联想控股
LEGEND HOLDINGS
BUILDING GREAT COMPANIES

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

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

Stock Code : 3396

Global Offering

Joint Sponsors

CICC 中金香港证券

UBS

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

CICC 中金香港证券

UBS

Goldman Sachs

Morgan Stanley

Joint Bookrunners and Joint Lead Managers (in alphabetical order)

BOC INTERNATIONAL

交銀國際 BOCOM International

citi

CITIC CLSA Securities

招銀国际 CMB INTERNATIONAL

CMS 招商证券

海通國際 HAITONG

Joint Lead Managers (in alphabetical order)

國泰君安國際 GUOTAI JUNAN INTERNATIONAL

VMS 鼎珮

IMPORTANT: If you are in any doubt about any of the contents of this prospectus, you should seek independent professional advice.

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

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

GLOBAL OFFERING

Number of Offer Shares in the Global Offering	**:**	**352,944,000 H Shares (subject to the Over-allotment Option)**
Number of Hong Kong Offer Shares	**:**	**17,647,200 H Shares (subject to adjustment)**
Number of Offer Shares in the International Offering	**:**	**335,296,800 H Shares (subject to adjustment and the Over-allotment Option)**
Maximum Offer Price	**:**	**HK$43.00 per H Share, plus brokerage of 1%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)**
Nominal value	**:**	**RMB1.00 per H Share**
Stock code	**:**	**3396**

Joint Sponsors

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

Joint Bookrunners and Joint Lead Managers (in alphabetical order)

Joint Lead Managers (in alphabetical order)

A copy of this prospectus, having attached thereto the documents specified in the paragraph headed "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix VIII to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other document referred to above.

The Offer Price is expected to be fixed by agreement between our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) on the Price Determination Date. The Price Determination Date is expected to be on or around Sunday, June 21, 2015 (Hong Kong time) and, in any event, not later than Friday, June 26, 2015 (Hong Kong time). The Offer Price will be not more than HK$43.00 and is currently expected to be not less than HK$39.80 per Offer Share. If, for any reason, the Offer Price is not agreed by Friday, June 26, 2015 (Hong Kong time) between our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters), the Global Offering will not proceed and will lapse.

Applicants for Hong Kong Offer Shares are required to pay, on application, the maximum Offer Price of HK$43.00 for each Hong Kong Offer Share together with a brokerage fee of 1%, a SFC transaction levy of 0.0027% and a Hong Kong Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price as finally determined is less than HK$39.80.

The Joint Global Coordinators, for themselves and on behalf of the Underwriters, and with our consent may, where considered appropriate, reduce the number of Hong Kong Offer Shares and/or the indicative Offer Price range below that is stated in this prospectus (which is HK$39.80 to HK$43.00) at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, notices of the reduction in the number of Hong Kong Offer Shares and/or the indicative Offer Price range will be published in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering. Such notices will also be available on the website of our Company at www.legendholdings.com.cn and on the website of the Hong Kong Stock Exchange at www.hkexnews.hk. Further details are set forth in the sections entitled "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus.

We are incorporated, and a substantial portion of our business is located, in the PRC. Potential investors should be aware of the differences in the legal, economic and financial systems between the PRC and Hong Kong and that there are different risk factors relating to investment in PRC-incorporated businesses. Potential investors should also be aware that the regulatory framework in the PRC is different from the regulatory framework in Hong Kong and should take into consideration the different market nature of the shares of our Company. Such differences and risk factors are set out in the sections headed "Risk Factors", "Appendix V – Summary of Principal Legal and Regulatory Provisions" and "Appendix VI – Summary of Articles of Association" in this prospectus.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. See the section entitled "Underwriting – Hong Kong Underwriting Agreements – Hong Kong Public Offering – Grounds for Termination" in this prospectus.

We have not been and will not be registered under the U.S. Investment Company Act of 1940, as amended (the "U.S. Investment Company Act"). The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities laws of the United States and may not be offered or sold in the United States (to or for the account or benefit of) any U.S. person except pursuant to an exemption from, or in a transaction that is not subject to, the registration requirements of the U.S. Securities Act. The Offer Shares are being offered and sold in the United States in reliance on Rule 144A, or pursuant to another exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act, only to QIBs who are also qualified purchasers ("QPs") as defined in Section 2(a)(51) of the U.S. Investment Company Act. The Offer Shares may be offered, sold or delivered outside the United States to non-U.S. persons in offshore transactions in accordance with Regulation S.

June 16, 2015

Latest time to complete electronic applications under **White Form eIPO** service through the designated website **www.eipo.com.hk**[2]	11:30 a.m. on Friday, June 19, 2015
Application lists open[3]	11:45 a.m. on Friday, June 19, 2015
Latest time to lodge **WHITE** and **YELLOW** Application Forms	12:00 noon on Friday, June 19, 2015
Latest time to give **electronic application** instructions to HKSCC[4]	12:00 noon on Friday, June 19, 2015
Latest time to complete payment of **White Form eIPO** applications by effecting internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on Friday, June 19, 2015
Application lists close	12:00 noon on Friday, June 19, 2015
Expected Price Determination Date	Sunday, June 21, 2015
Announcement of Offer Price	Friday, June 26, 2015

Announcement of:

- the level of application in the Hong Kong Public Offering;
- the level of indications of interest in the International Offering; and
- the basis of allocation of the Hong Kong Offer Shares

To be published (a) in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese); (b) on our website at **www.legendholdings.com.cn**[5] and the website of the Hong Kong Exchanges and Clearing Limited at **www.hkexnews.hk**[6] on or before	Friday, June 26, 2015
Results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers where appropriate) to be available through a variety of channels (see "How to Apply for Hong Kong Offer Shares – 11. Publication of Results") from	Friday, June 26, 2015
Result of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers where appropriate) will be available at **www.iporesults.com.hk** with a "search by ID"	Friday, June 26, 2015

H Share certificates in respect of wholly or partially successful applications to be dispatched or deposited into CCASS on or before[7] .... Friday, June 26, 2015

White Form e-Refund payment instructions/refund cheques in respect of wholly or partially unsuccessful applications to be dispatched on or before[7][8][9] .... Friday, June 26, 2015

Dealings in H Shares on the Hong Kong Stock Exchange expected to commence at 9:00 a.m. on .... Monday, June 29, 2015

Notes:

(1) All times refer to Hong Kong local time, except as otherwise stated. Details of the structure of the Global Offering, including conditions of the Hong Kong Public Offering, are set forth in section headed "Structure of the Global Offering" in this prospectus.

(2) If you have already submitted your application through the designated website at **www.eipo.com.hk** and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close. You will not be permitted to submit your application through the designated website at **www.eipo.com.hk** after 11:30 a.m. on the last day for submitting applications.

(3) If there is a tropical cyclone warning signal number 8 or above, or a "black" rainstorm warning in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, June 19, 2015, the application lists will not open on that day. Please see "How to Apply for Hong Kong Offer Shares – 10. Effect of Bad Weather on the Opening of the Application Lists" in this prospectus.

(4) Applicants who apply for the Hong Kong Offer Shares by giving electronic application instructions to HKSCC should refer to section headed "How to Apply for Hong Kong Offer Shares – 6. Applying by Giving Electronic Application Instructions to HKSCC via CCASS" in this prospectus.

(5) None of the website or any of the information contained on the website forms part of this prospectus.

(6) The announcement will be available for viewing on the Hong Kong Stock Exchange's website at **www.hkexnews.hk**.

(7) Applicants who apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Forms, you may collect refund cheques (where applicable) and H Share certificates (where applicable) in person from our H Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Friday, June 26, 2015. Applicants being individuals who opt for personal collection must not authorize any other person to make collection on their behalf. Applicants being corporations who opt for personal collection must attend by their authorized representatives each bearing a letter of authorization from his corporation stamped with the corporation's chop. Both individuals and authorized representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to the H Share Registrar. Uncollected refund cheques and H Share certificates will be dispatched promptly by ordinary post to the addresses as specified in the applicants' Application Forms at the applicants' own risk. Details of the arrangements are set out in section headed "How to Apply for Hong Kong Offer Shares" in this prospectus.

(8) Applicants who apply through the **White Form eIPO** service and paid their applications monies through single bank accounts may have refund monies (if any) dispatched to their application payment bank account, in the form of e-Refund payment instructions. Applicants who apply through the **White Form eIPO** service and paid their application monies through multiple bank accounts may have refund monies (if any) dispatched to the address as specified in their application instructions to the **White Form eIPO** Service Provider, in the form of refund cheques, at their own risk.

(9) Refund cheques will be issued in respect of wholly or partially unsuccessful applications, and also in respect of successful applications if the Offer Price is less than the price payable on application.

The H Share certificates will only become valid certificates of title provided that the Global Offering has become unconditional in all respects and neither of the Hong Kong Underwriting Agreement nor the International Underwriting Agreement is terminated in accordance with its respective terms prior to 8:00 a.m. on the Listing Date. The Listing Date is expected to be on or about Monday, June 29, 2015. Investors who trade the H Shares on the basis of publicly available allocation details prior to the receipt of H Share certificates or prior to the H Share certificates becoming valid certificates of title do so entirely at their own risk.

IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by Legend Holdings Corporation solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any securities other than the Hong Kong Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offering. This prospectus may not be used for the purpose of, and does not constitute, an offer to sell or a solicitation of an offer in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong and no action has been taken to permit the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

*You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorized by us, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their respective directors, officers, employees, advisors, agents or representatives or any other person or party involved in the Global Offering. Information contained in our website located at **www.legendholdings.com.cn** does not form part of this prospectus.*

This summary aims to give you an overview of the information contained in this prospectus. As it is a summary, it does not contain all the information that may be important to you. You should read the entire prospectus before you decide to invest in the Offer Shares.

There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in "Risk Factors" in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

We are a leading Chinese investment group. We are committed to long-term value creation by developing industry-leading companies and managing a dynamic portfolio. Over the past 30 years, under the leadership of our Founder and Chairman, Mr. Liu Chuanzhi, and our President, Mr. Zhu Linan, we have capitalized on our understanding of China's key development themes, our complementary investment businesses and our extensive management expertise to cultivate a number of industry leaders. We have established a significant presence across diverse industries and accumulated a wealth of portfolio companies, which allows us to gradually realize its value. We proactively provide value-added support to our portfolio companies, adjust resource allocation and optimize our portfolio to secure sustained value growth.

We have successfully built a number of industry-leading companies over the past 30 years:

- We began investing in the IT sector in 1984 and established Lenovo, the world's largest PC company, second-largest PC and tablets company, and third-largest smartphone company, each in terms of unit shipments in 2014.

- At the turn of the 21st century, we foresaw several trends in the Chinese economy, including (i) the rising housing demand resulting from urbanization and industrialization; (ii) the need for non-bank financing alternatives, such as venture capital and private equity investments; and (iii) the demand for improved management and strategic vision in both public and private sectors resulting from economic reform. In anticipation of these opportunities, in early 2000s we established Raycom (real estate), Legend Capital (venture capital) and Hony Capital (private equity).

- Since 2010, given the growing affluence and rising expectations of Chinese consumers, we have made strategic investments in sectors benefiting from these changes and built leading companies. These include CAR, China's largest car rental company by fleet size; Bybo, China's No. 1 dental chain in terms of number of outlets; Union Insurance, China's dominant insurance broker in education sector measured by insurance premiums; and Joyvio, a leading premium fruit producer in China.

During the Track Record Period, our revenue increased at a CAGR of 13.1% from RMB226,315.9 million in 2012 to RMB289,475.8 million in 2014; our profit attributable to equity holders of the Company increased at a CAGR of 34.8% from RMB2,287.9 million in 2012 to RMB4,160.4 million in 2014; our total assets increased at a CAGR of 20.8% from RMB197,911.0 million as of December 31, 2012 to RMB289,001.5 million as of December 31, 2014; and our total equity attributable to equity holders of the Company increased at a CAGR of 18.7% from RMB22,689.6 million as of December 31, 2012 to RMB31,985.9 million as of December 31, 2014.

OUR BUSINESS MODEL

We conduct our business through strategic investments and financial investments. They are complementary in management involvement, capital sourcing, return profiles and holding periods and encompass all stages of a company's life cycle.

Through our strategic investments, we invest in companies across six segments: IT, financial services, modern services, agriculture and food, property and chemicals and energy materials. For portfolio companies within our strategic investments business, we hold board seats and exert significant influence. We typically hold our strategic investments without any specific target exit date. Leveraging our industry insight and experience in building successful businesses, we provide financial support, brand endorsement, management enhancement and other value-added support to our portfolio companies. We regularly monitor, evaluate and optimize our portfolio to achieve long-term growth. We also access the capital markets to realize the value of our portfolio companies and achieve investment returns.

Our financial investments business primarily consists of angel investments, venture capital and private equity across all stages of a company's life cycle. We also invest in private and public companies and conduct fund-of-funds investments. We partially own the general partners in many of the venture capital and private equity funds in which we invest. These funds are usually funded with a mix of our capital and capital raised from third party investors.

For more information about our investment criteria, investment process, investment professionals and post-investment management system, see "Business – Our Business Model."

OUR BUSINESS PORTFOLIOS

We have established positions in industries with promising growth potential. The following table sets forth detailed information of our business segments and key portfolio companies in each segment as of the Latest Practicable Date.

Business Segments	Principal Businesses of the Segments	Key Drivers	Segment Strategies	Key Portfolio Companies	Principal Businesses of the Portfolio Companies	Our Ownership as of the Latest Practicable Date
Strategic Investments						
IT	Developing, manufacturing and marketing high-quality and easy-to-use technology products and services for consumers and enterprises	Consumption upgrade in China as well as relatively stable PC market globally and strong growth potential for smartphone, tablet and server markets	• "Protect and Attack" strategy to maintain and develop our strengths in our core, established markets, while at the same time targeting those businesses and markets in which we have historically less focus • In our PC business, maintaining our leadership by reinforcing our No. 1 position in China, expanding our market share and profitability in other markets, and actively increasing margins by cross-selling services and peripheral devices closely related to our PC products such as warranty upgrades, installation and data back-up • In our mobile devices business, developing innovative technologies for our smart devices, ensuring smooth integration of the Motorola Mobility business, increasing our profitability and actively expanding into emerging markets by leveraging our leading position in the PC business • In our enterprise business, achieving sustainable growth and profitability in the x86 server business • In our ecosystem and cloud service business, enhancing user experience and increasing our online competitiveness by leveraging our experience in distribution, product design and innovation	Lenovo***	The world's largest PC company, second largest PC and tablets company and third largest smartphone company	30.56%

Business Segments	Principal Businesses of the Segments	Key Drivers	Segment Strategies	Key Portfolio Companies	Principal Businesses of the Portfolio Companies	Our Ownership as of the Latest Practicable Date
Financial Services	Providing comprehensive and customized financial products and services to China's under-served SMEs and individuals	Economic structure transformation and growth in China's financial sector, including financing demands of SMEs and individuals and demands for insurance, wealth management and community financial services	• Expanding the scope of our business by establishing or acquiring additional businesses to improve our brand • Promoting our portfolio companies to expand their businesses into more regions with high growth potential • Actively developing our Internet finance business by leveraging opportunities arising from China's booming P2P industry and the big data collected by our various businesses • Exploring and achieving synergies from our financial services businesses	Zhengqi**	A leading regional diversified financial services provider dedicated to serving SMEs and providing a comprehensive range of financial services including direct loans, credit guarantees, pawn loans, financial leasing, entrusted loans and other emerging financial services	92.00%
				Hankou Bank***	A regional commercial bank	15.33%
				Union Insurance***	An insurance broker dominant in the education sector	48.00%
				Lakala***	A payment and other financial services provider with a leading position in China's offline terminal payment market	36.44%
				Suzhou Trust***	A trust services provider	10.00%

Business Segments	Principal Businesses of the Segments	Key Drivers	Segment Strategies	Key Portfolio Companies	Principal Businesses of the Portfolio Companies	Our Ownership as of the Latest Practicable Date
Modern Services	Consumer services in China's dental care, logistics, senior care and car rental sectors	China's transition from a manufacturing economy to a service-oriented economy and consumption upgrade	• Seeking to identify and invest in opportunities presented by the rapid growth and innovation associated with the Internet and mobile usage that drives business transformation	Bybo**	China's largest dental chain providing dental care services	54.90%
			• Closely monitoring industry innovation and reforms, looking for investment opportunities and ground-breaking business models	Zeny**	A logistics services provider	94.00%
				EnsenCare**	A senior care services provider	100.00%
				CAR***	China's largest car rental company	23.87%*****
Agriculture and Food	Agriculture and food business	Increase in China's consumers' per capita disposable income, consumption upgrade, high-quality pursuit and food safety concern	• Enhancing our product quality, expanding into new markets, building a premium brand and improving channel management for our agriculture and food business	Joyvio**	A leading agricultural products and food company in China	100.00%
			• Pursuing an Internet business model to reshape traditional businesses	Funglian**	A Chinese liquor company	93.30%
			• Continuing to seek investment opportunities in the fast-growing agriculture and food industry, especially to capture those opportunities arising from Chinese consumers' increasing attention to food safety			

Business Segments	Principal Businesses of the Segments	Key Drivers	Segment Strategies	Key Portfolio Companies	Principal Businesses of the Portfolio Companies	Our Ownership as of the Latest Practicable Date
Property	Development, sale, lease and management of residential properties, office buildings and industrial parks	Urbanization and growth in China's property market	• Continuing to leverage Raycom's decentralized management model with focus on established markets with potential • Continuing to develop residential property to seize the growth opportunities in China's property market and cooperate with third parties to share resources in complimentary ways • Further achieving product optimization and encouraging innovation by exploring opportunities in office building and industrial park development, and other real estate related services and value-added products	Raycom**	A property developer, owner and operator	100.00% (Raycom Property Investment**) 100.00% (Raycom Holdings**) 93.09% (Raycom Real Estate**)
Chemicals and Energy Materials	Production of chemicals and energy materials	Rapid growth in China's chemicals industry and significant opportunities to expand into more advanced downstream products	• Lowering raw material and energy consumption rate and raising productivity	Levima**	A chemical products manufacturer	90.00%
			• Developing new products and continuously increasing the proportion of high-end and custom-made products	Phylion Battery**	A lithium-ion batteries manufacturer	50.77%

Business Segments	Principal Businesses of the Segments	Key Drivers	Segment Strategies	Key Portfolio Companies	Principal Businesses of the Portfolio Companies	Our Ownership as of the Latest Practicable Date
Financial Investments						
	Engaging in fund investments and other financial investments	Economic structure transformation as well as rapidly growing markets and greater liquidity expected in the capital markets	• Maintaining a significant level of investments in various alternative investment funds • Seeking opportunities in new investments within financial services and financial products to explore new investment opportunities arising in the capital markets, and adjusting our asset allocation in accordance with changing market conditions • Further enhancing synergies with our strategic investments and boosting our investment returns	Legend Star**	Angel investment and start-up incubator	100.00% (Beijing Legend Star**) 100.00% (Tianjin Legend Star**)
				Legend Capital****	Venture capital investment	Certain LP and GP interests in various funds
				Hony Capital****	Private equity investment	Certain LP and GP interests in various funds

* We have de facto control over Lenovo and consolidated it in our consolidated financial statements during the Track Record Period (even though we have less than 50% of its voting rights) based on the following factors: 1) as of December 31, 2012, 2013 and 2014, we were the single largest shareholder of Lenovo; 2) we obtained an "acting in concert" undertaking from another shareholder; and 3) the rest of the voting rights of Lenovo are dispersed and since the date of Lenovo's listing, there has been no history of any shareholders collaborating to exercise their vote collectively or to out vote us.

** Consolidated subsidiary (We consolidate the financial performance of our subsidiaries, which are the entities (including structured entities) over which we have control. We control an entity when we are exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through our power over such entity.)

*** Associated company with accounting treatment of equity accounting

**** Our Group is an LP in each limited partnership fund and holds interests in each GP of funds structured as limited partnerships. Funds of Legend Capital and Hony Capital are accounted for as associates measured at fair value through profit or loss or subsidiaries when appropriate.

*****Due to the structure of our investments in CAR, the number refers to our beneficial interest in CAR as of December 31, 2014.

OUR STRENGTHS

We believe the following strengths have contributed to our success:

- Our Founder and Chairman Mr. Liu Chuanzhi and the Legend brand make us a “partner of choice” for entrepreneurs and corporates

- Our unique vision and forward-looking capabilities empower us to continuously capture the opportunities arising from China’s economic development

- Best-in-class investment and management team led by Chairman Mr. Liu Chuanzhi

- Capability to create and enhance value in our portfolio companies

- Complementary and synergistic investment platforms facilitate our value growth

OUR STRATEGIES

We aspire to become a globally respected, trusted and influential investment group that builds leaders across various industries. To achieve this goal, we intend to:

- Continue to make strategic investments in industries with high-growth potential, in particular focusing on consumer- and service-related themes

- Optimize portfolio structure and enhance portfolio liquidity

- Add tangible value to our portfolio companies

- Adhere to our “strategic investments plus financial investments” business model

- Encompass all stages of a company’s life cycle through diversified investment platforms and enhance their synergies

SUMMARY HISTORICAL FINANCIAL INFORMATION

The following tables set forth a summary of our consolidated financial information as of and for the years ended December 31, 2012, 2013 and 2014, which is derived from our consolidated financial information in the Accountant's Report set forth in Appendix IA to this prospectus.

Summary of Consolidated Income Statements

	Year ended December 31,		
	2012	**2013**	**2014**
	(RMB in thousands)		
Sales of goods and services	226,301,535	243,611,280	288,955,525
Interest income	16,166	399,184	706,306
Interest expense	(1,759)	(52,803)	(185,999)
Net interest income	14,407	346,381	520,307
Total revenue	226,315,942	243,957,661	289,475,832
Cost of sales	(197,518,634)	(209,231,001)	(246,333,803)
Gross profit	28,797,308	34,726,660	43,142,029
Selling and distribution expenses	(12,778,019)	(12,467,621)	(13,972,291)
General and administrative expenses	(10,960,555)	(14,330,428)	(20,044,101)
Investment income and gains	1,432,618	3,186,581	4,806,134
Other income and gains/(losses)	1,479,083	478,725	(68,702)
Finance income	520,631	539,007	591,023
Finance costs	(1,840,558)	(2,048,697)	(3,185,529)
Share of (loss)/profit of associates and joint ventures accounted for using the equity method	(7,182)	(122,010)	291,689
Profit before income tax	6,643,326	9,962,217	11,560,252
Income tax expense	(2,178,620)	(2,248,743)	(3,738,081)
Profit for the year	4,464,706	7,713,474	7,822,171
Profit attributable to:			
– Equity holders of the Company	2,287,897	4,837,590	4,160,389
– Non-controlling interests	2,176,809	2,875,884	3,661,782
	4,464,706	7,713,474	7,822,171

Summary of Consolidated Balance Sheets

	As of December 31,		
	2012	2013	2014
	(RMB in thousands)		
Total current assets	137,165,750	150,992,415	175,327,398
Total current liabilities	115,920,682	125,262,036	151,757,841
Net current assets	21,245,068	25,730,379	23,569,557
Total non-current assets	60,745,257	66,459,336	113,674,118
Total non-current liabilities	42,548,447	48,212,551	84,378,409
Total assets	197,911,007	217,451,751	289,001,516
Total liabilities	158,469,129	173,474,587	236,136,250
Total equity	39,441,878	43,977,164	52,865,266

Key Consolidated Cash Flow Statements

	Years ended December 31,		
	2012	2013	2014
	(RMB in thousands)		
Net cash generated from/(used in) operating activities	3,530,761	(1,581,817)	1,435,305
Net cash used in investing activities	(8,722,827)	(1,834,196)	(23,724,624)
Net cash generated from financing activities	6,828,553	1,074,938	23,107,071
Net increase/(decrease) in cash and cash equivalents	1,636,487	(2,341,075)	817,752
Cash and cash equivalents at end of year	37,824,632	35,461,855	35,772,890

Key Financial Ratios

	As of/For the Year Ended December 31,		
	2012	2013	2014
Current ratio (times)(1)	1.2	1.2	1.2
Return on equity (%)(2)	11.3%	17.5%	14.8%
Debt to equity ratio (%)(3)	2.6%	23.1%	76.3%

Notes:

(1) Current ratio is our current assets divided by our current liabilities at the end of each financial period.

(2) Return on equity is our profit for each financial period divided by our total equity at the end of the financial period.

(3) Debt to equity ratio is our net debt (total borrowings less cash and cash equivalents) divided by our total equity at the end of each financial period. For details regarding the increase of our debt to equity ratio during the Track Record Period, see "Financial Information – Key Financial Ratios – Debt to Equity Ratio."

Segments Results of Operations

The tables below set out the revenue, gross profit, gross profit margin, profit/(loss) and net profit/(loss) margin, as applicable, of our business segments for the periods indicated.

	For the Year Ended December 31, 2012				
	Revenue	Gross Profit*	Gross Profit Margin*	Profit/ (Loss)	Net Profit/ (Loss) Margin*
	(RMB in thousands)				
Strategic investments					
IT	211,635,843	24,719,194	11.7%	3,702,244	1.7%
Financial services	50,707	–	–	233,310	–
Modern services	57,967	27,729	47.8%	280,616	–
Agriculture and food	973,826	340,540	35.0%	(73,398)	(7.5%)
Property	7,534,984	2,937,283	39.0%	1,734,648	23.0%
Chemicals and energy materials	1,460,526	228,554	15.6%	(73,964)	(5.1%)
Financial investments	4,602,089	–	–	(515,228)	–
Unallocated	–	–	–	(823,522)	–
Total	226,315,942	28,797,308	12.7%	4,464,706	2.0%

	For the Year Ended December 31, 2013				
	Revenue	Gross Profit*	Gross Profit Margin*	Profit/ (Loss)	Net Profit/ (Loss) Margin*
	(RMB in thousands)				
Strategic investments					
IT	230,505,310	30,236,211	13.1%	4,822,890	2.1%
Financial services	997,100	–	–	607,880	–
Modern services	274,461	101,681	37.0%	(211,733)	–
Agriculture and food	1,684,689	577,338	34.3%	(200,998)	(11.9%)
Property	9,142,109	2,929,915	32.0%	1,514,454	16.6%
Chemicals and energy materials	1,282,334	103,408	8.1%	(228,377)	(17.8%)
Financial investments	71,658	–	–	2,107,040	–
Unallocated	–	–	–	(697,682)	–
Total	243,957,661	34,726,660	14.2%	7,713,474	3.2%

	For the Year Ended December 31, 2014				
	Revenue	Gross Profit*	Gross Profit Margin*	Profit/ (Loss)	Net Profit/ (Loss) Margin*
	(RMB in thousands)				
Strategic investments					
IT	272,343,938	37,700,433	13.8%	5,410,915	2.0%
Financial services	1,318,443	–	–	1,079,881	–
Modern services	853,407	170,229	19.9%	1,072,984	–
Agriculture and food	1,531,323	523,277	34.2%	(948,216)	(61.9%)
Property	11,498,478	3,615,378	31.4%	982,694	8.5%
Chemicals and energy materials	1,908,500	94,339	4.9%	(768,647)	(40.3%)
Financial investments	21,743	–	–	2,112,910	–
Unallocated	–	–	–	(1,120,350)	–
Total	289,475,832	43,142,029	14.9%	7,822,171	2.7%

* Gross profit, gross profit margin and net profit margin are not applicable to our financial services and financial investments businesses, due to the nature of their respective businesses. In addition, net profit/(loss) margin is not applicable to our modern services business because CAR, our equity-accounted associated company, contributed a significant portion of the total profit/(loss) of this segment through equity accounting method, while we did not consolidate CAR's financial results, during the Track Record Period.

For the years ended December 31, 2012, 2013 and 2014, our IT business contributed 93.5%, 94.5% and 94.1% of our total revenue, respectively. During the same periods, we recorded losses for certain of our other business segments, among them:

- Our modern services business recorded a loss of RMB211.7 million in 2013 primarily due to (i) the higher costs of our logistic business related to its business expansion, (ii) the increased loss incurred by CAR in 2013; and (iii) the loss arising from the changes in fair value of the preferred shares of CAR's then-parent company in 2013;

- Our agriculture and food business recorded a loss of RMB73.4 million in 2012, a loss of RMB201.0 million in 2013 and a loss of RMB948.2 million in 2014. The losses incurred for our agriculture and food business in 2012 and 2013 were mainly due to a significant amount of selling and distribution expenses and general and administrative expenses incurred in these periods as a result of the ramp-up of our agriculture and food business in both 2012 and 2013. The loss we incurred for our agriculture and food business in 2013 was also attributable to finance costs of RMB126.2 million in connection with the growth and acquisitions in this business. The significant increase in the loss of our agriculture and food business in 2014 was mainly due to the impairment loss of RMB620.6 million that we incurred for our

Chinese liquor business, reflecting the lower than expected profitability of this business as a result of the stagnation of the Chinese liquor industry. The loss we incurred for our agriculture and food business in 2014 was also attributable to finance cost of RMB199.9 million to support the growth of this business;

- Our chemicals and energy materials business recorded a loss of RMB74.0 million in 2012, a loss of RMB228.4 million in 2013 and a loss of RMB768.6 million in 2014. The losses incurred by our chemicals and energy materials business in 2012 and 2013 were mainly due to (i) reduced revenue as a result of the relocation of production facilities of Zhongyin Electrochemical Co., Ltd. ("Zhongyin Electrochemical") in 2013, (ii) the decrease in overseas demand for one of our major lithium-ion battery products in 2013 and (iii) the significant amount of finance cost for our chemicals and energy materials business in both 2012 and 2013. The significant increase in loss of our chemicals and energy materials business in 2014 was primarily due to the fixed assets and goodwill impairment loss of RMB477.2 million we incurred, mainly for Zhongyin Electrochemical, reflecting the lower than expected profitability of this business as a result of the excess industrial capacity in China for Zhongyin Electrochemical's products; and

- Our financial investments business recorded a loss of RMB515.2 million in 2012 mainly due to (i) RMB386.8 million of income tax expenses as a result of receipt of a dividend in 2012 and (ii) the deemed disposal loss of RMB233.3 million recognized on our investment in CSPC Pharmaceutical Group Limited.

Segments Net Assets/(Liabilities)

As of December 31, 2014, our consolidated net assets were RMB52,865.3 million.

The following table shows (i) the net assets/(liabilities) of our seven operating segments and net assets per Share before the Global Offering as of December 31, 2014 and (ii) an illustrative statement of the unaudited pro forma adjusted net assets attributable to equity holders of the Company and unaudited pro forma adjusted net assets per Share for the purpose of illustrating the effect of the Global Offering as if it had taken place on December 31, 2014 and based on the total net assets attributable to equity holders of the Company as of December 31, 2014. These unaudited pro forma adjusted net assets attributable to equity holders of the Company and unaudited pro forma adjusted net assets per Share have been prepared for illustrative purposes only and, because of their hypothetical nature, they may not give a true picture of the financial position of the Group had the Global Offering been completed as at December 31, 2014 or at any future date. All the information in the below table are derived from the Accountant's Report in Appendix IA and the Unaudited Pro Forma Financial Information in Appendix II to this prospectus. For more information, see Note 5 to the Accountant's Report in Appendix IA and the Unaudited Pro Forma Financial Information in Appendix II to this prospectus.

	Net Assets/(Liabilities) As of December 31, 2014
	(RMB in millions)
Strategic investments	
IT[(1)]	23,982.51
Financial services	7,098.96
Modern services	2,707.82
Agriculture and food	(868.93)
Property	12,111.07
Chemicals and energy materials	(139.58)
Sub-total of Strategic investments	44,891.85
Financial investments	30,537.47
Unallocated and Elimination	(22,564.05)
Total net assets	52,865.27
Non-controlling interests & put option written on non-controlling interests	(20,879.41)
Total net assets attributable to equity holders of the Company	31,985.86
Net asset per Share before the Global Offering (RMB)[(2)]	15.99
Estimated net proceeds from the Global Offering[(3)]	
– Based on Offer Price of HK$39.80 per Share	10,679.15
– Based on Offer Price of HK$43.00 per Share	11,549.95
Unaudited pro forma adjusted net assets attributable to equity holders of the Company[(4)]	
– Based on Offer Price of HK$39.80 per Share	42,665.01
– Based on Offer Price of HK$43.00 per Share	43,535.81
Unaudited pro forma adjusted net assets per Share (RMB)[(5)]	
– Based on Offer Price of HK$39.80 per Share	18.13
– Based on Offer Price of HK$43.00 per Share	18.50

Notes:

(1) The segment assets and liabilities of our IT business consist of Lenovo's assets and liabilities. As of the Latest Practicable Date, we held approximately 30.56% interest in Lenovo, and Lenovo's market capitalization was approximately HK$131.7 billion as of the Latest Practicable Date.

(2) Based on the 2,000,000,000 issued and outstanding Shares as of December 31, 2014.

(3) The estimated net proceeds from the Global Offering are based on (i) the indicative Offer Price of HK$39.80 and HK$43.00 per Share, being the low-end and the high-end of the stated offer price range, respectively, (ii) issuance of 352,944,000 Shares and (iii) an exchange rate of HK$1: RMB0.7892, after deduction of the underwriting fees and other related expenses payable by the Company, and do not take into account any Shares that may be issued pursuant to the Over-Allotment Option.

(4) Based on the total net assets attributable to equity holders of the Company as of December 31, 2014 and adjusted by the estimated net proceeds from the Global Offering as described in note (3) above.

(5) The unaudited pro forma adjusted net assets per Share are determined after the adjustments as described in note (3) above and on the basis that 2,352,944,000 Shares are in issue, assuming the Global Offering had been completed on December 31, 2014 but take no account of any shares which may be issued upon the exercise of the Over-Allotment Option.

Geographic Analysis of Our Operations

We conduct business in China as well as other countries and regions around the world. The following table sets forth the geographic breakdown of our revenue during the Track Record Period.

	Year ended December 31,		
	2012	2013	2014
	(RMB in thousands)		
China	104,997,029	104,657,386	108,023,371
Overseas countries and regions	121,318,913	139,300,275	181,452,461
Total	226,315,942	243,957,661	289,475,832

Significant Amounts of Goodwill During the Track Record Period

We recorded significant amounts of goodwill of RMB1,667.9 million, RMB1,152.4 million and RMB15,355.1 million in the years ended December 31, 2012, 2013 and 2014, respectively. We recorded these amounts in respect of our acquisitions within our strategic investments, including our IT, financial services, modern services and agriculture and food business. The significant amount of goodwill recorded in 2014 was mainly due to our acquisitions of Motorola Mobility and x86 businesses and was primarily attributable to the significant synergies expected to arise in connection with the development of mobile devices and x86 server businesses. Goodwill arises on the acquisition of subsidiaries and primarily represents the difference between the consideration transferred over our interest in the net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

RECENT DEVELOPMENTS

Our strategic investments business continues to focus on the growth of our portfolio and opportunities arising from our investment themes and the transformation of the business of our portfolio companies resulting from increasing Internet penetration. Since January 1, 2015, for our strategic investments business, we have made or proposed to make 16 equity investments with total investment amounts of approximately RMB1,348.1 million. Among these 16 investments, ten investments are related to our dental care business, three investments are related to Internet-related business, two are related to our logistics business and one is related to agriculture-related insurance business, which refers to our proposed acquisition of 6.8% equity interests of AnHua Agricultural Insurance Company Limited, the closing of which is subject to the regulatory approval. We will use our internal resources to fund these 16 investments. In our angel investments business, since January 1, 2015 we have made or proposed to make 26 equity investments with a total investment amount of approximately RMB96.5 million. For further details regarding these equity investments and certain financial information of the acquired and to be acquired businesses, please refer to Section III of the Accountant's Report set out in Appendix IA to this prospectus, the Shinewing Report set out in Appendix IB to this prospectus, and "Waivers from Strict Compliance with the Listing Rules – Waiver in Relation to Business or Subsidiary Acquired or Proposed to Be Acquired after the Track Record Period."

For the three months ended March 31, 2015, our revenue and gross profit were RMB73,678 million, and RMB12,451 million, respectively compared with RMB59,326 million RMB8,189 million, respectively, in the same period of the prior year. Our unaudited financial information as of and for the three months ended March 31, 2015 has been reviewed by the reporting accountant in accordance with International Standard on Review Engagement 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the International Auditing and Assurance Standards Board.

On May 27, 2015, Lenovo published its annual report for its fiscal year ended March 31, 2015. For that fiscal year, Lenovo's consolidated revenue increased by 20 percent year-on-year to US$46,296 million, its gross profit increased by 32 percent year-on-year to US$6,682 million and its gross profit margin increased 1.3 percentage points year-on-year to 14.4 percent. For a discussion of Lenovo's results for the fiscal year ended March 31, 2015, see its annual results announcement as filed with the Hong Kong Stock Exchange at http://www.lenovo.com/ww/lenovo/pdf/FY14_15%20Annual%20Results%20Announcement%20(Eng).pdf. On June 10, 2015, Lenovo issued and sold notes in an aggregate principal amount of RMB4,000.0 million. The notes bear interest at 4.95% per annum and will mature on June 10, 2020.

Lakala recently entered into an equity financing agreement with third party investors, pursuant to which the investors subscribed for 13.9% equity interests of Lakala for approximately RMB1,450 million based on a post-investment valuation of approximately RMB10,453 million of Lakala.

On May 28, 2015, our Board of Directors declared an annual dividend of RMB366.0 million to our existing Shareholders, and such dividend was paid on June 10, 2015.

Our Directors confirm that there have been no material changes in our business, results of operations or financial condition since December 31, 2014 and up to the date of this prospectus.

USE OF PROCEEDS

We estimate that the net proceeds accruing to us from the Global Offering (after deducting underwriting commissions, fees and other estimated expenses payable by us in connection with the Global Offering) will be approximately HK$14,082.6 million, assuming the Over-allotment Option is not exercised and assuming an Offer Price of HK$41.40 per H Share, being the mid-point of the Offer Price range of HK$39.80 to HK$43.00 per H Share as stated in this prospectus. We currently intend to apply such net proceeds for the following purposes:

- (i) approximately HK$7,745.4 million to HK$8,449.6 million, or 55-60% of the estimated total net proceeds, to be used in strategic investments for new business acquisition(s) and further development of the existing businesses. As of the Latest Practicable Date, we had not proposed to invest in any specific acquisition target or identified any such targets for the use of net proceeds from the Global Offering. Regarding our future acquisitions in strategic investments, we will focus on industries with high growth potential, such as consumer- and service-related industries, and (ii) approximately HK$1,408.3 million to HK$2,816.5 million, or 10-20% of the estimated total net proceeds, to be used in financial investments, focusing on investment in new funds, as LP and GP, and direct investments in equity and fixed income products. As of the Latest Practicable Date, we had not identified or committed to any investment targets for the use of net proceeds from the Global Offering. For details, see "Business – Our Business Model – Investment Criteria".

