical Intermediates (精細石油化工中間體國家工程研究中心), assistant to the chief of LICP, deputy chief of LICP and vice president of Lanzhou Branch of Chinese Academy of Sciences. Mr. SUO previously served as a director of China Science Publishing & Media Ltd. (中國科技出版傳媒股份有限公司) (listed on the Shanghai Stock Exchange), a director of Chengdu Information Technology of Chinese Academy of Sciences Co., Ltd. (中科院成都信息技術股份有限公司) (listed on the Shenzhen Stock Exchange), the chairman of the board of directors of CAS Holdings, and a director of Levima Advanced Materials (listed on the Shenzhen Stock Exchange).

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

Mr. YANG Jianhua *Non-executive Director*

Mr. YANG Jianhua (楊建華), aged 54, was appointed as a Director of the Company on June 10, 2021. Mr. YANG served as a Supervisor of the Company from June 12, 2020 to June 9, 2021. Mr. YANG is currently the secretary of the Party Committee and the chairman of CAS Holdings, and the chairman of China Science Publishing & Media Group Ltd. (中國科技出版傳媒集團有限公司). Mr. YANG successively served as the secretary of the Youth League Committee of Chinese Academy of Sciences (中國科學院團委), the assistant to the dean of Graduate School of Chinese Academy of Sciences (中國科學院研究生院), the secretary of the Party Committee and deputy director of Science News of Chinese Academy of Sciences (中國科學院科學時報社), a member of the Party Committee of the management committee and deputy director (bureau level) of Zhongguancun Science and Technology Park in Beijing (北京市中關村科技園區), the associate dean (bureau level) and a member of the sub-group of the Party Committee of Guangzhou Branch of Chinese Academy of Sciences (中國科學院廣州分院), the secretary of the Party Committee of Shenzhen Institutes of Advanced Technology of Chinese Academy of Sciences (中國科學院深圳先進技術研究院). He was a director of China Science Publishing & Media Ltd. (中國科技出版傳媒股份有限公司) (listed on the Shanghai Stock Exchange).

Mr. YANG obtained a master's degree in management from the University of Science and Technology of China (中國科學技術大學) in 1998.

Mr. MA Weihua *Independent Non-executive Director*

Mr. MA Weihua (馬蔚華), aged 75, was appointed as a Director of the Company on March 15, 2015 with effect from June 29, 2015, the listing date of the Company. He was also appointed as a member of the Nomination Committee on June 29, 2015. He was the Chairman of the Remuneration Committee from June 29, 2015, to February 13, 2020.

Mr. MA currently serves as the independent non-executive director of Haidilao International Holding Ltd. (海底撈國際控股有限公司) and China Gas Holdings Limited (中國燃氣控股有限公司) (both listed on the Hong Kong Stock Exchange).

Mr. MA previously served as the president, chief executive officer and executive director of China Merchants Bank Co., Ltd. (招商銀行股份有限公司) (listed on the Hong Kong and Shanghai Stock Exchange), an independent non-executive director of China Petroleum & Chemical Corporation (中國石油化工股份有限公司) (listed on the Hong Kong, Shanghai, New York and London Stock Exchanges), independent non-executive director of China Eastern Airlines Corporation Limited (中國東方航空股份有限公司) (listed on the Hong Kong and the Shanghai Stock Exchanges), an independent non-executive director of Postal Savings Bank of China Co., Ltd. (中國郵政儲蓄銀行股份有限公司) (listed on the Hong Kong Stock Exchange), an independent non-executive director of China World Trade Center Co., Ltd. (中國國際貿易中心股份有限公司) (listed on the Shanghai Stock Exchange), an independent director of Guangdong Qunxing Toys Joint-Stock Co., Ltd. (廣東群興玩具股份有限公司) (listed on the Shenzhen Stock Exchange), and the chairman and a non-executive director of Bison Finance Group Limited (貝森金融集團有限公司) (listed on the Hong Kong Stock Exchange). In addition, Mr. MA is a member of the Standing Council of China Society for Finance and Banking (中國金融學會常務理事), the director-general of One Foundation (壹基金公益基金會理事長) and the director-general of Council of National Fund for Technology Transfer and Commercialization (國家科技成果轉化引導基金理事會理事長). Mr. MA is a member of the Twelfth National Committee of the Chinese People's Political Consultative Conference.

Mr. MA was awarded the doctor of philosophy degree in economics from Southwest Finance and Economics University (西南財經大學) in China in 1999.

Ms. HAO Quan *Independent Non-executive Director*

Ms. HAO Quan (郝荃), aged 65, was appointed as a Director of the Company on March 15, 2015 with effect from June 29, 2015, the listing date of the Company. She was also appointed as the Chairperson of the Audit Committee and a member of the Remuneration Committee on June 29, 2015. Ms. HAO previously served as a lecturer at the Renmin University of China from 1982 to 1989. She first joined KPMG (USA) in 1993 and became a partner of KPMG Huazhen (Special General Partnership) and its predecessor from 2001 to 2015. Ms. HAO is currently an independent director of HSBC Bank (China) Company Limited (滙豐銀行(中國)有限公司). She was an independent director of BEST Inc. (百世集團) (listed on the New York Stock Exchange) from 2017 to 2021.

Ms. HAO obtained her bachelor of economics degree from the Renmin University of China in 1982 and her master of business administration degree from Temple University in the United States in 1993. Ms. HAO obtained the qualification of certified public accountant in California, the United States in 1995 and as a PRC certified public accountant in 2002.

Mr. YIN Jian'an *Independent Non-executive Director*

Mr. YIN Jian'an (印建安), aged 66, was appointed as a Director of the Company, the Chairman of the Remuneration Committee and a member of the Nomination Committee on February 13, 2020 and was appointed as a member of the Audit Committee on June 10, 2021. Mr. YIN joined Xi'an Shaangu Power Co., Ltd. (西安陝鼓動力股份有限公司) (listed on the Shanghai Stock Exchange) in 1999 and served as the Chairman from 2001 to 2017. Mr. YIN served as the Chairman of Shaanxi Blower (Group) Co., Ltd. (陝西鼓風機(集團)有限公司) from 2001 to 2017, as the Chairman of Shaanxi Qin Feng Gases Technology (陝西秦風氣體股份有限公司) from 2012 to 2015, as President of Shaangu Power and Automation Engineering Academy (陝鼓能源動力與自動化工程研究院) from 2008 to 2017.

Mr. YIN obtained his doctor's degree and master's degree in Fluid Mechanics from Zhejiang University (浙江大學) in 2004 and 1992, respectively.

Mr. GAO Qiang *Supervisor*

Mr. GAO Qiang (高強), aged 55, was appointed as the Chairman of the Board of Supervisors of the Company on January 1, 2020. Mr. GAO is currently the deputy secretary to the Communist Party Committee (CPC), the chairman of the Trade Union, and the dean of the Management Institute of the Company. He is fully responsible for the daily management of the CPC office, the trade union of the company, and corporate culture affairs. Mr. GAO joined Legend Holdings in 2006 and he has successively served as the deputy general manager of the Public Relations Department, the general manager of the human resources department, and the executive dean of the management institute.

Mr. GAO obtained an MBA degree from CEIBS (中歐國際工商學院) in 2016.

Mr. LUO Cheng *Supervisor*

Mr. LUO Cheng (羅成), aged 45, was appointed as a Supervisor of the Company on January 16, 2018. Mr. LUO is currently the vice president and board secretary of China Oceanwide Holdings Group Co., Ltd. (中國泛海控股集團有限公司), a director of Oceanwide Holdings Co., Ltd. (泛海控股股份有限公司) (listed on the Shenzhen Stock Exchange), a supervisor of Minsheng Holdings Co., Ltd. (民生控股股份有限公司) (listed on the Shenzhen Stock Exchange), and a director and the general manager of Oceanwide Industrial Co., Ltd. (泛海實業股份有限公司).

Mr. LUO obtained a master of art degree from the University of Leeds in 2002, majoring in accounting and finance.

Mr. ZHANG Yong *Supervisor*

Mr. ZHANG Yong (張勇), aged 54, was appointed as a Supervisor of the Company on June 10, 2021. Mr. Zhang is currently the chairman of the board of directors of Beijing KYKY Technology Co., Ltd. (北京中科科儀股份有限公司). He previously served as the deputy general manager and a member of the Standing Committee of Party Committee of CAS Holdings, the chairman of Chinese Academy of Sciences Capital Management Co., Ltd. (中科院資本管理有限公司), a director of China Science Publishing & Media Ltd. (中國科技出版傳媒股份有限公司) (listed on the Shanghai Stock Exchange) and Chengdu Information Technology of Chinese Academy of Sciences Co., Ltd. (中科院成都信息技術股份有限公司) (listed on the Shenzhen Stock Exchange).

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

Ms. YANG Qiuyan *Senior Management*

Ms. YANG Qiuyan (楊秋燕), aged 48, is currently the Assistant President, Head of Finance and General Manager of the Finance Department of the Company, responsible for financial management and has over 20 years of working experience in financial management. She joined Legend Holdings in August 2007 and served consecutively as manager, assistant general manager, deputy general manager and general manager of the Finance Department. She has extensive experience in financial management. Before joining Legend Holdings, she worked in Beijing Wuwei Underground Engineering Co., Ltd. (北京五維地下工程有限公司) and Zhongsheng Weiqiao International Investment Holding Co., Ltd. (中盛偉僑國際投資控股有限公司) engaging in financial management from 1998 to 2007.

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

Mr. WANG Wei *Senior Management*

Mr. WANG Wei (王威), aged 43, joined Legend Holdings in October 2019. He currently acts as the Assistant President, Board Secretary and Joint Company Secretary, and General Manager of the Securities Affairs Department of the Company, responsible for investor relations, legal compliance, and information disclosure. Previously, he worked at Ernst & Young, PricewaterhouseCoopers, Sinochem Group Co., Ltd. (中國中化集團有限公司), and Meihua Biotechnology Holdings Group Co., Ltd. (梅花生物科技集團股份有限公司) (listed on the Shanghai Stock Exchange) consecutively from 2004 to 2019. He has taken charge of many milestone investments, mergers and acquisitions, and other capital market-related projects, and has maintained extensive knowledge and expertise in the abovementioned areas. Before joining Legend Holdings, he acted as Chief Financial Officer at Meihua Biotechnology Holding Group Co., Ltd..

Mr. WANG obtained his bachelor's degree from Zhongnan University of Economics and Law (中南財經政法大學) in 2003 and master's degree in accounting and finance from the University of Southampton in 2004. He holds the qualifications granted by the Chinese Institute of Certified Public Accountants (CICPA), the American Institute of Certified Public Accountants (AICPA) and the Chartered Institute of Management Accountants (CIMA). In addition, he boasts the qualification for board secretary granted by the Shanghai Stock Exchange.

PRINCIPAL BUSINESSES

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

RESERVE

During the Reporting Period, the changes in reserve of the Company and its subsidiaries are set out in the consolidated statement of changes in equity of the financial statements prepared in accordance with the IFRS Accounting Standards in this annual report. The changes in reserve of the Company are set out in the note 51(b) to the financial statements.

DISTRIBUTABLE RESERVE

According to the Articles of Association of the Company, dividends can only be distributed in accordance with the distributable profit determined by the China Accounting Standards for Business Enterprises or the IFRS Accounting Standards or the accounting standards of the place where the Company is listed (whichever is lower).

As of December 31, 2023, the distributable reserve of the Company amounted to RMB2,037 million (2022: RMB2,933 million), which was calculated pursuant to the accounting policy under the China Accounting Standards for Business Enterprises.

RESULTS AND APPROPRIATIONS

The results of the Company and its subsidiaries for the year are set out in the consolidated income statement on pages 139 to 140 of this annual report.

The overall financial position of the Company and its subsidiaries as at December 31, 2023 are set out in the consolidated balance sheet on pages 141 to 143 of this annual report, and the financial position of the Company as at December 31, 2023 in note 51(a) to the financial statements, respectively.

The consolidated cash flow statement of the Company and its subsidiaries for the year is set out in the consolidated cash flow statement on pages 146 to 147 of this annual report.

The Board recommends that no dividend be paid for the year ended December 31, 2023 (2022: RMB0.20 per share).

DIVIDEND POLICY

1. The Company has adopted a Dividend Policy (the "Dividend Policy"), which provides Shareholders with sustainable returns every year. Dividends shall be determined according to the net profits attributable to equity holders of the Company (after adjustments for restructuring or other one-off non-cash items, if any) during relevant financial period, and shall be subject to the criteria set out in paragraphs 3 and 4 below. The Company does not intend to set any dividend distribution ratio. The Company strives to maintain financial flexibility as well as to strike a balance between Shareholders' interests and prudent capital management.

2. The Company may consider declaring and paying special dividends from time to time in addition to the annual dividend paid to the Shareholders.

3. The Company's ability to pay dividends will depend on, among other things, the Company's operations, business plans and strategies, cash flows, financial positions, operating and capital requirements and contractual restrictions, as well as dividends received from the subsidiaries and associates of the Company, while in turn will depend on the ability of such subsidiaries and associates to pay a dividend. The payment of dividends is also subject to the provisions of the Articles of Association of the Company and any other applicable laws and regulations, and other factors impacting the Company that the Board may consider relevant.

4. The Dividend Policy reflects the current view of the Board on the financial and cash flow positions of the Company and its subsidiaries. The Board will continue to review the Dividend Policy from time to time and there will be no assurance that dividends will be paid in any particular amount in any given period. Whenever, the Board recommends a dividend, the distribution manner, frequency and amount, will depend on the Company's operations and profits, business plans and strategies, cash flow, operating and capital requirements, general financial positions, contractual restrictions and other factors impacting the Company that the Board may consider relevant.

SHARES ISSUED

The Company did not issue any new Shares for the year ended December 31, 2023. The details of Shares issued of the Company are set out in note 34 to the financial statements.

BONDS ISSUED

The Company did not issue any bonds for the year ended December 31, 2023.

EQUITY-LINKED AGREEMENTS

No equity-linked agreement was entered into by the Company during the year ended December 31, 2023 or as of December 31, 2023.

DONATIONS

During the year, donations for charity or other purposes made by the Company and its subsidiaries amounted to RMB144 million (2022: RMB134 million).

BUSINESS REVIEW

Under the Disclosure of Financial Information set out in Appendix D2 to the Listing Rules, the Company is required to include a business review in the Directors' Report. According to Schedule 5 to the Companies Ordinance of Hong Kong, a business review shall cover certain aspects, the details of which are as follows:

1. A fair review of the business of the Company and its subsidiaries
   "Management Discussion and Analysis" on pages 19 to 51 of this annual report.

2. A description of the principal risks and uncertainties facing the Company and its subsidiaries
   "Major Risks and Response Management" on pages 43 to 50 of this annual report.

3. An estimation of the potential development in the business of the Company and its subsidiaries
   "Management Discussion and Analysis" on pages 19 to 51 of this annual report.

4. An analysis on financial key performance indicators
   "Financial Review" on pages 38 to 42 of this annual report.

5. Environmental policies and performance

The Company and its subsidiaries are committed to environmental protection, energy conservation and emission reduction and reasonable and efficient utilization of resources and energy in day-to-day operational activities and ensure the observation of local environmental laws and regulations and relevant industry emission standards in different regions. We are committed to constantly practicing environmental management and improving corresponding measures, including establishing a complete environmental emergency response system for specific business, providing feasible support for prevention and control of environmental accidents, and improving factory production processes and equipping resource recycling systems to effectively reduce energy consumption. In the meantime, we attach great importance to the environmental management in the office area. We actively cultivate staff's awareness of protecting the environment and saving office resources and energy and actively promote greening layouts in plant areas and green building ratings of office buildings. The Company and its subsidiaries will continue to strictly abide by relevant regulations on environmental protection, develop sustainability policies and design and strive to strike a balance among economic, social and environmental benefits.

As Legend Holdings implements its strategic layout on all fronts, the environmental impact of the Company's activities has also become an increasingly important factor for investors to consider. Legend Holdings requires its subsidiaries to ensure their strict compliance with local environmental laws and regulations where they operate. In 2023, the Company and its subsidiaries did not violate any laws and regulations relating to waste gas and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.

In order to carry out environmental management and continuously improve relevant measures, Legend Holdings requires its subsidiaries to establish a sound environmental emergency system for specific businesses, provide solid support for the prevention and control of environmental emergencies, and improve the factory processes and establish waste recycling system to reduce energy consumption. In addition, the Company has also formulated and implemented more detailed environmental protection policies in line with the local conditions of subsidiaries, made gradual development of environmental sustainability policies, so as to achieve harmony among economic, social and environmental benefits.

Pursuant to the requirements of the Listing Rules, the Company is required to disclose information regarding environmental, social and governance of the Company and its subsidiaries. The 2023 Environmental, Social and Governance Report containing such information is published by way of a separate report which had been posted on the Hong Kong Stock Exchange website (www.hkexnews.hk) and the Company website (www.legendholdings.com.cn). The detailed performances of the Company and its subsidiaries in the aspect of environmental protection are disclosed in such report.

6 Key relationships with employees, customers, suppliers and other stakeholders

The philosophy and principles of the Company and its subsidiaries towards its employees, customers, suppliers and other stakeholders are set out in the 2023 Environmental, Social and Governance Report.

PRINCIPAL CUSTOMERS AND SUPPLIERS

During the year, the sales of products and services to the top five customers of the Company and its subsidiaries were less than 21%. The principal customers or suppliers of the Company and its subsidiaries accounted for the following percentages of the procurement amount of the Company and its subsidiaries during the year:

The largest supplier 12%
The aggregate of the top five suppliers 27%

None of the Directors, their close associates or any Shareholders (who to the knowledge of the Directors own more than 5% of the issued Shares) had interests in the aforementioned principal customers or suppliers.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of changes in the property, plant and equipment and investment properties of the Company and its subsidiaries during the Reporting Period are set out in notes 15 and 17 to the financial statements, respectively.

BORROWINGS

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

CONTINGENCIES

Details of the contingencies of the Company and its subsidiaries are set out in note 47(i) to the financial statements.

FIVE-YEAR FINANCIAL SUMMARY

The results and summary of assets and liabilities of the Company and its subsidiaries for the year ended December 31, 2023 and in the latest four fiscal years are set out on page 324 of this annual report.

SUBSTANTIAL SUBSIDIARIES AND ASSOCIATES

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

CORPORATE GOVERNANCE CODE

During the year ended December 31, 2023, the Company complied with all code provisions of the Corporate Governance Code (the "Corporate Governance Code") contained in Appendix C1 of the Listing Rules.

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

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

The Company and its subsidiaries operate and invest in, among others, China, Hong Kong, Europe, Australia and South America. During the Reporting Period, the Company complied with the relevant laws and regulations, which had material impacts on Legend Holdings' business and operations in material respects.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended December 31, 2023, neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

SUFFICIENT PUBLIC FLOAT

As of the date of this report, based on information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirmed that the Company maintained the sufficient public float as prescribed by the Listing Rules.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights according to the Company's Articles of Association and the Company Law of PRC.

TAX RELIEF

Shareholders are required to submit to the tax authorities the Information Reporting Form for Non-resident Taxpayers Claiming Treaty Benefits (chapter II of the announcement 2019 No. 35 State Administration of Taxation) if they are requested by the PRC tax authorities to claim refund of overpaid taxes fees through the Company in accordance with the relevant requirements of the Administrative Measures for Non-resident Taxpayers to Benefit from the Taxation Treaties (《非居民納税人享受税收協定待遇管理辦法》) (please refer to the announcement 2019 No. 35 State Administration of Taxation (website: http://www.chinatax.gov.cn/chinatax/n810341/n810765/n4182981/201910/c5141954/content.html)), they shall also collect and retain the relevant reference materials on their own.

INFORMATION OF DIRECTORS AND SUPERVISORS

During the year and as at the date of this report, the Directors of the Company are as follows:

Mr. NING Min *(Chairman)*
Mr. LI Peng *(Chief Executive Officer)*
Mr. ZHU Linan#
Mr. ZHAO John Huan#
Mr. SUO Jishuan#
Mr. YANG Jianhua#
Mr. MA Weihua*
Ms. HAO Quan*
Mr. YIN Jian'an*

\# *Non-executive Director*
* *Independent Non-executive Director*

The Company has received annual confirmations which are made by each of existing Independent Non-executive Directors to ensure their independence in the Company pursuant to Rule 3.13 of the Listing Rules; and the Company is of the view that such Directors are independent of the Company.

During the year and as at the date of this report, the Supervisors are as follows:

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

PERMITTED INDEMNITY PROVISION

The Company has maintained liability insurances for its Directors, Supervisors and senior management to provide protection to them for liability that might arise in the course of their performance of duties according to law and facilitate them to fully discharge their duties.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

All Directors and Supervisors have service contracts with the Company for three years, commencing on June 10, 2021 and ending on the annual general meeting to elect the fourth session of the Board of Directors and the Board of Supervisors of the Company. For the year ended December 31, 2023, none of the Directors or Supervisors entered into any service contract with the Company or any of its members, which is not determinable within one year without payment of any compensation (other than statutory compensation).

MANAGEMENT CONTRACTS

No contract in relation to the management and administration work of the Company or its any major business was entered into or subsisted during the year (other than the service contracts entered into with Directors and Supervisors or persons engaged by the Company).

DIRECTORS' INTERESTS IN ACQUISITION OF SHARES OR DEBENTURES

For the year ended December 31, 2023, there was no arrangement to enable the Directors to acquire benefits by means of acquisition of Shares in, or debentures of, the Company or any of its subsidiaries.

DIRECTORS' AND SUPERVISORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in the section "Benefits and interests of Directors and highest paid individuals" in note 52(b) to financial statements, at any time during the year ended December 31, 2023 or the year-end date, any Directors and Supervisors or their connected entities directly or indirectly have no material interests, either directly or indirectly, in other transactions, arrangements or contracts of significance entered into by the Company or any of its subsidiaries.

DIRECTORS' AND SUPERVISORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

The Directors' and Supervisors' emoluments are determined by the Board with reference to their duties, responsibilities, performance, and the results of the Company and its subsidiaries. Details of the Directors' and Supervisors' emoluments and the five highest paid individuals are set out in notes 52(a) and 52(c) to the financial statements, respectively.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the Reporting Period, none of the Directors (excluding the Independent Non-executive Directors) had any interests in businesses that compete or are likely to compete, directly or indirectly, with the businesses of the Company and its subsidiaries.

CHANGES IN DIRECTORS AND SUPERVISORS

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

Mr. NING Min, the Chairman of the Board, resigned as a director of CAS Holdings with effect from August 30, 2023.

Mr. YANG Jianhua, a Non-executive Director, resigned as the vice-chairman and general manager of CAS Holdings and was appointed as the chairman of CAS Holdings, both with effect from August 30, 2023. He resigned as a director of China Science Publishing & Media Ltd. (中國科技出版傳媒股份有限公司) (Stock Code: 601858.SH), with effect from January 16, 2024.

Mr. SUO Jishuan, a Non-executive Director, resigned as the chairman and a director of CAS Holdings, and a director of Levima Advanced Materials, with effect from August 30, 2023 and October 17, 2023, respectively.

Mr. MA Weihua, an Independent Non-executive Director, resigned as the chairman and a non-executive director of Bison Finance Group Ltd (貝森金融集團有限公司) (Stock Code: 00888. HK) with effect from September 1, 2023.

Mr. ZHANG Yong, a Supervisor, resigned as the deputy general manager and member of the Standing Committee of Party Committee of CAS Holdings with effect from July 31, 2023.

CONNECTED TRANSACTIONS, CONTINUING CONNECTED TRANSACTIONS AND MATERIAL RELATED PARTY TRANSACTIONS

For the year ended December 31, 2023, the Company and its subsidiaries had entered into the following transactions, which had constituted connected transactions or continuing connected transactions of the Company under the Listing Rules and shall be disclosed pursuant to Chapter 14A of the Listing Rules:

CONNECTED TRANSACTIONS

1. On December 21, 2018, Leap Wave Limited ("Leap Wave", as the subscriber), a wholly-owned subsidiary of the Company, and Hospital Corporation of China Limited (弘和仁愛醫療集團有限公司) ("Hospital Corporation", as the issuer), entered into the Subscription Agreement, pursuant to which Leap Wave conditionally agreed to subscribe for the Convertible Bonds in the aggregate principal amount of HK$800 million ("Convertible Bonds"). The subscription was completed on February 27, 2019. Under Chapter 14A of the Listing Rules, Mr. ZHAO John Huan, a Non-executive Director of the Company, is a connected person of the Company and controls over 30% interest in Hospital Corporation. As such, the subscription of Convertible Bonds constitutes a connected transaction of the Company. (For details, please refer to the announcements of the Company dated December 21, 2018, January 16, 2019, and February 27, 2019)

   On August 12, 2021, upon the approval of Leap Wave, the Hospital Corporation executed a Deed of Amendment to amend certain terms of the Convertible Bonds in relation to early redemption. Pursuant to the amended terms, the Hospital Corporation and Leap Wave agreed on the redemption schedule of the early redemption of the Convertible Bonds in the aggregate sum of HK$784 million by instalments. The exercising of the right of Leap Wave to early redeem the Convertible Bonds constitutes a connected transaction of the Company under the Listing Rules. (For details, please refer to the announcements of the Company dated August 12, 2021, and September 16, 2021)

   On July 31, 2023, Leap Wave has received a written notice by Hospital Corporation stating that, given the uncertainty in the economic environment and fierce competition in the medical industry, to safeguard the health of its financial cash flow, the payment of the Remaining Early Redemption Amount will not be made on or before July 31, 2023. The Remaining Early Redemption Amount and interests are intended to be paid in two instalments that an amount of HK$39 million shall be paid on or before July 31, 2024 and an amount of HK$50 million shall be paid on or before July 31, 2025. The Company will make further announcement(s) as and when appropriate pursuant to the Listing Rules requirements. (For details, please refer to the announcement of the Company dated July 31, 2023. The capitalized terms set out in this paragraph shall have the same meanings as defined in the announcement unless the context otherwise requires.)

2. Levima Group (a wholly-owned subsidiary of the Company) has succeeded in bidding for 60% equity interest of the CAS (Shandong) Advanced Materials Technology Limited (國科(山東)新材料技術有限公司) ("Shandong Advanced Materials" or "Target Company") held by Chinese Academy of Sciences Advanced Materials Technology Co., Ltd. (國科新材料技術有限公司) ("CAS Advanced Materials") through the public tender in China Beijing Equity Exchange (北京產權交易所) (CEBX). On August 3, 2023, Levima Group and CAS Advanced Materials entered into the Property Rights Transaction Contract, pursuant to which Levima Group agreed to acquire and CAS Advanced Materials agreed to sell 60% equity interest of the Shandong Advanced Materials ("Acquisition") at a consideration of RMB31,739,700. CAS Holdings is a substantial Shareholder and connected person of the Company and holds 100% equity interest of CAS Advanced Materials. Hence, CAS Advanced Materials is regarded as an associate of CAS Holdings. The Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

The details of the Property Rights Transaction Contract are set out below:

Date:	August 3, 2023
Parties:	(1) CAS Advanced Materials (as Transferor); and (2) Levima Group (as Transferee)
Subject Asset:	The 60% equity interest of the Target Company held by CAS Advanced Materials
Consideration and Basis of Determination:	The consideration for the Acquisition amounted to RMB31,739,700, which is the final bidding price of 60% equity interest of the Target Company. Such amount is determined with reference to 60% of the evaluation value of RMB52,899,500 of all the shareholders' equity of the Target Company as at the Evaluation Base Date, being RMB31,739,700, as set out in the asset valuation report prepared by the Evaluation Institution using asset-based approach.
Payment of Consideration:	Prior to the signing of the Property Rights Transaction Contract, the Transferee had made a guarantee payment of RMB3,200,000 to a designated account of the CBEX as a guarantee of its intention to accept such transfer and/or participation in the bidding, which will be deducted as part of the consideration upon signing the Property Rights Transaction Contract. The Transferee shall pay the balance of the above consideration (after deducting the guarantee payment above) to the designated settlement account of the CBEX in one lump sum within 5 working days after the Property Rights Transaction Contract becomes effective. The consideration of the Acquisition will be funded by Levima Group's own working capital.
Completion:	The Transferor shall procure the Target Company to proceed with the equity interest change registration procedures within 10 working days after the issuance of the property rights transaction certificate by CBEX, during which the Transferee shall assist and cooperate with the Transferor as necessary. Both parties agreed to proceed with the completion of equity interest transfer in the office where the Target Company is located within 10 working days after CBEX transfers the transaction amounts to the account of the Transferor, and the Transferor shall hand over the assets, control and management rights of the Target Company to the Transferee.

Full text of the above connected transaction is set out in the announcement dated August 3, 2023 issued by the Company. The capitalized terms set out in this paragraph shall have the same meanings as defined in the announcement unless the context otherwise requires.

3. On September 28, 2023, Qilu Science Park Technology and Innovation Venture Fund (Jinan) Partnership (Limited Partnership) (齊魯科學城科創投資基金(濟南)合夥企業(有限合夥)) ("QSP Technology and Innovation Fund of Funds") (an associate of CAS Holdings which is a substantial Shareholder of the Company, as a new limited partner of the Fund), Beijing Lianrong Kefa Equity Investment Partnership (Limited Partnership) (北京聯融科發股權投資合夥企業(有限合夥)), a subsidiary of the Company (as an original limited partner of the Fund) and certain other original limited partners and new limited partners, and Qushui Xinghuan Venture Capital Management Center (Limited Partnership) (曲水縣星環創業投資管理中心(有限合夥)), a subsidiary of the Company (as the general partner of the Fund) jointly entered into the Partnership Agreement. According to the Partnership Agreement, QSP Technology and Innovation Fund of Funds will subscribe a total amount of RMB80 million in the Beijing Xinglin Venture Capital Partnership (Limited Partnership) (北京星麟創業投資合夥企業(有限合夥)) (the "Fund"). CAS Holdings is a substantial Shareholder and a connected person of the Company. It controls over 30% interest of the general partner of QSP Technology and Innovation Fund of Funds. Hence, QSP Technology and Innovation Fund of Funds is deemed to be an associate of CAS Holdings. According to Chapter 14A of the Listing Rules, the transactions contemplated under the Partnership Agreement constitute connected transactions of the Company.

   Set out below is a summary of the principal terms of the Partnership Agreement:

Date:	September 28, 2023
Parties:	QSP Technology and Innovation Fund of Funds, as a new limited partner of the Fund; ZHANG Wen Song (張文松), as a new limited partner of the Fund; Ningbo Canyun Chunnuo, as a new limited partner of the Fund; Ningbo Tusheng Linzhi, as a new limited partner of the Fund; Lianrong Kefa, as an original limited partner of the Fund; Siou Management, as an original limited partner of the Fund; Fulin Investment, as an original limited partner of the Fund; Beijing Technology and Innovation, as an original limited partner of the Fund; Hainan Chenhai Chengrui, as an original limited partner of the Fund; and Xinghuan Venture, as the general partner of the Fund. As at the date of the announcement, to the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, other than the aforementioned QSP Technology and Innovation Fund of Funds, Lianrong Kefa and Xinghuan Venture, the other limited partners of the Fund and their ultimate beneficial owners are third parties independent from the Company and its connected persons.
The Fund:	Beijing Xinglin Venture Capital Partnership (Limited Partnership)

Scope and Means of Investment:	The investment scope of the Fund mainly consists of new-generation of information technology, smart manufacturing, medicine and health. The means of investment consists of equity investment as well as other investments that conforms to the requirements of laws and regulations.
Size:	The total target subscription amount of the Fund is RMB904,810,127.
Duration:	The duration of the Fund shall be 8 years from the date of first completion (i.e. September 30, 2021), which can be extended upon the satisfaction of certain conditions.
Manager:	Beijing Legend Star Future Investment (as the designated Manager of the general partner) provides daily investment management and administrative services for the Fund.
Management Fee:	The management fee shall be paid in four instalments per annum. During the three years from the date of first completion, the management fee will be charged at 2%/year of the total amount subscribed by each limited partner. After the end of the third year, the management fee will be charged at 2%/year of the paid-in capital contribution of the limited partners, which is used to share the investment cost (deducting the portion that has been permanently written down in whole or in part) of the project investments that have not been withdrawn by the partnership from the commencing date of the corresponding payment quarter.
Distribution of Revenue:	Revenue from the Fund shall be mainly distributed based on the following proportions: (1) Revenue generated from the Fund's project investments shall be distributed among all the partners based on their proportions of equity interest in the relevant project investment; and (2) Provisional investment revenue obtained by the Fund shall be distributed among all the partners based on their proportions of the capital of the Fund that generate such revenue. The distributable cash generated from the Fund's project investments shall be distributed among the relevant partners of the Fund based on the distribution proportion agreed in item (1) above. The portion calculated by each limited partner based on its distribution proportion will be further distributed mainly in the following manner and order: (1) The paid-in capital contribution will be returned to the limited partners; (2) 80% will be distributed to the limited partners; and (3) The remaining 20% will be distributed to the general partner.

Full text of the above connected transaction is set out in the announcement dated September 28, 2023 issued by the Company. The capitalized terms set out in this paragraph shall have the same meanings as defined in the announcement unless the context otherwise requires.

CONTINUING CONNECTED TRANSACTIONS

4. Fujitsu Client Computing Limited ("FCCL"), is a joint venture company held as to 51% by Lenovo (through its indirectly wholly owned subsidiary) and 44% by Fujitsu Limited ("Fujitsu", together with its subsidiaries the "Fujitsu Group") to engage in the business of personal computers and their related products pursuant to the Joint Venture Agreement entered into between Lenovo, and amongst others, Fujitsu dated November 2, 2017 and became effective on May 2, 2018 (the "Completion Date"). On or prior to the Completion Date, Fujitsu or other members of the Fujitsu Group entered into various agreements (the "Fujitsu CCT Agreements") with FCCL in respect of the provision of certain services and products to or by FCCL to facilitate the operation of its personal computer business in Japan. Details of the Fujitsu CCT Agreements are set out in the announcement published by the Company on May 3, 2018. Upon the Completion Date, FCCL became an indirect non-wholly-owned subsidiary of the Company. As Fujitsu is a substantial shareholder of FCCL and therefore a connected person of Lenovo as well as the Company, the transactions contemplated under the Fujitsu CCT Agreements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules and are subject to reporting requirements under the Listing Rules.

   On February 21, 2020, the annual caps of the Secondment Agreement, the Manufacturing Agreement (FIT) and the Fujitsu Trademark and Brand License Agreement, all of which form part of the Fujitsu CCT Agreements, for the four financial years ended March 31, 2020, 2021, 2022 and 2023 were revised (the "Revised Annual Caps"). Details of the Revised Annual Caps are set out in the announcement of the Company dated February 21, 2020.

   On January 16, 2023, FCCL exercised its option to extend the term of the Fujitsu Trademark and Brand License Agreement (the "Agreement") to May 2, 2026 by providing a notice of extension to Fujitsu and on March 31, 2023, the annual caps of the Agreement were set for the three financial years ending March 31, 2024, 2025 and 2026. On March 31, 2023, the terms of Transitional Services Agreement, Secondment Agreement, the Manufacturing Agreement (FIT) and Sales and Distribution Agreement (the "Other Renewed Fujitsu CCT Agreements", together with the Agreement the "Renewed Fujitsu CCT Agreements") were extended to May 2, 2024 by entering into side letters between FCCL and the respective parties to the Other Renewed Fujitsu CCT Agreements and the annual caps of the Other Renewed Fujitsu CCT Agreements were set for the financial year ending March 31, 2024. Details of the renewal of the Renewed Fujitsu CCT Agreements are set out in the announcement of the Company dated March 31, 2023.

   Save as the renewal of the Renewed Fujitsu CCT Agreements, which form part of the Fujitsu CCT Agreements, on March 31, 2023, other agreements forming the remaining part of the Fujitsu CCT Agreements were not renewed.

Details of the Fujitsu CCT Agreements are set out below:

Transitional Services Agreement

Date:	May 2, 2018 with side letter entered on March 31, 2023
Parties:	FCCL and Fujitsu
Services provided/received:	Transitional services provided by Fujitsu to FCCL and vice versa including research and development of hardware and software, sales and marketing, information technology support, development and management, customer care support, quality control, manufacturing support, supply chain management, procurement and corporate management.
Term:	Commenced from May 2, 2018 and expired on May 2, 2023. In light of mutual development needs and goals, Lenovo and Fujitsu have extended the Transitional Services Agreement by entering into a side letter dated March 31, 2023 to extend the term of the Transitional Services Agreement to May 2, 2024. The term may be extended under the same terms and conditions by mutual agreement between the parties.
Annual cap[(Note)]:	Expenses incurred from the use of services provided by Fujitsu to FCCL: 1/4/2018 – 31/3/2019 : JPY21,300 million 1/4/2019 – 31/3/2020 : JPY21,300 million 1/4/2020 – 31/3/2021 : JPY21,300 million 1/4/2021 – 31/3/2022 : JPY21,300 million 1/4/2022 – 31/3/2023 : JPY21,300 million 1/4/2023 – 31/3/2024 : JPY9,306 million Incomes generated for services to Fujitsu by FCCL: 1/4/2018 – 31/3/2019 : JPY1,300 million 1/4/2019 – 31/3/2020 : JPY1,300 million 1/4/2020 – 31/3/2021 : JPY1,300 million 1/4/2021 – 31/3/2022 : JPY1,300 million 1/4/2022 – 31/3/2023 : JPY1,300 million 1/4/2023 – 31/3/2024 : JPY647 million

Secondment Agreement

Date:	May 2, 2018 with side letter entered on March 31, 2023
Parties:	FCCL and Fujitsu
Services provided/received:	Secondment by Fujitsu to FCCL of certain employees of Fujitsu.
Term:	Commenced from May 2, 2018 and expired on May 2, 2023. In light of mutual development needs and goals, Lenovo and Fujitsu have extended the Secondment Agreement by entering into a side letter dated March 31, 2023 to extend the term of the Secondment Agreement to May 2, 2024.
Revised Annual cap[(Note)]:	Expenses incurred from the use of services provided by Fujitsu to FCCL: 1/4/2018 – 31/3/2019 : JPY6,500 million 1/4/2019 – 31/3/2020 : JPY7,350 million 1/4/2020 – 31/3/2021 : JPY8,350 million 1/4/2021 – 31/3/2022 : JPY8,350 million 1/4/2022 – 31/3/2023 : JPY8,350 million 1/4/2023 – 31/3/2024 : JPY240 million

Services Agreement

Date:	May 2, 2018
Parties:	FCCL, Fujitsu Technology Solutions GMBH ("FTS") and Fujitsu Technology Solutions IP GMBH
Services provided/received:	FTS agreed to provide FCCL product management services, VAT support services, purchasing and supply chain management services and IP support services.
Term:	Commenced from May 2, 2018 and shall continue for a period of five years, subject to extension by mutual agreement.
Annual cap[(Note)]:	Expenses incurred from the use of services provided by FTS to FCCL: 1/4/2018 – 31/3/2019 : JPY400 million 1/4/2019 – 31/3/2020 : JPY400 million 1/4/2020 – 31/3/2021 : JPY400 million 1/4/2021 – 31/3/2022 : JPY400 million 1/4/2022 – 31/3/2023 : JPY400 million

Manufacture Agreement (FPE)

Date:	May 2, 2018
Parties:	FCCL and Fujitsu Peripherals Limited ("FPE")
Services provided/received:	FPE agreed to provide manufacturing services to FCCL. FCCL agreed to provide component sourcing services to FPE.
Term:	Commenced from May 2, 2018 and shall continue for a period of five years. The term may be extended under same terms and conditions by agreement between the parties.
Annual cap(Note):	Expenses incurred from the use of services provided by FPE to FCCL: 1/4/2018 – 31/3/2019 : JPY300 million 1/4/2019 – 31/3/2020 : JPY300 million 1/4/2020 – 31/3/2021 : JPY300 million 1/4/2021 – 31/3/2022 : JPY300 million 1/4/2022 – 31/3/2023 : JPY300 million Incomes generated for services to FPE by FCCL: 1/4/2018 – 31/3/2019 : JPY100 million 1/4/2019 – 31/3/2020 : JPY200 million 1/4/2020 – 31/3/2021 : JPY100 million 1/4/2021 – 31/3/2022 : JPY100 million 1/4/2022 – 31/3/2023 : JPY100 million

Manufacture Agreement (FIT)

Date:	May 2, 2018 with side letter entered on March 31, 2023
Parties:	FCCL and Fujitsu Isotec Limited ("FIT")
Services provided/received:	FIT agreed to provide manufacturing services to FCCL. FCCL agreed to provide component sourcing services to FIT.
Term:	Commenced from May 2, 2018 and expired on May 2, 2023. In light of mutual development needs and goals, Lenovo and Fujitsu have extended the Manufacturing Agreement (FIT) by entering into a side letter dated March 31, 2023 to extend the term of the Manufacturing Agreement (FIT) to May 2, 2024. The term may be extended under the same terms and conditions by mutual agreement between the parties.

Revised Annual cap(Note):	Expenses incurred from the use of services provided by FIT to FCCL:

1/4/2018	–	31/3/2019	:	JPY53,200 million
1/4/2019	–	31/3/2020	:	JPY55,700 million
1/4/2020	–	31/3/2021	:	JPY49,200 million
1/4/2021	–	31/3/2022	:	JPY50,800 million
1/4/2022	–	31/3/2023	:	JPY52,400 million
1/4/2023	–	31/3/2024	:	JPY1,200 million

Incomes generated for services to FIT by FCCL:

1/4/2018	–	31/3/2019	:	JPY22,000 million
1/4/2019	–	31/3/2020	:	JPY27,500 million
1/4/2020	–	31/3/2021	:	JPY31,250 million
1/4/2021	–	31/3/2022	:	JPY31,250 million
1/4/2022	–	31/3/2023	:	JPY31,250 million
1/4/2023	–	31/3/2024	:	JPY600 million

Sales and Distribution Agreement

Date:	May 2, 2018 with side letter entered on March 31, 2023
Parties:	FCCL and Fujitsu
Services provided/received:	FCCL agreed to supply Fujitsu-branded products and such other products as agreed between the parties and services to Fujitsu.
Term:	Commenced from May 2, 2018 and expired on May 2, 2023. In light of mutual development needs and goals, Lenovo and Fujitsu have extended the Sales and Distribution Agreement by entering into a side letter dated March 31, 2023 to extend the term of the Sales and Distribution Agreement to May 2, 2024. The term may be extended under the same terms and conditions by mutual agreement between the parties.
Annual cap(Note):	Incomes generated for services to Fujitsu by FCCL:

1/4/2018	–	31/3/2019	:	JPY333,800 million
1/4/2019	–	31/3/2020	:	JPY337,600 million
1/4/2020	–	31/3/2021	:	JPY325,600 million
1/4/2021	–	31/3/2022	:	JPY336,000 million
1/4/2022	–	31/3/2023	:	JPY346,700 million
1/4/2023	–	31/3/2024	:	JPY278,077 million

Fujitsu Trademark and Brand License Agreement

Date:	May 2, 2018 with a notice of extension on January 16, 2023
Parties:	FCCL and Fujitsu
Services provided/received:	Fujitsu granted FCCL licenses to use Fujitsu name and trademarks
Term:	Commenced from May 2, 2018 and expired on May 2, 2023. In light of mutual development needs and goals, FCCL has exercised its option to extend the term of the Fujitsu Trademark and Brand License Agreement to May 2, 2026 by providing a notice of extension to Fujitsu on January 16, 2023. The term may be extended under the same terms and conditions by mutual agreement between the parties.
Revised Annual cap(Note):	Royalty payable to Fujitsu: 1/4/2018 – 31/3/2019 : JPY500 million 1/4/2019 – 31/3/2020 : JPY605 million 1/4/2020 – 31/3/2021 : JPY685 million 1/4/2021 – 31/3/2022 : JPY685 million 1/4/2022 – 31/3/2023 : JPY685 million 1/4/2023 – 31/3/2024 : JPY680 million 1/4/2024 – 31/3/2025 : JPY685 million 1/4/2025 – 31/3/2026 : JPY639 million

Manufacturing and Services Agreement

Date:	May 2, 2018
Parties:	FCCL and FTS
Services provided/received:	FTS agreed to manufacture products and provide the purchasing and supply chain management services to FCCL. FCCL agreed to provide component sourcing services to FTS.
Term:	Commenced from May 2, 2018 and shall continue for a period of five years. The term may be extended under same terms and conditions by agreement between the parties.

Annual cap(Note):	Expenses incurred from the use of services provided by FTS to FCCL:
	1/4/2018 – 31/3/2019 : JPY130,400 million
	1/4/2019 – 31/3/2020 : JPY139,700 million
	1/4/2020 – 31/3/2021 : JPY125,700 million
	1/4/2021 – 31/3/2022 : JPY129,700 million
	1/4/2022 – 31/3/2023 : JPY133,900 million
	Incomes generated for services to FTS by FCCL:
	1/4/2018 – 31/3/2019 : JPY52,400 million
	1/4/2019 – 31/3/2020 : JPY55,500 million
	1/4/2020 – 31/3/2021 : JPY45,600 million
	1/4/2021 – 31/3/2022 : JPY47,000 million
	1/4/2022 – 31/3/2023 : JPY48,500 million

R&D Services Agreement

Date:	May 2, 2018
Parties:	FCCL and FTS
Services provided/received:	FTS agreed to provide research and development services to FCCL.
Term:	Commenced from May 2, 2018 and remain in force for the Initial Business Plan Period. After Initial Business Plan Period, the terms shall be automatically renewed annually and expire at the fifth anniversary of May 2, 2018.
Annual cap(Note):	Expenses incurred from the use of services provided by FTS to FCCL:
	1/4/2018 – 31/3/2019 : JPY 2,600 million
	1/4/2019 – 31/3/2020 : JPY 2,600 million
	1/4/2020 – 31/3/2021 : JPY 2,600 million
	1/4/2021 – 31/3/2022 : JPY 2,600 million
	1/4/2022 – 31/3/2023 : JPY 2,600 million

Note: JPY: Japanese yen, the lawful currency of Japan

Full text of the above continuing connected transactions are set out in the announcements issued by the Company on November 2, 2017, May 3, 2018, February 21, 2020 and March 31, 2023. The capitalized terms set out in this paragraph shall have the same meanings as defined in the announcements unless the context otherwise requires.

During the year ended December 31, 2023, the actual aggregate transaction amount of the above continuing connected transactions did not exceed relevant annual caps prescribed in the above agreements.

5. Lenovo NEC Holdings B.V. ("JVCo", together with its subsidiaries the "JVCo Group"), is a joint venture company held as to 66.6% by Lenovo (through its indirect wholly-owned subsidiary) and 33.4% by NEC Corporation ("NEC", together with its subsidiaries the "NEC Group") to own and operate their respective personal computer businesses in Japan pursuant to the business combination agreement entered into between Lenovo and amongst others, NEC dated January 27, 2011 and became effective on July 1, 2011 (the "Closing Date") and as amended on October 7, 2014.

   On or prior to the Closing Date, NEC or other members of the NEC Group entered into various agreements (the "CCT Agreements") with Lenovo, the JVCo or other members of the JVCo Group in respect of the provision of certain services and products to or by the JVCo Group to facilitate the operation of its personal computer business in Japan. Details of the CCT Agreements are set out in Lenovo's announcement dated April 21, 2011 and the circular issued by Lenovo dated May 11, 2011.

   Upon the Closing Date, JVCo became an indirect non-wholly-owned subsidiary of Lenovo. As NEC is a substantial shareholder of the JVCo and therefore a connected person of the Lenovo as well as the Company, the transactions contemplated under the CCT Agreements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Pursuant to CCT Agreements and various subsequent renewal agreements entered at the relevant time, the annual caps and the revised annual caps (the "Revised Annual Caps") were set for the relevant financial years given the established business relationship between Lenovo and NEC and the mutual business development needs and goals. The actual aggregate transaction amount of the above continuing connected transactions did not exceed relevant annual caps prescribed in the above agreements.

   Since January 1, 2023, JVCo became an insignificant subsidiary of Lenovo and the Company and pursuant to the Listing Rules, NEC was not considered as a connected person of Lenovo and the Company. Accordingly, the transactions between NEC Group with Lenovo, the JVCo and other members of JVCo Group contemplated under the CCT Agreements would no longer constitute connected transactions of the Company and such transactions would not be further subject to the disclosure pursuant to Chapter 14A of the Listing Rules. The Company would keep monitoring JVCo's financials for assessing whether JVCo might constitute a significant subsidiary of the Company and subject to any disclosure as required under the Listing Rules in the future.

6. On August 10, 2021, the Company and Better Education Group Corporation ("Better Education") entered into the 2021 Financial Assistance Agreement, pursuant to which the Company or its subsidiaries agreed to, at the written request of Better Education and within a term of 36 months, provide continuing financial assistance in the amount of no more than RMB210 million (or its equivalent in US dollars) to Better Education and its subsidiaries, subject to the then financial positions of the Company and in compliance with the Listing Rules. The Company (through an indirect subsidiary) holds 51% of shares in issue of Better Education, and an associate of Mr. ZHAO John Huan, a Non-executive Director of the Company, holds 29%. Under Chapter 14A of the Listing Rules, Better Education is a connected subsidiary of the Company, and the provision of continuing financial assistance to Better Education constitutes continuing connected transactions of the Company.