- approximately HK$2,112.4 million to HK$2,816.5 million, or 15-20% of the estimated total net proceeds, to be used for partial repayment of our corporate bonds due in 2015, details of which are set out below:

Principal amount	**Interest rate (per annum)**	**Redemption date**	**Usage**
RMB2 billion	5.87%	October 8, 2015	working capital

- approximately HK$1,408.3 million, or 10% of the estimated total net proceeds, to be used for working capital and other general corporate purposes.

To the extent that the net proceeds from the Global Offering are not immediately applied to the above purposes, we intend to place the same in short-term deposits with licensed banks or financial institutions in the PRC or Hong Kong as permitted by the relevant laws and regulations.

OFFERING STATISTICS

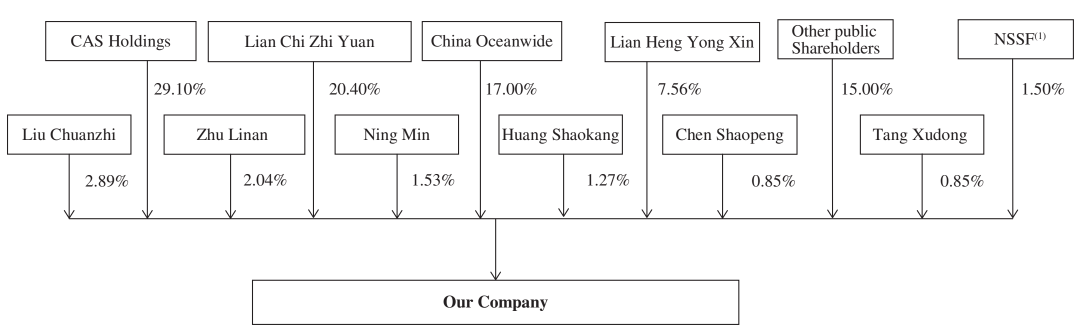
The statistics in the following table are based on the assumption that: (a) the Global Offering has been completed and 352,944,000 H Shares have been newly issued; (b) the Over-allotment Option has not been exercised; and (c) there are 2,352,944,000 issued and outstanding Shares following completion of the Global Offering.

	Based on Minimum Indicative Price of HK$39.80	**Based on Maximum Indicative Price of HK$43.00**
Market Capitalization	HK$93,647.2 million	HK$101,176.6 million
Unaudited pro forma adjusted consolidated net tangible assets per Share(1)	HK$11.47	HK$12.73

(1) The unaudited pro forma adjusted consolidated net tangible assets per Share is arrived at after the adjustments referred to in "Appendix II – Unaudited Pro Forma Financial Information".

OUR SHAREHOLDING STRUCTURE

The following chart sets forth the shareholding structure of our Company immediately following completion of the Global Offering (assuming that the Over-allotment Option is not exercised):



Note:

(1) Upon completion of the Global Offering and assuming the Over-allotment Option is not exercised, 35,294,400 H Shares (converted from Domestic Shares) representing 1.5% of our total share capital will be transferred to and held by NSSF pursuant to relevant PRC regulations regarding reductions of state-owned shares.

As of the Latest Practicable Date, CAS Holdings, which is a wholly state-owned limited liability company, held 36% of the issued share capital of our Company. Immediately after the Global Offering and assuming the Over-allotment Option is not exercised, CAS Holdings will hold a 29.10% interest in the issued share capital of our Company.

DIVIDEND POLICY

We paid dividends of RMB275.0 million, RMB302.5 million and RMB332.8 million during the years ended December 31, 2012, 2013 and 2014, respectively. On May 28, 2015, our Board of Directors declared an annual dividend of RMB366.0 million to our existing Shareholders, which was paid on June 10, 2015. However, dividends we have declared in the past may not be indicative of our future dividend policy or payments. We currently intend to pay dividends in 2016 in an amount not less than the amount of dividends we paid in 2015 subject to our financial performance and any other conditions that our Directors deem relevant. Going forward, we do not have a dividend payout ratio and our dividend distribution will be determined based on the results of our operations, cash flows, financial position, capital adequacy ratio, cash dividends we receive from our portfolio companies, future business prospects, statutory and regulatory restriction on the payment of dividends by us, and other factors that our Board of Directors may consider relevant. For further information of our dividend policy, see "Financial Information – Dividends and Retained Profit – Dividend Policy".

LISTING EXPENSES

As of December 31, 2014, we incurred approximately RMB23.4 million listing expenses for the Global Offering, of which approximately RMB2.1 million was charged to our consolidated income statements and approximately RMB21.3 million was capitalized as deferred expenses and will be charged against equity upon the Listing. We expect to incur an additional RMB394.3 million in expenses (assuming an Offer Price of HK$41.40 per H Share, being the mid-point of the Offer Price range of HK$39.80 to HK$43.00 per H Share) until the completion of the Global Offering, of which approximately RMB24.7 million is expected to be charged to our consolidated income statements and approximately RMB369.6 million is expected to be charged against equity upon the Listing under the relevant accounting standards. We do not expect these expenses to have a material impact on our results of operation for 2015.

RISK FACTORS

Our business faces risks set out in "Risk Factors" in this prospectus. These risks can be categorized into (i) risks relating to our general operations, (ii) risks relating to our strategic investments and operations, (iii) risks relating to our financial investments and management; (iv) risks relating to countries in which we operate, and (v) risks relating to the Global Offering. Additional risks and uncertainties not presently known to us, or not expressed or implied below, or that we deem immaterial, could also harm our business, financial condition and operating results.

We believe that the following are some of the major risks that we face:

- We engage in multiple business lines through a large number of portfolio companies, and this business structure exposes us to challenges not faced by companies with a single or small number of business lines.

- We may be unable to successfully identify, invest in or acquire suitable investment projects or acquisition targets.

- Businesses we acquire may not be integrated successfully or managed effectively and may present unforeseen costs and challenges to us.

- Our Company needs sufficient cash flow to grow its business, make investments and repay debt.

- Certain of our businesses and operations require substantial capital investment and we may not be able to obtain sufficient capital resources for our continued growth and other operational needs.

As different investors may have different interpretations and criteria when determining the significance of a risk, you should read the "Risk Factors" section in its entirety before you decide to invest in the Offer Shares.

In this prospectus, unless the context otherwise requires, the following terms and expressions shall have the meanings set forth below.

"Accountant's Report"	the report on the financial information regarding our Company and its subsidiaries for each of the three years ended December 31, 2012, 2013 and 2014 prepared by the reporting accountant and set forth in "Appendix IA – Accountant's Report" in this prospectus
"Application Form(s)"	**WHITE** Application Form(s), **YELLOW** Application Form(s) and **GREEN** Application Form(s), or where the context so requires, any of them, relating to the Hong Kong Public Offering
"Articles of Association" or "Articles"	the articles of association of our Company conditionally adopted on March 15, 2015 and will become effective on the Listing Date, a summary of which is set out in Appendix VI to this prospectus
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"associated company(ies)"	for the purpose of this prospectus, all entities over which the Group has significant influence. Significant influence represents the power to participate in the financial and operational policies decision of the investees, but without control or joint control rights over these policies
"AST"	AST Research, Inc., an Independent Third Party and, where the context requires, its relevant subsidiaries or affiliates or the brand name under which their products are marketed
"Beijing Legend Star"	Beijing Legend Star Venture Capital Co., Ltd. (北京聯想之星創業投資有限公司), a company incorporated on December 1, 2009 under the laws of the PRC and our wholly-owned subsidiary
"Board" or "Board of Directors"	the board of directors of our Company
"Board of Supervisors"	the board of supervisors of our Company
"business day"	a day on which banks in Hong Kong are generally open for normal banking business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong

"Bybo"	Guangdong Bybo Dental Investment Management Co., Ltd. (廣東拜博口腔醫療投資管理有限公司), a limited liability company incorporated on June 30, 1999 under the laws of the PRC and our subsidiary owned as to 54.9% by us
"CAGR"	compound annual growth rate
"CAR"	CAR Inc., an exempted company incorporated in the Cayman Islands on April 25, 2014 with limited liability and listed on the Main Board of the Hong Kong Stock Exchange (Stock Code: 699) and one of our associated companies
"CAS"	Chinese Academy of Sciences (中國科學院), an organization directly under the supervision of the State Council
"CAS Holdings"	Chinese Academy of Sciences Holdings Co., Ltd. (中國科學院國有資產經營有限責任公司), a wholly state-owned limited liability company incorporated on April 12, 2002 under the laws of the PRC. It is our Controlling Shareholder, one of our Promoters and holds 36% equity interest in our Company immediately prior to the completion of the Global Offering
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"China" or "PRC"	the People's Republic of China excluding, for the purpose of this prospectus, Hong Kong, Macau and Taiwan

"China Oceanwide"	China Oceanwide Holdings Group Co., Ltd. (中國泛海控股集團有限公司), a limited liability company incorporated on April 7, 1988 under the laws of the PRC. It is one of our Promoters and holds 20% equity interest in our Company immediately prior to the completion of the Global Offering
"CITIC PE"	CITIC Private Equity Funds Management Co., Ltd.
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Company" or "our Company"	Legend Holdings Corporation (聯想控股股份有限公司) (formerly known as "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), "Beijing Legend Computer New Technology Development Company" (北京聯想計算機新技術發展公司), "Legend Group Holdings Company" (聯想集團控股公司) and "Legend Holdings Limited" (聯想控股有限公司)), a joint stock limited liability company incorporated on February 18, 2014 under the laws of PRC
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"connected transaction(s)"	has the meaning ascribed thereto under the Listing Rules
"Controlling Shareholder"	has the meaning ascribed thereto under the Listing Rules and, unless the context requires otherwise, refers to CAS Holdings
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會)
"CVSource"	online database system of ChinaVenture, a strategy consultancy company in the PRC
"Director(s)"	director(s) of our Company
"Domestic Shares"	ordinary shares issued by our Company, with a nominal value of RMB1.00, which are subscribed for or credited as paid in Renminbi
"EIT"	enterprise income tax of the PRC

"EIT Law"	Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法) adopted by the Tenth National People's Congress on March 16, 2007, and effective on January 1, 2008
"Employee Shareholding Association"	the employee shareholding association (職工持股會) established on May 10, 2001 pursuant to the "Reply to the Registration Application by Legend Holdings Limited for Establishment of an Employee Shareholding Association (jing min she deng zi [2001] No. 1224) (《關於聯想控股有限公司職工持股會申請登記的批覆》 (京民社登字[2001]第1224號)). The Employee Shareholding Association subsequently merged with Lian Chi Zhi Yuan, as the surviving entity, pursuant to a merger agreement dated December 30, 2010 between the Employee Shareholding Association and Lian Chi Zhi Yuan
"EnsenCare"	Beijing EnsenCare Holdings Co., Ltd. (北京安信頤和控股有限公司), a company incorporated on August 1, 2011 under the laws of the PRC and our wholly-owned subsidiary
"Euromonitor"	Euromonitor International Ltd., an independent industry consultant
"Funglian"	Funglian Holdings Limited (豐聯酒業控股集團有限公司), a limited liability company incorporated on July 16, 2012 under the laws of the PRC and our subsidiary owned as to 93.3% by us
"GDP"	gross domestic product (except as otherwise specified, all references to GDP growth rates are to real, as opposed to nominal, rates of GDP growth)
"Global Offering"	the Hong Kong Public Offering and the International Offering
"Google"	Google Inc., a company incorporated in the State of Delaware, an Independent Third Party and, where the context requires, its relevant subsidiaries or affiliates or the brand name under which their products are marketed

"**GREEN** Application Form(s)"	the application form(s) to be completed by the **White Form eIPO** Service Provider, Computershare Hong Kong Investor Services Limited
"Group", "our Group", "our", "we" or "us"	our Company and all of its subsidiaries, or any one of them as the context may require or, where the context refers to any time prior to its incorporation, the business which its predecessors or the predecessors of its present subsidiaries, or any one of them as the context may require, were or was engaged in and which were subsequently assumed by it
"H Share(s)"	overseas listed foreign shares in our ordinary share capital with a nominal value of RMB1.00 each, which are to be subscribed for and traded in HK dollars and are to be listed on the Hong Kong Stock Exchange
"H Share Registrar"	Computershare Hong Kong Investor Services Limited
"Hankou Bank"	Hankou Bank Co., Ltd. (漢口銀行股份有限公司), a joint stock limited liability company incorporated on December 15, 1997 under the laws of the PRC and one of our associated companies
"HK$" or "HK dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly owned subsidiary of Hong Kong Exchanges and Clearing Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Offer Shares"	the H Shares offered by us for subscription pursuant to the Hong Kong Public Offering

"Hong Kong Public Offering"	the offering by our Company of initially 17,647,200 H Shares for subscription by the public in Hong Kong (subject to adjustment as described in "Structure of the Global Offering") for cash at the Offer Price (plus brokerage of 1%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005%), on and subject to the terms and conditions described in "Structure of the Global Offering" and the Application Forms
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Hong Kong Underwriters"	the underwriters of the Hong Kong Public Offering listed in "Underwriting – Hong Kong Underwriters"
"Hong Kong Underwriting Agreement"	the underwriting agreement dated June 15, 2015, relating to the Hong Kong Public Offering and entered into by, among others, our Company, the Joint Global Coordinators and the Hong Kong Underwriters
"Hony Capital"	a series of private equity investment funds, together with their respective management companies/general partners
"HP"	Hewlett-Packard Company, an Independent Third Party and, where the context requires, its relevant subsidiaries or affiliates or the brand name under which their products are marketed
"IBM"	International Business Machines Corporation, an Independent Third Party and, where the context requires, its relevant subsidiaries or affiliates or the brand name under which their products are marketed
"IDC"	IDC Consulting Beijing Ltd. (IDC諮詢(北京)有限公司)
"IFRS"	International Financial Reporting Standards issued by the International Accounting Standards Board
"Independent Third Party(ies)"	person(s) or company(ies) and its/their respective ultimate beneficial owner(s), who/which, to the best of our Directors' knowledge, information and belief, having made all reasonable enquiries, is/are independent of our Company and our connected persons

"International Offer Shares"	the 335,296,800 H Shares initially offered by us for subscription pursuant to the International Offering, subject to adjustment and the exercise of the Over-allotment Option
"International Offering"	the offer of the International Offer Shares by the International Underwriters at the Offer Price, outside the United States to non-U.S. persons in offshore transactions in accordance with Regulation S and in the United States only to QIBs who are also QPs in reliance on Rule 144A or any other available exemption from registration under the U.S. Securities Act, as further described in "Structure of the Global Offering"
"International Underwriters"	the group of international underwriters, led by the Joint Global Coordinators, that is expected to enter into the International Underwriting Agreement to underwrite the International Offering
"International Underwriting Agreement"	the underwriting agreement expected to be entered into on or about the Price Determination Date by, among others, our Company, the Joint Global Coordinators and the International Underwriters, in respect of the International Offering
"Joint Bookrunners"	China International Capital Corporation Hong Kong Securities Limited (中國國際金融香港證券有限公司), UBS AG, Hong Kong Branch, Goldman Sachs (Asia) L.L.C., Morgan Stanley Asia Limited (for Hong Kong Public Offering), Morgan Stanley & Co. International plc. (for International Offering), BOCI Asia Limited, BOCOM International Securities Limited, Citigroup Global Markets Asia Limited (for Hong Kong Public Offering), Citigroup Global Market Limited (for International Offering), CLSA Limited, CMB International Capital Limited, China Merchants Securities (HK) Co., Limited and Haitong International Securities Company Limited
"Joint Global Coordinators"	China International Capital Corporation Hong Kong Securities Limited (中國國際金融香港證券有限公司), UBS AG, Hong Kong Branch, Goldman Sachs (Asia) L.L.C. and Morgan Stanley Asia Limited

"Joint Lead Managers"	China International Capital Corporation Hong Kong Securities Limited (中國國際金融香港證券有限公司), UBS AG, Hong Kong Branch, Goldman Sachs (Asia) L.L.C., Morgan Stanley Asia Limited (for Hong Kong Public Offering), Morgan Stanley & Co. International plc. (for International Offering), BOCI Asia Limited, BOCOM International Securities Limited, Citigroup Global Markets Asia Limited (for Hong Kong Public Offering), Citigroup Global Market Limited (for International Offering), CLSA Limited, CMB International Capital Limited, China Merchants Securities (HK) Co., Limited, Haitong International Securities Company Limited, Guotai Junan Securities (Hong Kong) Limited and VMS Securities Limited
"Joint Sponsors"	China International Capital Corporation Hong Kong Securities Limited (中國國際金融香港證券有限公司) and UBS Securities Hong Kong Limited
"Joyvio"	Joyvio Group Co., Ltd. (佳沃集團有限公司), a limited liability company incorporated on May 18, 2012 under the laws of the PRC and our wholly-owned subsidiary
"Lakala"	Beijing Lakala Payment Limited (拉卡拉支付有限公司), a limited liability company incorporated on January 6, 2005 under the laws of the PRC and one of our associated companies
"Latest Practicable Date"	June 8, 2015, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information contained in this prospectus
"Legend Capital"	a series of venture capital funds, together with their respective management companies/partnerships
"Legend Investment"	Legend Capital Limited (聯想投資有限公司), a limited liability company incorporated on March 26, 2001 under the laws of the PRC and our subsidiary owned as to 89.87% by us
"Legend Star"	Beijing Legend Star and Tianjin Legend Star
"Lenovo"	Lenovo Group Limited (聯想集團有限公司), a limited liability company incorporated on October 5, 1993 under the laws of Hong Kong and listed on the Main Board of the Hong Kong Stock Exchange (Stock Code: 0992)

"Levima"	Levima Group Limited (聯泓集團有限公司), a limited liability company incorporated on April 12, 2012 under the laws of the PRC and our subsidiary owned as to 90% by us
"Lian Chi Zhi Tong"	Beijing Lian Chi Zhi Tong Management Consulting Limited (北京聯持志同管理諮詢有限責任公司), a limited liability company incorporated on September 27, 2010 under the laws of the PRC
"Lian Chi Zhi Yuan"	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)), a limited partnership incorporated on December 29, 2010 under the laws of the PRC. It is one of our Promoters and holds 24% equity interest in our Company immediately prior to the completion of the Global Offering
"Lian Heng Yong Kang"	Beijing Lian Heng Yong Kang Management Consulting Limited (北京聯恒永康管理諮詢有限責任公司), a limited liability company incorporated on December 19, 2011 under the laws of the PRC
"Lian Heng Yong Xin"	Beijing Lian Heng Yong Xin Investment Center Limited Partnership (北京聯恆永信投資中心(有限合夥)), a limited partnership incorporated on February 9, 2012 under the laws of the PRC. It is one of our Promoters and holds 8.9% equity interest in our Company immediately prior to the completion of the Global Offering
"Listing"	listing of the H Shares on the Main Board of the Hong Kong Stock Exchange
"Listing Committee"	the Listing Committee of the Hong Kong Stock Exchange
"Listing Date"	the date, expected to be on or about June 29, 2015, on which our H Shares are listed and from which dealings therein are permitted to take place on the Hong Kong Stock Exchange
"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
"Macau"	the Macau Special Administrative Region of the PRC

"Main Board"	the Main Board of the Hong Kong Stock Exchange
"Mandatory Provisions"	the "Mandatory Provisions for Articles of Association of Companies to be Listed Overseas" (到境外上市公司章程必備條款), as amended, supplemented or otherwise modified from time to time, for inclusion in the articles of association of companies incorporated in the PRC to be listed overseas (including Hong Kong), which were promulgated by the former State Council Securities Committee and the former State Commission for Economic System Reform on August 27, 1994
"MOFCOM"	the Ministry of Commerce of the PRC (中華人民共和國商務部)
"Motorola Mobility"	Motorola Mobility Holdings LLC, a limited company incorporated in the State of Delaware, USA and a wholly-owned subsidiary of Lenovo and, where the context requires, its relevant subsidiaries or affiliates or the brand name under which their products are marketed
"NDRC"	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
"non-PRC resident enterprise"	as defined under the EIT Law, means companies incorporated pursuant to a non-PRC law with their de facto management conducted outside the PRC, but which have established organizations or premises in the PRC, or which have generated income within the PRC without having established organizations or premises in the PRC
"NPC"	National People's Congress of the PRC (中華人民共和國全國人民代表大會)
"NSSF"	the National Council for Social Security Fund of the PRC (中華人民共和國全國社會保障基金理事會)
"Offer Price"	the final offer price per H Share (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005%) at which the Offer Shares are to be subscribed for and issued, or purchased and sold pursuant to the Global Offering as described in "Structure of the Global Offering"

"Offer Shares"	the Hong Kong Offer Shares and the International Offer Shares, with any additional H Shares to be issued pursuant to the exercise of the Over-allotment Option
"Over-allotment Option"	the option granted by us to the International Underwriters, exercisable by the Joint Global Coordinators (on behalf of the International Underwriters) pursuant to which our Company may be required to issue up to 52,940,000 additional H Shares at the Offer Price, representing approximately 15% of the Offer Shares initially available under the Global Offering, to, among others, cover over-allocations in the International Offering, the details of which are described in "Structure of the Global Offering – The Over-allotment Option"
"PBOC"	the People's Bank of China (中國人民銀行), the central bank of PRC
"Phylion Battery"	Phylion Battery Co., Ltd. (蘇州星恒電源有限公司), a limited liability company incorporated on December 18, 2003 under the laws of the PRC and our subsidiary owned as to 50.774% by us
"portfolio companies"	our subsidiaries and associated companies within our strategic investments business unless the context indicates otherwise
"PRC Company Law"	the Company Law of the People's Republic of China (中華人民共和國公司法)
"PRC GAAP"	Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC
"PRC Government" or "State"	all governmental subdivisions (including provincial, municipal and other regional or local government entitles) and instrumentalities of the PRC
"PRC Securities Law"	the Securities Law of the People's Republic of China (中華人民共和國證券法)

"Price Determination Date"	the date, expected to be on or around June 21, 2015 on which the Offer Price is determined, or such later time as our Company and the Joint Global Coordinators (on behalf of the Underwriters) may agree, but in any event not later than June 26, 2015
"Promoters"	CAS Holdings, Lian Chi Zhi Yuan, China Oceanwide, Lian Heng Yong Xin, Mr. Liu Chuanzhi, Mr. Zhu Linan, Mr. Ning Min, Mr. Huang Shaokang, Mr. Chen Shaopeng and Mr. Tang Xudong
"Property Valuer" or "JLL"	Jones Lang LaSalle Corporate Appraisal and Advisory Limited
"prospectus"	this prospectus being issued in connection with the Hong Kong Public Offering
"province"	each being a province or, where the context requires a provincial level autonomous region or municipality under the direct supervision of the central government of the PRC
"QIBs"	qualified institutional buyers within the meaning of Rule 144A
"Quant Star"	Ningbo Quant Star Investment Center (Limited Partnership) (寧波寬客之星投資中心(有限合夥)), a quantitative parent fund managed by Ningbo Kuan Ao Investment Management Co., Ltd. (寧波寬奧投資管理有限公司) through Tibet Kuan Yu Investment Management Center (Limited Partnership) (西藏寬裕投資管理中心(有限合夥))
"Raycom"	Raycom Holdings, Raycom Property Investment and Raycom Real Estate
"Raycom Holdings"	Raycom Holdings Limited (融科智地控股有限公司), a limited liability company incorporated on July 12, 2006 under the laws of the PRC and our wholly-owned subsidiary
"Raycom Property Investment"	Raycom Property Investment Limited (融科物業投資有限公司), a limited liability company incorporated on July 10, 2006 under the laws of the PRC and our wholly-owned subsidiary

"Raycom Real Estate"	Raycom Real Estate Development Co., Ltd. (融科智地房地產股份有限公司), a joint stock limited liability company incorporated on June 11, 2001 under the laws of the PRC and our subsidiary owned as to approximately 93.09% by us
"Regulation S"	Regulation S under the U.S. Securities Act
"Right Lane"	Right Lane Limited (南明有限公司), a limited liability company incorporated on January 29, 1988 under the laws of Hong Kong and our wholly-owned subsidiary
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"Rule 144A"	Rule 144A under the U.S. Securities Act
"SAFE"	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"SAIC"	the State Administration of Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局)
"SAT"	The State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Share(s)"	share(s) in the share capital of our Company, with a nominal value of RMB1.00 each, comprising our Domestic Shares and our H Shares
"Shareholder(s)"	holder(s) of the Share(s)
"SIFMA"	Securities Industry and Financial Markets Association in the U.S.
"SMEs"	small-and medium-sized enterprises
"SOE(s)"	state-owned enterprise(s)

"Special Regulations"	the Special Regulations of the State Council on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies (國務院關於股份有限公司境外募集股份及上市的特別規定), promulgated by the State Council on August 4, 1994, as amended, supplemented or modified from time to time
"Stabilizing Manager"	UBS AG, Hong Kong Branch
"State Council"	the State Council of the PRC
"subsidiary"	has the meaning ascribed thereto under the Listing Rules
"Substantial Shareholder(s)"	has the meaning ascribed thereto under the Listing Rules
"Supervisor(s)"	member(s) of the Board of Supervisors
"Suzhou Trust"	Suzhou Trust Ltd (蘇州信託有限公司), a limited liability company incorporated on September 18, 2002 under the laws of the PRC and one of our associated companies
"Takeovers Code"	the Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time
"Tianjin Legend Star"	Tianjin Legend Star Venture Capital Co., Ltd. (天津聯想之星創業投資有限公司), a limited liability company incorporated on January 9, 2012 under the laws of the PRC and our wholly owned subsidiary
"Track Record Period"	the three financial years ended December 31, 2014
"U.S." or "United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"U.S. Securities Act"	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
"Underwriters"	the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement

"Union Insurance"	Union Insurance Broker Group Co., Ltd. (聯保投資集團有限公司), a limited liability company incorporated on September 5, 2012 under the laws of the PRC and one of our associated companies
"US$" or "U.S. dollars" or "USD"	United States dollars, the lawful currency of the United States
"**WHITE** Application Form(s)"	the application form(s) for use by the public who require(s) such Hong Kong Offer Shares to be issued in the applicant's/applicants' own name
"**White Form eIPO**"	the application for Hong Kong Offer Shares to be issued in the applicant's own name by submitting applications online through the designated website of **White Form eIPO** at **www.eipo.com.hk**
"**White Form eIPO** Service Provider"	Computershare Hong Kong Investor Services Limited
"**YELLOW** Application Form(s)"	the application form(s) for use by the public who require(s) such Hong Kong Offer Shares to be deposited directly into CCASS
"Zeny"	Zeny Supply Chain Co., Ltd (增益供應鏈有限公司), a limited liability company incorporated on July 24, 2012 under the laws of the PRC and our subsidiary owned as to 94% by us
"Zero2IPO"	Zero2IPO Group (清科集團), an integrated service provider and investment institution in PRC's private equity industry
"Zhengqi"	Zhengqi Anhui Financial Holdings Co., Ltd. (正奇安徽金融控股有限公司), a limited liability company incorporated on October 10, 2012 under the laws of the PRC and our subsidiary owned as to 92% by us
"%"	per cent

The English translation of the PRC entities, enterprises, nationals, facilities, regulations in Chinese or another language included in this prospectus is for identification purposes only. To the extent there is any inconsistency between the Chinese names of the PRC entities, enterprises, nationals, facilities, regulations and their English translations, the Chinese names shall prevail.

This glossary of technical terms contains explanations of certain technical terms used in this prospectus in connection with our Group and our business. These terms and their meanings may not correspond to standard industry meanings or usage of these terms.

blending	the processing of adjusting proportions of different kinds of liquor with different flavors into a specific mix with standardized taste
Daqu	a large dough of yeast mash made of barley or wheat and used as a sacchariferous agents and fermentation starter in liquor production
DMTO	the technique for using coal or natural gas instead of oil for production of ethylene and propene
EO	ethylene oxide
EVA	ethylene-vinylacetate copolymer
fermentation	the process in which Daqu yeast converts fermentable carbohydrate mainly in the form of glucose into flavored substances mainly in the form of ethanol
GFA	gross floor area
GP	general partner(s)
high-temperature yeast	a type of Daqu produced in high-temperature in which the embryo yeast dough undergoes over 60°C of heating
Internet	a global network of interconnected, separately administered public and private computer networks that uses the Transmission Control Protocol/Internet Protocol for communications
Internet Protocol	an agreed set of rules, procedures and formats by which information is exchanged over the Internet
IT	information technology
LP	limited partner(s)
Luzhou-flavored	a class of distilled liquor that is sweet tasting, unctuous in texture, and mellow, with a gentle lasting fragrance contributed by the high levels of esters, primarily ethyl acetate

Maotai-flavored	a highly fragrant distilled liquor of bold character, named for its similarity in flavor to Chinese fermented bean pastes and soy sauces
MIDH	mobile internet and digital home
O2O	online-to-offline, an e-commerce business model
Olefin	unsaturated hydrocarbon containing one or more pairs of carbon atoms linked by a double bond
P2P	peer-to-peer, a type of loan business
PC	personal computer
PE	private equity fund
PP	polypropylene
Transmission Control Protocol	an agreed set of rules, procedures and formats used along with the Internet Protocol to transmit information over the Internet
Trichloroethylene	the chemical compound synthetized by substituting the 3 hydrogen atoms in an Ethylene molecule with a chlorine
VC	venture capital fund

This prospectus contains certain forward-looking statements and information relating to our Company and our subsidiaries that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. All statements other than statements of historical fact contained in this prospectus, including, without limitation, those regarding our future financial position, strategies, plans, objectives, goals, targets and future developments in the markets where we participate or are seeking to participate and any statements preceded by, followed by or that include the words "aim", "anticipate", "believe", "could", "estimate", "expect", "going forward", "intend", "may", "ought to", "plan", "predict", "project", "seek", "should", "will", "would" and similar expressions or the negative thereof, are forward-looking statements. These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. These forward-looking statements reflecting our current views with respect to future events are not a guarantee of future performance and involve known and unknown risks, uncertainties, assumptions and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements, or industry results to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements.

Important factors that could cause our actual results, performance or achievements to differ materially from those in the forward-looking statements include, without limitation, the risk factors set forth under the section headed "Risk Factors" in this prospectus and the following:

- our ability to successfully implement our business strategies and plans;
- future developments, trends and conditions in the industry and markets in which we operate;
- our business prospects;
- our capital expenditure plans;
- the actions and developments of our competitors;
- our ability to reduce costs;
- the scale and nature of, and potential for, future developments of our business and expansion of our network through organic growth and selective acquisitions;
- our financial condition and performance;
- capital market developments and availability of financing to us;
- our dividend policy;
- any changes in the laws, rules and regulations of the central and local governments in the PRC and other relevant jurisdictions and the rules, regulations and policies of the relevant governmental authorities relating to all aspects of our business;

- general economic, political and business conditions in the markets in which we operate, including those related to the PRC;
- change or volatility in interest rates, foreign exchange rates, equity prices or other rates or prices, volumes, operations, margins, risk management and overall market trends, including those pertaining to the PRC and the industry and markets in which we operate;
- various business opportunities that we may pursue;
- macroeconomic measures taken by the PRC government to manage economic growth; and
- changes in the global economic conditions and material volatility in the global financial markets.

Subject to the requirements of applicable laws, rules and regulations, we do not have any and undertake no obligation to update or revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all. We caution you not to place undue reliance on any forward-looking statements or information.

In this prospectus, statements of or references to the intentions of our Company or any of our Directors are made as of the date of this prospectus. Any such intentions may potentially change in light of future developments.

All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set out in this section.

You should carefully consider all of the information in this prospectus, including the risks and uncertainties described below, before making an investment in our H shares. Any of these risks could materially and adversely affect our business, financial condition and results of operations. The trading price of our H Shares could significantly decrease due to any of these risks, and you may lose all or part of your investment. You should pay particular attention to the fact that we are a company incorporated in the PRC and most of our operations are conducted in the PRC, which is governed by a legal and regulatory environment that may differ significantly from that of other jurisdictions. For more information concerning the PRC and certain material matters discussed below, see "Supervision and Regulation", "Appendix IV – Taxation and Foreign Exchange", "Appendix V – Summary of Principal Legal and Regulatory Provisions" and "Appendix VI – Summary of Articles of Association" to this prospectus.

There are certain risks and uncertainties involved in our operations and this Global Offering, some of which are beyond our control. We have categorized these risks and uncertainties into: (i) risks relating to our general operations; (ii) risks relating to our strategic investments and operations; (iii) risks relating to our financial investments and management; (iv) risks relating to countries in which we operate; and (v) risks relating to the Global Offering.

RISKS RELATING TO OUR GENERAL OPERATIONS

We engage in multiple business lines through a large number of portfolio companies, and this business structure exposes us to challenges not faced by companies with a single or small number of business lines.

We are an investment group. We have a large number of portfolio companies operating in multiple industries. In particular:

- We are exposed to business, market and regulatory risks relating to different industries, markets and geographic areas, and we may from time to time expand our businesses to new industries, markets and geographic areas in which we have limited operating experience. We need to devote substantial resources to become familiar with, and monitor changes in, different operating environments so that we can succeed in our businesses.

- Due to the large number of our portfolio companies, the successful operation of our Group requires an effective management system. As we continue to grow our businesses, including through the expansion into various industries, our operations may become more complex, which would increase the difficulty of implementing our management system.

- We provide direct funding, borrowing guarantees and other support to certain of our portfolio companies. For instance, we provide shareholder loans to, or act as a guarantor for the borrowings of, certain of our portfolio companies. If a portfolio company defaults on any borrowings lent or guaranteed by us, we will not receive the repayment as planned or the relevant lender may exercise its right under the guarantee to demand repayment from us. The occurrence of either of these types of events may result in a funding shortage at our Company level and adversely affect our ability to provide financial support to our other portfolio companies. In addition, we share management experience with, and provide corporate functions such as treasury, legal, public relation and human resources to, certain of our portfolio companies. If our financial or non-financial support ceases or diminishes for any reason, the operations of the relevant portfolio companies may be materially and adversely affected, which in turn may have a material and adverse impact on our business, results of operations and financial condition.

We may be unable to successfully identify, invest in or acquire suitable investment projects or acquisition targets.

We expect part of our growth to be achieved through investments and acquisitions. However, we may be unable to identify suitable investment and acquisition opportunities, negotiate acceptable terms, or successfully invest in identified projects or acquire identified targets. Identifying appropriate investment projects and acquisition targets with good potential requires an assessment of a number of factors, many of which are inherently subjective, and as a result our estimates may prove to be inaccurate. The due diligence we conduct for an investment or acquisition opportunity may not comprehensively and fully capture the financial, business and other information of the target. We may be unable to adequately identify, evaluate or address the financial, legal and operational risks arising from our investments and acquisitions, which could expose us to unanticipated costs and liabilities. These types of risks could have an adverse effect on our reputation, business prospects, results of operations and financial condition.

In addition, the investigation of an acquisition or investment plan and the negotiation and execution of such acquisition or investment plan usually require substantial time and attention from our management, and we may incur substantial expenses for services provided by financial advisors, accountants, attorneys and other advisors. We may not consummate the investment or acquisition plan due to the failure to obtain board, shareholder, governmental or other necessary approvals. Even if an agreement relating to a specific investment or acquisition target can be reached, we may be forced to terminate the investment or acquisition plan due to many factors beyond our control. For example, we may not be able to access sufficient capital resources on commercially acceptable terms to carry out our proposed investment or acquisition plan. If such acquisition or investment plan is not implemented, the costs incurred up to that point for the proposed transaction may not be recoverable.

Businesses we acquire may not be integrated successfully or managed effectively and may present unforeseen costs and challenges to us.

We may fail to effectively integrate or manage acquired companies due to various factors, including differences in corporate cultures, complexity and size of the acquired companies, our inability to retain and assimilate personnel of the acquired companies, or our lack of knowledge and experience in new industries or markets. We may also face unexpected delays or difficulties that require us to devote additional resources to integrate or manage the acquired companies. Therefore, we cannot provide assurance that any acquisitions we undertake will achieve our desired strategic objectives, business integration plan or expected return on investment. In addition, we may obtain funding for acquisition through borrowings, and such loans or other debts may increase our financial costs and leverage. If the acquired companies' results of operations do not meet our expectations, we may be required to recognize an operating loss in our consolidate financial statements and impairment charges on goodwill or other assets. In addition, our pursuit of acquisitions may disrupt our ongoing businesses and divert our management's time and attention from our existing operations. Any of these factors may have an adverse effect on our results of operations and financial condition.

Our Company needs sufficient cash flow to grow its business, make investments and repay debt.

As a holding company, our Company relies on cash dividends, borrowings as well as cash received from disposals of our interests in our portfolio companies and other investments for cash flow to grow our business, make investments and repay debt. While some of our portfolio companies have, in the past, paid cash dividends from time to time, the historical pattern may not be indicative of the amount of dividends that we may receive in the future. Dividend policies of our portfolio companies may vary significantly and change from time to time. The shareholders or the board of directors (as the case may be) of a portfolio company have the power to determine whether to pay dividends based on conditions then existing, including the company's earnings, financial condition and capital requirements, as well as economic and other conditions that the shareholders or the board of directors may deem relevant. Some portfolio companies may conclude that it is in the best interest of their shareholders to retain earnings, if any, for use in the operation and expansion of their businesses. Our ability to obtain financing depends on various factors, including our financial condition, results of operation, cash flows, credit rating, economic conditions of the jurisdictions in which we operate, financing costs (including interest rate), conditions in capital markets and regulatory requirements. In addition, we cannot assure you that we will be able to continue to obtain sufficient cash flow through investment returns or by disposing of interests in our current investments. If the occurrence of any of the above prevents us from obtaining sufficient cash flow, our results of operation, financial condition and prospects may be adversely affected.

Certain of our businesses and operations require substantial capital investment and we may not be able to obtain sufficient capital resources for our continued growth.

We require significant capital resources to pursue our business strategy and grow our businesses. We have incurred, and will continue to incur, significant capital expenditure for the growth of our strategic investments. In addition, we need to grow our business through organic expansion, investments and acquisitions to remain competitive and respond timely to technological changes and market demand. For example, growing certain parts of our financial services business, in particular our direct loans and pawn loans businesses, are capital intensive, as Chinese regulations limit our funding sources for these types of loans, and we therefore rely primarily on the capital of the subsidiaries carrying out these businesses to fund these loans. In part because of the capital requirements related to growing these loan businesses in 2013, we reported net cash used in operations of RMB1,581.8 million in that year. It may take a relatively long period of time to generate returns or realize the value of our investments, before which we may be obliged to repay our existing debts or to seek additional financing. If we cannot obtain sufficient funding on acceptable terms, we may not be able to successfully implement our business strategy, and our prospects could be materially adversely affected.

The business of our Group is subject to changes in global and regional economic and political conditions and government policies, and fluctuations in the industries in which we have operations.

The operations and performance of our Group, in particular Lenovo, are subject to changes in global and regional economic and political conditions as well as government policies. Uncertainty about global and regional economic and political conditions as well as government policies poses risks to us because consumers and businesses tend to postpone or decrease spending in response to various factors including the availability and cost of credit, unemployment, financial market volatility, geopolitical issues, restrictive government policies and regulations, negative financial news, and declines in their income or asset values. Other factors that could influence worldwide or regional demand for products and services of our Group include fluctuations in fuel and other energy costs, conditions in the real estate and mortgage markets, changes in labor costs, consumer confidence as well as other macroeconomic factors affecting consumer spending. Any negative change in these or other relevant global and regional economic conditions could materially and adversely affect demand for our products and services and hence our financial results and business prospects.

For the years ended December 31, 2012, 2013 and 2014, we derived 46.4%, 42.9% and 37.3% of our revenue from China. While China's economy has experienced significant growth over the past few decades, its continued growth has been facing downward pressure since the second half of 2008 and its annual GDP growth rate has declined from 7.8% in 2012 to 7.7% in 2013 and 7.4% in 2014. There is no assurance that future growth will be sustained at similar rates or at all. The Chinese government adjusts its monetary, fiscal and other policies and measures from time to time to manage economic growth and prevent overheating and excess capacity in specific industries or markets. Changes in the industries in China in which we operate may result in a lower than expected growth rate or decline of our businesses.

The business operations of our Group also depend on the overall activity levels in the industries in which we operate and the relevant upstream and downstream industries. Weak global economic conditions could harm our business by contributing to reductions in demand, insolvency of key suppliers, potential customer and counterparty insolvencies, and increased challenges in conducting our operations. For example, our IT business depends on the global demand for electronic devices and IT-related services; our agriculture and food business is affected by changes in Chinese consumers' dietary composition, disposable incomes and spending patterns; and our property business is correlated with the macroeconomic conditions in China. Such fluctuations in global economic, political, governmental and industry conditions may therefore have an adverse effect on our business, results of operations and financial condition.

Our historical financial information is not indicative of our future results of operations.

We are an investment group and have business operations in various industries. Our historical financial information during the Track Record Period must be read in conjunction with the impact from our investment strategy adjustments, changes in our business segments and fluctuations in the performance of our portfolio companies. In particular:

- Based on our view of the market and our investment strategies adjusted from time to time, we may decide to expand into new markets or enter into new businesses by way of acquisitions. The consolidation of the financial results of any acquired businesses may materially affect our results of operations and financial condition.

- Due to dilution, disposals of interests or other reasons, our equity interests in certain portfolio companies may decrease and hence our share of the profit or loss of those portfolio companies and our ability to direct or influence their operations may be negatively affected. We may also cease to consolidate the financial statements of certain subsidiaries. For instance, we transferred 3% equity interest in Union Insurance to a third party in December 2014, which resulted in a decrease in our shareholding to 48% and our ceasing to consolidate it in our consolidated financial statements. Our voting rights in Lenovo are also less than 50%. We believe that we had de facto control over Lenovo and we consolidated Lenovo in our consolidated financial statements during the Track Record Period. For more information, see "Financial Information – Critical Accounting Policies, Estimates and Judgments – Consolidation of entities in which we hold less than 50% voting rights." If we were to lose the de facto control over Lenovo, because of reasons such as Lenovo issuing new shares to other investors resulting in a dilution of our shareholding in Lenovo, termination of the acting-in-concert undertaking or if Lenovo's other shareholders were to collaborate in exercising their votes to out vote us, and be unable to consolidate its financial information, our financial condition could be materially and adversely affected.

- We incurred substantial losses and gains in the Track Record Period that we do not believe are typical of our business. For instance, in 2014 we incurred impairment losses of RMB620.6 million, RMB754.5 million, RMB477.2 million for our Chinese liquor, property and chemicals businesses, respectively. In 2014 we also had dilution gains of RMB1,747.4 million, including a dilution gain of RMB1,646.6 million in connection with the initial public offering of CAR in 2014. We may realize similar losses or gains in the future.

As a result, period-to-period comparisons of our historical operating results must be evaluated in light of the impact of the above factors, and our historical financial information may not be indicative of what our results of operations, financial condition or cash flow will be in the future.

We have a relatively short track record investing in the business segments of most of our strategic investments.

Other than our IT and property businesses, we have a relatively short track record investing in most of our current business segments in our strategic investments. For instance, we founded Joyvio and Funglian, which acquired their respective main business subsidiaries during 2011 to 2013. Starting from 2012, we established Zeny and Levima to enter into the logistics and chemicals businesses. As a result, it may be difficult for you to evaluate the prospects and future performance of these portfolio companies.

Valuation methodologies for certain of our assets are subject to significant subjectivity and the fair value of assets established pursuant to such methodologies may never be realized.

There are no readily ascertainable market prices for some of our illiquid investments. When determining fair values of investments, we use the last reported market price as of the balance sheet date for investments that have readily observable market prices. When an investment does not have a readily available market price, the fair value of the investment represents the value determined by us in good faith, at which the investment could be sold in an orderly disposition over a reasonable period of time between willing parties other than in a forced or liquidation sale. There is no single standard for determining fair value in good faith. For example, the fair value of our investment properties are determined at each reporting date by external valuers and based on active market prices, adjusted for any difference in the nature, location or condition of the specific assets, and the fair value of our investments in a private equity fund is measured primarily based on the latest available financial/capital account statement of the private equity fund as reported by its general partner. When making fair value determinations, we typically use a market multiples approach that considers a specified financial measure or a discounted cash flow analysis. We may also consider a range of additional factors that we deem relevant, including the applicability of a control premium or illiquidity discount, the existence of significant unconsolidated assets and liabilities, any favorable or unfavorable tax attributes, the method of likely exit, estimates of assumed growth rates, terminal values, discount rates, capital structure and other factors. These valuation methodologies involve a significant degree of management judgment. In addition, the fair values of some of our assets are calculated based on such assets' market value, and any significant fluctuation in the market value of such assets may have an adverse effect on us.

Because valuations, in particular valuations of investments for which market quotations are not readily available, are inherently uncertain, may fluctuate over short periods of time and may be based on estimates, the determinations of fair value we make may differ materially from the values that would have resulted if a ready market had existed. Even if market quotations are available for our investments, these quotations may be different from the value that could actually be realized because of various factors, including illiquidity associated with a large ownership position, subsequent illiquidity in the market for a company's securities, future market price volatility or the potential for a future loss in market value based on poor industry conditions or the market's negative view of a company and its managements performance. There can be no assurance that the fair value movements that we record from time to time will ultimately be realized.

Certain of our assets are recorded in our consolidated balance sheets at fair value, and as a result, the fluctuation of the market prices of those assets may significantly affect our financial results.

Certain of our assets are recorded in our consolidated balance sheets at fair value. Under IFRS, we are required to reassess the fair value of these assets as of each balance sheet date. The reassessments of fair value are made based on their market prices, and gains or losses arising from changes in the fair value of these assets are included in our consolidated statements of income in the periods in which they arise. These assets include our investments in associates measured at fair value through profit or loss, financial assets at fair value through profit or loss, derivative financial instruments and investments properties. The fair value of these assets may fluctuate from time to time as a result of the fluctuation of the market prices, and our results of operations may be materially affected by the fluctuation of fair value gains or losses. Any decrease in the fair value of these assets would adversely affect our profitability. In addition, fair value gains or losses do not give rise to any change in our cash position unless we dispose of the relevant assets. Therefore, we may experience constraints on our liquidity even though our profitability increases.

We depend on the experience and industry expertise of our senior management members.

Our continued ability to successfully manage our existing businesses, integrate new operations and identify other market opportunities depends on the experience and expertise of senior management members of our Company and of our portfolio companies. Our Company relies principally on senior management members of our Company in formulating our business strategy and to supervise our operations as a whole. For details, see "Directors, Supervisors and Senior Management". In addition, we also rely on the senior managements members of our portfolio companies. The continued success of our Group depends in large part on the leadership of our existing management personnel, our ability to retain our management personnel and our ability to attract and recruit adequate management personnel with specialized expertise in the industries in which our existing and any future portfolio companies operate. Our business may be adversely affected if we lose the service of any current senior management of the Company or any of our portfolio companies or if we fail to recruit new senior managers as needed.

Our business may be materially and adversely affected if we lose or fail to attract skilled personnel and other qualified staff with the required expertise.

The success of our business, to a large extent, depends on our ability to attract and retain skilled personnel who possess in-depth knowledge and understanding of, and extensive working experience in, the various industries in which we operate. These personnel include, among others, research and development personnel, experienced investment managers and finance professionals, product manufacturing and development personnel, marketing and sales staff, legal professionals, risk management personnel, dentists and other medical staff for our dental hospitals and clinics, and other operational personnel. We have devoted considerable resources to recruiting and retaining these personnel. However, the market for skilled personnel is highly competitive and we face increasing competition in recruiting and retaining these individuals as our competitors from different industries are vying for the same pool of talent. The business and financial condition of our Group could be adversely affected if we are unable to retain our qualified personnel or cannot recruit new personnel in a timely manner following their departure or when expanding the relevant businesses. In the face of this intense competition for talent, we may need to offer better compensation and other benefits to recruit and retain skilled personnel and additional costs may be incurred. Some of our skilled personnel are subject to non-compete arrangements. However, we cannot ensure that such arrangements can be fully and legally enforced. If any of our skilled personnel join or establish a competing business, we may lose some of our customers, which may have a material adverse effect on our business.

Our business depends on the recognition and reputation of our key "Legend" brand and various other brands of our Group, in particular the "Lenovo" brand, and any failure to maintain and enhance recognition of, or any negative publicity or other harm to our brands may materially and adversely affect our business, financial condition and results of operations.

We believe that the recognition and reputation of our "Legend" brand and various other brands, in particular the "Lenovo" brand, have significantly contributed to the success of our businesses. Certain businesses of our Group, such as our IT, agriculture, Chinese liquor, dental and property businesses, depend heavily upon public awareness and market acceptance of our brands. Maintaining and enhancing our reputation and brand recognition depends primarily on the consistent high quality of our products and services, as well as the success of our marketing and promotional efforts. If customers do not perceive our products and services to be of high quality, our brand image may be harmed, thereby decreasing the attractiveness of our products and services. While we have devoted significant resources to brand promotion efforts in recent years, our ongoing marketing efforts may not be successful in further promoting our brand.

Our brand image may be harmed by negative publicity relating to our Group regardless of its veracity. For example, our portfolio companies are subject to extensive governmental regulations. If any of our portfolio companies fails to comply with laws and regulations promulgated by government authorities from time to time, it may be subject to penalties or fines or other severe consequences and the negative publicity of the noncompliance could harm our reputation. As a result, our ability to attract and retain customers may be impeded and our business prospects may be materially and adversely affected.

There may be counterfeits of our recognized products from time to time, which may negatively affect customers' appreciation of the quality of our actual products or even cause physical injuries to customers who purchase such counterfeit products, thus harming our reputation and brand image. We may also be compelled to take legal actions and/or seek assistance from investigation agencies, enforcement agencies and authorities in the eradication, prohibition or deterrence of counterfeiting activities. As a result, the attention of our management may be distracted and our financial performance and profitability may be adversely affected.

We face increasing competition from existing and new market players in industries in which we currently have or plan to have operations.

Our operating environment is and will continue to be highly competitive. For example, the IT industry is experiencing rapid development in hardware, software and service offerings and we face ongoing competition in product and service offerings as well as in pricing in all business areas of the IT industry. For more details, please see "– Risks Relating to Our Strategic Investments and Operations – Risks Relating to Our IT Business – Lenovo faces intense competition, which may adversely affect its revenue, market share or profitability" below. In the financial services businesses in which we operate, we face increasing competition in the regions where we operate, in view of the sharp rise in the number of companies providing short-term loans, credit guarantees, financial leasing and other similar financial services in the past few years. Competition in the Chinese liquor business will continue to be intense as a result of the large number of local enterprises engaged in this business and the relatively low industry concentration. China's property market is highly competitive, and we face competition from both domestic and foreign property developers.

Some of our principal competitors in the industries in which we operate may have more resources than us and are making significant capital investments in selected areas. Any inability by us to compete effectively or an increase in competition in the industries in which we operate could cause a decline in our growth rates, reduce our revenue or reduce our ability to achieve our target market shares. As we expand into new industries or geographical markets, we may be subject to competition from other market players. We cannot predict the extent to which this competition will affect our results of operations and financial condition.

We may have disputes with other shareholders of our portfolio companies.

We may have disputes with the other shareholders of our portfolio companies, including disputes relating to dividend distribution and appointment of key personnel. Our ability to manage and monitor our portfolio companies derives from our contractual rights under shareholders' agreements and shareholder's rights under applicable laws. The other shareholders of our portfolio companies may violate the law or fail to perform their obligations under the shareholder agreements as a result of disagreement among shareholders. In the event of such disputes, particularly for portfolio companies that we do not control, the operations of the relevant portfolio companies may be adversely affected, and we may be forced to take actions, including arbitration and litigation, to resolve such disputes. These actions could result in substantial costs, divert our management resources and adversely impact our reputation. The outcome of any such arbitration or litigation cannot be guaranteed.

Our Group operates businesses in certain highly regulated industries.

Certain business operations of our Group are subject to extensive regulations in the PRC. To maintain our current operations and to commence a new business, we need to obtain and maintain necessary government authorizations, including permits, licenses and certificates. For instance:

- Our financial services business is subject to extensive regulation and supervision by national, provincial and local government authorities with regard to the daily operations, capital structure, pricing and provisioning policy of our portfolio companies in this segment. These laws, regulations, rules, policies and measures applicable to our financial services business are issued by different central, provincial and local government authorities. Government authorities also have broad discretion in implementing and enforcing applicable laws and regulations. As a result, there are significant uncertainties in the interpretation and implementation of these laws, regulations, rules, policies and measures, which may increase our compliance burden and may potentially restrain our ability and flexibility in conducting our financial services business, including the expansion into new markets. In addition, PRC laws and regulations relating to anti-money laundering have undergone considerable development in recent years. Any new requirement under anti-money laundering laws for our relevant portfolio companies to supervise and report transactions with customers of our financial services business would increase our costs, and may expose us to potential criminal or administrative sanctions in the case our relevant portfolio companies fail to establish and implement adequate procedures in accordance with applicable laws and regulations.

- Our dental business is subject to the laws and regulations mainly related to the quality of medical facilities, equipment and services, the pricing and procurement of pharmaceuticals, and the licensing, headcount and composition of medical professionals. Our hospitals and clinics are also subject to periodic licensing requirements and inspections by various government agencies and departments at the provincial and municipal level.

- Our property business in China is heavily regulated. In order to undertake and complete a property development or to commence property leasing, Raycom, as a property developer or owner, must obtain various permits, licenses, certificates and approvals from the relevant governmental and administrative authorities at various stages of the property development process and while holding the properties for leasing, including land use rights certificates, construction land planning permits, construction work planning permits and construction work commencement permits, pre-sale permits, permits to carry out property management services, various qualification certificates and certificates of completion.

- Our IT, agriculture and food, and chemicals and energy materials businesses are subject to extensive national and local laws, regulations, rules and policies relating to protection of the environment, the generation, storage, handling, transportation, treatment, disposal and remediation of hazardous substances and waste materials, and work safety. Actual or perceived violations of environmental laws or permit requirements or work safety laws could result in restrictions or prohibitions on plant operations, substantial civil or criminal sanctions, as well as, under some environmental laws, the assessment of strict liability or joint and several liability. In addition, we could incur significant expenditures in order to comply with existing or future environmental or safety laws. Capital expenditures and costs relating to environmental and safety matters will be subject to evolving regulatory requirements. Furthermore, we may be liable for the costs of investigating and cleaning up environmental contamination on or from our properties or at off-site locations where we disposed of or arranged for the disposal or treatment of hazardous materials, and may be liable for disposal activities that pre-dated our purchase of the relevant businesses. We may therefore incur additional costs and expenditures beyond those currently anticipated so as to address all known and unknown situations under existing and future environmental laws. Negative publicity of our violation of any environmental or safety laws and regulations could harm our reputation.

The regulatory authorities may also adjust existing regulations or promulgate new regulations from time to time. We may encounter problems in obtaining or renewing the permits, licenses, certificates and government authorizations necessary to conduct our businesses. We also may be unable to comply with new laws, regulations or policies that may come into effect from time to time with respect to relevant industries in general or the particular processes with respect to the granting of approvals, permits, licenses or certificates. In addition, to ensure the restrictions and conditions of relevant business permits, licenses and certificates are fulfilled, the government authorities normally conduct regular or special inspections, investigations and inquiries. If any significant non-compliance is found by the government authorities, our permits, licenses and certificates may be suspended or revoked, and we may receive fines or other penalties, which could have a material adverse effect on our relevant businesses, financial condition, results of operations and prospects and our reputation may be adversely affected.

The operations of our portfolio companies rely on certain third-party vendors, suppliers, contractors and service providers for our businesses.

The operations of our portfolio companies rely on a number of third-party vendors, suppliers, contractors and service providers for our businesses. In particular,

- *IT:* Lenovo maintains several single- or limited-source supplier relationships, either because multiple sources are not readily available or because the relationships are advantageous to Lenovo due to performance, quality, support, delivery, capacity or price considerations. For example, Lenovo depends on a particular supplier to provide operating systems used in its PCs and a particular supplier to provide semiconductor chips used in its PCs. If the supply of a critical single- or limited-source product or component is unexpectedly delayed or curtailed, Lenovo may not be able to ship the related products in expected quantities or configurations, or in a timely manner. From time to time, Lenovo deliberately cultivates a preferred supplier relationship for certain components or products to ensure its supply. If Lenovo is unable to cultivate such preferred supplier relationships, its ability to ensure supply of such components during periods of shortage could be materially and adversely impacted. In addition, Lenovo may not be able to replace the functionality provided by the third-party software currently offered with its products if that software becomes obsolete, defective or incompatible with future versions of its products or is not adequately maintained or updated. Even where multiple sources of supply are available to Lenovo, time needed to find and qualify the alternative suppliers and establish working relations with reliable suppliers could result in delays and a possible loss of sales, which could harm its operating results.

- *Other businesses and operations:* We rely on third-party suppliers for pharmaceuticals, medical equipment, medical supplies, implants and consumables that we use for our dental business. We also purchase from third parties seeds, fertilizers, pesticides and other raw materials for our agriculture business, and packaging materials, crops and other raw materials for our Chinese liquor business. We engage external contractors to carry out various work for our property business, including construction, equipment installation, internal decoration, landscaping, pipeline engineering and lift installation. We cannot guarantee that each of the suppliers or external contractors we use will provide satisfactory products or services at the required quality level. If the performance of any of the suppliers or external contractors is unsatisfactory, we may need to replace the supplier or external contractor or take other actions to remedy the situation, which may materially and adversely affect the quality of our products and services, increase our cost or impede the construction progress of our projects. Furthermore, our external contractors may undertake projects for other developers, engage in risky undertakings or encounter financial or other difficulties, which may cause them to delay the completion of work for our property projects and as a result lead to an increase in our project development costs. The occurrence of any of the above events may have a material adverse effect on our business, financial condition and operating results.

From time to time, our portfolio companies may engage other third-party vendors, suppliers, contractors and service providers for our businesses. Any violation of law or recognized social standard by those persons or negative publicity against them may in turn cause damages to our brand image and reputation. If our portfolio companies lose any major vendors, suppliers, contractors or service providers or fail to find any qualified replacements in a timely manner, our portfolio companies' ability to complete the relevant projects or other contracts could be adversely affected. If the required payments to such third parties exceed our estimates, especially in the event of a fixed price contract with our portfolio companies' customers or where our portfolio companies are otherwise unable to pass on the increased costs to the customers, our portfolio companies could suffer losses. Our portfolio companies are also exposed to risks of non-performance, delay of performance and non-compliance of contractors or other third parties, which may lead to litigation or damage claims against our portfolio companies, and may have an adverse effect on our results of operations, financial condition, profitability and reputation.

Our portfolio companies face risks associated with fluctuations in the prices of raw materials, products and services provided by third parties.

Significant changes in the markets in which our portfolio companies purchase raw materials, parts, components, construction materials and other supplies for their businesses may adversely affect their profitability due to market fluctuations and other factors beyond our control. For example, we experienced an increase in the prices of construction materials for our property business in 2013. Methanol is the key raw material used in the manufacturing of our chemicals and energy materials products, and the price of methanol fluctuated tremendously during the Track Record Period. Our chemicals and energy materials business also has a high demand for power, and fluctuations in energy prices may significantly affect the profitability of our chemicals and energy materials business. Our profitability is affected by the ability of our portfolio companies to achieve favorable pricing from the vendors, suppliers, contractors and service providers, including through negotiations for competitive purchase price, rebates, marketing funds, and other funding received in the normal course of business. Because these negotiations are continuous and reflect the ongoing competitive environment, the variability in timing and amount of incremental discounts and rebates from these third parties, they can affect our profitability from time to time. Our portfolio companies also face pricing pressure from suppliers, who may from time to time threaten to stop shipments unless we agree to price increases. Competition and market pressures may limit our portfolio companies' ability to pass these price increases on to customers. Even if our portfolio companies are able to pass price increases on to customers, in some cases there is a delay before they are able to do so effectively. We cannot assure you that fluctuations in the prices of our portfolio companies' raw materials or products or services provided by third parties will not have an adverse effect on our business, results of operations and financial condition.

The results of operations of some of our businesses may be adversely affected by seasonal sales trends.

The results of operations of some of our businesses for any particular period may be adversely affected by seasonal trends. For example, our IT business is generally the strongest in the fourth quarter of each year due to the combined effect of year-end festivities and government and corporate customers' spending of unutilized budgets in many countries. It is usually the weakest in the first quarter of each year due to the combined effect of reduced sales during the Chinese New Year holidays and the uncertainty caused by the new budgets of our government and corporate customers. On the other hand, our Chinese liquor business is relatively strong around the Chinese New Year holidays and in the second half of each year, which covers the Mid-Autumn Festival and the National Day Holidays, as Chinese customers traditionally tend to purchase alcoholic beverages for festive or celebratory purposes. The relatively high sales experienced during peak periods are generally followed by transitory periods of relatively low sales. If we are unable to produce a sufficient quantity of products to meet the increased market demand during our peak sales seasons or properly manage our inventory level during our off-seasons, our financial condition and results of operations may be materially and adversely affected.

Some of our portfolio companies are public companies, and transactions between these public companies and other portfolio companies of our Group may be subject to additional restrictions.

As some of our portfolio companies are publicly traded, transfers of funds into or out of these public companies are subject to various regulatory restrictions, including those set forth in the Listing Rules. Accordingly, these public companies with funding needs may not be able to obtain financial support from us in a timely manner. Intra-group transactions and other related-party transactions between these public companies and other entities within our Group may also be subject to applicable Listing Rules requirements, such as the issuance of press notices, the obtaining of independent shareholders' approvals at general meetings and disclosure in annual reports and accounts.

If we fail to properly manage our product distribution or our inventory level, our revenue and profitability could suffer.

We sell our IT, agriculture, Chinese liquor, chemicals and energy materials and other products through our own sales force as well as third-party distributors, resellers, retailers and network carriers, particularly for our IT business in China, North America and Western Europe. We may not be able to effectively manage these distributors, resellers, retailers and network carriers, particularly for our IT business in China, North America and Western Europe. Our written agreements with these distributors, resellers, retailers and network carriers do not guarantee their level of performance under those agreements, and generally these agreements may be terminated by the respective distributor, resellers, retailer or network carrier upon notice of a specified period. To the extent that the distributors, reseller, retailers and network carriers we use do not expend sufficient efforts in managing and selling our products, our sales will be adversely affected. Our ability to maintain our distribution network and attract additional distributors, resellers, retailers and network carriers will depend on our ability to maintain current distribution relationships and establish and maintain successful relationships with distributors, reseller, retailers and network carriers in new geographic areas, as well as on a number of other factors, many of which are outside our control, including the level of demand for our products in a particular market. Our inability to maintain our distribution network and attract additional distributors, resellers, retailers and network carriers could have a material adverse effect on our business and prospects. In addition, network carriers providing cellular network service for Lenovo's smartphone products typically subsidize purchases by users of its devices. There is no assurance that such subsidies will be continued, if at all or in the same amounts, upon renewal of Lenovo's agreements with these network carriers or will be provided, if at all or in the same amounts as provided in agreements with existing network carriers, in agreements Lenovo enters into with new carriers.

In addition, we need to maintain appropriate inventory levels to meet the market demand for our products. We cannot assure you that our inventory control policies will be effectively implemented in the distribution process, or that we can maintain the optimal inventory levels of our products. We record a write-down for product and component inventories that have become obsolete or exceed anticipated demand or have a book value higher than the net realizable value. We may also incur additional related charges given the rapid and unpredictable pace of product obsolescence in certain industries in which we operate, such as the IT industry. If we fail to properly manage our inventory levels, we may also experience deterioration of our brand image and lower revenue and profitability as a result of reduced sales and increased discounts to liquidate the inventory. Any negative consequence mentioned above would have a material and adverse effect on our operating results and growth prospects.

Our portfolio companies are exposed to potential product liability, which may adversely affect their business, results of operations and financial conditions.

The quality of our portfolio companies' products and services is essential to the success of their businesses. The effectiveness of our portfolio companies' quality control systems depends on a number of factors, including the design of the systems, the related training programs and our ability to ensure our employees' and third parties' compliance with our quality control policies and guidelines. Any failure by our portfolio companies' employees or third party contractors to comply with our quality control systems, deterioration of related systems, or failure by our portfolio companies to monitor quality of products or services provided by the third-party contractors, may result in defects in or poor quality of our portfolio companies' services or products. This could lead to contractual claims, product liability and other compensatory claims. Our quality control procedures are also designed to allow us to meet certain mandatory production standards set by the local government authorities where our products are sold. For example, any failure to comply with these standards in China may subject us to the confiscation of related earnings and relevant products, penalties, an order to cease sales of relevant products, or an order to cease operations pending the required rectification. If the violation is determined to be serious in nature, the business license of our relevant business to manufacture or sell certain products could potentially be suspended or revoked, and in the worst case scenario, we could be subject to criminal liability. Our portfolio companies may also be subject to related adverse publicity and could be subject to penalties imposed by relevant authorities. Our portfolio companies may need to find suitable replacement products or services, which may lower our profit margins and result in delays to our clients. In particular:

- The products that Lenovo offers are complex, and its regular testing and quality control efforts may not be effective in controlling or detecting all quality issues, particularly with respect to faulty components manufactured by third parties. If Lenovo fails to meet the product specifications, its sales orders may be cancelled and products may be returned, which could have a material adverse effect on its business, reputation, results of operations and financial condition. Moreover, Lenovo's products could be affected by the quality controls of its components suppliers and manufacturing service providers. For example, many of Lenovo's products use lithium-based batteries and any defects in such products can pose safety risks, including the risk of fire.

- Our agriculture and Chinese liquor products may deteriorate or become contaminated. Deterioration and contamination risks are inherent to all food and beverage industry participants. Raw materials and finished products of our agriculture and Chinese liquor businesses are in nature susceptible to deterioration and contamination during the growing, production, handling, storage and transportation phases. Any contamination or deterioration in our raw materials or finished products may result in our raw materials being found unsafe for production and our products unsafe for consumption.

We cannot assure you that any product quality problems or food deterioration or contamination will not occur in the future. Any such occurrence could lead to delays in production or delivery of our products to the customers, costs for purchasing replacement raw materials, costs for recalling our products, losses in revenue, significant warranty expenses, compensation to customers or third parties for damages or injuries, and negative effects on our reputation. Pursuant to the Law of the PRC on Production Quality (中華人民共和國產品質量法), if a product causes property damage or personal injury, manufacturers and sellers of the product are liable for the property damage or personal injuries caused by the product. In addition, under the Law of the PRC on the Protection of Consumers' Rights and Interests (中華人民共和國消費者權益保護法), which protects the rights of consumers in respect to safety of persons and property in the purchase and use of goods and services, the SAIC and its local branches are authorized to impose penalties on these manufacturers and sellers. Any product liability claim brought against our portfolio companies, regardless of its success or merit, may adversely affect their business and bring negative publicity to our brands. In addition, product liability claims could result in our portfolio companies incurring significant litigation expenses as well as spending substantial time and effort in defending and proving such claims to be without merit.

We may not be familiar with new regions or markets that we enter into and may not be successful in expanding our network or offering of new products and services.

We may decide to enter into new regions or markets or selectively pursue strategic acquisitions or investments in new markets. For instance, Lenovo is actively growing its business in new international markets, including India and other emerging markets. Our financial services business is planning to expand into Shanghai and other major cities in China. Our dental business is actively expanding its national network by establishing and acquiring new hospitals and clinics. As part of our property business strategy, Raycom may consider opportunities to expand its business into new geographic markets. In response to the changing market conditions and evolving customer needs, our new business initiatives often lead us to offer new products and services. Any network expansion or new product and service development may require a significant amount of capital investment and involve a number of risks. We may have limited or no experience operating in new markets that have economic development levels, cultures and customs, legal and regulatory frameworks, competitive landscapes and customer preferences different from our existing markets. We may not be familiar with the local business and regulatory environment of the new markets and as such, we may fail to comply with the new regulatory requirements or attract a sufficient number of customers to achieve profitability. In addition, it takes time for us to ramp up our new businesses in new markets due to the need to learn the local cultures, build up regional brand awareness and acquire market shares. Therefore, the operating results of our new markets may not be comparable to those in our existing markets. We may also lack the expertise and resources to develop and market new products and services. Our new products and services may involve increased and unexpected risks, and may not be accepted by the market or as profitable as we anticipate. Our failure to manage and address these risks may have a material adverse effect on our business, financial condition and results of operations.

Our portfolio companies may be subject to liability in connection with accidents at our processing and production sites.

As production processes of several businesses of our portfolio companies, such as IT, agriculture, Chinese liquor and chemicals and energy materials businesses, are complex and involve the operation of tools, equipment and machinery that are potentially dangerous, accidents may occur resulting in property damages, personal injuries or even deaths. Accidents may occur at our portfolio companies' processing and production sites or during storage and transportation of dangerous chemicals, whether due to malfunctions or mishandling of tools, equipment or machinery or other reasons. If accidents were to occur, our portfolio companies may be held liable for the property damages, personal injuries or deaths of our employees or third parties and be subject to monetary losses, fines or penalties or other forms of legal liability, as well as business interruptions caused by equipment shutdowns for government investigation or implementation or imposition of safety measures. For example, work safety laws as implemented by the government authorities in the segment which our portfolio companies operate could result in significant compliance costs or reduce the efficiency of our portfolio companies' operations, thereby materially and adversely affecting our portfolio companies' business, financial condition and results of operations.

Our profitability and results of operations may be affected by changes in interest rates in the jurisdictions where we deposit or borrow funds.

We have incurred, and expect to continue to incur, a significant amount of finance costs relating to our borrowings from commercial banks, corporate bond investors and other persons. Changes in interest rates in the jurisdictions where we deposit or borrow funds have affected and will continue to affect our finance costs and, ultimately, our profitability and results of operations. For the years ended December 31, 2012, 2013 and 2014, we incurred finance costs of RMB1,841 million, RMB2,049 million and RMB3,186 million, respectively. Any significant decrease in the prevailing deposit interest rates and increase in the prevailing borrowing interest rates in the credit markets of the jurisdictions where we deposit or borrow funds may materially and adversely affect our profitability and results of operations.

We do not possess the relevant land use right certificates or building ownership certificates for certain land and properties that we occupy in the PRC, and certain lessors have not provided to us relevant title certificates for some of our leased properties in the PRC, which may affect our right to use such land and properties.

As of April 15, 2015, our Company and those of our subsidiaries that we consider material owned land use rights to 52 parcels of land with a total site area of approximately 2,942,958 sq.m. in the PRC. Among them, we are in the process of obtaining the land use right certificates in respect of five parcels of land with a total site area of 885,797 sq.m.. Our Company and those of our subsidiaries that we consider material also owned 84 properties with an aggregate GFA of approximately 951,940 sq.m., among which, we had not obtained building ownership certificates for seven properties with an aggregate GFA of approximately 208,481 sq.m., including four properties with a total GFA of approximately 1,640 sq.m. that had defective titles. In addition, among 13,537 mu (9,024,712 sq.m.) of rural land used by our Company and those of our subsidiaries that we consider material, we had not completed relevant procedures to obtain the land use right for 492 mu (328,002 sq.m.) and we did not have valid titles to use and occupy such land. We cannot assure you that we will be able to obtain the title certificates for these land or properties. Our Company and those of our subsidiaries that we consider material leased from third parties 61 properties with an aggregate GFA of approximately 131,902 sq.m. in the PRC, primarily as business premises for our branches and subsidiaries. Among these properties, eight properties with an aggregate GFA of approximately 9,410 sq.m. were leased from third-party lessors who were not able to provide the title certificates or documents evidencing the authorization or consent of the owners to sublet such properties. For details, see "Business – Properties".

We cannot assure you that our use and occupation of the relevant land and properties for which we have not obtained title certificates, valid leasehold interest or other use rights will not be challenged. If our legal right to use or occupy the relevant properties is challenged, we may have to find alternative properties, and there is no assurance that we will be able to secure alternative properties for our business if we are required to relocate. We may also incur additional relocation and other costs, and our business operations may be disrupted. Any of the above factors may have an adverse effect on our business, financial condition, results of operations and prospects.

We may be involved in legal and other disputes from time to time, which may expose us to potential liabilities.

We may be involved in various legal and other disputes in the ordinary course of our business. Although there is no material unresolved litigation, arbitration or administrative proceeding against us as of the Latest Practicable Date, we cannot assure you that we will not be involved in various legal and other disputes in the future, which may expose us to additional risks and losses. In addition, we may have to pay legal costs associated with such disputes, including fees relating to appraisal, auction, execution and legal advisory services. Litigation and other disputes may lead to inquiries, investigations and proceedings by regulatory authorities and other governmental agencies and may result in damage to our reputation, additional operating costs and diversion of resources and management's attention from our core business. The disruption of our business due to judgment, arbitration and legal proceedings against us or adverse adjudications in proceedings against our Directors, senior management or key employees may have a material adverse effect on our reputation and our financial condition, results of operations and prospects.

We may not have sufficient insurance coverage for the risks associated with the operation of our business.

Our operations involve certain risks, for which full insurance coverage is either not available or not available on commercially reasonable terms. In addition, the severity and frequency of various events, such as accidents and other mishaps, business interruptions, environmental damage, personal injuries and fatalities, or damage to our facilities, property and equipment caused by inclement weather, human error, pollution, labor disputes and acts of God, as well as risks relating to our provision of products or services to customers, may result in losses or expose us to liabilities in excess of our insurance coverage or significantly impair our reputation. We cannot assure you that our insurance coverage will be sufficient to cover the loss arising from any or all such events or that we will be able to renew existing insurance coverage on commercially reasonable terms, if at all.

Should an incident occur in relation to which we have no insurance coverage or inadequate insurance coverage, we could lose the capital invested in, and anticipated future revenues relating to, any property that is damaged or destroyed or business that is adversely affected and, in certain cases, we may remain liable for financial obligations related to the impacted property or business. Similarly, in the event that any assessments are made against us in excess of any related insurance coverage that we may maintain, our assets could be subject to attachment, confiscation or restraint under various judicial procedures. Any of these occurrences could have a material adverse effect on our business, financial condition and results of operations.

Our results of operation and financial conditions will be adversely affected if Lenovo, our largest subsidiary, experiences any challenges in its business.

Lenovo is our largest subsidiary. For the years ended December 31, 2012, 2013 and 2014, revenue of Lenovo was RMB211,620.5 million, RMB230,432.0 million and RMB272,314.3 million, accounting for 93.5%, 94.5% and 94.1% of our total revenue, respectively, and net profit of Lenovo attributable to our Company as an equity holder was RMB1,244.1 million, RMB1,598.2 million and RMB1,666.5 million, accounting for 54.4%, 33.0% and 40.1% of our profit attributable to equity holders of the Company, respectively. As a result, our results of operation and financial conditions will be materially and adversely affected if Lenovo experiences any challenges in its business, prospects, results of operations or financial condition.

Failure to adequately protect our intellectual property rights or maintain licenses to third parties' intellectual property rights on commercially reasonable terms may substantially harm our business and operating results.

Several businesses of certain of our portfolio companies, including our IT business, which contributed significantly to our revenue and net profit during the Track Record Period, and our agriculture and dental businesses, depend substantially on intellectual property rights. As a result, the protection of our intellectual property rights and maintenance of licenses to third parties' intellectual property rights is crucial to the success of our business. We rely on a combination of trademarks, trade secrets, copyrights, patents and contractual restrictions to protect our intellectual property rights and those that we licensed from third parties. However, these measures afford only limited protection. Despite our efforts to protect the intellectual property rights, unauthorized parties may attempt to infringe on our own or licensed trademarks, copyrights or patents or to obtain and use information that we consider proprietary. Policing our intellectual property rights is difficult and may not always be effective.

The protection of intellectual property rights in the PRC may not be as effective as those in Hong Kong or other jurisdictions. The steps we have taken may be inadequate to prevent the misappropriation of our own or licensed technology or unauthorized use of our brands. From time to time, we may have to enforce our intellectual property rights through litigation. Such litigation may result in substantial costs and diversion of resources and management attention.

Furthermore, if we are unable to protect our intellectual property rights or maintain desirable technology licenses, we may be prevented from marketing our products, forced to market products without desirable features, incur substantial costs to redesign products, defend or enforce legal actions, or pay damages. As a result, our business, financial condition and results of operations may be materially and adversely affected.

Failures of or inadequacies in our information technology systems for daily business, accounting and other data processing, security defects in our products and defects or items in our product design or manufacture could have a material adverse effect on our business, financial condition and results of operations.