   Details of the term of the 2021 Financial Assistance Agreement are set out below:

Date:	August 10, 2021
Parties:	The Company; and Better Education, a connected subsidiary of the Company
Cap for the continuing financial assistance:	Both parties have agreed that the continuing financial assistance shall be carried out and determined in accordance with the following principles: (1) upon fair and reasonable and arm's length negotiations between the parties and provided that it is in the interests of its shareholders as a whole, the Company or its subsidiaries have the sole and absolute discretion to decide whether or not to approve a specific financial assistance; and (2) the continuing financial assistance shall be provided on normal commercial terms with reference to market interest rate. During the 36 months effective period of the 2021 Financial Assistance Agreement, the Company or its subsidiaries shall provide continuing financial assistance in the amount of no more than RMB210 million (or its equivalent in US dollars) to Better Education and its subsidiaries, to meet the needs of its day-to-day operation and business development and transformation. The financial assistance can be rolled over during the 36 months term provided that, among other things the total sum of the re-finance amounts together with the regranted guarantees shall not exceed the balance available for utilisation. The specific amounts, interest rates and terms of the loans or guarantees to be further provided shall be determined by both parties in accordance with the terms of the 2021 Financial Assistance Agreement and separate agreements shall be entered into in this regard.

Term:	36 months effective from August 10, 2021. In compliance with the Listing Rules, every financial assistance to be provided within the effective period under the 2021 Financial Assistance Agreement will remain effective until the expiry date of separate agreements thereon. For any guarantee contract or loan contract to be entered into by the Company or its subsidiaries within the effective period, if the term is beyond the effective period, then the Company will comply with the Listing Rules to issue announcements and seek the pre-approval of independent shareholders of the Company (if necessary).
Shareholder Loan Interest Rates and Guarantee Fees:	During the term, the interest rate of each shareholder loan to be provided by the Company or its subsidiaries to Better Education and its subsidiaries shall not be lower than the prevailing costs of financing obtained by the Company in the market. Depending on actual situations, the interest rates of shareholder loans shall not be lower than the prevailing interest rates of borrowings obtained from independent third-party banks or financing institutions or the interest rates of the corporate bonds issued by the Company. In case of any early repayment of the loans by Better Education and its subsidiaries, it shall repay the principal in full and pay the interest actually incurred up to and including the date of early repayment. If the Company or its subsidiaries agree to provide guarantee for Better Education and its subsidiaries, it shall not charge Better Education and its subsidiaries any guarantee fees.

Full text of the above continuing connected transaction is set out in the announcement dated August 10, 2021 issued by the Company. The capitalized terms set out in this paragraph shall have the same meanings as defined in the announcement unless the context otherwise requires.

At any time during the year ended December 31, 2023, pursuant to the 2021 Financial Assistance Agreement, the maximum financial assistance provided by the Company to Better Education was RMB72 million, which did not exceed relevant annual cap of RMB210 million (or its equivalent in US dollars) prescribed in the agreement.

7. On December 19, 2022, Tengzhou Guozhuang Mining Co., Ltd. (滕州郭莊礦業有限責任公司) ("Guozhuang Mining") and Levima Advanced Materials entered into the 2023 Coal and Labour Outsourcing Services Agreement. Pursuant to the Agreement, Guozhuang Mining will continue to provide coal and labour outsourcing services to Levima Advanced Materials at a total maximum consideration of RMB714 million (exclusive of tax). The Company indirectly holds 51.77% equity of Levima Advanced Materials, and CAS Holdings, a substantial shareholder of the Company, holds 25.27% equity of Levima Advanced Materials. Under Chapter 14A of the Listing Rules, Levima Advanced Materials is a connected subsidiary of the Company, and the provision of coal and labour outsourcing services to Levima Advanced Materials constitutes a continuing connected transaction of the Company.

   Details of 2023 Coal and Labour Outsourcing Services Agreement are set out below:

   Date: December 19, 2022

   Parties: Guozhuang Mining, an indirect subsidiary of the Company (as supplier); and

   Levima Advanced Materials, a connected subsidiary of the Company (as purchaser)

   Annual Cap: During the period from January 1, 2023 to December 31, 2023, Guozhuang Mining will provide coal and labour outsourcing services to Levima Advanced Materials and its subsidiaries at a total maximum consideration of RMB714.00 million (exclusive of tax) pursuant to the 2023 Coal and Labour Outsourcing Services Agreement.

   Basis for price determination: The coal price shall be determined in accordance with the following market pricing principles on a reasonable basis, with reference to the prices offered by coal producers in nearby regions to other external parties for the same period and taking into account factors such as drying fees and transportation fees, as well as through arm's length negotiations by the parties:

   1) the transaction prices for coal producers published on the commodity market information websites in the PRC;

   2) the quoted prices of coal producers in nearby regions and the bid-winning coal prices for tenders of local power plants; and

3) the bid prices of major coal customers of Guozhuang Mining for the same period, which shall be determined by the parties following arm's length negotiations through analyzing the then coal prices in the market and conducting comparative analysis.

Other related labour outsourcing service fees shall be determined with reference to the fees charged by comparable independent third parties and service providers in the market, each determined by the parties following arm's length negotiations and under conditions no less favourable than those offered to or offered by independent third parties. Within the term of the agreement, the parties shall, following discussion and arm's length negotiations, agree on the price, quality, quantity, method of transportation and inspection and date of delivery of coal on a transaction-by-transaction basis, as well as the scope, price and method of other services to be provided, and shall enter into separate procurement and services agreements accordingly to implement the arrangements for payments.

Term: From January 1, 2023 to December 31, 2023

Full text of the above continuing connected transaction is set out in the announcement dated December 20, 2022 issued by the Company. The capitalized terms set out in this paragraph shall have the same meanings as defined in the announcement unless the context otherwise requires.

Pursuant to the 2023 Coal and Labour Outsourcing Services Agreement, at any time during the period from January 1, 2023 to December 31, 2023, the total amount of coal and labour outsourcing services provided by Guozhuang Mining to Levima Advanced Materials was RMB214 million, which did not exceed relevant annual cap of RMB714 million prescribed in the Agreement.

On December 19, 2023, Guozhuang Mining and Levima Advanced Materials entered into the 2024 Coal and Labour Outsourcing Services Agreement, pursuant to which, from January 1, 2024 to December 31, 2024, Guozhuang Mining will provide coal and labour outsourcing services to Levima Advanced Materials and its subsidiaries at a total maximum consideration of RMB466 million (exclusive of tax). (For details, please refer to the announcement of the Company dated December 19, 2023. The capitalized terms set out in this paragraph shall have the same meanings as defined in the announcement unless the context otherwise requires.)

In accordance with Rule 14A.55 of the Listing Rules, the Independent Non-executive Directors had reviewed the continuing connected transactions as referred to in the paragraphs 4 to 7 above, and confirmed that those transactions had been entered into (i) in the ordinary and usual course of business of Legend Holdings; (ii) on normal commercial terms or better; and (iii) according to the agreements governing them, the terms of which were fair and reasonable and in the interests of the Shareholders as a whole.

The Company has engaged an auditor to report on the continuing connected transactions of the Company and its subsidiaries in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements Other than Audits or Reviews of Historical Financial Information” and with reference to Practice Note 740 “Auditor’s Letter on Continuing Connected Transactions under the Hong Kong Listing Rules” issued by the Hong Kong Institute of Certified Public Accountants. The auditor has reviewed the continuing connected transactions referred to in the paragraphs 4 to 7 above and confirmed to the Board that nothing has come to their attention that causes them to believe that they have not been approved by the Board; that they were not, in all material respects, in accordance with the pricing policies of the Company and its subsidiaries if the transactions involve the provision of goods or services by the Company and its subsidiaries; that they were not entered into, in all material respects, in accordance with the relevant agreements governing the transactions; and that they have exceeded the caps in accordance with Rule 14A.56 of the Listing Rules.

During the year ended December 31, 2023, the Company and its subsidiaries have complied with the relevant policies and guidelines issued by the Hong Kong Stock Exchange when determining the price and terms of the continuing connected transactions and have complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules in relation to the connected transactions entered therein.

Save for the connected transactions and continuing connected transactions as disclosed above which also constitute the related party transactions, the related party transactions as set out in the note 55 to the financial statements do not constitute connected transactions under Chapter 14A of the Listing Rules.

MATERIAL TRANSACTIONS AND SIGNIFICANT INVESTMENTS HELD

During the period from July 6, 2022 to April 19, 2023 (both dates included), the Company conducted a series of transactions in the open market to dispose of a total of 55,984,240 shares in China Eastern Air Logistics at an average selling price of RMB16.25 per share for a total consideration of RMB909.68 million (excluding transaction costs). For details of the above disclosable transaction, please refer to the announcement of the Company dated April 19, 2023. The capitalized terms set out in this paragraph shall have the same meanings as defined in such announcement unless the context otherwise requires.

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

RETIREMENT SCHEME ARRANGEMENT

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

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

AUDITOR

PricewaterhouseCoopers ("PricewaterhouseCoopers") has been appointed by the Company as the independent auditor for the year ended December 31, 2023. The consolidated financial statements for 2023 of the Company which were prepared in accordance with the IFRS Accounting Standards have been audited by PricewaterhouseCoopers. A resolution for the re-appointment of PricewaterhouseCoopers as the independent auditor of the Company will be proposed at the 2023 AGM. There has been no change of auditor of the Company during the three years preceding the date of this report.

EQUITY INCENTIVE PLANS

Shareholders of the Company approved the 2019 Medium and Long-Term Incentive Plan on June 13, 2019, and the 2021 Medium and Long-Term Incentive Plan on June 10, 2021, all of which did not involve the new shares issued by the Company. Unless the context requires otherwise, the terms and expressions used herein shall have the same meanings ascribed to them in the circulars dated April 18, 2019 and April 23, 2021. The effective equity incentive plans of the Company during the Reporting Period are as follows:

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

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

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

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

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

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

<table>
<tr><th></th><th></th><th>2019 Medium and Long-Term Incentive Plan</th><th>2021 Medium and Long-Term Incentive Plan</th></tr>
<tr><td rowspan="4">Exercise period and vesting period</td><td>Restricted Shares</td><td colspan="2">After the expiration of the Restricted Shares lock-up period, the authorized personnel of the Board or the Remuneration Committee of the Board (as the case may be) will determine whether vesting may occur based on the following conditions: (a) the Company does not have any of the following circumstances: neither the auditor of the Company issues an adverse opinion or a disclaimer of an opinion in the Company's auditor's report; nor the Company has been penalized by the securities regulators or other relevant authorities due to material violations; (b) the overall performance of the Company meets the Board's expectations after assessment; and (c) relevant incentive targets are considered to be competent in the performance appraisal during the Restricted Shares lock-up period.</td></tr>
<tr><td rowspan="3">Share Options</td><td>The lock-up period of Share Options commenced from the date of granting Share Options to incentive targets and ended on December 31, 2020. The exercise period commenced from January 1, 2021 and ends on December 31, 2025.</td><td>The lock-up period of Share Options commences from the date of granting Share Options to incentive targets and ends on December 31, 2023. The exercise period commences from January 1, 2024 and ends on December 31, 2028.</td></tr>
<tr><td colspan="2">The Board or the Remuneration Committee of the Board (as the case may be) may decide whether the incentive targets have the right to exercise the Share Options granted to them based on the following conditions: (a) the Company does not have any of the following circumstances: neither the auditor of the Company issues an adverse opinion or a disclaimer of an opinion in the Company's auditor's report; nor the Company has been penalized by the securities regulators or any other relevant authorities due to material violations; (b) the overall performance of the Company meets the Board's expectations after assessment; and (c) relevant incentive targets are considered to be competent in the performance appraisal during the Share Options lock-up period. After the above conditions are met, the incentive targets may acquire the H Shares corresponding to the Share Options after payment of the exercise prices through the Company or the custodians selected by the Company.</td></tr>
<tr><td>The incentive targets may purchase the H Shares of the Company at the option exercise price commencing from January 1, 2021 and ending on December 31, 2025, subject to the exercise conditions.</td><td>The incentive targets may purchase the H Shares of the Company at the option exercise price commencing from January 1, 2024 and ending on December 31, 2028, subject to the exercise conditions.</td></tr>
<tr><td colspan="2">Payment for the Acceptance of Restricted Shares/Share Options</td><td colspan="2">No consideration will be required to be paid by the incentive targets for the acceptance of the grants of Restricted Shares or Share Options.</td></tr>
<tr><td colspan="2">Determination of the exercise price</td><td colspan="2">The option exercise price shall be determined by the Board based on the average of the closing prices of the Shares as stated in the Hong Kong Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of grant of the Share Options.</td></tr>
<tr><td colspan="2">Remaining life of the Share Options Plan</td><td>The remaining term of the Share Options Plan is 20 months.</td><td>The remaining term of the Share Options Plan is 56 months.</td></tr>
</table>

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

Name	Type of incentive	Date of grant (mm/dd/yyyy)	Exercise price *(HKD)*	Grant price[1] *(HKD)*	Closing price of shares immediately before the date of grant *(HKD)*	Fair value as at the date of grant *(HKD)*	Weighted average closing price of shares immediately before the date of incentives exercised or vested *(HKD)*	Vesting period (mm/dd/yyyy)
NING Min	Share Options	8/9/2019	16.856	N/A	–	–	–	1/1/2021-12/31/2021
	Share Options	6/19/2020	16.856	N/A	–	–	–	1/1/2021-12/31/2021
	Restricted Shares	8/9/2019	N/A	0	–	–	–	1/1/2021-12/31/2021
	Restricted Shares	6/19/2020	N/A	0	–	–	–	1/1/2021-12/31/2021
LI Peng	Share Options	8/9/2019	16.856	N/A	–	–	–	1/1/2021-12/31/2021
	Share Options	6/19/2020	16.856	N/A	–	–	–	1/1/2021-12/31/2021
	Restricted Shares	8/9/2019	N/A	0	–	–	–	1/1/2021-12/31/2021
	Restricted Shares	6/19/2020	N/A	0	–	–	–	1/1/2021-12/31/2021
ZHU Linan	Share Options	8/9/2019	16.856	N/A	–	–	–	1/1/2021-12/31/2021
	Restricted Shares	8/9/2019	N/A	0	–	–	–	1/1/2021-12/31/2021
ZHAO John Huan	Share Options	8/9/2019	16.856	N/A	–	–	–	1/1/2021-12/31/2021
	Restricted Shares	8/9/2019	N/A	0	–	–	–	1/1/2021-12/31/2021
Total:								

Notes:

1. The grant price of the restricted shares of the Company was determined by the Board after considering factors such as the purpose of the incentives, the incentive targets and the prevailing closing price of shares.

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

3. Save as disclosed above, there was no other information required to be disclosed in accordance with Rule 17.07 of the Listing Rules.

Exercise period (mm/dd/yyyy)	Total outstanding as at January 1, 2023	As at January 1, 2023 (vested)	As at January 1, 2023 (unvested)	Newly granted during the period	Vested during the period	Exercised during the period	Canceled/ lapsed during the period	Total outstanding as at December 31, 2023	As at December 31, 2023 (unvested)
1/1/2021-12/31/2025	1,900,000	1,900,000	–	–	–	–	–	1,900,000	–
1/1/2021-12/31/2025	850,000.00	850,000.00	–	–	–	–	–	850,000.00	–
N/A	–	1,000,000.00	–	–	–	–	–	–	–
N/A	–	400,000.00	–	–	–	–	–	–	–
1/1/2021-12/31/2025	1,900,000.00	1,900,000.00	–	–	–	–	–	1,900,000.00	–
1/1/2021-12/31/2025	650,000.00	650,000.00	–	–	–	–	–	650,000.00	–
N/A	–	1,000,000.00	–	–	–	–	–	–	–
N/A	–	300,000.00	–	–	–	–	–	–	–
1/1/2021-12/31/2025	3,600,000.00	3,600,000.00	–	–	–	–	–	3,600,000.00	–
N/A	–	1,800,000.00	–	–	–	–	–	–	–
1/1/2021-12/31/2025	1,200,000.00	1,200,000.00	–	–	–	–	–	1,200,000.00	–
N/A	–	600,000.00	–	–	–	–	–	–	–
	10,100,000.00	15,200,000.00						10,100,000.00	

During the Reporting Period, the movements in the share incentives granted to the other eligible participants of the Company were as follows:

Name	Type of incentive	Date of grant (mm/dd/yyyy)	Exercise price *(HKD)*	Grant price[1] *(HKD)*	Closing price of shares immediately before the date of grant *(HKD)*	Fair value as at the date of grant *(HKD)*	Weighted average closing price of shares immediately before the date of incentives exercised or vested *(HKD)*	Vesting period (mm/dd/yyyy)
Employees	Restricted Shares	7/7/2021	N/A	0	–	–	8.42	1/1/2023-12/31/2023, 1/1/2024-12/31/2024
	Restricted Shares	4/1/2022	N/A	0	–	–	7.57	1/1/2023-12/31/2023
	Restricted Shares	9/30/2022	N/A	0	–	–	8.26	1/1/2023/-12/31/2023
	Restricted Shares	12/1/2023	N/A	0	6.73	6,542,250	–	1/1/2024/-12/31/2024
Total:								

Notes:

1. The grant price of the Restricted Shares of the Company was determined by the Board after considering factors such as the purpose of the incentives, the incentive targets and the prevailing closing price of shares.

2. During the Reporting Period, 268,000 incentive shares lapsed and no incentive shares were canceled among the share incentives granted to the employees of the Company.

3. The vesting of Restricted Shares to the Directors and other eligible participants of the Company shall be subject to the following performance targets: (a) the Company does not have any of the following circumstances: the auditor of the Company issues an adverse opinion or a disclaimer of opinion in the Auditor's Report of the Company; and the Company has been penalized by the securities regulations or any other relevant authorities due to material violations; (b) the overall business performance of the Company meets the expectation after assessment; and (c) the performance appraisal results of the relevant incentive targets are considered competent or above during the restricted shares lock-up period.

4. Save as disclosed above, there was no other information required to be disclosed in accordance with Rule 17.07 of the Listing Rules.

Exercise period (mm/dd/yyyy)	Total outstanding as at January 1, 2023	As at January 1, 2023 (vested)	As at January 1, 2023 (unvested)	Newly granted during the period	Vested during the period	Exercised during the period	Canceled/ lapsed during the period[2]	Total outstanding as at December 31, 2023	As at December 31, 2023 (unvested)
N/A	–	–	9,752,000	–	6,624,000	–	268,000	–	2,860,000
N/A	–	–	819,000	–	819,000	–	–	–	–
N/A	–	–	123,000	–	123,000	–	–	–	–
N/A	–	–	–	975,000	–	–	–	–	975,000
			10,694,000	975,000	7,566,000		268,000		3,835,000

Long-term incentive program of Lenovo

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

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

(i) Share Appreciation Rights ("SARs")

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

(ii) Restricted Share Units ("RSUs")

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

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

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

During the Reporting Period, the movements in the share incentives granted to the directors of Lenovo were as follows:

Name	Type of incentive	Date of grant (mm/dd/yyyy)	Exercise price *(HKD)*	Grant price *(HKD)*	Closing price of shares immediately before the date of grant *(HKD)*	Fair value as at the date of grant *(HKD)*
YANG Yuanqing	SAR	06/01/2016	4.90	N/A	–	–
	SAR	08/31/2017	4.95	N/A	–	–
	SAR	06/01/2018	4.00	N/A	–	–
	SAR	06/03/2019	5.79	N/A	–	–
	SAR	06/01/2020	4.22	N/A	–	–
	SAR	06/20/2022	7.34	N/A	–	–
	SAR	06/01/2023	7.46	N/A	7.36	13,314,536
	RSU	06/01/2020	N/A	4.22	–	–
	RSU	06/01/2021	N/A	9.50	–	–
	RSU	06/20/2022	N/A	7.54	–	–
	RSU	06/20/2022	N/A	7.54	–	–
	RSU	06/01/2023	N/A	7.57	7.36	7,924,435
	RSU	06/01/2023	N/A	7.57	7.36	19,971,802

Weighted average closing price of shares immediately before the date of incentives exercised or vested *(HKD)*	As at January 1, 2023 (unvested)	Newly granted during the period	Vested during the period	Exercised during the period	Canceled/ lapsed during the period	Total outstanding as at December 31, 2023	As at December 31, 2023 (unvested)
7.26	–	–	–	83,472,471	–	–	–
8.31	–	–	–	45,893,773	–	–	–
9.73	–	–	–	39,305,643	–	–	–
–	–	–	–	–	–	79,451,149	–
–	12,674,676	–	12,674,676	–	–	76,048,055	–
–	30,705,901	–	–	–	–	30,705,901	30,705,901
–	–	7,356,097	–	–	–	7,356,097	7,356,097
7.20	3,129,377	–	3,129,377	–	–	–	–
8.23	5,175,099	–	3,450,067	–	–	1,725,032	1,725,032
–	4,987,562	–	–	–	–	4,987,562	4,987,562
–	10,751,138	–	–	–	–	10,751,138	10,751,138
–	–	1,046,821	–	–	–	1,046,821	1,046,821
–	–	2,638,283	–	–	–	2,638,283	2,638,283

Name	Type of incentive	Date of grant (mm/dd/yyyy)	Exercise price *(HKD)*	Grant price *(HKD)*	Closing price of shares immediately before the date of grant *(HKD)*	Fair value as at the date of grant *(HKD)*
ZHU Linan	RSU	09/01/2020	N/A	5.01	–	–
	RSU	08/18/2021	N/A	7.73	–	–
	RSU	09/14/2022	N/A	6.257	–	–
	RSU	09/27/2023	N/A	8.003	7.75	1,877,080
ZHAO John Huan	SAR	09/02/2016	5.38	N/A	–	–
	SAR	09/06/2017	4.74	N/A	–	–
	SAR	08/17/2018	4.39	N/A	–	–
	RSU	09/01/2020	N/A	5.01	–	–
	RSU	08/18/2021	N/A	7.73	–	–
	RSU	09/14/2022	N/A	6.257	–	–
	RSU	09/27/2023	N/A	8.003	7.75	1,877,080
William O. Grabe	SAR	09/02/2016	5.38	N/A	–	–
	SAR	09/06/2017	4.74	N/A	–	–
	SAR	08/17/2018	4.39	N/A	–	–
	RSU	09/01/2020	N/A	5.01	–	–
	RSU	08/18/2021	N/A	7.73	–	–
	RSU	09/14/2022	N/A	6.257	–	–
	RSU	03/07/2023	N/A	7.17	7.52	264,941
	RSU	09/27/2023	N/A	8.003	7.75	1,877,080
	RSU	09/27/2023	N/A	8.003	7.75	263,963
	RSU	09/27/2023	N/A	8.003	7.75	263,963
	RSU	12/18/2023	N/A	9.777	10.24	263,207
William Tudor Brown	SAR	09/02/2016	5.38	N/A	–	–
	SAR	09/06/2017	4.74	N/A	–	–
	SAR	08/17/2018	4.39	N/A	–	–
	RSU	09/01/2020	N/A	5.01	–	–
	RSU	08/18/2021	N/A	7.73	–	–
	RSU	09/14/2022	N/A	6.257	–	–
	RSU	09/27/2023	N/A	8.003	7.75	1,877,080
Gordon Robert Halyburton Orr	SAR	09/02/2016	5.38	N/A	–	–
	SAR	09/06/2017	4.74	N/A	–	–
	SAR	08/17/2018	4.39	N/A	–	–
	RSU	09/01/2020	N/A	5.01	–	–
	RSU	08/18/2021	N/A	7.73	–	–
	RSU	09/14/2022	N/A	6.257	–	–
	RSU	09/27/2023	N/A	8.003	7.75	1,877,080
John Lawson Thornton	RSU	09/27/2023	N/A	8.003	7.75	1,407,816

Weighted average closing price of shares immediately before the date of incentives exercised or vested *(HKD)*	As at January 1, 2023 (unvested)	Newly granted during the period	Vested during the period	Exercised during the period	Canceled/ lapsed during the period	Total outstanding as at December 31, 2023	As at December 31, 2023 (unvested)
8.87	118,626	–	118,626	–	–	–	–
7.67	161,204	–	80,602	–	–	80,602	80,602
8.10	301,069	–	100,356	–	–	200,713	200,713
–	–	234,547	–	–	–	234,547	234,547
7.28	–	–	–	615,761	–	–	–
10.24	–	–	–	955,316	–	–	–
–	–	–	–	–	–	1,125,232	–
8.87	118,626	–	118,626	–	–	–	–
7.67	161,204	–	80,602	–	–	80,602	80,602
8.10	301,069	–	100,356	–	–	200,713	200,713
–	–	234,547	–	–	–	234,547	234,547
7.35	–	–	–	615,761	–	–	–
–	–	–	–	–	–	955,316	–
–	–	–	–	–	–	1,125,232	–
8.87	118,626	–	118,626	–	–	–	–
7.67	161,204	–	80,602	–	–	80,602	80,602
8.10	301,069	–	100,356	–	–	200,713	200,713
7.52	–	36,972	36,972	–	–	–	–
–	–	234,547	–	–	–	234,547	234,547
7.75	–	32,983	32,983	–	–	–	–
7.75	–	32,983	32,983	–	–	–	–
10.24	–	26,921	26,921	–	–	–	–
7.52	–	–	–	615,761	–	–	–
7.52	–	–	–	955,316	–	–	–
8.12	–	–	–	1,125,232	–	–	–
8.87	118,626	–	118,626	–	–	–	–
7.67	161,204	–	80,602	–	–	80,602	80,602
8.10	301,069	–	100,356	–	–	200,713	200,713
–	–	234,547	–	–	–	234,547	234,547
7.52	–	–	–	615,761	–	–	–
8.10	–	–	–	955,316	–	–	–
9.52	–	–	–	1,125,232	–	–	–
8.87	118,626	–	118,626	–	–	–	–
7.67	161,204	–	80,602	–	–	80,602	80,602
8.10	301,069	–	100,356	–	–	200,713	200,713
–	–	234,547	–	–	–	234,547	234,547
–	–	175,911	–	–	–	175,911	175,911

Name	Type of incentive	Date of grant (mm/dd/yyyy)	Exercise price *(HKD)*	Grant price *(HKD)*	Closing price of shares immediately before the date of grant *(HKD)*	Fair value as at the date of grant *(HKD)*
Woo Chin Wan, Raymond	RSU	09/01/2020	N/A	5.01	–	–
	RSU	08/18/2021	N/A	7.73	–	–
	RSU	09/14/2022	N/A	6.257	–	–
	RSU	09/27/2023	N/A	8.003	7.75	1,877,080
YANG Lan	RSU	09/01/2020	N/A	5.01	–	–
	RSU	08/18/2021	N/A	7.73	–	–
	RSU	09/14/2022	N/A	6.257	–	–
	RSU	09/26/2022	N/A	6.094	–	–
	RSU	09/27/2023	N/A	8.003	7.75	586,588
	RSU	09/27/2023	N/A	8.003	7.75	1,877,080
Cher Wang Hsiueh Hong	RSU	11/15/2022	N/A	6.31	–	–
	RSU	09/27/2023	N/A	8.003	7.75	1,877,080
XUE Lan	RSU	09/14/2022	N/A	6.257	–	–
	RSU	09/27/2023	N/A	8.003	7.75	1,877,080
Total:						

Notes:

1. The vesting period for SARs and RSUs is between the first and third year of the date of grant.

2. The exercise period for SARs is seven years from the date of grant.

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

4. Save as disclosed above, there was no other information required to be disclosed in accordance with Rule 17.07 of the Listing Rules.

Weighted average closing price of shares immediately before the date of incentives exercised or vested *(HKD)*	As at January 1, 2023 (unvested)	Newly granted during the period	Vested during the period	Exercised during the period	Canceled/ lapsed during the period	Total outstanding as at December 31, 2023	As at December 31, 2023 (unvested)
8.87	118,626	–	118,626	–	–	–	–
7.67	161,204	–	80,602	–	–	80,602	80,602
8.10	301,069	–	100,356	–	–	200,713	200,713
–	–	234,547	–	–	–	234,547	234,547
8.87	104,244	–	104,244	–	–	–	–
7.67	161,204	–	80,602	–	–	80,602	80,602
8.10	301,069	–	100,356	–	–	200,713	200,713
7.90	96,611	–	32,204	–	–	64,407	64,407
–	–	73,296	–	–	–	73,296	73,296
–	–	234,547	–	–	–	234,547	234,547
9.43	297,703	–	99,234	–	–	198,469	198,469
–	–	234,547	–	–	–	234,547	234,547
8.10	301,069	–	100,356	–	–	200,713	200,713
–	–	234,547	–	–	–	234,547	234,547
	72,171,047	13,531,190	21,698,479	176,251,343	–	222,708,742	64,003,758

During the Reporting Period, the movements in the share incentives granted to the other eligible participants of Lenovo were as follows:

Name	Type of incentive	Date of grant (respective year)	Exercise price *(HKD)*	Grant price *(HKD)*	Closing price of shares immediately before the date of grant *(HKD)*	Fair value as at the date of grant *(HKD)*
Five highest paid individuals	SAR	2016	4.79~4.9	N/A	–	–
	SAR	2017	4.95	N/A	–	–
	SAR	2018	4.00	N/A	–	–
	SAR	2019	5.79	N/A	–	–
	SAR	2020	4.22	N/A	–	–
	SAR	2021	9.45	N/A	–	–
	SAR	2022	7.13~7.63	N/A	–	–
	SAR	2023	7.46	N/A	7.36	33,498,443
	RSU	2020	N/A	4.22	–	–
	RSU	2021	N/A	9.5	–	–
	RSU	2022	N/A	7.54~7.65	–	–
	RSU	2023	N/A	7.57	7.36	83,115,421
Employees	SAR	2016	4.9~5.38	N/A	–	–
	SAR	2017	4.74~4.95	N/A	–	–
	SAR	2018	4~5.08	N/A	–	–
	SAR	2019	5.33~5.79	N/A	–	–
	SAR	2020	4.22~7.01	N/A	–	–
	SAR	2021	9.45	N/A	–	–
	SAR	2022	7.63	N/A	–	–
	SAR	2023	7.46	N/A	7.36	148,267,057
	RSU	2020	N/A	4.22~7.01	–	–
	RSU	2021	N/A	7.45~10.27	–	–
	RSU	2022	N/A	5.84~8.92	–	–
	RSU	2023	N/A	6.37~9.65	6.41~9.65	1,765,143,757
Service providers (Consultants)	RSU	2022	N/A	6.09	–	–
	RSU	2023	N/A	8.003	7.75	3,128,469
Total:						

Notes:

1. The vesting period for SARs and RSUs is between the first and third year of the date of grant.

2. The exercise period for SARs is seven years from the date of grant.

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

4. During the Reporting Period, 38,450,462 incentive shares were canceled among the share incentives granted to other eligible participants of Lenovo, the purchase price of which was the exercise price.

5. Save as disclosed above, there was no other information required to be disclosed in accordance with Rule 17.07 of the Listing Rules.

Weighted average closing price of shares immediately before the date of incentives exercised or vested *(HKD)*	As at January 1, 2023 (unvested)	Newly granted during the period	Vested during the period	Exercised during the period	Canceled/lapsed during the period[4]	As at December 31, 2023 (unvested)
7.28	–	–	–	88,353,671	–	–
7.80	–	–	–	96,457,926	–	–
8.82	–	–	–	56,817,245	–	–
9.02	–	–	–	56,556,263	–	–
6.87	26,074,418	–	26,074,418	23,235,970	–	–
10.40	20,521,064	–	10,148,221	3,637,605	5,295,989	5,076,854
8.84	78,587,409	–	23,938,599	6,490,962	–	54,648,810
–	–	18,507,427	–	–	–	18,507,427
7.20	6,437,773	–	6,437,773	–	–	–
8.23	11,619,874	–	7,745,945	–	–	3,873,929
7.97	38,110,476	–	13,172,763	–	–	24,937,713
–	–	10,979,580	–	–	–	10,979,580
7.34	–	–	–	24,398,657	–	–
8.14	–	–	–	72,227,932	–	–
8.53	–	–	–	78,737,945	–	–
8.64	1,146,277	–	1,146,277	149,224,741	–	–
8.33	82,945,850	–	82,875,110	219,656,544	70,740	–
9.99	99,534,715	–	57,018,237	20,833,783	11,460,662	31,055,816
9.20	185,995,996	–	90,528,957	37,216,389	5,608,342	89,858,697
–	–	81,915,501	–	–	843,787	81,071,714
7.19	37,982,384	–	37,674,302	–	308,082	–
8.15	84,682,202	–	54,158,901	–	3,025,032	27,498,269
7.82	314,426,391	–	176,483,573	–	8,143,079	129,799,739
9.04	–	233,771,002	492,966	–	3,694,749	229,583,287
7.90	515,259	–	171,752	–	–	343,507
–	–	390,912	–	–	–	390,912
	988,580,088	345,564,422	588,067,794	933,845,633	38,450,462	707,626,254

DIRECTORS' INTERESTS IN SECURITIES

As at December 31, 2023, the interests or short positions of the Directors, Supervisors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as notified to our Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or as recorded in the register maintained by the Company under Section 352 of the SFO, or as notified to our Company and the Hong Kong Stock Exchange pursuant to the "Model Code for Securities Transactions by Directors of Listed Issuers" as set out in Appendix C3 to the Listing Rules, were as follows:

(i) Interests in the Shares of the Company

Name of Director/ Chief Executive	Nature of interests	Class of Shares/ underlying Shares	Number of Shares/ underlying Shares held	Total number of long position	Approximate percentage of holding in the relevant class of Shares(i)	Approximate percentage of holding in the total issued Shares(i)
NING Min	Beneficial owner	H Shares	37,400,000	40,150,000	3.15%	1.70%
		Share Options(ii)	2,750,000			
LI Peng	Beneficial owner	H Shares	1,844,100	4,394,100	0.34%	0.18%
		Share Options(ii)	2,550,000			
ZHU Linan	Beneficial owner	H Shares	52,630,000	56,230,000	4.42%	2.38%
		Share Options(ii)	3,600,000			
ZHAO John Huan	Beneficial owner	H Shares	600,000	1,800,000	0.14%	0.07%
		Share Options(ii)	1,200,000			

Notes:

(i) As of December 31, 2023, the number of H Shares issued was 1,271,853,990 and the number of Domestic Shares issued was 1,084,376,910 and the total Shares issued was 2,356,230,900.

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

(ii) Interests in our associated corporations

Name of Director	Name of associated corporation	Nature of interests	Long Position/ Short Position	Number of shares/ underlying shares held	Approximate percentage of shareholding in the total issued shares[c]
NING Min	Lenovo	Beneficial owner	Long Position	1,370,401	0.01%
ZHU Linan	Lenovo	Beneficial owner	Long Position	3,901,746[a]	0.03%
ZHAO John Huan	Lenovo	Beneficial owner	Long Position	4,211,488[b]	0.03%

Notes:

(a) Mr. ZHU Linan owns 3,385,884 ordinary shares and 515,862 units of share awards which are convertible into ordinary shares.

(b) Mr. ZHAO John Huan owns 2,570,394 ordinary shares and 1,641,094 units of share awards which are convertible into ordinary shares.

(c) The calculation is based on the total number of 12,391,071,129 shares issued by Lenovo as at December 31, 2023.

INTERESTS OF THE SUBSTANTIAL SHAREHOLDERS

As at December 31, 2023, so far as the Directors are aware, the following persons or corporations had an interest and/or a short position in the Shares or underlying Shares of the Company which are required to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, and an interest and/or a short position as recorded by the Company in the register required to be kept under section 336 of the SFO:

Name of Shareholder	Class of Shares/ underlying Shares	Nature of interests	Number of Shares/ underlying Shares held	Approximate percentage holding in the relevant class of Shares[1]	Approximate percentage holding in the total issued Shares[2]
CAS Holdings	Domestic Shares	Beneficial owner	684,376,910	63.11%	29.04%
Beijing Lian Chi Zhi Yuan Management Consulting Center Limited Partnership (北京聯持志遠管理諮詢中心(有限合夥)) ("Lian Chi Zhi Yuan")	H Shares-Long Position	Beneficial owner	480,000,000	37.74%	20.37%
Beijing Lian Chi Zhi Tong Management Consulting Limited (北京聯持志同管理諮詢有限責任公司) ("Lian Chi Zhi Tong")[3]	H Shares-Long Position	Interest in controlled corporation	480,000,000	37.74%	20.37%
LU Zhiqiang[4]	Domestic Shares	Interest in controlled corporation	273,480,000	25.22%	11.60%

Name of Shareholder	Class of Shares/ underlying Shares	Nature of interests	Number of Shares/ underlying Shares held	Approximate percentage holding in the relevant class of Shares[1]	Approximate percentage holding in the total issued Shares[2]
China Oceanwide	Domestic Shares	Beneficial owner	273,480,000	25.22%	11.60%
Oceanwide Group[4]	Domestic Shares	Interest in controlled corporation	273,480,000	25.22%	11.60%
Tohigh[4]	Domestic Shares	Interest in controlled corporation	273,480,000	25.22%	11.60%
Xiamen International Bank Co., Ltd. Beijing Branch (廈門國際銀行股份有限公司北京分行)	Domestic Shares	Beneficial owner	126,520,000	11.67%	5.37%
Beijing Lian Heng Yong Xin Investment Center Limited Partnership (北京聯恒永信投資中心(有限合夥)) ("Lian Heng Yong Xin")[5]	H Shares-Long Position	Beneficial owner	93,813,000	7.37%	3.98%
Beijing Lian Heng Yong Kang Management Consulting Limited (北京聯恒永康管理諮詢有限公司) ("Lian Heng Yong Kang")[5]	H Shares-Long Position	Interest in controlled corporation	93,813,000	7.37%	3.98%
LIU Chuanzhi	H Shares-Long Position Share Options-Long Position	Beneficial owner	73,600,000	5.78%	3.12%

Notes:

(1) The calculation is based on the percentage of shareholding in Domestic Shares or H Shares as at December 31, 2023. As of December 31, 2023, the Company has issued 1,271,853,990 H Shares and 1,084,376,910 Domestic Shares.

(2) The calculation is based on the total number of 2,356,230,900 Shares in issue as at December 31, 2023.

(3) Lian Chi Zhi Tong is the sole general partner of Lian Chi Zhi Yuan and has de facto control over it. Accordingly, Lian Chi Zhi Tong is deemed to be interested in the 480,000,000 H Shares.

(4) Oceanwide Group and Tohigh are corporations controlled by Mr. LU Zhiqiang. Tohigh holds the entire equity interest in the Oceanwide Group which in turn holds 98% equity interest in China Oceanwide. Accordingly, Mr. LU Zhiqiang is deemed to be interested in the 273,480,000 Domestic Shares held by China Oceanwide.

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

As at December 31, 2023, save as disclosed above, there was no other person or corporations who held interests and/or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company pursuant to Division 2 and 3 of Part XV of the SFO, or are required to be recorded in the register to be kept under section 336 of Part XV of the SFO, or was a substantial Shareholder of the Company.

By order of the Board
Legend Holdings Corporation
NING Min
Chairman

March 28, 2024

Supervisor’s Report

The Board of Supervisors of Legend Holdings Corporation complies with the regulations of the Company Law of the PRC (《中華人民共和國公司法》), the requirements of the Company’s Articles of Association and the Listing Rules, earnestly fulfilling their supervisory duties, safeguarding the interests of the Shareholders and the Company, observing the principles of integrity, trying their best to fulfill their duties, and discharging their duties with reasonable care, diligence and initiative.

As of the date of the report, the Board of Supervisors comprises three members. The Chairman of the Board of Supervisors is Mr. GAO Qiang (staff representative), the members of the Board of Supervisors are Mr. LUO Cheng (shareholder representative), and Mr. ZHANG Yong (shareholder representative).

The following matters were approved and passed by resolutions of the Board of Supervisors in 2023. The approval of such resolutions was in compliance with relevant laws, regulations and the provisions of the Company’s Articles of Association:

1. On March 31, 2023, the audited consolidated financial statements of the Company for the year ended December 31, 2022 (prepared in accordance with International Accounting Standards), the Company’s profit distribution plan for the year 2022, annual results announcement of the Company for the year ended 2022, the 2022 annual report of the Company, the Company’s audited consolidated financial statements for the year 2022 (prepared in accordance with China Accounting Standards for Business Enterprises) as well as the 2022 Supervisor’s Report of the Company were considered and passed; and

2. On August 31, 2023, the unaudited consolidated financial statements of the Company for the six months ended June 30, 2023 (prepared in accordance with the International Accounting Standards), interim results announcement of the Company for the six months ended June 30, 2023, the 2023 interim report of the Company as well as the Company’s unaudited consolidated financial statements for the six months ended June 30, 2023 (prepared in accordance with China Accounting Standards for Business Enterprises) were considered and passed.

In 2023, the members of the Board of Supervisors also attended all Board meetings and meetings of the Audit Committee as well as the annual general meeting of the Company for the year ended 2022 and the first extraordinary general meeting in 2023, in order to supervise the lawfulness and the compliance procedures in relation to the matters considered in the respective meetings of the Board and the Audit Committee, the annual general meeting and the extraordinary general meeting.

The Board of Supervisors is of the opinion that in 2023, the Board and management of the Company are both operating in strict compliance with the laws, regulations and the provisions of the Articles of Association of the Company; whereas the decision-making processes were legal, the principle of good faith and due diligence was complied, and the authority was exercised in good faith in the best interests of the Shareholders.

In 2024, the Board of Supervisors will continue to strictly abide by the Articles of Association of the Company and the relevant regulations, safeguard the interests of Shareholders and properly discharge its various duties.

By order of the Board of Supervisors
Legend Holdings Corporation
GAO Qiang
Chairman of the Board of Supervisors

March 28, 2024

Corporate Governance Report

The Company believes that effective corporate governance structure is the principal factor to promote and safeguard the rights and interests of Shareholders and other stakeholders and improve the values of Shareholders. Therefore, the Company strives to achieve and maintain a high corporate governance level which most satisfies the needs and interests of the Company and its subsidiaries.

During the year ended December 31, 2023, the Company complied with all code provisions of the Corporate Governance Code (the "Corporate Governance Code") contained in Appendix C1 of the Listing Rules.

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

COMPOSITION OF THE BOARD

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

Executive Directors:

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

Non-executive Directors:

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

Independent Non-executive Directors:

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

Biographical details of members of the Board are set out on pages 52 to 60 in the section of "Biography of Directors, Supervisors and Senior Management" of this annual report. To the best knowledge of the Company, there are no financial, business, family or other significant relationships among members of the Board, the Board of Supervisors and senior management of the Company.

The Company has received, from each of the Independent Non-executive Directors, an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all of the Independent Non – executive Directors are independent during the year and up to the date of this report in accordance with the terms of the independence guidelines set out in Rule 3.13 of the Listing Rules. The respective capacity of Independent Non-executive Directors has been expressly identified in all corporate communications that required to disclose the names of the Directors of the Company.

APPOINTMENT, RE-ELECTION AND RETIREMENT OF DIRECTORS

Each of the members of Directors (including Non-executive Directors) of the Company is elected or changed by the Shareholders' general meeting for a term of three years, eligible for re-election upon completion of the term. The Nomination Committee is responsible for evaluating and advising to the Board the appointment of new directors, re – election of directors or filling the vacancies of directors, and submitting for approval at the Shareholders' general meeting upon approval by the Board.

DUTIES AND AUTHORITIES OF THE BOARD AND MANAGEMENT

Pursuant to the Articles of Association of the Company, the Board is a standing decision-making body of the Company and its main duties include (but not limited to) the following:

- Convening Shareholders' general meetings and implementing resolutions passed at such meetings;
- Determining medium to long-term development strategies;
- Deciding operating plans and investment plans, establishing internal management body and basic management systems;
- Formulating plans for annual financial budget, final accounts and profit distribution plans;
- Formulating plans for the increase or the reduction in the registered capital of the Company, plans for issuing bonds or other securities of the Company and plans for listing;
- Formulating plans for material asset purchase and disposal, or plans for merger, spin-off, dissolution and change of corporate form;
- Preparing and monitoring the financial systems and financial reports of the Company;
- Appointing or dismissing the Chief Executive Officer and core management personnel as the Board considers appropriate;
- Formulating plans for share buybacks by the Company and proposing appropriate resolutions;

- Making decisions on the investment, acquisition or disposal of assets, financing and connected transactions that require the decision of the Board pursuant to the Listing Rules;
- Authorizing the Chairman to participate in the consideration of important business and management affairs and related matters;
- Optimizing and improving corporate governance policies and standards of the Company; and
- Supervising the Company in respect of compliance and reviewing the effectiveness of internal control and risk management of the Company.

Save for the above-mentioned matters that are required to be considered and approved by the Board, the authorization and responsibilities of daily operational management of the Company are assigned to the Chief Executive Officer and the core senior management led by the Chief Executive Officer. Details of main duties of the Chief Executive Officer are set out in the paragraph of "Chairman of the Board and the Chief Executive Officer". In addition, the Board approved the delegation of authority to the Investment Decision-Making Committee, whose members include, but are not limited to, all executive Directors, to consider and approve on behalf of the Board the investment and financing projects, subject to the established strategic objectives of the Company or the development of the strategic plans formulated by the Strategy Committee from time to time. However, if the investments or financing transactions trigger disclosure obligations under the Listing Rules, such transactions shall be subject to the approval by the Board.

The Board also assigns certain specific responsibilities to its special committees in accordance with the corresponding Terms of Reference of respective committees under the Board. The Board established certain special committees including but not limited to the Audit Committee, Remuneration Committee and Nomination Committee. Their scope of responsibilities and Terms of Reference are stipulated in writing and published on the websites of the Hong Kong Stock Exchange and the Company. The Strategy Committee and the Environmental, Social and Governance Committee of the Board has also been established by the Board, its terms of reference have been published on the website of the Company.

The Board has put in place a mechanism for directors to seek independent professional advice in the performance of their duties when appropriate. On the premises that there is a reasonable ground, any director may request the secretary of the Board to arrange for the seeking of the views and opinions of independent professional consultants to assist him/her in performing his/her duties as a director of the Company. The reasonable expenses incurred in this respect will be borne by the Company. The secretary of the Board shall report to the Board the abovementioned arrangements. If the secretary of the Board considers that the request for independent advice is unreasonable, and/or the relevant director is dissatisfied with the response of the secretary of the Board and the arrangement suggested, either party may refer to the Chairman of the Board to further consider whether, as the case may be, to make any revision. If the relevant directors are still dissatisfied with such response or arrangement, the matter will be referred to a special committee of the Board, the members of which are all independent non-executive directors who are available and willing to handle the matter.

The Company has insured Director's liability insurances for the Directors, which provided protection to the Directors for liabilities that might arise in the course of their performance of duties according to laws and facilitate Directors to fully perform their duties.

CHAIRMAN OF THE BOARD AND THE CHIEF EXECUTIVE OFFICER

The positions of the Chairman of the Board and the Chief Executive Officer of the Company are assumed by Mr. NING Min and Mr. LI Peng respectively. They are two distinctly different positions, details of their duties and powers are set out in the Articles of Associations of the Company.

Pursuant to Article 109 of the Articles of Association of the Company, the duties and powers of the Chairman of the Board include convening and presiding over the Shareholders' general meetings, presiding over meetings of the Board, leading and organizing the formulation of various systems for the Board's operation, coordinating the operations of the Board, reviewing regular and non-regular work reports from the Company's senior management, and providing the Board with guidance on the execution of Board resolutions, supervising and reviewing the implementation of the Board resolutions, ensuring the Board to act in the best interests of the Company, nominating candidates of the Chief Executive Officer and secretaries to the Board of the Company. The Chairman of the Board actively encourages the Directors to fully participate in the Board's affairs, and contribute to the functions of the Board. He also encourages the Directors with different views to voice their concerns, and allows sufficient time for discussion to ensure the Boards' decisions can fairly reflect the consensus of the Board. In this regard, apart from regular Board meetings, the Chairman of the Board also holds meetings with Independent Non-executive Directors in the absence of other Directors at least annually, respectively. Under the leadership of the Chairman of the Board, the Board has adopted sound corporate governance practices and procedures and has taken appropriate steps to keep effective communications with the Shareholders, and to ensure Shareholders' opinions are delivered to the Board.

Pursuant to the Article 124 of the Articles of Association of the Company, the Chief Executive Officer of the Company is responsible to the Board. His duties and power include generally operating and managing the businesses of the Company, organizing the implementation of the resolutions of the Board of the Company and, the policies in relation to annual operation plans and investment plans of the Company, determining those projects such as investment, acquisition or disposal, financing unless otherwise required the approvals of the Board meetings or Shareholders' general meetings. He has to ensure the Board's full understanding of the capital needs of the Company's business, formulate the proposed plans for annual financial budgets and final accounts of the Company and make recommendations to the Board. The Chief Executive Officer of the Company, with the assistance of the head of finance and the senior management, ensures there is a sufficient supply of capital to the businesses, while closely monitoring the operating and financial performance of the Company according to the relevant plans and budgets. The Chief Executive Officer of the Company will take remedial measures and propose to convene extraordinary meetings for reporting and make recommendations to the Board in respect of significant issues.

The Chief Executive Officer and Chairman of the Board of the Company maintain close communications with all Directors to ensure the Directors fully understand the Company's business development status in all aspects. They are responsible for building and maintaining an effective executive team in order to discharge their duties. The Chief Executive Officer of the Company is responsible for proposing to the Board for appointing or dismissing senior management; coordinating with other Executive Directors and management teams of various departments, formulating the proposed plans for basic management systems and internal management structures of the Company, and formulating specific rules and regulations of the Company. The Chief Executive Officer of the Company determines other issues of the Company within the scope authorised by the Board.

DIRECTORS' AND SUPERVISORS' PROFESSIONAL TRAINING AND CONTINUOUS PROFESSIONAL DEVELOPMENT

All Directors and Supervisors have received training and have been given reference materials and guidelines upon joining the Company. These materials facilitate the Directors and Supervisors to get familiar with the history and business information of the Company, and understand all obligations they shall assume in accordance with the Company Law of the PRC, Listing Rules, applicable laws and other regulatory rules and the governance policies of the Company.

The Company encourages its Directors to participate in continuous professional development so as to update their knowledge and skills, and facilitate the discharge of their duties on a well-informed and satisfactory basis.

The Directors regularly receive the latest information on the businesses of the Company and its subsidiaries, its operating rules and regulations, information about industrial specific environment as well as the legal obligations and responsibilities of being directors. All Directors and Supervisors had been provided with learning materials for reading and learning by the Company, such as video links, bulletins and reports. Summary of the contents of the Directors' training programs are as follows:

	Training Contents					
Name of Directors	**Laws and Regulations**	**Anti – corruption**	**Functions, Duties and Responsibilities of the Board**	**Risk Management**	**Corporate Governance**	**ESG Development**
Executive Directors						
NING Min	✔	✔	✔	✔	✔	✔
LI Peng	✔	✔	✔	✔	✔	✔
Non-executive Directors						
ZHU Linan	✔	✔	✔	✔	✔	✔
ZHAO John Huan	✔	✔	✔	✔	✔	✔
SUO Jishuan	✔	✔	✔	✔	✔	✔
YANG Jianhua	✔	✔	✔	✔	✔	✔
Independent Non-executive Directors						
MA Weihua	✔	✔	✔	✔	✔	✔
HAO Quan	✔	✔	✔	✔	✔	✔
YIN Jian'an	✔	✔	✔	✔	✔	✔

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

The Board has adopted the Model Code for Securities Transactions by the Directors, Supervisors and the Senior Management (the "Model Code"), which is no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 of the Listing Rules.

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

ACCOUNTABILITY OF DIRECTORS ON THE FINANCIAL STATEMENTS

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

The management team recognizes the importance of providing the Board with sufficient explanations as well as appropriate and relevant information on an accurate and timely basis. Management presents to the Board the annual and interim business reviews and financial reports comparing the actual performance of the Group with the budgets and highlights of major relevant matters to enable the Board to make a well-informed assessment on the performance, positions and prospects of the Group.

The statement issued by the independent auditor on its reporting responsibilities is set out in the "Independent Auditor's Report" on pages 126 to 138 of this annual report.

APPOINTMENT AND REMUNERATION OF THE EXTERNAL INDEPENDENT AUDITOR

The external independent auditor currently appointed by the Company is PricewaterhouseCoopers. The Audit Committee is mandated to monitor the independence of the Company's external auditor, PricewaterhouseCoopers, to ensure objectivity in the financial statements.

During the year ended December 31, 2023, the remuneration paid and payable to the Company's external independent auditor, is set out below:

Type of Services	*RMB'000*
Audit services	108,518
Non-audit services	9,377

The above remuneration includes the charges paid for the provision of relevant services provided by the independent auditor to the Company and its subsidiaries whereas non-audit services are primarily information system service, tax consultation service and other non-assurance services.

DIVERSITY

The Company believes that Board diversity is beneficial for enhancing the Company's comprehensive performance and operating capability, crucial to effective decision-making and maintaining the Company's sustainable and balanced development. Talent-based selection and value creation for the Company and Shareholders are the fundamental principles underlying the composition of the Board. The Company has adopted the board members diversity policy. In selecting candidates for directors, diverse factors, including but not limited to, gender, age, cultural and educational background, ethnicity, professional experience, core skills, knowledge and term of service will be considered. Candidates with management experience, technical specialty, legal, financial management and audit background will offer extensive diverse experiences to the Board. Meanwhile, based on its business model and strategies and specific needs, the Company will consider the aforesaid factors and make the ultimate decisions based on merits, values and contributions that the selected candidates will bring to the Board, with due regard to the benefits of Board diversity and the need for sustainable and successful growth of the Company.

During the year ended December 31, 2023, the Board of the Company comprised nine members, including one female member. The Nomination Committee reviewed the Board diversity policy and its effectiveness having considered the structure, size and composition of the Board and the skills, knowledge, experiences of the members of the Board at the relevant time and confirmed that the implementation of such policy had been in line with the Company's existing operations, assets size and shareholding structure. It confirmed that the Board has maintained a balanced and sufficiently diversified composition which enhanced the quality of its deliberation and decision-making and is able to discharge the Board's functions effectively.

Pursuant to the existing Board diversity policy, the Company will take the opportunity to identify and nominate suitable candidates for directors and gradually increase the proportion of female directors. The Company will, on a best-effort basis, move towards the ultimate goal of increasing the number of female Board members to at least two by the end of 2030. Moving forward, the Board will try to maintain a database of qualified female candidates (including internal and external candidates) considering the unique needs of the Company and the external evolving environment, and focus on a wider range of areas in order to strengthen our female talent pipeline of potential successors to the Board.

The Company promoted diversity at all levels of the workforce through the provision of equal opportunities for employment, training and career development. During the year ended December 31, 2023, the proportions of male and female employees (including senior management) of the Company and its subsidiaries (excluding Lenovo) are fairly balanced, at 47% and 53%, respectively.

AUDIT COMMITTEE

As of the end of the Reporting Period, the Audit Committee comprises three members and the majority are Independent Non-executive Directors. The Chairperson of the Audit Committee is Ms. HAO Quan, an Independent Non-executive Director, and the other two members are Mr. SUO Jishuan, a Non-executive Director, and Mr. YIN Jian'an, an Independent Non-executive Director. The Chairperson of the Audit Committee possesses accounting professional qualifications and has complied with the requirements of Rule 3.21 under the Listing Rules.

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

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

- The audit-related matters for 2022 (including but not limited to scope, audit method, principal accounting policies, key accounting estimates and assumptions, discussion on material accounting matters, and independent auditor's recommendation to the management);

- 2022 annual profit distribution plan;

- The audit fee for 2022 and the re-appointment of the independent auditor for 2023;

- The annual results announcement for the year ended December 31, 2022 and the 2022 annual report of the Company and its subsidiaries;

- Connected transactions and continuing connected transactions in 2022;

- The unaudited consolidated financial statements for the three months ended March 31, 2023 and the nine months ended September 30, 2023 of the Company and its subsidiaries (prepared in accordance with China Accounting Standards for Business Enterprises);

- The interim results announcement for the six months ended June 30, 2023 and the 2023 interim report of the Company and its subsidiaries;

- Review on "Management's Statement of 2022 Annual Audit of the Company and Its Subsidiaries" and management's comment;

- Annual audit planning for the financial year ended December 31, 2023 presented by the independent auditor and audit schedule;

- The latest revision of relevant accounting/audit standards, Hong Kong Companies Ordinance and Listing Rules and significant differences in standards affecting financial statements of the Company;

- Independence statement letter from the independent auditor;

- Risk management and internal control structure, annual work plan for risk management and internal control as well as its summary;

- Annual work plan for internal audit and its summary;

- The resources, employees' qualifications and experience of the Company's accounting, risk control, internal audit and financial reporting functions, and whether their training programs and budgets are sufficient; and

- Confirmation on the effectiveness of risk control and management and internal control systems by management.

CONCEPTS OF RISK MANAGEMENT AND INTERNAL CONTROL

The risk management and internal control system is designed to assist the Company in achieving its long-term vision and mission by identifying and evaluating the Company's risk exposures and formulating appropriate control measures to protect our business, the Shareholders, assets and capital. We believe that the risk management and internal control system embedded in each business will enhance its long-term Shareholders' values.

We pursue the core value of perspective of overall situation, pragmatic, ambitious and people-centric to lay the governing foundation for the Company's risk management and internal control with the cultural expression of accountability, professionalism, creativity and collaboration. The Company strongly believes that good corporate governance is usually related to the overall control environment. In order to ensure that each employee of the Company is also responsible for risk management, the Company has established formal codes of professional conduct and ethics to ensure that employees at all levels adhere to the business ethics and possess the corresponding competency.

The Company attaches great importance to preventing non-compliance risks and has formulated and continuously improved various management regulations and systems such as the Anti-corruption Management Policy and the Code of Ethics for Employees, striving to improve the systemic management of whole-process anti-fraud work, covering preventions, controls and accountability. The Company also requires its subsidiaries to operate legally and compliantly on the basis of integrity and honesty, improve the anti-fraud system to achieve coordination at all levels to jointly prevent individual acts of corruption. The Company has established various reporting channels, including email, telephone, website and WeChat official accounts, to strengthen the collection of risk and fraud clues within the Group, conduct investigations independently, legally and impartially, and deal with misconducts in accordance with relevant regulations. The Company prohibits all kinds of retaliation related to anti-fraud and has protection measures and working mechanisms in place. For details on anti-fraud, please refer to the Company's 2023 Environmental, Social and Governance Report.

The Company has formulated relatively comprehensive management policies and implementation rules of various functions of operation and management in order to formulate policies and procedures of various business functions and continue to streamline and improve the management policies standards according to the changes of internal and external business environment and the needs of business development, thereby ensuring the steady development of the Company. Currently, the governance rules and implementing regulations of the Company cover the key management areas of all business and supporting segments. The Company's risk management and internal control systems also include clear organizational structures and management responsibilities, reasonable and effective authorization mechanism, sound financial accounting system, regular performance analysis and review, and other control activities, as well as good information and communication mechanism, and ensures the Company's the stability and effective operation of risk management and internal control systems through continuous risk assessment and supervision.

MAIN FEATURES OF RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

The Company formulated the risk management and internal control framework guided by the COSO framework:

1. Establish three lines of defence of risk management and internal control:

	For businesses of the headquarters of the Company	For businesses of subsidiaries	Duties
1st Line of Defence	Business divisions	Subsidiaries	Integrate the risk management concepts and control measures into the daily business processes and undertake specific business risk prevention and control functions.
2nd Line of Defence	Relevant functional departments	Business divisions and relevant functional departments	Organize and promote the risk management activities, identify and supervise risk management and monitoring activities in the course of conducting businesses and operations.
3rd Line of Defence	Audit Department	Audit Department	Monitor and evaluate the effectiveness of risk management and identify areas for improvement.

2. Adopt the following multi-assurance mode:

	For business of the headquarters of the Company	For business of subsidiaries
Supervision of the Board and the Audit Committee	• The Board regards risk management as an important task, and believes that effective risk management and internal control systems are important foundations for good corporate governance. • The Board is fully responsible for the risk management and internal control systems, including assessing and determining the acceptable nature and extent of the risks in achieving the Company's strategic objectives, and is responsible for establishing and maintaining an appropriate and effective risk management and internal control systems to protect our business, the Shareholders, assets and capital. • Audit Committee is responsible for supervising and monitoring the overall effectiveness of the risk management and internal control systems.	

<table>
<tr><th></th><th>For business of the headquarters of the Company</th><th>For business of subsidiaries</th></tr>
<tr><td>Supervision and communication of the management</td><td colspan="2">• Assume the leadership role, and seek for the balance between risks and opportunities.
• Design, implement and review the risk management framework and systems.
• Report the effectiveness of risk management and internal control systems to the Board and the Audit Committee half-yearly.</td></tr>
<tr><td>Risk accountability of business divisions</td><td>• Be responsible for identifying and assessing main risks within the scope of their duties, making effective risk management decisions and developing risk mitigation strategies.
• Execute and report work in daily operation, including identification of major risks and implementation of mitigation strategies.</td><td>• Develop relevant policies, standards, procedures and guidelines of Legend Holdings.
• Supervise over the risk management and monitoring activities of subsidiaries.
• Promote communication and reporting of risks.</td></tr>
<tr><td>Supervision and monitoring of relevant functional departments</td><td colspan="2">• Develop relevant policies, standards, procedures and guidelines of Legend Holdings.
• Supervise over the risk management and monitoring activities of business divisions in relation to relevant functions.
• Identify and evaluate the financial and other risks of the Company's different businesses from the aspects of strategic planning, investment review and legal compliance.</td></tr>
<tr><td>Independent Assurance of Audit Department</td><td colspan="2">• Adopt risk-oriented audit method, focus on areas with major risks or major changes in risks, and provide independent assurance on the adequacy and effectiveness of internal control to the Audit Committee.</td></tr>
<tr><td>Independent assurance supplement of external audit</td><td colspan="2">• Test the main monitoring measures on which external audit work relies, and report major risks that may affect the performance of the Company to the Audit Committee yearly.</td></tr>
<tr><td>Subsidiaries</td><td>–</td><td>• Be responsible for identifying and assessing major risks in the company, making effective risk management decision, developing risk mitigation strategies, and making timely reports.</td></tr>
</table>

3. The features and responsibility of the Audit Department:

The Audit Department reports to the Chairman regularly and to the Audit Committee quarterly, develops rectification and improvement plans with each department and the subsidiaries of the Company for the identified issues and deficiencies and follows up the implementation of the proposals. The rectification efforts were in line with expectations. The features and responsibility of the Audit Department include:

- Being independent from the management of operations.
- To establish risk identifications and assessment methods, unify the standards and procedures of risk assessments, organize, coordinate and take the lead in establishing the risk management and internal control systems of the Group.
- The Audit Department is fully authorized with the access to all operating data and information of the Group during the ordinary course and internal audit projects.
- To conduct risk-oriented audit work and special reviews on areas of concern identified by the Audit Committee and the management. To provide the Company with internal, independent and objective confirmation and consulting services to evaluate and improve the effectiveness of risk management and internal control processes.
- Follow up and check the rectifications of the problems found in the audits by promoting rectifications or implementing follow-up audits.
- Establish various reporting channels, including email, telephone, website and official account reporting channels, strengthen the collections of risk items and fraud clues, investigate and deal with violations in an independent, lawful, and fair basis.

PROCEDURES ON IDENTIFYING, EVALUATING AND MANAGING SIGNIFICANT RISKS

Risk management is a continuous process and requires regular monitoring and review. The Company's procedures on identifying, evaluating and managing significant risks are as follows:

- Determination of scope: determine the scope of risk management.
- Identification and analysis: identify risks that may potentially affect the businesses and operations; analyze potential consequences and probability of occurrence.
- Evaluation: use the evaluation standards developed by the management to evaluate risk level and take into account the impact of risks on the operations and the likelihood of occurrence, and consider whether existing monitoring measures are adequate; prioritize risks through comparing risk evaluation results.
- Mitigation and monitoring: develop monitoring and mitigation plan, to prevent, avoid or reduce risks; perform ongoing and periodic monitoring of the risks and ensure that appropriate internal control procedures are in place; revise the risk management policies and internal control procedures in case of any significant changes.

- Monitoring and reporting: regular monitoring and review as well as reporting based on established risk management procedures.

- Integration: the above risk management processes are incorporated into our operations, including strategic planning, investment decisions, capital management, internal controls and other business or operational management.

We strive to enhance the Company's risk management and internal control structures and capability to ensure long-term growth and sustainable development for the Company's businesses. In this regard, we are required to implement consistently an effective risk management and internal control structures. We will continue to move towards the same direction, aiming to integrate risk management and internal control into our daily operations.

RISK REVIEW PROCEDURES AND CONTROL EFFECTIVENESS

1. Effectiveness and scope of review procedures

The Board is of the view that, based on the review performed by the Audit Committee on the results submitted by management, the risk management and internal control systems of the Company for the Reporting Period ended December 31, 2023 were effective and adequate and no material issues were identified.

The Audit Committee reviews the effectiveness of the risk management and internal control system annually, covering the Board opinions and the audit findings of the Audit Department of the entire fiscal year. The scope of review covers the controls in all significant aspects, including financial controls, operational controls and compliance controls. Meanwhile, the review also covers major changes in risks, the resources, employees' qualifications and experiences of the Company's internal audit, accounting and financial reporting functions as well as the employee training programs and budget.

Internal control systems are designed to manage, rather than eliminate, the risk of failure to achieve business objectives. In addition, it provides only a reasonable but not an absolute assurance on matters with no significant misrepresentations or losses.

2. Objectives of review procedures

Review procedures adopt a top-down and bottom-up approach to fully identify all major risks within the Group, and prioritize such risks; report major risks to appropriate management levels; facilitate effective communications among the management on risks; appropriately supervise risk mitigation work.

3. Implementation process of review procedures

The top-down procedures include:

- At the quarterly business review meetings, the management of the Company, as the holding company, discuss and consider the business development, risk management and internal control of the subsidiaries, to early identify and respond to new risks and issues concerned.

- Major risks identified will be further evaluated and monitored by business divisions and relevant functional departments of the Company.

The bottom-up procedures include:

- Subsidiaries report the list of major risks identified to the Audit Department semi-annually, and review the effectiveness of risk mitigation measures.

- The Audit Department submits the reminders of major risks in each business segment to the Audit Committee semi-annually after summarizing, screening, evaluating and consulting processes, and submits detailed reports or conducts in-depth discussions on individual risks.

- The operational and functional departments report to the management on a timely basis the material risks identified in their areas of responsibility and the implementation of the mitigation strategies in their daily operations.

For main risk exposures of the Company, and adverse impacts of such risks on business and financial positions, and the measures already taken, please refer to corresponding specific contents set out in the section Management Discussion and Analysis.

PROCEDURES ON AND INTERNAL CONTROL OF HANDLING AND DISSEMINATING INSIDE INFORMATION

In order to regulate its information disclosures, the Company strengthens the management of information disclosure and has developed the management system of information disclosures (the "System") in accordance with the principles and requirements under the applicable laws and regulations such as the SFO, the Listing Rules and other Hong Kong Listing Regulatory Rules, as well as the Securities Law, the Measures for the Administration of the Issuance and Trading of Corporate Bonds, the Rules of Listing of Corporate Bonds on the Shanghai Stock Exchange and other domestic bond regulatory rules, as well as the Articles of Association together with the actual conditions of the Company, and implements the System accordingly. The System is applicable to the Directors, Supervisors, Chief Executive Officer, secretary to the Board, senior management, responsible person of each department and subsidiary, other persons having the duty for information disclosures and staff who can access to such inside information by virtue of his/her office or capacity. The System provides detailed guidelines on the appropriate timing, contents, formats, internal vetting processes and disseminating procedures of information under different circumstances, the review and disclosure procedures of releasing results announcements, various announcements, regular reports and circulars, duties of, confidentiality and penalty provisions for all management staff who are responsible for information disclosures. The "Code of Conduct for Employees" of the Company also explicitly requires that all staff be obliged to information confidentiality and comply with the System. In addition, the Company provides training to relevant staff on the System so as to ensure effective implementation.

During the Reporting Period, the Company sought for advice from the compliance advisor in accordance with the requirements of information disclosures under the SFO and the Listing Rules from time to time. The Board is of the view that the Company's procedures on and internal control of handling and disseminating inside information are effective.

REMUNERATION COMMITTEE

As of the end of the Reporting Period, the Remuneration Committee comprises three members and the majority of them are Independent Non-executive Directors. The Chairman of the Remuneration Committee is Mr. YIN Jian'an, an Independent Non-executive Director, and the other two members are Mr. SUO Jishuan, a Non-executive Director, and Ms. HAO Quan, an Independent Non-executive Director. With the approval of the Board, Mr. SUO Jishuan, a Non-executive Director, has been appointed as a member of the Remuneration Committee with effect from September 29, 2023, and Mr. NING Min, the Chairman and an Executive Director, has ceased to be a member of the Remuneration Committee.

The Remuneration Committee is principally responsible for researching the remuneration strategies and policies, performance appraisal and incentive mechanism and other matters regarding the remuneration of Directors, Supervisors and senior management, and making relevant recommendations to the Board. Details of the scope of responsibilities of the Remuneration Committee of the Board are available on the websites of the Hong Kong Stock Exchange and the Company.

In accordance with the provision of Terms of Reference of the Remuneration Committee, the Remuneration Committee convened three meetings during the Reporting Period, and discussed, considered and recommended the Board to grant approval on the following matters:

- Amendments to the Terms of Reference of the Remuneration Committee of the Board;
- The performance appraisal and bonus implementation in 2022 for senior management;
- Disclosure of the Directors', Supervisors' and senior management's remuneration in the 2022 annual report;
- Equity incentive grants to Directors and senior management of the Company and its substantial subsidiaries and disclosures in the 2022 annual report;
- Principles for determining the target total remuneration and criteria for remuneration of senior management of 2023; and
- Formulation and revision of the Administrative Measures for the Assessment of Performance of Enterprise Leaders and the Administrative Measures for the Remuneration of Enterprise Leaders.

For the year ended December 31, 2023, the remuneration categories of the senior management of the Company (excluding the senior management members who concurrently also serve as the Directors and Supervisors) are as follows:

Remuneration categories *(RMB)*	**Number of staff**
RMB2,500,001 – RMB3,000,000	1
RMB3,000,001 – RMB3,500,000	1

The details of remuneration of the Directors and Supervisors for the year ended December 31, 2023 are set out in note 52(a) to the financial statements.

NOMINATION COMMITTEE

As of the end of the Reporting Period, the Nomination Committee comprises three members and the majority of them are Independent Non-executive Directors. The Chairman of the Nomination Committee is Mr. NING Min (the Chairman of Board). The other two members are Mr. MA Weihua and Mr. YIN Jian'an, both Independent Non-executive Directors.

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

In accordance with the provisions of Terms of Reference of the Nomination Committee, the Nomination Committee convened one meeting in the year. The members of the Nomination Committee carried out the following:

- Assessed the independence of Independent Non-executive Directors and confirmed that the structure of the Board was in compliance with the governing requirements of the Company and no existence of impacts affecting the independence of Independent Non-executive Directors;

- Reviewed and assessed the current structure, size, composition and diversity policy of the Board (including the skills, knowledge, and experiences of the members of the Board).

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

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

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

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

Candidate recommended by Directors shall firstly be nominated by the Nomination Committee according to the nomination and succession plan for Board members. The Nomination Committee will make a preliminary evaluation of each candidate through individual or collective interviews with the candidate to ensure that all members of the Nomination Committee unanimously agrees that such candidate has met the required selection criteria. In selecting candidate for Directors, diverse factors, including but not limited to, gender, age, cultural and educational backgrounds, ethnicity, professional experience, core skills, knowledge, term of service, management experience, technical specialty (legal, financial, management and audit backgrounds) will be considered. Thereafter, the Nomination Committee will arrange the candidate to meet with the rest of the Board members for another evaluation mainly to consider whether the candidate joining the Board will bring the most benefits to the Board and the Company as the priority judgment criterion. The Board will propose the election of such candidate as a Director, if identified to be suitable, at the Shareholders' general meeting in accordance with Articles of Association of the Company. During the year ended December 31, 2023, no candidate has been nominated to join the Board.

CORPORATE GOVERNANCE FUNCTIONS

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

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

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

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

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

e. Reviewing the Company's compliance with the Corporate Governance Code as set out in Appendix C1 to the Listing Rules, together with the information disclosures in the Corporate Governance Report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITTEE

As of the end of the Reporting Period, the Environmental, Social and Governance Committee ("ESG Committee") comprises four members. The Chairman of the ESG Committee is Mr. MA Weihua, an Independent Non-executive Director, and the other members are Mr. NING Min, Mr. LI Peng, Executive Directors, and Mr. SUO Jishuan, a Non-executive Director.

The ESG Committee mainly performs the functions of assisting the Board in guiding and monitoring sustainability-related policies and objectives, continuously exploring sustainability trends in the domestic and international capital markets and the industry, and reviewing the progress of sustainability-related issues and matters.

The key responsibilities of the ESG Committee are set out in the Company's 2023 Environmental, Social and Governance Report. The ESG Committee convened one meeting in the year to review, discuss, consider and approve the following matters:

- Reviewed the progress of the implementation of the Company's ESG objectives for 2023;
- Disclosed the 2022 ESG Report;
- Engaged in assessing climate-related risks and opportunities, including their impact on the entity's business, strategy, and financial planning, as well as on the preparation of financial statements and the ESG report; and
- Tracked the latest ESG trends at home and abroad.

STRATEGY COMMITTEE

As of the end of the Reporting Period, the Strategy Committee is composed of four members, and is chaired by Mr. NING Min, the Chairman, and the rest of the members are Mr. ZHU Linan, Mr. ZHAO John Huan and Mr. LI Peng.

The principal responsibilities of the Strategy Committee include:

- Conduct research and review on the Company's medium to long-term strategic development plans;
- Conduct research and review on material investment financing plans, business reorganization, external acquisitions, mergers and transfer of assets which are subject to approval of the Board as required by the Articles of Association;
- Conduct research and review on major capital operations and asset management projects which are subject to approval of the Board as required by the Articles of Association;
- Conduct research and review on other significant matters affecting the development of the Company;
- Guide, supervise and inspect the implementation of relevant resolutions of the Board; and
- Other matters authorized by the Board.

BOARD, BOARD COMMITTEES AND GENERAL MEETINGS

The Board has convened meetings regularly, of which at least four times every year. The Directors may attend meetings in person or through other means of electronic communication in accordance the Articles of Association of the Company. The Board has convened four meetings during the Reporting Period. All decisions made by the Board are voted by the Board and supplemented by circulating resolutions in writing during the periods between Board meetings. Upon signing by Directors in accordance with requirements of Articles of Association of the Company, the resolutions would become resolutions resolved by the Board.

The attendance at the Board meetings, the meetings of the Board Committee and general meetings for each Director during the Reporting Period is as follows:

	Number of attendance/Number of meetings being convened				
	The Board	Audit Committee	Remuneration Committee	Nomination Committee	General Meeting[(1)]
Executive Directors					
Mr. NING Min	4/4	–	3/3	1/1	4/4
Mr. LI Peng	4/4	–	–	–	4/4
Non-executive Directors					
Mr. ZHU Linan	4/4	–	–	–	1/4
Mr. ZHAO John Huan	4/4	–	–	–	0/4
Mr. SUO Jishuan[(2)]	4/4	3/3	–	–	0/4
Mr. YANG Jianhua	4/4	–	–	–	0/4
Independent Non-executive Directors					
Mr. MA Weihua	3/4	–	–	1/1	0/4
Ms. HAO Quan	3/4	2/3	3/3	–	4/4
Mr. YIN Jian'an	4/4	3/3	3/3	1/1	4/4

Notes:

(1) The Company convened the first Extraordinary General Meeting of 2023 on March 27, 2023. The Annual General Meeting of 2022 was held on June 29, 2023. Immediately after the closure of such meeting, the 2023 first H Share Class General Meeting and the 2023 first Domestic Share Class General Meeting were held.

(2) Mr. SUO Jishuan was appointed as a member of the Remuneration Committee of the Company on September 29, 2023, no Remuneration Committee meeting has been held since his appointment.

BOARD OF SUPERVISORS

The Board of Supervisors comprises three members. The Chairman of the Board of Supervisors is Mr. GAO Qiang (staff representative), and the other two members are Mr. LUO Cheng (shareholder representative) and Mr. ZHANG Yong (shareholder representative).

In accordance with the Articles of Association of the Company, the Board of Supervisors is responsible for the Shareholders' general meeting, which is principally responsible for conducting supervision on compliance regarding the Directors, Chief Executive Officer and other senior management when carrying out their duties, reviewing the Company's financial situation and auditing financial information such as financial reports, business reports and profit distribution plan submitted to the Shareholders' general meeting and requiring for rectification when the behaviors acted by the Directors and senior management damage the interest of the Company, and proposing to convene extraordinary board meetings and Shareholders' general meetings.

During the Reporting Period, the Board of Supervisors performed its duties and safeguarded the legitimate interest of the Shareholders, Company and staff. For details of its work, please refer to the "Supervisor's Report" from page 104 of this annual report.

COMMUNICATION WITH SHAREHOLDERS

The Board is fully aware of the significance of maintaining clear, timely and effective communication with the Shareholders and potential investors of the Company. With the publication of annual reports, interim reports, announcements, circulars and press releases, the Group is committed to ensuring that the Shareholders and potential investors receive the information in a timely manner. All relevant contacts are made available to the Shareholders through publications on the Company's website.

The Company is of view that the Shareholders' general meetings provide a good opportunity for direct communication between the Board and the Shareholders. The Company encourages and welcomes the questions raised at the Shareholders' general meetings. The Company has formulated the Shareholders' Communications policy, ensuring to maintain ongoing communication between the Company and the Shareholders and the Board had reviewed the implementation and effectiveness of the Shareholders' Communication policy during the Reporting Period.

INVESTOR RELATIONS

We attach great importance to the communication with investors. We maintain good interactions with the capital market and investors through a variety of means, such as results presentations, non-deal roadshows, participation in strategy conferences of investment banks and other investor communication activities, acceptance of survey by analysts and investors, immediate delivery of the Company's updates, etc.

The investor relations team of the Company is committed to connecting the Company with the capital market, promoting the Company's value and facilitating its capitalization. In 2023, the investor relations team continued to promote communication with the investors, broaden investor coverage through performance roadshows, strategic meetings of investment banks and other activities. The team intensified the active communication with analysts from leading investment banks at home and abroad to broaden the coverage of intermediary resources. It kept up with the business development by updating the latest news of the Company frequently to ensure the investors' understanding of the business development of the Company. In the future, we aim to maintain adequate and smooth communication and establish deep trust with investors through clear strategies, efficient implementation, impressive operating results, transparent information disclosures, extensive channel coverages and innovative contents and means.

ARTICLES OF ASSOCIATION

The Articles of Association has been published on the websites of the Hong Kong Stock Exchange and the Company.

SHAREHOLDERS' RIGHTS

Extraordinary General Meeting and Class Meeting Convened upon the Shareholders' Requests

Pursuant to the Articles of Association of the Company, Shareholders individually or collectively holding in aggregate 10% or more of the Shares carrying the voting right at the proposed meeting shall sign one or more written requisitions in the same format and with the same content, requiring the Board to convene an extraordinary Shareholders' general meeting or class meeting, and stating the matters to be discussed at the proposed meeting.

Written notice of general meeting stating proposed matters to be discussed and the date and venue of the Shareholders' general meeting shall be dispatched to all Shareholders listed in the register of members no less than 20 days prior to the date of such meeting.

Proposing Motions at the Shareholders' General Meeting

When the Company convenes a Shareholders' general meeting, Shareholders individually or collectively holding in aggregate of 3% or more of the Shares carrying the voting rights shall be entitled to propose new motions to the Company and submitting the motions to the convener in writing no less than 10 days prior to such meeting. The convener shall serve a supplementary notice of Shareholders' general meeting within two days after receipt of such proposals, inform other Shareholders and list the motions which are within the authorities of the Shareholders' general meeting in the agenda of the meeting and submit them to the general meeting for consideration. The contents of the proposed motions shall fall into the authority of the Shareholders' general meeting, have definite topics and concrete issues for resolution and shall comply with relevant provisions of laws, regulations and the Articles of Association of the Company.

Shareholders' Proposals and Inquiries to the Board of Directors and Delivery Method

Shareholders can put forward proposals, inquiries and issues of concern to the Board and/or relevant specialized committees under the Board (if appropriate) in writing, state contact details and deliver to the registered office of the Company in Beijing, PRC (Room 1701, 17/F, Block 1, Court No. 2, Ke Xue Yuan Nanlu, Haidian District, Beijing 100190, PRC) or the principal place of business in Hong Kong (Suite 06, 70/F Two International Finance Centre, No. 8 Finance Street, Central, Hong Kong). The investor relations team of the Company assists the Board in handling inquiries from the Shareholders and potential investors. The Company's website also contains the contact details of the Company for the Shareholders and potential investors to put forward inquiries. In 2024, under the continuously updating regulatory requirements, development trends of the Company and the feedback from the Shareholders, the Company will continue to focus on enhancing the Company's governance, ensuring steady development of the Company and creating values for the Shareholders.

Independent Auditor's Report

羅兵咸永道

To the Shareholders of Legend Holdings Corporation
(Incorporated in the People's Republic of China with limited liability)

OPINION

What we have audited

The consolidated financial statements of Legend Holdings Corporation (the "Company") and its subsidiaries (the "Group") which are set out on pages 139 to 323, comprise:

- the consolidated balance sheet as at December 31, 2023;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Impairment assessment of goodwill and intangible assets with indefinite useful lives
- Fair value measurement using of level 3 inputs for financial assets and financial liabilities
- Recognition of deferred income tax assets
- Measurement of expected credit loss of loans to customers of subsidiaries engaged in banking business
- Migration of a core banking system of a subsidiary engaged in banking business

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of goodwill and intangible assets with indefinite useful lives Refer to note 2.11, note 4.1(b) and note 19 to the consolidated financial statements	
As at December 31, 2023, the Group had goodwill of RMB38,757 million and intangible assets with indefinite useful lives of RMB14,538 million, and in respect of which management is required to perform annual impairment assessment. For the purpose of assessing impairment, goodwill and intangible assets with indefinite useful lives were allocated to the lowest level of identifiable cash generating units ("CGUs"). The recoverable amount of CGU is determined by the higher of the fair value less disposal cost and value in use.	Our procedures included: • We obtained an understanding of the management's process and internal control of impairment assessment of goodwill and intangible assets with indefinite useful lives and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity, changes and susceptibility to management bias; • We obtained the management's calculation sheets of impairment assessment to assess reasonableness of the classification of CGUs or groups of CGUs by business lines and allocation of goodwill and intangible assets with indefinite useful lives by CGUs at suitable level; • We evaluated the independent external valuers' competence, capability and objectivity;

KEY AUDIT MATTERS (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of goodwill and intangible assets with indefinite useful lives (Continued) For calculation of recoverable amount, when the model of fair value less disposal cost was used, management made significant judgment over the active market price or adjusted amount based on the observable data; when the model of value in use was used, management made significant assumptions and judgements in determining the appropriate CGUs related to goodwill and determining key assumptions such as revenue growth rates, gross margin and discount rates, etc. Management believes that the impairment of goodwill and intangible assets with indefinite useful lives of RMB402 million occurred during the year was mainly due to the decrease in recoverable amount of individual business caused by lower-than-expected performance. The remaining goodwill and intangible assets with indefinite useful lives were not subject to impairment during the year. Management engaged independent external valuers to assist in performing impairment assessments when necessary. Management made significant estimation and judgements to perform impairment assessments of goodwill and intangible assets with indefinite useful lives under different models. In view of these reasons, we identified this as a key audit matter.	• In the cases of impairment assessment using the model of fair value less disposal cost, we agreed the fair value to observable unadjusted price in the active market, and agreed the input data to observable referenced data in the active market; • In the cases of impairment assessment using the model of value in use calculation performed by management, we challenged the appropriateness of the key assumptions including expected revenue growth rates, expected profit margins and discount rates and other key parameters, with reference to the business and industry circumstances, including: – We reconciled the input data of expected revenue growth rates, expected profit margins, expected changes of working capital and expected capital expenditure to the management's future profit forecast and strategic plans, and compared the input data with the history data; – We compared the discount rate with the comparable companies in the open market; • We assessed sensitivity analysis around the key assumptions made by management when assuming expected revenue growth rates, discount rates. etc., to ascertain the extent to which adverse changes within a reasonable range, both individually and in aggregate, might impact on the outcome of the impairment assessment of the goodwill and intangible assets with indefinite useful lives; • We tested the mathematical accuracy of management's calculation sheet of impairment assessment; • We examined the adequacy of the Group's disclosure of goodwill and intangible assets with indefinite useful lives. Based on the procedures performed, we found that the judgements made by management in relation to the assessment of impairment of goodwill and intangible assets with indefinite useful lives were supported by the evidence we obtained.

KEY AUDIT MATTERS (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Fair value measurement using of level 3 inputs for financial assets and financial liabilities Refer to note 2.14, 2.20, 3.3, 4.1(c) and 4.1(d) to the consolidated financial statements As at December 31, 2023, the Group has financial assets measured at fair value with level 3 inputs of RMB47,739 million, mainly including associates measured at fair value through profit or loss, financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income; financial liabilities measured at fair value with level 3 inputs of RMB9,865 million, including, derivative financial liabilities and financial liabilities at fair value through profit or loss. Level 3 inputs for financial assets and liabilities were not based on active market prices, nor based on observable market data. Management assessed and measured the level 3 fair value of financial assets and financial liabilities using particular valuation techniques, with assistance from external valuers, by using the models of market approach and discounted cash flow calculation. The determination of the model adopted, input data and key assumptions require significant management judgement and estimation. In view of these reasons, we identified this as a key audit matter.	Our procedures included: • We obtained an understanding of the relevant process and internal control of fair value measurement using of level 3 inputs for financial assets and financial liabilities and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity, changes and susceptibility to management bias; • We obtained the calculation sheets of fair value estimation of financial assets and financial liabilities measured at fair value of level 3 inputs, evaluated the appropriateness of the model used and tested the mathematical accuracy; • We evaluated the independent external valuers' competence, capability and objectivity; • In the cases of fair value estimation using market approach, we selected samples to assess the appropriateness of the methodologies and key assumptions adopted by management through comparing with fair value used in the latest financing activities, etc; • In the cases of fair value estimation using the model of discounted cash flow, we challenged the appropriateness of the key assumptions on a sample basis. We reconciled the input data of expected revenue growth rates and expected profit margins to the management's future profit forecast and strategic plans, and compared the input data with the historical data. We compared the discount rate with the comparable companies in the open market to assess the reasonableness of the key input data used. Based on the procedures performed, we found that the valuations made by management in the fair value assessment using of level 3 inputs for financial assets and financial liabilities were supported by the evidence we obtained.

KEY AUDIT MATTERS (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Recognition of deferred income tax assets Refer to note 2.24(b), 4.1(e) and note 45 to the consolidated financial statements As at December 31, 2023, the Group had deferred income tax assets of RMB22,256 million. In addition, the Group had unrecognized temporary difference and tax loss of RMB22,001 million and RMB33,170 million respectively as at December 31, 2023. The recognition of deferred income tax assets involves significant management judgement as to the likelihood and the period of its realization that is dependent on a number of factors, including future profit forecast of related entities and sufficient taxable profits in future periods. Existence of sufficient taxable profits and taxable temporary differences, group relief and tax planning strategies based on management's judgement.	Our procedures included: • We obtained an understanding of the relevant process and internal control of recognition of deferred income tax assets and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity, changes and susceptibility to management bias; • We obtained management's calculation sheets of deferred income tax assets and tested the accuracy of the calculation sheets; • We tested and agreed available deductible tax losses, including the respective expiry periods, to tax returns and tax correspondences of the relevant subsidiaries on a sample basis; • We challenged the appropriateness of the input data, including the significant assumptions of forecast revenue growth rates and forecast profit margins, etc. We reconciled the input data of forecast revenue growth rates and forecast profit margins to the management's future profits forecast, strategic plan and tax planning strategies, and compared the input data with the historical data and industry data. We tested the reasonableness of management's reconciliations of forecasted profits to forecasted taxable profits on a sample basis;

KEY AUDIT MATTERS (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Recognition of deferred income tax assets (Continued) Management has performed its assessment on the recognition of deferred income tax assets as at December 31, 2023 and consider that the realization of such assets is probable. Significant management's judgement and estimation are involved in forecasting future taxable profits and period of future reversals of taxable temporary differences and deferred income tax. In view of these reasons, we identified this as a key audit matter.	• We evaluated the reasonableness of the deferred tax assets by comparing the estimation of taxable profits in future periods to deductible temporary differences and tax losses as at December 31, 2023, with the consideration of the expiry periods of the deductible tax losses; • We tested the calculation of deferred income tax assets by reference to tax rates enacted or substantively enacted at the balance sheet date. Based on the procedures performed, we found that the forecast of taxable profits in future periods, calculation of taxable temporary differences and the estimation of reversal periods of such deferred income tax were supported by the evidence we obtained.

KEY AUDIT MATTERS (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Measurement of expected credit loss of loans to customers of subsidiaries engaged in banking business Refer to note 2.14.4, 3.1(b) and 26(a) to the consolidated financial statements.	
At December 31, 2023, the gross balance of loans to customers of the subsidiaries engaged in banking business of RMB130,066 million against which a corresponding allowance for expected credit loss ("ECL") of RMB2,145 million was recorded. The measurement of ECL allowance under IFRS 9 "Financial Instruments" involves complex and subjective judgments and estimation by management. The subsidiaries engaged in banking business used the following methods to assess the ECL allowance; • The ECL allowance was measured for all loans based on the principles laid down by IFRS 9 and adapted by the subsidiaries engaged in banking business in its ECL calculation process, model and tool; and • For defaulted and credit-impaired loans, impairment was assessed individually on a regular basis.	We evaluated and tested the design and operating effectiveness of key controls across the processes relevant to the ECL calculation, including: • Entity level controls (including IT controls) and governance process over the ECL modelling process, including model review as well as the review of back-testing ECL model components (Probability of Default, macro-economic projection, loss rates) and ECL level; • Controls over the incorporation of multiple economic scenarios related to ECL models and quarterly ECL variation analysis; • Controls over the loan origination and monitoring processes; • Controls over the specific provision and monitoring processes; • Controls over the monitoring of internal credit limits, loans in litigation and credit watch list; • Controls over the computation of ECL management "overlays" adjustments. We also performed the following substantive audit procedures: • With the support of our internal modelling specialists, we tested the assumptions, inputs and formulas used in ECL models. This included assessing the appropriateness of model design and formulas used, considering alternative modelling techniques and recalculating the Probability of Default, Loss Given Default and Exposure at Default of models on a sample basis, as well as challenging the forward looking macro-economic scenarios; • We verified some key parameters to ensure accuracy of data inputs supporting the ECL models used.

KEY AUDIT MATTERS (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Measurement of expected credit loss of loans to customers of subsidiaries engaged in banking business (Continued) The determination of ECL against loans to customers required judgments and estimation: • Designation and setup of the internal rating system and the basis of the allocation of loans to customers within the 3 stages; • Accounting interpretations and modelling assumptions used to build the models that serve as a basis to calculate the ECL; • Assumptions and inputs used to estimate the impact of multiple economic scenarios and related weightings; • The amount and timing of future cash flows as well as the value and recoverability of related collateral for defaulted and credit-impaired loans; • Management "overlays" adjustments have been made for significant uncertainties not covered by the model. We identified the measurement for expected credit loss of loans to customers of subsidiaries engaged in banking business as a key audit matter due to the significant amount and high degree of estimation uncertainty, the use of complex models, the application of extensive parameters and information, and the significant management judgments and assumptions involved, which carry significant inherent risks.	• We tested loans to customers (including but not only an extended sample of loans included into the credit watch list and/or classified on stage 3) on a sample basis to: – Perform testing over the accuracy of related key input data (including nominal and interest rates, etc.); – Perform the assessment as to whether the loans to customers were classified in the appropriate bucket; – Perform testing over the allocation of loans to customers into stages, including quarterly movements between stages, and the identification of defaulted and credit-impaired loans; – Perform testing on the validity of guarantees and the valuation and collateral received; • We assessed the reasonableness of ECL management "overlays" and out-of-model adjustments used by the management and results. Based on the procedures performed, the models, key parameters and data, significant judgement and assumptions adopted by management for measuring ECL and the measurement results were supported by the evidence we obtained.

KEY AUDIT MATTERS (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Migration of a core banking system of a subsidiary engaged in banking business In 2023, a subsidiary engaged in banking business operated a significant transition by migrating its legacy Core Banking System to a new Core Banking System Temenos platform ("T24"). The migration of this Core Banking System only took place within the Company's subsidiary Banque Internationale à Luxembourg and not its subsidiaries. This migration involves mainly: • Transferring a large volume of customer data and financial records from the legacy system to the new platform; • Tailoring the new Core Banking System to the needs of the different business lines of the banking business; and • Setting-up new controls in order to ensure that the new Core Banking System, including the financial reporting process, is operating effectively. This migration marked a significant milestone in the future development of the banking business as the new Core Banking System serves as the new backbone for data aggregation, transaction processing, accounting, reporting, regulatory compliance, internal controls and risk management among others. We therefore considered this migration as a key audit matter as it has a pervasive impact on the production of the consolidated financial statements.	We evaluated management oversight over the Core Banking System migration: • Before, during and after the migration, we made direct observations of the migration committees and also inspected the minutes of these committees; and • For the selected business processes, we observed the rehearsals of the migration and inspected the testing performed, their documentation and their follow up/action plans to verify that deviations from the expected test results were investigated and included in a remediation plan. We assessed the design and operating effectiveness of key controls across the processes relevant to the migration of the Core Banking System, on a sample basis, for the following controls: • Controls over the migration of static information (such as client identification data) and dynamic information (such as loans parameters); • Controls over the resolution of defects (for example business tests which failed during the rehearsals/pre-migration tests) and over incident management (post-migration); • Controls over the reconciliation of the accounting information performed at the migration date (encompassing completeness, integrity and accuracy of accounting information migrated);

KEY AUDIT MATTERS (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Migration of a core banking system of a subsidiary engaged in banking business (Continued)	• Controls over the set-up of key reports under T24; • Controls over IT program changes and developments; • Controls over logical access to program and data including T24 logical access process; • Controls over the existence of service level agreements and key performance indicators with IT third party providers (acting as support for T24); • Key automated controls such as segregation of duties, interfaces with satellite applications and automated calculations that are relevant for our audit. We also performed the following substantive audit procedures: • We tested the reconciliation between the accounting balance of the previous system and the T24 accounting balance at the migration date; • We tested the accounting operational changes brought by the implementation of T24; • We reconciled static and dynamic information on a sample basis between the legacy Core Banking System and T24. Based on the above audit procedures, no material exceptions that would impact our level of reliance on the key IT systems and the related controls for the purpose of our audit were noted.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS Accounting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Lo Kai Leung, Thomas.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, March 28, 2024

Consolidated Income Statement

For the year ended December 31, 2023

	Note	Year ended December 31, 2023 RMB'000	2022 RMB'000
Sales of goods and services	5	**431,637,448**	480,695,487
Interest income	5	**11,202,292**	5,072,941
Interest expense	5	**(6,827,574)**	(2,105,731)
Net interest income		**4,374,718**	2,967,210
Total revenue	5	**436,012,166**	483,662,697
Cost of sales and services	8	**(358,781,651)**	(398,208,721)
Gross profit		**77,230,515**	85,453,976
Selling and distribution expenses	8	**(23,301,787)**	(25,363,417)
General and administrative expenses	8	**(39,367,180)**	(38,917,593)
Expected credit loss	8	**(1,385,977)**	(727,954)
Investment losses	6	**(1,810,241)**	(2,990,551)
Other (losses)/gains-net	7	**(1,518,200)**	698,827
Finance income	10	**2,194,418**	1,460,073
Finance costs	10	**(9,129,040)**	(6,911,733)
Share of (losses)/profit of associates and joint ventures accounted for using the equity method		**(488,580)**	147,784
Profit before income tax		**2,423,928**	12,849,412
Income tax expense	13	**(1,793,620)**	(2,455,439)
Profit for the year		**630,308**	10,393,973
(Losses)/Profit attributable to:			
– Equity holders of the Company		**(3,874,279)**	1,167,063
– Other non-controlling interests		**4,504,587**	9,226,910
		630,308	10,393,973
(Losses)/Earnings per share for the profit attributable to the equity holders of the Company			
(expressed in RMB per share)			
Basic (losses)/earnings per share	14	**(1.65)**	0.50
Diluted (losses)/earnings per share	14	**(1.68)**	0.37

Consolidated Statement of Comprehensive Income

For the year ended December 31, 2023

	Note	Year ended December 31, 2023 RMB'000	2022 RMB'000
Profit for the year		**630,308**	10,393,973
Other comprehensive (loss)/income:			
Items that will not be reclassified to income statement:			
Change in fair value of non-trading equity securities measured at fair value through other comprehensive income, net of taxes	*13*	**(328,765)**	(709,003)
Changes in credit risk on financial liabilities measured at fair value through profit or loss, net of taxes	*13*	**4,924**	8,160
Share of other comprehensive income of associates using equity accounting, net of taxes	*13*	**3,874**	28,565
Remeasurements of post-employment benefit obligation, net of taxes	*13*	**198,017**	756,205
Revaluation of investment properties upon reclassification from property, plant and equipment, net of taxes	*13*	**13,713**	558
Items that may be reclassified subsequently to income statement:			
Change in fair value of debt securities measured at fair value through other comprehensive income, net of taxes	*13*	**4,132**	(70,711)
Currency translation differences	*13*	**2,103,019**	1,582,730
Share of other comprehensive income/(loss) of associates using equity accounting, net of taxes	*13*	**37,429**	(3,046)
Fair value change on cash flow hedges, net of taxes	*13*	**238,370**	(1,088,444)
Other comprehensive income for the year, net of taxes		**2,274,713**	505,014
Total comprehensive income for the year		**2,905,021**	10,898,987
Attributable to:			
– Equity holders of the Company		**(2,715,030)**	2,465,803
– Other non-controlling interests		**5,620,051**	8,433,184
		2,905,021	10,898,987

Consolidated Balance Sheet

As at December 31, 2023

		As at December 31,	
		2023	2022
	Note	RMB'000	RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	15	33,957,749	32,230,915
Right-of-use assets	16	5,952,991	5,959,354
Investment properties	17	15,454,282	15,807,609
Intangible assets	19	72,629,625	68,394,957
Associates and joint ventures using equity accounting	12	16,243,201	16,714,672
Associates measured at fair value through profit or loss	12	14,778,452	18,521,268
Financial assets at fair value through other comprehensive income	21	5,834,084	6,682,661
Financial assets at fair value through profit or loss	31	12,124,523	10,959,316
Loans to customers	26	99,100,694	82,584,125
Derivative financial assets	22	3,763,806	5,856,183
Other financial assets at amortised cost	28	57,941,454	51,077,681
Deferred income tax assets	45	22,256,383	20,299,139
Other non-current assets	23	12,992,357	12,036,748
Total non-current assets		373,029,601	347,124,628
Current assets			
Inventories	29	46,877,633	55,976,227
Consumable biological assets	18	1,253,509	1,240,637
Properties under development	30	19,252	19,252
Accounts and notes receivables	24	73,920,969	77,932,211
Prepayments, other receivables and other current assets	25	39,902,791	33,377,120
Loans to customers	26	33,539,980	44,999,257
Loans to credit institutions	27	2,369,338	4,214,574
Derivative financial assets	22	854,527	1,028,367
Financial assets at fair value through profit or loss	31	20,174,378	21,322,964
Financial assets at fair value through other comprehensive income	21	32,401	1,852,118
Other financial assets at amortised cost	28	9,975,814	7,583,530
Balances with central banks	32	1,302,861	1,309,158
Restricted deposits	32	2,876,541	1,800,681
Bank deposits	32	31,939	134,427
Cash and cash equivalents	32	59,571,033	81,159,017
Total current assets		292,702,966	333,949,540
Total assets		665,732,567	681,074,168

Consolidated Balance Sheet
As at December 31, 2023

	Note	As at December 31, 2023 RMB'000	2022 RMB'000
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital	*34*	**2,356,231**	2,356,231
Reserves		**54,608,337**	60,229,196
Total equity attributable to equity holders of the Company		**56,964,568**	62,585,427
Perpetual securities	*35*	**1,361,913**	1,360,118
Other non-controlling interests		**45,426,285**	41,843,891
Put option written on non-controlling interests	*40(c)(1)*	**(3,633,810)**	(3,633,810)
Total equity		**100,118,956**	102,155,626
LIABILITIES			
Non-current liabilities			
Borrowings	*44*	**68,357,872**	81,584,846
Lease liabilities	*16*	**2,648,255**	2,893,169
Amounts due to credit institutions	*41*	**651,431**	2,324,565
Amounts due to customers	*42*	**3,473,989**	2,986,590
Derivative financial liabilities	*22*	**1,878,907**	1,843,337
Deferred revenue	*37*	**10,223,176**	9,730,974
Retirement benefit obligations	*46*	**1,691,093**	2,045,291
Provisions	*47*	**1,566,356**	1,844,006
Financial liabilities at fair value through profit or loss	*43*	**16,324,913**	11,053,595
Deferred income tax liabilities	*45*	**9,364,377**	9,675,846
Other non-current liabilities	*40*	**6,948,721**	7,924,679
Total non-current liabilities		**123,129,090**	133,906,898

	Note	As at December 31, 2023 RMB'000	2022 RMB'000
Current liabilities			
Trade and notes payables	*36*	**77,802,993**	80,492,436
Other payables and accruals	*38*	**106,727,031**	106,070,837
Amounts due to credit institutions	*41*	**28,590,518**	22,898,166
Amounts due to customers	*42*	**141,535,061**	153,161,123
Financial liabilities at fair value through profit or loss	*43*	**6,799,953**	4,228,212
Derivative financial liabilities	*22*	**1,681,868**	2,563,646
Provisions	*47*	**6,485,875**	6,248,117
Advance from customers	*39*	**1,306,372**	1,749,006
Deferred revenue	*37*	**11,248,679**	11,263,168
Income tax payables		**3,054,764**	4,281,068
Lease liabilities	*16*	**1,096,417**	1,153,466
Borrowings	*44*	**56,154,990**	50,902,399
Total current liabilities		**442,484,521**	445,011,644
Total liabilities		**565,613,611**	578,918,542
Total equity and liabilities		**665,732,567**	681,074,168

The consolidated financial statements on pages 139 to 323 were approved by the Board of Directors on March 28, 2024 and were signed on its behalf.