Our business operations depend heavily on our business, accounting and other data processing systems at the holding company and at our subsidiaries. The failure of normal operation of these systems may expose us to financial losses, business disruption, intervention of regulatory authorities or reputational damage.

We manage and store various proprietary information and sensitive or confidential data relating to our operations. In addition, Lenovo's cloud computing businesses routinely process, store, and transmit large amounts of data for our customers, including sensitive and personally identifiable information. The proper functioning of our business processing, accounting, financial controls, risk management, customer service and other operating matters is dependent on our IT systems, which include communication networks with third parties. If our IT systems suffer from malfunction or disruption, it may have a material adverse effect on our ongoing business operations. Any prolonged malfunction in or disruption to the operation of our IT systems could limit our ability to monitor and manage data, control financial and operation conditions, monitor and manage our risk exposures, keep accurate records, provide high quality customer service, and develop and sell profitable products and services. Computer programmers and hackers may be able to develop and deploy viruses, worms, and other malicious software programs that attack our networks, IT products or otherwise exploit any security vulnerabilities in our system or our IT products. In addition, sophisticated hardware and operating systems and other software and applications that Lenovo produces or procures from third parties may contain defects or items in design or manufacture, including "bugs" and other problems or tools, that could unexpectedly interfere with the operation of those products or present previously unidentified or unexpected or other security risks.

The costs to us to eliminate or address the foregoing security problems and security vulnerabilities are likely to grow as we expand our operations and these costs could be significant. Breaches of our security measures and the unapproved dissemination of proprietary information or sensitive or confidential data about us or our customers or other third parties, could expose us, our customers, or other third parties affected to a risk of loss or misuse of this information, result in litigation and potential liability for us, damage our brand and reputation, or otherwise harm our business. We may be unable to mitigate our losses incurred during such malfunction or disruption. Our failure to address any information technology problem promptly, including any delay in the implementation of any upgraded or new information system, could result in our inability to perform, or delay in performing, critical business operational functions, the loss of key business data or a failure to comply with regulatory requirements, which could have a material adverse effect on our business, financial condition and results of operations. In addition, we are subject to laws, rules, and regulations in countries where we operate relating to the collection, use, and security of user data. Our ability to execute transactions and to possess and use personal information and data in conducting our business subjects us to legislative and regulatory burdens that may require us to notify customers or employees of a data security breach. We have incurred, and will continue to incur, significant expenses to comply with mandatory privacy and security standards and protocols imposed by law, regulation, industry standards, or contractual obligations.

Our business is vulnerable to interruptions caused by various reasons beyond our control.

Our business could be materially and adversely affected by the outbreak of health epidemics such as swine influenza (H1N1) and avian influenza (such as H7N9) in the regions where we operate. In recent years, there have been outbreaks of swine influenza and avian influenza in certain regions of the world, including China, Hong Kong and the United States, resulting in a significant number of confirmed human cases and deaths. In 2014, the Ebola epidemic that affected the western and central regions of Africa has caused thousands of deaths. We cannot assure you that this epidemic will not strike China or other regions where we operate. Any outbreak of swine influenza, avian influenza, Ebola or other adverse public health developments in China or the other regions where we operate could adversely affect economic activities in those regions, decrease business or leisure travel and require the temporary closure of our offices, which could severely disrupt our business operations and adversely affect our results of operations. We also face challenges like earthquakes, fires, floods, power losses, telecommunication failures, acts of war, human errors, break-ins, strikes and other factors that are beyond our control, including but not limited to the changes of our regulatory and operational environments. We may be forced to or elect to interrupt our systems, manufacturing facilities and other operations because of these factors, which in turn could materially affect our profitability and results of operations.

RISKS RELATING TO OUR STRATEGIC INVESTMENTS AND OPERATIONS

Risks Relating to Our IT Business

Lenovo faces intense competition, which may adversely affect its revenue, market share or profitability.

Lenovo operates in an industry in which there are rapid technological advances in hardware, software, and service offerings, and Lenovo faces aggressive product and price competition from both branded and generic competitors. Lenovo competes based on its ability to offer its customers the most current and desired product features at competitive prices. We expect that competition in the IT industry will continue to be intense. In seeking to grow and maintain its revenue, market share and profitability in different geographical and product sectors, Lenovo faces challenges that its competitors' products may be less costly, provide better performance or include other features that are more attractive to customers when compared to its products. Moreover, Lenovo's efforts to balance its mix of products to optimize profitability, liquidity, and growth may put pressure on its industry position. In addition, Lenovo faces competitive challenges due to changing industry and market dynamics, such as the growth of mobility and touchscreen devices and equipment, the transition towards cloud computing and the maturity of the traditional PC market. Lenovo needs to develop products and services that appeal to customers, in a very competitive marketplace, against the backdrop of decelerating growth in global demand for PCs. As Lenovo continues to expand globally, it may see new and increased competition in different geographic regions and face challenges from new industry competitors. As the IT industry evolves and Lenovo grows, companies with which Lenovo has strategic alliances may become competitors in other product areas or its current competitors may enter into new strategic relationships with new or existing competitors, all of which may further increase the competitive pressures that Lenovo faces.

Lenovo faces risks and challenges associated with its acquisitions and investments, including its recent acquisitions of the x86 server business and Motorola Mobility.

From time to time, Lenovo acquires companies or businesses, enters into strategic alliances and joint ventures and makes investments, and will continue to seek opportunities to do so in the future as part of its expansion plan. In order to pursue this strategy successfully, Lenovo must effectively identify suitable targets for, and negotiate and consummate, acquisition or investment transactions, some of which may be large or complex, and manage post-closing issues such as the integration of acquired businesses, products, services or employees. For example, Lenovo completed the acquisition of certain assets and assumption of certain liabilities in connection with IBM's x86 server hardware and maintenance business on October 1, 2014. Lenovo also completed the acquisition of 100% of the issued and outstanding equity interests in Motorola Mobility from Google including the Motorola brand and its portfolio of smartphones, including *Moto X*, *Moto G* and the DROID™ on October 30, 2014.

Risks associated with business combination and investment transactions include the following, any of which could adversely affect Lenovo's revenue, gross margin and profitability:

- Managing business combination and investment transactions often requires significant management resources, which may divert its attention from other business operations.

- There is no assurance that Lenovo will be able to effectively manage loss-making businesses that it acquires or transforms them into profit-making businesses.

- Lenovo may not fully realize all of the anticipated benefits of any business combination and investment transaction, and the timeframe for realizing benefits of a business combination and investment transaction may depend partially upon the actions of employees, advisors, suppliers or other third parties.

- Business combination and investment transactions may result in significant costs and expenses and charges to earnings, including those related to severance pay, early retirement costs, employee benefit costs, goodwill and asset impairment charges, charges from the elimination of duplicative facilities and contracts, in-process research and development charges, inventory adjustments, assumed litigation and other liabilities, legal, accounting and financial advisory fees, and required payments to executive officers and key employees under retention plans.

- Its due diligence process may fail to identify significant issues with the acquired company's product quality, financial disclosures, accounting practices or internal control deficiencies.

- Lenovo may borrow to finance business combination and investment transactions, and the amount and terms of any potential future acquisition-related or other borrowings, as well as other factors, could affect its liquidity and financial condition.

- If disputes arise in connection with business combination and investment transactions, such disputes may lead to litigation, which may be costly and divert its resources.

Integration issues are often complex, time-consuming and expensive and, without proper planning and implementation, could significantly disrupt its business, including the business acquired as a result of any business combination and investment transaction. The challenges involved in integration include:

- combining product and service offerings and entering or expanding into markets in which Lenovo is not experienced or are developing expertise;

- combining different business models and managing different competitive landscapes;

- convincing customers and distributors that the transaction will not diminish client service standards or business focus, persuading customers and distributors not to defer purchasing decisions or switch to other suppliers (which could result in it incurring additional obligations in order to address customer uncertainty), minimizing sales force attrition and expanding and coordinating sales, marketing and distribution efforts;

- consolidating and rationalizing corporate IT infrastructure, which may include multiple legacy systems from various acquisitions and integrating software code and business processes;

- minimizing the diversion of management attention from ongoing business concerns;

- persuading employees that business cultures are compatible, maintaining employee morale and retaining key employees, integrating employees into Lenovo, correctly estimating employee benefit costs and implementing restructuring programs;

- coordinating and combining administrative, manufacturing, research and development and other operations, subsidiaries, facilities and relationships with third parties in accordance with local laws and other obligations while maintaining adequate standards, controls and procedures;

- achieving savings from supply chain integration; and

- managing integration issues shortly after or pending the completion of other independent transactions.

There is no assurance that acquisitions will occur in the future. Lenovo's future growth may be adversely affected if it is unable to make investments or to pursue acquisitions, or if investments and acquisitions prove unsuccessful.

Lenovo's performance could be adversely affected by its failure to hedge effectively its exposure to fluctuations in foreign currency exchange rates and interest rates and it is subject to counterparty default risks.

The majority of Lenovo's product components are priced in U.S. dollars. However, a relatively small portion of its revenue is denominated in that currency. Accordingly, Lenovo's margins are vulnerable to changes in the values of currencies relative to each other. Lenovo uses forward contracts and other derivative instruments to protect against foreign currency exchange rate risks. As a result, Lenovo is subject to the risk that the counterparty to one or more of these arrangements will default, either voluntarily or involuntarily, on its performance under the terms of the arrangement. In times of market distress, a counterparty may default rapidly and without notice to Lenovo, and Lenovo may be unable to take action to cover its exposure, either because it lacks the contractual ability or because market conditions make it difficult to take effective action. If one of Lenovo's counterparties becomes insolvent or files for bankruptcy, its ability eventually to recover any losses suffered as a result of that counterparty's default may be limited by the liquidity of the counterparty or the applicable legal regime governing the bankruptcy proceeding. In the event of such default, Lenovo could incur significant losses, which could harm its business and negatively impact its results of operations and financial condition. In addition, the effectiveness of Lenovo's hedges depends on its ability to accurately forecast future cash flows, which is particularly difficult during periods of uncertain demand for its products and highly volatile exchange rates. As a result, Lenovo could incur significant losses from its hedging activities if its forecasts are incorrect. In addition, Lenovo's hedging activities may be ineffective or may not offset any or more than a portion of the adverse financial impact resulting from currency variations. Gains or losses associated with hedging activities also may impact Lenovo's revenue and to a lesser extent its cost of sales and financial condition.

Due to the international nature of Lenovo's business, political or economic changes or other factors could harm its future revenue, costs and expenses and financial condition.

Lenovo derives the majority of its revenue from its international operations outside China and it plans to aggressively grow its business in new international markets, including India and other emerging markets. Sales from China, Asia Pacific, Europe-Middle-East-Africa and America accounted for 33.2%, 14.9%, 28.0% and 23.9% of Lenovo's revenue for the year ended December 31, 2014, respectively. Lenovo's future revenue, gross margin, expenses and financial condition could suffer due to a variety of risks associated with its international operations, including:

- ongoing instability or changes in a country's or region's economic or political conditions, including inflation, recession, interest rate or foreign exchange rate fluctuations and actual or anticipated military or political conflicts;

- longer collection cycles and financial instability among customers;

- various governmental requirements, and any changes to such requirements, for it to obtain and maintain permits, approvals and registrations or pass reviews necessary to conduct business in the markets it operates;

- trade regulations and procedures and actions affecting production, pricing and marketing of products, including tariffs and antidumping penalties;
- local labor conditions and regulations, including local labor issues faced by specific suppliers;
- managing a geographically dispersed workforce;
- changes in the regulatory or legal environment;
- differing technology standards or customer requirements;
- import, export or other business licensing requirements or requirements relating to making foreign direct investments, which could increase Lenovo's cost of doing business in certain jurisdictions, prevent it from shipping products to particular countries or markets, affect its ability to obtain favorable terms for components, increase its operating costs or lead to penalties or restrictions;
- difficulties associated with repatriating cash generated or held abroad in a tax-efficient manner and changes in tax laws; and
- fluctuations in freight costs, limitations on shipping and receiving capacity, and other disruptions in the transportation and shipping infrastructure at important geographic points of exit and entry for Lenovo's products and shipments.

A number of Lenovo's target markets are relatively new markets for it. Lenovo faces greater challenges in these markets due to its limited prior presence and because the competitive conditions in these markets may be different from those in its existing markets.

Lenovo faces increased risks associated with implementing its strategic initiatives as the scale and breadth of its business and operations expand.

Lenovo's "Protect and Attack" strategy seeks to maintain and develop its strengths in its core, established markets and to aggressively attack those markets and segments on which Lenovo has historically focused less. Lenovo's ability to accomplish the goals of this strategy depends, among other things, on its success in leveraging its success in China and in the large enterprise and public sectors worldwide, allocating its development and marketing resources in accordance with its strategy, and managing the effects of these strategic initiatives. Lenovo faces increased risks associated with implementing its strategies given its large portfolio of businesses, the broad range of geographic regions in which Lenovo and its customers and partners operate, and the number of acquisitions that Lenovo has completed in recent years. Lenovo also faces risks associated with changing industry and market dynamics. As the scale and breadth of Lenovo's business and operations grow, it faces greater challenges to manage our business, operations and growth in an effective manner, including challenges associated with demand forecasting, manufacturing resource planning, inventory management and our international operations. If Lenovo successfully gains market share in the premium consumer market, it may experience longer collection cycles, which are characteristic of the consumer market compared to the enterprise market. If Lenovo is unable to meet these challenges, its business, results of operations and prospects could be unfavorably affected.

Lenovo's future success depends on its ability to respond effectively to rapid changes in technology and customer preferences in the information technology industry.

Many of the markets in which Lenovo competes are characterized by rapid changes in market trends and consumer preferences, as well as constantly evolving technological advances in hardware performance and software features and functionality, which in turn lead to the frequent introduction of new products, short product life cycles, and continual improvement in product price characteristics relative to product performance. To maintain its competitive position in these markets, Lenovo must successfully develop and introduce new products and enhance its existing offerings. This process is complex, costly and uncertain, and any failure by Lenovo to anticipate customers' changing needs and emerging technological trends accurately could significantly harm its market share and results of operations. In recent years, there has been a rapid growth in the use of mobile devices, such as tablets and smartphones, which has slowed the replacement cycle for traditional PC products. Lenovo has adopted a PC+ strategy to capitalize on the growing demand for smartphones, tablets and smart TVs, but it may experience delays in the timing of activities related to these initiatives and unanticipated costs in implementing them due to the risks discussed elsewhere in this section. Similarly, as Lenovo transitions to an environment characterized by cloud computing and software being delivered as a service, it must continue to successfully develop and deploy cloud-based solutions for our customers. Lenovo must make long-term investments, develop or obtain, and protect appropriate intellectual property and commit significant resources before it knows whether its predictions will accurately reflect customer demand for its products. In addition, after it develop a product, Lenovo must be able to manufacture appropriate volumes quickly and at low costs. To accomplish this, Lenovo must accurately forecast volumes, mixes of products and configurations that meet customer requirements, and there is no assurance that Lenovo can do so successfully within a given product's life-cycle or at all. Any delay in the development, production or marketing of a new product, service or solution could result in Lenovo not being among the first to market, which could harm its competitive position.

Estimates of Lenovo's warranty expenses are subject to assumptions and inherent uncertainties, and its results of operations would be adversely affected if actual warranty claims exceed its estimates.

Lenovo records warranty liabilities at the time of sale for the estimated costs that will be incurred under its basic limited warranty. Specific warranty terms and conditions vary depending upon the product and the country in which the product is sold, but generally include technical support, repair parts and labor associated with warranty repair and service actions. Lenovo's warranty periods generally range from one to three years. However, certain of its warranties, such as those associated with some of its government contracts, have periods that extend beyond three years. Lenovo reevaluates its estimates on a quarterly basis to assess the adequacy of its recorded warranty liabilities and adjusts the amounts as necessary. Estimates of Lenovo's warranty expenses are subject to assumptions and inherent uncertainties, and its results of operations would be adversely affected if actual warranty claims exceed its estimates.

Risks Relating to Our Financial Services Business

Our financial services business is subject to various credit risks and our credit risk management may not be adequate.

We provide a wide range of financial products and services, including direct loans, credit guarantees, pawn loans, financial leasing and entrusted loans to individual and corporate customers. If our customers do not fulfill their respective contract obligations or duties, the results of operations, financial condition and profitability of our financial services business could be adversely affected.

- *Portfolio quality*. Our financial services involve providing loans, credit guarantees and financial leasing to customers. Non-performing loans, guarantees and financial leasing resulting from default of customers will have an adverse effect on the results of operations of our financial services business. The sustainable growth of our financial services business mainly depends on our ability to effectively manage the credit risk and maintain the quality of our portfolio. Any defect in the credit risk management policy of our relevant subsidiaries, or any credit risks beyond our control, may have an adverse effect on the results of operations, financial condition and profitability of our financial services business.

- *Loss*. Although we have made allowance for impairment losses based on assessment of various factors affecting the portfolio of our financial services business, the actual losses in the future may exceed our current allowance and we may need to make additional allowance for impairment losses. As such, the results of operations, financial condition and profitability of our financial services business may be adversely affected.

- *Security*. A substantial portion of our loan portfolio, financial leasing and credit guarantee services are secured by collaterals or guarantees. Any significant decline in the value of the collateral or deterioration of the financial condition of the guarantors or any failure by us to enforce our rights as a creditor may adversely affect the results of operations, financial condition and profitability of our financial services business.

- *Concentration*. A majority of the customers for our business are SMEs, which generally have fewer financial resources in terms of capital or borrowing capacity and are more vulnerable to an economic downturn. Our direct loan, credit guarantee and financial leasing businesses are also concentrated in certain regional markets, such as Anhui Province, and certain industries, such as manufacturing and property development. If the credit profiles of these customers deteriorate, the economy of these regions slows down, or the conditions of these industries experience a significant or prolonged downturn, the asset quality, financial condition and results of operations of our financial services business may be adversely affected.

We seek to manage our credit risk exposure through customer due diligence, credit approvals, credit limits, security arrangements and portfolio monitoring. While these procedures are designed to provide us with the information needed to implement adjustments where necessary and to take proactive corrective actions, there can be no assurance that such measures will be effective in protecting us from credit risk exposure. For example, our appraisal and monitoring of the collateral and guarantees is based on limited information available to us and might be inaccurate, unreliable or outdated. We may not be able to detect fraud from the information provided by our customers when applying for our services.

If the cooperating banks for our credit guarantee business tighten their security deposit requirements on our subsidiaries providing credit guarantee services, our financial services business may be adversely affected.

In our credit guarantee services, our cooperating banks generally require us to provide cash deposits as security in the amount of a certain percentage of the loan principal they grant to a customer pursuant to our cooperation agreements. During the Track Record Period, the percentage was typically set around 10%. If there is any unfavorable change in the banks' security deposit requirements on us, the amount of credit guarantee that our relevant subsidiaries can provide will decrease, which will adversely affect the results of operations of our financial services business.

Risks Relating to Our Modern Services Business

We could become the subject of patient complaints, claims and legal proceedings in the course of our dental operations.

Our dental service business relies on our dentists and other medical staff in our hospitals and clinics, as assisted by the medical equipment (such as computed tomography and x-ray apparatus) to make proper decisions regarding the treatment of our patients. However, we may not have direct control over the activities of each hospital or clinic or of the dentists and other medical staff, nor can we ensure the proper functioning of the medical equipment. Any incorrect decisions on the part of dentists and other medical staff or the inaccurate results shown on or malfunctions of the medical equipment, or any failure by us to properly manage our hospitals and clinics, may result in unsatisfactory treatment outcomes or possibly patient injuries. We may be subject to complaints or claims from our patients as a result of their negative physical reactions to the dental medical treatment or a wide gap between their expectation and the actual treatment results. We cannot assure you that we will not be subject to such patient complaints or claims or that we can successfully prevent or address all patient complaints and claims in the future. Any complaint, claim or legal proceeding, regardless of merit, could adversely affect our brand image, divert management resources and cause us to incur extra costs to handle these complaints, claims and legal proceedings.

Risks Relating to Our Agriculture and Food Business

Unpredictable weather conditions, pest infestations and diseases may have an adverse impact on our agricultural production.

The occurrence of severe adverse weather conditions, especially droughts, hail, floods or frost, is unpredictable and may have a potentially devastating impact on agricultural production. Such events may also adversely affect the supply and price of the agricultural products that we sell. Adverse weather conditions may be exacerbated by the effects of climate change. The effects of severe adverse weather conditions may reduce yields of our products or require us to increase our level of investment to maintain yields.

Additionally, pest infestations may also reduce yields of our agricultural products. The occurrence and effects of diseases and pests can be unpredictable and devastating to agricultural products, potentially rendering all or a substantial portion of the affected harvests unsuitable for sale. Our kiwifruits and blueberries are also susceptible to fungi and bacteria that are associated with excessively moist conditions. Furthermore, if we fail to control a given pest or disease and our production is threatened, we may be unable to supply products to our customers in the agreed quantity and the usual quality, which could result in reduced sales and customer claims and harm our reputation.

Our agriculture business is seasonal, and our financial results may fluctuate significantly depending on the growing cycle of our fruits.

Our agricultural business is seasonal, based upon the planting, growing and harvesting cycles. The inherent seasonality of the industry could have a material adverse effect on our business. In addition, financial results are expected to vary significantly from one year to the next due primarily to weather-related shifts in planting schedules, production yields, purchase patterns and costs. We generally incur substantial expenditures for fixed costs throughout the year and substantial expenditures for inventory in advance of the planting season.

Seasonality also relates to the limited windows of opportunity that we have to complete required tasks at each stage of fruit cultivation. Should events such as adverse weather, inadequate supply of raw materials or transportation interruptions occur during these seasonal windows, we would face reduced production and revenue without the opportunity to recover until the following season. In addition, because of the seasonality of agriculture, we face the risk of significant inventory carrying costs should our customer demand be curtailed during their normal seasons.

Prices for our agricultural products vary significantly and unfavorable prevailing market prices could have a significant impact on our profitability.

Our fresh products are perishable and must be sold within a specified time frame following harvest. As a result, we are generally required to accept the prevailing market prices at the time the product is harvested. The prevailing market prices for our agricultural products depend on the supply and demand at that time, and could fluctuate significantly from year to year. The revenue and profitability of our agriculture business would be adversely affected by unfavorable prevailing market prices.

Concerns over food safety and public health may affect our operations by increasing our costs and negatively impacting the demand for our products.

We could be adversely affected by the diminishing confidence in the safety or quality of certain food products or ingredients, even if our practices and procedures are not implicated. Product safety and quality issues, even if limited to other companies that plant, produce or sell the same types of products that we do, could raise concerns from our customers and lower the demand for our products. For example, a crisis in China over melamine-contaminated milk in 2008 reduced domestic consumption and exports of milk and other dairy products, with several countries banning the import of all PRC milk and milk products even though the contamination was reported to have occurred only at a few dairy production companies. We may also elect or be required to incur additional costs to increase consumer confidence in the safety of our products. Any negative consequence discussed above could materially and adversely affect the financial condition, results of operations and prospects of our agriculture business.

If we cannot properly address the challenges in the consumption and regulatory environment of the Chinese liquor industry, the performance of our Chinese liquor business may be adversely affected.

Influenced by the development cycle of the Chinese liquor industry, the transitioning of the consumer market for Chinese liquor, increased competition in this industry and restrictive government policies that reduced public expenditures, the Chinese liquor industry has entered a period of intense competition and slow growth. In response to this, our Chinese liquor business is using various techniques to promote our products. However, we cannot assure you these efforts will be successful in increasing sales and profitability of our Chinese liquor business.

Tax laws and regulations applicable to our Chinese liquor business may be subject to change.

The consumption tax is the main tax imposed by the PRC Government on Chinese liquor enterprises and is charged at 20% of the taxable total sales, which is calculated based on the ex-factory price plus RMB1 per kilogram produced. The SAT issued additional administrative measures in 2009 to set forth the minimum taxable price if the ex-factory price (being the original taxable price) is less than 70% of the wholesale price, and that change negatively affected the profitability of Chinese liquor makers. It has been reported in the media that the PRC Government may further amend the rules such that a consumption tax will be charged based on the wholesale price rather than the ex-factory price. Such amendment, if made, or any further increase in taxes and other surcharges on sales of Chinese liquor may adversely affect the sales, financial condition and results of operation of our Chinese liquor business.

Risks Relating to Our Property Business

Our property business is dependent on the performance of China's real estate market, particularly in the cities in which we develop and manage our property projects or regions where we may expand into.

Our property business' prospects depend on the performance of China's real estate market, particularly in the cities where we have property projects, such as Beijing and Tianjin and the regions which we may expand into. China's real estate market is affected by many factors, including changes in China's social, political, economic and legal environment, changes in the PRC Government's fiscal and monetary policies, the balance between supply and demand in the regional markets, the lack of a mature and active secondary market for residential and commercial properties in China or the regional markets and consumer spending, all of which are beyond our control. Any real estate market downturn in the cities in which we have property projects or the regions which we may expand into may materially and adversely affect our business, financial condition and operating results.

Our property business may not always be able to obtain land reserves that are suitable for our property development at commercially acceptable terms.

Our property business derives its revenue principally from the sale and operating of properties that we have developed. We must therefore maintain an appropriate level of land reserves, with each parcel of land in suitable locations having sufficient size and appropriate scope of usage for our property development purposes, and at an appropriate pace in order to ensure sustainable business growth. There is a limited supply of available land that satisfies our criteria in cities or regions into which we plan to expand, and the costs for acquiring land use rights for such land have increased in recent years. The PRC Government controls the availability of land and regulates the way in which property developers may obtain land in China. The PRC Government's land supply policies have a direct impact on our ability to acquire land use rights and our costs of acquisition. To the extent that we are unable to acquire suitable land reserves on commercially acceptable terms for our project development on a timely basis or on terms which will enable us to achieve reasonable returns, the prospects, financial condition and operating results of our property business may be materially and adversely affected.

Our property business may not be able to complete or deliver our development projects on time.

The progress and costs of a development project may be materially and adversely affected by many factors, including:

- delays in obtaining necessary licenses, permits or approvals from governmental agencies or authorities;
- relocation of existing residents and demolition of existing buildings;
- shortages of materials, equipment, contractors and skilled labor;
- labor disputes;
- construction accidents;
- natural catastrophes;
- adverse weather conditions;
- changes in regulations or governmental policies; and
- economic downturn.

Construction delays or the failure to complete the construction of a project according to its planned specifications, schedule or budget as a result of the above factors may result in increased costs, harm to our reputation, reduction of or delay in recognizing revenues, and reduced returns. If a pre-sold property development is not completed on time, the purchasers of the pre-sold units may be entitled to compensation for late delivery. If the delay extends beyond a certain period, the purchasers may even be entitled to terminate the pre-sale agreements and claim damages. We cannot assure you that we will not experience any significant delays in completion or delivery in the future. Any of the delays may affect our project schedules and result in a violation of the applicable land regulations or a breach of the relevant land grant contracts, which could subject us to relevant administrative penalties, including forfeiture of land. See "– Risks Relating to Our Property Business – The PRC Government may impose a penalty on our property business or require the forfeiture of land for any projects of our property business that was not or has not been developed in compliance with the terms of the land grant contracts." As a result, the prospects, financial condition and results of operations of our property business may be materially and adversely affected.

Our property business is capital intensive, and if any issues arise in our cash flow, we may be unable to repay our debt or obtain new financing for this business.

Our property business is capital intensive and often requires large investments to obtain land reserves and developed properties, but it usually takes us several months or years to see cash inflow from pre-sale of a property or sale of a completed property. We cannot assure you that our property business will continue to obtain sufficient cash inflow from operations to cover its capital needs. If pre-sales or sales of our properties decline or fail to reach the expected level, the financial condition of our property business will be adversely affected. In addition, in order to provide financing for such a capital intensive business, we may need to maintain a certain level of debt and may use a portion of our properties or land use rights as mortgage for the debt. We cannot assure you that we can continue to obtain financing at reasonable and acceptable costs in the future, or that our property business can maintain sufficient cash flow to repay our existing debt for this business.

The PRC Government may impose a penalty on our property business or require the forfeiture of land for any projects of our property business that was not or has not been developed in compliance with the terms of the land grant contracts.

Under PRC laws and regulations, if a property developer fails to develop land according to the terms of the land grant contract (including those relating to the payment of fees, designated use of land, amount of GFA developed, time for commencement and completion or suspension of the development, and amount of capital invested), the relevant government authorities may issue a warning to or impose a penalty on the developer or require the developer to forfeit the land. Any violation of the terms of the land grant contract may also restrict a developer's ability to participate, or prevent it from participation, in future land bidding. In 2008, the State Council issued a notice which requires, among others, that land use rights be revoked for land parcels left idle for two years or more and that an idle land fee be imposed at 20% of the land transfer or grant price for land parcels left idle for one to two years. Moreover, even if the commencement of the property development satisfies the stated requirements of the land use rights grant contract, if the development of the land is suspended continuously for more than one year and the developed GFA is less than one-third of the total planned GFA of the project or the total capital invested is less than one-fourth of the total planned investment of the project, the land will still be treated as idle land. All property developers who have defaulted on a land grant fee payment, leave land idle and unused, or are engaged in land speculation, or have otherwise defaulted on a land grant contract are prohibited from acquiring land for a certain period. See "Supervision and Regulation – Property Business – Regulations on Real Estate Project Development – Supervisions on Idle Land". While we were not subject to any forfeiture of land or relevant penalties during the Track Record Period, we cannot assure you that any circumstances leading to such sanctions will not arise in the future. If any of our subsidiaries engaged in the property business is required to forfeit land, we may not be able to continue our property development on the forfeited land, recover the costs incurred for the initial acquisition of the forfeited land or recover the development costs and other costs incurred up to the date of forfeiture. Any requirement that we pay idle land fees or other related penalties may materially and adversely affect the prospects, financial condition and results of operations of our property business.

If our provisions for land appreciation tax prove to be insufficient, financial results for our property business would be adversely affected.

Properties developed for sale by our property business are subject to land appreciation tax ("**LAT**"). Under PRC tax laws and regulations, all income derived from the sale or transfer of land use rights, buildings and their ancillary facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of the value of land use rights. LAT must be calculated based on proceeds received from the sale of properties less deductible expenditures as provided in the relevant tax laws. We make provisions for the full amount of applicable LAT in accordance with the relevant PRC tax laws and regulations from time to time pending settlement with the relevant tax authorities. As we often develop our projects in phases, deductible items for the calculation of LAT, such as land costs, are apportioned among different phases of development. Provisions for LAT are made on our own estimates based on, among other things, our own apportionment of deductible expenses which is subject to final confirmation by the relevant tax authorities upon settlement of the LAT. We only prepay a portion of such provisions each year as required by the local tax authorities. However, we have never received any formal confirmation or exemption from relevant tax authorities on our LAT liabilities for any period and we cannot assure you that the relevant tax authorities will agree with our calculation of LAT liabilities. Should the tax authorities determine that our LAT liabilities exceed our prepaid LAT and provisions, our cash flow may be severely and adversely affected. As we continue to expand our property development business, these effects may be further amplified. It is uncertain as to when the tax authorities will enforce LAT collection and whether they will collect LAT payments retrospectively on properties sold before the enforcement.

The operating results of our property business may fluctuate due to increases or decreases in the appraised fair value of our investment properties.

For our property business, we are required to reassess the fair value of our investment properties at every balance sheet date for which we issue financial statements. Under IFRS, gains or losses arising from changes in the fair value of our investment properties are included in our consolidated statements of comprehensive income in the period in which they arise. However, fair value gains do not change our overall cash position or our liquidity as long as we continue to hold such investment properties. For the years ended December 31, 2012, 2013 and 2014, we recognized fair value gains on our investment properties in the amounts of approximately RMB622.2 million, RMB201.6 million and RMB249.2 million, respectively.

The amount of revaluation adjustments has been, and will continue to be, subject to market fluctuations. We cannot assure you that changes in market conditions (if any) will continue to create fair value gains on our investment properties at previous levels or at all, or that the fair value of our investment properties will not decrease, or that our investment properties will expand substantially or at all. In particular, the fair value of our investment properties could decline in the event that, among other things, the real estate industry experiences a downturn as a result of PRC Government policies aimed at "cooling off" the PRC real estate market, or any global market fluctuations or economic downturn. There is no assurance that the fair value gains (if any) on our investment properties will increase due to any expansion in our portfolio of investment properties and/or increase due to the overall value appreciation of properties. In addition, net fair value gains of our investment properties are based on valuations performed by our Property Valuer and are calculated based on assumptions adopted by them. We cannot assure you that the assumptions used by our Property Valuer as set out in "Appendix III – Property Valuation" will be realized. Any decrease in the fair value of our investment properties could lead to a decrease in fair value gains on investment properties in our consolidated income statement, which could in turn adversely affect our financial performance.

Raycom guarantees the mortgages provided to its property purchasers and consequently are liable to the mortgagee banks if the purchasers default on their mortgage payments.

Raycom assists purchasers of properties in obtaining mortgage loans from various domestic banks. In accordance with market practice, domestic banks require Raycom to provide guarantees for these mortgages. Substantially all of these guarantees are discharged upon the earlier of (i) the issuance of the property ownership certificate to the purchaser and completion of mortgage registration by the purchaser with the mortgagee bank, and (ii) full repayment of the mortgage loan by the purchaser. During the guarantee period, if a purchaser defaults under the mortgage loan and the bank calls on the guarantee, Raycom is required to repay all debt owed by the purchaser to the mortgagee bank under the loan. In such case typically the mortgagee bank will assign to Raycom its rights under the loan and the mortgage and Raycom will have full recourse to the property. If Raycom fails to repay the debt, the mortgagee bank may auction the underlying property and recover any additional amounts outstanding from Raycom as the guarantor of the mortgage. In line with industry practice, Raycom does not conduct independent credit checks on its customers but relies instead on the credit checks conducted by the mortgagee banks, which may not be as extensive as credit checks conducted in other jurisdictions. If defaults occur and Raycom's relevant guarantees are called upon, the prospects, financial condition and results of operations of our property business may be materially and adversely affected to the extent that there is a material depreciation in the value of the relevant properties or if Raycom is unable to sell the properties due to unfavorable market conditions or other reasons.

Risks Relating to Our Chemicals and Energy Materials Business

If we cannot complete project construction or start mass production for our chemicals and energy materials business within the anticipated time frame or budgets, the future profitability of our chemicals and energy materials business could be materially and adversely affected.

Our chemicals and energy materials business mainly includes DMTO, PP, EVA, EO, and EO derivatives production facilities. As of December 31, 2014, except for the EVA production facility, all other production facilities have completed construction and begun trial operations. We face uncertainties and risks related to projects under construction, including but not limited to: delay in construction progress; disruptions caused by natural disasters or accidents;

breakdown, failure or substandard performance of equipment due to improper installation or operation; failure to receive essential equipment, critical components or services from third parties on schedule and according to design specifications; and force majeure or other events beyond our control. Any of these factors could give rise to construction delays and construction costs in excess of our budgets, which may prevent us from completing construction of a project or operating such project profitably.

Production facilities that have completed construction and begun trial operations may not perform according to our expectations. Our chemicals and energy materials business may not be able to attract a sufficient number of customers or obtain a sufficient number of orders, achieve mass production due to any unforeseen factors beyond our control (such as changes in regulatory, environmental protection or other government policies), or meet our expected targets due to mistaken assumptions of revenue, cost, market demand, growth potential or other factors. The occurrence of any of the above may have a material adverse effect on the prospects, financial condition and results of operations of our chemicals and energy materials business.

Methanol and various other chemical components and products involved in and manufactured, processed, stored, handled, distributed and transported by our chemicals and energy materials business are combustible and very volatile and may be harmful if handled or disposed of improperly.

Our chemicals and energy materials business manufactures, processes, stores, handles, distributes and transports methanol, EVA, EO and certain other chemical products, which are combustible and very volatile substances and may cause harm if not handled or disposed of properly. Any accidents or mishandling involving these substances, fires, explosions or natural disasters could cause severe damage or injury to property, the environment and human health, as well as possible disruptions, restrictions or delays in our production. Any damage to persons, equipment or property or other disruption of our production or distribution of our products could result in a significant decrease in revenues from our chemicals and energy materials business and significant increase in costs to replace or repair and insure our assets, which could negatively affect the operating results and financial condition of our chemicals and energy materials business. Litigation or complaints arising from any such event may result in us being named as a defendant in civil lawsuits or regulatory enforcement proceedings asserting claims for a large amount of damages. We cannot provide any assurance that such incidents will not occur in the future. If they do occur, such incidents may result in claims or damage to our reputation and have a material adverse effect on the financial condition and results of operations of our chemicals and energy materials business.

Our chemicals and energy materials business is subject to PRC environmental laws and regulations.

Our chemicals and energy materials business is subject to PRC environmental laws and regulations governing the emission, discharge, release and disposal of hazardous substances and other pollutants. These laws and regulations require enterprises that produce environmental waste to obtain government authorizations for operations and to adopt effective measures to control and properly manage and dispose of materials containing hazardous chemicals, including our raw materials, products, waste gases, waste water and solid wastes. PRC environmental protection laws and regulations also subject producers discharging hazardous substances and other pollutants to fines for discharges above permitted levels. Failure to comply with applicable PRC environmental laws or regulations may result in fines, suspension of operations, cancellation of environmental and production licenses, and in more extreme cases, criminal liabilities on the part of the manufacturer and its management. The relevant PRC Government authorities also have the discretion to suspend or close any facility failing to comply with such environmental protection laws and regulations. As confirmed by our PRC legal advisors, our chemicals and energy materials business did not breach PRC environmental laws or regulations in any material respect during the Track Record Period. However, we cannot assure you that our chemicals and energy materials business will be in compliance with all such laws and regulations at all times. If the PRC Government imposes more stringent environmental protection requirements on us, our production and distribution costs may increase, and our chemicals and energy materials business may be forced to curtail or suspend production to ensure compliance and may not be able to pass on the increased costs to our customers.

RISKS RELATING TO OUR FINANCIAL INVESTMENTS

We may not be able to achieve expected returns on our investment.

We launched a venture capital investment business through Legend Capital in early 2000s and a private equity investment business through Hony Capital in 2003. We are also an LP in their limited partnership funds and hold interests in the GPs of their funds that are structured as limited partnerships. We started to make early stage angel investment through Legend Star in 2008. In addition, we are involved in fund investment and certain minority equity investments. However, Legend Star, Legend Capital and Hony Capital or ourselves may make unsound investment decisions due to fraudulent, concealed, inaccurate or misleading statements from a target company in the course of their due diligence, which could lead these investors to mistakenly estimate the value of the target company. In addition, our, Legend Star's and these funds' understanding and judgment of the target company's business or the industry in which it operates may also be inaccurate, which could result in inappropriate investment decisions, and ultimately affect potential returns on these investments.

In addition, Legend Star, Legend Capital, Hony Capital or we may take longer than expected to exit investments through public offering of shares or other means. The ability of us, Legend Star and these funds to exit an investment is also subject to capital market conditions in the PRC, Hong Kong and overseas. If we, Legend Star or these funds cannot dispose of investments during the planned disposal period, such investment returns will continue to be exposed to market risks.

The results of operations of our financial investments business conducted through multiple platforms, which mainly include Legend Capital and Hony Capital, depend in large part on their respective ability to raise capital from investors.

The ability to raise capital from investors depends on a number of factors, including many that are outside the control of Legend Capital and Hony Capital. For example, investors may downsize their investment allocations to alternative investments, including private investment funds, to rebalance a disproportionate weighting of their overall investment portfolio among asset classes. Poor performance of the funds of Legend Capital and Hony Capital could also make it more difficult for them to raise new capital. Their investors and potential investors may continually assess their funds' performance independently and relative to market benchmarks and their competitors, and their ability to raise capital for existing and future funds and to avoid excessive redemptions depends on their funds' performance. In addition, if economic and market conditions deteriorate, Legend Capital and Hony Capital may be unable to raise sufficient amounts of capital to support the investment activities of future funds. If they are unable to raise such capital, they may be unable to collect management fees or deploy such capital into investments. As a result, the results of operations of our financial investments business conducted through Legend Capital and Hony Capital may be materially and adversely affected.

The investments of Legend Star, Legend Capital and Hony Capital are subject to a number of inherent risks to angel investment, venture capital and private equity industries.

The results of our financial investments businesses conducted through Legend Star, Legend Capital and Hony Capital are highly dependent on their respective continued ability to generate attractive returns from their investments. Their angel investments, venture capital and private equity investments involve a number of significant inherent risks, including:

- companies in which Legend Star, Legend Capital and Hony Capital have made investments may have limited financial resources and may be unable to meet their obligations under their securities, which may be accompanied by a deterioration in the value of their equity securities or any collateral or guarantees provided with respect to their debt;

- companies in which Legend Star, Legend Capital and Hony Capital have made investments are more likely to depend on the management talents and efforts of a small group of persons and, as a result, the death, disability, resignation or termination of one or more of those persons could have a material adverse impact on their business and prospects;

- companies in which Legend Star, Legend Capital and Hony Capital have made investments may from time to time be parties to litigation, may be engaged in rapidly changing businesses with products subject to a substantial risk of obsolescence and may require substantial additional capital to support their operations, finance expansion or maintain their competitive position;

- instances of fraud and other deceptive practices committed by senior management of investee enterprises in which Legend Star, Legend Capital and Hony Capital have made investments may undermine their due diligence efforts with respect to such companies and, if such fraud occurs, negatively affect the valuation of investments as well as contribute to overall market volatility;

- Legend Star, Legend Capital and Hony Capital may make investments that they are not able to dispose of on acceptable terms as expected, resulting in a lower-than-expected return on the investments; and

- Legend Star, Legend Capital and Hony Capital generally establish the capital structure of portfolio companies according to financial projections based primarily on management judgments and assumptions, and general economic conditions and other factors may cause actual performance to fall short of these financial projections, which could cause a substantial decrease in the value of their equity holdings in the portfolio companies and cause their funds' performance to fall short of their expectations.

RISKS RELATING TO COUNTRIES IN WHICH WE OPERATE

Changes in political, social and economic policies in countries and regions where we operate may materially and adversely affect our business, financial condition, results of operations and prospects.

The business operations of our Group are primarily conducted in the PRC, while Lenovo operates globally. As such, we are affected by the economic, political and legal environment in the PRC and other countries and regions where we operate. In particular, China's economy differs from the economies of most developed countries in many respects, including but not limited to political structure, governmental regulation and control, level of economic development, growth rate, foreign exchange controls, and resource allocation.

The PRC Government has significant oversight over the economic growth of the PRC through various measures, including, among others, allocating resources, controlling payments of foreign-currency-denominated obligations, setting monetary and fiscal policies and providing preferential treatment to particular industries or companies. In recent years, the PRC Government has implemented reform measures to establish market economy. These economic reform measures may be adjusted, modified or applied inconsistently from industry to industry or across different regions in the PRC. We may not benefit from these measures. While China's economy has experienced significant growth in the past few decades, growth has been uneven across different regions and economic sectors and there is no assurance that such growth can be sustained or is sustainable. The growth rate of China's GDP decreased to 7.7% in 2013 and 7.4% in 2014 from 9.6% in 2011 and 7.8% in 2012. In addition, an unfavorable financial or economic environment in recent years, including as a result of continued global financial uncertainties and the Eurozone sovereign debt crisis, have had and may continue to have an adverse impact on investors' confidence and financial markets in China. Moreover, concerns over capital market volatility, issues of liquidity, inflation, geopolitical issues, the availability and cost of credit and concerns about the rate of unemployment have resulted in adverse market conditions in China, which may materially and adversely affect our business and operations.

The PRC legal system has uncertainties that could limit the legal protection available to you.

We are incorporated under the laws of the PRC. The PRC legal system is based on statutory law. Decided court cases do not constitute binding precedents, although they may be used for the purposes of judicial reference and guidance. Since 1979, the PRC Government has promulgated laws and regulations dealing with economic matters, such as foreign investment, corporate organization and governance, commerce, taxation, and trade. However, because these laws and regulations are relatively new, and because of the relatively limited volume of published cases and their non-binding nature, interpretation and enforcement of these laws and regulations involve significant uncertainties. As a result, the legal protections available to you under the PRC legal system may be limited.

Holders of our H Shares may not be able to successfully enforce their rights against us as shareholders in the PRC according to the PRC Company Law. Our Articles of Association provide that disputes between holders of H Shares and our Company, Directors, Supervisors or senior management members or holders of Domestic Shares, arising out of our Articles of Association or any rights or obligations conferred or imposed upon us by the PRC Company Law and related rules and regulations concerning our affairs, are to be resolved through arbitration. A claimant may elect to submit a dispute to either the China International Economic and Trade Arbitration Commission or the Hong Kong International Arbitration Center in accordance with their respective applicable rules. Pursuant to the Arrangement on the Mutual Enforcement of Arbitration Awards between the Mainland and the Hong Kong Special Administrative Region (關於內地與香港特別行政區相互執行仲裁裁決的安排), awards that are made by the PRC arbitral authorities under the PRC Arbitration Law (中華人民共和國仲裁法) can be recognized and enforced by Hong Kong courts. Our Articles of Association further provide that any arbitral award will be final, conclusive and binding on all parties. Hong Kong arbitration awards pursuant to the Arbitration Ordinance of Hong Kong (香港仲裁條例) may be recognized and enforced by PRC courts, subject to the satisfaction of certain PRC legal requirements. However, no assurance can be given as to the outcome of any action brought in the PRC by any holder of H Shares to enforce a Hong Kong arbitral award made in favor of holders of H Shares. Moreover, to our knowledge, there has not been any published report of judicial enforcement in the PRC by holders of H Shares of their rights under the articles of association of any PRC issuer or the PRC Company Law (中華人民共和國公司法).

In addition, PRC laws and regulations applicable to companies listed overseas do not distinguish among minority and controlling shareholders in terms of their rights and protections, and our minority shareholders may not have the same protections afforded to them by companies incorporated under the laws of the United States and certain other jurisdictions.

You may experience difficulties in effecting service of legal process and enforcing judgments against our Company and our Company's management.

Our Company is a company incorporated under the laws of the PRC, and a substantial portion of our Company's assets and some of our subsidiaries are located in the PRC. In addition, most of our Company's Directors, Supervisors and senior management members reside within the PRC, and the assets of our Company's Directors, Supervisors and senior management members may be located within the PRC. As a result, it may not be possible to effect service of legal process within the United States or elsewhere outside the PRC upon our Company, our assets located in China or most of our Company's Directors, Supervisors and senior management, including with respect to matters arising under the U.S. federal securities laws or applicable state securities laws. Moreover, the PRC does not have treaties providing for the reciprocal enforcement of judgments of courts with the United States, the United Kingdom, Japan or most other countries. In addition, Hong Kong has no arrangement for the reciprocal enforcement of judgments with the United States. As a result, recognition and enforcement in the PRC or Hong Kong of judgments of a court in the United States and any of the other jurisdictions mentioned above in relation to any matter that is not subject to a binding arbitration provision may be difficult or impossible.

On July 14, 2006, Hong Kong and the PRC entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements Between Parties Concerned (關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排), or the Arrangement, pursuant to which a party with a final court judgment rendered by a Hong Kong court requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing may apply for recognition and enforcement of the judgment in the PRC. Similarly, a party with a final judgment rendered by a PRC court requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing may apply for recognition and enforcement of such judgment in Hong Kong. A choice of court agreement in writing is defined as any agreement in writing entered into between parties after the effective date of the Arrangement in which a Hong Kong court or a PRC court is expressly designated as the court having sole jurisdiction for the dispute. Therefore, it is not possible to enforce a judgment rendered by a Hong Kong court in the PRC if the parties in dispute have not agreed to enter into a choice of court agreement in writing. Although the Arrangement became effective on August 1, 2008, the outcome and effectiveness of any action brought under the Arrangement may still be uncertain.

We will be subject to the regulations under the Listing Rules and the Hong Kong Takeovers Code upon the listing of our H Shares on the Hong Kong Stock Exchange. However, the holders of H Shares will not be able to act in violations of the Listing Rules and must rely on the Hong Kong Stock Exchange or the SFC to enforce its rules. In addition, the Hong Kong Takeovers Code does not have the force of law and provides only standards of commercial conduct considered acceptable for takeover and merger transactions and share repurchases in Hong Kong.

You may be subject to PRC taxation.

Non-PRC resident individual holders of H Shares whose names appear on the register of members of H Shares of our Company ("**non-PRC resident individual holders**") are subject to PRC individual income tax on dividends received from us. Pursuant to the Notice on Questions Concerning the Collection of Individual Income Tax following the Repeal of Guo Shui Fa [1993] No. 045 (關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知) (Guo Shui Han [2011] No. 348) issued by the SAT on June 28, 2011, non-PRC resident individual holders of a domestic non-foreign-invested enterprise whose shares are listed in Hong Kong may be entitled to preferential tax treatments in accordance with applicable tax treaties between China and the countries in which they are tax residents as well as tax arrangements between China and Hong Kong. Dividend income of individual shareholders who are residents of countries that have not entered into taxation treaties with the PRC is subject to income tax at the rate of 20%. However, domestic non-foreign-invested enterprises such as our company whose shares are listed in Hong Kong generally may withhold tax at a rate of 10% when distributing dividends with respect to such listed shares without prior application to the PRC tax authorities. We are required to withhold the applicable tax rate as a company paying dividends.

In addition, according to the Individual Income Tax Law of the PRC (中華人民共和國個人所得稅法) and its implementation rules, non-PRC resident individual holders are subject to individual income tax at a rate of 20% on gains realized upon the sale or other disposition of equity interests in a PRC resident enterprise. There are no specific PRC laws or regulations imposing individual income tax on non-PRC resident individuals of gains realized upon the sale of shares of a PRC resident enterprise listed on an overseas stock exchange. In practice, the PRC tax authorities have not sought to collect individual income tax on non-PRC resident individuals for gains realized upon the sale of equity interests of a PRC resident enterprise listed on an overseas stock exchange. If such tax is collected in the future, the investment value of such H Shares held by the individual holders may be materially and adversely affected. For additional information, please see "Appendix IV – Taxation and Foreign Exchange – Taxation – PRC Taxation" to this prospectus.

Pursuant to the EIT Law and its implementation rules, income generated from the PRC (including gains derived from the disposal of equity interests in a PRC resident enterprise and PRC-sourced dividends) by a non-PRC resident enterprise is generally subject to enterprise income tax at a rate of 10%, subject to the provisions of any applicable special arrangements or treaties between the PRC and the jurisdiction in which the non-PRC resident enterprise resides. Pursuant to the Notice on the Issues Concerning Withholding Enterprise Income Tax on the Dividends Payable by PRC Resident Enterprises to Overseas Non-PRC Resident Enterprise H Share Holders (關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知) promulgated by the SAT on November 6, 2008, dividends paid to non-PRC resident enterprise H Share holders that are derived from profits generated since January 1, 2008 are subject to withholding tax at a rate of 10%. Accordingly, we intend to withhold tax at the 10% rate from any dividend paid through CCASS or otherwise paid to a non-PRC resident enterprise shareholder. Non-PRC resident enterprise shareholders that are entitled to preferential tax treatment pursuant to any tax treaty or arrangement may apply to the relevant tax authorities for refund of the excess amount withheld. Please see "Appendix IV – Taxation and Foreign Exchange – Taxation – PRC Taxation" for details. As the EIT Law and its implementation rules are relatively new, there are uncertainties as to their interpretation and implementation by the PRC tax authorities, including whether and how enterprise income tax on gains derived upon transfer or other disposal of H Shares should be collected from non-PRC resident enterprise H Shareholders. If such tax is collected in the future, the investment value of H Shares held by the enterprise holders may be materially and adversely affected.

Any loss of or significant reduction in the preferential tax treatment and government grants that our subsidiaries currently enjoy in China may negatively affect our financial condition.

We have benefited from tax incentives and have also received government grants. As of December 31, 2014, two of our subsidiaries were recognized as high and new technology enterprises by the PRC Government, which entitled each of them to a reduced enterprise income tax rate of 15% (compared to the standard enterprise income tax rate of 25%). The qualification as a high and new technology enterprise is subject to annual evaluation and a two-year review by the relevant authorities in China. In order to maintain such qualifications and the preferential tax rates, our subsidiaries must submit a review application to the relevant Science and Technology Commission agencies. This qualification of our two subsidiaries will expire after 2016. We plan to apply for the extension of this preferential tax treatment before expiration. We do not believe there is any legal impediment for us to extend such qualifications. However, we cannot assure you that our subsidiaries that are currently qualified as high and new technology enterprises will continue to qualify for such status in the future. If our subsidiaries fail to maintain their high and new technology enterprise qualifications or renew these qualifications when the relevant term expires, their applicable income tax rates would increase to 25%, which could have an adverse effect on our financial condition and results of operations. Certain of our subsidiaries are also exempted from certain tax or are taxed at preferential income tax rates under the preferential policy of the development plan for the western part of China. However, the PRC Government could eliminate any of these preferential tax treatments before their scheduled expiration.

Our government grants include tax rebate and government support for SMEs and research and development activities. The amounts of and conditions attached to such grants were determined at the sole discretion of the relevant governmental authorities. We cannot assure you that we will continue to receive such government grants or that the amount of any such grants will not be reduced in the future. Even if we continue to be eligible to receive such grants, we cannot guarantee that any conditions attached to the grants will be as favorable to us as they have historically been.

Expiration or elimination of, or other adverse changes to, any of these tax incentives or reduction or discontinuation of these government grants could adversely affect our financial condition and results of operations. In addition, the PRC Government may from time to time adjust or change its policies on value-added tax, business tax and other taxes. Such adjustments or changes, together with any uncertainty resulting therefrom, could have an adverse effect on our business, financial condition and results of operations.

Government control of currency conversion may adversely affect the value of your investments.

A portion of the revenue of our Group is denominated in Renminbi, which is also the reporting currency of our Group. Renminbi is not freely convertible into foreign currencies. A portion of our cash may be required to be converted into other currencies in order to meet our foreign currency needs, including cash payments on dividends declared on our H Shares. Under existing foreign exchange regulations of the PRC, following the completion of this Global Offering, we will be able to pay dividends in foreign currencies through current account transactions without prior approval from the SAFE by complying with various procedural requirements.

However, if the PRC Government were to impose restrictions on our access to foreign currencies for current account transactions at its discretion, we might not be able to pay dividends to the holders of our H Shares in foreign currencies. On the other hand, foreign exchange transactions under capital accounts in the PRC still require approvals of the SAFE. These limitations could affect our ability to obtain foreign currencies through equity financing or capital expenditures.

Furthermore, the net proceeds from the Global Offering are expected to be deposited overseas in currencies other than Renminbi until we obtain necessary approvals from relevant PRC regulatory authorities to convert these proceeds into onshore Renminbi. If the net proceeds cannot be converted into onshore Renminbi in a timely manner, our ability to deploy these proceeds efficiently may be affected, as we will not be able to invest these proceeds in RMB-denominated assets onshore or deploy them in uses onshore where Renminbi are required, which may adversely affect our business, financial condition and results of operations.

We face foreign exchange risk, and fluctuations in exchange rates could have a material and adverse effect on our business and your investment.

The volatility in exchange rates of Renminbi against U.S. dollars, Euro, Japanese yen and other currencies is affected by, among other factors, changes in the PRC and international political and economic conditions and the fiscal and currency policies of the PRC Government. From 1994 to July 20, 2005, the official exchange rate for the conversion of Renminbi to U.S. dollars was generally stable. On July 21, 2005, the PRC Government adopted a more flexible managed floating exchange rate system to allow the Renminbi exchange rate to fluctuate within a regulated range that is based on market supply and demand with reference to a basket of currencies. Renminbi appreciated more than 20% against U.S. dollars over the following three years. From July 2008 to June 2010, Renminbi traded within a narrow range against U.S. dollars. On June 19, 2010, the PBOC announced that the PRC Government would promote the reform of the Renminbi exchange rate formation mechanism to increase the flexibility of the exchange rate. On April 16, 2012, the PBOC further enlarged the floating band for the trading prices in the inter-bank spot exchange market of Renminbi against U.S. dollars to 1.0% around the central parity rate. On March 17, 2014, the PRC Government further widened the daily trading band to 2.0% in order to improve the managed floating Renminbi exchange regime based on market supply and demand. Since June 2010, Renminbi has appreciated against U.S. dollars, from approximately RMB6.83 per U.S. dollar to RMB6.12 per U.S. dollar on December 31, 2014. However, recently, there has been a rising expectation for the U.S. dollar to appreciate against the Renminbi. It is difficult to predict how the Renminbi exchange rates may change in the future. There remains significant international pressure on the PRC Government to adopt a more flexible currency policy, which could result in greater fluctuations in foreign currency exchange rates. We cannot assure you that Renminbi will not experience significant appreciation or depreciation against U.S. dollars in the future.

Future fluctuations in the value of Renminbi could have a material adverse effect on our financial condition and results of operations. We offer products and services in the United States and other parts of the world to overseas customers and part of our revenue is denominated in U.S. dollars and other foreign currencies. We have also incurred and may continue to incur debts in U.S. dollars, Hong Kong dollars, Euro and other foreign currencies from time to time. Our proceeds from the Global Offering and future dividends to investors will be in Hong Kong dollars. Any appreciation of Renminbi against U.S. dollars, Hong Kong dollars or any other foreign currencies may result in a decrease in the value of our foreign-currency-denominated revenue and assets. Conversely, any depreciation of Renminbi may adversely affect the value of, and any dividends payable on, H Shares in foreign currency. Currently, except for Lenovo, we have not entered into any hedging transactions to mitigate our exposure to foreign exchange risk. For risks in connection with Lenovo's hedging activities, see "– Risks Relating to Our Strategic Investments and Operations – Lenovo's performance could be adversely affected by its failure to hedge effectively its exposure to fluctuations in foreign currency exchange rates and interest rates and it is subject to counterparty default risks." As a result, fluctuations in exchange rates, particularly Renminbi against Hong Kong dollars, U.S. dollars or other foreign currencies used in our business, could affect our profitability and may result in exchange losses of our foreign-currency-denominated assets and liabilities.

Payment of dividends is subject to restrictions under PRC law.

During the years ended December 31, 2012, 2013 and 2014, we declared cash dividends to Shareholders of RMB275.0 million, RMB302.5 million and RMB332.8 million, respectively, and on May 28, 2015, our Board of Directors declared cash dividends of RMB336.0 million. However, dividends declared by us in the past may not be indicative of our dividend policy in the future. Under the laws of the PRC, we may only pay dividends out of our distributable profit. Distributable profit refers to the after-tax profit of the Company as determined under PRC GAAP or IFRS, whichever is lower, less any recovery of accumulated losses and appropriations to statutory reserves, discretionary reserves, and general risk reserves that we are required to make according to relevant rules. As a result, we may not have sufficient or any distributable profit to enable us to make dividend distributions to our Shareholders. Any distributable profit not distributed in a given year is retained and available for distribution in the subsequent years.

RISKS RELATING TO THE GLOBAL OFFERING

There has been no prior public market for our H Shares, and the liquidity and market price of our H Shares may be volatile.

Prior to the Global Offering, there has been no public market for our H Shares. The Offer Price range for our H Shares was the result of negotiations between us and the Joint Bookrunners on behalf of the Underwriters, and the Offer Price may differ significantly from the market price for our H Shares following the Global Offering. We have applied for listing of, and permission to deal in, our H Shares on the Hong Kong Stock Exchange. A listing on the Hong Kong Stock Exchange, however, does not guarantee that an active and liquid trading market for our H Shares will develop, or if it does develop, that it will be sustained following the Global Offering or that the market price of our H Shares will not decline following the Global Offering. Furthermore, the market price and trading volume of our H Shares may be volatile. The following factors may affect the trading volume and market price of our H Shares:

- actual or anticipated fluctuations in our operating performance and revenue;
- news regarding recruitment or departure of key personnel by us or our competitors;
- announcements of competitive developments, acquisitions or strategic alliances in our industry;
- potential litigation or regulatory investigations;
- general market conditions or other developments affecting us or our industry;
- the operating and stock price performance of other companies and industries, and other events or factors beyond our control; and
- the release of lock-up or other transfer restrictions on our outstanding H Shares or sales or perceived sales of H Shares by us or other Shareholders.

Moreover, the capital market has from time to time experienced significant price and trading volume fluctuations that were unrelated or not directly related to the operating performance of the underlying companies in the market. These broad market and industry fluctuations may have a material and adverse effect on the market price and trading volume of our H Shares.

Since there will be a gap of several days between pricing and trading of our Offer Shares, holders of our Offer Shares are subject to the risk that the price of our Offer Shares could fall during the period before trading of our Offer Shares begins.

The Offer Price of our H Shares is expected to be determined on the Price Determination Date. However, our H Shares will not commence trading on the Hong Kong Stock Exchange until they are delivered, which is expected to be five Hong Kong business days after the Price Determination Date. As a result, investors may not be able to sell or otherwise deal in our H Shares during that period. Accordingly, holders of our H Shares are subject to the risk that the price of our H Shares could fall before trading begins, as a result of unfavorable market conditions or other adverse developments that could occur between the time of sale and the time trading begins.

Future sales or perceived sales of a substantial number of our shares in the public market could have a material adverse effect on the prevailing market price of our H Shares and our ability to raise additional capital in the future, and may result in dilution of your shareholding.

The market price of H Shares could decline as a result of future sales of a substantial number of H Shares or other securities relating to H Shares in the public market, or the issuance of new H Shares or other securities, or the perception that such sales or issuances may occur. Future sales or perceived sales of a substantial number of our securities, including any future offerings, could also materially and adversely affect our ability to raise capital in the future at a time and at a price favorable to us. In addition, our Shareholders would experience dilution in their shareholdings upon offer or sale of additional share capital or share-capital-linked securities by our Company in future offerings. A certain number of our Shares currently outstanding are or will be subject to contractual and/or legal restrictions on resale for a period of time after completion of the Global Offering. See "Underwriting – Underwriting Arrangements and Expenses – Hong Kong Public Offering – Undertakings to the Hong Kong Stock Exchange Pursuant to the Listing Rules" in this prospectus. After the lapse of the above-mentioned restrictions or if they are waived or breached, future sales, or perceived sales, of a substantial number of those Shares could negatively impact the market price of H Shares and our ability to raise capital in the future.

Upon completion of the Global Offering, we will have two classes of ordinary shares, H Shares and Domestic Shares. Our H Shares immediately after the Global Offering will amount to 388,238,400 Shares, representing approximately 16.5% of our total issued share capital, assuming no exercise of the Over-allotment Option. Our Domestic Shares immediately after the Global Offering will amount to 1,964,705,600 Shares, representing approximately 83.5% of our total issued share capital, assuming no exercise of the Over-allotment Option. The H Shares to be converted from Domestic Shares and held by NSSF immediately after the Global Offering will amount to 30,294,400 Shares, representing approximately 1.5% of our total issued share capital, assuming no exercise of the Over-allotment Option. NSSF has not entered into any undertaking restricting its disposal or resale of these H Shares. See "Share Capital". Any transfer or disposal of these H Shares by NSSF will result in an increase in the number of H Shares available on the market and may affect the share price of our H Shares.

According to the stipulations by the State Council's securities regulatory authority and the Articles of Association, our Domestic Shares may be converted into H Shares and such converted H Shares may be listed or traded on an overseas stock exchange, provided that prior to the conversion and trading of such converted shares, the requisite internal approval processes (but without the necessity of Shareholders' approval by class) have been duly completed and the approval from the relevant PRC regulatory authorities, including the CSRC, have been obtained. In addition, such conversion, trading and listing shall in all respects comply with the regulations prescribed by the State Council's securities regulatory authorities and the regulations, requirements and procedures prescribed by the relevant overseas stock exchange. We can apply for the listing of all or any portion of our Domestic Shares on the Hong Kong Stock Exchange as H Shares in advance of any proposed conversion to ensure that the conversion process can be completed promptly upon notice to the Hong Kong Stock Exchange and delivery of shares for entry on the H Share register. This could further increase the supply of H Shares in the market, and future sales, or perceived sales, of the converted Shares may adversely affect the trading price of H Shares.

As the Offer Price of our H Shares is higher than our net tangible asset book value per share, purchasers of our H Shares in the Global Offering may experience immediate dilution upon such purchases.

As the Offer Price of our H Shares is higher than the net tangible assets per share in issue, which was issued to our existing Shareholders immediately prior to the Global Offering, purchasers of our H Shares in the Global Offering will experience an immediate dilution to HK$28.10 per H Share (assuming an Offer Price of HK$41.40 per H Share, being the midpoint of the stated Offer Price range, and assuming the Over-allotment Option for the Global Offering is not exercised). Our existing Shareholders will receive an increase in the pro forma adjusted consolidated net tangible asset value per share of their shares.

We have significant discretion as to the use of net proceeds from the offering, and you may not necessarily agree with our use of such proceeds.

Our management may use the net proceeds from the Global Offering in ways you may not agree with or that do not yield a favorable return to our Shareholders. We plan to use the net proceeds from the Global Offering to enhance the capital base of our strategic investments, expand our existing business scale, invest in industries with long-term development potential, enlarge the capital base for financial investments and repay bank borrowings. For details of our use of proceeds, see "Future Plans and Use of Proceeds" in this prospectus. However, our management will have discretion as to the actual application of our net proceeds. You are entrusting your funds to our management, upon whose judgment you shall depend, for the specific use of the net proceeds from the Global Offering.

Certain facts, forecasts and statistics contained in this prospectus with respect to the PRC, Hong Kong and other regions and their economies and relevant industries are derived from various official or third-party sources and may not be accurate, reliable, complete or up-to-date.

We have derived certain facts, forecasts and statistics in this prospectus, relating to the PRC, Hong Kong and other regions and their economies and relevant industries in which we operate, including our market share information, from information provided by the PRC and other government authorities, industry associations, independent research institutes or other third-party sources. While we have taken reasonable care in the reproduction of the information, it has not been prepared or independently verified by us, the Sponsors or any of our or their respective affiliates or advisors. Therefore, we cannot assure you as to the accuracy and reliability of such facts, forecasts and statistics, which may not be consistent with other information compiled inside or outside the PRC, and may not be complete or up-to-date. Such facts, forecasts and statistics include those set out in the sections headed "Risk Factors", "Industry Overview" and "Business". Because of possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics herein may be inaccurate or may not be comparable to statistics produced for other economies, and you should not place undue reliance on them. Furthermore, we cannot assure you that they are stated or compiled on the same basis, or with the same degree of accuracy, as similar statistics presented elsewhere. In all cases, you should consider carefully how much weight or importance you should attach to or place on such facts, forecasts or statistics.

You should read the entire prospectus carefully, and we strongly caution you not to place any reliance on any information contained in press articles or other media regarding us or the Global Offering.

There has been, prior to the publication of this prospectus, and there may be, subsequent to the date of this prospectus but prior to the completion of the Global Offering, press and media coverage regarding us and the Global Offering, which contain, among other things, certain financial information, projections, valuations and other forward-looking information about us and the Global Offering. We have not authorized the disclosure of any such information in the press or media and do not accept responsibility for the accuracy or completeness of such press articles or other media coverage. You should rely solely upon the information contained in this prospectus, the Application Forms and any formal announcements made by us in Hong Kong in making your investment decision regarding our H Shares. We make no representation as to and accept no responsibility for the appropriateness, accuracy, completeness or reliability of any of these projections, valuations or other forward-looking information about us or the Global Offering. To the extent that such statements are inconsistent with, or conflict with, the information contained in this prospectus, we disclaim responsibility for them. Accordingly, prospective investors are cautioned to make their investment decisions on the basis of the information contained in this prospectus only and should not rely on any other information.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) (as amended) and the Listing Rules for the purpose of giving information to the public with regard to our Group. Our Directors confirm, having made all reasonable enquiries, that, to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other facts the omission of which would make any statement in this prospectus materially misleading.

CSRC APPROVAL

The CSRC issued its approval on April 20, 2015 for the Global Offering and for the submission of our application to list the H Shares on the Hong Kong Stock Exchange. In granting such approval, the CSRC accepts no responsibility for our financial soundness nor the accuracy of any of the statements made or opinions expressed in this prospectus or in the Application Forms.

INFORMATION ON THE GLOBAL OFFERING

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. The Global Offering comprises the Hong Kong Public Offering of initially 17,647,200 Offer Shares and the International Offering of initially 335,296,800 Offer Shares (subject to, in each case, reallocation on the basis referred to under the section headed "Structure of the Global Offering" in this prospectus, and, in the case of the International Offering to any exercise of the Over-allotment Option).

The Hong Kong Offer Shares under the Hong Kong Public Offering are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorized to give any information in connection with the Global Offering or to make any representation not contained in this prospectus and the Application Forms, and any information or representation not contained herein and therein must not be relied upon as having been authorized by our Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, supervisors, officers, agents, employees, representatives or advisors or any other party involved in the Global Offering. Neither the delivery of this prospectus nor any offering, sale or delivery made in connection with the Offer Shares should, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as of any date subsequent to the date of this prospectus.

Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure of the Global Offering", and the procedures for applying for the Hong Kong Offer Shares are set out in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus and in the relevant Application Forms.

UNDERWRITING

For applications under the Hong Kong Public Offering, this prospectus and the Application Forms contain the terms and conditions of the Hong Kong Public Offering.

The Listing is sponsored by the Joint Sponsors and the Global Offering is managed by the Joint Global Coordinators. The Hong Kong Offer Shares are fully underwritten by the Hong Kong Underwriters pursuant to the Hong Kong Underwriting Agreement. The International Offer Shares are intended to be fully underwritten by the International Underwriters pursuant to the International Underwriting Agreement.

If, for any reason, the Offer Price is not agreed among us and the Joint Global Coordinators (for themselves and on behalf of the Underwriters), the Global Offering will not proceed and will lapse. For further details about the Underwriters and the underwriting arrangements, please see the section headed "Underwriting" in this prospectus.

RESTRICTIONS ON OFFER AND SALE OF THE OFFER SHARES

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by his acquisition of the Hong Kong Offer Shares to, confirm that he is aware of the restrictions on offering of the Offer Shares described in this prospectus.

No action has been taken to permit a public offering of the Offer Shares or the general distribution of this prospectus and/or the Application Forms in any jurisdiction other than in Hong Kong. Accordingly, this prospectus and the Application Forms may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the Application Forms and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

APPLICATION FOR LISTING ON THE HONG KONG STOCK EXCHANGE

We have applied to the Listing Committee for the granting of the listing of, and permission to deal in, (i) the H Shares to be issued pursuant to the Global Offering and the additional H Shares which may be issued by us pursuant to the exercise of the Over-allotment Option; and (ii) the H Shares which will be converted from state-owned Domestic Shares and to be held by the NSSF pursuant to the relevant PRC regulations relating to reduction of state-owned shares.

Save as disclosed in this prospectus, no part of our Shares is listed or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

COMMENCEMENT OF DEALING IN THE H SHARES

Dealings in the H Shares on the Hong Kong Stock Exchange are expected to commence on Monday, June 29, 2015. The H shares will be traded in board lots of 100 Shares each. The stock code of the H Shares will be 3396.

H SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of listing of, and permission to deal in, the H Shares on the Hong Kong Stock Exchange and compliance with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares on the Hong Kong Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Hong Kong Stock Exchange is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional advisors for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made by us enabling the H Shares to be admitted into CCASS.

H SHARE REGISTER OF MEMBERS AND HONG KONG STAMP DUTY

All of the H Shares issued pursuant to applications made in the Global Offering will be registered on our H Share register of members to be maintained in Hong Kong by our H Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong. Our principal register of members will be maintained by us at our head office in the PRC.

Dealings in the H Shares registered in our H Share register will be subject to Hong Kong stamp duty.

REGISTRATION OF SUBSCRIPTION, PURCHASE AND TRANSFER OF H SHARES

We have instructed Computershare Hong Kong Investor Services Limited, our H Share Registrar, and it has agreed, not to register the subscription, purchase or transfer of any H Shares in the name of any particular holder unless and until the holder delivers a signed form to our H Share Registrar in respect of those H Shares bearing statements to the effect that the holder:

(a) agrees with us and each of our Shareholders, and we agree with each Shareholder, to observe and comply with the PRC Company Law, the Special Regulations and our Articles of Association;

(b) agrees with us, each of our Shareholders, Directors, Supervisors, managers and officers, and we, acting for ourselves and for each of our Directors, Supervisors, managers and officers agree with each of our Shareholders, to refer all differences and claims arising from our Articles of Association or any rights or obligations conferred or imposed by the PRC Company Law or other relevant laws and administrative regulations concerning our affairs to arbitration in accordance with our Articles of Association, and any reference to arbitration shall be deemed to authorize the arbitration tribunal to conduct hearings in open session and to publish its award, which shall be final and conclusive;

(c) agrees with us and each of our Shareholders that the H Shares are freely transferable by the holders thereof; and

(d) authorizes us to enter into a contract on his behalf with each of our Directors, Supervisors, managers and officers whereby such Directors, Supervisors, managers and officers undertake to observe and comply with their obligations to our Shareholders as stipulated in our Articles of Association.

PROFESSIONAL TAX ADVICE RECOMMENDED

You should consult your professional advisors if you are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposal of, and dealing in our H Shares. We emphasize that none of us, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their respective directors, officers, employees, advisors, agents or representatives or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchase, holding or disposal of, dealing in our H Shares.

EXCHANGE RATE CONVERSION

Unless we indicate otherwise, amounts denominated in RMB and US$ have been translated, for the purpose of illustration only, into Hong Kong dollars in this prospectus at the following rates:

HK$1: RMB0.7892 (set by the PBOC for foreign exchange transactions prevailing on June 5, 2015)

HK$1: US$0.1290 (the exchange rate set forth in the H.10 weekly statistical release of the Federal Reserve Board of the United States on June 5, 2015)

No representation is made that any amounts in RMB or US$ were or could have been or could be converted into Hong Kong dollars at such rates or any other exchange rates or at all.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. Translated English names of Chinese laws and regulations, governmental authorities, departments, entities (including certain of our subsidiaries), institutions, natural persons, facilities, certificates, titles and the like included in this prospectus and for which no official English translation exists are unofficial translations for identification purposes only. In the event of any inconsistency, the Chinese name prevails.

ROUNDING

Unless otherwise stated, all the numerical figures are rounded to one decimal place. Any discrepancies in any table or chart between totals and sums of amounts listed therein are due to rounding.

In preparation for the Global Offering, our Company has sought the following waivers from strict compliance with the relevant provisions of the Listing Rules.

WAIVER IN RELATION TO MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 and Rule 19A.15 of the Listing Rules, we must have sufficient management presence in Hong Kong. This normally means that at least two of our executive Directors must be ordinarily resident in Hong Kong. Rule 19A.15 of the Listing Rules further provides that the requirement in Rule 8.12 may be waived by the Hong Kong Stock Exchange in its discretion.

Since most of the business operations of our Company and our subsidiaries are managed and conducted outside of Hong Kong, and the majority of our executive Directors ordinarily reside in the PRC, we do not and, for the foreseeable future, will not have sufficient management presence in Hong Kong for the purpose of satisfying the requirements under Rule 8.12 and Rule 19A.15 of the Listing Rules.

Accordingly, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with the requirements under Rule 8.12 and Rule 19A.15 of the Listing Rules. In order to maintain effective communication with the Hong Kong Stock Exchange, we will put in place the following measures in order to ensure that regular communication is maintained between the Hong Kong Stock Exchange and us:

(a) we have appointed two authorized representatives pursuant to Rule 3.05 of the Listing Rules. The two authorized representatives are Mr. Zhao John Huan and Ms. Yeung Yee Har. Both of the authorized representatives: (i) are, and will be, readily contactable by telephone, facsimile and/or e-mail to deal promptly with any enquiries which may be made by the Hong Kong Stock Exchange; (ii) have the means to contact all our Directors (including the independent non-executive Directors) promptly at all times, as and when the Hong Kong Stock Exchange wishes to contact our Directors on any matters; and (iii) are to act at all times as the principal channel of communication between the Hong Kong Stock Exchange and us;

(b) we have, in accordance with the requirement of Rule 3A.19 and Rule 19A.05 of the Listing Rules, appointed Somerley Capital Limited as our compliance adviser to provide our Company with professional advice on continuous compliance with the Listing Rules. Such retention will commence on the Listing Date and end on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year commencing after the Listing Date. The compliance adviser will provide professional advice on matters relating to compliance with the Listing Rules and other obligations for companies listed in Hong Kong. The compliance adviser will act as our Company's additional channel of communication with the Hong Kong Stock Exchange. The compliance adviser shall have access at all times to our authorized representatives, our Directors and other senior management of our Company to ensure that it is in a position to provide prompt responses to any queries or requests from the Hong Kong Stock Exchange in respect of our Company;

(c) we will retain a Hong Kong legal advisor to advise us on the application of the Listing Rules and other applicable Hong Kong laws and regulations relating to securities after our Listing;

(d) our Directors who are not ordinarily resident in Hong Kong possess or can apply for valid travel documents to visit Hong Kong for business purposes and would be able to come to Hong Kong and meet with the Hong Kong Stock Exchange upon reasonable notice; and

(e) we expect that each Director will provide his or her mobile phone numbers, office phone numbers, e-mail addresses and facsimile numbers to the Hong Kong Stock Exchange upon request.