NING Min
Director

LI Peng
Director

Consolidated Statement of Changes in Equity

For the year ended December 31, 2023

	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, 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
(Losses)/Profit for the year	–	–	–	–	–	–	–	–	–	(3,874,279)	–	4,504,587	–	630,308
Other comprehensive (loss)/income														
Fair value changes on financial assets at fair value through other comprehensive income	–	–	–	(278,063)	–	–	–	–	–	–	–	(46,570)	–	(324,633)
Credit risk changes on financial liabilities measured at fair value through profit or loss	–	–	–	4,431	–	–	–	–	–	–	–	493	–	4,924
Share of other comprehensive income of associates using equity accounting	–	–	–	41,303	–	–	–	–	–	–	–	–	–	41,303
Fair value change on cash flow hedges	–	–	–	–	–	–	(45,976)	–	–	–	–	284,346	–	238,370
Currency translation differences	–	–	–	–	–	–	–	1,391,596	–	–	–	711,423	–	2,103,019
Remeasurement of post-employment benefit obligations	–	–	–	–	–	–	–	–	32,000	–	–	166,017	–	198,017
Revaluation of investment properties upon reclassification from property, plant and equipment	–	–	–	13,958	–	–	–	–	–	–	–	(245)	–	13,713
Total comprehensive (loss)/income for the year	–	–	–	(218,371)	–	–	(45,976)	1,391,596	32,000	(3,874,279)	–	5,620,051	–	2,905,021
Total transfer to retained earnings	–	–	–	433	–	–	–	(65,419)	–	64,986	–	4,073	–	4,073
Total transactions with owners, recognised directly in equity														
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	14,757	–	14,757
Disposal of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	(1,547)	–	(1,547)
Transaction with other non-controlling interests *(Note 54)*	–	–	–	–	–	–	–	–	(2,660,848)	–	–	114,267	–	(2,546,581)
Contribution from other non-controlling interests	–	–	–	–	–	–	–	–	17,672	–	–	609,048	–	626,720
Transfer to reserve	–	–	–	–	–	–	–	–	1,112	923	–	4,274	–	6,309
Share of other reserve of associates	–	–	–	–	–	–	–	–	(68,309)	–	–	253	–	(68,056)
Share-based compensation	–	–	–	–	209,665	129,379	–	–	–	–	–	735,530	–	1,074,574
Dividends paid and declared *(Note 48)*	–	–	–	–	–	–	–	–	–	(471,257)	–	(3,511,168)	–	(3,982,425)
Coupon paid/interest adjustment holders of perpetual securities	–	–	–	–	–	–	–	–	–	(64,166)	1,795	(7,144)	–	(69,515)
Total transactions with owners, recognised directly in equity	–	–	–	–	209,665	129,379	–	–	(2,710,373)	(534,500)	1,795	(2,041,730)	–	(4,945,764)
As at December 31, 2023	2,356,231	11,281,940	919,845	(345,153)	4,529,793	(207,195)	(191,466)	(3,050,202)	(3,507,370)	45,178,145	1,361,913	45,426,285	(3,633,810)	100,118,956

	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, 2022	2,356,231	11,281,940	696,229	528,785	3,772,216	(336,574)	107,478	(6,334,456)	(530,982)	49,729,021	1,558,457	35,006,747	(5,024,368)	92,810,724
Profit for the year	–	–	–	–	–	–	–	–	–	1,167,063	–	9,226,910	–	10,393,973
Other comprehensive (loss)/income														
Fair value changes on financial assets at fair value through other comprehensive income	–	–	–	(700,388)	–	–	–	–	–	–	–	(79,326)	–	(779,714)
Credit risk changes on financial liabilities measured at fair value through profit or loss	–	–	–	7,342	–	–	–	–	–	–	–	818	–	8,160
Share of other comprehensive income of associates using equity accounting	–	–	–	25,519	–	–	–	–	–	–	–	–	–	25,519
Fair value change on cash flow hedges	–	–	–	–	–	–	(252,968)	–	–	–	–	(835,476)	–	(1,088,444)
Currency translation differences	–	–	–	–	–	–	–	1,958,077	–	–	–	(375,347)	–	1,582,730
Remeasurement of post-employment benefit obligations	–	–	–	–	–	–	–	–	260,656	–	–	495,549	–	756,205
Revaluation of investment properties upon reclassification from property, plant and equipment	–	–	–	502	–	–	–	–	–	–	–	56	–	558
Total comprehensive (loss)/income for the year	–	–	–	(667,025)	–	–	(252,968)	1,958,077	260,656	1,167,063	–	8,433,184	–	10,898,987
Total transfer to retained earnings	–	–	–	11,025	–	–	–	–	–	(11,025)	–	–	–	–
Total transactions with owners, recognised directly in equity														
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	219,520	–	219,520
Disposal of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	(18,876)	–	(18,876)
Transaction with other non-controlling interests *(Note 54)*	–	–	–	–	–	–	–	–	213,820	–	–	453,408	–	667,228
Contribution from other non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	977,489	–	977,489
Issuance of convertible bonds	–	–	–	–	–	–	–	–	278,679	–	–	652,074	–	930,753
Repurchase of convertible bonds	–	–	–	–	–	–	–	–	(206,957)	–	–	(484,254)	–	(691,211)
Decrease of perpetual capital	–	–	–	–	–	–	–	–	–	–	(200,000)	–	–	(200,000)
Transfer to reserve	–	–	–	–	–	–	–	–	4,772	(135,319)	–	(16,375)	–	(146,922)
Recognize repurchase obligations based on the convertible bond agreement	–	–	–	–	–	–	–	–	(589,270)	–	–	(31,014)	–	(620,284)
Share of other reserve of associates	–	–	–	–	–	–	–	–	(44,939)	–	–	289	–	(44,650)
Share-based compensation	–	–	–	–	547,912	–	–	–	–	–	–	1,119,152	–	1,667,064
Transfer to statutory surplus reserve	–	–	223,616	–	–	–	–	–	–	(223,616)	–	–	–	–
Dividends paid and declared *(Note 48)*	–	–	–	–	–	–	–	–	–	(942,506)	–	(3,281,098)	–	(4,223,604)
Coupon paid/interest adjustment to 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 Cash Flow Statement

For the year ended December 31, 2023

	Note	Year ended December 31, 2023 RMB'000	2022 RMB'000
Cash flows from operating activities			
Cash generated from operations	50	14,044,385	51,384,148
Income tax paid		(5,088,636)	(3,831,988)
Net cash generated from operating activities		8,955,749	47,552,160
Cash flows from investing activities			
Purchases of property, plant and equipment and intangible assets		(14,776,433)	(14,295,810)
Proceeds from sale of property, plant and equipment and intangible assets		470,477	260,906
Purchase of financial assets at fair value through profit or loss		(12,709,623)	(9,515,945)
Proceeds from the disposal of financial assets at fair value through profit or loss		12,196,185	9,682,542
Dividends from financial assets at fair value through profit or loss		221,844	219,449
Capital injection in associates measured at fair value through profit or loss		(458,500)	(1,153,492)
Distributions from associates measured at fair value through profit or loss		2,563,393	1,821,010
Acquisition of and capital injection in associates and joint ventures using equity accounting		(120,803)	(1,150,052)
Proceeds from disposal of associates using equity accounting		958,034	1,677,866
Dividends from associates using equity accounting		371,735	518,212
Purchase of financial assets at fair value through other comprehensive income		(354,017)	(697,615)
Disposal of financial assets at fair value through other comprehensive income		400,305	674,611
Dividends from financial assets at fair value through other comprehensive income		18,539	34,862
Acquisition of subsidiaries, net of cash acquired		(1,006,477)	(3,356,034)
Disposal of subsidiaries, net of cash disposed		66,217	20,953
Loans repaid from/(granted to) related parties and third parties		517,092	(891,130)
Interest received		1,234,203	701,518
(Increase)/Decrease in fixed deposits for more than 3 months		(91,107)	506,262
Disposal of financial assets at amortized cost and derivative financial instruments		138,914	92,082
Net cash used in investing activities		(10,360,022)	(14,849,805)

	Note	Year ended December 31, 2023 RMB'000	2022 RMB'000
Cash flows from financing activities			
Proceeds from borrowings		**109,527,783**	113,114,490
Repayments of borrowings		**(118,169,010)**	(126,167,090)
Repayments of lease liabilities		**(1,034,871)**	(1,624,010)
Issue of convertible bonds, net of issuance costs	*44*	**–**	4,470,533
Issue of other bonds, net of issuance costs		**4,221,351**	11,385,604
Repurchase of convertible bonds		**–**	(3,671,472)
Repurchase of convertible preferred shares		**(327,464)**	–
Payment of put option liabilities		**–**	(1,895,000)
Capital injections from other non-controlling interests		**1,981,985**	817,638
Distribution to other non-controlling interests		**(3,577,213)**	(3,261,485)
Transaction with other non-controlling interests		**(4,340,172)**	87,984
Dividends paid to equity holders of the Company	*48*	**(443,759)**	(836,012)
Interest paid		**(10,468,186)**	(7,464,504)
Net cash used in financing activities		**(22,629,556)**	(15,043,324)
Net (decrease)/increase in cash and cash equivalents		**(24,033,829)**	17,659,031
Cash and cash equivalents at beginning of year		**81,159,017**	59,956,630
Exchange gains on cash and cash equivalents		**2,445,845**	3,543,356
Cash and cash equivalents at end of year	*32*	**59,571,033**	81,159,017

Notes to Financial Statements

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 includes investments in aviation logistics, financial services, medical and health care, and office leasing services, etc.

2. SUMMARY OF ACCOUNTING POLICIES

The 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.

Material Accounting Policies

2.1 Basis of preparation

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

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involve a higher degree of judgment or complexity, or the areas where assumptions and estimates that are significant to the consolidated financial statements are disclosed in note 4.

2.2 Going concern basis

As of December 31, 2023, one Chile subsidiary of Joyvio Food Co., Ltd. ("Joyvio Food"), a subsidiary of the Company, has a short-term loan of RMB7.8 million overdue. Such event of default may cause the lenders of relevant borrowings amounting to RMB8,323 million to exercise their right to demand for acceleration of repayment under the relevant agreements, which originally would come due after one year, the Group has classified such borrowings as current liabilities.

As of December 31, 2023, the current liabilities of the Group were approximately RMB442,485 million, exceeding the current assets of approximately RMB149,782 million. Of which, RMB56,155 million represents current bank loans and other borrowings repayable within 12 months, and the Group's cash and cash equivalents amounted to RMB59,571 million.

The above circumstances indicated material uncertainty which may cast significant doubt over the Group's ability to continue as a going concern.

2. SUMMARY OF ACCOUNTING POLICIES (Continued)

Material Accounting Policies (Continued)

2.2 Going concern basis (Continued)

In view of such circumstances, the directors of the Company have carefully considered the operation characteristics of different business lines, the future liquidity, the operation performance and the available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern for at least twelve months from December 31, 2023, taking into consideration the following plans and measures:

(i) As at December 31, 2023, the current assets, current liabilities and net current liabilities of BIL, a subsidiary of the Company, are RMB70,478 million, RMB184,931 million and RMB114,453 million, respectively, which have been reflected in the consolidated financial statements of the Group. As a financial institution in banking business, BIL does not distinguish its assets and liabilities between current and non-current in its own financial statements. For the purpose of preparation of the consolidated financial statements of the Group, the assets and liabilities of BIL are classified into current/non-current assets and liabilities based on the collection/realization/repayment period as agreed in the relevant contracts. The Common equity tier 1 capital, additional tier 1 capital and tier 2 capital are RMB12,035 million, RMB1,375 million and RMB2,624 million, respectively, computed in accordance with the Basel III rules, the Capital Requirements Regulation and other relevant bank capital regulatory requirements currently in force. Common equity tier 1 capital ratio was 13.37%, Tier 1 ratio was 14.90%, and Capital Adequacy ratio was 17.82% (before 2023 profit allocation), these ratios were all exceeding the basic regulatory requirements, which indicated BIL's sufficient ability to continue as a going concern. The Group will continue to implement comprehensive capital management at BIL level to further enhance the resilience of capital risks and ensure the relative stability of the capital adequacy ratio of BIL.

(ii) The Group's net operating cash inflow in 2023 is RMB8,956 million. The Company's management expects that the operating performance will be stable or improved in 2024 and the Group will be able to continue to generate operating cash inflow in 2024. The Group will continue its efforts to implement measures to strengthen its operating cash flows and working capital position, including expediting collection of outstanding trade receivables and deferring discretionary capital expenditures, if necessary.

(iii) In respect of the above overdue loan of the Chile subsidiary of Joyvio Food, in February 2024, the subsidiary has reached agreement with the lender to enter into an extension agreement for the remaining borrowing upon repayment of part of the borrowing, and the event of default has been settled thereafter. As of the date of this report, the Group has not received any notice from relevant lenders to demand for acceleration of the repayment of other loans due to the above event of defaults. The management of the Group will discuss and negotiate with the respective lenders and seek to obtain waiver of compliance with the covenant requirements from the respective lenders or further revise the terms and covenant requirements, if needed.

2. SUMMARY OF ACCOUNTING POLICIES (Continued)

Material Accounting Policies (Continued)

2.2 Going concern basis (Continued)

(v) As at December 31, 2023, the Group has unutilised project loan facilities and general facilities of RMB50,968 million. The Group will also negotiate with the banks to extend such facilities and to secure new facilities. The directors are confident that the new borrowings will be obtained in due course, to provide sufficient funding for the Group's project related payments or other operating expenditures.

(vi) The Group holds a number of equity investments, including several highly liquid equity investments in listed companies, which the Group intends to sell partially within the next twelve months. Management is confident that the disposal of such equity investments will provide proceeds for the partial repayment of the outstanding borrowings due and improve the Group's repayment ability.

(vii) The Company will exert its capital management ability as a holding company, including providing financial guarantee or financial support in due course to the subsidiaries, to ensure the timely repayment of various borrowings of subsidiaries.

The directors have reviewed the Group's cash flow projections prepared by management, which covered a period of no less than twelve months from December 31, 2023. In the opinion of the directors, taking into account the anticipated cash inflows to be generated from the Group's operations as well as the above plans and measures, the Group will have sufficient working capital to meet its repayment obligations as and when they fall due in the coming twelve months from December 31, 2023. Accordingly, the directors consider that it is appropriate to prepare the consolidated financial statements on a going concern basis.

2.3 New and amended standards adopted

The following new and amended standards are mandatory for the first time for the Groups financial year beginning on January 1, 2023 and are applicable for the Group:

IFRS 17	Insurance Contracts
IAS 1 and IFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies
IAS 8 (Amendments)	Definition of Accounting Estimates
IAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
IAS 12 (Amendments)	International Tax Reform – Pillar Two Model Rules

Except for IAS 12 (Amendments), Deferred tax related to assets and liabilities arising from a single transaction, other amendments to IFRS and IAS effective for the financial year beginning on January 1, 2023 do not have a material impact on the Group's consolidated financial statements.

2. SUMMARY OF ACCOUNTING POLICIES (Continued)

Material Accounting Policies (Continued)

2.3 New and amended standards adopted (Continued)

The Group has initially applied the Amendments to IAS 12, Deferred tax related to assets and liabilities arising from a single transaction, from January 1, 2023. The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences – e.g. leases liabilities. For leases liabilities, an entity is required to recognize the associated deferred tax assets and liabilities from the beginning of the earliest comparative period presented, with any cumulative effect recognized as an adjustment to retained earnings or other components of equity at that date. For all other transactions, an entity applies the amendments to transactions that occur after the beginning of the earliest period presented.

The Group previously accounted for deferred tax on leases that results in a similar outcome to the amendments, except that the deferred tax asset or liability was recognized on a net basis. Following the amendments, the Group has recognized a separate deferred tax asset in relation to its lease liability and a deferred tax liability (Note 45) in relation to its right-of-use asset. However, there is no impact on the Group's consolidated financial statements because the balances qualify for offset under paragraph 74 of IAS 12. There was also no impact on the opening retained earnings at January 1, 2022 as a result of the change.

2.4 Amended standards and interpretations not yet adopted

The following are amended standards and interpretations that have been issued but are not yet effective for the financial year beginning on January 1, 2023 and have not been early adopted.

		Effective for financial year beginning on or after
IAS 1 (Amendments)	Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants	1 January 2024
IAS 16 (Amendments)	Lease Liabilities in a Sale-and-Leaseback	1 January 2024
International Interpretation 5 (Amendments)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contain a Repayment on Demand Clause	1 January 2024
IAS 7 and IFRS 7 (Amendments)	Supplier Finance Arrangements	1 January 2024
IAS 21 (Amendments)	Lack of Exchangeability	1 January 2025
IFRS 10 and IAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be Determined

2. SUMMARY OF ACCOUNTING POLICIES (Continued)

Material Accounting Policies (Continued)

2.4 Amended standards and interpretations not yet adopted (Continued)

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, 2023 and have not been early adopted by the Group. The Group's assessment of the impact of these new and amendment standards is still in progress.

2.5 Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) Business combination

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. The seller in a business combination may contractually indemnify the acquirer for the outcome of a contingency or uncertainty related to all or part of a specific asset or liability. The acquirer shall recognise an indemnification asset at the same time that it recognises the indemnified item measured on the same basis as the indemnified item, subject to the need for a valuation allowance for uncollectible amounts. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis at the non-controlling interest's proportionate share of the acquiree's net assets.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in consolidated income statement.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group will report in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the Group will retrospectively adjust the provisional amounts recognised at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognised as of that date. During the measurement period, the Group will also recognise additional assets or liabilities if new information is obtained about facts and circumstances that existed as of the acquisition date and, if known, would have resulted in the recognition of those assets and liabilities as of that date. The measurement period does not exceed one year from the acquisition date.

2. SUMMARY OF ACCOUNTING POLICIES (Continued)

Material Accounting Policies (Continued)

2.5 Subsidiaries (Continued)

(a) Business combination (Continued)

Any contingent consideration is recognised as equity or financial liability. Subsequent changes to the fair value of the contingent consideration that is classified as liability is recognised in income statement. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

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

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

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

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

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

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

2. SUMMARY OF ACCOUNTING POLICIES (Continued)

Material Accounting Policies (Continued)

2.5 Subsidiaries (Continued)

(c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in income statement. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset at fair value. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities, amounts previously recognised in other comprehensive income are reclassified to income statement.

(d) Separate financial statements

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

2.6 Associates

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

(a) Equity method of accounting

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

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

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

2. SUMMARY OF ACCOUNTING POLICIES (Continued)

Material Accounting Policies (Continued)

2.6 Associates (Continued)

(a) Equity method of accounting (Continued)

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to "general and administrative expenses" in the consolidated income statement.

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

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

(b) Fair value through profit or loss

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

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

2.7 Joint arrangements

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

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

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

2. SUMMARY OF ACCOUNTING POLICIES (Continued)

Material Accounting Policies (Continued)

2.8 Segment reporting

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

2.9 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and accumulated impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred.

Depreciation of buildings, building-related equipment and leasehold improvements is calculated using the straight-line method to allocate their costs to their estimated residual values over the unexpired periods of the leases or their expected useful lives to the Group whichever is shorter.

Depreciation of other property, plant and equipment is calculated using the straight-line method to allocate their costs to their estimated residual values over their estimated useful lives to the Group. The principal annual rates used for this purpose are:

–	Land and buildings	10-50 years
–	Machinery and equipment	2-12 years
–	Motor & Vehicles	2-6 years
–	Furniture	3-10 years

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.13).

Gains or losses on disposals of assets are determined by comparing the proceeds with the carrying amount and are recognised within "other (losses)/gains-net" in the consolidated income statement.

Construction-in-progress represents buildings, plant and machinery and internal use software under construction and pending installation and is stated at historical cost, less any accumulated impairment losses. Historical cost comprises all direct and indirect costs of acquisition or construction or installation of buildings, plant and machinery or internal use software as well as interest expenses and exchange differences on the related funds borrowed during the construction, installation and testing periods and prior to the date when the assets were available for use. No depreciation or amortization is provided for construction-in-progress. On completion, the carrying values of the buildings, plant and machinery or internal use software are transferred from construction-in-progress to property, plant and equipment or intangible assets.

2. SUMMARY OF ACCOUNTING POLICIES (Continued)

Material Accounting Policies (Continued)

2.10 Lease

As lessee:

The Group leases various lands, buildings and equipments. Rental contracts are typically made for fixed periods of 1 to 20 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Lease are recognised as a right-of-use asset and a lease liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

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

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

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

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

2. SUMMARY OF ACCOUNTING POLICIES (Continued)

Material Accounting Policies (Continued)

2.10 Lease (Continued)

As lessee: (Continued)

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture.

As lessor:

The Group continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently which is same as IAS 17.

2.11 Intangible assets

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures and represents the excess of the consideration transferred over the Group's interest in net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree and the non-controlling interest in the acquiree. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates and joint ventures is included in investments in associates and joint ventures.

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

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

(b) Trademarks

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

(c) Customer relationships

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

2. SUMMARY OF ACCOUNTING POLICIES (Continued)

Material Accounting Policies (Continued)

2.11 Intangible assets (Continued)

(d) Computer software

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

- It is technically feasible to complete the software product so that it will be available for use;
- Management intends to complete the software product and use or sell it;
- There is an ability to use or sell the software product;
- It can be demonstrated how the software product will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- The expenditure attributable to the software product during its development can be reliably measured.

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

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

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

(e) Patents, technology and marketing right

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

(f) Aquaculture franchise and water right

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

2. SUMMARY OF ACCOUNTING POLICIES (Continued)

Material Accounting Policies (Continued)

2.12 Investment property

Investment property, principally comprising leasehold land and buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. Land held under operating leases are accounted for as investment properties when the rest of the definition of an investment property is met.

Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recorded in the consolidated income statement as part of a valuation gain or loss in "other (losses)/gains-net".

Property that is being constructed or developed as investment property is carried at fair value. Where fair value is not reliably determinable, such property under construction is measured at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier).

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in light of current market condition.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the consolidated income statement during the financial period in which they are incurred.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes.

When the owner-occupied properties transferring to investment properties, a revaluation surplus is credited to other comprehensive income and accumulated in equity under the heading of revaluation surplus. The revaluation surplus included in equity may be transferred directly to retained earnings when the surplus is realised.

2.13 Impairment of non-financial assets

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

2. SUMMARY OF ACCOUNTING POLICIES (Continued)

Material Accounting Policies (Continued)

2.14 Investment and other financial assets

2.14.1 Classification and measurement

The Group classifies its financial assets depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

- those to be measured at amortised cost;
- those to be measured subsequently at fair value through OCI; and
- those to be measured subsequently at fair value through profit and loss.

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

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

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

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

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

2. SUMMARY OF ACCOUNTING POLICIES (Continued)

Material Accounting Policies (Continued)

2.14 Investment and other financial assets (Continued)

2.14.1 Classification and measurement (Continued)

(a) *Debt instruments*

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

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent SPPI are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in "other (losses)/gains-net" together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

- Fair value through other comprehensive income ("FVOCI"): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent SPPI, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses on the instrument's amortised cost which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and recognised in "other (losses)/gains-net". Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in "other (losses)/gains-net" and impairment expenses are presented as separate line item in the statement of profit or loss.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within "investment losses" in the period in which it arises.

2. SUMMARY OF ACCOUNTING POLICIES (Continued)

Material Accounting Policies (Continued)

2.14 Investment and other financial assets (Continued)

2.14.1 Classification and measurement (Continued)

(b) Equity instruments

The Group subsequently measures all equity investments at FVPL, except where the Group has elected, at initial recognition, to irrevocably designate an equity investment at FVOCI. The Group's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is made, fair value gains and losses are recognised in other comprehensive income and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses and reversal of impairment losses are not reported separately from other changes in fair value.

For the Group's equity instruments not held for trading purposes and those designated at FVOCI, when they are derecognised, the difference between the carrying amount and the consideration is recognised in retained earnings, also, the cumulative gains or losses previously recognised in other comprehensive income are recycled to the retained earnings; for other financial assets measured at FVOCI, the difference between the carrying amount and the consideration is recognised in profit and loss, also, the cumulative gains or losses previously recognised in other comprehensive income are recycled to profit and loss.

2.14.2 Recognition and de-recognition

The Group derecognises a financial asset if one of the following conditions is met:

- The contractual rights to receive the cash flows from the financial asset expire;
- The financial asset has been transferred and the Group transfers substantially all the risks and rewards of ownership of such financial asset;
- The financial asset has been transferred, the Group has not retained any control over the financial asset, even if the Group neither transfers nor retains substantially all the risks and rewards of ownerships of the financial asset.

For the Group's equity instruments not held for trading purposes and designated at FVOCI, when they are derecognised, the difference between the carrying amount and the consideration is recognised in retained earnings, also, the cumulative gains or losses previously recognised in other comprehensive income are recycled to the retained earnings; for other financial assets measured at FVOCI, the difference between the carrying amount and the consideration is recognised in profit and loss, also, the cumulative gains or losses previously recognised in other comprehensive income are recycled to profit and loss.

The de-recognition of financial assets sold on condition of repurchase is determined by the economic substance of the transaction. If a financial asset is sold under an agreement to repurchase the same or substantially the same asset at a fixed price or at the sale price plus a reasonable return, the Group will not derecognise the asset. If a financial asset is sold together with an option to repurchase the financial asset at its fair value at the time of repurchase, the Group will derecognise the financial asset.

2. SUMMARY OF ACCOUNTING POLICIES (Continued)

Material Accounting Policies (Continued)

2.14 Investment and other financial assets (Continued)

2.14.3 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet where the Group currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The Group has also entered into arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or the termination of a contract.

2.14.4 Impairment

The Group assesses on a forward-looking basis the Expected Credit Losses (ECL) associated with its loans to customers(including advances), debt instrument assets carried at FVOCI, accounts and other receivables, lease receivable, other financial assets at amortised cost, contract assets, loan commitments and financial guarantee contracts for the issuer which are not measured at fair value through profit or loss.

When calculating the probability-weighted present value of the difference between the contractual and forecasted cash flows to be received, the Group takes reasonable and supportable information such as the past events, current conditions and forecasts of future economic conditions into consideration and uses probabilities of default as the weightings. The difference is recognised as the ECL.

At each balance sheet date, the Group calculates the ECL of financial instruments in different stages. Stage 1 refers to financial instruments that have not had a significant increase in credit risk since initial recognition; Stage 2 refers to financial instruments that have had a significant increase in credit risk since initial recognition but that do not have objective evidence of impairment; Stage 3 refers to financial assets for which there are objective evidence of impairment at the reporting date since initial recognition. For these assets at Stage 1, 12-month ECL are recognised and for assets at stage 2 and 3, life-time ECL are recognised. For financial instruments with lower credit risk at the balance sheet date, the Group assume that the credit risk has not increased significantly since initial recognition and measure the loss allowance based on the expected credit losses over the next 12 months.

For financial assets in stage 1 and stage 2, interest income is calculated based on the gross carrying amount of the asset, that is, without deduction for credit allowance, and the effective interest rates. For financial assets in stage 3, interest income is calculated on the net carry amount, that is, net of credit allowances, and the effective interest rates.

The Group recognises the provision and reversal of ECL in profit or loss. For debt instrument at FVOCI, the Group makes relevant adjustments to other comprehensive income at the same time as recognizing ECL in profit and loss.

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

2. SUMMARY OF ACCOUNTING POLICIES (Continued)

Material Accounting Policies (Continued)

2.15 Derivative financial instruments and hedging activities

The Group chose to continue to apply the hedging accounting requirements of IAS 39 to all their hedging relationships in the first adoption of IFRS 9 on January 1, 2018, until the adoption of new macro hedging standards.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge);
- hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge);
- hedges of a net investment in a foreign operation.

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 22. Movements on the hedging reserve in shareholders' equity are shown in consolidated statements of changes in equity. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

(a) Fair value hedge

Changes in the fair value of derivatives that are designated and qualified as fair value hedges are recorded in the consolidated income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

2. SUMMARY OF ACCOUNTING POLICIES (Continued)

Material Accounting Policies (Continued)

2.15 Derivative financial instruments and hedging activities (Continued)

(b) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the consolidation income statement within "other (losses)/gains-net".

Amounts accumulated in equity are reclassified to income statement in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the consolidated income statement within "finance cost". The gain or loss relating to the ineffective portion is recognised in the consolidated income statement within "other (losses)/gains-net".

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

(c) Net investment hedges in foreign operation

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in the consolidated income statement. Gains and losses accumulated in equity are reclassified to the consolidated income statement when the foreign operation is partially disposed of or sold.

Hedge of the interest-rate risk exposure of a portfolio

The Group performs an overall analysis of interest-rate risk exposure. This involves assessing fixed-rate exposure, taking into account all the exposure coming from balance sheet and off-balance sheet items. This global analysis may exclude certain components of the exposure, such as financial market activities, provided that the risk exposure stemming from the excluded activities is monitored on an activity-by-activity basis.

The Group applies the same methodology to select which assets and/or liabilities will be entered into the portfolio's hedge of interest-rate risk exposure. Assets and liabilities are included in all the time buckets of the portfolio. Hence, when they are removed from the portfolio, they must be removed from all the time buckets in which they had an impact. Demand deposits and savings accounts may be included in the portfolio, based on behavioural study to estimate expected maturity date. The Group may designate as qualifying hedged items different categories of assets or liabilities.

2. SUMMARY OF ACCOUNTING POLICIES (Continued)

Material Accounting Policies (Continued)

2.15 Derivative financial instruments and hedging activities (Continued)

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

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

On the basis of this gap analysis, which is carried out on a gross basis, the Group defines, at conception, the risk exposure to be hedged, the length of the time bucket, the test method and the frequency of the tests.

The hedging instruments are a portfolio of derivatives, which may contain offsetting positions. The Group recognizes the hedging items at fair value with adjustments accounted for in the consolidated income statement.

2.16 Biological assets

The biological assets of the Group mainly include consumable biological assets.

(a) Classification of consumable biological assets

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

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

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

(b) Initial recognition of consumable biological assets

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

2. SUMMARY OF ACCOUNTING POLICIES (Continued)

Material Accounting Policies (Continued)

2.16 Biological assets (Continued)

(c) Subsequent measurement of consumable biological assets

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

The biological assets including Atlantic salmon and trout in the fattening stage in seawater are measured at the net value of fair value less the estimated costs at the point of sale applying the weight criteria, except when the fair value cannot be determined reliably.

The calculation of the fair value is based on market prices for harvested fish, adjusted for their own differences in total weight, gauge and quality distribution and weight ranges of the fish harvested, taking into account the weight criteria set out in the table below, and then adjusted by the cost for selling, including harvest cost, process costs and freight costs to destination.

The Group reviews the fair value of the biological asset in each feeding centre at the end of each reporting period. The fair value change of the biological assets measured at fair value is recognised in the consolidated income statement.

The measurement mode and weight criteria of biological assets of salmons are as follows:

Stage	**Assets**	**Accounting measurement**
Fresh water	Roe	Measured at direct and indirect costs incurred
Fresh water	Fry and juvenile fish	Measured at direct and indirect costs incurred
Sea water	Fish on fattening process	Criteria for fair value measurement mode: Atlantic salmon, with average harvest weight more than 4 kilos, by average price of HON(Head on, Gutted) and Trim. Trout, with average harvest weight more than 2.3 kilos, by average price of H&G and Trim.

More information on relevant assumptions to confirm the fair value of salmon is set out in Note 4.1(l).

The consumable biological assets are transferred to finished products of inventory at the carrying value when harvest. When finished products are sold, the carrying value of the inventory is transferred to cost of sales and services, and the accumulated fair value change of the inventory is transferred to "other (losses)/gains-net" from cost of sales and services.

2. SUMMARY OF ACCOUNTING POLICIES (Continued)

Material Accounting Policies (Continued)

2.16 Biological assets (Continued)

(d) impairment of biological assets

The Group reviews the consumable biological assets measured at cost at least annually at the end of each year. If there is conclusive evidences that the net realisable value of the consumable biological assets is lower than its carrying value due to natural disasters, pests or market demand changes, the provision for impairment of biological assets shall be recognised in the consolidated income statement at the amount of the differences between the carrying value and the net realisable value.

The provision of impairment of consumable biological assets shall be reversed through profit or loss limited to impairment made if the impairment factors of consumable biological assets has disappeared.

2.17 Inventories and properties under development

Inventories are stated at the lower of cost and net realisable value.

Cost of inventories is determined on a weighted average basis. The cost of finished goods (except for trading products) and work-in-progress comprises direct materials, direct labor and an attributable proportion of production overheads. For trading products, cost represents invoiced value on purchases, less purchase returns and discounts. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

Development cost of properties under development comprise land use rights, construction costs, borrowing costs and professional fees incurred during the development period. On completion, all development costs of the properties are transferred to completed properties held for sale. Net realisable value of properties under development is determined by reference to estimated sales proceeds of the properties sold in the ordinary course of business less costs to complete development and estimated selling expenses.

2.18 Trade and other receivables

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

Receivables are initially measured at consideration amounts with no additional conditions, with the exception that receivables containing material financing component should be initially measured at fair value. Receivables' cash flows represent SPPI. Trade and notes receivables that are held for collection of contractual cash flows and for selling the assets shall be measured at FVOCL. Receivables that are held for collection of contractual cash flows are measured at amortised cost using effective interest rate method. For more information on accounting treatment of account receivables of the Group, please see Note 24.

2. SUMMARY OF ACCOUNTING POLICIES (Continued)

Material Accounting Policies (Continued)

2.19 Share capital

Ordinary shares are classified as equity.

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

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

2.20 Financial liabilities

2.20.1 Financial liabilities at fair value through profit or loss

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

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

Financial liabilities are designated at fair value through the profit or loss upon initial recognition when: (i) the financial liabilities or are managed, evaluated and reported internally on a fair value basis; (ii) the designation eliminates or significantly reduces an accounting mismatch in the gain and loss recognition arising from the difference in measurement bases of the financial liabilities; or (iii) a contract contains one or more embedded derivatives, i.e. an entire hybrid (combined) contract, unless: the embedded derivative does not significantly modify the cash flows that otherwise would be required by the hybrid (combined) contract; or it is clear with little or no analysis when a similar hybrid (combined) instrument is first considered that separation of the embedded derivative is prohibited.

2.20.2 Other financial liabilities

Financial liabilities, other than trading liabilities and those designated at fair value through profit or loss, are measured at amortised cost using the effective interest method.

2. SUMMARY OF ACCOUNTING POLICIES (Continued)

Material Accounting Policies (Continued)

2.21 Financial guarantee contracts

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

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

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

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

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

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

2. SUMMARY OF ACCOUNTING POLICIES (Continued)

Material Accounting Policies (Continued)

2.22 Employee benefits

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

(a) Pension obligations

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

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

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

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

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

2. SUMMARY OF ACCOUNTING POLICIES (Continued)

Material Accounting Policies (Continued)

2.22 Employee benefits (Continued)

(a) Pension obligations (Continued)

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

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

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

(b) Post-employment medical benefits

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

2. SUMMARY OF ACCOUNTING POLICIES (Continued)

Material Accounting Policies (Continued)

2.23 Provisions

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as finance costs.

(a) Warranty provision

The Group records warranty liabilities at the time of sale for the estimated costs that will be incurred under its basic limited warranty. The specific warranty terms and conditions vary depending upon the product and the country in which it was sold, but generally includes technical support, repair parts and labour associated with warranty repair and service actions. The period ranges from one to three years. The Group revaluates its estimates on a quarterly basis to assess the adequacy of its recorded warranty liabilities and adjusts the amounts as necessary.

(b) Provision for loans commitments and financial guarantee contracts

For loans commitments and financial guarantee contracts, impairment losses are recognized as provisions.

(c) Other provisions

Provisions for environmental restoration, restructuring costs and legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring costs provision comprises lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

2.24 Current and deferred income tax

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

(a) Current income tax

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

2. SUMMARY OF ACCOUNTING POLICIES (Continued)

Material Accounting Policies (Continued)

2.24 Current and deferred income tax (Continued)

(b) Deferred income tax

Inside basis differences

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

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

Outside basis differences

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

(c) Offsetting

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

2.25 Revenue recognition

The Group recognizes revenue at designated expected transaction considerations of goods or services when our client gains control over the underlining goods or services. The Group allocates transaction considerations to each underlining obligations based on stand-alone sale prices. Revenue generated from each obligation is recognized when the Group delivers promised goods or performs underlining services. The Group's allocation is based on past years' rebate performance considering client classification, transaction clusters and special features of each arrangement.

(a) Sales of goods

Revenue from sale of hardware, software and peripherals, mobile devices, chemicals and energy materials, agriculture products and other products is recognised, net of value-added tax, an allowance for estimated returns, rebates and discounts, when the right of control is effectively transferred to customer, generally when there is a persuasive evidence that a sales arrangement exists, the price is fixed or determinable, collectability is reasonably assured and delivery has occurred. The Group enters into different shipping terms with customers. Delivery is generally considered as occurred once the goods are shipped. For certain transactions, the Group defers the recognition of revenue and cost of shipped products until the goods are delivered to designated locations and the transfer of right of control is completed.

2. SUMMARY OF ACCOUNTING POLICIES (Continued)

Material Accounting Policies (Continued)

2.25 Revenue recognition (Continued)

(a) Sales of goods (Continued)

The contract liability will continue for a period, the related revenue will be deferred and amortised as earned over the contract period ranging from one to four years. At the end of the reporting period, the excess of the cumulative consideration received from the contracted customer over the cumulative revenue recognized is recognized as a contract liability recorded in deferred revenue. Please refer to Note 37 for more information.

Revenue associated with undelivered elements is deferred and recorded when both delivery occurs and right of control transfers.

(b) Rental income

Revenue is recognised on a time proportion basis over the lease terms.

(c) Provision of service

Revenues from the provision of logistic services, property management services, dental care services, consultancy and commission income and management fees are all recognised in the accounting period in which the services are rendered. Revenues from provision of system integration services and IT technical services are recognised over the term of contract or when services are rendered.

(d) Guarantee income

Guarantee income is determined based on the total agreed fee in the guarantee contracts and is recognised in the consolidated income statement over the period of guarantee.

(e) Interest income

Interest income is recognised using the effective interest method. When a financial asset is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income.

(f) Fee and commission income

Commissions and fees are recognised on an accrual basis over the life of the underlying transaction. Commissions and fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of the acquisition of loans, equity securities or other securities or the purchase or sale of businesses, are recognised when the significant act has been completed. For asset management operations, revenue consists principally of unit trust and mutual fund management and administration fees. Revenue from asset management is recognised as earned when the service is provided. Performance fees are recognized when all underlying conditions are met and thus acquired.

2. SUMMARY OF ACCOUNTING POLICIES (Continued)

Material Accounting Policies (Continued)

2.25 Revenue recognition (Continued)

(g) Contractual assets/liabilities

The excess of the cumulative revenue recognized over the cumulative consideration received and due from the contracted customer is recognized as a contract asset on the consolidated balance sheet. On the contrary, the excess of the cumulative consideration received from the contracted customer over the cumulative revenue recognized is recognized as a contract liability and recorded in deferred revenue or advances from customers is recognized. As at December 31, 2023, the contract asset and the contract liability of the Group are classified as current and non-current portions based on their respective recovery or settlement periods. The time that the Group has the right to unconditionally obtain the consideration of the goods and service committed in the contract is almost the same as the time that right of control of the goods and service. Thus, as at December 31, 2023, the contract assets of the Group are not material.

Other Accounting Policies

2.26 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

Changes in the fair value of monetary securities denominated in foreign currency classified as fair value through other comprehensive income are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in income statement, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in income statement as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as fair value through other comprehensive income, are included in other comprehensive income.

2. SUMMARY OF ACCOUNTING POLICIES (Continued)

Other Accounting Policies (Continued)

2.26 Foreign currency translation (Continued)

(c) Group companies

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement presented are translated at average exchange rates which calculated on the basis of the corresponding risk management model (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognized in other comprehensive income.

(d) Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

2.27 Cash and cash equivalents

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

2.28 Trade payables

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

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

2.29 Borrowings

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

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

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

2. SUMMARY OF ACCOUNTING POLICIES (Continued)

Other Accounting Policies (Continued)

2.30 Borrowing costs

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

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

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

2.31 Contingent liabilities

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

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

2.32 Share-based payments

The Group operates a number of equity-settled compensation plans, including the long-term incentive program adopted by a principal subsidiary, Lenovo, and the restricted shares granted by the Company (collectively referred to as "Incentive Awards") under which the Group receives services from employees as consideration for the Incentive Awards granted. The fair value of the employee services received in exchange for the grant of the Incentive Awards is recognised as employee benefit expense.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the Incentive Awards granted, including any market performance conditions (for example, an entity's share price); excluding the impact of any service and non-market performance vesting conditions (for example, profitability and sales growth targets); and including the impact of non-vesting conditions. Non-market performance and service conditions are included in assumptions about the number of Incentive Awards granted that are expected to become exercisable/vested. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

At each balance sheet date, the Group revises its estimates of the number of Incentive Awards granted that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the consolidated income statement, with a corresponding adjustment to share-based compensation reserve under equity.

2.33 Dividend income

Dividend income is recognised when the right to receive payment is established.

2. SUMMARY OF ACCOUNTING POLICIES (Continued)

Other Accounting Policies (Continued)

2.34 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised as "other (losses)/gains-net" in the consolidated income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to assets are recognised in the consolidated income statement on a systematic basis over the periods in which the entity recognises as expenses the related assets for which the grants are intended to compensate.

2.35 Related party transactions

A related party transaction is a transfer of resources, services or obligations between the Group and a related party of the Group, regardless of whether a price is charged.

(a) A person, or a close member of that person's family, is related to the Group if that person:

- has control or joint control over the Company;
- has significant influence over the Company; or
- is a member of the key management personnel of the Company.

(b) An entity is related to the Group if any of the following conditions applies:

- The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
- One entity is an associate or joint venture of other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
- One entity with one entity of the Group are both joint ventures of the same third party;
- One entity is a joint venture of a third entity and the other entity is an associate of the third party;
- The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- The entity is controlled or jointly controlled by a person identified in (a) above;
- A person, or a close member of that person's family, who has control or joint control over the Company, has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

2. SUMMARY OF ACCOUNTING POLICIES (Continued)

Other Accounting Policies (Continued)

2.36 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group has implemented a unified and multi-tiered financial control management system. The Company guides and supervises major aspects of financial management of its subsidiaries and each subsidiary manages its financial risks locally. Certain subsidiaries of the Company use derivative financial instruments to hedge certain risk exposures.

(a) Market risk

(I) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to United States dollar ("USD"), Renminbi ("RMB"), Euro ("EUR") and Swiss Franc ("CHF"). Foreign exchange risk arises from the future business transactions, recognised assets and liabilities and net investment in foreign operations denominated in a currency other than the functional currency of the Group's subsidiaries. Each subsidiary of the Group monitors the amount of assets and liabilities and transactions denominated in foreign currencies closely in order to minimise the foreign exchange risk and enter into forward exchange contracts to mitigate the foreign currency risk as appropriate.

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(I) Foreign exchange risk (Continued)

The carrying amount in RMB equivalents of the financial assets and liabilities held by the Group denominated in the currencies other than their respective functional currencies are summarised below:

	As at December 31, 2023					
	USD *RMB'000*	RMB *RMB'000*	EUR *RMB'000*	CHF *RMB'000*	Other *RMB'000*	Total *RMB'000*
Account and other receivables	6,012,928	1,789,479	1,182,281	36,920	874,465	9,896,073
Cash and cash equivalents, bank deposits, restricted deposits and balances with central banks	2,052,554	441,849	1,180,843	6,245,018	1,072,053	10,992,317
Loans to customers and credit institutions	5,399,438	–	1,954,377	978,371	2,229,964	10,562,150
Other financial assets at amortized cost	10,020,308	–	578,498	–	–	10,598,806
Financial assets at fair value through profit and loss	93,969	–	–	–	2,081	96,050
Financial assets at fair value through other comprehensive income	103,949	–	–	11,470	–	115,419
Derivative financial assets	157,006	–	52,825	10,777	111,234	331,842
Other assets	507,462	–	2,215	967	21,974	532,618
Trade and other payables	(5,211,234)	(182,010)	(784,196)	–	(7,270,304)	(13,447,744)
Amount due to customers and credit institutions	(28,804,694)	–	(1,119,413)	(1,421,123)	(8,788,128)	(40,133,358)
Borrowings	(5,780,401)	–	(950,865)	–	(375,735)	(7,107,001)
Financial liabilities at fair value through profit and loss	(3,351,149)	–	–	(2,412,643)	(1,284,225)	(7,048,017)
Derivative financial liabilities	(233,891)	–	(355,234)	(5,684)	(174,783)	(769,592)
Other liabilities	(1,034,713)	(300,871)	(1,519)	(1,533,876)	(221,027)	(3,092,006)
Intercompany balances before elimination	2,578,018	24,788,503	(848,565)	–	(2,356,197)	24,161,759
Gross exposure	(17,490,450)	26,536,950	891,247	1,910,197	(16,158,628)	(4,310,684)
Notional amounts of contracts used as economic hedge	44,578,660	752,176	(26,540,939)	–	7,120,242	25,910,139
Net exposure	27,088,210	27,289,126	(25,649,692)	1,910,197	(9,038,386)	21,599,455

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Market risk (Continued)

(II) Foreign exchange risk (Continued)

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

As at December 31, 2023, if RMB had weakened/strengthened by 5% against the major currencies with all other variables held constant, the Group would generate extra exchange losses or gains of approximately RMB1,649 million (As at December 31, 2022, RMB882 million).