APPOINTMENT OF JOINT COMPANY SECRETARIES

Pursuant to Rule 8.17 of the Listing Rules, our appointment of company secretaries must comply with Rule 3.28 of the Listing Rules. According to Rule 3.28 of the Listing Rules, we must appoint as our company secretary an individual who, by virtue of his academic or professional qualifications or relevant experience, is, in the opinion of the Hong Kong Stock Exchange, capable of discharging the functions of a company secretary.

Note 1 to Rule 3.28 of the Listing Rules sets out the academic and professional qualifications considered to be acceptable by the Hong Kong Stock Exchange:

(a) a member of The Hong Kong Institute of Chartered Secretaries;

(b) a solicitor or barrister (as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong)); and

(c) a certified public accountant (as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong)).

Note 2 to Rule 3.28 of the Listing Rules sets out the factors that the Hong Kong Stock Exchange considers when assessing an individual's "relevant experience":

(a) length of employment with the issuer and other issuers and his respective roles;

(b) familiarity with the Listing Rules and other relevant law and regulations including the SFO, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) and the Takeovers Code;

(c) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and

(d) professional qualifications in other jurisdictions.

We have appointed Mr. Ning Min as one of our joint company secretaries. However, Mr. Ning Min does not possess the specified qualification required by Rule 3.28 of the Listing Rules. Given the importance of the company secretary's role in the corporate governance of a listed issuer, particularly in assisting the listed issuer as well as its directors in complying with the Listing Rules and other relevant laws and regulations, we have made the following arrangements:

- Mr. Ning Min will make best efforts in attending relevant training courses, including briefing on the latest changes to the applicable Hong Kong laws and regulations as well as the Listing Rules organized by the Hong Kong legal advisors of our Company on an invitation basis and seminars organized by the Hong Kong Stock Exchange for PRC issuers from time to time, in addition to the minimum requirement under Rule 3.29 of the Listing Rules;

- we have appointed Ms. Yeung Yee Har who meets the requirement under Note 1 to Rule 3.28 of the Listing Rules, as a joint company secretary to work closely with and to provide assistance to Mr. Ning Min in discharging his duties as a company secretary for an initial period of three years commencing from the Listing Date so as to enable Mr. Ning Min to acquire the relevant experience (as required under Note 2 to Rule 3.28 of the Listing Rules) to discharge the duties and responsibilities as a company secretary; and

- upon the expiration of the three-year period, the qualifications and experience of Mr. Ning Min will be re-evaluated. Mr. Ning Min is expected to demonstrate to the Hong Kong Stock Exchange's satisfaction that he, having had the benefit of Ms. Yeung Yee Har's assistance for three years, would then have acquired the relevant experience within the meaning of Note 2 to Rule 3.28 of the Listing Rules.

We have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with the requirements of Rule 3.28 and Rule 8.17 of the Listing Rules. Upon the expiry of the initial three-year period, an evaluation will be carried out to determine whether the qualifications of Mr. Ning Min can satisfy the requirements in Note 2 to Rule 3.28 of the Listing Rules. In the event that Mr. Ning Min has obtained the relevant experience within the meaning of Note 2 to Rule 3.28 of the Listing Rules at the end of the said initial three-year period, the above joint company secretaries arrangement would no longer be necessary.

WAIVER IN RELATION TO CLAWBACK MECHANISM

Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place, which would have the effect of increasing the number of Hong Kong Offer Shares to certain percentages of the total number of Offer Shares offered in the Global Offering if certain prescribed total demand levels are reached. Our Company has applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted to us, a waiver from strict compliance with paragraph 4.2 of Practice Note 18 of the Listing Rules such that the allocation of Offer Shares between Hong Kong Public Offering and International Offering shall be adjusted as follows:

- our Company is initially offering 17,647,200 H Shares for subscription by the public in Hong Kong at the Offer Price, representing 5% of the total number of Offer Shares initially available under the Global Offering;

- if the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 26,470,800 Offer Shares, representing approximately 7.5% of the Offer Shares initially available under the Global Offering;

- if the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 35,294,400 Offer Shares, representing approximately 10% of the Offer Shares initially available under the Global Offering; and

- if the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 70,588,800 Offer Shares, representing approximately 20% of the Offer Shares initially available under the Global Offering.

In certain cases, the Offer Shares offered under the Hong Kong Public Offering and International Offering may be reallocated between Hong Kong Public Offering and International Offering by the Joint Global Coordinators at their discretion. If the Hong Kong Public Offering or International Offering is not fully subscribed, the Joint Global Coordinators have the authority to reallocate all or any of the unsubscribed Offer Shares from such offering to the other, in such proportions as the Joint Global Coordinators deem appropriate.

WAIVER IN RELATION TO PUBLIC FLOAT

Pursuant to Rule 8.08(1)(a) and (b) of the Listing Rules, securities applying for listing must have an open market, and the listed securities of the issuer must also maintain a sufficient amount of public float. In general, this means (i) at least 25% of the total issued share capital of the issuer must be held by public investors; and (ii) if the issuer has one or more categories of securities other than the category of securities applying for listing, the total number of securities of the issuer held by public investors in all regulated markets (including the Hong Kong Stock Exchange) shall be at least 25% of the total issued share capital of the issuer upon listing. However, the category of securities applying for listing shall not be less than 15% of the total issued share capital of the issuer and the expected market value shall not be less than HK$50 million upon listing.

Based on the enlarged issued capital of 2,352,944,000 Shares and the offer price of HK$41.4 (being the approximate mid point of the Offer Price range), and assuming the Over-allotment Option is not exercised, we expect that our market value will be approximately HK$97.4 billion.

We have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted us, a waiver that the minimum public float requirement under Rule 8.08(1) be reduced and the minimum percentage of the Company's H Shares (being the securities for which listing on the Hong Kong Stock Exchange is sought) from time to time held by the public to be the highest of:

(a) 16.5% of the total issued share capital of the Company;

(b) such percentage of H Shares to be held by the public immediately after completion of the Global Offering (assuming the Over-allotment Option is not exercised); or

(c) such percentage of H Shares to be held by the public after the exercise of the Over-allotment Option.

WAIVER IN RELATION TO BUSINESS OR SUBSIDIARY ACQUIRED OR PROPOSED TO BE ACQUIRED AFTER THE TRACK RECORD PERIOD

Pursuant to Rules 4.04(2) and 4.04(4)(a) of the Listing Rules, the accountant's report to be included in a listing document must include the income statements and balance sheets of any subsidiary or business acquired, agreed to be acquired or proposed to be acquired since the date to which its latest audited accounts have been made up in respect of each of the three financial years immediately preceding the issue of the listing document (the "**Target Historical Financial Information**").

We conduct our business through strategic investments ("**Strategic Investments**") and financial investments, which consist of angel investment, venture capital, private equity and fund of funds across all investment stages.

Strategic Investments

The Strategic Investments of our Group mainly comprise IT business, financial services business, modern services business, agriculture and food business, property business and chemicals and energy materials business, which are in line with our principal businesses. We usually hold the Strategic Investments without any specific exit date for long-term returns.

Since January 1, 2015 and up to the Latest Practicable Date, our Group have made or proposed to make the following Strategic Investments (collectively, the "**2015 Strategic Investments**") to expand our existing business network:

1. investment in cold-chain logistics business

On March 27, 2015, we, through Zeny, entered into a cooperation agreement with two Independent Third Parties of the Company to acquire 61% equity interest in a target company to be incorporated in the PRC for a consideration of RMB342.4 million. The investment is made to align with the mid-term strategic plan of Zeny.

The total consideration payable by us was determined based on the valuation of the assets (as at June 30, 2014) to be acquired by the target company after incorporation multiplied by the percentage of equity interests to be acquired by us (i.e. 61%) and was determined through arm's length negotiations with the other parties. Such consideration is required to be paid in stages and RMB50,723,790 of which had been paid as of the Latest Practicable Date. We intend to use our internal resources to satisfy the cash consideration payable by us.

As of the Latest Practicable Date, the parties are still undertaking steps to incorporate the target company. Upon incorporation, the target company will be principally engaged in the operation of frozen food business in a designated market located in Zhengzhou, Henan province, including food frozen, shop leasing and market management.

No guarantee and/or other security was given or required as part of or in connection with the acquisition.

2. investment in Guizhou Qian-Byer Medical Investment Management Co., Ltd. (貴州黔拜爾醫療項目投資管理有限公司)

On October 31, 2014, we, through Bybo, entered into a framework agreement with an Independent Third Party of the Company to acquire 100% equity interest in Guizhou Qian-Byer Medical Investment Management Co., Ltd. (貴州黔拜爾醫療項目投資管理有限公司), which was incorporated in the PRC on January 19, 2015 ("**Guizhou Qian-Byer**"), for a consideration of RMB640,000.

Guizhou Qian-Byer is principally engaged in the provision of dental care services. The investment is made to expand the existing business network of Bybo.

The total consideration payable by us was determined with reference to the valuation of the assets to be transferred to Guizhou Qian-Byer (including fixed assets such as dental chairs and orthodontic materials, cash and intangible assets) and was determined through arm's length negotiations with the other party. Such consideration is required to be paid in stages and RMB120,000 of which had been paid as of the Latest Practicable Date. We intend to use our internal resources to satisfy the cash consideration payable by us.

No guarantee and/or other security was given or required as part of or in connection with the acquisition.

3. investment in healthcare business

On November 1, 2014, we, through a subsidiary of Bybo, entered into a strategic cooperation framework agreement with an Independent Third Party of the Company to acquire 100% equity interest in a target company to be incorporated in the PRC for a consideration of RMB3,500,000. The investment is made to expand the existing business network of Bybo.

The total consideration payable by us was determined with reference to the consultation and license fee required for operating the business and was determined through arm's length negotiations with the other party. Such consideration is required to be paid in stages and RMB500,000 had been paid as of the Latest Practicable Date. We intend to use our internal resources to satisfy the cash consideration payable by us.

As of the Latest Practicable Date, the parties are still undertaking steps to incorporate the target company. Upon incorporation, the target company will be principally engaged in the provision of dental care services.

No guarantee and/or other security was given or required as part of or in connection with the acquisition.

The Directors believe that the terms of each of the 2015 Strategic Investments are fair and reasonable and in the interests of the Shareholders as a whole. To the best of our Directors' knowledge, information and belief, having made all reasonable enquiries, all the target companies under the 2015 Strategic Investments and their ultimate beneficial owners are third parties independent from us and our connected persons.

Based on the following reasons, we have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with Rules 4.04(2) and 4.04(4)(a) of the Listing Rules in respect of the 2015 Strategic Investments:

- **Target historical financial information not available**

  Given that (i) the target companies of the 2015 Strategic Investments are either yet to be incorporated or recently incorporated in early 2015, (ii) no underlying business or operating companies are to be injected into the target companies, there is no historical financial information available for us to prepare the Target Historical Financial Information for inclusion in this prospectus as required under Rules 4.04(2) and 4.04(4)(a) of the Listing Rules.

- **Immateriality**

  The 2015 Strategic Investments are insignificant to our Company. The size of each of the 2015 Strategic Investments is substantially below the threshold for triggering the discloseable transaction requirements under Chapter 14 of the Listing Rules. To the best knowledge of our Company, the 2015 Strategic Investments are not subject to aggregation under Rule 14.22 of the Listing Rules.

  Accordingly, we consider that the 2015 Strategic Investments are immaterial and do not expect them to have any material effect on our business, financial conditions or operations.

- **Alternative Disclosure**

  We have provided in this section alternative information in connection with the 2015 Strategic Investments in order to compensate for the non-inclusion of the Target Historical Financial Information.

Angel Investments

Our Group, through its angel investment branch, has been investing in start-up companies mainly by way of capital injection ("**Angel Investments**") and will continue to make efforts in exploring more early stage investments. We have been conducting Angel Investments mainly through Legend Star and all Angel Investments made by us have been passive investments. Targets of Angel Investments are start-up or early stage companies principally engaging in technology, media, telecom ("**TMT**"), healthcare or advanced manufacturing industry.

Since January 1, 2015 and up to the Latest Practicable Date, our Group has entered into certain agreements in respect of the following Angel Investments (collectively, the "**2015 Angel Investments**") as we are optimistic about the future growth of the target companies:

	Name of target company	Investment amount	Percentage of shareholding/ equity interest	Principal business	Book value of the target company	Basis for determining the investment amount
1.	**Adding Inc.**	US$800,000	9.664%	TMT	Approximately US$7,200,000	Based on the completeness of team and stage of completion of products
2.	**Beijing Tie Pi Mao Network & Technology Co., Ltd. (北京鐵皮貓網絡技術有限責任公司)**	RMB1,000,000	6%	TMT	Approximately RMB10,000,000	Based on the capital required for the target's operation
3.	**Yun Ding Network & Technology (Beijing) Co., Ltd. (雲丁網絡技術(北京)有限公司)**	RMB1,666,670	5%	TMT	Approximately RMB31,666,660	Based on the sales of products

	Name of target company	Investment amount	Percentage of shareholding/ equity interest	Principal business	Book value of the target company	Basis for determining the investment amount
4.	**Beijing Renren Yuedong Sports & Culture Development Co., Ltd.** (北京人人樂動體育文化發展有限公司)	RMB4,500,000	20%	TMT	Approximately RMB18,000,000	Based on the capital required for the target's operation
5.	**Suzhou Jufu High Polymer Materials Co., Ltd.** (蘇州聚複高分子材料有限公司)	RMB8,000,000	9.78%	Researching and manufacturing of 3D printing materials	Approximately RMB63,810,000	Based on the future value of projects and development of industry
6.	**Suzhou Ai Diao Yan Network & Technology Co., Ltd.** (蘇州愛調言網絡科技有限公司)	RMB3,000,000	2%[1]	TMT	Approximately RMB135 million	In accordance with the progress of the project
7.	**Zhiguo Inc.**	US$500,000	3.44%	TMT	Approximately US$10,845,500	Based on the capital required for the target's operation
8.	**Rosefield Holdings Limited**	US$250,000	2%	TMT	Approximately US$10,250,000	In accordance with the progress of the project
9.	**Urotronic, Inc.**	US$250,000	2.44%	Healthcare	Approximately US$5,000,000	Based on the capital required for the target's operation
10.	**Neurotronic, Inc.**	US$250,000	2.33%	Healthcare	Approximately US$6,500,000	Based on the capital required for the target's operation
11.	**Beijing Zhikang Boyao Oncology Research Co., Ltd.** (北京智康博藥腫瘤醫學研究有限公司)	US$1,000,000	6.25%	Healthcare	Approximately US$12,000,000	In accordance with the target's market development
12.	**Suzhou Jianjing Biotechnology Co., Ltd.** (蘇州健勁生物技術有限公司)	RMB3,150,000	21.1%	Healthcare	Approximately RMB11,750,000	Based on the capital required for the target's operation
13.	**Ribo Pharmaceuticals Inc.**	US$1,000,000	1.77%	Healthcare	Approximately RMB310,000,000	Based on the capital required for the target's operation
14.	**HWTrek Corporation**	US$1,000,000	7.5%	TMT	Approximately US$9,333,330	In accordance with the progress of the project
15.	**Ningbo Xinrui Qingke Metallic Materials Co., Ltd.** (寧波新瑞清科金屬材料有限公司)	RMB3,600,000	6%	Advanced manufacturing	Approximately RMB56,400,000	Based on the capital required for the target's operation
16.	**Anhui Yinhang Technologies Co., Ltd.** (安徽引航科技有限公司)	RMB6,000,000	12.64%	TMT	Approximately RMB41,468,400	Based on the capital required for the target's operation

[1] Upon completion of the capital injection in Suzhou Ai Diao Yan Network & Technology Co., Ltd. (蘇州愛調言網絡科技有限公司) in 2015, the Group's aggregate equity interest in the same was increased to 8%.

	Name of target company	Investment amount	Percentage of shareholding/ equity interest	Principal business	Book value of the target company	Basis for determining the investment amount
17.	**Kunlun Zhihui Data Technologies (Beijing) Co., Ltd.** (昆侖智匯數據科技(北京)有限公司)	RMB4,400,000	10%	Advanced manufacturing	Approximately RMB39,600,000	Based on the capital required for the target's operation
18.	**Beijing Xingyun Qunmeng Management Consultation Co., Ltd.** (北京星雲群盟管理顧問有限公司)	RMB2,000,000	30%	TMT	Approximately RMB4,667,000	Based on the capital required for the target's operation
19.	**Beijing Lejia Technologies Co., Ltd.** (北京樂駕科技有限公司)	RMB2,564,020	10.25%	TMT	Approximately RMB17,340,000	Based on the capital required for the target's operation
20.	**Beijing You Yi Shou Auto Technologies Co., Ltd.** (北京有壹手汽車科技有限公司)	US$1,000,000	6%	TMT	Approximately US$15,666,700	Based on the capital required for the target's operation
21.	**Beijing Zhishi Yinxiang Technologies Co., Ltd.** (北京知識印象科技有限公司)	RMB2,500,000	3%	TMT	Approximately RMB80,830,000	Based on the capital required for the target's operation
22.	**Shanghai Yike Information Technology Co., Ltd.** (上海驛氪信息科技有限公司)	RMB2,000,000	8%	TMT	Approximately RMB23,000,000	Based on the capital required for the target's operation
23.	**Meng Shi Guang (Beijing) Culture Promotion Co., Ltd.** (夢時光(北京)文化傳播有限公司)	RMB4,000,000	16%	TMT	Approximately RMB20,000,000	Based on the capital required for the target's operation
24.	**Shaanxi Xue Yin Yue Network Technologies Co., Ltd.** (陝西學音悦網絡科技有限公司)	RMB2,000,000	15%	TMT	Approximately RMB11,333,300	Based on the capital required for the target's operation
25.	**PowerClean Co.**	US$800,000	9.197%	Healthcare	Approximately US$7,900,000	Based on the capital required for the target's operation
26.	**Vatrix Medical Inc.**	US$450,000	4.163%	TMT	Approximately US$10,350,000	Based on the capital required for project research

To the best of our Directors' knowledge, information and belief, having made all reasonable enquiries, all target companies under the 2015 Angel Investments and their ultimate beneficial owners are third parties independent from us and our connected persons.

Based on the following reasons, we have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with Rules 4.04(2) and 4.04(4)(a) of the Listing Rules in respect of the 2015 Angel Investments:

- **Ordinary and usual course of business**

  Our Company started Angel Investments in 2009, and had conducted over 60 Angel Investments during the Track Record Period. We have an investment team comprising of about 40 members responsible for conducting the Angel Investments on a full-time basis. The Angel Investments made by us after the Track Record Period were in our ordinary and usual course of business.

  Angel Investments are investments classified as financial assets carried at fair value through profit or loss. Changes in the fair value are included in profit or loss in the period in which they arise and presented within "Investment income and gains" in the income statement. Upon disposal, the difference between the net sale proceeds and the carrying value is also included in the income statement as "Investment income and gains".

- **Business characteristics of Angel Investments are different from those of typical acquisitions**

  Angel Investments engaged by us should not be recognized as "acquisitions" or "proposed acquisitions" that fall under the ambit of Rules 4.04(2) and 4.04(4)(a) of the Listing Rules, as our angel investment platform is not one of those operating in a specific industry or industries and contemplating to acquire new business or subsidiary. Instead, the Angel Investments activity itself is by its nature a part of our principal business.

  One crucial business characteristic of the Angel Investments is large transaction volume but small target size. As at the Latest Practicable Date, the investment amount of each of the 2015 Angel Investments does not exceed RMB8,000,000, and the aggregate investment amount of the 2015 Angel Investments conducted from January 1, 2015 up to the Latest Practicable Date is below RMB100 million. To the best knowledge of our Company, the 2015 Angel Investments are not subject to aggregation under Rule 14.22 of the Listing Rules.

- **Target historical financial information not meaningful to investors' investment decision**

  Since the target companies of the 2015 Angel Investments are all at start-up stage which either have no historical financial information available as they have no operation history or have no meaningful financial information to enable us to prepare the Target Historical Financial Information for inclusion in this prospectus as required under Rules 4.04(2) and 4.04(4)(a) of the Listing Rules, it would be impracticable for our Company to include the Target Historical Financial Information in this prospectus and any effort spent in this regard will not create any value in terms of enhancing disclosures in this prospectus.

- **Unable to exercise control or significant influence**

  Our Company holds only minority equity interest in each of the target companies under the 2015 Angel Investments and does not control the board of the same. Given that Our Company is neither able to exercise any control nor has any significant influence over each of the target companies under the 2015 Angel Investments, our Company would not be able to compel or request the target companies of the 2015 Angel Investments to cooperate with its audit work in order to comply with the relevant requirements under Rules 4.04(2) and 4.04(4)(a) of the Listing Rules.

- **Alternative Disclosure**

  We have provided in this section alternative information in connection with the 2015 Angel Investments in order to compensate for the non-inclusion of the Target Historical Financial Information.

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. LIU Chuanzhi (柳傳志)	Room 401, Gate 1, Building 333 Zhongguancun Haidian District Beijing PRC	Chinese
Mr. ZHU Linan (朱立南)	Room 20B, Tower 1 Huajingtai, Zhonghai Huating Futian District Shenzhen PRC	Chinese
Mr. ZHAO John Huan (趙令歡)	Flat A, 3/F Han Kung Mansion 26 Tai Koo Shing Road Tai Koo Shing Hong Kong	American
Non-executive Directors		
Mr. WU Lebin (吳樂斌)	Room 704, Building 6 Feng Lin Lu Zhou Kexueyuan Nanli Chaoyang District Beijing PRC	Chinese
Mr. WANG Jin (王津)	Room 502, Gate 5, Building 28 No. 19B Yuquan Road Shijingshan District Beijing PRC	Chinese
Mr. LU Zhiqiang (盧志強)	Room 3001, Building 4 No. 18 Gongrentiyuchang West Road Chaoyang District Beijing PRC	Chinese

Independent Non-executive Directors

Mr. MA Weihua (馬蔚華)	1/F 17 Lai Chi Kok Road Mongkok Kowloon Hong Kong	Chinese
Mr. ZHANG Xuebing (張學兵)	Room 302, Building 6 Beixiao Street, San Yuan Li Chaoyang District Beijing PRC	Chinese
Ms. HAO Quan (郝荃)	Room 802, Gate 1, Building 12 Fenghuiyuan Xicheng District Beijing PRC	Chinese

SUPERVISORS

Name	**Address**	**Nationality**
Mr. LI Qin (李勤)	Room 201, Gate 2, Building 333 Zhongguancun Haidian District Beijing PRC	Chinese
Mr. SUO Jishuan (索繼栓)	Room 1301, Gate 2, Building 42 No. 17 Qinghua East Road Haidian District Beijing PRC	Chinese
Mr. QI Zixin (齊子鑫)	Room 510 Apartment 61 Changchunyuan Peking University, Haidian District Beijing PRC	Chinese

PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Sponsors	China International Capital Corporation Hong Kong Securities Limited (中國國際金融香港證券有限公司) 29th Floor, One International Finance Centre 1 Harbour View Street Central Hong Kong
	UBS Securities Hong Kong Limited 42/F, One Exchange Square 8 Connaught Place Central Hong Kong
Joint Global Coordinators	China International Capital Corporation Hong Kong Securities Limited (中國國際金融香港證券有限公司) 29th Floor, One International Finance Centre 1 Harbour View Street Central Hong Kong
	UBS AG, Hong Kong Branch 52/F, Two International Finance Centre 8 Finance Street Central, Hong Kong
	Goldman Sachs (Asia) L.L.C. 68/F, Cheung Kong Center 2 Queen's Road Central Central Hong Kong
	Morgan Stanley Asia Limited Level 46, International Commerce Centre 1 Austin Road West Hong Kong
Joint Bookrunners	China International Capital Corporation Hong Kong Securities Limited (中國國際金融香港證券有限公司) 29th Floor, One International Finance Centre 1 Harbour View Street Central, Hong Kong

UBS AG, Hong Kong Branch
52/F, Two International Finance Centre
8 Finance Street
Central, Hong Kong

Goldman Sachs (Asia) L.L.C.
68/F, Cheung Kong Center
2 Queen's Road Central
Central
Hong Kong

Morgan Stanley Asia Limited (for Hong Kong Public Offering)
Level 46, International Commerce Centre
1 Austin Road West
Hong Kong

Morgan Stanley & Co. International plc (for International Offering)
25 Cabot Square
Canary Wharf, London E14 4QA
United Kingdom

BOCI Asia Limited
26th Floor, Bank of China Tower
1 Garden Road
Central, Hong Kong

BOCOM International Securities Limited
9th Floor, Man Yee Building
68 Des Voeux Road
Central, Hong Kong

Citigroup Global Markets Asia Limited (for Hong Kong Public Offering)
50/F Citibank Tower, Citibank Plaza
3 Garden Road
Central, Hong Kong

Citigroup Global Market Limited (for International Offering)
33 Canada Square
London E14 5LB
United Kingdom

	CLSA Limited Level 18, One Pacific Place 88 Queensway Hong Kong
	CMB International Capital Limited Units 1803-4, 18/F, Bank of America Tower 12 Harcourt Road Central, Hong Kong
	China Merchants Securities (HK) Co., Limited 48/F., One Exchange Square Central, Hong Kong
	Haitong International Securities Company Limited 22/F Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong
Joint Lead Managers	China International Capital Corporation Hong Kong Securities Limited (中國國際金融香港證券有限公司) 29th Floor, One International Finance Centre 1 Harbour View Street Central Hong Kong
	UBS AG, Hong Kong Branch 52/F, Two International Finance Centre 8 Finance Street Central, Hong Kong
	Goldman Sachs (Asia) L.L.C. 68th Floor, Cheung Kong Center 2 Queen's Road Central Central, Hong Kong
	Morgan Stanley Asia Limited (for Hong Kong Public Offering) Level 46, International Commerce Centre 1 Austin Road West Hong Kong

Morgan Stanley & Co. International plc (for International Offering)
25 Cabot Square
Canary Wharf, London E14 4QA
United Kingdom

BOCI Asia Limited
26th Floor, Bank of China Tower
1 Garden Road
Central, Hong Kong

BOCOM International Securities Limited
9th Floor, Man Yee Building
68 Des Voeux Road
Central, Hong Kong

Citigroup Global Markets Asia Limited (for Hong Kong Public Offering)
50/F Citibank Tower, Citibank Plaza
3 Garden Road
Central, Hong Kong

Citigroup Global Market Limited (for International Offering)
33 Canada Square
London E14 5LB
United Kingdom

CLSA Limited
Level 18, One Pacific Place
88 Queensway
Hong Kong

CMB International Capital Limited
Units 1803-4, 18/F, Bank of America Tower
12 Harcourt Road
Central, Hong Kong

China Merchants Securities (HK) Co., Limited
48/F., One Exchange Square
Central, Hong Kong

Haitong International Securities Company Limited
22/F Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

Guotai Junan Securities (Hong Kong) Limited
27th Floor, Low Block
Grand Millennium Plaza, 181 Queen's Road Central, Hong Kong

VMS Securities Limited
Suites 4112-4119, 41/F
Jardine House, 1 Connaught Place
Central, Hong Kong

Reporting Accountant	PricewaterhouseCoopers *Certified Public Accountants* 22/F, Prince's Building Central, Hong Kong
Reporting accountant as to AnHua Agricultural Insurance Company Limited	SHINEWING (HK) CPA Limited *Certified Public Accountants* 43/F, The Lee Gardens 33 Hysan Avenue Causeway Bay Hong Kong
Legal advisors to our Company	*As to Hong Kong and U.S. law:* Cleary Gottlieb Steen & Hamilton (Hong Kong) 37th Floor, Hysan Place 500 Hennessy Road Hong Kong *As to PRC law:* Jia Yuan Law Offices 408 Ocean Plaza 158 Fu Xing Men Nei Avenue Xicheng District Beijing, 100031 PRC

Legal advisors to the Joint Sponsors and the Underwriters	*As to Hong Kong and U.S. law:* Davis Polk & Wardwell 18/F, The Hong Kong Club Building 3A Chater Road Hong Kong *As to PRC law:* Jun He Law Office 20/F, China Resources Building 8 Jianguomenbei Avenue Beijing, 100005 PRC
Receiving banks	Bank of China (Hong Kong) Limited 1 Garden Road Hong Kong Standard Chartered Bank (Hong Kong) Limited 15/F, Standard Chartered Tower 388 Kwun Tong Road Kwun Tong Hong Kong
Compliance advisor	Somerley Capital Limited 20/F, China Building 29 Queen's Road Central Hong Kong
Property valuer	Jones Lang LaSalle Corporate Appraisal and Advisory Limited 6/F, Three Pacific Place 1 Queen's Road East Hong Kong

Registered office	10F, Tower A, Raycom Info Tech Park 2 Ke Xue Yuan Nan Lu Hai Dian District Beijing 100190 PRC
Head office in the PRC	10F, Tower A, Raycom Info Tech Park 2 Ke Xue Yuan Nan Lu Hai Dian District Beijing 100190 PRC
Principal place of business in Hong Kong	27/F, One Exchange Square Central Hong Kong
Company's website	www.legendholdings.com.cn *(The information on the website does not form part of this prospectus)*
Joint company secretaries	Mr. NING Min Ms. YEUNG Yee Har *(a fellow member of the Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries)*
Authorized representatives	Mr. ZHAO John Huan 27/F, One Exchange Square Central Hong Kong Ms. YEUNG Yee Har 27/F, One Exchange Square Central Hong Kong
Nomination Committee	Mr. LIU Chuanzhi *(Chairman)* Mr. MA Weihua Mr. ZHANG Xuebing
Audit Committee	Ms. HAO Quan *(Chairman)* Mr. ZHANG Xuebing Mr. WANG Jin

Remuneration Committee	Mr. MA Weihua *(Chairman)* Mr. LU Zhiqiang Ms. HAO Quan
Compliance Advisor	Somerley Capital Limited 20/F, China Building 29 Queen's Road Central Hong Kong
H Share Registrar	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17th Floor Hopewell Centre, 183 Queen's Road East Wanchai, Hong Kong
Principal banks	China Construction Bank, Beijing Zhongguancun Branch 96 Zhichun Road Haidian District Beijing PRC Bank of China, Beijing Branch 2 Chao Yang Men Nei Street Dongcheng District Beijing PRC Agricultural Bank of China, Head Office F8 Eastern Tower, Chemsunny World Trade Center 28 Fu Xing Men Nei Street Xicheng District Beijing PRC Industrial and Commercial Bank of China, Beijing Branch 2 Fu Xing Men Nan Street Xicheng District Beijing PRC

Certain information that appears in this Industry Overview has been prepared by Euromonitor and reflects estimates of market conditions based on publicly available sources and trade opinion surveys, and is prepared primarily as a market research tool. References to Euromonitor should not be considered as the opinion of Euromonitor as to the value of any security or the advisability of investing in the Company. The Directors believe that the sources of information contained in this Industry Overview are appropriate sources for such information and have taken reasonable care in reproducing such information. The Directors have no reason to believe that such information is false or misleading or that any material fact has been omitted that would render such information false or misleading. The information prepared by Euromonitor and set out in this Industry Overview has not been independently verified by us, the Underwriters or any other party involved in the Global Offering and none of them gives any representations as to its accuracy and the information should not be relied upon in making, or refraining from making, any investment decision.

OVERVIEW OF CHINA'S ECONOMY

Over the last thirty years, China has maintained strong and steady economic growth and in 2014 emerged as the second largest economy in the world in terms of GDP. According to the National Bureau of Statistics of China, China's nominal GDP increased from RMB16.1 trillion in 2004 to RMB63.6 trillion in 2014, while its nominal GDP per capita increased from RMB12,400 in 2004 to RMB46,652 in 2014, representing CAGRs of 14.8% and 14.2%, respectively. In particular:

- China's industrialization and economic growth has led to rapid urbanization. According to the National Bureau of Statistics of China, China's total urban population increased from approximately 542 million as of the end of 2004 to approximately 750 million as of the end of 2014, representing a CAGR of 3.3%. During the same period, the percentage of urban population to total population in China increased from 41.8% to 54.8%.

- Economic growth and urban population growth are related to improvements in living conditions and income levels. According to the National Bureau of Statistics of China, the annual per capita disposable income of China's urban households increased from RMB9,422 in 2004 to RMB28,844 in 2014, representing a CAGR of 11.8%.

- The secondary industry has historically been a key component of China's GDP. As a result of industrialization, the secondary industry has surpassed the primary industry as a proportion of GDP. However, the secondary industry's proportion of GDP has been slowly declining as the portion of GDP attributable to the tertiary industry increases. China's tertiary industry has become an important industry driving the economy and accounted for 48.2% of GDP in 2014, higher than 42.6% for secondary industry and 9.2% for primary industry. This reflects the ongoing transition in China's economy from a manufacturing-oriented economy to a services-oriented economy.[1]

[1] Primary industry includes farming, forestry, animal husbandry and fishery. Secondary industry includes mining and quarrying, manufacturing, production and supply of electricity, water and gas, and construction. Tertiary industry includes all other industries not included in primary or secondary industry.

To capture the opportunities emerging from the development of China's economy, we have established a significant presence across diverse industries and cultivated a number of portfolio companies.

Key Driver	Benefited Industries	Our Presence	Our Business Segment
Urbanization	Property	Raycom	Property
Consumption Upgrade	IT	Lenovo	IT
	Car Rental Dental Care Logistics Senior Care	CAR Bybo Zeny EnsenCare	Modern Services
	Premium Food Chinese Liquor	Joyvio Funglian	Agriculture and Food
Economic Structure Transformation	Insurance Brokerage	Union Insurance	Financial Services
	SME Financing Payment	Zhengqi/ Hankou Bank/ Suzhou Trust Lakala	Financial Services
	Alternative Investment	Legend Star/ Legend Capital/ Hony Capital	Financial Investments
	Chemicals and Energy Materials	Levima Phylion Battery	Chemicals and Energy Materials

IT INDUSTRY

PC Market

According to IDC, the global PC market is gradually decreasing, and total shipments decreased from approximately 364 million units in 2011 to approximately 308 million units in 2014.

The global PC market is composed of the consumer PC market and the commercial PC market. According to IDC, in comparison to the declining global consumer PC market, the global commercial PC market is large and has remained relatively stable. Total shipments in the global commercial PC market decreased from approximately 168 million units in 2011 to approximately 153 million units in 2014, and is expected to remain stable at approximately 153 million units in 2018, according to IDC.

According to IDC, the development of China's PC market is a result of a number of factors, including:

- Government, manufacturing and education purchases are expected to rise from approximately 13.1 million units in 2014 to approximately 14.2 million units in 2018;

- China's per capita disposable income increasing significantly from 2009 to 2014 according to the National Bureau of Statistics of China, which is expected to drive greater demand for PCs; and

- IDC expects the total shipments of PCs to increase in tier-four and lower level Chinese cities to increase from approximately 32.0 million units in 2014 to approximately 33.4 million units in 2018.

According to IDC, Lenovo ranked No.1 in the global and China's PC markets in terms of unit shipments in 2014.

Rapid Growth in the Smartphone Market

Total shipments in the global smartphone market increased rapidly from approximately 494 million units in 2011 to approximately 1,301 million units in 2014, and are expected to reach approximately 1,834 million units in 2018, representing a CAGR of 9.0% from 2014 to 2018, according to IDC. Total shipments in China's smartphone market also increased rapidly from approximately 91 million units in 2011 to approximately 420 million units in 2014, and are expected to reach approximately 455 million units in 2018, representing a CAGR of 2.0% from 2014 to 2018, according to IDC. In addition, total shipments in the Asia Pacific region excluding Japan also recorded significant growth, with a CAGR of 56.1% from 2011 to 2014, and are expected to grow at a CAGR of 9.3% from 2014 to 2018, according to IDC.

Continued Growth in the Tablet Market

According to IDC, total shipments in the global tablet market increased rapidly from approximately 76.2 million units in 2011 to approximately 230.4 million units in 2014, representing a CAGR of 44.6%, and are expected to reach approximately 238.0 million units in 2018.

Servers

The global server market is concentrated with a few major players. Total shipments in the global server market increased from approximately 8.5 million units in 2011 to approximately 9.1 million units in 2014, and are expected to reach approximately 11.0 million units in 2018. China's server market has grown faster than the global average, with its market size increasing from approximately 1.2 million units in 2011 to approximately 1.8 million units in 2014, and is expected to reach approximately 2.6 million units in 2018, according to IDC.

THE FINANCIAL SERVICES INDUSTRY IN CHINA

Short-term Financing Market

Short-term financing meets an enterprise's capital needs during periods of insufficient cash flow. In China, it is provided by both banks and non-bank financial institutions, such as small loan companies and pawnshops. The most common types of short-term financing from non-bank financial institutions in China include small loans, pawn loans, financial leases and financial credit guarantees.

According to Euromonitor, short-term financing from non-bank financial institutions has played an increasingly important role in enabling small and micro enterprises that may otherwise experience difficulty in obtaining loans from banks. China's outstanding balance of small loans, pawn loans, financial leasing transactions and financial credit guarantees reached RMB6,223.6 billion as of the end of 2014, representing a CAGR of 30.2% from 2012 to 2014. According to Euromonitor, the growth of short-term financing from non-bank financial institutions is expected to be driven mainly by a number of factors, including but not limited to increased demand for funds from micro-, small- and medium-sized enterprises (MSMs) and individuals who are unable to secure loans from banks, supportive government policies, and quicker and more convenient loan processing non-banking financial institutions can provide. As a result, this market is expected to grow at a CAGR of approximately 37.1% from 2014 to 2017, according to Euromonitor forecast based on an in-depth review over the historic market development trend and trade interviews with major players, established government and/or industry figures and other market participants.

Outstanding Loan Amount of Short-term Financing from Non-bank Financial Institutions in China (2012 – 2017F) (RMB Billion)

Industry/Category	2012	2013	2014	2012-14 CAGR	2015F	2016F	2017F	2014-17F CAGR
Small Loans	592.1	819.1	942.0	26.1%	1,168.5	1,427.2	1,713.8	22.1%
Pawn Loans	67.6	86.6	101.3	22.4%	123.6	147.2	171.8	19.3%
Financial Leasing	1,550.0	2,100.0	3,200.0	43.7%	4,850.0	7,280.0	10,830.0	50.1%
Financial Credit Guarantees	1,459.6	1,690.0	1,980.3	16.5%	2,337.2	2,780.6	3,336.1	19.0%
Total	3,669.3	4,695.7	6,223.6	30.2%	8,479.3	11,635.0	16,051.7	37.1%

Source: Euromonitor estimates from trade interviews and desk research.

Insurance Brokerage Industry

According to Euromonitor, total insurance premiums generated by insurance brokerage companies in China were RMB46.6 billion in 2014, representing 2.3% of total insurance premiums in China. In developed markets such as the U.S. or the U.K., insurance premiums generated by insurance brokerage companies typically constitute a much higher percentage of total insurance premiums, according to Euromonitor. According to Euromonitor, the growth of the insurance brokerage sector is expected to be driven mainly by a number of factors, including but not limited to supportive government policies, improved regulation and professionalization, clients' increasing demand for insurance, and market specialization promoted by further market segmentation. Insurance premiums generated by insurance brokerage companies in China are expected to grow at a CAGR of 9.6% from approximately RMB46.6 billion in 2014 to approximately RMB61.4 billion in 2017 primarily fueled by the innovation of products and diversification of distribution channels. The insurance brokerage commission rate is expected to increase in the future due to improvements in insurance brokers' ability to provide premium services and expertise, according to Euromonitor. The development of value-added risk consulting services on risk management provided by insurance brokers is expected to increase the industry's profitability, according to Euromonitor. As a result, the insurance brokerage sector's business revenue, composed of commission income and consulting fees, is expected to grow at a CAGR of 18.7% from 2014 to 2017 according to Euromonitor forecast based on an in-depth review over the historic market development trend and trade interviews with major players, established government and/or industry figures and other market participants.

Insurance Premiums and Business Revenue of Insurance Brokers in China (2012 – 2017F) (RMB Million)

Industry/Category	2012	2013	2014	2012-2014 CAGR	2015F	2016F	2017F	2014-17F CAGR
Insurance Premiums	42,106	43,030	46,590	5.2%	50,815	55,680	61,390	9.6%
Business Revenue	6,368	7,810	8,910	18.3%	10,480	12,450	14,910	18.7%

Source: China Insurance Regulatory Commission, Euromonitor estimates from trade interviews and desk research.

THE MODERN SERVICES INDUSTRY

Dental Industry

Development of China's Dental Industry

China's healthcare industry has maintained strong growth over the past decade. According to Euromonitor, total public healthcare expenditures reached RMB3.5 trillion in 2014, representing a CAGR of 15.4% from 2010 to 2014, according to Euromonitor.

Dental services include the treatment of dental diseases, as well as plastic surgery and beauty care, such as whitening and orthodontics. According to Euromonitor, China's dental sector has experienced stronger growth than the country's overall healthcare industry. As a result, revenue from China's dental hospitals increased to approximately RMB11,322 million in 2014, representing a CAGR of 21.4% from 2010 to 2014, according to Euromonitor.

China's dental institutions can be divided into dental departments of general hospitals, dental hospitals and others (including private dental chains and individual private dental providers). These three segments had market shares of 50.9%, 23.6% and 25.5%, respectively, in terms of number of clinical visits in 2014, according to Euromonitor.

According to Euromonitor, China's dental industry is significantly underdeveloped as compared to developed countries, on the basis of metrics such as the number of dentists per 10,000 people, the treatment rate of dental diseases and the percentage of the population undertaking regular dental examinations and teeth cleaning. China's number of dentists per 10,000 people was 1.0 in 2013, as compared to 8.0 for Japan in 2010, 5.8 for Canada in 2008, and 5.3 for United Kingdom in 2012, according to Euromonitor.

Drivers and the Competitive Landscape for the Dental Industry in China

China's strong economic growth, the increased disposable income and the lifestyle upgrade of urban residents have enhanced awareness of dental health and resulted in higher demand for improved customer experience. Meanwhile, development in dental technologies has led to improved therapies and an expanded range of services provided by dental institutions.

In accordance with China's "New Medical Reform" policies, public medical institutions will continue to focus on basic dental services, enabling private dental institutions to become major providers of premium dental services. Furthermore, private dental chains offer customers more convenient access to their service outlets and enjoy better brand awareness than individual private dental institutions. Private dental chains also benefit from stronger expansion capabilities with standardized operations and economies of scale, such as centralized purchasing and shared dentists pools. Consequently, private dental chains have strong potential for development and growth.

According to Euromonitor, Bybo ranked first in China's private dental service sector by number of medical outlets as of December 31, 2014, as set forth in the table below.

Market Ranking of China's Private Dental Institutions
(by Number of Medical Outlets as of December 31, 2014)

Ranking	Name of Private Dental Institutions	Other Clinics	Number of Dental Hospitals	Total Outlets
1	Bybo	66	9	75
2	Jiamei Dental	42	1	43
3	ARRAIL Dental	29	1	30
4	TC Medical	3	11	14
5	C.K.J Professional Dental	12	0	12

Source: Euromonitor estimates from trade interviews and desk research.

Note: Only direct-sale outlets and exclusive franchised outlets were used in the above ranking; each dental clinic or dental hospital was counted as one outlet.

The market share data reported above has been determined via a fieldwork program consisting of desk research and trade interviews. While audited data was available for some of the companies, they typically do not break the revenue numbers into the relevant categories which were covered in this study. For these companies as well as those companies that are included in the market shares but are not publicly listed, we have estimated the markets shares based on estimates provided by various trade sources (i.e. not just the companies themselves) and seeking a consensus on these estimates as much as possible.

THE AGRICULTURE AND FOOD INDUSTRY

Agriculture

Development of the Fruit Industry in China

With rising disposable income and enhanced health awareness, Chinese consumers are gradually increasing their consumption of fruits that are of high quality and safe for eating.

Blueberries are becoming increasingly popular in China given their high nutritional value. Currently, China's blueberry industry is at early stage of development. Retail sales of fresh blueberries in China are expected to grow at a CAGR of 22.9% from approximately 4,100 tonnes in 2014 to approximately 7,600 tonnes in 2017, according to Euromonitor forecast based on an in-depth review over the historic market development trend and trade interviews with major players, established government and/or industry figures and other market participants.

China is the largest kiwifruit producing country in the world in terms of cultivation area and annual output. As of the end of 2012, China represented approximately 60% of the global kiwifruit plantation area, while China's total kiwifruit production volumes represented approximately 40% of the global kiwifruit production volume, according to Euromonitor. China's Kiwifruit industry is expected to shift from labor intensive production conducted by individual farmers to large-scale industrialized planting, harvesting, processing and packaging.

The typical yield per bush/plant of blueberry and kiwifruit in China ranges from 3 kilograms to 5 kilograms and from 15 kilograms to 40 kilograms, respectively, depending on the variety and environment, according to Euromonitor.

Drivers for the Fruit Industry in China

Growing per capita disposable income and consumption upgrade. Rising per capita disposable income and consumption upgrades by Chinese urban residents are expected to boost the demand for fruit with richer nutrients and improve market recognition for premium fruit. These trends have emerged in both higher-tier cities and relatively developed rural areas.

Growing awareness of food safety and brand equity. With increasing frequency of food safety incidents in China in recent years, consumers are paying closer attention to food safety. Premium fruit, particularly those endorsed by reliable brands, have become popular among consumers for their high quality and safety, which is expected to drive demand for branded products.

New distribution channels. In addition to traditional sales channels, an increasing number of online retailers are engaging in the fresh fruit retail business. As a result, online fresh fruit sales are expected to grow further. China's e-commerce leaders, such as Taobao.com, JD.com and Amazon.cn, have launched special fresh fruit distribution platforms.

Competitive Landscape

China's fruit industry is fragmented with quality of products varying widely. Due to barriers to entry such as the long period before newly planted plants bear fruit, large-scale enterprises with recognized brands will have a first-mover advantage.

Industrialized blueberry production is still under development in China. Fresh blueberry production and transportation are sensitive to climate and storage conditions and require special equipment and technology, thus creating a relatively high barrier to entry. In 2014, Joyvio ranked No. 1 with a market share of 23.7% in terms of fresh blueberry retail sales volume in China, according to Euromonitor.

Kiwifruit are mainly produced in small- and medium-sized orchards in China, and only a limited number of companies focus on premium kiwifruit. Also kiwifruit with green flesh accounts for the vast majority (over 90% volume) of kiwifruit grown and sold in China; while kiwifruit with yellow and red flesh accounts for less than 10% and are considered more premium than those with green flesh. In 2014, in terms of fresh kiwifruit retail sales volume, the top five kiwifruit brands had an aggregate market share of only 3.8% in China, while Joyvio ranked No. 2 with a 1.2% market share, according to Euromonitor. In addition, Joyvio was the top brand of domestically grown yellow flesh kiwifruit in terms of sales volume in China in 2014.

Liquor Industry

Chinese Liquor Industry in China

According to Euromonitor, total production volume of Chinese liquor manufacturers in 2014 was approximately 12.57 billion liters while total sales volume was only approximately 5.50 billion liters. The Chinese liquor industry has moderated due to a variety of factors including the business cycle, changes in consumption pattern, intense competition and stringent policies issued by the government.

According to Euromonitor, based on retail prices, the Chinese liquor market can be generally divided into three categories as set forth below.

Category	**Retail Price**	**Average Markups Rates**
Low-end	Below RMB200/liter	15%-25%
Middle-end	Between RMB200-600/liter	20%-50%
High-end	Above RMB600/liter	Above 50%

Source: Euromonitor estimates from trade interview and desk research

Among the three categories, low-end Chinese liquors account for 75.8% of total sales volume in 2014 and primarily consist of local or regional brands, which broadly target the mass market which has diverse consumption habits and taste preferences, according to Euromonitor.

The high-end Chinese liquor market is going through a period of intensive adjustment given the excess capacity that has arisen from the rapid developments in the past decade. Low-end and mid-end Chinese liquors have been less affected by these trends due to their lower prices and relatively good quality, which means they are more affordable and represent better value for daily consumption than high-end Chinese liquors. It is expected that Chinese liquor manufacturers will tailor their products and marketing strategies to place a greater emphasis on the mass market. The sales volume for high-end Chinese liquor brands in China decreased from approximately 0.3 billion liters in 2012 to approximately 0.2 billion liters in 2014. In 2014, the sales volumes for low- and mid-end Chinese liquor brands were approximately 4.2 billion liters and approximately 1.2 billion liters, respectively, with CAGRs of 7.3% and 9.1%, respectively, from 2012 to 2014. In 2017, sales volume for Chinese liquor in China is estimated to be 6.49 billion liters, with a CAGR of 5.7% from 2014 to 2017, according to Euromonitor forecast based on an in-depth review over the historic market development trend and trade interviews with major players, established government and/or industry figures and other market participants.

In the future, regional Chinese liquor manufacturers with recognized brands, supportive customer bases and operational efficiency are expected to gain more market share.

Drivers of the Chinese Liquor Market

Increase in per capita disposable income. The increase in per capita disposable income is expected to continue to drive the consumption of Chinese liquor. Chinese liquor, with its cultural heritage, is one of the top choices of alcoholic drinks among Chinese consumers. We believe the market for Chinese liquor has great potential.

Social culture. Chinese liquor consumption is an important part of social culture in China. Significant quantities of Chinese liquor are consumed during the conduct of business activities and in social contexts. These consumption patterns help drive the development of the Chinese liquor industry.

Other drivers include changes in demographics, shifting consumer preferences and diversification of sales channels.

Competitive Landscape

The Chinese liquor market is fragmented, primarily due to different customer preferences in different regions. In 2014, the top five Chinese liquor manufacturers accounted for a combined market share of 16.7%, according to Euromonitor.

Going forward, low-end and mid-end Chinese liquor markets are expected to grow strongly but face greater competition. In such a competitive landscape, local companies with strong regional influences, well-known brands, high quality products and strong operational efficiency are better positioned to capture the growth opportunities from the mass market.

THE PROPERTY INDUSTRY

Development of China's Property Industry

China's property market has prospered over the last decade. According to the National Bureau of Statistics of China, China's property investment increased from RMB1,015.4 billion in 2003 to RMB8,601.3 billion in 2013, representing a CAGR of 23.8%. Investment in residential property and office buildings grew at CAGRs of 24.2% and 24.8%, respectively, during the same period, according to the National Bureau of Statistics of China.

The area of completed property was 1,014.4 million sq.m. in 2013, compared to 395.1 million sq.m. in 2003, representing a CAGR of 9.9%, according to the National Bureau of Statistics of China. In addition, the area of completed residential property and office buildings grew at CAGRs of 9.4% and 10.3%, respectively, during the same period, according to the National Bureau of Statistics of China.

Commodity property sales grew rapidly from RMB795.6 billion in 2003 to RMB8,142.8 billion in 2013, representing a CAGR of 26.2%, according to the National Bureau of Statistics of China. The sales of residential property and office buildings grew at CAGRs of 26.3% and 30.4%, respectively, during the same period, according to the National Bureau of Statistics of China. In recent years, the PRC Government introduced a series of adjustment and control measures on the domestic property market, resulting in a restrictive regulatory environment for property developers. Beginning in 2014, more favorable policies have been implemented by the government to support the industry development.

With the continuous development of the property market, average sales prices of China's average commodity properties have increased significantly from RMB2,359/sq.m. in 2003 to RMB6,237/sq.m. in 2013, according to the National Bureau of Statistics of China.

We categorize Beijing, Shanghai, Guangzhou and Shenzhen as tier-one cities, other municipalities and provincial capitals (excluding Lhasa) as tier-two cities, and other Chinese cities as tier-three/four cities. From 2008 to 2013, the CAGRs of property investments in tier-two and tier-three/four cities were 23.0% and 37.8%, respectively, which was much higher than the 14.0% CAGR in tier-one cities, according to the National Bureau of Statistics of China. From 2008 to 2013, the area of commodity property sold in tier-two and tier-three/four cities grew at CAGRs of 14.1% and 15.8%, respectively, while tier-one cities grew at a CAGR of 4.9%, due to the limited land available for development, according to the National Bureau of Statistics of China. Sales prices of commodity property grew at a CAGR of 12.1% in tier-one cities, 11.6% for tier-two cities and 11.5% for tier-three/four cities over 2008 to 2013, according to the National Bureau of Statistics of China.

Drivers of China's Property Market

China's property market is primarily driven by increasing urbanization and rising per capita disposable income, according to the National Bureau of Statistics in China. As urbanization continues, it is expected to generate greater demand for residential properties. In light of the rising purchasing power, the demand for middle-to-high end private residential properties will continue to grow.

Competitive Landscape

The property development market in China is highly competitive. Existing and potential competitors include major domestic and foreign developers primarily from Asia. Property developers compete in a number of ways, including the acquisition of land, brand recognition, financial resources, sales price, product quality, service quality and other factors.

ALTERNATIVE INVESTMENT

Angel Investment

According to CVSource, there were 317 angel investments announced in China between January and November 2014 for a total investment amount of approximately RMB4.2 billion, which exceeded the amount in full-year 2013. However, China's angel investment industry is still developing and quite fragmented. The angel investment industry is expected to be driven by an increase in the number of private start-ups and greater liquidity in the capital markets. According to Zero2IPO, in 2014 Beijing Legend Star was ranked among the Top 3 angel investors in China based on a number of factors including returns, fund raising amount and investment amount.

Venture Capital

China's venture capital market has experienced rapid growth in recent years. Following a slight drop in 2012, the venture capital market recovered in 2013 and achieved record highs in both the investment amount and the number of investment cases in 2014. The following table sets forth information on China's venture capital market between 2009 to 2014.

Investment Amount and Cases of China's Venture Capital Market

Year	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**
Investment Amount (US$ in millions)	3,558	5,948	8,947	4,267	4,734	12,707
Number of Investment Cases	637	842	976	608	683	1,360

Sources: CVSource

In 2014, Internet, IT and telecom and value-added services sectors attracted venture investors' attention and represented approximately 87% of the total investment in China's venture capital sector, according to CVSource.

According to Zero2IPO, in 2014 Legend Capital was ranked first among China's domestic venture capital funds based on a number of factors including return, fund raising amount and investment amount.

Private Equity

Following a record high number of investment cases in 2011, China's PE market was less active between 2011 to 2013. The total amount invested increased significantly in 2014 compared with 2013 despite a decrease in the number of investment cases. The following table sets forth information on China's PE market between 2009 to 2014.

Investment Amount and Cases of China's Private Equity Market

Year	2009	2010	2011	2012	2013	2014
Investment Amount (US$ in million)	19,863	24,930	29,015	22,401	21,587	34,059
Number of Investment Cases	263	496	404	296	325	280

Source: CVSource

In 2014, invested industries of China's private equity sector were very diversified, with energy and mining industry attracting approximately 25% of the total investment amount, according to CVSource.

SOURCES OF INFORMATION

We commissioned Euromonitor, an independent industry consultant, to analyze and report on the short-term financing, offline multimedia terminal-based third-party payment, insurance brokerage, dental, agriculture and Chinese liquor industries in China and other countries. Euromonitor is a leading, global, independent strategic market research provider. We paid an aggregate amount of RMB2,474,204 to Euromonitor for the preparation of this report.

Certain information and data presented in this section were provided by Euromonitor. Euromonitor has advised us that the statistical and graphical information contained herein is drawn from their respective database and other sources. In connection therewith, Euromonitor has advised that:

- certain information in Euromonitor's database is derived from estimates or subjective judgment based on sample information from and interviews with relevant companies, government agencies and other industry consultants, and was prepared primarily as a marketing research tool;

- the information in the databases of other data collection agencies or industry consultancies may differ from the information in Euromonitor's database;

- Euromonitor has its own methodology for information and data collection, and therefore the information discussed in this section may differ from those of other sources;

- while Euromonitor has taken reasonable care in the compilation of the statistical and graphical information and believes it to be accurate and correct, data compilation is subject to limited audit and validation procedures; and

- this section also contains forward-looking statements that are based on assumptions and current and expected market dynamics. The actual figures may vary as the market dynamics are ever changing. Euromonitor cannot be held liable for the realization of its forecasts.

Investors should also note that no independent verification has been carried out on any facts or statistics that are directly or indirectly derived from official government publications, other publications, or the industry report we commissioned from Euromonitor. We believe that the sources of the information in this section are appropriate sources for the information and have taken reasonable care in extracting and reproducing this information. We have no reason to believe that this information is false or misleading in any material respect or that any part has been omitted that would render such information false or misleading in any material respect. We, the Underwriters and any of our or their respective directors, officers, representatives, affiliates or other advisors or any other persons or parties involved in the Global Offering make no representation as to the accuracy of the information that is directly or indirectly derived from official government publications, other publications, or the industry report we commissioned from Euromonitor. This information may not be consistent with other information compiled within or outside the PRC. Accordingly, this information may not be accurate and should not be unduly relied upon.

The Directors confirm that after taking reasonable care, there is no adverse change in the market information since the date of the report prepared by Euromonitor, which may qualify, contradict or have an impact on the information set out in this section.

OUR HISTORY

With the approval of the CAS, the Institute of Computing Technology Chinese Academy of Sciences (中國科學院計算技術研究所), an academic establishment founded by the CAS in 1956 which specializes in comprehensive research on computer science and technology, funded the establishment 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), the predecessor of our Company, in the PRC in November 1984 as an enterprise owned by the whole people (全民所有制企業) with a registered capital of RMB1,300,000. With the approval of the Chinese Academy of Sciences High-tech Enterprises Bureau (中國科學院高技術企業局), the registered capital of the predecessor of our Company was reduced to RMB1,000,000 in June 1990, whose name was changed to Beijing Legend Computer New Technology Development Company (北京聯想計算機新技術發展公司) in April 1991. With the approval of the Chinese Academy of Sciences High-tech Advancement and Enterprises Bureau (中國科學院高技術促進與企業局) and the Institute of Computing Technology Chinese Academy of Sciences, Beijing Legend Computer New Technology Development Company was renamed Legend Group Holdings Company (聯想集團控股公司) and its registered capital was increased to RMB100,000,000 in August 1998.

In April 2000, Legend Group Holdings Company received the approval-in-principle from the Ministry of Finance of the PRC (中華人民共和國財政部) and the Ministry of Science and Technology of the PRC (中華人民共和國科學技術部) in relation to its reform into a limited liability company. With the approval of the CAS, the reform was completed on June 22, 2001 and Legend Group Holdings Company was renamed Legend Holdings Limited (聯想控股有限公司) on the same date. CAS and the former Employee Shareholding Association contributed RMB429,559,259.61 and RMB231,301,139.79, respectively, to the registered capital of Legend Holdings Limited, each representing 65% and 35% of the equity interests in the entity, respectively.

In August 2013, Legend Holdings Limited commenced its joint-stock reform process, and conducted an independent valuation of its net asset value as at June 30, 2013. In accordance with the valuation report, the audited carrying amount of net assets of RMB2,529,122,962 was used to determine the value of the capital contribution by the Promoters for the incorporation of our Company. The CAS approved our conversion into a joint stock limited liability company in January 2014. We were incorporated under the name of "Legend Holdings Corporation" (聯想控股股份有限公司) with a registered capital of RMB2,000,000,000 with capital contributions from our Promoters, in proportion to their respective share holdings in our Company. The portion of the audited value not converted into our Company's share capital was kept as our capital reserve. We received a new business license from the Beijing Administration for Industry and Commerce (北京市工商行政管理局) on February 18, 2014. Upon conversion into a joint stock limited liability company, our Promoters included CAS Holdings, Lian Chi Zhi Yuan, China Oceanwide, Lian Heng Yong Xin, Mr. Liu Chuanzhi, Mr. Zhu Linan, Mr. Ning Min, Mr. Huang Shaokang, Mr. Chen Shaopeng and Mr. Tang Xudong with CAS Holdings holding 36.0% of our Shares and the other Promoters holding the remaining 64.0% of our Shares. Our PRC legal advisors confirmed that we have obtained all the necessary approvals from the relevant PRC government authorities with respect to the conversion of our Company into a joint stock limited liability company and have completed all the necessary filing procedures in compliance with the relevant PRC laws and regulations. For more information about our Promoters and the corporate and capital developments of our Company, please refer to the sections headed "– Shareholding Changes", "– Our Promoters" and "Appendix VII – Statutory and General Information – A. Further Information About Our Group".

Key Milestones

The following sets forth the milestones in the development of the Group:

Year	**Events**
1984	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), the predecessor of our Company, was incorporated.
1985	Our Group ventured into the PC distribution business, acting as the sales agent for IBM, AST and HP in the PRC.
1990	The very first "Legend" brand PC was launched in the market. Our Group changed our role from that of an agent for imported computer products into that of a producer and seller of our own branded computer products.
1992	The "Legend" brand PCs won several accolades in the PRC such as Top Achiever Award for an Advanced Technology Product, a first place ranking for the most popular computer product in the southwestern region of the PRC and Best Product Award for the country by the China National Micro-computer standards body.
1994	Lenovo was listed on the Hong Kong Stock Exchange, representing that Lenovo has become a large enterprise which integrates research, production and sales.
1997	Lenovo became the PC business market share leader in the PRC.

Year	Events
2000	Our Group officially launched its business diversification strategy and entered into industries other than IT sector.
2001	Our Group started to engage in the venture capital business and the real estate business with the incorporation of Legend Investment and Raycom Real Estate.
2003/2004	The Group entered the field of PE investment in 2003, and incorporated Beijing Hony Investment Counsellor Co., Ltd. in 2004.
2005	Lenovo expanded its business and operations to a global scale through the acquisition of the PC division of IBM.
2008	Lenovo was listed on the Fortune Global 500 for the first time.
2010	Our Group formulated mid-term strategy to further expand its diversified business and enter into consumer and service sectors.
2012	Our Group ventured into the chemicals and energy materials business, the agriculture and food business, the Chinese liquor business, the logistics business and financial services business by incorporating Levima, Joyvio, Funglian, Zeny and Zhengqi, respectively.
2013	The market share of Lenovo's PC business became No. 1 in the world.
2014	The Group acquired Bybo and started to engage in the dental care business.
	Lenovo acquired IBM's x86 server business, and Motorola Mobility from Google to further expand its smartphone business.

OUR PRINCIPAL SUBSIDIARIES

Descriptions of the principal subsidiaries of our Group are set out below by business sector:

Strategic Investments

IT

Lenovo Group Limited (聯想集團有限公司)

The predecessor of Lenovo was incorporated as a joint venture in Hong Kong in 1988 by 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), the predecessor of our Company, Daw Computer Systems Limited (導遠電腦系統有限公司) (which was dissolved in August 2002) and China Technology Investment & Trade (H.K.) Limited (中國技術投資貿易(香港)有限公司) (formerly known as China Technology Trade (H.K.) Limited (中國技術轉讓(香港)有限公司)) with an initial share capital of HK$900,000 with each of the partners contributing an equal share. It commenced its business operations on the same date and began as a distributor of computer products in Hong Kong and the PRC. We had acted as the agent of some brands, such as AST, which was first introduced into the PRC market by us in 1988, IBM and HP. In October 1993, Lenovo was incorporated in Hong Kong as part of the reorganization in preparation for the listing of its shares on the Hong Kong Stock Exchange.

Lenovo is primarily engaged in the development, manufacturing and marketing of personal technology products and services, which comprise notebook computers, desktop computers, MIDH products, which enable the user to access the Internet from a variety of locations including home, such as smartphones, tablets and smart TVs, and other personal technology products and services such as servers, computer accessories and hardware related services. Other than personal technology products and services, Lenovo is also involved in the sale of non-PC home appliances and other non-PC services. For more information on our information technology business, please refer to the section headed "Business – Strategic Investments – IT Business".

Lenovo's shares have been listed on the Main Board of the Hong Kong Stock Exchange since February 14, 1994 with the stock code 992 and, as of the Latest Practicable Date, we, directly and indirectly, on an aggregate basis, held 30.56% of Lenovo's equity interest.

Financial Services

Zhengqi Anhui Financial Holdings Co., Ltd. (正奇安徽金融控股有限公司)

Zhengqi was incorporated as a limited liability company in the PRC on October 10, 2012 with a registered capital of RMB1,500,000,000 and commenced its business operation on the same date.

Zhengqi is primarily engaged in the business of providing financial services to SMEs. As of the Latest Practicable Date, Zhengqi had a registered capital of RMB2,000,000,000 and was owned as to approximately 92% and 8% by our Company and Tianjin Dexin Enterprise Management Partnership Enterprise (Limited Partnership) (天津德信企業管理合夥企業(有限合夥)), respectively.

For more information on our financial services business, please refer to the section headed "Business – Strategic Investments – Financial Services Business".

Modern Services

Guangdong Bybo Dental Investment Management Co., Ltd. (廣東拜博口腔醫療投資管理有限公司)

Bybo was incorporated as a limited liability company in the PRC on June 30, 1999 with a registered capital of RMB500,000 and commenced its business operation on the same date.

Bybo is primarily engaged in the investment and operation of dental care and other medical projects. As of the Latest Practicable Date, Bybo had a registered capital of RMB50,815,358 and was owned as to approximately 54.90%, 18.34%, 7.79%, 6.03%, 5.20%, 4.96%, 1.95% and 0.83% by our Company, Mr. Li Changren (黎昌仁先生), Zhuhai iByer Dental Hospital Management Co., Ltd (珠海拜爾齒科醫院管理有限公司), Zhuhai Jinchuang Pharmaceutical Industry Investment Fund (Limited Partnership) (珠海金創醫藥產業投資基金(有限合夥)), Zhuhai Li Family Hospital Management Co., Ltd. (珠海黎氏醫院管理有限公司), Haitong Kaiyuan Investment Co., Ltd. (海通開元投資有限公司), Mr. Li Qiang (黎強先生) and Zhuhai Hengqin New District Haisheng Investment Fund Management Partnership (Limited Partnership) (珠海市橫琴新區海盛投資基金管理合夥企業(有限合夥)), respectively.

For more information on our dental care business, please refer to the section headed "Business – Strategic Investments – Modern Services Business – Dental Care Business".

Zeny Supply Chain Co., Ltd (增益供應鏈有限公司)

Zeny was incorporated as a limited liability company in the PRC on July 24, 2012 by our Company and four individual shareholders with a registered capital of RMB200,000,000 and commenced its business operation on the same date. Our Company and the four individual shareholders contributed RMB188,000,000 and RMB12,000,000, respectively, in terms of capital injection into Zeny, in exchange for 94% and 6% equity interests in the entity, respectively.

Zeny is primarily engaged in the business of providing logistic services. As of the Latest Practicable Date, Zeny had a registered capital of RMB200,000,000 and was owned as to 94% and 6% by our Company and four individual shareholders, respectively.

For more information on our logistics business, please refer to the section headed "Business – Strategic Investments – Modern Services Business – Logistics Business".

Beijing EnsenCare Holdings Co., Ltd. (北京安信頤和控股有限公司)

EnsenCare was incorporated as a limited liability company in the PRC on August 1, 2011 by our Company with a registered capital of RMB200,000,000 and commenced its business operation on the same date.

EnsenCare is primarily engaged in the businesses of operating senior care facilities and developing senior apartments. As of the Latest Practicable Date, EnsenCare had a registered capital of RMB200,000,000 and was a wholly-owned subsidiary of our Company.

For more information on our senior care business, please refer to the section headed "Business – Strategic Investments – Modern Services Business – Senior Care Business".

Agriculture and Food

Joyvio Group Co., Ltd. (佳沃集團有限公司)

Joyvio was incorporated as a limited liability company in the PRC on May 18, 2012 by our Company and Mr. Chen Shaopeng (陳紹鵬先生) with a registered capital of RMB200,000,000 and commenced its business operation on the same date. Our Company and Mr. Chen Shaopeng (陳紹鵬先生) contributed RMB195,000,000 and RMB5,000,000, respectively, in terms of capital injection into Joyvio, in exchange for 97.5% and 2.5% equity interests in the entity, respectively.

Joyvio is primarily engaged in agriculture business, and its line of business involves agriculture and food investment and other relevant business operations. As of the Latest Practicable Date, Joyvio had a registered capital of RMB200,000,000 and was a wholly-owned subsidiary of our Company.

For more information on our agriculture and food business, please refer to the section headed "Business – Strategic Investments – Agriculture and Food Business – Agriculture Business".

Funglian Holdings Limited (豐聯酒業控股集團有限公司)

Funglian was incorporated as a limited liability company in the PRC on July 16, 2012 by our Company and five other individual shareholders with a registered capital of RMB200,000,000 and commenced its business operation on the same date. Upon the incorporation of Funglian, our Company and the other five individual shareholders held 94.5% and 5.5% equity interests in the entity, respectively.

Funglian is primarily engaged in Chinese liquor business. As of the Latest Practicable Date, Funglian had a registered capital of RMB200,000,000 and was owned as to approximately 93.3%, 2.5% and 4.2% by our Company, Mr. Chen Shaopeng (陳紹鵬先生) and six other individual shareholders, respectively.

For more information on our Chinese liquor business, please refer to the section headed "Business – Strategic Investments – Agriculture and Food Business – Chinese Liquor Business".

Property

Raycom Real Estate Development Co., Ltd. (融科智地房地產股份有限公司)

Raycom Real Estate was incorporated as a limited liability company in the PRC on June 11, 2001 with a registered capital of RMB160,000,000 and commenced its business operation on the same date. Our Company and Legend Investment each contributed RMB80,000,000 in the capital injection into Raycom Real Estate, in exchange for 50% equity interests in the entity, respectively.

Raycom Real Estate is primarily engaged in the business of residential and commercial property development. As of the Latest Practicable Date, Raycom Real Estate had a registered capital of RMB270,000,000 and was owned as to approximately 70.57%, 22.52% and 6.91% by our Company, Legend Investment, and 43 individual shareholders, respectively.

Raycom Property Investment Limited (融科物業投資有限公司)

Raycom Property Investment was incorporated as a limited liability company in the PRC on July 10, 2006 with a registered capital of RMB60,000,000 and commenced its business operation on the same date. Our Company and Legend Investment contributed RMB45,000,000 and RMB15,000,000, respectively, as the capital injection into Raycom Property Investment, in exchange for 75% and 25% equity interests in the entity, respectively.

Raycom Property Investment is primarily engaged in the business of real estate investment and investment management. As of the Latest Practicable Date, Raycom Property Investment had a registered capital of RMB60,000,000 and was owned as to 75% and 25% by our Company and Legend Investment, respectively.

For more information on our property business, please refer to the section headed "Business – Strategic Investments – Property Business".

Chemicals and Energy Materials

Levima Group Limited (聯泓集團有限公司)

Levima was incorporated as a limited liability company in the PRC on April 12, 2012 by our Company and 48 individual shareholders with a registered capital of RMB400,000,000 and commenced its business operation on the same date. Our Company and the 48 individual shareholders contributed RMB372,000,000 and RMB28,000,000, respectively, in terms of capital injection into Levima, in exchange for 93% and 7% equity interests in the entity, respectively.

Levima is primarily engaged in the development and production of chemicals and new materials. As of the Latest Practicable Date, Levima had a registered capital of RMB400,000,000 and was owned as to approximately 90%, 3.335%, 2.46%, 1.68% and 2.525% by our Company, Beijing Levima I Investment Management Center (Limited Partnership) (北京聯泓甲投資管理中心(有限合夥)), Beijing Levima III Investment Management Center (Limited Partnership) (北京聯泓丙投資管理中心(有限合夥)), Beijing Levima II Investment Management Center (Limited Partnership) (北京聯泓乙投資管理中心(有限合夥)) and five individual shareholders, respectively.

Phylion Battery Co., Ltd. (蘇州星恒電源有限公司)

Phylion Battery was incorporated as a limited liability company in the PRC on December 18, 2003 by Legend Investment, Beijing Xingheng Battery Co., Ltd. (北京星恒電源有限公司) and Shenzhen Bestgrand Technology Investment Co., Ltd. (深圳市百利宏科技投資有限公司) with a registered capital of RMB82,000,000 and commenced its business operation on the same date. Legend Investment, Beijing Xingheng Battery Co., Ltd. and Shenzhen Bestgrand Technology Investment Co., Ltd. contributed RMB34,000,000, RMB40,000,000 and RMB8,000,000, respectively, in terms of capital injection into Phylion Battery, in exchange for approximately 41.46%, 48.78% and 9.76% equity interests in the entity, respectively.

Phylion Battery focuses on the production and sales of lithium-ion battery products and related research and development. As of the Latest Practicable Date, Phylion Battery had a registered capital of RMB163,037,142.86 and was owned as to approximately 34.215%, 16.559%, 22.171%, 11.775%, 6.624%, 5.888% and 2.768% by our Company, Beijing Junlian Venture Capital Center (Limited Partnership) (北京君聯創業投資中心(有限合夥)), Suzhou Paoze Enterprise Investment Management Center (Limited Partnership) (蘇州袍澤企業投資管理中心(有限合夥)), Huizhou Bestgrand Holdings Co., Ltd. (惠州市百利宏控股有限公司), Chengdu Di'ao Pharmaceutical Group Co., Ltd. (成都地奥製藥集團有限公司), Institute of Physics Chinese Academy of Sciences (中國科學院物理研究所) and nine individual shareholders, respectively.

For more information on our chemicals and energy materials business, please refer to the section headed "Business – Strategic Investments – Chemicals and Energy Materials Business".

Financial Investments

Right Lane Limited (南明有限公司)

Right Lane was incorporated in Hong Kong as a limited liability company on January 29, 1988 with an authorized share capital of HK$10,000 divided into 10,000 shares of HK$1 each. Snatch Prize Limited and Boxing Company Limited were the initial subscribers for one share each. Our Company has been the beneficial owner of the entire issued share capital of Right Lane since October 26, 1993 and it commenced its business operation on the same date.

Right Lane focuses on investment and management. As of the Latest Practicable Date, Right Lane had a total of 4 shares in issue and was a wholly-owned subsidiary of our Company.

Legend Holdings Tianjin Limited (聯想控股(天津)有限公司)

Legend Holdings Tianjin Limited was incorporated as a limited liability company in the PRC on November 25, 2011 by our Company with a registered capital of RMB100,000,000 and commenced its business operation on the same date.

Legend Holdings Tianjin Limited focuses on capital investment and management. As of the Latest Practicable Date, Legend Holdings Tianjin Limited had a registered capital of RMB100,000,000 and was a wholly-owned subsidiary of our Company.

Legend Capital Limited (聯想投資有限公司)

Legend Investment was incorporated as a limited liability company in the PRC on March 26, 2001 by our Company and Shenzhen Bestgrand Technology Investment Co., Ltd. (深圳市百利宏科技投資有限公司) with a registered capital of RMB200,000,000 and commenced its business operation on the same date.

Legend Investment focuses on capital investment and management. As of the Latest Practicable Date, Legend Investment had a registered capital of RMB429,476,555 and was owned as to approximately 55.3%, 34.57%, 2.91%, 1.52% and 5.7% by our Company, Zhengqi (Shenzhen) Investment Holdings Co., Ltd. (正奇(深圳)投資控股有限公司), Beijing Legend Technology Investment Co., Ltd. (北京聯想科技投資有限公司), Tianjin Junruiqi Equity Investment L.P. (天津君睿祺股權投資合夥企業(有限合夥)) and Beijing Hony 2010 Equity Investment Centre (Limited Partnership) (北京弘毅貳零壹零股權投資中心(有限合夥)), respectively.

Beijing Legend Star Venture Capital Co., Ltd. (北京聯想之星創業投資有限公司)

Beijing Legend Star was established as a limited liability company in the PRC on December 1, 2009 by our Company with a registered capital of RMB150,000,000 and commenced its business operation on the same date.

Beijing Legend Star is primarily engaged in the business of venture capital. As of the Latest Practicable Date, Beijing Legend Star had a registered capital of RMB150,000,000 and was a wholly-owned subsidiary of our Company.

Tianjin Legend Star Venture Capital Co., Ltd. (天津聯想之星創業投資有限公司)

Tianjin Legend Star was incorporated as a limited liability company in the PRC on January 9, 2012 by our Company with a registered capital of RMB100,000,000 and commenced its business operation on the same date.

Tianjin Legend Star is primarily engaged in the business of venture capital. As of the Latest Practicable Date, Tianjin Legend Star had a registered capital of RMB100,000,000 and was a wholly-owned subsidiary of our Company.

For more information on our financial investments business, please refer to the section headed "Business – Financial Investments".