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

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(II) Interest rate risk

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

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

(A) Interest-generating assets

	As at December 31, 2023					
	Less than 3 months *(i)* *RMB'000*	3 months to 1 year *RMB'000*	1 year to 5 years *RMB'000*	Over 5 years *RMB'000*	No due time *RMB'000*	Total *RMB'000*
Cash and cash equivalents, bank deposit, restricted deposit and balances with central banks *(Note 32)*	62,706,305	1,076,069	–	–	–	63,782,374
Financial assets at fair value through other comprehensive income *(ii) (Note 21)*	7,018	25,384	1,303,856	684,138	–	2,020,396
Financial assets at fair value through profit and loss *(ii) (Note 31)*	1,507,568	1,002,591	1,110,004	–	–	3,620,163
Other financial assets at amortised cost *(Note 28)*	11,530,332	9,108,260	27,522,969	19,755,707	–	67,917,268
Loans to customers *(Note 26)*	39,631,291	10,519,442	20,546,181	61,943,760	–	132,640,674
Loans to credit institutions *(Note 27)*	2,216,678	152,660	–	–	–	2,369,338
Derivative financial assets *(iii)*	28,726	99	–	–	4,271,365	4,300,190
Receivables *(iv)*	13,666,825	2,280,905	485,680	–	–	16,433,410
Total	131,294,743	24,165,410	50,968,690	82,383,605	4,271,365	293,083,813

3. FINANCIAL RISK MANAGEMENT (Continued)
3.1 Financial risk factors (Continued)
(a) Market risk (Continued)
(II) Interest rate risk (Continued)
(A) Interest-generating assets (Continued)

	As at December 31, 2022					
	Less than 3 months *(i)* *RMB'000*	3 months to 1 year *RMB'000*	1 year to 5 years *RMB'000*	Over 5 years *RMB'000*	No due time *RMB'000*	Total *RMB'000*
Cash and cash equivalents, bank deposit, restricted deposit and balances with central banks *(Note 32)*	83,769,536	633,747	–	–	–	84,403,283
Financial assets at fair value through other comprehensive income *(ii) (Note 21)*	1,913,869	946	1,570,144	1,214,850	–	4,699,809
Financial assets at fair value through profit and loss *(ii) (Note 31)*	1,749,184	83,113	1,239,907	–	–	3,072,204
Other financial assets at amortised cost *(Note 28)*	10,931,931	3,574,966	23,609,656	20,544,658	–	58,661,211
Loans to customers *(Note 26)*	36,503,327	7,438,790	17,412,279	66,228,986	–	127,583,382
Loans to credit institutions *(Note 27)*	4,214,574	–	–	–	–	4,214,574
Derivative financial assets *(iii)*	119,477	7	–	–	6,216,939	6,336,423
Receivables *(iv)*	14,696,914	2,914,722	2,603,464	–	–	20,215,100
Total	153,898,812	14,646,291	46,435,450	87,988,494	6,216,939	309,185,986

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(II) Interest rate risk (Continued)

(B) Interest bearing liabilities

	As at December 31, 2023					
	Less than 3 months *(i)*	3 months to 1 year	1 year to 5 years	Over 5 years	No due time	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Amount due to customers *(Note 42)*	135,662,993	9,327,438	18,619	–	–	145,009,050
Amount due to credit institutions *(Note 41)*	21,128,346	7,936,200	35,311	142,092	–	29,241,949
Financial liabilities at fair value through profit and loss *(Note 43)*	8,717,797	4,631,776	7,020,744	2,754,549	–	23,124,866
Borrowings *(Note 44)*	15,765,078	62,401,842	28,158,922	18,187,020	–	124,512,862
Derivative financial liabilities *(iii)*	13,613	63	–	–	2,473,713	2,487,389
Payables *(v)*	4,570,627	981,351	1,406,938	22,365	–	6,981,281
Total	185,858,454	85,278,670	36,640,534	21,106,026	2,473,713	331,357,397

	As at December 31, 2022					
	Less than 3 months *(i)*	3 months to 1 year	1 year to 5 years	Over 5 years	No due time	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Amount due to customers *(Note 42)*	140,903,139	12,233,118	2,983,727	27,729	–	156,147,713
Amount due to credit institutions *(Note 41)*	18,196,334	4,701,832	1,856,703	467,862	–	25,222,731
Financial liabilities at fair value through profit and loss *(Note 43)*	3,871,879	2,947,541	6,269,868	2,192,519	–	15,281,807
Borrowings *(Note 44)*	19,041,281	55,850,121	34,257,952	23,337,891	–	132,487,245
Derivative financial liabilities *(iii)*	23,595	76	–	–	3,084,205	3,107,876
Payables *(v)*	3,571,443	1,100,895	1,827,991	35,480	–	6,535,809
Total	185,607,671	76,833,583	47,196,241	26,061,481	3,084,205	338,783,181

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(II) Interest rate risk (Continued)

(C) Interest rate risk gap

	As at December 31, 2023				
	Less than 3 months *(i)* *RMB'000*	3 months to 1 year *RMB'000*	1 year to 5 years *RMB'000*	Over 5 years *RMB'000*	No due time *RMB'000*
Sensitivity gap	(54,563,711)	(61,113,260)	14,328,156	61,277,579	1,797,652

	As at December 31, 2022				
	Less than 3 months *(i)* *RMB'000*	3 months to 1 year *RMB'000*	1 year to 5 years *RMB'000*	Over 5 years *RMB'000*	No due time *RMB'000*
Sensitivity gap	(31,708,859)	(62,187,292)	(760,791)	61,927,013	3,132,734

(i) Including at sight and on demand.

(ii) These financial assets are debt securities.

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

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

(v) Payables are mainly composed of trade and notes payables, other payables and long-term payables.

(III) Price risk

The Group is exposed to equity securities price risk because of investments held by the Group and classified in the consolidated balance sheets either at fair value through profit or loss (Note 3.3) or at fair value through other comprehensive income (Note 3.3). The commodity price risk the Group exposed is not material. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio.

The Group's investments in equity of other entities that are publicly traded in the following capital markets: Mainland China, Hong Kong, Europe, United States and Japan.

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(III) Price risk (Continued)

The table below summarises the impact of increases/decreases of the mainly capital markets on the Group's profit before income tax and other comprehensive income for the year. The analysis is based on the assumption that the equity indexes had increased/decreased by 5% with all other variables held constant.

Listed equity securities at fair value through profit and loss:

	Impact on profit before income tax Year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
Listed equity securities:		
Equity securities – Mainland China	**106,756**	236,408
Equity securities – Hong Kong, China	**11,578**	28,489
Equity securities – Europe	**10,695**	8,999
Equity securities – United States	**10,791**	14,553
Fair value change of listed equity securities	**139,820**	288,449

Listed equity securities at fair value through other comprehensive income:

	Impact on other comprehensive income Year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
Listed equity securities:		
Equity securities – Japan	**5,157**	5,152
Equity securities – Hong Kong, China	**8,375**	9,918
Equity securities – Others	**10,855**	12,820
Fair value change of listed equity securities	**24,387**	27,890

Profit before income tax for the year would increase/decrease as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other comprehensive income would increase/decrease as a result of gains/losses on equity securities classified as at fair value through other comprehensive income.

Other market price risk also arises from the Group's investments in unlisted equity securities, including VC Funds and PE Funds.

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk

(I) Credit risk management

Credit risk is the risk of suffering financial loss, should any of the Group's customers, clients or market counterparties fail to fulfil their contractual obligations to the Group. Credit risk arises mainly from exposure of loans to customers raised by BIL and non-banking subsidiaries, and credit risk exposure of receivables.

The Group is also exposed to other credit risks arising from investments in debt securities and other exposures arising from its trading activities including non-equity trading portfolio assets and derivatives as well as reverse repurchase agreements and settlement balances with market counterparties.

In addition, the Group provides off-balance sheet commitment and guarantee business to customers, so it is possible for the Group to make payment on behalf of the customer in case of customer's default and bear risks similar to the loan. Therefore, the Group applies similar risk control procedures and policies to such business to reduce the credit risk.

The Group uses internal credit risk gradings that reflect its assessment of the probability of default of individual counterparties. This is supplemented with external data such as credit bureau scoring information on individual borrowers. In addition, the models enable expert judgement from the Credit Risk Officer to be fed into the final internal credit rating for each exposure. This allows for considerations which may not be captured as part of the other data inputs into the model.

The Group is also confronted with credit risk resulting from receivables that arising from sale of goods and rendering of services within the non-financial services business. The relevant subsidiaries have established a credit policy under which individual credit evaluations are performed on all customers to determine the credit limit and terms applicable to the customers. These evaluations focus on the customers' financial position, the external ratings of the customers and their bank credit records where available. For other receivables, the Group makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records, past experience and forward-looking information.

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(II) Expected credit loss measurement

Models

In accordance with IFRS 9 "Financial instruments", the Group applies the ECL model to measure the impairment of debt instruments at amortized cost and debt securities at fair value through other comprehensive income.

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Group.

- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired.

- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'.

- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.

- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward – looking information.

- Purchased or originated credit-impaired financial assets are those financial assets that are credit – impaired on initial recognition. Their ECL is always measured on a lifetime basis.

The following diagram summarises the impairment measurement (other than purchased or originated credit-impaired financial assets).

Change in credit quality since initial recognition		
Stage 1	Stage 2	Stage 3
(Initial recognition)	(Significant increase in credit risk since initial recognition)	(Credit-impaired assets)
12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(II) Expected credit loss measurement (Continued)

Models (Continued)

ECL are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

- The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.

- The EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months or over the remaining lifetime.

- The LGD represents the Group's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of EAD. LGD is calculated on a 12-month or lifetime basis.

The assumptions underlying the ECL calculation – such as how the maturity profile of the PDs and how collateral values change etc.– are monitored and reviewed on a periodic basis.

Key Judgements and assumptions

The Group applies IFRS9 to measuring ECL. Different judgements and assumptions are adopted by the subsidiaries engaged in different business.

(1) BIL

A SICR

Since December 31, 2023, BIL has implemented a new quantitative SICR mechanism – instead of a purely rating-based approach – between the origination and a given reporting date. Following this new (PD-based) approach, a SICR will be triggered if the (annualized) IFRS 9 Lifetime PD has increased by more than a pre-determined threshold which depends on the type of exposure. Those thresholds correspond to the expected average PD multiples (in case of deteriorated creditworthiness between the origination and the reporting date) that have been determined by means of a statistical approach on historical data.

Moreover, some qualitative elements and backstop indicators are also used to determine the SICR of a particular exposure, counterparty, portfolio or sub-portfolio as set-out in the BIL Group IFRS 9 Staging policy. These qualitative and/or backstop indicators are based on internal credit risk management practices which aim at targeting exposures that are subject to (i) forbearance measures, (ii) the occurrence of past-due events (higher than 30 days), and (iii) potential financial difficulties. In particular, the client outreach programmes and other proactive credit risk management measures aim to identify qualitative elements that could trigger a SICR.

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(II) Expected credit loss measurement (Continued)

Key Judgements and assumptions (Continued)

(1) BIL (Continued)

B Low credit risk exemption

In parallel with the implementation of the new (PD-based) SICR mechanism, as at December 31, 2023 BIL has introduced a low credit risk exemption (LCRE) which allows to maintain an exposure in Stage 1 even though a SICR has occurred between the origination and a given reporting date. The LCRE is effective as soon as one of the two following conditions is satisfied (at the reporting date): (i) The (annualized) IFRS 9 Lifetime PD is lower than 30bps; (ii) The external rating (if available) is higher than BBB – (i.e. within the investment-grade category).

C Definition of default and credit-impaired assets

Default is defined as the inability of a borrower or guarantor to meet his/its obligations vis-à-vis one or more creditors at a given moment or on a lasting basis. BIL must include all products and positions that are potentially at risk. A default is considered to have occurred with regard to a particular obligor when either or both of the two following events have taken place: (i) BIL considers that the obligor is unlikely to pay its credit obligations to the banking group in full, without recourse by the bank to actions such as realizing security. (ii) The obligor is past due more than 90 days on the absolute or relative components of any material credit obligation to the bank group. The absolute component is set at: EUR 100 for retail exposures; EUR 500 for exposures other than retail exposures. The relative component is set at 1%.

As for the SICR (or Stage 2) assessment, some qualitative or backstop indicators aim at identifying credit-impaired (or Stage 3) exposures. Basically, two cases can be distinguished: (i) the exposure is in default (or non-performing) considering the trigger of unlikeliness-to-pay (UTP) criteria, and (ii) a past-due event (higher than 90 days) occurs.

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(II) Expected credit loss measurement (Continued)

Key Judgements and assumptions (Continued)

(1) BIL (Continued)

D Forward-looking Information in the ECL model

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

Additional forward-looking components are considered in the ECL modelling process. Specifically, collateral valuation is directly impacted over time by residential property prices that are forecasted for these different countries (or zone): Luxembourg, Germany, France, Belgium and the euro area as a whole.

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(II) Expected credit loss measurement (Continued)

Key Judgements and assumptions (Continued)

(1) BIL (Continued)

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

Macroeconomic scenarios

BIL use external macroeconomic scenarios. These scenarios are built according to a combination of statistical and econometric methods and compared with other external sources (e.g. European Central Bank, European Commission and International Monetary Fund, etc.).

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

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

– a downside (or adverse) scenario which describes the impact of the materialisation of some of the risks weighing on the baseline scenario, resulting in a much less favourable economic path. More precisely, this downside scenario corresponds to a recession period which is characterized by the following sequence of events: financial asset prices plummet, real GDP growth becomes negative and labour market conditions strongly deteriorate with a surge in unemployment.

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

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

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(II) Expected credit loss measurement (Continued)

Key Judgements and assumptions (Continued)

(1) BIL (Continued)

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

The following table presents the macroeconomic indicators for each scenario (%):

	Year 2023 (Prediction period)											
	LUXEMBOURG						EUROZONE					
	December 2023 (Prediction time point)			December 2022 (Prediction time point)			December 2023 (Prediction time point)			December 2022 (Prediction time point)		
	Actual	Upside	Downside	Baseline	Upside	Downside	Actual	Upside	Downside	Baseline	Upside	Downside
Real GDP	(0.9)	(0.9)	(0.9)	1.1	3.0	(3.0)	0.6	0.6	0.6	0.5	2.2	(3.4)
Unemployment	5.2	5.2	5.2	5.1	5.1	5.9	6.5	6.5	6.5	7.1	6.8	8.3
Consumer Prices	2.9	2.9	2.9	4.3	4.3	1.7	5.5	5.5	5.5	6.6	6.5	4.0
Stock Prices	(5.6)	(5.6)	(5.6)	(25.8)	(19.2)	(50.6)	12.0	12.0	12.0	0.3	8.2	(28.1)
Residential Property Prices	(7.8)	(7.8)	(7.8)	5.9	6.1	2.6	(1.4)	(1.4)	(1.4)	(0.1)	1.0	(4.8)

	Year 2024 (Prediction period)											
	LUXEMBOURG						EUROZONE					
	December 2023 (Prediction time point)			December 2022 (Prediction time point)			December 2023 (Prediction time point)			December 2022 (Prediction time point)		
	Baseline	Upside	Downside	Baseline	Upside	Downside	Baseline	Upside	Downside	Baseline	Upside	Downside
Real GDP	1.7	3.6	(2.4)	3.1	3.5	0.6	0.8	2.5	(3.1)	2.4	2.9	0.0
Unemployment	5.4	5.3	6.0	4.8	4.8	7.1	6.7	6.5	7.7	7.1	6.6	9.5
Consumer Prices	2.2	2.4	1.5	2.2	2.1	0.0	2.3	2.6	1.8	2.2	2.2	0.0
Stock Prices	(3.3)	6.3	(35.8)	6.1	12.5	13.4	4.8	13.4	(24.5)	2.7	4.5	8.3
Residential Property Prices	(4.7)	(3.2)	(8.9)	6.4	7.9	1.4	(1.2)	0.4	(6.0)	2.1	4.2	(3.6)

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(II) Expected credit loss measurement (Continued)

Key Judgements and assumptions (Continued)

(1) BIL (Continued)

E ECL Post-Model Adjustment – Adjustment of the weighting of Macroeconomic Scenarios

BIL has implemented a Post-Model Adjustment since June 30, 2022 on its modelled ECL where it reviewed the weighting of each macroeconomic scenario (Baseline, Upside and Downside) from 60%/20%/20% to 60%/10%/30%. The implementation of an ECL Post-Model Adjustment (PMA) on macroeconomic scenario weighting is supported by the current macroeconomic outlook which is surrounded by heightened uncertainty and risks predominantly tilted to the downside, notably with the Russia-Ukraine conflict and the progressive normalisation of monetary policies made by central banks. The impact of the PMA on the modelled ECL (stage 1 and stage 2 exposures) as at December 31, 2023 amounts to RMB24.9 million. (December 31, 2022: 60%/10%/30%, RMB39.0 million).

F ECL Sensitivity

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

	Scenarios weights			As at December 31, 2023			As at December 31, 2022		
	Baseline	Upside	Downside	Stage 1	Stage 2	Total	Stage 1	Stage 2	Total
				RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Reported ECL *(i)*	60%	10%	30%	326,503	183,811	510,314	482,476	242,849	725,325
Modelled ECL	60%	20%	20%	306,242	179,221	485,463	450,718	233,896	684,614
Stressed ECL	100%	–	–	274,483	172,250	446,733	411,674	222,761	634,435
	–	100%	–	252,595	166,701	419,296	350,287	206,282	556,569
	–	–	100%	455,158	212,654	667,812	668,135	295,283	963,418
	80%	–	20%	310,620	180,329	490,949	462,966	237,236	700,202
	60%	5%	35%	336,625	186,114	522,739	498,373	247,331	745,704
	60%	–	40%	346,756	188,409	535,165	514,258	251,785	766,043

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

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(II) Expected credit loss measurement (Continued)

Key Judgements and assumptions (Continued)

(1) BIL (Continued)

G Management Overlays

ECL Management Overlay (Outreach Program)

In 2022, BIL has chosen to implement a management overlay, as an additional layer of prudence to anticipate potential credit losses on variable rate retail mortgage borrowers pre-identified as vulnerable in a context of increasing interest rates.

As at December 31, 2023, this management overlay is fully reversed as the solution to the deficiency is fully implemented in the ECL model.

ECL Management Overlay (Origination Date)

In 2022, BIL has addressed through a management overlay a deficiency identified in its ECL model where the Significant Increase in Credit Risk for some exposure was not calibrated based on the issuance date of a Credit Commitment but on the first drawdown of a credit line leading to a management overlay.

As at December 31, 2023, this management overlay is fully reversed as the solution to the deficiency is fully implemented in the ECL model.

ECL Management Overlay (Minimum Disposable Income)

As at December 31, 2023, BIL has chosen to implement a management overlay, as an additional layer of prudence to anticipate potential credit losses on clients with an insufficient minimum disposable income, or for which the Bank is currently unable to determine the minimum disposable income due to a lack of sufficient data in the information system, for a total amount of RMB85.8 million.

ECL Management Overlay (Outreach programme – bridge loans and maturing fixed-rate loans)

As at December 31, 2023, BIL has chosen to implement a management overlay, as an additional layer of prudence to anticipate potential credit losses on clients with a fixed-rate loan maturing before June 30, 2024 whose terms will be reset to current market conditions, and Clients with a bridge loan maturing before June 30, 2024, for a total amount of RMB4.8 million.

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(II) Expected credit loss measurement (Continued)

Key Judgements and assumptions (Continued)

(2) Subsidiaries engaged in the financial services other than banking business

A SICR

The subsidiaries engaged in the financial services other than banking business considers a financial instrument to have experienced a SICR if the borrower meets one or more of the following criteria:

- Significant increase in credit spread
- Significant adverse changes in business, financial and/or economic conditions in which the borrower operates
- Actual or expected forbearance or restructuring
- Actual or expected significant adverse change in operating results of the borrower
- Significant change in collateral value (secured facilities only) which is expected to increase risk of default
- Early signs of cash flow/liquidity problems such as delay in servicing of trade creditors/loans
- Credit risk level falls 2 levels compared to the initial recognition of financial instruments

For the debtor’s contractual payments (including principal and interest) that more than 30 days past due, the subsidiaries engaged in the financial services other than banking business considers a financial instrument to have experienced a SCIR, and classifies it into Stage 2.

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(II) Expected credit loss measurement (Continued)

Key Judgements and assumptions (Continued)

(2) Subsidiaries engaged in the financial services other than banking business (Continued)

B Definition of default and credit-impaired assets

The subsidiaries engaged in the financial services other than banking business define a financial instruments as in default, which is fully aligned with the definition of credit-impaired when one or more of the following criteria have been met. Evidence that a financial instrument is default/credit-impaired include observable data about the following events:

- The borrower is in long-term forbearance
- The borrower is deceased
- The borrower is insolvent
- The borrower is in breach of financial covenant(s)
- An active market for that financial asset has disappeared because of financial difficulties
- Concessions have been made by the lender relating to the borrower's financial difficulty
- It is becoming probable that the borrower will enter bankruptcy
- Financial assets are purchased or originated at a deep discount that reflects the incurred credit losses
- The borrower is more than 90 days past due on its contracted payments.

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(II) Expected credit loss measurement (Continued)

Key Judgements and assumptions (Continued)

(2) Subsidiaries engaged in the financial services other than banking business (Continued)

C Forward-looking Information

The subsidiaries engaged in the financial services other than banking business have performed historical analysis and identified the key economic variables impacting credit risk and ECL for each portfolio. These economic variables and their associated impact on the PD and LGD vary by financial instrument. Expert judgment has also been applied in this process. The impact of these economic variables on the PD and LGD has been determined by performing statistical regression analysis to understand the impact changes in these variables have had historically on default rates and on the components of PD and LGD.

In addition to providing a baseline economic scenario, the subsidiaries engaged in the financial services other than banking business combines statistical analysis with experts' judgement to determine the weight of upside and downside scenarios. Following this assessment, the Group measures ECL as either a probability weighted 12 month ECL (Stage 1), or a probability weighted lifetime ECL (Stages 2 and 3). The weighted average credit loss is calculated by multiplying the ECL for each scenario by the weight of the corresponding scenario.

(3) Other subsidiaries

Besides BIL and the subsidiaries engaged in the financial services other than banking business, the other subsidiaries of the Company applies the IFRS 9 simplified approach to measuring ECL which uses a lifetime expected loss allowance for all trade receivables.

To measure the ECL, accounts receivables have been grouped based on shared credit risk characteristics and the days past due. In the provision of ECL on a group basis, the other subsidiaries of the Company have obtained sufficient information to ensure statistical reliability and has classified exposures with similar risk characteristics.

The expected loss rates are based on the historical payment profiles of sales and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The other subsidiaries of the Company has identified the GDP and the unemployment rate, etc of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(III) Credit risk exposure

Maximum exposure to credit risk-Financial instruments subject to impairment

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognized. The gross carrying amount of financial assets below also represents the Group's maximum exposure to credit risk on these assets.

	Maximum exposure to credit risk of the Group				
	Year 2023				
	Stage 1 12 months expected credit loss *RMB'000*	Stage 2 Lifetime expected credit loss *RMB'000*	Stage 3 Lifetime expected credit loss *RMB'000*	Trade and note receivables Lifetime expected credit loss *RMB'000*	Total *RMB'000*
Receivables *(i)*	36,919,382	2,526,178	749,837	67,788,368	107,983,765
Loans to credit institutions *(Note 27)*	2,370,211	13	–	–	2,370,224
Loans to customers *(Note 26)*	111,804,650	15,898,673	8,513,705	–	136,217,028
Other financial assets at amortised cost *(Note 28)*	66,919,093	1,006,289	18,990	–	67,944,372
Financial assets at fair value through other comprehensive income *(ii)*	2,020,396	–	–	–	2,020,396
Gross balance	220,033,732	19,431,153	9,282,532	67,788,368	316,535,785
Allowance for impairment losses	(875,433)	(455,461)	(3,345,658)	(1,282,596)	(5,959,148)
Net balance	219,158,299	18,975,692	5,936,874	66,505,772	310,576,637

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(III) Credit risk exposure (Continued)

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

	Maximum exposure to credit risk of the Group				
	Year 2022				
	Stage 1 12 months expected credit loss *RMB'000*	Stage 2 Lifetime expected credit loss *RMB'000*	Stage 3 Lifetime expected credit loss *RMB'000*	Trade and note receivables Lifetime expected credit loss *RMB'000*	Total *RMB'000*
Receivables *(i)*	36,090,255	1,242,038	686,352	72,684,700	110,703,345
Loans to credit institutions *(Note 27)*	4,221,893	291	43	–	4,222,227
Loans to customers *(Note 26)*	101,402,392	23,232,615	6,731,073	–	131,366,080
Other financial assets at amortised cost *(Note 28)*	58,077,075	652,235	–	–	58,729,310
Financial assets at fair value through other comprehensive income *(ii)*	4,699,809	–	–	–	4,699,809
Gross balance	204,491,424	25,127,179	7,417,468	72,684,700	309,720,771
Allowance for impairment losses	(798,518)	(310,645)	(3,313,376)	(1,689,239)	(6,111,778)
Net balance	203,692,906	24,816,534	4,104,092	70,995,461	303,608,993

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

(ii) These financial assets are debt securities.

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(III) Credit risk exposure (Continued)

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

IFRS9 has been adopted by the Group to measure provisions for loans commitments and financial guarantees etc. As at December 31, 2023, the maximum exposure to credit risk of the commitments in respect of loans granted and commitments in respect of guarantee given is RMB38,202 million (As at December 31, 2022, RMB38,306 million), ECL provision recognized is RMB130 million (As at December 31,2022, RMB100 million).

Maximum exposure to credit risk-Financial instruments not subject to impairment

The following table contains an analysis of the credit risk exposure of financial assets at fair value through profit and loss and derivatives financial assets that are not subject to impairment:

	As at December 31, 2023	As at December 31, 2022
	Maximum exposure to credit risk ***RMB'000***	Maximum exposure to credit risk *RMB'000*
Financial assets at fair value through profit or loss *(i) (Note 31)*	**3,620,163**	3,072,204
Derivative financial assets *(Note 22)*	**4,618,333**	6,884,550

(i) These financial assets are debt securities.

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(III) Credit risk exposure (Continued)

Collateral and other credit enhancements

The Group uses a series specific policies and practice to reduce credit risk, among which the most widely use is collateral. The Group makes policies related acceptance of specific collateral and slow release of credit risk.

The overdue loans are listed as follows according to the guarantee method and overdue situation:

	As at December 31, 2023		
	Overdue 1-90 days *RMB'000*	Overdue over 91 days *RMB'000*	Total *RMB'000*
Unsecured	1,614,111	1,301,214	2,915,325
Guaranteed	38,606	749,573	788,179
Secured by collateral	1,687,548	728,298	2,415,846
Secured by pledge	688,249	345,368	1,033,617
	4,028,514	3,124,453	7,152,967

	As at December 31, 2022		
	Overdue 1-90 days RMB'000	Overdue over 91 days RMB'000	Total RMB'000
Unsecured	597,634	682,585	1,280,219
Guaranteed	4,025	689,470	693,495
Secured by collateral	812,542	576,975	1,389,517
Secured by pledge	47,008	344,711	391,719
	1,461,209	2,293,741	3,754,950

As at December 31, 2023 and 2022, the Group's maximum exposure covered by the fair value of collateral held of overdue loans is RMB4,343 million and RMB3,315 million.

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(III) Credit risk exposure (Continued)

Credit risk exposure of BIL:

Stage 1 Credit Risk Exposure	AAA to AA–	A+ to BBB–	Non investment grade	Unrated	Default	Total
	As at December 31, 2023					
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Commitments in respect of guarantees given	1,142,918	2,277,396	3,837,958	3,107,904	–	10,366,176
Commitments in respect of loans granted	3,750,217	6,909,543	8,318,679	4,571,024	–	23,549,463
Financial assets at FVOCI (debt instruments only)	546,626	1,993,375	–	–	–	2,540,001
Loans and advances	10,317,709	46,185,974	52,383,455	26,751,662	–	135,638,800
Other financial assets at amortised cost	47,213,826	19,553,579	152,635	318,040	–	67,238,080
Stage 1 Total Credit Risk Exposures	62,971,296	76,919,867	64,692,727	34,748,630	–	239,332,520

Stage 2 Credit Risk Exposure	AAA to AA–	A+ to BBB–	Non investment grade	Unrated	Default	Total
	As at December 31, 2023					
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Commitments in respect of guarantees given	21,028	317,593	714,406	215,506	–	1,268,533
Commitments in respect of loans granted	81,132	451,764	1,748,590	398,446	–	2,679,932
Loans and advances	752,000	1,568,452	11,503,455	723,420	–	14,547,327
Other financial assets at amortised cost	292,948	474,321	158,462	–	–	925,731
Stage 2 Total Credit Risk Exposures	1,147,108	2,812,130	14,124,913	1,337,372	–	19,421,523

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(III) Credit risk exposure (Continued)

Credit risk exposure of BIL (Continued):

Stage 3 Credit Risk Exposure	As at December 31, 2023 AAA to AA– RMB'000	A+ to BBB– RMB'000	Non investment grade RMB'000	Unrated RMB'000	Default RMB'000	Total RMB'000
Commitments in respect of guarantees given	16,982	–	–	–	198,713	215,695
Commitments in respect of loans granted	8	–	33	–	122,578	122,619
Loans and advances	130,112	6,332	501,328	78,727	3,752,905	4,469,404
Stage 3 Total Credit Risk Exposures	147,102	6,332	501,361	78,727	4,074,196	4,807,718

Other Credit Risk Exposure	As at December 31, 2023 AAA to AA– RMB'000	A+ to BBB– RMB'000	Non investment grade RMB'000	Unrated RMB'000	Default RMB'000	Total RMB'000
Derivatives	85,097	1,841,612	29,344	96,271	1,340	2,053,664
Financial assets at FVPL (debt instruments only)	7,859	–	–	–	–	7,859
Total other Credit Risk Exposures	92,956	1,841,612	29,344	96,271	1,340	2,061,523
Total Credit Risk Exposures	64,358,462	81,579,941	79,348,345	36,261,000	4,075,536	265,623,284

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(III) Credit risk exposure (Continued)

Credit risk exposure of BIL (Continued):

Stage 1 Credit Risk Exposure	AAA to AA–	A+ to BBB–	Non investment grade	Unrated	Default	Total
	As at December 31, 2022					
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Commitments in respect of guarantees given	1,102,349	2,677,962	4,994,881	3,160,306	–	11,935,498
Commitments in respect of loans granted	3,203,355	8,857,170	5,803,706	4,196,285	–	22,060,516
Financial assets at FVOCI (debt instruments only)	2,233,753	1,993,066	–	369,468	–	4,596,287
Loans and advances	34,415,079	54,181,153	37,213,532	8,796,992	–	134,606,756
Other financial assets at amortised cost	44,041,446	14,904,711	404,284	4,781,855	–	64,132,296
Stage 1 Total Credit Risk Exposures	84,995,982	82,614,062	48,416,403	21,304,906	–	237,331,353

Stage 2 Credit Risk Exposure	AAA to AA–	A+ to BBB–	Non investment grade	Unrated	Default	Total
	As at December 31, 2022					
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Commitments in respect of guarantees given	5,812	153,454	600,503	191,388	–	951,157
Commitments in respect of loans granted	358,913	264,284	2,037,356	101,412	–	2,761,965
Loans and advances	1,291,522	2,471,168	14,214,285	566,970	–	18,543,945
Other financial assets at amortised cost	79,083	497,857	113,538	3,676	–	694,154
Stage 2 Total Credit Risk Exposures	1,735,330	3,386,763	16,965,682	863,446	–	22,951,221

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(III) Credit risk exposure (Continued)

Credit risk exposure of BIL (Continued):

	As at December 31, 2022					
Stage 3 Credit Risk Exposure	AAA to AA– *RMB'000*	A+ to BBB– *RMB'000*	Non investment grade *RMB'000*	Unrated *RMB'000*	Default *RMB'000*	Total *RMB'000*
Commitments in respect of guarantees given	42,448	–	28,968	–	154,274	225,690
Commitments in respect of loans granted	2,566	–	12,819	–	159,679	175,064
Loans and advances	176,087	–	1,187	–	2,450,593	2,627,867
Stage 3 Total Credit Risk Exposures	221,101	–	42,974	–	2,764,546	3,028,621

	As at December 31, 2022					
Other Credit Risk Exposure	AAA to AA– *RMB'000*	A+ to BBB– *RMB'000*	Non investment grade *RMB'000*	Unrated *RMB'000*	Default *RMB'000*	Total *RMB'000*
Derivatives	137,057	9,154,103	37,778	74,222	54	9,403,214
Financial assets at FVPL (debt securities only)	432	–	–	–	–	432
Total other Credit Risk Exposures	137,489	9,154,103	37,778	74,222	54	9,403,646
Total Credit Risk Exposures	87,089,902	95,154,928	65,462,837	22,242,574	2,764,600	272,714,841

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(III) Credit risk exposure (Continued)

Credit risk exposure of BIL (Continued):

Credit risk exposure is shown as follows:

- Balance sheet assets other than derivative contracts are valued at their net value (i.e. the carrying value after deduction of any provision);
- Derivative contracts are recorded at their mark-to-market value plus add-on ("add-on" is an estimate of potential future exposure, this value is not recorded but is added on for regulatory purposes);
- The total amount of off-balance sheet commitments corresponds to unused lines of credit or to the maximum amount of guarantees granted by BIL to third parties;
- Loans and advances include loans to customers, loans to credit institution, etc;
- Off-balance sheet items are shown in terms of total commitment.

(IV) Write-off policy

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

The Group may write-off financial assets that are still subject to enforcement activity. The outstanding contractual amounts of such assets written off during the year ended December 31, 2023 and 2022 is RMB421 million and RMB80 million. The Group still seeks to recover amounts it is legally owed in full, but which have been partially written off due to no reasonable expectation of full recovery.

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk

Cash flow forecasting is performed by each subsidiary of the Group. The Group monitors its subsidiaries' rolling forecasts of short-term and long-term liquidity requirements to ensure it has sufficient cash and securities that are readily convertible to cash to meet operational needs, while maintaining sufficient headroom on its undrawn committed borrowing facilities from major financial institution so that it does not breach borrowing limits or covenants on any of its borrowing facilities to meet the short-term and long-term liquidity requirements.

The following tables provide an analysis of financial assets and liabilities of the Group into relevant maturity groupings based on the remaining periods to repayment at the end of the year:

As at December 31, 2023	Less than 3 months *(i)* *RMB'000*	3 months to 1 year *RMB'000*	1 year to 5 years *RMB'000*	Over 5 years *RMB'000*	Total *RMB'000*
Assets					
Cash and cash equivalents, bank deposit, restricted deposit and balances with central banks *(Note 32)*	62,582,731	1,199,643	–	–	63,782,374
Financial assets at fair value through other comprehensive income *(ii) (Note 21)*	7,017	25,384	1,303,857	684,138	2,020,396
Financial assets at fair value through profit and loss *(ii) (Note 31)*	1,076,444	1,433,715	1,110,004	–	3,620,163
Other financial assets at amortised cost *(Note 28)*	4,052,960	5,922,854	29,620,795	28,320,659	67,917,268
Loans to customers *(Note 26)*	22,081,121	11,458,859	27,193,705	71,906,989	132,640,674
Loans to credit institutions *(Note 27)*	2,369,338	–	–	–	2,369,338
Receivables *(iii)*	86,494,236	10,616,705	8,994,965	148,102	106,254,008
Total	178,663,847	30,657,160	68,223,326	101,059,888	378,604,221
Liabilities					
Amount due to customers *(Note 42)*	132,137,662	9,397,399	3,446,132	27,857	145,009,050
Amount due to credit institutions *(Note 41)*	25,290,275	3,300,243	53,974	597,457	29,241,949
Financial liabilities at fair value through profit and loss *(Note 43)*	882,572	5,917,381	13,511,936	2,812,977	23,124,866
Borrowings *(Note 44)*	13,367,197	42,787,793	43,576,693	24,781,179	124,512,862
Lease liabilities *(Note 16)*	295,594	800,823	2,193,806	454,449	3,744,672
Payables *(iv)*	129,977,150	27,697,492	5,145,294	130,858	162,950,794
Total	301,950,450	89,901,131	67,927,835	28,804,777	488,584,193
Net liquidity exposure	(123,286,603)	(59,243,971)	295,491	72,255,111	(109,979,972)

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

As at December 31, 2022	Less than 3 months *(i)* *RMB'000*	3 months to 1 year *RMB'000*	1 year to 5 years *RMB'000*	Over 5 years *RMB'000*	Total *RMB'000*
Assets					
Cash and cash equivalents, bank deposit, restricted deposit and balances with central banks *(Note 32)*	83,670,131	733,152	–	–	84,403,283
Financial assets at fair value through other comprehensive income *(ii) (Note 21)*	1,851,172	946	1,632,343	1,215,348	4,699,809
Financial assets at fair value through profit and loss *(ii) (Note 31)*	1,472,852	359,445	1,239,907	–	3,072,204
Other financial assets at amortised cost *(Note 28)*	4,008,564	3,574,966	25,058,395	26,019,286	58,661,211
Loans to customers *(Note 26)*	35,703,025	9,296,232	16,080,031	66,504,094	127,583,382
Loans to credit institutions *(Note 27)*	2,784,715	1,429,859	–	–	4,214,574
Receivables *(iii)*	87,667,585	10,716,098	7,768,389	2,507,046	108,659,118
Total	217,158,044	26,110,698	51,779,065	96,245,774	391,293,581
Liabilities					
Amount due to customers *(Note 42)*	140,112,496	13,048,627	2,959,234	27,356	156,147,713
Amount due to credit institutions *(Note 41)*	18,654,075	4,244,091	1,856,703	467,862	25,222,731
Financial liabilities at fair value through profit and loss *(Note 43)*	1,039,160	3,189,052	8,848,159	2,205,436	15,281,807
Borrowings *(Note 44)*	14,055,107	36,847,292	51,628,878	29,955,968	132,487,245
Lease liabilities *(Note 16)*	279,942	873,524	2,364,104	529,065	4,046,635
Payables *(iv)*	136,243,547	24,206,624	4,662,876	539,014	165,652,061
Total	310,384,327	82,409,210	72,319,954	33,724,701	498,838,192
Net liquidity exposure	(93,226,283)	(56,298,512)	(20,540,889)	62,521,073	(107,544,611)

(i) Including at sight and on demand.

(ii) These financial assets are debt securities.

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

(iv) Payables mainly composed of trade and notes payables, other payables and long-term payables.

3. FINANCIAL RISK MANAGEMENT (Continued)

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of total debt to total capital ratio. The ratio is calculated by dividing total debt by total equity and total debt. And total debt is the total borrowings of the Group at the end of each financial period. The Group's total debt to total capital ratios as at December 31, 2023 and 2022 are as follows:

	As at December 31,	
	2023	2022
	RMB'000	*RMB'000*
Total borrowings *(Note 44)*	**124,512,862**	132,487,245
Total equity	**100,118,956**	102,155,626
	224,631,818	234,642,871
Total debt to total capital ratio	**55.43%**	56.46%

3.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1	Quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2	Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
Level 3	Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

3. FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

The following table presents the Group's financial assets and liabilities that are measured at fair value at December 31, 2023 and 2022.

	As at December 31, 2023			
	Level 1 *RMB'000*	Level 2 *RMB'000*	Level 3 *RMB'000*	Total *RMB'000*
Assets				
Associates measured at fair value through profit or loss	–	–	14,778,452	14,778,452
Financial assets at fair value through profit or loss				
– Listed equity securities	1,668,999	213,907	913,499	2,796,405
– Unlisted equity securities	–	–	25,882,333	25,882,333
– Listed debt securities	889,670	6,398	–	896,068
– Unlisted debt securities	–	116,220	2,607,875	2,724,095
Derivative financial assets	–	4,419,591	198,742	4,618,333
Financial assets at fair value through other comprehensive income				
– Listed equity securities	487,746	–	–	487,746
– Unlisted equity securities	–	–	3,358,343	3,358,343
– Listed debt securities	2,020,396	–	–	2,020,396
Accounts and notes receivable	–	62,696,669	–	62,696,669
Total	5,066,811	67,452,785	47,739,244	120,258,840
Liabilities				
Financial liabilities at fair value through profit or loss	–	13,590,442	9,534,424	23,124,866
Derivative financial liabilities	–	3,229,934	330,841	3,560,775
Total	–	16,820,376	9,865,265	26,685,641

3. FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

	As at December 31, 2022			
	Level 1 *RMB'000*	Level 2 *RMB'000*	Level 3 *RMB'000*	Total *RMB'000*
Assets				
Associates measured at fair value through profit or loss	–	–	18,521,268	18,521,268
Financial assets at fair value through profit or loss				
– Listed equity securities	4,271,678	179,978	1,317,322	5,768,978
– Unlisted equity securities	–	–	23,441,098	23,441,098
– Listed debt securities	549,011	810	–	549,821
– Unlisted debt securities	–	96,621	2,425,762	2,522,383
Derivative financial assets	–	6,834,833	49,717	6,884,550
Financial assets at fair value through other comprehensive income				
– Listed equity securities	557,796	–	–	557,796
– Unlisted equity securities	–	–	3,277,174	3,277,174
– Listed debt securities	4,699,809	–	–	4,699,809
Accounts and notes receivable	–	64,473,893	–	64,473,893
Total	10,078,294	71,586,135	49,032,341	130,696,770
Liabilities				
Financial liabilities at fair value through profit or loss	–	9,411,832	5,869,975	15,281,807
Derivative financial liabilities	–	3,827,386	579,597	4,406,983
Total	–	13,239,218	6,449,572	19,688,790

3. FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. According to the restriction and reduction rules of the stock exchange for the original shares held before listing, shares of some new listed companies need to wait for a certain period of time to be sold, which is regarded as restricted shares. The fair value of these restricted shares is determined based on the closing price on the valuation date with consideration of the discount for lack of marketability, and such instrument is included in level 3.

The significant non-observable input for the restricted shares is the discount for lack of marketability, which ranges from 11% to 27%. The balance of assets of this category was RMB914 million as at December 31, 2023. (The significant non-observable input for the restricted shares is the discount for lack of marketability, which ranges from 1% to 33% in 2022. The balance of assets of this category was RMB1,317 million as at December 31, 2022).

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swap is calculated as the present value of estimated future cash flow based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

3. FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

As at December 31, 2023 and December 31, 2022, associates measured at fair value through profit or loss comprise investments in VC funds and PE funds, which are subject to the terms and conditions set forth in the offering prospectus of each fund. The fair value of the investments in these associates is based primarily on the portion of the net asset value ("NAV") reported by the fund that is attributable to the Group. The NAV is derived from the fair value of these investments at the reporting date of the Group (the vast majority of the financial assets reported by the Fund are measured at fair value), and the Group understand and evaluate the valuations provided by the general partners of the associates and make necessary adjustments based on the results of the evaluation. The Group have not made any adjustments to the underlying values.

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

The Group's certain business combination activities involved post-acquisition performance-based contingent considerations. The Group recognises contingent considerations and the corresponding written put option liabilities at their fair values, which is determined based on the terms of agreements and with reference to the estimated post-acquisition performance of the acquired subsidiaries/businesses. Judgment is required to determine key assumptions (such as growth rate, margins and discount rate) adopted in the estimation of post-acquisition performance of the acquired subsidiaries/businesses. Changes to key assumptions can significantly affect the amounts of considerations to be paid. Contingent considerations shall be re-measured at their fair value resulting from events or factors emerge after the acquisition date, with any resulting gain or loss recognised in the consolidated income statement.

3. FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

The following table presents the changes in level 3 financial assets for the year ended December 31, 2023 and 2022, respectively.

	Associates measured at fair value through profit or loss *RMB'000*	Financial assets at fair value through profit or loss *RMB'000*	Financial assets at fair value through other comprehensive income *RMB'000*	Derivative financial assets *RMB'000*	Total *RMB'000*
At January 1, 2023	18,521,268	27,184,182	3,277,174	49,717	49,032,341
Additions/capital contributions	552,674	7,221,269	232,756	177,618	8,184,317
Disposals/return of capital	(1,595,148)	(1,624,570)	(7,788)	–	(3,227,506)
Transfers out to level 1 *(i)*	–	(960,058)	–	–	(960,058)
Fair value losses recognised in income statement	(2,824,309)	(2,443,185)	–	(35,391)	(5,302,885)
Losses recognised in other comprehensive income	–	–	(275,934)	–	(275,934)
Exchange adjustment	123,967	26,069	132,135	6,798	288,969
At December 31, 2023	14,778,452	29,403,707	3,358,343	198,742	47,739,244
At January 1, 2022	19,903,531	23,308,924	3,790,458	39,840	47,042,753
Additions/capital contributions	1,221,601	7,452,900	116,225	38,800	8,829,526
Disposals/return of capital	(672,945)	(3,258,924)	(50,408)	–	(3,982,277)
Transfers out to level 1 *(i)*	–	(900,319)	–	–	(900,319)
Transfers in from level 2 *(i)*	–	–	1,361	–	1,361
Fair value (losses)/gains recognised in income statement	(2,732,739)	216,830	–	(30,437)	(2,546,346)
Losses recognised in other comprehensive income	–	–	(654,175)	–	(654,175)
Exchange adjustment	801,820	364,771	73,713	1,514	1,241,818
At December 31, 2022	18,521,268	27,184,182	3,277,174	49,717	49,032,341

(i) The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the date of the event caused the transfer. Several investments were no longer possible to determine the fair value of these investment using quoted prices or observable market data, they have been reclassified from level 1/2 into level 3. Reclassification from level 3 to level 1/2 was caused by the availability of the investments' quoted prices or observable market data. Other than the aforementioned transfer of equity securities among different levels, there were no transfers between the levels of the fair value hierarchy in the year ended December 31, 2023 and 2022.

3. FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

The following table presents the changes in level 3 financial liabilities of the Group for the year ended December 31, 2023 and 2022.

	Amounts
	RMB'000
At January 1, 2023	**6,449,572**
Additions	**8,163,209**
Derecognition	**(4,505,783)**
Recognised in consolidated income statement	**(328,103)**
Exchange adjustment	**421,456**
Interest payment	**(7,622)**
Repurchase of convertible preferred shares	**(327,464)**
At December 31, 2023	**9,865,265**
At January 1, 2022	4,468,518
Additions	3,264,414
Derecognition	(1,324,785)
Recognised in consolidated income statement	(212,363)
Exchange adjustment	259,174
Interest payment	(5,386)
At December 31, 2022	6,449,572

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group continually evaluates the critical accounting estimates and key judgments applied based on historical experience and other factors, including expectations of future events that are believed to be reasonable.

4.1 Critical accounting estimates and key assumptions

The critical accounting estimates and key assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next accounting year are outlined below:

(a) Expected credit loss

In measuring ECL in accordance with IFRS 9 "Financial Instruments", each subsidiary in different industries of the Company applies different critical judgments and assumptions based on the principles described in Note 3.1(b).

(b) Estimated impairment of non-financial assets

The Group tests at least annually whether goodwill and other intangible assets that have indefinite useful lives have suffered any impairment. Other non-financial assets are also reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount. The assets are allocated to each of CGUs, or groups of CGUs. The recoverable amounts of CGUs have been determined based on the higher amount of fair value less disposal cost model and value in use model. These calculations require the use of estimates.

Under the fair value less disposal cost model, the management make estimates based on quoted prices of active markets or adjusted prices based on observable inputs. The value in use calculation primarily use cash flow projections based on financial budgets, in general covered five years, approved by management and estimated terminal values at the end of the five-year period. There are a number of assumptions and estimates involved for the preparation of cash flow projections for the period covered by the approved budget and the estimated terminal value. Key assumptions include the expected growth rate in revenue, expected gross margin and selection of discount rates, to reflect the risks involved and the earnings multiple that can be realised for the estimated terminal value.

Management prepared the financial budgets reflecting actual and prior year performance and market development expectations. Judgment is required to determine key assumptions adopted in the cash flow projections and changes to key assumptions can significantly affect these cash flow projections and therefore the results of the impairment reviews.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

4.1 Critical accounting estimates and key assumptions (Continued)

(c) Fair value of financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at each balance sheet date.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swap is calculated as the present value of estimated future cash flow based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.
- Other techniques, such as discounted cash flow analysis and market approach, are used to determine fair value for the remaining financial instruments.

(d) Fair value of VC Funds and PE Funds

The fair value of investments in VC Funds and PE Funds that are not quoted in an active market is primarily valued based on the latest available consolidated financial statements provided by their general partners. The Group reviews the details of the reported information and may make adjustments to the reported net asset value based on considerations such as:

(i) the valuation of VC Funds and PE Funds’ underlying investments;

(ii) the value date of the net asset value provided;

(iii) cash flows (calls/distributions) since the latest value date; and

(iv) the basis of accounting and, in instances where the basis of accounting is other than fair value, fair valuation information provided by fund’s general partner.

The models used to determine fair values are validated and periodically reviewed by the Group. The carrying values of the VC Funds and PE Funds may be significantly different from the values ultimately realised on an exit via a secondary market sale.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

4.1 Critical accounting estimates and key assumptions (Continued)

(e) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The tax liabilities recognised are based on management's assessment of the likely outcome.

The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying values in the financial statements.

Deferred income tax assets are mainly recognised for temporary differences such as warranty provision, accrued sales rebates, bonus accruals, fair value change on financial assets, and other accrued expenses, and unused tax losses carried forward to the extent it is probable that future taxable profits will be available against which deductible temporary differences and the unused tax losses can be utilised, based on all available evidence. Recognition primarily involves judgment regarding the future financial performance of the particular legal entity or tax group in which the deferred income tax asset has been recognised. A variety of other factors are also evaluated in considering whether there is convincing evidence that it is probable that some portion or all of the deferred income tax assets will ultimately be realised, such as the existence of taxable temporary differences, group relief, tax planning strategies and the periods in which estimated tax losses can be utilised. The carrying amount of deferred income tax assets and related financial models and budgets are reviewed at each balance sheet date and to the extent that there is insufficient convincing evidence that sufficient taxable profits will be available within the utilization periods to allow utilization of the carry forward tax losses or temporary difference, the asset balance will be reduced and the difference charged to the consolidated income statement.

If the final tax outcome of these matters differs from the amounts initially recorded, the difference will impact the provision for income taxes and deferred income tax assets and liabilities in the period in which the decision is made.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

4.1 Critical accounting estimates and key assumptions (Continued)

(f) Pension obligations

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate, expected return on assets and salary growth. Any changes in these assumptions will impact the carrying amount of pension obligations. The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension obligation.

The expected return on plan assets is based on market expectation for return over the life of the related assets and obligations. The salary growth assumption reflects the Group's long-term actual experience and future and near-term outlook. Actual results that differ from assumption are generally recognised in the year they occur.

(g) Fair value of identifiable assets and liabilities acquired through business combinations

The Group records assets acquired and liabilities assumed in business combinations at fair value on the date of acquisition. Significant judgment is used to estimate the fair value of the assets and liabilities acquired, including estimating future cash flows from the acquired business, determining appropriate discount rates, asset useful lives and other assumptions.

(h) Fair value of investment properties

The fair value of investment properties is determined by using valuation techniques. The key assumptions used in this determination and the sensitivity of the directors' estimates of these assumptions to the carrying amount of the investment properties are set out in Note 17.

(i) Depreciation and amortisation

Property, plant and equipment (excluding land and construction in progress), right-of-use assets and intangible assets (excluding goodwill and intangible assets with indefinite useful life) are depreciated and amortised using the straight-line method during the estimated useful lives of these assets to allocate the cost of the assets to their estimated net residual values. The Group reviews the estimated useful lives and estimated residual values periodically, to ensure that method and rate of depreciation/amortisation are consistent with the pattern how such assets' economic benefits are expected to be realised.

The Group makes estimates of the useful lives and residual values of such assets, based on historical experience and with reference to estimated technical improvement. In case of significant changes in estimated useful lives and residual values, depreciation and amortisation expenses will be adjusted accordingly.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

4.1 Critical accounting estimates and key assumptions (Continued)

(j) Provision for decline in the value of inventories

The Group measures inventories according to the lower of cost and net realisable value at the balance sheet date, and the calculation of net realisable value requires assumptions and estimates. If the management revises the estimated selling price and cost and expenses to be incurred till completion, the estimates of net realisable value will be impacted, and the difference from the original estimates will affect the provision for decline in the value of inventories.

(k) Warranty provision

Warranty provision is provided based on the estimated cost of product warranties when revenue is recognised. Factors that affect the Group's warranty liability include the number of units sold under warranty, historical and anticipated rates of warranty claims on those units, and cost expected to be incurred to satisfy warranty obligation of each reimbursement of the Group. The estimation basis is reviewed on an on-going basis and revised where appropriate. Certain of these costs are reimbursable from the suppliers in accordance with the terms of relevant arrangements with the suppliers. These amounts are recognised as a separate asset, to the extent of the amount received or receivable, when it is almost certain that reimbursement will be received if the Group settles the obligation.

(l) Fair value of biological assets

The biological assets of the Atlantic salmon and trout that are in the fattening stage in seawater are measured at the net value of fair value less the estimated costs at the point of sale applying the criteria of weight described at Note 2.13, except when the fair value cannot be determined reliably. The estimation of the fair value is based on a series of uncertain assumptions, including fish total weight (average mortality applied), average weight, harvest weight, distribution of quality and estimated selling price. The weight of fish is based on the number of juvenile fish planted in seawater, the estimate of growth momentum, the mortality of the fish in the feeding centers, etc. The Group determines market prices based on historical sales and industry statistics in each market.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

4.2 Critical judgments in applying the accounting policies

(a) Classification of investments

The classification of an investment is based on the commercial substance of the contractual arrangement, and the fact whether the Group is determined to have control, joint control or significant influence, also, the purpose of the investment and moreover, it could also be influenced by the certain terms stipulated in the investment agreement which may lead to a complex accounting treatment. Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Associates are all entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies. Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor.

The Group made its assessment on whether it has the level of power to govern the financial and operating policies of the VC Funds and PE Funds in accordance with the guidance of IFRS 10, given the significant exposure to variable returns from involvement with these funds. Pursuant to the investment agreements entered into between the Group and the general partners/management companies, the general partners/management companies have the power to direct the relevant activities of the funds and are functioning as principals. Therefore, the directors determined that the Group does not have control but only exercise significant influence over most VC Funds and PE Funds (Note 12(b)).

Investments in preferred shares of associates of the Group are recognised as financial assets at fair value through profit or loss.

The investments over which the Group do not have control, joint control or significant influence are recognised as financial assets. The Group classifies its financial assets in the following categories: (a) at fair value through profit or loss; (b) financial assets at fair value through other comprehensive income. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

4.2 Critical judgments in applying the accounting policies (Continued)

(b) Revenue recognition

The Group needs to make judgments and estimates of the revenue recognition. Specifically, complex arrangements with non-standard terms and conditions may require significant contract interpretation to determine the appropriate accounting treatment, including whether the deliverables specified in a bundling arrangement should be treated as individual units for accounting treatment. Other significant judgments include determining whether the Group or a distributor is acting as the principal in a transaction and whether separate contracts are considered as part of one arrangement.

Revenue recognition of IT products

The Group's subsidiary, Lenovo sells the products to channels. Sales through channels are primarily made under agreements allowing for volume discounts, price protection and rebates, etc. Revenue recognition is also influenced by the estimated provision for volume discount, price protection and rebate. Lenovo calculates such provisions, taking into account various factors, which include specific transactions, historical experience, and market and economic situations. Lenovo monitors the channel's inventory level with reference to historical data, using systematic and consistent method, and defers the related excess revenue and costs of sales if channel's inventory exceeds the reasonable level.

(c) Consolidation of entities in which the Group holds less than 50% voting rights

Management consider that the Group has de facto control over Lenovo even though it has less than 50% of the voting rights based on the following factors: 1) as at December 31, 2023, the Group is the single largest shareholder of Lenovo with 31.44% equity interest as same as the proportion of voting rights; 2) the Company obtained an "acting in concert" undertaking from other five shareholders; and 3) the rest of the voting rights of Lenovo is dispersed and since the date of Lenovo's listing, there has been no history of any other shareholders collaborating to exercise their vote collectively or to out vote the Group.

Management consider that the subsidiary of the Company, Joyvio Group has de facto control over Joyvio Food even though it has less than 50% of the voting rights based on the following factors: 1) as at December 31, 2023, the Joyvio Group is the single largest shareholder of Joyvio Food with 46.08% equity interest as same as the proportion of voting rights; 2) the rest of the voting rights of Joyvio Food is dispersed and according to the recent general meetings of shareholders, there has been no history of any other shareholders collaborating to exercise their vote collectively or to out vote the Joyvio Group; 3) Joyvio Group has majority seats of the board in voting for the related operating activities; and 4) The Group has provided a significant financial support arrangement to Joyvio Food.

5. SEGMENT INFORMATION

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

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

Industrial operations:

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

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

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

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

Industrial incubations and investments:

Which is engaged in investment in the PE Funds and VC Funds as a limited partner and holds interest in the general partners of certain funds. It also makes early stage or "angel" investments in technology start-ups and minority investments in other entities. It also includes investments in 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 expense, finance income and costs, which cannot be directly identified to specific operating segments. Segment assets consist, primarily of investment properties, property, plant and equipment, intangible assets, right-of-use assets, inventories, receivables and cash and cash equivalents. Segment liabilities primarily comprise operating liabilities.

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

5. SEGMENT INFORMATION (Continued)

Year ended December 31, 2023

	Industrial Operations							
	Lenovo *RMB'000*	Levima Group *RMB'000*	Joyvio Group *RMB'000*	BIL *RMB'000*	Industry Incubations and Investments *RMB'000*	Unallocated *RMB'000*	Elimination *RMB'000*	Total *RMB'000*
Segment revenue								
Sales/provide services to external customers	392,493,151	6,879,147	26,089,616	2,119,085	4,056,449	–	–	431,637,448
Interest income	–	–	–	10,835,372	366,920	–	–	11,202,292
Interest expense	–	–	–	(6,827,574)	–	–	–	(6,827,574)
Inter-segment sales/provide services	–	–	–	–	7,680	–	(7,680)	–
Total	392,493,151	6,879,147	26,089,616	6,126,883	4,431,049	–	(7,680)	436,012,166
Segment results								
Profit/(losses) before income tax	8,353,493	510,855	(1,303,051)	1,650,317	(4,950,455)	(1,837,231)	–	2,423,928
Income tax (expense)/credit	(1,631,617)	(66,801)	156,291	(187,411)	(523,390)	459,308	–	(1,793,620)
Profit/(losses) for the year	6,721,876	444,054	(1,146,760)	1,462,906	(5,473,845)	(1,377,923)	–	630,308
Profit/(losses) attributable to equity holders of the Company for the year	1,981,533	227,681	(447,788)	1,316,324	(5,574,106)	(1,377,923)	–	(3,874,279)
Segment assets	261,391,520	17,963,616	21,800,147	242,215,721	101,720,739	24,539,909	(3,899,085)	665,732,567
Segment liabilities	233,267,668	9,346,996	16,613,698	220,894,634	35,526,822	51,449,992	(1,486,199)	565,613,611
Other segment information:								
Depreciation and amortisation	(9,652,468)	(691,087)	(642,034)	(442,181)	(171,815)	(7,647)	–	(11,607,232)
Impairment loss for non-current assets *(Note 8)*	(6,311)	–	(319,244)	–	(100,763)	–	–	(426,318)
Investment income and gains/(losses) *(Note 6)*	1,352,963	15,521	197,090	178,553	(3,554,368)	–	–	(1,810,241)
Finance income	1,133,628	93,592	39,785	–	179,002	769,133	(20,722)	2,194,418
Finance costs	(5,358,077)	(177,559)	(667,172)	–	(468,834)	(2,478,120)	20,722	(9,129,040)
Share of (loss)/profit of associates and joint ventures accounted for using the equity method	(141,297)	3,601	50,175	–	(401,059)	–	–	(488,580)
Material non-cash items other than depreciation and amortisation *(Note 33(c))*	(2,265,733)	–	(51,196)	–	(15,300)	–	–	(2,332,229)
Capital expenditure	11,982,349	1,929,834	709,008	688,067	1,691,868	3,817	–	17,004,943
Associates and joint ventures using equity accounting	1,807,936	315,705	493,269	–	13,626,291	–	–	16,243,201
Associates measured at fair value through profit or loss	–	–	–	–	14,778,452	–	–	14,778,452

5. SEGMENT INFORMATION (Continued)

Year ended December 31, 2022

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

5. SEGMENT INFORMATION (Continued)

(a) Revenue from external customers

	Year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
China	**119,159,276**	136,713,406
Asia-Pacific region excluding China	**72,194,321**	75,804,733
Europe/Middle East/Africa	**141,800,615**	114,952,209
Americas	**102,857,954**	156,192,349
Total	**436,012,166**	483,662,697

(b) Non-current assets

	As at December 31,	
	2023	2022
	RMB'000	*RMB'000*
China	**68,998,507**	62,866,736
Asia-Pacific region excluding China	**15,087,247**	18,569,077
Europe/Middle East/Africa	**13,613,672**	15,736,450
Americas	**34,144,511**	26,981,885
Total	**131,843,937**	124,154,148

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

5. SEGMENT INFORMATION (Continued)

(c) Analysis of revenue by timing of revenue recognition

	Year ended December 31, 2023 RMB'000	2022 RMB'000
At a point in time	**407,449,854**	460,294,119
Over time	**28,562,312**	23,368,578
	436,012,166	483,662,697

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

As at December 31, 2023, deferred revenue and advance from customers amounting to RMB22,778 million (2022: RMB22,743 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. RMB13,012 million (2022: RMB11,250 million) was recognized as revenue during the year that was included in such balance at the beginning of the year.

(e) Transaction price allocated to the remaining performance obligations

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

	Year ended December 31, 2023 RMB'000	2022 RMB'000
Within one year	**12,555,051**	13,012,174
More than one year	**10,223,176**	9,730,974
Total	**22,778,227**	22,743,148

6. INVESTMENT LOSSES

	Year ended December 31, 2023 RMB'000	2022 RMB'000
Gains on disposal/dilution of associates	**383,879**	692,873
Losses on disposal of subsidiaries	**(58,477)**	(30,944)
Dividend income from financial assets at fair value through other comprehensive income	**17,508**	11,995
Fair value losses and dividend income from associates measured at fair value through profit or loss	**(1,122,164)**	(1,393,686)
Disposal gains, fair value losses, dividend income from financial instruments at fair value through profit or loss and others	**(1,030,987)**	(2,270,789)
	(1,810,241)	(2,990,551)

7. OTHER (LOSSES)/GAINS – NET

	Year ended December 31, 2023 RMB'000	2022 RMB'000
Government grants	**1,473,784**	805,567
Losses on disposal of property, plant and equipment and intangible assets	**(137,579)**	(96,328)
Fair value (losses)/gains on investment properties *(Note 17)*	**(122,878)**	1,414,414
Net foreign exchange losses	**(598,959)**	(1,133,800)
Severance and related costs *(i)*	**(1,502,482)**	(23,628)
Non-recourse factoring costs	**(91,662)**	(94,258)
Others	**(538,424)**	(173,140)
	(1,518,200)	698,827

(i) For the year ended December 31, 2023, due to industry challenges, Lenovo has announced resource allocation measures and incurred severance and related costs to further improve efficiency and competitiveness.

8. EXPENSES BY NATURE

	Year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
Cost of inventories sold	**338,214,194**	372,504,108
Employee benefit expense *(Note 9)*	**42,715,982**	38,766,612
Office and administrative expense	**5,967,295**	5,349,488
Advertising costs	**5,906,802**	7,059,614
Depreciation and amortisation	**11,607,232**	10,747,404
Impairment loss for loans to customers	**380,675**	366,551
Impairment loss for other financial assets	**1,005,302**	361,403
Impairment loss for non-current assets *(i)*	**426,318**	2,013,032
Consultancy and professional fees	**2,559,182**	2,287,274
Customer support service	**3,766,634**	4,877,821
Auditors' remuneration-audit services	**108,518**	93,890
Auditors' remuneration-non audit services	**9,377**	6,266
Labs and testing	**1,950,493**	2,211,457
Lease payments	**126,783**	205,079
Taxes and surcharges	**746,255**	1,056,576
Transportation expense	**1,196,109**	1,073,438
Inventory write-down	**851,196**	1,610,784
Other expenses *(ii)*	**5,298,248**	12,626,888
	422,836,595	463,217,685

(i) For the year ended December 31, 2023, impairment loss for non-current assets mainly consists of impairment loss for intangible assets of RMB408 million (2022: RMB1,345 million) and impairment loss for property, plant and equipment of RMB0.3 million (2022: RMB664 million). Impairment loss related to intangible assets is set out in Note 19.

(ii) Other expenses mainly include non-base manufacturing costs from IT business, which are costs that are periodic in nature as opposed to product specific. They are typically incurred after the physical completion of the product and include items such as outbound freight for in-country finished goods shipments, warranty costs, engineering charges, storage and warehousing costs. Non-base manufacturing costs are included in the calculation of gross margin but not inventoriable costs.

9. EMPLOYEE BENEFIT EXPENSE

	Year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
Wages and salaries	**32,907,022**	29,520,921
Social security costs other than pension	**3,078,011**	2,638,723
Long-term incentive awards granted *(Note 33(c))*	**2,332,229**	2,419,407
Pension costs – defined contribution plans	**2,378,914**	2,070,919
Pension costs – defined benefit plans *(Note 46)*	**166,151**	162,268
Others	**1,853,655**	1,954,374
	42,715,982	38,766,612

10. FINANCE INCOME AND COSTS

	Year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
Interest expense *(i)*:		
– Bank loans and overdrafts	**2,999,010**	2,386,954
– Other loans	**715,824**	626,375
– Bonds	**1,844,730**	2,054,491
– Lease liabilities	**153,664**	163,363
Factoring costs	**3,397,954**	1,599,905
Interest costs on put option liability	**34,895**	80,645
Total finance costs	**9,146,077**	6,911,733
Less: The amount of capital capitalization of eligible assets	**(17,037)**	–
Finance costs	**9,129,040**	6,911,733
Interest income *(i)*:		
– Interest income on bank deposits and money market funds	**(1,862,516)**	(1,182,486)
– Interest income on loans to related parties	**(112,979)**	(152,264)
– Interest income on loans to non-related parties	**(218,923)**	(125,323)
Finance income	**(2,194,418)**	(1,460,073)
Net finance costs	**6,934,622**	5,451,660

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

11. SUBSIDIARIES

The following includes the principal subsidiaries directly or indirectly held by the Company and, in the opinion of the directors, are significant to the results of the Group for the year ended December 31, 2023 and 2022 or form a substantial portion of the net assets of the Group at December 31, 2023 and 2022. The directors consider that giving details of other subsidiaries would result in particulars of excessive length.

Company name	Corporate category	Place of incorporation and principal place of business	Issued share capital/ Paid-in capital (in RMB, unless otherwise stated)	Principal activities	Voting rights held 2023	Voting rights held 2022
Lenovo (聯想集團)(i)	Limited liability company	China/Hong Kong, China	USD3,490,282,000	Develop manufacture and market reliable, high-quality, secure and easy-to-use technology products and services	31.44%	32.12%
Raycom Technology Co., Ltd. (融科智地科技股份有限公司)	Joint stock limited liability company	China/Mainland China	270,000,000	Office building rental and service	100.00%	100.00%
Raycom Property Investment Co., Ltd. (融科物業投資有限公司)	Limited liability company	China/Mainland China	60,000,000	Real estate investment and asset management	100.00%	100.00%
Right Lane Limited (南明有限公司, "Right Lane")	Limited liability company	China/Hong Kong, China	HKD12,170,329,304	Investment and management	100.00%	100.00%
Legend Capital Limited (聯想投資有限公司)	Limited liability company	China/Mainland China	398,454,162	Investment and management	100.00%	100.00%
Tibet Dongfangqihui Investment Co., Ltd. (西藏東方企慧投資有限公司, "Dongfangqihui")	Limited liability company	China/Mainland China	4,000,000,000	Investment and management	100.00%	100.00%
Beijing Huicheng Dongfang Investment Co., Ltd. (北京慧成東方投資有限公司)	Limited liability company	China/Mainland China	2,005,000,000	Angel investment and start-up incubator	100.00%	100.00%
Duilong Deqing Xingfan Management Limited (堆龍德慶星帆企業管理有限公司)	Limited liability company	China/Mainland China	100,000,000	Angel investment and start-up incubator	100.00%	100.00%
Beijing Huaxia United Auto Network Technology Co., Ltd. (北京華夏聯合汽車網絡技術有限公司)	Limited liability company	China/Mainland China	474,156,235	Development of car management software and providing car services information consultant	100.00%	100.00%
Zeny Supply Chain Co., Ltd. (增益供應鏈有限公司)	Limited liability company	China/Mainland China	1,491,793,341	Providing cold chain and various logistics service	99.20%	99.20%
Levima Group (聯泓集團)	Limited liability company	China/Mainland China	2,300,000,000	Development and production of chemicals and energy materials	100.00%	100.00%
Joyvio Group (佳沃集團)	Limited liability company	China/Mainland China	6,103,125,000	Agriculture and food investment and other relevant business operations	77.83%	81.72%
Zhengqi Holdings Corporation (正奇控股股份有限公司, "Zhengqi Holdings")	Joint stock limited liability company	China/Mainland China	3,322,545,963	Providing financial service for small-and medium-sized entities, and investment management	94.62%	94.62%
Shanghai Weimin Hospital Investment Management Co., Ltd. (上海為民醫院投資管理有限公司)	Limited liability company	China/Mainland China	56,969,808	Investment management and Medical consultation	58.00%	58.00%

11. SUBSIDIARIES (Continued)

Company name	Corporate category	Place of incorporation and principal place of business	Issued share capital/ Paid-in capital (in RMB, unless otherwise stated)	Principal activities	Voting rights held 2023	Voting rights held 2022
JC International Finance & Leasing Co., Ltd (君創國際融資租賃有限公司, "JC Finance & Leasing")	Limited liability company	China/Mainland China	2,039,462,533	Finance lease, lease business, purchase lease assets from domestic and overseas	90.31%	90.31%
KB Food International Holding (Pte.) Limited	Limited liability company	Singapore	USD87,645,588	Investment holding	100.00%	100.00%
Joyvio Food (佳沃食品)	Joint stock limited liability company	China/Mainland China	174,200,000	Trading, processing and sale of seafood and other animal protein-related products	46.08%	46.08%
BIL	Limited liability company	Luxembourg	EUR146,108,270	Banking services, insurance services, offering financial market products and services	89.98%	89.98%
Joy Wing Mau Fruit Technologies Corporation Limited (鑫榮懋果業科技集團股份有限公司)	Joint stock limited liability company	China/Mainland China	406,000,000	Agriculture products planting and trading,agricultural investment,logistics,foods trading	39.46%	39.46%
Beijing Legend Star Investment Management Co., Ltd (北京聯想之星投資管理有限公司)	Limited liability company	China/Mainland China	10,000,000	Investment consultation, asset management, project investment	100.00%	100.00%
Tibet Lianke Investment Limited (西藏聯科投資有限公司)	Limited liability company	China/Mainland China	17,000,000	Investment management, investment consultation (Excluding financial business and brokerage)	100.00%	100.00%
Tibet Liantouqihui Management Limited (西藏聯投企慧企業管理有限公司)	Limited liability company	China/Mainland China	3,000,000,000	Enterprise management service	100.00%	100.00%
Australis Seafoods S.A.	Joint stock limited liability company	Chile/Santiago	USD301,527,212	Salmon production and selling	99.91%	99.91%

11. SUBSIDIARIES (Continued)

(i) During the period from November to December 2023, holders of convertible bonds issued by Lenovo in the historical year elected to convert the bonds to Lenovo's shares, and upon the completion of such transactions, the Group's shareholding in Lenovo decreased from 32.12% to 31.44%.

As at December 31, 2023, certain equity interests of a few subsidiaries of the Company were subject to restrictions to obtain borrowings, primarily including: i) the 3.87% equity interest of Lenovo held by a subsidiary of the Company were pledged as collateral for borrowings arising from the acquisition of additional holdings in Lenovo; ii) the 23% equity interest of Joyvio Food held by a subsidiary of the Company and certain equity interests of subsidiaries held directly and indirectly by Joyvio Food were pledge as collateral for the relevant borrowings arising from financing.

Subsidiaries with material non-controlling interests

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

	As at December 31,	
	2023	2022
	RMB'000	*RMB'000*
Non-controlling interests	**34,364,264**	31,274,129
Put option written on a non-controlling interest	**(3,633,810)**	(3,633,810)

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

	Year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
Net profit attributable to other non-controlling interests	**4,740,341**	9,299,245
Dividends paid to other non-controlling interests	**(3,095,447)**	(2,836,513)

11. SUBSIDIARIES (Continued)

Except for Lenovo, the directors consider that the non-controlling interests of other subsidiaries are not material. The summarized financial information of Lenovo, converted at the closing exchange rate/annual average exchange rate, is set out below:

Summarised Balance Sheet of Lenovo

	As at December 31,	
	2023	2022
	RMB'000	*RMB'000*
Current		
Assets	**164,515,766**	181,999,094
Liabilities	**(189,112,786)**	(201,396,960)
Net current liabilities	**(24,597,020)**	(19,397,866)
Non-current		
Assets	**115,511,414**	109,010,707
Liabilities	**(47,583,870)**	(49,286,563)
Net non-current assets	**67,927,544**	59,724,144
Net assets	**43,330,524**	40,326,278

Summarised Income Statement of Lenovo

	Year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
Revenue	**392,493,151**	444,397,338
Profit before income tax	**8,353,493**	17,252,288
Income tax expense	**(1,631,617)**	(3,765,001)
Net profit	**6,721,876**	13,487,287
Other comprehensive income/(losses)	**1,405,494**	(1,304,157)
Total comprehensive income	**8,127,370**	12,183,130

11. SUBSIDIARIES (Continued)

Summarised Cash Flow Statement of Lenovo

	Year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
Cash flows from operating activities		
Cash generated from operations	**22,013,127**	33,486,342
Income tax paid	**(4,665,858)**	(3,365,994)
Net cash generated from operating activities	**17,347,269**	30,120,348
Net cash used in investing activities	**(9,503,450)**	(14,709,372)
Net cash used in financing activities	**(18,751,913)**	(5,971,869)
Net (decrease)/increase in cash and cash equivalents	**(10,908,094)**	9,439,107
Cash and cash equivalents at beginning of the year	**34,954,617**	23,950,113
Exchange gains on cash and cash equivalents	**503,298**	1,565,397
Cash and cash equivalents at end of the year	**24,549,821**	34,954,617

12. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

	As at December 31,	
	2023	2022
	RMB'000	*RMB'000*
Investments in associates and joint ventures:		
Associates using equity accounting	**14,325,467**	14,752,398
Joint ventures using equity accounting	**1,917,734**	1,962,274
Using equity accounting *(a)*	**16,243,201**	16,714,672
Measured at fair value through profit or loss *(b)*	**14,778,452**	18,521,268
	31,021,653	35,235,940

12. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (Continued)

(a) Associates and joint ventures using equity accounting

Set out below are the associates of the Group as at December 31, 2023 and 2022, which, in the opinion of the directors, are material to the Group, and the intention of the Group to hold these associates is for industrial incubations and investments purpose.

Name	Place of incorporation and principal place of operations	Principal activities	Effective interest held 2023	Effective interest held 2022
Hankou Bank Co., Ltd. (漢口銀行股份有限公司, "Hankou Bank") *(i)*	China/Wuhan	Commercial banking business	**13.11%**	13.11%
Eastern Air Logistics Co., Ltd. (東方航空物流股份有限公司, "EAL") *(i)*	China/Shanghai	Transportation, warehousing and postal services	**13.29%**	15.29%
Lakala Payment Corporation (拉卡拉支付股份有限公司)	China/Beijing	Provision of terminal-based payment and various internet financial services	**26.14%**	26.14%
Tibet Kaola Science & Technology Development Co., Ltd. (西藏考拉科技發展有限公司, "Kaola Technology")	China/Lhasa	Electronic technology development, transfer, service, promotion and internet technology service	**48.00%**	48.00%

(i) The directors determine the Group has significant influence over Hankou Bank and EAL by way of representation on the Board of Directors and participation in the policy-making process, although the Group's equity interests in these two companies are lower than 20%.

As at December 31, 2023 and 2022, Associates and joint ventures using equity accounting with a carrying value of RMB3,139 million and RMB128 million were pledged as collateral for the borrowings of RMB1,840 million and RMB72 million.

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

12. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (Continued)

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

Hankou Bank

Reconciliation of summarised consolidated financial information

	Year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
Share of net assets at January 1	3,556,803	3,384,907
Share of comprehensive income for the year *(ii)*	46,673	228,649
Share of distribution of profit	(63,300)	(63,300)
Other (decrease)/increase	(39,646)	6,547
Share of net assets at December 31	3,500,530	3,556,803
Goodwill	577,863	577,863
Carrying value of investment in the associate	4,078,393	4,134,666

(ii) The accounting policies of the associate have been changed where necessary to ensure consistency with the policies adopted by the Group.

Except for Hankou Bank, the Group's share of the other associates using equity accounting:

	Year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
Share of (losses)/profit for the year	(419,928)	538,324
Share of other comprehensive income	5,637	24,134
Share of total comprehensive (losses)/income	(414,291)	562,458
Carrying value of other investment in associates using equity accounting	10,247,074	10,617,732

The Group's share of joint ventures:

	Year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
Share of losses for the year	(79,165)	(617,805)
Share of comprehensive losses for the year	(79,165)	(617,805)
Carrying value of investment in joint ventures using equity accounting	1,917,734	1,962,274

12. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (Continued)

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

Company Name	Place of incorporation and registration	Type	2023 Fair value RMB'000	2023 Effective interest held	2022 Fair value RMB'000	2022 Effective interest held
– Great Unity Fund I, L.P.	Cayman Islands	USD Funds	2,356,408	49.08%	2,541,570	49.08%
– Beijing Junlian Huicheng Equity Investment L.P. (北京君聯慧誠股權投資合夥企業(有限合夥))	China/ Beijing	RMB Funds	1,680,323	22.22%	1,904,335	22.22%
– Hony Capital Fund VIII (Cayman), L.P. *(ii)*	Cayman Islands	USD Funds	1,544,396	16.40%	1,571,645	16.40%
– Beijing Junlian Shengyuan Equity Investment L.P. (北京君聯晟源股權投資合夥企業(有限合夥)) *(ii)*	China/Beijing	RMB Funds	1,198,234	12.57%	1,535,892	15.71%
– LC Fund VII, L.P.	Cayman Islands	USD Funds	822,519	22.31%	953,843	22.31%
– LC Fund VI, L.P.	Cayman Islands	USD Funds	728,547	23.20%	697,040	23.20%
– Hony Capital Fund V, L.P. *(ii)*	Cayman Islands	USD Funds	617,179	10.98%	915,898	10.98%
– Suzhou Junlian Xinkang Venture Investment L.P. (蘇州君聯欣康創業投資合夥企業(有限合夥))	China/Suzhou	RMB Funds	585,925	22.50%	641,325	22.50%
– LC Fund III, L.P. *(i)*	Cayman Islands	USD Funds	555,714	68.64%	1,248,544	68.64%
– Hony Capital Real Estate Fund 2015, L.P. 弘毅貳零壹伍(深圳)地產投資中心(有限合夥) *(ii)*	China/Shenzhen	RMB Funds	378,828	19.51%	595,654	19.51%
– LC Healthcare Fund I, L.P.	Cayman Islands	USD Funds	329,252	20.00%	411,140	20.00%
– Beijing Junlian Yikang Equity Investment L.P. (北京君聯益康股權投資合夥企業(有限合夥)) *(ii)*	China/Beijing	RMB Funds	321,994	18.50%	355,196	18.50%
–Shenzhen Hony Tongren Consultant Business L.P. (深圳弘毅同人顧問企業(有限合夥))	China/Shenzhen	RMB Funds	297,865	42.75%	438,415	42.91%
– Suzhou JunJunDe Equity Investment L.P. (蘇州君駿德股權投資合夥企業(有限合夥))	China/Suzhou	RMB Funds	274,936	28.52%	293,632	28.52%
–Shenzhen Junlian Shenyun Private Equity Investment L.P. (深圳君聯深運私募股權投資基金合夥企業(有限合夥)) *(ii)*	China/Shenzhen	RMB Funds	271,309	12.75%	222,802	37.18%
– Beijing Junlian Maolin Equity Investment L.P. (北京君聯茂林股權投資合夥企業(有限合夥))	China/Beijing	RMB Funds	224,783	31.21%	584,416	31.21%
– LC Healthcare Fund III, L.P.	Cayman Islands	USD Funds	203,458	30.00%	137,276	32.14%
– Shenzhen Hony 2019 Enterprise Management Center L.P. (深圳弘毅貳零壹玖企業管理中心(有限合夥))	China/Shenzhen	RMB Funds	181,750	44.94%	162,623	44.94%
– LC Fund V, L.P. *(ii)*	Cayman Islands	USD Funds	164,219	18.94%	231,348	18.94%
– Hony Capital Fund 2008, L.P. *(ii)*	Cayman Islands	USD Funds	125,917	14.31%	125,237	14.31%

12. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (Continued)

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

Company Name	Place of incorporation and registration	Type	2023 Fair value RMB'000	2023 Effective interest held	2022 Fair value RMB'000	2022 Effective interest held
– Hony Capital Fund III, L.P.	Cayman Islands	USD Funds	107,982	34.48%	99,995	34.48%
– Beijing Junlian Xinhai Equity Investment L.P. (北京君聯新海股權投資合夥企業(有限合夥)) *(ii)*	China/Beijing	RMB Funds	94,511	17.67%	251,614	17.67%
– Hongchuang Lianchi Enterprise Management L.P. (弘創聯持(深圳)企業管理合夥企業(有限合夥)) *(ii)*	China/Shenzhen	RMB Funds	58,624	12.40%	343,429	12.40%
– Beijing Junlian Mingde Equity Investment L.P. (北京君聯名德股權投資合夥企業(有限合夥))	China/Beijing	RMB Funds	51,987	20.05%	122,197	20.05%
– Hony Capital II, L.P.	Cayman Islands	USD Funds	31,488	41.38%	35,483	41.38%
– LC Fund IV, L.P.	Cayman Islands	USD Funds	15,174	29.77%	14,921	29.77%
– Hony Capital RMB Fund 2010, L.P. (北京弘毅貳零壹零股權投資中心(有限合夥))	China/Beijing	RMB Funds	12,905	20.07%	45,545	20.07%
– Tianjin Junruiqi Equity Investment L.P. (天津君睿祺股權投資合夥企業(有限合夥))	China/Tianjin	RMB Funds	2,873	31.67%	25,725	31.67%
– Hony International Limited	China/Hong Kong	USD Funds	412	40.00%	70,844	40.00%
– Shanghai Junlian Shenghao Venture Capital Investment L.P. (上海君聯晟灝創業投資合夥企業(有限合夥))	China/Shanghai	RMB Funds	–	–	393,180	28.22%
– Others		RMB/USD Funds	1,538,940	N/A	1,550,504	N/A
			14,778,452		18,521,268	

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

(i) The directors determined that the Group did not control the general partners and/or management companies of the fund and therefore these investments are classified as associates even if the effective interest in such companies is greater than 50%.

(ii) The directors determined that the Group has significant influence on these companies by the way of its significant influence on the general partner and/or management company of these funds, even though the capital contribution percentage in these funds are below 20%. Consequently, these investments have been classified as associates.

12. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (Continued)

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

Set out below is the summarised financial information of associates measured at fair value through profit or loss aggregated by RMB funds and USD funds based on the underlying GAAP applied when prepare their statutory accounts. The consolidated financial statements on RMB funds is prepared in accordance with IFRS while the consolidated financial statements on USD funds is prepared in accordance with the General Accepted Accounting Principles in USA.

	Year ended December 31, 2023	
	Loss for the year, net of tax *RMB'000*	Total comprehensive loss *RMB'000*
RMB funds	(1,146,313)	(1,146,313)
USD funds	(1,706,836)	(1,706,836)
Total	**(2,853,149)**	**(2,853,149)**

	Year ended December 31, 2022	
	Loss for the year, net of tax *RMB'000*	Total comprehensive loss *RMB'000*
RMB funds	(3,425,026)	(3,425,026)
USD funds	(5,633,174)	(5,633,174)
Total	(9,058,200)	(9,058,200)

13. INCOME TAX EXPENSE

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

	Year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
Current income tax	**3,837,732**	3,998,097
Deferred income tax *(Note 45)*	**(2,044,112)**	(1,542,658)
Income tax expense	**1,793,620**	2,455,439

The Group has been granted certain tax concessions by tax authorities in Mainland 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,	
	2023	2022
	RMB'000	*RMB'000*
Profit before tax	**2,423,928**	12,849,412
Tax effects of:		
Tax calculated at domestic rates applicable in countries or regions concerned	**461,432**	2,602,927
Income not subject to tax	**(2,249,803)**	(3,579,549)
Expenses not deductible for tax purposes	**2,537,256**	2,879,751
Utilisation of previously unrecognised tax losses/ temporary differences *(i)*	**(890,159)**	(1,263,704)
Deferred income tax assets not recognised	**2,527,711**	2,055,081
Others	**(597,805)**	(288,614)
Enterprise income tax	**1,788,632**	2,405,892
Land appreciation tax	**4,988**	49,547
Income tax expense	**1,793,620**	2,455,439

(i) In 2023 and 2022, individual subsidiaries of the Company have improved their performance from cumulative loss to profit or the actual loss has been smaller than expected, which is expected enough taxable profits will be generated in future. The Group recognised the deductible losses and other temporary differences in 2023 and 2022, which was not recognised in previous years to the extent of the amount of the current and future taxable profit.

13. INCOME TAX EXPENSE (Continued)

OECD Pillar Two model rules

The Group is within the scope of the OECD Pillar Two model rules. Pillar Two legislation was enacted or substantially enacted in several of tax jurisdictions in which the Group is incorporated, including Luxembourg, Switzerland and others, and will come into effect from January 1, 2024. Since the Pillar Two legislation was not effective at the reporting date, the Group has no related current tax exposure. The Group applies the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes, as provided in the amendments to IAS 12 issued in May 2023.

Under the legislation, if the constituent entities in one tax jurisdiction fail to satisfy any safe harbour rules and the Global Anti-Base Erosion (GloBE) effective tax rate is lower than the 15% global minimum rate, the Group is liable to pay a top-up tax for the difference between the GloBE effective tax rate per tax jurisdiction and the 15% minimum rate. All tax jurisdictions in which major entities within the group are incorporated have an effective tax rate that exceeds 15%, except for the subsidiaries that operate in Luxembourg.

The standard tax rate applicable in Luxembourg was 24.94% in 2023. The aggregated profit before income tax of all constituent entities in Luxembourg is RMB1,668 million, and the effective tax rate calculated in accordance with paragraph 86 of IAS 12 is 12.94% in 2023. The effective tax rate does not take into account adjustments under Pillar Two legislation. Considering the specific adjustments envisaged in the Pillar Two legislation, which may give rise to different GloBE effective tax rates. The Group is in the process of assessing its exposure to the Pillar Two legislation for when it comes into effect.

Due to the complexities in applying the legislation and calculating GloBE income, the quantitative impact of the enacted or substantively enacted legislation is not yet reasonably estimable. Therefore, even for those entities with an accounting effective tax rate above 15%, there might still be Pillar Two tax implications. The Group has engaged with tax specialists to assist it with assessing the tax risk and income tax impact when applying the legislation in the tax jurisdictions in which the Group are incorporated.

13. INCOME TAX EXPENSE (Continued)

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

	Year ended December 31,					
	2023			2022		
	Before tax *RMB'000*	Tax credit/ (charge) *RMB'000*	After tax *RMB'000*	Before tax *RMB'000*	Tax credit/ (charge) *RMB'000*	After tax *RMB'000*
Fair value changes on non-trading equity securities measured at fair value through other comprehensive income	(334,629)	5,864	(328,765)	(709,609)	606	(709,003)
Credit risk changes on financial liabilities measured at fair value through profit or loss	6,580	(1,656)	4,924	10,885	(2,725)	8,160
Fair value changes on debt securities measured at fair value through other comprehensive income	3,350	782	4,132	(94,941)	24,230	(70,711)
Share of other comprehensive income of associates	41,303	–	41,303	25,519	–	25,519
Actuarial income on post-employment benefit obligations	184,457	13,560	198,017	767,019	(10,814)	756,205
Fair value changes on cashflow hedges	233,855	4,515	238,370	(1,081,997)	(6,447)	(1,088,444)
Currency translation differences	2,103,019	–	2,103,019	1,582,730	–	1,582,730
Revaluation of investment properties upon reclassification from property, plant and equipment	18,258	(4,545)	13,713	756	(198)	558
Other comprehensive income	2,256,193	18,520	2,274,713	500,362	4,652	505,014
Deferred tax *(Note 45)*		18,520			4,652	

14. (LOSSES)/EARNINGS PER SHARE

Basic (losses)/earnings per share is calculated by dividing the (losses)/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,	
	2023	2022
Basic (losses)/earnings attributable to equity holders of the Company *(RMB'000)*	**(3,874,279)**	1,167,063
Diluted impact on (losses)/earnings *(RMB'000) (i)*	**(70,395)**	(296,737)
Diluted (losses)/earnings attributable to the equity holders of the Company *(RMB'000)*	**(3,944,674)**	870,326
Weighted average number of issued ordinary shares *(thousands)*	**2,356,231**	2,356,231
Less shares held for share incentive plan *(thousands)*	**(11,926)**	(17,390)
Weighted average number of issued ordinary shares for calculating basic (losses)/earnings per share *(thousands)*	**2,344,305**	2,338,841
Potential dilutive effect arising from share incentive plan *(thousands) (ii)*	**3,109**	8,952
Weighted average number of issued ordinary shares for calculating diluted earnings per share *(thousands) (ii)*	**2,347,414**	2,347,793
(Losses)/Earnings per share		
– Basic *(RMB per share)*	**(1.65)**	0.50
– Diluted *(RMB per share)*	**(1.68)**	0.37

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

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

15. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings RMB'000	Vehicles RMB'000	Machinery RMB'000	Furniture and office equipment RMB'000	Other equipment RMB'000	Construction in progress RMB'000	Bearer plants RMB'000	Total RMB'000
As at January 1, 2022								
Cost	15,776,916	222,487	15,926,879	5,523,254	333,813	4,118,854	817,909	42,720,112
Accumulated depreciation	(4,418,546)	(157,051)	(7,378,777)	(3,598,649)	(226,505)	–	(67,212)	(15,846,740)
Accumulated impairment	(175,808)	(1,325)	(81,526)	(683)	(359)	–	–	(259,701)
Net book amount	11,182,562	64,111	8,466,576	1,923,922	106,949	4,118,854	750,697	26,613,671
For the year ended December 31, 2022								
Opening net book amount	11,182,562	64,111	8,466,576	1,923,922	106,949	4,118,854	750,697	26,613,671
Acquisition of subsidiaries	1,695	1,504	15,348	62,740	202	16,244	–	97,733
Additions/Transfers from investment property	629,444	48,083	1,893,933	1,143,346	80,496	7,815,467	23,345	11,634,114
Transfers to intangible assets	–	–	–	–	–	(2,283,461)	–	(2,283,461)
Transfers from construction in progress	1,573,830	61	1,578,646	302,277	3,173	(3,457,987)	–	–
Transfer of properties under development	104,309	–	–	–	–	–	–	104,309
Sales/Disposals	(128,774)	(4,034)	(169,674)	(133,711)	(26,316)	(35,798)	–	(498,307)
Depreciation charge	(932,546)	(26,334)	(1,658,677)	(864,006)	(36,667)	–	(30,798)	(3,549,028)
Disposal of subsidiaries	–	–	(2)	(35)	(41)	–	–	(78)
Impairment loss	(14,693)	–	(12,145)	–	(5)	–	(637,432)	(664,275)
Exchange adjustment	389,200	(1,049)	250,757	28,576	(2,710)	111,463	–	776,237
Closing net book amount	12,805,027	82,342	10,364,762	2,463,109	125,081	6,284,782	105,812	32,230,915
As at December 31, 2022								
Cost	18,627,210	251,625	19,490,709	6,856,927	428,366	6,284,782	882,291	52,821,910
Accumulated depreciation	(5,634,221)	(167,958)	(9,032,691)	(4,393,641)	(302,922)	–	(139,047)	(19,670,480)
Accumulated impairment	(187,962)	(1,325)	(93,256)	(177)	(363)	–	(637,432)	(920,515)
Net book amount	12,805,027	82,342	10,364,762	2,463,109	125,081	6,284,782	105,812	32,230,915
For the year ended December 31, 2023								
Opening net book amount	12,805,027	82,342	10,364,762	2,463,109	125,081	6,284,782	105,812	32,230,915
Acquisition of subsidiaries	611,276	10,831	17,829	7,090	9,557	–	–	656,583
Additions	1,794,574	61,347	452,504	817,158	55,337	6,150,799	16,117	9,347,836
Transfers to intangible assets	–	–	–	–	–	(3,523,921)	–	(3,523,921)
Transfers from construction in progress	1,076,508	6,571	557,789	67,902	696	(1,709,466)	–	–
Sales/Disposals/Transfers to investment property	(162,260)	(6,913)	(125,240)	(92,521)	(574)	(118,140)	–	(505,648)
Depreciation charge	(1,300,129)	(33,751)	(1,722,202)	(957,945)	(50,550)	–	(4,837)	(4,069,414)
Disposal of subsidiaries	(18,675)	(380)	(1,316)	(946)	(90)	(46,990)	(956)	(69,353)
Impairment loss	(116)	–	(167)	–	–	–	–	(283)
Exchange adjustment	131,180	(8,125)	(77,172)	98,647	3,354	(256,850)	–	(108,966)
Closing net book amount	14,937,385	111,922	9,466,787	2,402,494	142,811	6,780,214	116,136	33,957,749
As at December 31, 2023								
Cost	21,990,433	288,562	19,792,609	7,507,154	491,070	6,780,214	492,632	57,342,674
Accumulated depreciation	(6,879,182)	(175,315)	(10,237,108)	(5,104,537)	(347,896)	–	(78,769)	(22,822,807)
Accumulated impairment	(173,866)	(1,325)	(88,714)	(123)	(363)	–	(297,727)	(562,118)
Net book amount	14,937,385	111,922	9,466,787	2,402,494	142,811	6,780,214	116,136	33,957,749

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

Depreciation expense of RMB2,365 million and RMB1,897 million has been charged in "cost of sales and services", RMB287 million and RMB224 million in "selling and distribution expenses", RMB1,417 million and RMB1,428 million in "general and administrative expenses" for the year ended December 31, 2023 and 2022.

The land and buildings, construction in progress and bearer plants with a carrying amount of RMB448 million and RMB474 million were pledged as collateral for the borrowings of RMB164 million and RMB178 million as at December 31, 2023 and 2022, respectively. Refer to Note 17(c) for owner-occupied investment properties pledged.

16. LEASE

(a) Items recognized in the consolidated balance sheet

	As at December 31,	
	2023	2022
	RMB'000	*RMB'000*
Right-of-use assets		
Land use right	**2,951,312**	2,492,723
Buildings	**2,719,024**	3,095,698
Equipment and others	**282,655**	370,933
	5,952,991	5,959,354
Lease liabilities		
Current lease liabilities	**1,096,417**	1,153,466
Non-current lease liabilities	**2,648,255**	2,893,169
	3,744,672	4,046,635

(b) Item recognized in the consolidated income statement

	Year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
Depreciation of right-of-use assets		
Land use right	**136,660**	80,003
Buildings	**1,219,445**	1,143,689
Equipment and others	**51,073**	71,297
	1,407,178	1,294,989
Interest expenses (included in financial cost)	**153,664**	163,363
Short term rental and low-value rental (included in general and administrative expenses)	**126,783**	205,079

17. INVESTMENT PROPERTIES

	Year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
At beginning of the year	**15,807,609**	12,466,265
Additions	**17,130**	339,137
Fair value (losses)/gains	**(122,878)**	1,414,414
Disposal	**(291,992)**	(119,393)
Transfer from/(to) property, plant and equipment	**22,462**	(3,999)
Transfer from properties under development and right-of-use assets	**–**	1,699,993
Exchange adjustment	**21,951**	11,192
At end of the year	**15,454,282**	15,807,609

The Group's investment properties are mainly situated in the Mainland China. All the investment properties are rented out under operating leases. All signed lease contracts are less than 50 years.

(a) Amounts recognised in consolidated income statement for investment properties

	Year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
Rental income	**777,710**	751,459
Direct operating expenses from properties that generated rental income	**(197,136)**	(169,602)
	580,574	581,857

The direct operating expenses from properties that did not generate rental income is immaterial to the Group during the year ended December 31, 2023 and 2022.

17. INVESTMENT PROPERTIES (Continued)

(b) Valuation basis

The valuations are derived using the income capitalisation method and the discounted cash flow method. There were no changes to the valuation techniques.

As at December 31, 2023 and 2022, all of the Group's investment properties were within level 3 of the fair value hierarchy as the valuation were arrived at by reference to certain significant unobservable inputs.

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

Investment properties held by the Group were mainly revalued at the end of 2023 and 2022 based on valuations performed by independent qualified valuer, Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("JLL"). JLL is an industry specialist in investment property valuation, who has appropriate qualification and recent experience in the valuation of similar properties in the relevant locations.

As at December 31, 2023 and 2022, the directors:

- verified all major inputs to the independent valuation reports;
- assessed property valuation movements when compared to the prior year valuation reports;
- held discussion with the independent valuer.

The major key assumptions used by the directors in determining fair value for the year ended December 31, 2023 and 2022 were in the following ranges:

	Year ended December 31,	
	2023	2022
Capitalisation rate/Discount rate	**4.00%-5.00% or 6.80%-7.00%**	4.00%-5.00% or 7.00%-7.50%
Expected vacancy rate		
– Office	**5.00% or 10.00%**	3.00%-5.00% or 8.00%-12.00%
– Retail	**3.00%-5.00% or 0.00%**	3.00%-5.00% or 0.00%
– Car park	**5.00% or 40.00%**	5.00% or 35.00%-45.00%
Prevailing market rents		
– Office (per sq.m. per month)	**RMB300-RMB560 or RMB223**	RMB267-RMB552 or RMB220-RMB240
– Retail (per sq.m. per month)	**RMB151-RMB666 or RMB170**	RMB151-RMB696 or RMB160-RMB190
– Car park (per spot per month)	**RMB880-RMB920 or RMB1,200**	RMB880-RMB920 or RMB800-RMB1,800

17. INVESTMENT PROPERTIES (Continued)

(b) Valuation basis (Continued)

The following tables show the sensitivity of the fair value of the investment properties to the key assumptions, assuming the director's estimates to increase or decrease by 10%.

	Year ended December 31, 2023	
	Favourable change by 10% *RMB'000*	Unfavourable change by 10% *RMB'000*
Capitalisation rate/Discount rate	**827,511**	**(759,168)**
Expected vacancy rate	**65,577**	**(84,377)**

	Year ended December 31, 2022	
	Favourable change by 10% *RMB'000*	Unfavourable change by 10% *RMB'000*
Capitalisation rate/Discount rate	869,656	(794,601)
Expected vacancy rate	121,154	(127,154)

(c) Investment properties pledged as security

As at December 31, 2023, the investment properties with a fair value of RMB11,827 million and a net value of RMB156 million of land and buildings were pledged as collateral for the borrowings of RMB8,665 million. As at December 31, 2022, the investment properties with a fair value of RMB11,767 million and a net value of RMB164 million of land and buildings were pledged as collateral for the borrowings of RMB7,990 million.

As at December 31, 2023, the investment properties with a fair value of RMB226 million were pledged for other payables and accruals. As at December 31, 2022, the investment property with a fair value of RMB192 million and the land and buildings with a net value of RMB82 million were pledged for other payables and accruals and other non-current liabilities.

(d) Leasing arrangements

Minimum lease payments under non-cancellable operating leases of investment properties not recognised in the financial statements as receivables is set out as follows:

	As at December 31,	
	2023 *RMB'000*	2022 *RMB'000*
Within one year	**1,036,669**	1,037,578
More than one year but less than five years	**1,381,022**	1,402,298
More than five years	**286,908**	292,377
	2,704,599	2,732,253

18. CONSUMABLE BIOLOGICAL ASSETS

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

	As at December 31,	
	2023	2022
	RMB'000	*RMB'000*
Atlantic salmon and trout (sea water) *(a)*	**1,168,249**	1,132,811
Atlantic salmon and trout (fresh water)	**85,260**	107,826
	1,253,509	1,240,637

The consumable biological assets with a carrying amount of USD166 million (RMB1,176 million) were pledged as collateral for the borrowings of USD24 million (RMB171 million) as at December 31, 2023. The consumable biological assets with a carrying amount of USD164 million (RMB1,145 million) were pledged as collateral for the borrowings of USD58 million (RMB407 million) as at December 31, 2022.

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

	Year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
At the beginning of the year	**1,240,637**	1,750,507
Increase from fattening and production	**2,220,199**	2,636,271
Decrease from harvest (measured at cost)	**(2,146,048)**	(3,129,946)
Fair value adjustment *(b)*	**(139,271)**	1,120,986
Fair value decrease from harvest	**79,473**	(1,005,676)
Provision for impairment of consumable biological assets	**(23,646)**	(2,620)
Exchange adjustment	**22,165**	(128,885)
At the end of the year	**1,253,509**	1,240,637

18. CONSUMABLE BIOLOGICAL ASSETS (Continued)

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

	As at December 31, 2023		
	Production costs *RMB'000*	Fair value adjustment *RMB'000*	Carrying amount *RMB'000*
Atlantic salmon	1,248,656	(80,407)	1,168,249
	1,248,656	(80,407)	1,168,249

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

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

	Year ended December 31,	
	2023 *RMB'000*	2022 *RMB'000*
Atlantic salmon	(139,271)	1,019,122
Trout	–	101,864
	(139,271)	1,120,986

(c) Breakdown by level

The biological assets measured at fair value of the Group are all at stage 3, estimated according to the method set out in Note 2.16.

19. INTANGIBLE ASSETS

	Mining rights RMB'000	Trademarks RMB'000	Softwares RMB'000	Goodwill RMB'000	Patent and technology RMB'000	Aquaculture franchise and water right RMB'000	Customer relationships RMB'000	Others RMB'000	Total RMB'000
As at January 1, 2023									
Cost	597,736	10,764,429	18,259,228	40,222,215	24,968,271	3,688,949	10,945,749	1,703,005	111,149,582
Accumulated amortisation and impairment	(597,736)	(286,794)	(12,879,853)	(2,348,065)	(18,134,160)	(1,958)	(7,569,481)	(936,578)	(42,754,625)
Net book amount	–	10,477,635	5,379,375	37,874,150	6,834,111	3,686,991	3,376,268	766,427	68,394,957
For the year ended December 31, 2023									
Opening net book amount	–	10,477,635	5,379,375	37,874,150	6,834,111	3,686,991	3,376,268	766,427	68,394,957
Additions	–	48	2,977,422	–	5,197,271	13,081	–	34,859	8,222,681
Acquisition of subsidiaries	–	94,791	17,073	518,352	29,922	–	40,448	475,400	1,175,986
Disposals	–	(180)	(2,298)	–	–	(13,981)	–	(722)	(17,181)
Disposal of subsidiaries	–	–	(87)	(32,311)	–	–	–	–	(32,398)
Amortisation charge	–	(32,468)	(2,038,424)	–	(2,923,984)	–	(1,019,701)	(116,063)	(6,130,640)
Impairment loss	–	–	(6,311)	(129,262)	–	(272,670)	–	–	(408,243)
Exchange adjustment	–	230,259	397,632	526,291	127,292	69,580	44,457	28,952	1,424,463
Closing net book amount	–	10,770,085	6,724,382	38,757,220	9,264,612	3,483,001	2,441,472	1,188,853	72,629,625
As at December 31, 2023									
Cost	597,736	11,091,398	21,622,933	41,234,547	30,481,190	3,750,632	11,184,101	2,283,981	122,246,518
Accumulated amortisation and impairment	(597,736)	(321,313)	(14,898,551)	(2,477,327)	(21,216,578)	(267,631)	(8,742,629)	(1,095,128)	(49,616,893)
Net book amount	–	10,770,085	6,724,382	38,757,220	9,264,612	3,483,001	2,441,472	1,188,853	72,629,625

19. INTANGIBLE ASSETS (Continued)

	Mining rights *RMB'000*	Trademarks *RMB'000*	Softwares *RMB'000*	Goodwill *RMB'000*	Patent and technology *RMB'000*	Aquaculture franchise and water right *RMB'000*	Customer relationships *RMB'000*	Others *RMB'000*	Total *RMB'000*
As at January 1, 2022									
Cost	597,736	9,843,939	15,629,930	36,518,529	19,670,494	3,350,987	9,878,735	1,574,237	97,064,587
Accumulated amortisation and impairment	(597,736)	(257,998)	(10,692,513)	(1,009,090)	(13,797,186)	(1,433)	(6,280,621)	(810,364)	(33,446,941)
Net book amount	–	9,585,941	4,937,417	35,509,439	5,873,308	3,349,554	3,598,114	763,873	63,617,646
For the year ended December 31, 2022									
Opening net book amount	–	9,585,941	4,937,417	35,509,439	5,873,308	3,349,554	3,598,114	763,873	63,617,646
Additions	–	261	1,985,245	–	3,374,482	29,308	–	101,512	5,490,808
Acquisition of subsidiaries	–	134,826	24	2,333,580	171,640	–	556,021	–	3,196,091
Disposals	–	–	(15,050)	–	(14,481)	–	(74)	–	(29,605)
Disposal of subsidiaries	–	(14)	–	(63,489)	–	–	–	(261)	(63,764)
Amortisation charge	–	(13,827)	(1,772,172)	–	(3,047,022)	(430)	(958,417)	(111,519)	(5,903,387)
Impairment loss	–	(14)	(900)	(1,343,966)	–	–	–	(542)	(1,345,422)
Exchange adjustment	–	770,462	244,811	1,438,586	476,184	308,559	180,624	13,364	3,432,590
Closing net book amount	–	10,477,635	5,379,375	37,874,150	6,834,111	3,686,991	3,376,268	766,427	68,394,957
As at December 31, 2022									
Cost	597,736	10,764,429	18,259,228	40,222,215	24,968,271	3,688,949	10,945,749	1,703,005	111,149,582
Accumulated amortisation and impairment	(597,736)	(286,794)	(12,879,853)	(2,348,065)	(18,134,160)	(1,958)	(7,569,481)	(936,578)	(42,754,625)
Net book amount	–	10,477,635	5,379,375	37,874,150	6,834,111	3,686,991	3,376,268	766,427	68,394,957

Amortisation of RMB2,540 million and RMB952 million are included in the "cost of sales and services"; RMB4 million and RMB96 million in "selling and distribution expenses"; and RMB3,587 million and RMB4,855 million in "general and administrative expenses" in the consolidated income statement for the year ended December 31, 2023 and 2022.

As at December 31, 2023, intangible assets with a carrying value of RMB3,624 million (December 31, 2022: RMB3,841 million) were pledged as collateral for borrowings of RMB1,234 million (December 31, 2022: RMB1,848 million).

Impairment tests for goodwill and intangible assets with indefinite useful lives

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

The management of Lenovo have re-assessed the composition of group of CGUs to which goodwill is monitored having considered the latest development of the organization structure and concluded the goodwill and intangible assets with indefinite useful lives of Mobility Business Group and PC and Smart Device Business were reallocated to Intelligent Device Group, a business group that has been known and well received by the industry, with effect from April 1, 2023, according to their respective geographical locations, namely Mainland China, Asia-pacific region excluding Mainland China, Europe/Middle East/Africa and Americas, as group of CGUs using a relative value approach in accordance with IAS 36 "Impairment of assets".

During the reporting period, Joyvio Group's Smart Nutrition Service Business completed its business restructuring, with management re-assessed its CGUs and reallocating the Semi-finished fresh business to the Smart Nutrition Service Business.

19. INTANGIBLE ASSETS (Continued)

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

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

Group of CGUs	As at December 31, 2023 Goodwill RMB'000	As at December 31, 2023 Intangible assets with indefinite useful life RMB'000	As at December 31, 2022 Goodwill RMB'000	As at December 31, 2022 Intangible assets with indefinite useful life RMB'000
– Lenovo				
– Intelligent Devices Group				
Mainland China	**6,537,332**	**1,296,134**	N/A	N/A
Europe/Middle East/Africa	**2,075,231**	**871,172**	N/A	N/A
Americas	**11,513,185**	**3,399,696**	N/A	N/A
Asia-pacific region excluding Mainland China	**3,654,673**	**382,466**	N/A	N/A
– PC and Smart Device Business Group				
Mainland China	**N/A**	**N/A**	6,518,907	1,288,451
Europe/Middle East/Africa	**N/A**	**N/A**	1,325,391	647,708
Americas	**N/A**	**N/A**	1,733,990	390,018
Asia-pacific region excluding Mainland China	**N/A**	**N/A**	3,663,240	348,230
– Mobility Business Group				
Mature market	**N/A**	**N/A**	4,643,709	1,372,026
Emerging market	**N/A**	**N/A**	5,418,637	1,831,690
– Infrastructure Solutions Group				
Mainland China	**3,378,448**	**1,147,397**	3,386,713	1,128,265
Europe/Middle East/Africa	**460,376**	**219,564**	418,986	215,903
Americas	**2,422,283**	**871,172**	2,372,232	856,646
Asia-pacific region excluding Mainland China	**963,247**	**382,466**	989,876	376,088
– Solutions and Services Group	**4,313,364**	**410,797**	4,091,428	369,124
– BIL				
– Banking Business	**1,125,578**	**1,068,851**	1,053,160	1,009,514
– Joyvio Group				
– Salmon Production and Selling Business	**–**	**3,568,457**	28,532	3,778,643
– Other Animal Protein Business	**666,937**	**–**	666,937	–
– Fruit Business	**406,872**	**–**	402,575	–
– Semi-finished Fresh Business	**N/A**	**N/A**	56,623	–
– Smart Nutrition Service	**141,320**	**–**	N/A	N/A
– Seafood Fishing and Selling Business	**406,243**	**96,382**	403,606	93,706
– Others				
– Education Service Business	**335,261**	**324,000**	468,302	324,000
– Comprehensive Medical Service Business	**137,873**	**–**	137,873	–
– Insurance Brokerage Business *(Note 49)*	**125,512**	**499,400**	N/A	N/A
– Others	**93,485**	**–**	93,433	–
	38,757,220	**14,537,954**	37,874,150	14,030,012

19. INTANGIBLE ASSETS (Continued)

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

Taken into consideration the global economic uncertainties, the Group has completed impairment testing on goodwill and intangible assets with indefinite useful lives for its group of CGUs by comparing their recoverable amounts to the carrying amounts as at December 31, 2023. The recoverable amount of the group of CGUs is determined by the higher of fair value less disposal cost and value in use.

On December 31, 2023, the Group adopted the fair value less disposal cost model to calculate the recoverable amount when conducting goodwill impairment analysis on the other animal protein business. The recoverable amount is determined by the observed active market quotation and the control premium in the reference market as fair value, which is level 2 inputs in the valuation method.

For the other business, the Group has adopt value in use model to calculate the recoverable amount. These calculations in value in model use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period with a terminal value related to the future cash flow of the group of the CGUs extrapolated using constant projections of cash flows beyond the five-year period, plus 0% to 3% (different levels of group of CGUs) sustainable growth rate as a constant benchmark expecting after five years cash flow, to make a conclusion for the ultimate value of future group of CGUs cash flow of each set. The estimated revenue growth rates used by the Group are determined by management based on historical results and expectations of market developments.

19. INTANGIBLE ASSETS (Continued)

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

The revenue growth rate and discount rate used for value in use calculations under the five-year financial budget period for group of CGUs with significant goodwill and intangible assets with indefinite useful lives are as follows:

Group of CGUs	Goodwill			
	As at December 31, 2023		As at December 31, 2022	
	Growth rate	Discount rate	Growth rate	Discount rate
– Lenovo				
– Intelligent Devices Group				
Mainland China	5.8%	10.0%	N/A	N/A
Europe/Middle East/Africa	2.6%	10.0%	N/A	N/A
Americas	2.4%	10.0%	N/A	N/A
Asia-pacific region excluding Mainland China	0.3%	10.0%	N/A	N/A
– PC and Smart Device Business Group				
Mainland China	N/A	N/A	1.1%	11.0%
Europe/Middle East/Africa	N/A	N/A	-5.1%	9.0%
Americas	N/A	N/A	-4.4%	9.0%
Asia-pacific region excluding Mainland China	N/A	N/A	-3.9%	10.0%
– Mobility Business Group				
Mature market	N/A	N/A	15.0%	13.0%
Emerging market	N/A	N/A	14.0%	14.0%
– Infrastructure Solutions Group				
Mainland China	32.1%	14.0%	15.7%	14.0%
Europe/Middle East/Africa	11.1%	11.0%	18.8%	11.0%
Americas	11.9%	12.0%	26.9%	12.0%
Asia-pacific region excluding Mainland China	18.9%	12.0%	21.5%	12.0%
– Solutions and Services Group	14.8%	13.0%	27.6%	13.0%
– BIL				
– Banking Business	5.6%	11.0%	8.0%	10.0%
– Joyvio Group				
– Salmon Production and Selling Business	8.8%	10.3%	2.1%	10.4%
– Fruit Business	10.2%	10.0%	12.1%	10.0%
– Semi-finished Fresh Business	N/A	N/A	25.0%	14.0%
– Smart Nutrition Service Business	31.5%	14.6%	N/A	N/A
– Seafood Fishing and Selling Business	6.5%	9.5%	8.2%	9.5%
– Others				
– Education Service Business	3.4%	11.7%	6.7%	12.2%
– Comprehensive Medical Service Business	5.0%	8.0%	10.8%	10.4%
– Insurance Brokerage Business	10.7%	13.2%	N/A	N/A

19. INTANGIBLE ASSETS (Continued)

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

In the year of 2023, the Group recorded the impairment of goodwill of RMB129 million and impairment of intangible assets with indefinite useful lives of RMB273 million, which mainly include:

Due to global inflation, the prices of raw materials such as grains and fats continued to rise, resulting in a significant increase in the cost of salmon farming. The impact of the global macro-economy and the persistently high prices of salmon led to a weakening of demand in the end market and a fall in the high prices of salmon. After considering the above impacts, Joyvio Group determined to adjust its future business strategies and downward adjust its production and sales volume plans, and the impairment of goodwill and intangible assets with indefinite useful lives of RMB301 million was charged this year.

For the Education Service Business of industry incubations and investments, due to the decline in kindergarten enrollment in 2023, which resulted in lower than expected revenue, management adjusted the future operating expectations and recorded an impairment of goodwill of RMB101 million in the current year.

At December 31, 2023, the Board of Directors considered that there was no significant indication of impairment of goodwill and intangible assets with indefinite useful lives, except for the Salmon Production and Selling Business of Joyvio Group and Education Service Business of the Group.

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

The Group has performed a sensitivity analysis on key assumptions used for the annual impairment test for goodwill. At December 31, 2023, a reasonably possible change in key assumptions used in the impairment test for goodwill would not cause any CGU's carrying amount to exceed its respective recoverable amount, except for Seafood Fishing and Selling Business of Joyvio Group.

20. FINANCIAL INSTRUMENTS BY CATEGORY

	Financial assets at amortised cost RMB'000	Assets at fair value through profit or loss RMB'000	Derivatives used for hedging RMB'000	Assets at fair value through other comprehensive income RMB'000	Total RMB'000
As at December 31, 2023					
Assets					
Financial assets at fair value through other comprehensive income	–	–	–	5,866,485	5,866,485
Derivative financial assets	–	913,195	3,705,138	–	4,618,333
Account and notes receivables	11,224,300	–	–	62,696,669	73,920,969
Loans to customers	132,640,674	–	–	–	132,640,674
Loans to credit institutions	2,369,338	–	–	–	2,369,338
Other financial assets at amortised cost	67,917,268	–	–	–	67,917,268
Other receivables and other current assets	23,189,972	–	–	–	23,189,972
Other non-current assets	9,143,067	–	–	–	9,143,067
Financial assets at fair value through profit or loss	–	32,298,901	–	–	32,298,901
Associates measured at fair value through profit or loss	–	14,778,452	–	–	14,778,452
Restricted deposits and balances with central banks	4,179,402	–	–	–	4,179,402
Bank deposits	31,939	–	–	–	31,939
Cash and cash equivalents	59,571,033	–	–	–	59,571,033
	310,266,993	47,990,548	3,705,138	68,563,154	430,525,833

	Other financial liabilities at amortised cost RMB'000	Liabilities at fair value through profit or loss RMB'000	Derivatives used for hedging RMB'000	Total RMB'000
Liabilities				
Borrowings	124,512,862	–	–	124,512,862
Amounts due to customers	145,009,050	–	–	145,009,050
Amounts due to credit institutions	29,241,949	–	–	29,241,949
Lease liabilities	3,744,672	–	–	3,744,672
Derivative financial liabilities	–	1,908,626	1,652,149	3,560,775
Trade and notes payables	77,802,993	–	–	77,802,993
Other payables	79,871,649	–	–	79,871,649
Other non-current liabilities	5,276,152	–	–	5,276,152
Financial liabilities at fair value through profit or loss	–	23,124,866	–	23,124,866
	465,459,327	25,033,492	1,652,149	492,144,968

20. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

	Financial assets at amortised cost RMB'000	Assets at fair value through profit or loss RMB'000	Derivatives used for hedging RMB'000	Assets at fair value through other comprehensive income RMB'000	Total RMB'000
As at December 31, 2022					
Assets					
Financial assets at fair value through other comprehensive income	–	–	–	8,534,779	8,534,779
Derivative financial assets	–	871,670	6,012,880	–	6,884,550
Account and notes receivables	13,458,318	–	–	64,473,893	77,932,211
Loans to customers	127,583,382	–	–	–	127,583,382
Loans to credit institutions	4,214,574	–	–	–	4,214,574
Other financial assets at amortised cost	58,661,211	–	–	–	58,661,211
Other receivables and other current assets	20,451,472	–	–	–	20,451,472
Other non-current assets	10,275,435	–	–	–	10,275,435
Financial assets at fair value through profit or loss	–	32,282,280	–	–	32,282,280
Associates measured at fair value through profit or loss	–	18,521,268	–	–	18,521,268
Restricted deposits and balances with central banks	3,109,839	–	–	–	3,109,839
Bank deposits	134,427	–	–	–	134,427
Cash and cash equivalents	81,159,017	–	–	–	81,159,017
	319,047,675	51,675,218	6,012,880	73,008,672	449,744,445

	Other financial liabilities at amortised cost RMB'000	Liabilities at fair value through profit or loss RMB'000	Derivatives used for hedging RMB'000	Total RMB'000
Liabilities				
Borrowings	132,487,245	–	–	132,487,245
Amounts due to customers	156,147,713	–	–	156,147,713
Amounts due to credit institutions	25,222,731	–	–	25,222,731
Lease liabilities	4,046,635	–	–	4,046,635
Derivative financial liabilities	–	2,815,468	1,591,515	4,406,983
Trade and notes payables	80,492,436	–	–	80,492,436
Other payables	79,957,735	–	–	79,957,735
Other non-current liabilities	5,201,890	–	–	5,201,890
Financial liabilities at fair value through profit or loss	–	15,281,807	–	15,281,807
	483,556,385	18,097,275	1,591,515	503,245,175

As at December 31, 2023, other financial assets at amortized cost, financial assets at fair value through other comprehensive income and loans to customers and credit institutions of BIL with a total carrying amount of RMB5,515 million (December 31, 2022: RMB10,074 million) was restricted.

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The financial assets at fair value through other comprehensive income of the Group are as follows:

	As at December 31,	
	2023	2022
	RMB'000	*RMB'000*
Listed equity securities:		
Equity securities – Hong Kong, China	**167,498**	198,367
Equity securities – Japan	**103,131**	103,040
Equity securities – Others	**217,117**	256,389
Market value of listed equity securities	**487,746**	557,796
Unlisted equity securities	**3,358,343**	3,277,174
Listed debt securities:		
Debt securities – Europe	**1,923,720**	4,661,425
Debt securities – Mainland China	**96,676**	37,438
Debt securities – Others	**–**	946
Market value of listed debt securities	**2,020,396**	4,699,809
Total	**5,866,485**	8,534,779
Less: Current portion	**(32,401)**	(1,852,118)
Non-current portion	**5,834,084**	6,682,661

22. DERIVATIVE FINANCIAL INSTRUMENTS

	As at December 31,	
	2023	2022
	RMB'000	*RMB'000*
Derivative financial assets		
Derivatives held for trading	**913,195**	871,670
Derivatives designated as fair value hedges	**3,438,118**	5,434,090
Derivatives designated as cash flow hedges	**139,652**	390,807
Others	**127,368**	187,983
	4,618,333	6,884,550
Less: Current portion	**(854,527)**	(1,028,367)
Non-current portion	**3,763,806**	5,856,183
Derivative financial liabilities		
Derivatives held for trading	**1,908,626**	2,815,468
Derivatives designated as fair value hedges	**814,405**	536,544
Derivatives designated as cash flow hedges	**649,681**	1,039,484
Others	**188,063**	15,487
	3,560,775	4,406,983
Less: Current portion	**(1,681,868)**	(2,563,646)
Non-current portion	**1,878,907**	1,843,337

23. OTHER NON-CURRENT ASSETS

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

The other non-current assets with a net amount of RMB4,285 million (as at December 31, 2022, RMB3,066 million) were pledged as collateral for the borrowings of RMB3,952 million (as at December 31, 2022, RMB2,888 million) as at December 31, 2023.

As at December 31, 2023, other non-current assets with a net amount of RMB1,575 million (as at December 31, 2022, RMB2,050 million) were pledged as collateral for other payables and accruals and other non-current liabilities.

24. ACCOUNTS AND NOTES RECEIVABLES

	As at December 31,	
	2023	2022
	RMB'000	*RMB'000*
Accounts and notes receivables measured at amortised cost		
Trade receivables	**4,104,819**	6,958,288
Notes receivables	**344,443**	246,385
Receivables arising from finance leases	**7,415,198**	6,936,750
Less: allowances for impairment loss	**(640,160)**	(683,105)
Accounts and notes receivables measured at amortised cost-net	**11,224,300**	13,458,318
Trade receivables measured at FVOCI		
Trade receivables financing *(i)*	**62,696,669**	64,473,893
Account and notes receivables	**73,920,969**	77,932,211

(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, 2023, the allowance of impairment loss for trade receivables financing is RMB642 million (As at December 31,2022: RMB1,006 million).

24. ACCOUNTS AND NOTES RECEIVABLES (Continued)

As at December 31, 2023 and 2022, the ageing analyses of the trade receivables and trade receivables financing based on invoice date were as follows:

	As at December 31,	
	2023	2022
	RMB'000	*RMB'000*
Up to 3 months	**61,089,292**	64,570,146
3 to 6 months	**3,759,692**	4,690,993
6 months to 1 year	**1,122,919**	2,031,868
1 to 2 years	**1,093,786**	758,288
2 to 3 years	**260,237**	293,719
Over 3 years	**117,998**	93,301
	67,443,924	72,438,315

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

As at December 31, 2023 and 2022, accounts receivables with a net amount of RMB661 million and RMB453 million were pledged as collateral for borrowings of RMB417 million and RMB767 million.

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

	Year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
At beginning of the year	**(1,689,239)**	(1,363,213)
Exchange adjustment	**(1,213)**	(64,805)
Addition	**(596,431)**	(1,084,429)
Uncollectible receivable written off	**394,805**	63,820
Unused amounts reversed	**609,482**	759,388
At end of the year	**(1,282,596)**	(1,689,239)

The carrying amounts of accounts and notes receivables approximate their fair values. The maximum exposure to credit risk at the balance sheet date is the fair value of each class of receivables mentioned above.

Credit terms of Lenovo and Joyvio Group granted to customers are around 0-120 days and 60-90 days respectively while other subsidiaries do not have specific credit terms.

25. PREPAYMENT, OTHER RECEIVABLES AND OTHER CURRENT ASSETS

	As at December 31,	
	2023	2022
	RMB'000	*RMB'000*
Receivables from parts subcontractors	**11,999,347**	6,384,128
Prepayments	**6,166,803**	8,271,667
Prepaid tax	**9,049,994**	8,011,448
Amounts due from related parties *(Note 55(c))*	**1,665,665**	1,300,286
Advance to suppliers	**4,700,558**	3,080,163
Deposits receivable	**333,638**	1,254,241
Advance to employees	**61,956**	74,138
Adjustment for in-transit products	**–**	59,297
Interest receivable	**137,472**	134,643
Others	**6,234,518**	5,162,096
	40,349,951	33,732,107
Less: allowances for impairment loss	**(447,160)**	(354,987)
	39,902,791	33,377,120

26. LOANS TO CUSTOMERS

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

	As at December 31,	
	2023	2022
	RMB'000	*RMB'000*
Banking service *(a)*	**130,065,806**	124,526,554
Other service *(b)*	**6,151,222**	6,839,526
Total	**136,217,028**	131,366,080
Less: allowances for impairment loss *(c)*	**(3,576,354)**	(3,782,698)
Net loans to customers	**132,640,674**	127,583,382
Less: current portion	**(33,539,980)**	(44,999,257)
Non-current portion	**99,100,694**	82,584,125

(a) Banking service

	As at December 31,	
	2023	2022
	RMB'000	*RMB'000*
On demand and short notice	**12,082,903**	1,659,467
Finance leases	**2,109,701**	1,622,359
Other term loans	**115,873,202**	121,244,728
Total	**130,065,806**	124,526,554
Less: allowances for impairment loss		
– Stage 1	**(303,343)**	(350,873)
– Stage 2	**(177,185)**	(242,426)
– Stage 3	**(1,664,421)**	(1,612,551)
Total	**(2,144,949)**	(2,205,850)
Net loans to customers	**127,920,857**	122,320,704

26. LOANS TO CUSTOMERS (Continued)

(a) Banking service (Continued)

Gross loans to customers by stage

	Stage 1 *RMB'000*	Stage 2 *RMB'000*	Stage 3 *RMB'000*	Total *RMB'000*
As at January 1, 2023	97,442,121	22,871,880	4,212,553	124,526,554
To Stage 2 from Stage 1	(6,612,960)	6,612,960	–	–
To Stage 1 from Stage 2	14,183,290	(14,183,290)	–	–
To Stage 3 from Stage 2	–	(777,224)	777,224	–
To Stage 2 from Stage 3	–	243,559	(243,559)	–
To Stage 3 from Stage 1	(2,309,956)	–	2,309,956	–
To Stage 1 from Stage 3	92,013	–	(92,013)	–
Addition	20,758,844	4,105,997	678,864	25,543,705
Write-offs	–	–	(420,525)	(420,525)
Derecognition during the period other than write-offs	(21,362,838)	(4,335,209)	(1,418,259)	(27,116,306)
Exchange adjustment	6,180,790	1,058,562	293,026	7,532,378
As at December 31, 2023	108,371,304	15,597,235	6,097,267	130,065,806

	Stage 1 *RMB'000*	Stage 2 *RMB'000*	Stage 3 *RMB'000*	Total *RMB'000*
As at January 1, 2022	97,772,472	18,381,087	4,283,637	120,437,196
To Stage 2 from Stage 1	(8,435,851)	8,435,851	–	–
To Stage 1 from Stage 2	4,404,289	(4,404,289)	–	–
To Stage 3 from Stage 2	–	(314,222)	314,222	–
To Stage 2 from Stage 3	–	258,488	(258,488)	–
To Stage 3 from Stage 1	(633,267)	–	633,267	–
To Stage 1 from Stage 3	144,430	–	(144,430)	–
Addition	21,195,480	3,819,311	391,713	25,406,504
Write-offs	–	–	(72,325)	(72,325)
Derecognition during the period other than write-offs	(19,937,851)	(4,085,155)	(1,050,892)	(25,073,898)
Exchange adjustment	2,932,419	780,809	115,849	3,829,077
As at December 31, 2022	97,442,121	22,871,880	4,212,553	124,526,554

26. LOANS TO CUSTOMERS (Continued)

(b) Other service

	As at December 31,	
	2023	2022
	RMB'000	*RMB'000*
Direct loans and pawn loans to customers	**3,702,137**	4,321,005
Entrusted loans to customers	**2,449,085**	2,518,521
Total	**6,151,222**	6,839,526
Less: allowances for impairment loss		
– Stage 1	**(100,509)**	(104,044)
– Stage 2	**(50,566)**	(81,084)
– Stage 3	**(1,280,330)**	(1,391,720)
Total	**(1,431,405)**	(1,576,848)
Net loans to customers	**4,719,817**	5,262,678

As at December 31, 2023, loans to customers with a carrying amount of RMB345 million were pledged as collateral for borrowings of RMB323 million. As at December 31, 2022, loans to customers with a carrying amount of RMB207 million were pledged as collateral for borrowings of RMB167 million.

26. LOANS TO CUSTOMERS (Continued)

(c) Allowance for impairment loss

	Stage 1 *RMB'000*	Stage 2 *RMB'000*	Stage 3 *RMB'000*	Total *RMB'000*
As at January 1, 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)

	Stage 1 ***RMB'000***	**Stage 2** ***RMB'000***	**Stage 3** ***RMB'000***	**Total** ***RMB'000***
As at January 1, 2023	**(454,917)**	**(323,510)**	**(3,004,271)**	**(3,782,698)**
Allowance made *(i)*	**(355,342)**	**(437,457)**	**(1,160,458)**	**(1,953,257)**
Unused amounts reversed *(ii)*	**389,827**	**526,361**	**644,356**	**1,560,544**
Transfer of stages, write-off and disposal	**39,219**	**14,824**	**662,549**	**716,592**
Exchange adjustment	**(22,639)**	**(7,969)**	**(86,927)**	**(117,535)**
As at December 31, 2023	**(403,852)**	**(227,751)**	**(2,944,751)**	**(3,576,354)**

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

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

27. LOANS TO CREDIT INSTITUTIONS

	As at December 31,	
	2023	2022
	RMB'000	*RMB'000*
Cash collateral	**1,954,685**	3,352,974
Loans and other advances	**415,539**	869,253
Total	**2,370,224**	4,222,227
Less: allowances for impairment loss		
– stage 1	**(885)**	(7,636)
– stage 2	**(1)**	(11)
– stage 3	**–**	(6)
Total allowances for impairment loss	**(886)**	(7,653)
Net loans to credit institution	**2,369,338**	4,214,574
Less: Current portion	**(2,369,338)**	(4,214,574)
Non-current portion	**–**	–

28. OTHER FINANCIAL ASSETS AT AMORTISED COST

	As at December 31,	
	2023	2022
	RMB'000	*RMB'000*
Bonds issued by public bodies	**43,275,199**	33,514,225
Other bonds and fixed-income instruments	**24,669,173**	25,215,085
Total	**67,944,372**	58,729,310
Less: allowances for impairment loss		
– stage 1	**(22,123)**	(64,659)
– stage 2	**(4,981)**	(3,440)
– stage 3	**–**	–
Total allowances for impairment loss	**(27,104)**	(68,099)
Net other financial assets at amortised cost	**67,917,268**	58,661,211
Less: Current portion	**(9,975,814)**	(7,583,530)
Non-current portion	**57,941,454**	51,077,681

29. INVENTORIES

	As at December 31,	
	2023	2022
	RMB'000	*RMB'000*
Raw materials	**24,395,089**	31,172,732
Work in progress	**86,259**	77,027
Finished goods	**17,826,698**	20,735,547
Service parts	**4,074,589**	3,572,889
Others	**494,998**	418,032
	46,877,633	55,976,227

30. PROPERTIES UNDER DEVELOPMENT

	As at December 31,	
	2023	2022
	RMB'000	*RMB'000*
At beginning of the year	**19,252**	1,444,087
Additions	**–**	267,014
Disposals	**–**	(790,920)
Transfer to property, plant and equipment	**–**	(104,309)
Transfer to investment properties	**–**	(796,620)
At end of the year	**19,252**	19,252
Properties under development comprise:		
Land use rights	**16,455**	16,455
Construction costs and capitalised expenditure	**2,797**	2,797
Total	**19,252**	19,252

As at December 31, 2023 and 2022, no properties under development were pledged as collateral for borrowings.

31. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at December 31,	
	2023	2022
	RMB'000	*RMB'000*
Listed equity securities:		
Equity securities – Mainland China	2,135,120	4,728,166
Equity securities – Hong Kong, China	231,551	569,785
Equity securities – Europe	213,907	179,977
Equity securities – United States	215,827	291,050
Fair value of listed equity securities	2,796,405	5,768,978
Unlisted equity securities	25,882,333	23,441,098
Listed debt securities:		
Debt securities – Mainland China	889,670	510,287
Debt securities – Hong Kong, China	–	38,723
Debt securities – Europe	6,398	811
Fair value of listed debt securities	896,068	549,821
Unlisted debt securities	2,724,095	2,522,383
Total	32,298,901	32,282,280
Less: Non-current portion	(12,124,523)	(10,959,316)
Current portion	20,174,378	21,322,964

Changes in fair value of financial assets at fair value through profit or loss are recorded in "investment losses" in the consolidated income statement.

As at December 31, 2023, financial assets at fair value through profit or loss with a carrying amount of RMB229 million were pledged as collateral for borrowings of RMB73 million. As at December 31, 2022, financial assets at fair value through profit or loss with a carrying amount of RMB679 million and the related dividend receivable of RMB20 million were pledged as collateral for other payables and accruals.

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

	As at December 31,	
	2023	2022
	RMB'000	*RMB'000*
Balances with central bank		
Cash and balances with central banks of the country of the subsidiaries	**1,302,861**	1,309,158
Restricted deposits		
Deposits for guarantee business	**65,251**	47,738
Deposits for notes payables and borrowings	**1,745,188**	1,147,420
Other restricted deposits	**1,066,102**	605,523
	2,876,541	1,800,681
Bank deposits		
Matured between three to twelve months	**31,939**	134,427
Cash and cash equivalents		
Cash at bank and in hand	**33,023,797**	37,278,080
Cash and balances with central banks of the country of the subsidiaries (other than mandatory reserves)	**19,776,542**	29,545,706
Loans and advances to credit institutions	**4,738,922**	5,174,235
Money market funds	**2,031,772**	9,160,996
	59,571,033	81,159,017
Total	**63,782,374**	84,403,283
Maximum exposure to credit risk	**63,782,374**	84,403,283
Effective annual interest rates	**0.0%-11.8%**	0.0%-13.8%

33. SHARE-BASED PAYMENTS

The Group operates several share-based payment schemes, including the long-term incentive program administrated at Lenovo and the share award plan operated by the Company in exchange of services rendered by employees.

(a) Share-based payment plans of Lenovo

Long-term incentive program

A performance-related long-term incentive program was approved by Lenovo on May 26, 2005 and revised in 2008, 2016 and 2022 respectively for the purpose of rewarding and motivating directors, executives and top-performing employees (the "Participants") of Lenovo and its subsidiaries.

The long-term incentive program is designed to enable Lenovo to attract and retain the best available personnel, and encourage and motivate Participants to work towards enhancing the value of Lenovo and its shares by aligning their interests with those of the shareholders of Lenovo.

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

Under the long-term incentive program, Lenovo may grant awards, at its discretion, using any of the two types of equity-based compensation: (i) share appreciation rights and (ii) restricted share units, which are described below:

(i) Share Appreciation Rights ("SARs")

An SAR entitles the holder to receive the appreciation in value of Lenovo's share price above a predetermined level.

(ii) Restricted Share Units ("RSUs")

An RSU equals to the value of one ordinary share of Lenovo. Once vested, an RSU is converted to an ordinary share.

Under the two types of compensation, Lenovo reserves the right, at its discretion, to pay the award in cash or ordinary shares of Lenovo.

33. SHARE-BASED PAYMENTS (Continued)

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

Long-term incentive program (Continued)

Movements in the number of units of awards granted for the year ended December 31, 2023 and 2022 and their related weighted average fair values are as follows:

	Number of units	
	SARs	**RSUs**
Outstanding as at January 1, 2022	721,342,509	439,228,754
Granted during the year	267,094,282	374,956,348
Vested during the year	(441,236,574)	(292,914,188)
Cancelled during the year	(52,394,488)	(22,749,261)
Outstanding as at December 31, 2022	494,805,729	498,521,653
Granted during the year	**100,422,928**	**247,631,483**
Vested during the year	**(291,729,819)**	**(298,782,334)**
Lapsed/Cancelled during the year	**(23,279,520)**	**(15,170,942)**
Outstanding as at December 31, 2023	**280,219,318**	**432,199,860**

	Number of units	
	SARs	**RSUs**
Average fair value per unit *(HKD)*		
At December 31, 2023	**1.86**	**7.72**
At December 31, 2022	1.65	7.68

The fair values of the SARs awarded under the long-term incentive program were calculated by applying a Black-Scholes pricing model. For the year ended December 31, 2023 and 2022, the model inputs were the fair value (i.e. market value) of the Lenovo's shares at the grant date, taking into account the expected volatility of 40.3% and 39.7% expected dividends rate during the vesting periods of 5.1% and 4.6% contractual life of 4.4 years and 4.4 years, and a risk-free interest rate of 3.5% and 2.5%.

As at December 31, 2023 and 2022, the average remaining vesting period of the awards granted under the above long-term incentive plans for Lenovo is 1.85 years and 1.83 years.

33. SHARE-BASED PAYMENTS (Continued)

(b) Share incentive plan of the Company

2021 Medium and Long-Term Incentive Plan

On June 10, 2021, the restricted share incentive plan (the "2021 restricted share incentive plan") was approved at the annual general meeting of the Company. According to the relevant plan, the Company will entrust the custodian to purchase certain numbers of H Shares from the market for granting to the incentive targets. Under the 2021 restricted share incentive plan, the total amount of H shares to be granted to the incentive targets will not exceed 18.6 million H shares.

The lock-up periods varies from granted restricted share. The lock-up period of restricted shares is 18 months and 30 months from the date the restricted shares have been granted. The incentive targets do not require to make any cash contribution when the shares are granted.

Movements in the number of shares granted for the year ended December 31, 2023 are as follows:

	Number of shares
As at January 1, 2022	9,952,000
Granted during the year	942,000
Vested during the year	–
Lapsed/Cancelled during the year	(200,000)
As at December 31, 2022	10,694,000
Granted during the year	975,000
Vested during the year	(7,566,000)
Lapsed/Cancelled during the year	(268,000)
As at December 31, 2023	**3,835,000**

As at December 31, 2023 and December 31, 2022, the average remaining service period of the awards granted under the incentive plans is 0 years and 1 years respectively.

(c)

For the year ended December 31, 2023 and 2022, the share-based payment expenses of RMB2,332 million and RMB2,419 million were recognised in the consolidated income statement.

34. SHARE CAPITAL

	As at December 31, 2023		As at December 31, 2022	
	Number of shares	**Share capital** ***RMB'000***	Number of shares	Share capital *RMB'000*
– H shares	**1,271,853,990**	**1,271,854**	1,271,853,990	1,271,854
– Domestic shares	**1,084,376,910**	**1,084,377**	1,084,376,910	1,084,377
Ordinary shares issued and fully paid	**2,356,230,900**	**2,356,231**	2,356,230,900	2,356,231

35. PERPETUAL SECURITIES

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

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

36. TRADE AND NOTES PAYABLES

	As at December 31,	
	2023	2022
	RMB'000	*RMB'000*
Trade payables	**69,361,996**	59,611,240
Notes payables	**8,440,997**	20,881,196
	77,802,993	80,492,436

As at December 31, 2023 and 2022, the ageing analyses of the trade payables based on invoice date were as follows:

	As at December 31,	
	2023	2022
	RMB'000	*RMB'000*
0-30 days	**41,778,258**	33,286,369
31-60 days	**16,394,565**	14,057,680
61-90 days	**6,030,051**	5,858,504
91 days-1 year	**5,014,473**	6,314,470
Over 1 year	**144,649**	94,217
	69,361,996	59,611,240

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

37. DEFERRED REVENUE

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

38. OTHER PAYABLES AND ACCRUALS

	As at December 31,	
	2023	2022
	RMB'000	*RMB'000*
Payable to parts subcontractors	**39,285,335**	38,991,539
Allowance for billing adjustment *(i)*	**19,513,696**	21,643,344
Accrued expenses	**13,961,883**	14,484,019
Payroll payable	**6,360,304**	7,923,782
Other taxes payable	**3,048,282**	2,945,947
Amounts due to related parties *(ii) (Note 55(c))*	**637,934**	887,969
Social security payable	**1,396,125**	1,087,920
Deposits payable	**561,597**	554,235
Interest payable	**419,433**	474,665
Royalty payable	**437,704**	445,358
Deferred consideration	**112,800**	97,408
Written put option liability *(iii) (Note 40(c))*	**4,555,476**	3,151,892
Others	**16,436,462**	13,382,759
	106,727,031	106,070,837

(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, 2023 and 2022, the amounts due to related parties are unsecured.

(iii) 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. Both options are exercisable as at December 31, 2023. The exercise price for the call and put options will be determined based on the fair value of the 49% interest as of the day of exercising the option.

39. ADVANCES FROM CUSTOMERS

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

40. OTHER NON-CURRENT LIABILITIES

	As at December 31,	
	2023	2022
	RMB'000	*RMB'000*
Deferred considerations *(a)*	**177,577**	174,616
Government incentives and grants received in advance *(b)*	**1,186,205**	1,045,955
Written put option liability *(c)*	**817,305**	1,794,288
Long-term payables	**3,617,351**	3,347,107
Others	**1,150,283**	1,562,713
	6,948,721	7,924,679

(a) Deferred considerations

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

As at December 31, 2023 and 2022, 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,	
	2023	2022
Joint venture with NEC Corporation	**USD25 million**	USD25 million

40. OTHER NON-CURRENT LIABILITIES (Continued)

(b) Government incentives and grants received in advance

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

(c) Written put option liability

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

(1) Pursuant to the option agreement entered into between a wholly owned subsidiary of Lenovo and Hefei Yuan Jia Start-up Investment LLP ("Yuan Jia") on January 11,2022, which holds 99.31% interest in Hefei Zhi Ju Sheng Bao Equity Investment Co., Ltd ("ZJSB"), Lenovo and Yuan Jia are respectively granted call and put options which entitle Lenovo to purchase from Yuan Jia, or Yuan Jia to sell to Lenovo, the 99.31% interest in ZJSB. The call and put options will be exercisable 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 USD70 million).

(2) Pursuant to the contract of Chinese foreign equity joint venture ("the Contract") entered into between Joyvio Group, the subsidiary of the Company, and Saturn Agriculture Investment Co., Limited ("Saturn") in 2019, 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. As at December 31, 2023, due to the put option issued to Saturn meeting the condition to exercise, it has been reclassified as a current liability and reported as "Other payables and accruals".

(3) Pursuant to the contract of Sino-Foreign Equity Joint Venture entered into between Joyvio Group, the subsidiary of the Company, and Shaoxing Keqiao Joyvio Equity Investment Partnership (Limited Partnership) ("Shaoxing Keqiao Fund") in 2023, the Company granted Keqiao Fund the put option which entitles Shaoxing Keqiao Fund to sell its whole or a part of interest in Joyvio Group, 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 RMB0.6 billion.

41. AMOUNT DUE TO CREDIT INSTITUTIONS

	As at December 31,	
	2023	2022
	RMB'000	*RMB'000*
On demand	**1,752,179**	1,550,748
Term	**16,360,188**	173,735
Cash collateral	**2,902,840**	5,004,143
Repurchase agreement	**2,777,833**	3,856,781
Central bank of the country of subsidiary	**3,586**	1,863,300
Others	**5,445,323**	12,774,024
Total	**29,241,949**	25,222,731
Less: Non-current portion	**(651,431)**	(2,324,565)
Current portion	**28,590,518**	22,898,166

(a) Analysis by nature

	As at December 31,	
	2023	2022
	RMB'000	*RMB'000*
Unsecured	**26,464,116**	19,509,248
Collateralised	**2,777,833**	5,713,483
	29,241,949	25,222,731

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

	As at December 31,	
	2023	2022
	RMB'000	*RMB'000*
EUR	**15,531,741**	15,712,957
USD	**11,078,460**	8,530,041
CHF	**567,163**	339,315
GBP	**1,526,000**	269,124
Others	**538,585**	371,294
	29,241,949	25,222,731

Amount due to credit institutions are all from BIL.

42. AMOUNT DUE TO CUSTOMERS

	As at December 31, 2023 RMB'000	2022 RMB'000
Demand deposits and savings deposits	**87,959,469**	109,822,392
Term deposits	**57,047,611**	46,313,085
Cash collateral	**1,970**	12,236
Total	**145,009,050**	156,147,713
Less: Non-current portion	**(3,473,989)**	(2,986,590)
Current portion	**141,535,061**	153,161,123

Amount due to customers are all from BIL.

43. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at December 31, 2023 RMB'000	2022 RMB'000
Debt instruments *(i)*	**22,292,506**	14,954,659
Accept preferred shares injection	**–**	327,148
Special Financial Instruments *(ii)*	**832,360**	–
Total	**23,124,866**	15,281,807
Less: Current portion	**(6,799,953)**	(4,228,212)
Non-current portion	**16,324,913**	11,053,595

(i) BIL primarily uses the fair value option (FVO) to designate such liability as financial liability at fair value through profit or loss to eliminate or at least significantly reduce the measurement or recognition inconsistency (also known as the accounting mismatch) that would arise from measuring financial assets or liabilities or recognising the gains and losses on these assets and liabilities on a different basis. The fair value of unlisted financial instruments was determined using pricing tools and procedures established by BIL. These pricing tools are discounted cash flow models that allow the current value to be determined on the basis of an interest rate curve that is applicable to similar securities and takes into account BIL's own credit rating.

(ii) Special financial instruments are financial instruments that the external financing of the Group meet the characteristics of special financial instruments under IFRS, which are classified as equity instruments in the individual financial statements of subsidiaries, but classified as financial liabilities at fair value through profit or loss in the consolidated financial statements.

44. BORROWINGS

	As at December 31,	
	2023	2022
	RMB'000	*RMB'000*
Bank loans		
– Unsecured loans	**31,857,697**	33,203,541
– Guaranteed loans	**22,810,779**	20,789,706
– Collateralised loans	**9,669,146**	8,403,071
Other loans *(i)*		
– Unsecured loans	**500,000**	870,000
– Guaranteed loans	**292,075**	727,336
– Collateralised loans	**6,674,000**	5,592,000
Corporate bonds *(1)*		
– Unsecured bonds	**44,880,211**	54,959,341
– Asset-backed notes	**3,351,308**	2,269,731
– Convertible bonds *(2)*	**4,477,646**	5,672,519
	124,512,862	132,487,245
Less: Current portion	**(56,154,990)**	(50,902,399)
Non-current portion	**68,357,872**	81,584,846

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

44. BORROWINGS (Continued)

As at December 31, 2023 and 2022, the carrying amount of the borrowings approximates their fair value.

(1) The information about corporate bonds issued as at December 31, 2023 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 15, 2019	5 years	RMB1,000 million
The Company	Corporate bonds	June 21, 2019	5 years	RMB2,000 million
Lenovo	Convertible bonds *(2)*	January 24, 2019	5 years	USD11 million
Lenovo	Medium term notes	April 24,2020 & May 12,2020	5 years	USD965 million
Lenovo	Medium term notes	November 2, 2020	10 years	USD900 million
Lenovo	Medium term notes	July 27, 2022	5.5 years	USD600 million
Lenovo	Medium term notes	July 27, 2022	10 years	USD563 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	Bank subordinate bonds	February 1, 2023	10.25 years	EUR100 million
BIL	Medium term notes	September 1, 2021 & February 8,2022	5 years	JPY1,000 million
BIL	Medium term notes	2014-2023	1-20 years	EUR1,734 million
BIL	Medium term notes	2019-2023	0.5-5 years	USD44 million
BIL	Medium term notes	November 30, 2020	4.6 years	CHF180 million
BIL	Medium term notes	January 29, 2021	3 years	SEK167 million
BIL	Medium term notes	November 5,2021 & January 19,2022	5 years	GBP6 million
BIL	Medium term notes	November 3,2023	3 years	CNH300 million
JC Finance & Leasing	Asset-backed notes *(i)*	May 31, 2022	1-2 years	RMB27 million
JC Finance & Leasing	Asset-backed notes *(i)*	October 27, 2022	1-2 years	RMB290 million
JC Finance & Leasing	Asset-backed notes *(i)*	May 8, 2023	1-2 years	RMB452 million
JC Finance & Leasing	Asset-backed notes *(i)*	August 9, 2023	1-2 years	RMB1,452 million
JC Finance & Leasing	Asset-backed notes *(i)*	December 6, 2023	1-2 years	RMB1,130 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 2023 and 2022 include multiple notes. The principle amounts of the two packages on issuance dates amounted to RMB3,480 million and RMB3,095 million respectively.

44. BORROWINGS (Continued)

(2) Convertible bonds

A. On January 24, 2019, Lenovo completed the issuance of 5-Year USD675 million convertible bonds bearing annual interest at 3.375% due in January 2024 ("the 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 Lenovo at a conversion price of HKD7.99 per share, subject to adjustments. The conversion price was adjusted to HKD6.19 per share effective on December 1, 2023.

On August 29, 2022, approximately USD455 million in principal amount of the 2024 Convertible Bonds were purchased by Lenovo. As at December 31, 2022, the outstanding principal amount was approximately USD220 million. During 2023, approximately USD209 million in principal amount of the 2024 Convertible Bonds were converted at the adjusted conversion price at the time of the respective conversion and cancelled. As at December 31, 2023, approximately USD11 million in principal amount of the 2024 Convertible Bonds remained outstanding, which were fully converted into 13,588,173 shares at the adjusted conversion price of HKD6.19 per share in January 2024.

B. On August 26, 2022, Lenovo completed the issuance of 7-Year USD675 million convertible bonds bearing annual interest at 2.5% due in August 2029 ("the 2029 Convertible Bonds") to the bondholders. The proceeds were used to repay the previous convertible debenture and for general corporate purposes. The bondholders have the right, at any time on or after 41 days after the date of issue and up to the 10th day prior to the maturity date, to convert part or all of the outstanding principal amount of the 2029 Convertible Bonds into ordinary shares of Lenovo at a conversion price of HKD9.94 per share, subject to adjustments. The conversion price was adjusted to HKD9.42 per share effective on July 29, 2023. Assuming full conversion of the 2029 Convertible Bonds at the conversion price of HKD9.42 per share, the 2029 Convertible Bonds will be convertible into 561,675,955 shares.

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

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

44. BORROWINGS (Continued)

(2) Convertible bonds (Continued)

B. (Continued)

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 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 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, 2023, the remaining convertible bonds held by Cangyuan Investment have not yet been converted.

44. BORROWINGS (Continued)

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

	As at December 31,	
	2023	2022
Bank loans	**1.44%-11.52%**	1.72%-9.28%
Other loans	**4.06%-8.50%**	4.21%-7.40%

The upper limit range of the interest rate above mainly refers to the agreed interest rate by the Company's overseas subsidiaries under local financing contracts.

(b) Borrowings are repayable as follows:

	As at December 31,	
	2023	2022
	RMB'000	*RMB'000*
Within 1 year	**56,154,990**	50,902,399
After 1 year but within 2 years	**20,596,231**	25,679,638
After 2 years but within 5 years	**22,980,462**	25,949,240
After 5 years	**24,781,179**	29,955,968
	124,512,862	132,487,245

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

	As at December 31,	
	2023	2022
	RMB'000	*RMB'000*
RMB	**63,031,190**	62,518,162
USD	**38,979,032**	45,044,188
EUR	**17,182,499**	20,244,026
HKD	**2,944,664**	2,647,083
CHF	**1,533,876**	1,399,411
Others	**841,601**	634,375
	124,512,862	132,487,245

45. DEFERRED INCOME TAX

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

	As at December 31,	
	2023	2022
	RMB'000	*RMB'000*
Deferred tax assets:		
Recovered after 12 months	**13,538,146**	13,339,813
Recovered within 12 months	**8,718,237**	6,959,326
	22,256,383	20,299,139
Deferred tax liabilities:		
Recovered after 12 months	**(9,364,377)**	(9,675,846)
Deferred tax assets – net	**12,892,006**	10,623,293

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

	As at December 31,	
	2023	2022
	RMB'000	*RMB'000*
At beginning of the year	**10,623,293**	8,667,726
Acquisition of subsidiaries	**(43,824)**	(157,231)
Credited to the income statement *(Note 13)*	**2,044,112**	1,542,658
Offset to other comprehensive income *(Note 13)*	**18,520**	4,652
Directly credited/(charged) to equity	**110,216**	(293,658)
Exchange adjustment and reclassification	**139,689**	859,146
At end of the year	**12,892,006**	10,623,293

45. DEFERRED INCOME TAX (Continued)

The movement in deferred income tax assets and liabilities during the year, without taking the offsetting of balances within the same tax jurisdiction into consideration, is as follows:

Deferred income tax assets	**Provision and accruals** *RMB'000*	**Tax losses** *RMB'000*	**Deferred revenue** *RMB'000*	**Others** *RMB'000*	**Total** *RMB'000*
At January 1, 2022	5,705,317	10,808,619	1,340,080	1,283,717	19,137,733
Acquisition of subsidiaries	13,613	–	–	–	13,613
Credited/(Charged) to the income statement	187,570	689,547	202,369	(210,866)	868,620
Charged to other comprehensive income	(10,814)	–	–	(6,447)	(17,261)
Directly credited/(charged) to equity	15	(135,139)	–	(158,561)	(293,685)
Exchange adjustment and reclassification	238,253	924,406	(61,668)	86,859	1,187,850
At December 31, 2022	6,133,954	12,287,433	1,480,781	994,702	20,896,870
At December 31, 2022 (Restate) *(i)*	6,133,954	12,287,433	1,480,781	1,552,887	21,455,055
Acquisition of subsidiaries	**75,218**	**–**	**–**	**1,344**	**76,562**
Credited to the income statement	**1,323,431**	**648,877**	**57,749**	**841,134**	**2,871,191**
Credited to other comprehensive income	**13,560**	**–**	**–**	**10,168**	**23,728**
Directly credited to equity	**–**	**13**	**–**	**109,753**	**109,766**
Exchange adjustment and reclassification	**286,037**	**(426,396)**	**129,280**	**49,341**	**38,262**
At December 31, 2023	**7,832,200**	**12,509,927**	**1,667,810**	**2,564,627**	**24,574,564**

Deferred income tax assets are recognised for deductible temporary differences and tax losses carried forward to the extent that realization of the related tax benefit through the future taxable profits is probable.

45. DEFERRED INCOME TAX (Continued)

Deferred income tax liabilities	Fair value gains – investment properties	Fair value gains – financial assets	Fair value gains – associates	Outside basis differences	Assets valuation *(ii)*	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2022	2,466,028	2,599,171	986,487	872,709	1,833,174	1,712,438	10,470,007
Acquisition of subsidiaries	–	–	–	–	131,135	39,709	170,844
Charged/(credited) to the income statement	299,565	(682,350)	(302,906)	66,062	(266,908)	212,499	(674,038)
Charged/(credited) to other comprehensive income	198	(22,111)	–	–	–	–	(21,913)
Directly credited to equity	–	(27)	–	–	–	–	(27)
Exchange adjustment and reclassification	–	169,784	–	27,563	126,941	4,416	328,704
At December 31, 2022	2,765,791	2,064,467	683,581	966,334	1,824,342	1,969,062	10,273,577
At December 31, 2022 (Restate) *(i)*	2,765,791	2,064,467	683,581	966,334	1,824,342	2,527,247	10,831,762
Acquisition of subsidiaries	**–**	**–**	**–**	**–**	**47,953**	**72,433**	**120,386**
(Credited)/charged to the income statement	**(1,448)**	**(193,224)**	**(203,264)**	**(129,699)**	**(190,842)**	**1,545,556**	**827,079**
Charged to other comprehensive income	**4,545**	**663**	**–**	**–**	**–**	**–**	**5,208**
Directly credited to equity	**–**	**(450)**	**–**	**–**	**–**	**–**	**(450)**
Exchange adjustment and reclassification	**–**	**6,130**	**–**	**13,191**	**10,495**	**(131,243)**	**(101,427)**
At December 31, 2023	**2,768,888**	**1,877,586**	**480,317**	**849,826**	**1,691,948**	**4,013,993**	**11,682,558**

(i) The Group has initially applied the Amendments to IAS 12, Deferred tax related to assets and liabilities arising from a single transaction, from January 1, 2023. The Group has recognized a separate deferred tax asset in relation to its lease liability and a deferred tax liability in relation to its right-of-use asset, and restated the balances of deferred tax as at December 31, 2022.

(ii) Assets valuation included valuation gains on property, plant and equipment, right-of-use assets and intangible assets arising from initial recognition in business combination.

45. DEFERRED INCOME TAX (Continued)

At December 31, 2023 and 2022, the Group did not recognise deferred income tax assets in respect of deductible temporary differences of approximately RMB22,001 million and RMB17,097 million and tax losses of approximately RMB33,170 million and RMB30,631 million that can be carried forward against future taxable income. At December 31, 2023 and 2022, the unrecognised tax losses of RMB15,460 million and RMB15,190 million can be carried forward indefinitely. The balances of unrecognised tax losses will expire as follows:

	As at December 31,	
	2023	2022
	RMB'000	*RMB'000*
– within 1 year	**996,578**	2,904,979
– 1 to 2 years	**2,261,209**	445,637
– 2 to 3 years	**5,497,990**	1,707,391
– 3 to 4 years	**7,953,839**	5,480,903
– Over 4 years	**16,460,762**	20,092,126
	33,170,378	30,631,036

46. RETIREMENT BENEFIT OBLIGATIONS

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

	As at December 31,	
	2023	2022
	RMB'000	*RMB'000*
Pension obligation included in non-current liabilities		
Pension benefits *(a)*	**1,488,039**	1,853,388
Post-employment medical benefits *(b)*	**203,054**	191,903
	1,691,093	2,045,291
Expensed in income statement		
Pension benefits *(Note 9)*	**158,310**	154,607
Post-employment medical benefits *(Note 9)*	**7,841**	7,661
	166,151	162,268
Remeasurements for		
Defined pension benefits	**179,902**	742,444
Post-employment medical benefits	**4,555**	24,575
	184,457	767,019

46. RETIREMENT BENEFIT OBLIGATIONS (Continued)

The Group operates a sectionalized plan that has both defined contribution and defined benefit features in Germany, including benefits based on a final pay formula. This plan is closed to new entrants. The defined benefit plan for Motorola Mobility in Germany does not have employees, but a large number of retirees and former employees with benefits fully vested but have yet to reach retirement age. The Group's largest pension liabilities are now in Germany.

The Group continues to maintain significant pension liabilities in Japan where a cash balance benefit is provided for substantially all employees.

In the United States, the defined benefit plan is closed to new entrants, and now covers only less than 1% of employees. There is also a supplemental defined benefit plan that covers certain executives.

The Group also operates final salary defined benefit plans in a number of countries as a result of past acquisition. The Group's major plans are valued by qualified actuaries annually using the projected unit credit method.

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

(a) Pension benefits

The amounts recognised in the consolidated balance sheet are determined as follows:

	As at December 31,	
	2023	2022
	RMB'000	*RMB'000*
Present value of funded obligations	**4,681,089**	4,807,724
Fair value of plan assets *(Note 46(c))*	**(4,131,302)**	(4,075,818)
Deficit of funded plans	**549,787**	731,906
Present value of unfunded obligations	**830,715**	991,626
Liabilities in the balance sheet	**1,380,502**	1,723,532
Representing:		
Retirement benefits obligation	**1,488,039**	1,853,388
Retirement plan assets	**(107,537)**	(129,856)
	1,380,502	1,723,532

46. RETIREMENT BENEFIT OBLIGATIONS (Continued)

(a) Pension benefits (Continued)

The principal actuarial assumptions used were as follows:

	As at December 31,	
	2023	2022
Discount rate	**1.5%-5.3%**	0.5%-3.6%
Future salary increases	**0.00%-5.40%**	0.00%-3.00%
Future pension increases	**0.00%-2.30%**	0.00%-2.00%
Life expectancy for male aged 60	**21.80-27.80**	21.80-27.70
Life expectancy for female aged 60	**26.00-29.90**	26.00-29.60

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

	Year ended December 31, 2023		
	Impact on defined benefit obligation *(i)*		
	Change in assumption	**Increase in assumption**	**Decrease in assumption**
Discount rate	**0.50%**	**Decrease by 5.70% or 3.53%**	**Increase by 6.20% or 3.87%**
Salary growth rate	**0.50%**	**Increase by 1.20%**	**Decrease by 1.30% or 1.04%**
Pension growth rate	**0.50% or N/A**	**Increase by 5.20% or N/A**	**Decrease by 5.40% or N/A**
		Increase by 1 year in assumption	**Decrease by 1 year in assumption**
Life expectancy		**Increase by 1.60% or 1.18%**	**Decrease by 1.50% or 1.17%**

46. RETIREMENT BENEFIT OBLIGATIONS (Continued)

(a) Pension benefits (Continued)

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

(i) Different subsidiaries in the Group have pension plans in various regions. As different models are used, change in an assumption may result in different output. The analysis results of different model are listed respectively in above sensitivity analysis.

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change for the year ended December 31, 2023 and 2022.

46. RETIREMENT BENEFIT OBLIGATIONS (Continued)

(b) Post-employment medical benefits

The Group operates a number of post-employment medical benefit schemes, principally in the US. The method of accounting, assumptions and the frequency of valuations are similar to those used for defined benefit pension schemes.

The US plan (Lenovo Future Health Account and Retiree Life Insurance Program) is currently funded by a trust that qualifies for tax exemption under US tax law, out of which benefits to eligible retirees and dependents will be made.

As post-employment medical benefits plan made no agreements on future benefit level changes, the changes in future medical cost trend rates have no effect on the liabilities for post-employment medical benefits.

The amounts recognised in the consolidated balance sheet are determined as follows:

	As at December 31,	
	2023	2022
	RMB'000	*RMB'000*
Present value of funded obligations	**–**	–
Fair value of plan assets *(Note 46(c))*	**–**	–
Deficit of funded plans	**–**	–
Present value of unfunded obligations	**203,054**	191,903
Liabilities in the balance sheet	**203,054**	191,903

46. RETIREMENT BENEFIT OBLIGATIONS (Continued)

(c) Additional information on post-employment benefits (pension and medical)

Percentage of fair value of the plan assets are analysed below:

	2023			2022		
	Quoted	Unquoted	Total	Quoted	Unquoted	Total
Pension						
Equity instruments *(i)*	8.11%	–	5.62%	7.07%	–	4.87%
Debt instruments *(ii)*	78.09%	–	54.09%	78.13%	–	53.83%
Properties	0.32%	17.87%	5.71%	0.30%	12.70%	4.16%
Qualifying insurance policies	–	28.52%	8.77%	–	31.54%	9.81%
Cash and cash equivalents	6.50%	1.29%	4.90%	5.35%	4.44%	5.07%
Investment funds	6.98%	38.87%	16.78%	9.15%	35.59%	17.37%
Structured bonds	–	11.17%	3.43%	–	12.79%	3.98%
Others	–	2.28%	0.70%	–	2.94%	0.91%
	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Medical Plan						
– Cash and cash equivalents	–	–	–	–	–	–

(i) The equity instruments in plan assets of the subsidiaries of the Group mainly include IT, energy, manufacturing and other industries.

(ii) The debt instruments in plan assets of the subsidiaries of the Group mainly include government bond and corporate bond (both investment grade and non-investment grade).

The long-term strategic asset allocations of the plans are set and reviewed from time to time by the plans' trustees taking into account the membership and liability profile, the liquidity requirements of the plans.

For the year ended December 31, 2023 and 2022, the weighted average duration of defined benefit obligation is 11 years and 12 years respectively.

Pension and medical plan assets do not include any of the Company's ordinary shares, US real estate occupied by the Group, own transferable financial instruments issued or assets occupied or used by BIL for the year ended December 31, 2023 and 2022.

46. RETIREMENT BENEFIT OBLIGATIONS (Continued)

(c) Additional information on post-employment benefits (pension and medical) (Continued)

Reconciliation of fair value of plan assets of the Group:

	Year ended December 31,	
Pension	**2023**	2022
	RMB'000	*RMB'000*
Opening fair value	**4,075,818**	4,406,690
Interest income	**91,303**	30,362
Actuarial losses	**(121,896)**	(361,808)
Contributions by the employer	**240,735**	192,373
Contributions by plan participants	**22,565**	20,546
Benefits paid	**(309,972)**	(272,392)
Exchange adjustment	**138,945**	64,722
Others	**(6,196)**	(4,675)
Closing fair value	**4,131,302**	4,075,818
Actual return on plan assets	**(30,593)**	(331,446)

	Year ended December 31,	
Medical Plan	**2023**	2022
	RMB'000	*RMB'000*
Opening fair value	**–**	–
Interest income	**–**	114
Actuarial losses	**–**	–
Contributions by the employer	**6,875**	7,561
Benefits paid	**(6,875)**	(7,689)
Exchange adjustment	**–**	14
Closing fair value	**–**	–
Actual return on plan assets	**–**	114

Contribution of RMB162 million are estimated to be made for the year ended December 31, 2024 (For the year ended December 31, 2023: RMB237 million).

46. RETIREMENT BENEFIT OBLIGATIONS (Continued)

(c) Additional information on post-employment benefits (pension and medical) (Continued)

Reconciliation of movements in present value of defined benefit obligations of the Group:

Pension	Year ended December 31, 2023 RMB'000	2022 RMB'000
Opening defined benefit obligations	**5,799,350**	6,895,431
Current service cost	**124,581**	137,948
Past service cost	**3,277**	1,166
Interest cost	**122,862**	51,948
Actuarial gains	**(301,798)**	(1,104,252)
Contributions by plan participants	**17,319**	13,733
Benefits paid	**(337,414)**	(295,471)
Curtailment gains	**(1,107)**	(6,093)
Exchange adjustment	**84,734**	104,940
Closing defined benefit obligations	**5,511,804**	5,799,350

Medical Plan	Year ended December 31, 2023 RMB'000	2022 RMB'000
Opening defined benefit obligations	**191,903**	192,986
Exchange adjustment	**14,740**	23,406
Current service cost	**2,038**	2,699
Interest cost	**5,803**	5,076
Actuarial gains	**(4,555)**	(24,575)
Benefits paid	**(6,875)**	(7,689)
Closing defined benefit obligations	**203,054**	191,903

For the year ended December 31, 2023 and 2022, benefit of RMB27 million and RMB23 million were paid directly by the Group.

46. RETIREMENT BENEFIT OBLIGATIONS (Continued)

(c) Additional information on post-employment benefits (pension and medical) (Continued)

The amounts recognised in the consolidated income statement were as follows:

Pension	Year ended December 31, 2023 RMB'000	2022 RMB'000
Current service cost	124,581	137,948
Past service cost	3,277	1,166
Interest cost	122,862	51,948
Interest income	(91,303)	(30,362)
Curtailment gains	(1,107)	(6,093)
Total expense recognised in the consolidated income statement	158,310	154,607

Medical Plan	Year ended December 31, 2023 RMB'000	2022 RMB'000
Current service cost	2,038	2,699
Interest cost	5,803	5,076
Interest income	–	(114)
Total expense recognized in the consolidated income statement	7,841	7,661

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

	Year ended December 31, 2023 RMB'000	2022 RMB'000
Present value of defined benefit obligations	5,714,858	5,991,253
Fair value of plan assets	(4,131,302)	(4,075,818)
Deficit	1,583,556	1,915,435
Actuarial losses arising on plan assets	(121,896)	(361,808)
Actuarial gains arising on plan liabilities	306,353	1,128,827
	184,457	767,019

47. PROVISIONS

	Warranties	Environmental restoration	Restructuring	Financial guarantees *(i)*	Other provisions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at January 1, 2023	**7,646,156**	**203,540**	**27,061**	**100,422**	**114,944**	**8,092,123**
Provision made	**4,574,554**	**111,334**	**1,502,482**	**917**	**3,351**	**6,192,638**
Unused amounts reversed	**–**	**–**	**(2,147)**	**(60,516)**	**(14,037)**	**(76,700)**
Amount utilised	**(5,263,058)**	**(128,679)**	**(984,810)**	**(156)**	**(14,240)**	**(6,390,943)**
Exchange adjustment	**142,069**	**(7,555)**	**4,616**	**40,952**	**6,988**	**187,070**
Acquisition of subsidiaries	**–**	**–**	**–**	**48,043**	**–**	**48,043**
At end of the year	**7,099,721**	**178,640**	**547,202**	**129,662**	**97,006**	**8,052,231**
Less: Non-current portion	**(1,215,966)**	**(158,164)**	**(4,032)**	**(125,580)**	**(62,614)**	**(1,566,356)**
As at December 31, 2023	**5,883,755**	**20,476**	**543,170**	**4,082**	**34,392**	**6,485,875**
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
Less: Non-current portion	(1,501,359)	(173,906)	(3,808)	(97,966)	(66,967)	(1,844,006)
As at December 31, 2022	6,144,797	29,634	23,253	2,456	47,977	6,248,117

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

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

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

47. PROVISIONS (Continued)

(i) The provision for financial guarantees mainly represents the provision made by the Group for financial guarantee business under the financial services business

The following table sets forth the total guarantees of the Group as at December 31, 2023 and 2022:

	As at December 31,	
	2023	2022
	RMB'000	*RMB'000*
Financial guarantee of guarantee business *(a)*	**6,476,245**	8,171,256
Other guarantee *(b)*		
– Related parties *(Note 55(e))*	**622,016**	1,728,095
– Unrelated parties	**100,000**	180,000
	7,198,261	10,079,351

(a) Financial guarantee of guarantee business

Financial service business of the Group provides financial guarantees to the third parties for their borrowings from certain credit institutions and charge them guarantee fees accordingly. As at December 31, 2023 and 2022, the guarantee balance was RMB6,476 million and RMB8,171 million respectively. The Directors evaluate the financial position of the guaranteed entities and make provision accordingly. As at December 31, 2023 and 2022, the provision made by the Group was RMB130 million and RMB100 million respectively, which were included in "Provisions" in the consolidated balance sheet.

(b) Other guarantee

As at December 31, 2023 and 2022, the total guarantee balances the Group provided to related parties and unrelated parties are approximately RMB722 million and RMB1,908 million respectively. The Directors review the financial conditions of the guaranteed companies periodically and record provision when necessary. As at December 31, 2023 and 2022, no provision was recorded in relevant to the preceding guarantee.

48. DIVIDENDS

The Board of Directors recommended no dividend will be paid for the year ended December 31, 2023. The dividends paid in 2023 and 2022 were RMB444 million (RMB0.20 per share) and RMB836 million (RMB0.40 per share) respectively.

49. BUSINESS COMBINATIONS

In 2023, the major business combination completed by the Group is listed below:

On July 7, 2023, Lenovo completed the acquisition of the entire interests in Lenovo Leasing Co., Ltd ("Lenovo Leasing"). Lenovo Leasing is principally engaged in leasing business in Mainland China.

In 2023, the Group completed the acquisition of the entire interests in Union Insurance Co., Ltd. ("Union Insurance"). Before the transaction, Union Insurance is the associates using equity accounting with 48% effective interest held by the Group. Union Insurance is principally engaged in insurance brokerage business in Mainland China.

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

	At the acquisition date	
	Lenovo Leasing *RMB'000*	Union Insurance *RMB'000*
Purchase consideration		
– Cash consideration	884,221	244,300
– Fair value of previously held equity interest	–	225,507
Total purchase consideration	884,221	469,807
Less: Fair value of net assets acquired	(815,479)	(344,295)
Goodwill	68,742	125,512

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

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

	At the acquisition date	
	Lenovo Leasing *RMB'000*	Union Insurance *RMB'000*
Cash and cash equivalents	107,942	160,548
Property, plant and equipment	484,239	89,061
Other non-current assets	449,606	9,526
Intangible assets	1,166	499,863
Net working capital, except cash and cash equivalents	(150,027)	(407,910)
Non current liabilities	(77,447)	(6,793)
Fair value of net assets acquired	815,479	344,295

49. BUSINESS COMBINATIONS (Continued)

(c) Net cash outflow from acquisition of subsidiaries

	At the acquisition date	
	Lenovo Leasing *RMB'000*	Union Insurance *RMB'000*
Purchase consideration settled in cash	884,221	244,300
Less: cash and cash equivalents in subsidiary acquired	(107,942)	(160,548)
Acquisition of subsidiary, net of cash paid	776,279	83,752

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

The total revenue of the newly acquired business included in the consolidated income statement from its acquisition date to December 31, 2023 was RMB523 million. During the same period, the newly acquired business also contributed net profit of RMB14 million.

If the above newly acquired business had been completed on January 1, 2023, the commencement date of the financial year, the consolidated income statement would have shown increased revenue of RMB300 million and net loss of RMB82 million.

The intangible assets arising from the business combinations mainly represent licences and brand name. The Company's subsidiaries have engaged external valuers to conduct fair value assessments. The fair values of the intangible assets are measured using either the relief-from-royalty method or the multi-period excess earnings method.

As at December 31, 2023, the Company's subsidiaries have not finalized the fair value assessments for net assets (including intangible assets) from the business combination. The relevant fair values of net assets stated above are calculated on a provisional basis.

Other newly acquired business do not have significant impact on the consolidated financial information for the year ended December 31, 2023.

50. CASH GENERATED FROM OPERATIONS

(a) Cash generated from operations

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Profit before income tax	2,423,928	12,849,412
Adjustments for:		
Impairment loss for non-current assets *(Note 8)*	426,318	2,013,032
Impairment loss for loans to customers *(Note 8)*	380,675	366,551
Impairment loss for other financial assets *(Note 8)*	1,005,302	361,403
Inventory write-down *(Note 8)*	851,196	1,610,784
Depreciation of property, plant and equipment *(Note 15)*	4,069,414	3,549,028
Depreciation of right-of-use assets *(Note 16)*	1,407,178	1,294,989
Amortisation *(Note 19)*	6,130,640	5,903,387
Losses on disposal of property, plant and equipment and intangible assets *(Note 7)*	137,579	96,328
Fair value losses/(gains) on investment properties *(Note 7)*	122,878	(1,414,414)
Fair value losses/(gains) on consumable biological assets *(Note 18)*	139,271	(1,120,986)
Fair value losses/(gains) on financial liabilities	847,143	(1,139,064)
Disposal gains, fair value losses, dividend income from financial instruments at fair value through profit or loss and others	183,844	3,409,853
Fair value losses and dividend income from associates measured at fair value through profit or loss *(Note 6)*	1,122,164	1,393,686
Net finance costs *(Note 10)*	6,934,622	5,451,660
Gains on disposal/dilution of associates *(Note 6)*	(383,879)	(692,873)
Losses on disposal of subsidiaries *(Note 6)*	58,477	30,944
Dividend income from financial assets at fair value through other comprehensive income *(Note 6)*	(17,508)	(11,995)
Share-based payments *(Note 33(c))*	2,332,229	2,419,407
Share of losses/(profit) of associates and joint ventures using equity accounting	488,580	(147,784)
Net foreign exchange losses *(Note 7)*	598,959	1,133,800
Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation):		
Inventories, consumable biological assets and properties under development	10,247,663	5,616,721
Trade and other receivables	(4,357,999)	31,949,936
Loans and advances and other financial instruments	(12,255,002)	8,932,945
Amount due to customers and credit institutions	(7,119,445)	2,421,662
Trade and other payables	(1,729,842)	(34,894,264)
Cash generated from operating activities	14,044,385	51,384,148

50. CASH GENERATED FROM OPERATIONS (Continued)

(b) Net debt reconciliation

	As at December 31, 2023 RMB'000	2022 RMB'000
Cash and cash equivalents	**59,571,033**	81,159,017
Borrowings – repayable within one year	**(56,154,990)**	(50,902,399)
Borrowings – repayable after one year	**(68,357,872)**	(81,584,846)
Lease liabilities	**(3,744,672)**	(4,046,635)
Net debt	**(68,686,501)**	(55,374,863)
Cash and cash equivalents	**59,571,033**	81,159,017
Gross debt – fixed interest rates	**(75,975,976)**	(80,282,851)
Gross debt – floating interest rates	**(52,281,558)**	(56,251,029)
Net debt	**(68,686,501)**	(55,374,863)

	Cash and cash equivalents RMB'000	Borrowings due within 1 year RMB'000	Borrowing due after 1 year RMB'000	Lease liabilities RMB'000	Total RMB'000
Net debt as at January 1, 2022	59,956,630	(37,624,912)	(95,243,773)	(4,028,344)	(76,940,399)
Cash flows	17,659,031	26,299,505	(21,487,153)	1,624,010	24,095,393
Foreign exchange gains/(losses)	3,543,356	(1,257,944)	(3,169,338)	–	(883,926)
Additions of leases	–	–	–	(1,478,938)	(1,478,938)
Acquisition of subsidiaries	–	(3,630)	–	–	(3,630)
Other non-cash movements	–	(38,315,418)	38,315,418	(163,363)	(163,363)
Net debt as at December 31, 2022	81,159,017	(50,902,399)	(81,584,846)	(4,046,635)	(55,374,863)
Cash flows	**(24,033,829)**	**37,316,880**	**(32,569,540)**	**1,034,871**	**(18,251,618)**
Foreign exchange gains/(losses)	**2,445,845**	**(2,198,721)**	**5,425,764**	**–**	**5,672,888**
Additions of leases	**–**	**–**	**–**	**(579,244)**	**(579,244)**
Other non-cash movements	**–**	**(40,370,750)**	**40,370,750**	**(153,664)**	**(153,664)**
Net debt as at December 31, 2023	**59,571,033**	**(56,154,990)**	**(68,357,872)**	**(3,744,672)**	**(68,686,501)**

51. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

(a) Balance sheet of the Company

	As at December 31,	
	2023	2022
	RMB'000	*RMB'000*
ASSETS		
Non-current assets		
Property, plant and equipment	**3,209**	5,774
Right-of-use assets	**70,107**	1,291
Intangible assets	**8,921**	12,188
Investments in subsidiaries	**31,289,850**	31,185,347
Associates using equity accounting	**8,923,957**	9,646,714
Associates measured at fair value through profit or loss	**557,489**	899,462
Financial assets at fair value through profit or loss	**1,110,004**	1,239,907
Deferred income tax assets	**188,367**	639,933
Other non-current assets	**2,625,293**	3,276,578
	44,777,197	46,907,194
Current assets		
Amounts due from subsidiaries	**15,271,747**	16,350,574
Amounts due from related parties	**51,251**	267,762
Prepayment, other receivables and other current assets	**262,493**	408,780
Financial assets at fair value through profit or loss	**443,212**	658,741
Cash and cash equivalents	**2,593,507**	2,659,219
	18,622,210	20,345,076
Total assets	**63,399,407**	67,252,270
Share capital	**2,356,231**	2,356,231
Reserves *(Note 51(b))*	**15,963,422**	16,791,396
Total equity	**18,319,653**	19,147,627

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

(a) Balance sheet of the Company (Continued)

	As at December 31,	
	2023	2022
	RMB'000	*RMB'000*
LIABILITIES		
Non-current liabilities		
Borrowings	**13,067,397**	15,605,310
Lease Liabilities	**37,133**	427
Other non-current liabilities	**4,558,305**	4,496,320
	17,662,835	20,102,057
Current liabilities		
Amounts due to subsidiaries	**8,882,075**	6,850,579
Amounts due to related parties	**181,188**	45,838
Other payables and accruals	**327,727**	650,646
Borrowings	**17,990,718**	20,454,684
Lease Liabilities	**35,211**	829
Contract Liabilities	**–**	10
	27,416,919	28,002,586
Total liabilities	**45,079,754**	48,104,643
Total equity and liabilities	**63,399,407**	67,252,270

The balance sheet of the Company was approved by the Board of Directors on March 28, 2024 and was signed on its behalf.

NING Min	**LI Peng**
Director	*Director*

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

(b) Movement of reserves of the Company

The changes in the reserves of the Company during the year ended December 31, 2023 and 2022 are as follows:

	The Company						
	Statutory surplus reserve *RMB'000*	Investment revaluation reserve *RMB'000*	Share-based compensation reserve *RMB'000*	Shares held for share scheme *RMB'000*	Other reserve *RMB'000*	Retained earnings *RMB'000*	Total *RMB'000*
As at January 1, 2022	696,229	(10,543)	307,274	(336,574)	11,762,225	3,065,326	15,483,937
Profit for the year	–	–	–	–	–	2,135,008	2,135,008
Share of other comprehensive income of associates	–	25,518	–	–	–	–	25,518
Share of other reserve of associates	–	–	–	–	20,724	5,843	26,567
Share-based compensation	–	–	62,872	–	–	–	62,872
Transfer to statutory surplus reserve	223,616	–	–	–	–	(223,616)	–
Dividends paid and declared *(Note 48)*	–	–	–	–	–	(942,506)	(942,506)
As at December 31, 2022	919,845	14,975	370,146	(336,574)	11,782,949	4,040,055	16,791,396
As at January 1, 2023	919,845	14,975	370,146	(336,574)	11,782,949	4,040,055	16,791,396
Losses for the year	–	–	–	–	–	(360,866)	(360,866)
Share of other comprehensive income of associates	–	41,304	–	–	–	–	41,304
Share of other reserve of associates	–	–	–	–	(52,248)	–	(52,248)
Transfer to reserve	–	493	–	–	–	(493)	–
Share-based compensation	–	–	(114,286)	129,379	–	–	15,093
Dividends paid and declared *(Note 48)*	–	–	–	–	–	(471,257)	(471,257)
As at December 31, 2023	919,845	56,772	255,860	(207,195)	11,730,701	3,207,439	15,963,422

52. BENEFITS AND INTERESTS OF DIRECTORS AND HIGHEST PAID INDIVIDUALS

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

The emoluments of each director, supervisor, and the chief executive officer for the year ended December 31, 2023 is set out below:

Name	Fees *RMB'000*	Salaries *RMB'000*	Discretionary bonuses *RMB'000*	Medium and long-term incentive plan *RMB'000*	Retirement payment and employer's contribution to pension schedule *RMB'000*	Other benefits *RMB'000*	Total *RMB'000*
Executive Director							
Mr. NING Min (寧旻)	–	1,265	1,940	–	–	255	3,460
Mr. LI Peng (李蓬) *(Chief Executive officer)*	–	1,250	1,918	–	–	254	3,422
Non-executive Director							
Mr. ZHU Linan (朱立南) *(Note 1)*	705	–	–	1,577	–	–	2,282
Mr. ZHAO John Huan (趙令歡) *(Note 1)*	705	–	–	1,577	–	–	2,282
Mr. SUO Jishuan (索繼栓)	–	–	–	–	–	–	–
Mr. YANG Jianhua (楊建華)	–	–	–	–	–	–	–
Independent Non-executive Directors							
Mr. MA Weihua (馬蔚華)	450	–	–	–	–	–	450
Ms. HAO Quan (郝荃)	450	–	–	–	–	–	450
Mr. YIN Jianan (印建安)	450	–	–	–	–	–	450
Supervisors							
Mr. GAO Qiang (高強)	–	834	1,260	–	127	272	2,493
Mr. LUO Cheng (羅成)	–	–	–	–	–	–	–
Mr. ZHANG Yong (張勇)	–	–	–	–	–	–	–
	2,760	3,349	5,118	3,154	127	781	15,289

Note 1: For the year ended December 31, 2023, the remuneration of Mr. ZHU Linan and Mr. ZHAO John Huan is the fees and medium and long-term incentive awards received from Lenovo as directors of Lenovo, and there was no remuneration paid by Legend Holdings Corporation for them.

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

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

The emoluments of each director, supervisor, and the chief executive officer for the year ended December 31, 2022 is set out below:

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

Note 1: For the year ended December 31, 2022, the remuneration of Mr. ZHU Linan and Mr. ZHAO John Huan is the fees and medium and long-term incentive awards received from Lenovo as directors of Lenovo, and there was no remuneration paid by Legend Holdings Corporation for them.

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

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

The changes in the emoluments of directors, supervisors and the chief executive officer in 2023 as compared to 2022 are set out below:

Name	Fees	Salaries	Discretionary bonuses	Medium and long-term incentive plan	Retirement payment and employer's contribution to pension schedule	Other benefits	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive Director							
Mr. NING Min (寧旻)	–	(4,235)	(592)	–	–	(10)	(4,837)
Mr. LI Peng (李蓬) *(Chief Executive officer)*	–	(4,200)	(583)	–	–	(7)	(4,790)
Non-executive Director							
Mr. ZHU Linan (朱立南)	32	–	–	26	–	–	58
Mr. ZHAO John Huan (趙令歡)	32	–	–	26	–	–	58
Mr. SUO Jishuan (索繼栓)	–	–	–	–	–	–	–
Mr. YANG Jianhua (楊建華)	–	–	–	–	–	–	–
Independent Non-executive Directors							
Mr. MA Weihua (馬蔚華)	13	–	–	–	–	–	13
Ms. HAO Quan (郝荃)	–	–	–	–	–	–	–
Mr. YIN Jianan (印建安)	–	–	–	–	–	–	–
Supervisors							
Mr. GAO Qiang (高強)	–	(376)	473	(720)	–	–	(623)
Mr. LUO Cheng (羅成)	–	–	–	–	–	–	–
Mr. ZHANG Yong (張勇)	–	–	–	–	–	–	–
	77	(8,811)	(702)	(668)	–	(17)	(10,121)

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

(b) Interest of Directors and Supervisors

In 2019, entered into a facility agreement relating to a term loan facility with a maximum amount of USD130 million with Well Faith Management Limited ("Well Faith"), a connected entity of the Company's director Mr. ZHAO John Huan("Mr. ZHAO"), and as the borrower, and certain banks as the lenders. Under the Facility Agreement and the associated finance documents, Right Lane, a wholly-owned subsidiary of the Company and as the guarantor, shall provide a guarantee to secure the whole amount of such term loan together with any interests and other fees payable by Well Faith. Guarantee fees will be received from Well Faith continuously in respect of the guarantee liability assumed by Right Lane for the provision of guarantee starting from the date of the Facility Agreement until the date when the obligations of Right Lane have been released. Well Faith has repaid the above loan in August 2023.

In 2019, Dongfangqihui, a wholly-owned subsidiary of the Company and as one of the limited partners, together with other limited partners and Hony Capital Management (Tianjin) (Limited Partnership) ("Hony Capital Management") (as an ordinary partner and manager), entered into a Partnership Agreement to set up a fund, Hony Capital Management is a connected entity of Mr. ZHAO. Pursuant to the Partnership Agreement, the total amount of the final capital commitment of Dongfangqihui shall not exceed RMB800 million, and the proportion of its commitment shall not exceed 20% of the total size of the fund.

Leap Wave Limited ("Leap Wave"), a subsidiary of the Company, as the subscriber, and Hospital Corporation of China Limited (弘和仁愛醫療集團有限公司, "Hospital Corporation"), as the issuer, entered into the Subscription Agreement, pursuant to which Hospital Corporation has issued and Leap Wave has subscribed for the convertible bonds in the aggregate principal amount of HKD800 million and the initial conversion price is HKD20.00 per conversion share. On August 12, 2021, Leap Wave approved Hospital Corporation to enter into an amendment to amend certain provisions relating to early redemption of the convertible bonds. In accordance with the amended terms, Hospital Corporation and Leap Wave have agreed to a full HKD784 million instalment arrangement for the early redemption of convertible bonds. As at December 31, 2023, HKD695 million has been recovered. Hospital Corporation is a connected entity of Mr. ZHAO.

On August 10, 2021, the Company and Better Education Group Corporation ("Better Education") entered into a 2021 Financial Assistance Agreement, whereby the Company or its subsidiaries agree to provide Better Education and its subsidiaries with financial assistance not exceeding RMB210 million or equivalent US dollars within a period of 36 months upon Better education's written request. Better Education is a connected entity of Mr. ZHAO.

Other than the aforesaid, there are no loans, quasi-loans or other dealings in favor of directors or supervisors, their controlled bodies corporate and connected entities.

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

(c) Five highest paid individuals

The emoluments of the five highest paid individuals of the Group for the year ended December 31, 2023 are as follows:

1) The five highest paid individuals exclude any of the Company's directors and senior management for the year ended December 31, 2023.

2) The five highest paid individuals exclude any of the Company's directors and senior management for the year ended December 31, 2022.

	Year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
Salaries	**44,055**	39,999
Discretionary bonuses *(Note 1)*	**86,311**	86,792
Medium and long-term incentive plan *(Note 1)*	**247,449**	381,747
Retirement payment and employer's contribution to pension schedule	**3,415**	3,233
Other benefits	**21,261**	8,655
Total	**402,491**	520,426

Note 1: Discretionary bonuses and medium and long-term incentive awards accrued for the two years ended December 31, 2023 and 2022 represent the amounts related to performance-related discretionary bonuses and medium and long-term incentive awards for those two years, respectively.

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

(c) Five highest paid individuals (Continued)

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

	Number of individuals Year ended December 31,	
	2023	2022
Emolument bands:		
RMB56,285,001 – RMB56,735,280	**1**	–
RMB58,086,121 – RMB58,536,400	**–**	1
RMB59,436,961 – RMB59,887,240	**1**	–
RMB61,688,361 – RMB62,138,640	**1**	–
RMB70,693,961 – RMB71,144,240	**–**	1
RMB71,594,521 – RMB72,044,800	**–**	1
RMB87,354,321 – RMB87,804,600	**1**	–
RMB136,885,121 – RMB137,335,400	**1**	–
RMB149,492,961 – RMB149,943,240	**–**	1
RMB169,305,281 – RMB169,755,560	**–**	1

For the year ended December 31, 2023 and 2022, there was no emolument paid by the Group to any of the directors, supervisors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

53. COMMITMENTS

(a) Capital commitments

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

	As at December 31,	
	2023	2022
	RMB'000	*RMB'000*
Property, plant and equipment	**1,040,824**	912,636
Intangible assets	**17,523**	13,269
Investments *(i)*	**3,117,123**	4,181,980
Total	**4,175,470**	5,107,885

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

53. COMMITMENTS (Continued)

(b) Loans commitments

	As at December 31,	
	2023	2022
	RMB'000	*RMB'000*
Unused credit lines granted to credit institutions	**1,539,148**	19,635
Unused credit lines granted to customers	**28,938,836**	26,560,506
Total	**30,477,984**	26,580,141

54. TRANSACTIONS WITH OTHER NON-CONTROLLING INTERESTS

Effects of transactions with non-controlling interests on the equity attributable to owners of the Company for the year ended December 31, 2023 are as follows:

	Year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
Acquisition of additional interests in subsidiaries *(a)*	**(1,055,913)**	(234,956)
Disposal of interests in subsidiaries without loss of control *(b)*	**(626,893)**	448,776
Exemption from debt obligations of non-wholly owned subsidiaries	**(978,042)**	–
Net effect in equity attributable to equity holders of the Company	**(2,660,848)**	213,820

54. TRANSACTIONS WITH OTHER NON-CONTROLLING INTERESTS (Continued)

(a) Acquisition of additional interests in subsidiaries

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

	Year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
Carrying amount of non-controlling interests acquired	**2,966,682**	610,062
Consideration paid to non-controlling interests	**(4,022,595)**	(845,018)
Excess of consideration paid recognised within equity	**(1,055,913)**	(234,956)

(b) Disposal of interest in subsidiaries without loss of control

The effect of disposal of interests in subsidiaries is summarised as follows:

	Year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
Carrying amount of non-controlling interests disposed	**(2,102,907)**	(1,063,470)
Consideration received from non-controlling interests	**1,476,014**	1,512,246
(Losses)/gains on disposal within equity	**(626,893)**	448,776

55. RELATED PARTY TRANSACTIONS

The Company does not have any ultimate controlling party. The general information and other related information of the subsidiaries is set out in Note 11.

(a) For the year ended December 31, 2023 and 2022, the principal related parties that had transactions with the Group are listed below:

	Relationship with the Group
IGRS Engineering Lab Limited (閃聯信息技術工程中心有限公司)	Associate of the Group
Legend Capital Co., Ltd. (君聯資本管理股份有限公司)	Associate of the Group
Legend Capital Management Limited	Associate of the Group
Well Faith	Associate of the Group
Hony Capital Management Limited	Associate of the Group
Social Touch (Beijing) Technology Development Co., Ltd. (時趣互動（北京）科技有限公司)	Associate of the Group
Hefei Zhiran Real Estate Company (合肥質然房地產開發有限公司) ("Hefei Zhiran")	Associate of the Group
Fortune Eight Deacon Limited	Associate of the Group
Zeny Supply Chain (Tianjin) Co., Ltd. (增益供應鏈（天津）有限公司)	Associate of the Group
Honghe Jiayu Agricultural Technology Co., Ltd. (紅河佳裕農業科技有限公司)	Associate of the Group
Dehong Jiayu Agricultural Technology Co., Ltd. (德宏佳裕農業科技有限公司)	Associate of the Group
NAVIERA TRAVESIA S.A.	Associate of the Group
Kaola Technology	Associate of the Group
Quick Talent Holdings Limited (傑智控股有限公司)	Associate of the Group
Hankou Bank	Associate of the Group
Beijing Social Touch Advertising Co., Ltd. (北京時趣互動廣告有限公司)	Associate of the Group
Beijing Ripple Culture Communication Co., Ltd. (北京波紋文化傳播有限公司)	Associate of the Group
Legend Shenzhen Science and Technology Park Limited (深圳市聯想科技園有限公司) ("Shenzhen Science and Technology Park")	Associate of the Group
Taikang Bybo Dental Group Co., Ltd. 泰康拜博醫療集團有限公司 ("Bybo Dental")	Associate of the Group

55. RELATED PARTY TRANSACTIONS (Continued)

(b) Significant related party transactions

The following is a summary of significant related party transactions entered into in the ordinary course of business between the Group and its related parties for the year ended December 31, 2023 and 2022:

	Year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
Purchase of goods from		
– Associates	**562,164**	635,359
Sale of goods to		
– Associates	**156,736**	154,037
Services received from		
– Associates	**183,677**	379,229
Rendering of services to		
– Associates	**76,268**	170,024
(Loans from related parties)/Loans to related parties, net		
– Associates	**(1,438,358)**	786,536
Interest income from		
– Associates	**133,441**	213,200
Interest expenses to		
– Associates	**108,837**	140,823
Equity purchased from		
– Associates	**31,740**	–
(Release of guarantees provided)/guarantees provided for related parties, net		
– Associates	**(1,106,080)**	(900,482)

55. RELATED PARTY TRANSACTIONS (Continued)

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

	As at December 31,	
	2023	2022
	RMB'000	*RMB'000*
Account and notes receivables		
– Associates	**26,397**	33,781
Prepayment, other receivables and other current assets *(i)*		
– Associates	**1,665,665**	1,300,286
Trade and notes payables		
– Associates	**19,018**	25,489
Advance from customers		
– Associates	**14,060**	12,248
Other payables and accruals		
– Associates	**637,934**	887,969
Other non-current assets		
– Associates	**2,228,939**	2,850,804
Borrowings		
– Associates	**1,924,160**	2,810,950
Loans to customers		
– Associates	**663,098**	705,655
Loans to credit institutions		
– Associates	**3,407**	5,750

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

	As at December 31,	
	2023	2022
	RMB'000	*RMB'000*
Bybo Dental	**–**	102,405
Hefei Zhiran	**132,331**	152,368
Shenzhen Science and Technology Park	**426,238**	426,238
Others	**1,107,096**	619,275
Total	**1,665,665**	1,300,286

55. RELATED PARTY TRANSACTIONS (Continued)

(d) Key management compensation

	Year ended December 31, 2023 RMB'000	2022 RMB'000
Fees	2,760	2,683
Salaries	5,563	15,880
Discretionary bonuses	8,385	8,052
Medium and long-term incentive plan	3,154	7,039
Employer's contribution to pension schedule	350	350
Other benefits	1,515	1,523
	21,727	35,527

(e) Guarantee provided to related parties

	As at December 31, 2023 RMB'000	2022 RMB'000
Honghe Jiayu Agriculture Technology Co., Ltd	168,667	287,558
Social Touch (Beijing) Technology Development Co., Ltd	164,291	70,751
Dehong Jiayu Agricultural Technology Co., Ltd	146,308	72,665
NAVIERA TRAVESIA S.A.	117,750	132,328
Beijing Social Touch Advertising Co., Ltd.	15,000	–
Beijing Ripple Culture Communication Co., Ltd.	10,000	–
Legend Capital Co., Ltd	–	79,858
Union Insurance	–	170,000
Well Faith	–	766,106
Fortune Eight Deacon Limited	–	148,829
	622,016	1,728,095

Five-year Financial Summary

CONDENSED CONSOLIDATED INCOME STATEMENT

	Year ended December 31,				
	2023	2022	2021	2020	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	**436,012,166**	483,662,697	489,871,677	417,566,853	389,218,264
Profit before income tax	**2,423,928**	12,849,412	22,090,330	12,632,829	10,523,986
Income tax expense	**(1,793,620)**	(2,455,439)	(6,041,822)	(3,614,400)	(1,894,460)
Profit for the year	**630,308**	10,393,973	16,048,508	9,018,429	8,629,526
Profit attributable to:					
– Equity holders of the Company	**(3,874,279)**	1,167,063	5,754,886	3,868,011	3,606,896
– Perpetual securities holders	**–**	–	–	317,801	370,390
– Non-controlling interests	**4,504,587**	9,226,910	10,293,622	4,832,617	4,652,240
	630,308	10,393,973	16,048,508	9,018,429	8,629,526
(Losses)/Earnings per share for the profit attributable to the equity holders of the Company (expressed in RMB per share)					
Basic (losses)/earnings per share	**(1.65)**	0.50	2.46	1.66	1.54
Diluted (losses)/earnings per share	**(1.68)**	0.37	2.28	1.62	1.51

CONDENSED CONSOLIDATED BALANCE SHEET

	As at December 31,				
	2023	2022	2021	2020	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets	**373,029,601**	347,124,628	323,166,649	331,888,932	330,662,423
Current assets	**292,702,966**	333,949,540	357,519,525	319,843,839	293,412,771
Total assets	**665,732,567**	681,074,168	680,686,174	651,732,771	624,075,194
Non-current liabilities	**123,129,090**	133,906,898	161,943,876	163,095,556	138,617,296
Current liabilities	**442,484,521**	445,011,644	425,931,574	401,964,017	393,633,473
Total liabilities	**565,613,611**	578,918,542	587,875,450	565,059,573	532,250,769
Net assets	**100,118,956**	102,155,626	92,810,724	86,673,198	91,824,425

联想控股

LEGEND HOLDINGS

EMPOWERING COMPANIES TOWARD GREATNESS