Major Acquisitions and Disposal

In November 2012, Zhengqi entered into equity transfer contracts with Hefei State-owned Assets Holding Co., Ltd. (合肥市國有資產控股有限公司) and other related parties (all are Independent Third Parties), respectively, to acquire 100% equity interest in Hefei Innovative Financing Guarantee Co., Ltd. (合肥市創新融資擔保有限公司), 100% equity interest in Hefei Guozheng Microlending Co., Ltd (合肥市國正小額貸款有限公司) and 95.2% equity interest in Anhui Jinfeng Pawn Co., Ltd. (安徽省金豐典當有限公司) (the remaining 4.8% equity interest was directly held by Hefei Guozheng Microlending Co., Ltd (合肥市國正小額貸款有限公司). The three companies are engaged in financing guarantee business, small loan business and pawn business. Pursuant to the abovementioned contracts, an aggregate consideration of RMB846,680,000 was payable by Zhengqi. The abovementioned consideration was determined pursuant to the appraised value of the assets. The abovementioned acquisitions were completed on November 16, 2012 upon the fulfillment of all conditions under the respective equity transfer contracts. Upon acquiring the companies above, Zhengqi formed financing guarantee, small loan and pawn business segments, which built a solid foundation to create a financial supermarket and develop into a full life-cycle financial services provider for SMEs.

In January 2014, Lenovo entered into a master asset purchase agreement to acquire from IBM its entire x86 server business, including products, sales force, manufacturing, research and development (the "**x86 Business**"). Initial closing of the acquisition of the relevant assets and the assumption of the relevant liabilities in respect of the x86 Business by Lenovo from IBM in the U.S., Canada and the PRC occurred on October 1, 2014 upon obtaining all relevant regulatory approvals under the master asset purchase agreement. All subsequent closings in other jurisdictions have occurred as of March 31, 2015. Consideration for acquisition of the x86 Business consisted of payment by Lenovo of a cash consideration of approximately US$1,865,026,063 and the issuance and allotment of 182,000,000 Lenovo's shares to IBM. The above consideration was negotiated and determined on an arm's length basis between the parties, taking into account various factors, including the historical financial performance and the growth prospects of the x86 Business, the scope and the quality of the transferred assets, the scope and nature of the assumed liabilities and other relevant valuation benchmark. Lenovo expects that demand for more computing power and increasing of global enterprise spending will drive further growth in the x86 server market and that such acquisition has given it immediate scale and credibility in this market, creating an additional profit pool. Lenovo also believes that such acquisition will give rise to cost savings opportunities.

In January 2014, Lenovo entered into an acquisition agreement to acquire from Google 100% of the issued and outstanding equity interests in Motorola Mobility (the "**Motorola Acquisition**"). Motorola Mobility is principally engaged in the business of developing, manufacturing, distributing and selling mobile wireless devices, particularly smartphones using the Android operating system, and their related products. The Motorola Acquisition was completed on October 30, 2014 (the "**Motorola Acquisition Completion Date**") upon fulfillment of all conditions under the acquisition agreement. Upon completion, Lenovo has paid (i) a cash consideration of US$660,000,000; and (ii) a cash compensation of US$212,506,000 which primarily relates to the estimated amount of excess net cash and working capital remaining in Motorola Mobility transferrable to Lenovo. Lenovo also issued (i) 519,107,215 ordinary shares to Google as part of the consideration; and (ii) a promissory note of US$1,500,000,000 to Google as a deferred consideration. Such deferred consideration should be paid on the third anniversary of the Motorola Acquisition Completion Date and is subject to any reduction, at Google's election pursuant to the acquisition agreement, of any amount owing to Lenovo by Google under the cash adjustment. The aforesaid consideration was negotiated and determined on an arm's length basis between the parties, and on normal commercial terms, taking into account various factors, including the growth prospects of the business of Motorola Mobility in the future and earnings potential. Lenovo believes that the Motorola Acquisition has provided it with immediate access to key assets, technology and personnel to accelerate its entry into mature markets for smartphones, including those using the popular Android operating system. Lenovo also believes that the Motorola Acquisition will allow it to acquire robust research and development capabilities in the smartphone industry and reduce its exposure to integration risks given the complementary business mix of its existing business and that of the business of Motorola Mobility.

From March 2014 to May 2014, Beijing Huaxia Liantong Management Consulting Co., Ltd (北京華夏聯同管理諮詢有限公司) ("**Huaxia Liantong**"), a wholly-owned subsidiary of our Company, acquired certain equity interests in Bybo from independent third parties as follows:

- in March 2014, Huaxia Liantong acquired 21.43% equity interest in Bybo from CCBI Medical Industry Equity Investment Co., Ltd. (建銀國際醫療產業股權投資有限公司) for the consideration of RMB214,300,000. The consideration was determined pursuant to the appraised value of Bybo and was fully settled on April 1, 2014.

- in May 2014, Huaxia Liantong acquired 4.7% equity interest in Bybo from Haitong Kaiyuan Investment Co., Ltd. (海通開元投資有限公司) for the consideration of RMB47,000,000. The consideration was determined pursuant to the appraised value of Bybo and was fully settled on June 3, 2014.

- in May 2014, Huaxia Liantong acquired 14.57% equity interest in Bybo from Mr. Li Changren (黎昌仁先生) for the consideration of RMB145,037,500. The consideration was determined pursuant to the appraised value of Bybo and was fully settled on June 3, 2014.

In July 2014, the equity interest held by Huaxia Liantong was increased from 40.7% to 51% by way of capital increase in the amount of RMB210,170,225. In October 2014, our Company entered into a share transfer agreement with Huaxia Liantong to acquire its 51% equity interest in Bybo for a consideration of RMB616,507,725. The consideration was determined pursuant to the appraised value of Bybo and was fully settled on November 3, 2014.

In January 2015, our Company entered into an equity transfer agreement with Ms. Zhuang Bingbing (莊冰冰女士) to acquire her 3.896% equity interest in Bybo for a consideration of RMB66,882,000. The consideration was determined pursuant to the appraised value of Bybo and was fully settled on February 12, 2015.

Each of the above acquisitions has been properly and legally completed and settled and approvals from the relevant authorities have been obtained.

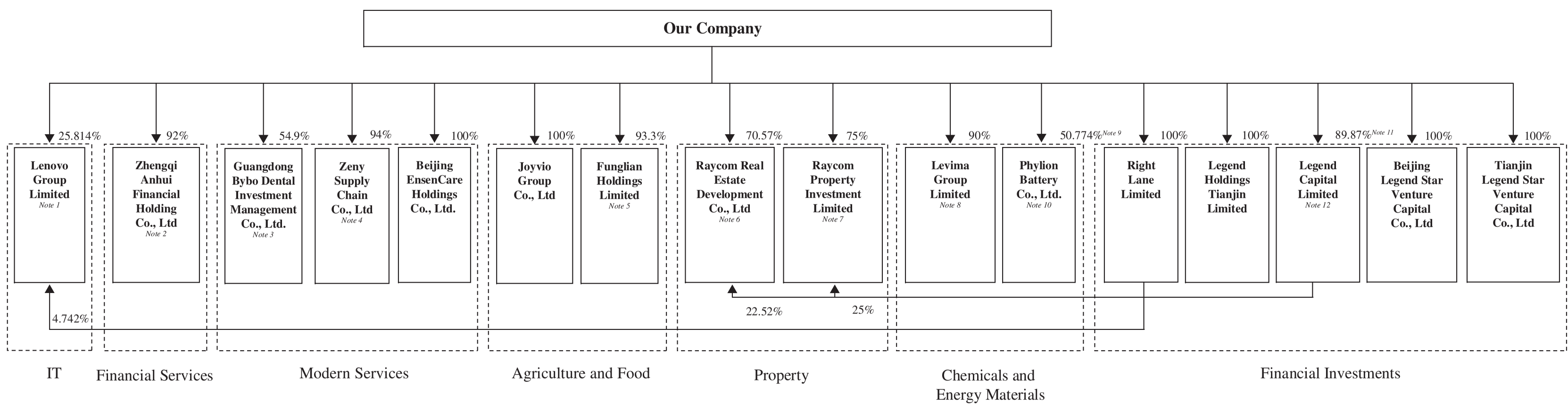
In December 2014, the Company entered into a share transfer and shareholders' agreement in respect of the transfer of 3% equity interest in Union Insurance from the Company to Beijing Siyihe Culture Investment Limited (北京思藝和文化投資有限公司) ("**Siyihe**"), an Independent Third Party. Siyihe is a wholly-owned subsidiary of Beijing Huatianlihe Investment Management Limited (北京華天利和投資管理有限公司) ("**Huatianlihe**"), the existing shareholder directly holding 48% equity interest in Union Insurance. Both Siyihe and Huatianlihe are investment vehicles owned and controlled by the chairman of Union Insurance and his family members.

Upon completion of the transfer in December 2014, Siyihe and Huatianlihe together hold 51% equity interest in Union Insurance and the Company's shareholding in Union Insurance was reduced from 51% to 48%. Accordingly, Union Insurance ceased to be a subsidiary of the Company. Other than their shareholdings in Union Insurance, the Group has no other relationships with the other 3 shareholders of Union Insurance as of the Latest Practicable Date. To the best knowledge of the Company, having made all reasonable enquiries, the remaining individual shareholder holding 1% equity interest in Union Insurance is a third party independent from Siyihe, Huatianlihe, the chairman of Union Insurance and his family members.

Pursuant to the agreement, the consideration payable by Siyihe was RMB52,160,000. Such consideration was determined through arm's-length negotiation between the parties and had been fully settled in cash.

OUR GROUP STRUCTURE

The following chart sets forth our Group's simplified corporate structure and its principal subsidiaries as of the date of this prospectus. The corporate structure will be the same immediately following the completion of the Global Offering.



Notes:

1. The remaining shares of Lenovo are owned, directly or indirectly, as to approximately 0.006% by Mr. Liu Chuanzhi, 0.02% by Mr. Zhu Linan, 0.001% by Mr. Zhao John Huan and the remainder by certain directors of Lenovo and public shareholders. The abovementioned individuals are connected persons of the Group as defined under the Listing Rules.

2. The remaining equity interest of Zhengqi is owned as to 8% by Tianjin Dexin Enterprise Management Partnership Enterprise (Limited Partnership) (天津德信企業管理合夥企業(有限合夥)). Tianjin Dexin Enterprise Management Partnership Enterprise (Limited Partnership) is a limited partnership incorporated under PRC laws.

3. The remaining equity interest of Bybo is owned as to approximately 18.34% by Mr. Li Changren (黎昌仁先生), 7.79% by Zhuhai iByer Dental Hospital Management Co., Ltd (珠海拜爾齒科醫院管理有限公司), 6.03% by Zhuhai Jinchuang Pharmaceutical Industry Investment Fund (Limited Partnership) (珠海金創醫藥產業投資基金(有限合夥)), 5.20% by Zhuhai Li Family Hospital Management Co., Ltd. (珠海黎氏醫院管理有限公司), 4.96% by Haitong Kaiyuan Investment Co., Ltd. (海通開元投資有限公司), 1.95% by Mr. Li Qiang (黎強先生) and 0.83% Zhuhai Hengqin New District Haisheng Investment Fund Management Partnership (Limited Partnership) (珠海市橫琴新區海盛投資基金管理合夥企業(有限合夥)), respectively. Mr. Li Changren and Mr. Li Qiang are directors of certain of our subsidiaries. Other than being shareholders of Bybo, Zhuhai iByer Dental Hospital Management Co., Ltd, Zhuhai Jinchuang Pharmaceutical Industry Investment Fund (Limited Partnership), Zhuhai Li Family Hospital Management Co., Ltd., Haitong Kaiyuan Investment Co., Ltd., and Zhuhai Hengqin New District Haisheng Investment Fund Management Partnership (Limited Partnership) are not related to our Group. None of the shareholders mentioned above is a connected person of the Group as defined under the Listing Rules.

4. The remaining equity interest of Zeny is owned as to 3% by Mr. Zhang Bin (張斌先生), 1% by Mr. Xu Yongxin (徐永新先生), 1% by Mr. Jiao Weiguo (焦衛國先生) and 1% by Mr. Su Kexian (蘇克先先生). The individual shareholders are directors of certain of our immaterial subsidiaries and are not connected persons of the Group as defined under the Listing Rules.

5. The remaining equity interest of Funglian is owned as to 2.5% by Mr. Chen Shaopeng, one of our Promoters and a member of our senior management, 2.3% by Mr. Tang Jie (湯捷先生), 0.6% by Mr. Fang Yan (方焰先生), 0.4% by Ms. Wu Yun (吳雲女士), 0.25% by Mr. Li Jiabiao (李家颷先生), 0.4% by Mr. Tan Xiaolin (譚小林先生) and 0.25% by Mr. Song Yi (宋燚先生). Mr. Chen Shaopeng, Mr. Tang Jie, Mr. Fang Yan, Mr. Tan Xiaolin and Mr. Song Yi are directors of certain of our insignificant subsidiaries. Other than Mr. Chen Shaopeng, none of the abovementioned individual shareholders is a connected person of the Group as defined under the Listing Rules.

6. The remaining equity interest of Raycom Real Estate is owned as to approximately 22.52% by Legend Investment, our subsidiary, and approximately 6.91% by 43 individual shareholders. Of those aforesaid 43 individual shareholders, 40 are employees of the Group and all of the 43 individual shareholders are not connected persons of the Group as defined under the Listing Rules.

7. The remaining equity interest of Raycom Property Investment is owned as to 25% by Legend Investment, our subsidiary.

8. The remaining equity interest of Levima is owned as to 3.335% by Beijing Levima I Investment Management Center (Limited Partnership) (北京聯泓甲投資管理中心(有限合夥)), 2.46% by Beijing Levima III Investment Management Center (Limited Partnership) (北京聯泓丙投資管理中心(有限合夥)), 1.68% by Beijing Levima II Investment Management Center (Limited Partnership) (北京聯泓乙投資管理中心(有限合夥)), 1% by Mr. Zheng Yueming (鄭月明先生), 0.4% by Mr. Li Deqiang (李德強先生), 0.6% by Mr. Zhang Wei (張偉先生), 0.3% by Mr. Chen Deye (陳德燁先生) and 0.225% by Mr. Cai Wenquan (蔡文權先生). Each of Beijing Levima I Investment Management Center (Limited Partnership), Beijing Levima II Investment Management Center (Limited Partnership), and Beijing Levima III Investment Management Center (Limited Partnership) is a limited partnership incorporated under PRC laws and its members comprise of the employees of the Group. The abovementioned individual shareholders are directors of certain of our insignificant subsidiaries and are not connected persons of the Group as defined under the Listing Rules.

9. The Company directly held 34.215% equity interest in Phylion Battery. Our subsidiary, Beijing Junlian Venture Capital Center (Limited Partnership) (北京君聯創業投資中心(有限合夥)), directly held 16.559% equity interest in Phylion Battery.

10. The remaining equity interest of Phylion Battery is owned as to 22.171% by Suzhou Paoze Enterprise Investment Management Center (Limited Partnership) (蘇州袍澤企業投資管理中心(有限合夥)), 11.775% by Huizhou Bestgrand Holdings Co., Ltd. (惠州市百利宏控股有限公司), 6.624% by Chengdu Di'ao Pharmaceutical Group Co., Ltd. (成都地奧製藥集團有限公司), 5.888% by Institute of Physics Chinese Academy of Sciences (中國科學院物理研究所), 0.869% by Mr. Huang Xuejie (黃學傑先生), 0.868% by Mr. Chen Liquan (陳立泉先生), 0.207% by Mr. Wang Lianzhong (王連忠先生), 0.207% by Mr. Xue Rongjian (薛榮堅先生), 0.124% by Mr. Qin Dong (秦東先生), 0.124% by Mr. Wang Zhaoxiang (王兆翔先生), 0.124% by Mr. Bi Jianqing (畢建清先生), 0.124% by Mr. Zhang Anxun (張安訊先生) and 0.124% by Mr. Li Hong (李泓先生). Huizhou Bestgrand Holdings Co., Ltd. is controlled by Mr. Huang Shaokang, one of our Shareholders. Other than being shareholders of Phylion Battery, Suzhou Paoze Enterprise Investment Management Center (Limited Partnership), Chengdu Di'ao Pharmaceutical Group Co., Ltd. and Institute of Physics Chinese Academy of Sciences are not related to the Group. Mr. Li Hong is a director of one of our insignificant subsidiaries. None of the individual shareholders mentioned above is a connected person of the Group as defined under the Listing Rules.

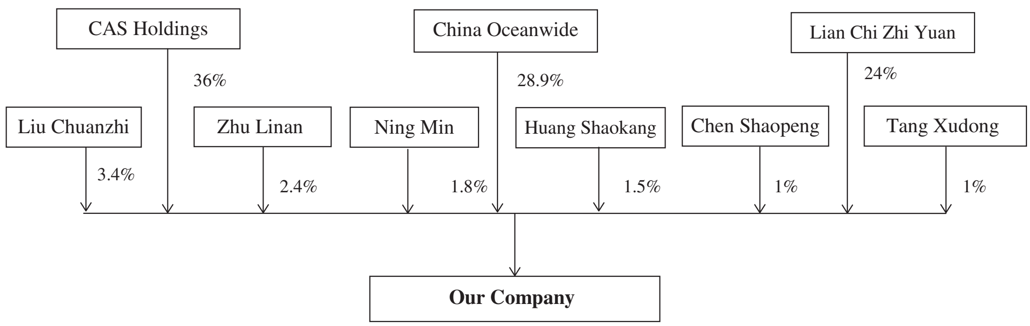
11. The Company directly held 55.3% equity interest in Legend Investment. Our indirect subsidiary, Zhengqi (Shenzhen) Investment Holdings Co., Ltd. (正奇(深圳)投資控股有限公司), directly held 34.57% equity interest in Legend Investment.

12. The remaining equity interest of Legend Investment is owned as to 2.91% by Beijing Legend Technology Investment Co., Ltd. (北京聯想科技投資有限公司), an associate of our Company, 1.52% by Tianjin Junruiqi Equity Investment L.P. (天津君睿祺股權投資合夥企業(有限合夥)), an associate of our Company, and 5.7% by Beijing Hongyi 2010 Equity Investment Centre (Limited Partnership) (北京弘毅貳零壹零股權投資中心(有限合夥)), our associated company.

SHAREHOLDING CHANGES

Shareholding Structure at the Beginning of Track Record Period

The following chart sets forth the shareholding structure of our Company on January 1, 2012.



Shareholding Changes During Track Record Period

Transfer of Shares by China Oceanwide to Lian Heng Yong Xin

China Oceanwide had a 28.9% interest in our Company as of January 1, 2012.

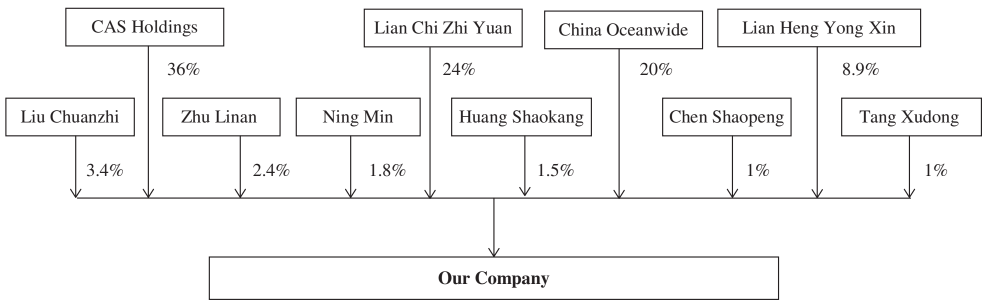
On June 3, 2011, CAS Holdings issued the "Approval of the Legend Holdings Limited's Long-term Incentive Plan for Staff" (CAS [2011] No. 41), agreeing to our Company's implementation of an employee incentive scheme to reward our staff for their historical contribution to our Group, and that the participants of the employee incentive scheme would form a limited partnership to receive the transfer of a 8.9% interest in our Company from China Oceanwide at a total consideration of RMB1,108,692,450. The consideration was determined based on the valuation of the net assets of our Company as at March 31, 2011. Lian Heng Yong Xin was incorporated on February 9, 2012 to act as the platform for this long-term incentive program to motivate target employees.

China Oceanwide entered into an equity transfer agreement on February 14, 2012 with Lian Heng Yong Xin, under which it agreed to transfer 8.9% interest in our Company to Lian Heng Yong Xin at a price of RMB18.85 for each RMB1 of our Company's registered capital. The equity transfer between the two parties was completed on February 20, 2012.

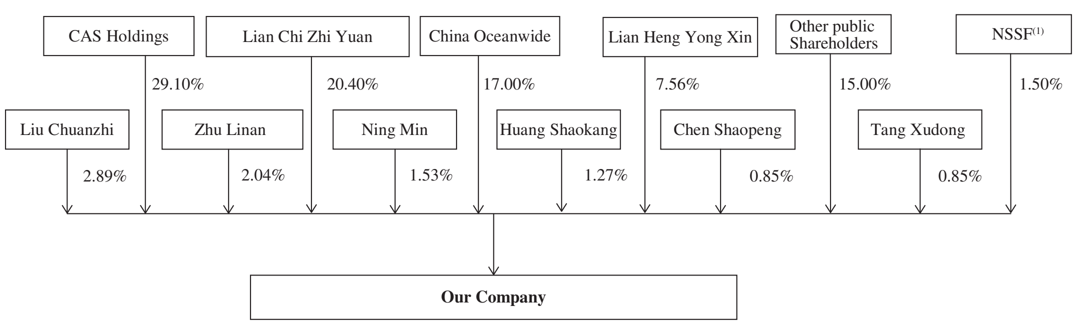
Upon completion of the transfer on February 20, 2012, China Oceanwide continued to hold a 20% interest in our Company and Lian Heng Yong Xin became interested in 8.9% in our Company.

Shareholding Structure at the End of Track Record Period

The following chart sets forth our shareholding structure as of December 31, 2014, which is the same with our shareholding structure as of the date of this prospectus.



The following chart sets forth the shareholding structure of our Company immediately upon the completion of the Global Offering, assuming that the Over-allotment Option is not exercised. For more information regarding our shareholding structure upon the completion of the Global Offering, please refer to the section headed "Share Capital".



Note:

(1) Upon completion of the Global Offering and assuming the Over-allotment Option is not exercised, 35,294,400 H Shares (converted from Domestic Shares) representing 1.5% of our total share capital will be transferred to and held by NSSF pursuant to relevant PRC regulations regarding reductions of state-owned shares.

OUR PROMOTERS

CAS Holdings

CAS Holdings is a wholly state-owned limited liability company incorporated under the PRC Company Law on April 12, 2002 with approval from the State Council and funding from the CAS. CAS Holdings exercises, on behalf of the CAS, the investors' rights for the state-owned operative assets and undertakes corresponding responsibility for value hedge and increment within the wholly-owned, shareholding and joint-stock companies affiliated by CAS. With a registered capital of approximately RMB5,067,030,000, CAS Holdings currently has interests in more than 30 companies, 21 of which are wholly-owned or joint-controlled entities. Most of CAS Holdings' invested companies are in the hi-tech, trade, investment, consulting and other service industries.

As at the date of this prospectus, CAS Holdings holds 36% equity interest in our Company.

Lian Chi Zhi Yuan

Lian Chi Zhi Yuan was jointly incorporated on December 29, 2010 by Lian Chi Zhi Tong (as a general partner) and 15 limited partnerships (as one limited partner and established by all 618 members of the former Employee Shareholding Association and Lian Chi Zhi Tong).

As at the date of this prospectus, Lian Chi Zhi Yuan holds 24% equity interest in our Company.

China Oceanwide

China Oceanwide was incorporated on April 7, 1988 as a private enterprise. China Oceanwide is one of the largest private enterprises in the PRC which operates a diversified business covering real estate, finance, energy and cultural media. China Oceanwide has over 40 subsidiaries with operations in Beijing, Shanghai, Shenzhen, Hangzhou, Wuhan, Hong Kong, Australia, Indonesia and the United States.

As at the Latest Practicable Date, China Oceanwide holds 20% equity interest in our Company.

On May 27, 2013, China Oceanwide and CCB Trust Co., Ltd. entered into a share pledge contract, pursuant to which China Oceanwide provided pledge guarantee for a principal liability of RMB1,835,280,000 ("**CCB Debt**") with its 9% shareholding in the Company and the dividend and other income of such shares within the pledge duration. The term of the CCB Debt is three years.

To strengthen its operating cash flow, China Oceanwide entered into four entrustment loan agreements ("**Ping An Loan Agreements**") with Ping An Trust Co., Ltd. ("**Ping An Trust**") in 2014, and pledged certain of its shares held in the Company to Ping An Trust as a guarantee for such loans ("**Ping An Equity Pledge**"). A summary of the primary terms of the Ping An Loan Agreements and the Ping An Equity Pledge is set out in the table below:

Date of Ping An Loan Agreements	Loan Principal (RMB in Thousand)	Number of Pledged Shares	Loan Terms	Registered/ Effective Date of Equity Pledge
August 28, 2014	410,000	48,040,000	24 months	August 29, 2014
August 28, 2014	610,000	71,850,000	24 months	August 29, 2014
September 16, 2014	560,000	66,700,000	24 months	September 16, 2014
September 18, 2014	280,000	33,400,000	24 months	September 18, 2014

Lian Heng Yong Xin

Lian Heng Yong Xin was incorporated on February 9, 2012 by Lian Heng Yong Kang (as general partner) and four limited partnerships (as one limited partner and established by 127 employees of the Group and Lian Heng Yong Kang).

As at the date of this prospectus, Lian Heng Yong Xin holds 8.9% equity interest in our Company.

Mr. Liu Chuanzhi (柳傳志先生)

As at the date of this prospectus, Mr. Liu holds 3.4% equity interest in our Company. For more information on Mr. Liu, please refer to the section headed "Directors, Supervisors and Senior Management – Directors – Executive Directors".

Mr. Zhu Linan (朱立南先生)

As at the date of this prospectus, Mr. Zhu holds 2.4% equity interest in our Company. For more information on Mr. Zhu, please refer to the section headed "Directors, Supervisors and Senior Management – Directors – Executive Directors".

Mr. Ning Min (寧旻先生)

As at the date of this prospectus, Mr. Ning holds 1.8% equity interest in our Company. For more information on Mr. Ning, please refer to the section headed "Directors, Supervisors and Senior Management – Senior Management".

Mr. Huang Shaokang (黃少康先生)

As at the date of this prospectus, Mr. Huang holds 1.5% equity interest in our Company. Mr. Huang is the controlling shareholder of Huizhou Bestgrand Holdings Co., Ltd. (惠州市百利宏控股有限公司), a substantial shareholder of Phylion Battery, our non-wholly owned subsidiary.

Mr. Chen Shaopeng (陳紹鵬先生)

As at the date of this prospectus, Mr. Chen holds 1% equity interest in our Company. For more information on Mr. Chen, please refer to the section headed "Directors, Supervisors and Senior Management – Senior Management".

Mr. Tang Xudong (唐旭東先生)

As at the date of this prospectus, Mr. Tang holds 1% equity interest in our Company. For more information on Mr. Tang, please refer to the section headed "Directors, Supervisors and Senior Management – Senior Management".

OVERVIEW

We are a leading Chinese investment group. We are committed to long-term value creation by developing industry-leading companies and managing a dynamic portfolio. Over the past 30 years, under the leadership of our Founder and Chairman, Mr. Liu Chuanzhi, and our President, Mr. Zhu Linan, we have capitalized on our understanding of China's key development themes, our complementary investment businesses and our extensive management expertise to cultivate a number of industry leaders. We have established a significant presence across diverse industries and accumulated a wealth of portfolio companies, which allows us to gradually realize their value. We proactively provide value-added support to our portfolio companies, adjust resource allocation and optimize our portfolio to secure sustained value growth.

We have successfully built a number of industry-leading companies over the past 30 years:

- We began investing in the IT sector in 1984 and established Lenovo, the world's largest PC company, second-largest PC and tablets company, and third-largest smartphone company, each in terms of unit shipments in 2014.

- At the turn of the 21st century, we foresaw several trends in the Chinese economy, including (i) the rising housing demand resulting from urbanization and industrialization; (ii) the need for non-bank financing alternatives, such as venture capital and private equity investments; and (iii) the demand for improved management and strategic vision in both public and private sectors resulting from economic reform. In anticipation of these opportunities, in early 2000s we established Raycom (real estate), Legend Capital (venture capital) and Hony Capital (private equity).

- Since 2010, given the growing affluence and rising expectations of Chinese consumers, we have made strategic investments in sectors benefiting from these changes and built leading companies. These include CAR, China's largest car rental company by fleet size; Bybo, China's No. 1 dental chain in terms of number of outlets; Union Insurance, China's dominant insurance broker in the education sector measured by insurance premiums; and Joyvio, a leading premium fruit producer in China.

During the Track Record Period, our revenue increased at a CAGR of 13.1% from RMB226,315.9 million in 2012 to RMB289,475.8 million in 2014; our profit attributable to equity holders of the Company increased at a CAGR of 34.8% from RMB2,287.9 million in 2012 to RMB4,160.4 million in 2014; our total assets increased at a CAGR of 20.8% from RMB197,911.0 million as of December 31, 2012 to RMB289,001.5 million as of December 31, 2014; and our total equity attributable to equity holders of the Company increased at a CAGR of 18.7% from RMB22,689.6 million as of December 31, 2012 to RMB31,985.9 million as of December 31, 2014.

OUR BUSINESS MODEL

We conduct our business through strategic investments and financial investments. They are complementary in management involvement, capital sourcing, return profiles and holding periods and encompass all stages of a company's life cycle.

Through our strategic investments, we invest in companies across six segments: IT, financial services, modern services, agriculture and food, property and chemicals and energy materials. For portfolio companies within our strategic investments business, we hold board seats and exert significant influence. We typically hold our strategic investments without any specific target exit date. Leveraging our industry insight and experience in building successful businesses, we provide financial support, brand endorsement, management enhancement and other value-added support to our portfolio companies. We regularly monitor, evaluate and optimize our portfolio to achieve long-term growth. We also access the capital markets to realize the value of our portfolio companies and achieve investment returns.

Our financial investments primarily consists of angel investments, venture capital investments and private equity investments across all stages of a company's life cycle. We also invest in private and public companies and conduct fund-of-funds investments. We partially own the general partners in many of the venture capital funds and private equity funds in which we invest. These funds are usually funded with a mix of our capital and capital raised from third party investors.

Investment Criteria

For our strategic investments, we look for investment opportunities that meet the following criteria:

- *Industry Focus*. We invest in industries with high-growth potential and large-scale prospects, and these industries must fall within our investment themes. We leverage our deep understanding of China's economic trends and our industry expertise to identify and select industries with high-growth potential. Our investment themes focus on consumer- and service-related themes, as well as opportunities arising from innovation and the transformation of traditional business arising from increasing Internet penetration.

- *Business Focus*. We look for target businesses that are current or potential industry-leaders with promising business models, large-scale growth potential and sound corporate governance. We prefer targets in which we can leverage our management expertise, provide financing assistance and support, and exercise control or significant influence as well as provide other value-added support to accelerate their value growth.

- *Management Team*. The acquired businesses must be led by visionary entrepreneurs with demonstrated strategic planning, execution and management capabilities.

- *Contribution to Our Portfolio*. The acquired businesses must have potentials for large-scale value growth and sustained earning power growth. We balance our portfolio's value as well as profit and their growth with overall profit, balance sheet and cash flow.

- *Integration*. The acquired business must be able to be smoothly integrated in terms of strategies, brand and corporate culture.

For our financial investments, we look for investment opportunities that meet the following criteria:

- *Fund Investments.* For new funds investments, we consider a mix of factors, including (i) capital market conditions, (ii) strategic value and synergy with our existing portfolio, and (iii) deal quality, including investment strategies, expected return, fund managers' expertise and their track record, and detailed fund terms. In addition, we will also take our overall cash flow needs and liquidity position into consideration when making such investments.

- *Other Financial Investments.*

  - *Angel Investments.* We look for angel investment opportunities with an anticipated internal rate of return more than 25% and a holding period of over 36 months.

  - *Direct Equity Investments.* We look for direct equity investment opportunities with an anticipated internal rate of return normally no less than 20% and a holding period of more than 12 months.

  - *Fixed Income Investments.* The investment holding period for our fixed income investments may vary from three months to 18 months, depending on yields and the asset's underlying risk. In general, we expect internal rate of return to be no less than 8-10%.

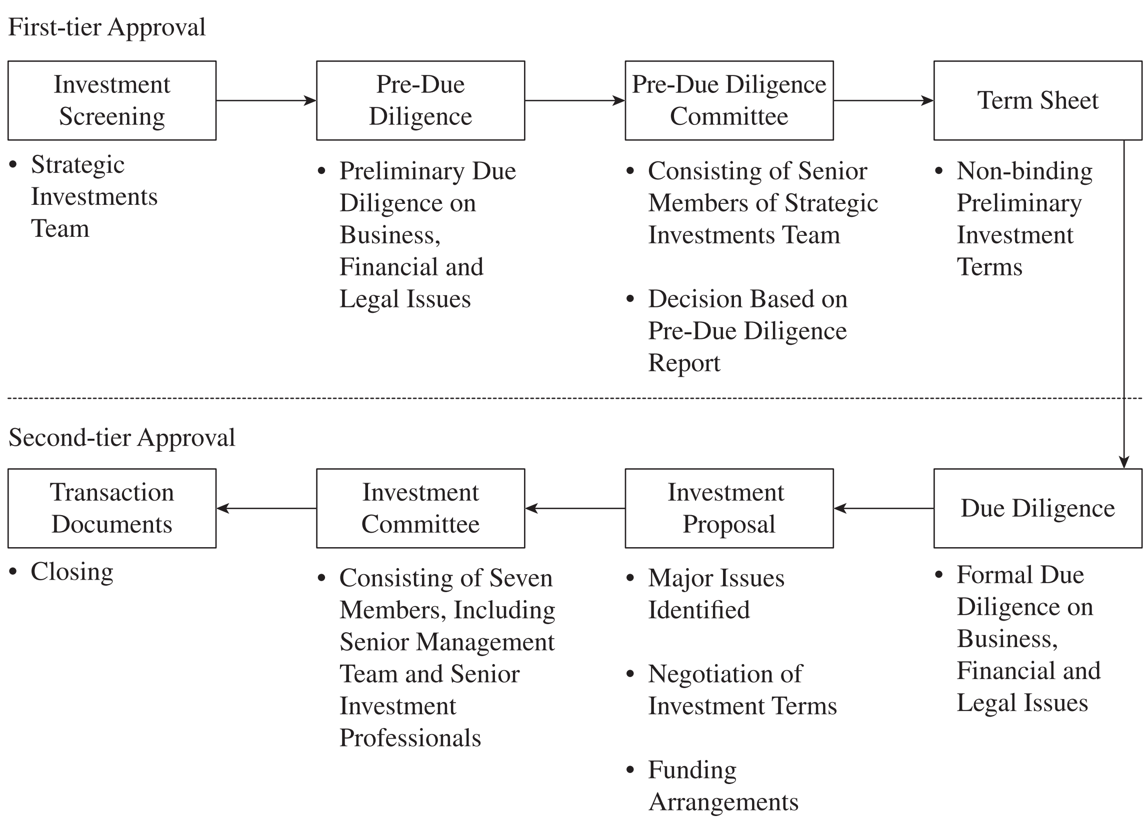
  - *Other Investments.* For other investment opportunities, such as mezzanine investments, the expected internal rate of return is normally no less than 15%, with a holding period around 12 months.

Although we use anticipated internal rates of return in selecting investments in our financial investments business, there is no assurance that these anticipated returns will actually be realized, either for a particular investment or in aggregate.

Investment Process

For our strategic investments, we employ a two-tiered approval process. Our strategic investment teams are organized into industry-specific teams, each industry investment team led by one or two team leaders. When our investment team determines that an investment opportunity is worth consideration, they conduct a preliminary due diligence and present their proposal to the pre-due diligence committee, which consists of the team leaders of our strategic investment teams. Upon the approval from the pre-due diligence committee, a non-binding term sheet is signed with the target company and we commence a formal and comprehensive due diligence process. Based on the relevant due diligence findings and results and if no issues are discovered, our investment team prepares and presents an investment proposal to our investment committee. An investment can be made only after our investment committee approves it. Our investment committee consists of seven members. Our investment committee is led by three senior management members: Mr. Zhu Linan, Mr. Zhao John Huan and Mr. Ning Min and other committee members as the team leaders of our respective industry investment teams. Please refer to the section headed "Directors, Supervisors and Senior Management" for the biographies of Mr. Zhu Linan, Mr. Zhao John Huan and Mr. Ning Min.

The chart below illustrates the investment process for our strategic investments:



The investment process for our financial investments consists of:

- *Deal Sourcing*. The investment opportunities for our financial investments arise from our financial investments team's proactive deal sourcing activities, including (i) investment opportunities directly identified by our financial investments team, (ii) co-investment opportunities with Legend Capital and Hony Capital, and (iii) investment opportunities presented by outside third party investment fund managers or financial advisors.

- *Investment Decision*. After receiving an investment proposal, we evaluate the proposal at two levels. First, our financial investments team evaluates and discusses the potential opportunities based on our financial investment criteria. If it is found to be attractive, the investment opportunity is presented to our senior management team for further discussion and final decision.

- *Post-Investment Management*. After making an investment, we monitor our investments on a monthly or quarterly basis, depending on the investment's size and duration, and will provide the value-added supports if required.

- *Exit Plan*. For our financial investments, we form our exit plan before committing to an investment. In the event that the investment generates the expected return, or the capital market environment is favorable for the exit, or if the investment reaches the holding period, we will realize our investment return through one of various methods, including listings on major stock exchanges, sales to third party investors, mergers and acquisitions, and management buy-back.

Investment Professionals

To enhance our ability to identify and consummate investments, we have organized our investment professionals into strategic investment and financial investment teams. Our strategic investment teams are led by our President Mr. Zhu Linan and they are responsible for strategic investments and post-investment management. Our financial investment teams are led by our Senior Vice President Mr. Ning Min, and they explore alternative investment opportunities to achieve attractive investment returns. Within our financial investments business, we have a separate angel investment team led by our Senior Vice President Mr. Tang Xudong.

Our investment professional team includes individuals with diverse experience in macroeconomic analysis, investment, business management, corporate governance, operations, finance, tax and human resources. Our team is capable of identifying and capturing attractive investment opportunities. Our professionals have sound understandings of the economic drivers, industry insights and strategic planning and execution for each of our portfolio companies and assist those companies in value creation.

Post-Investment Management System

We timely evaluate our portfolio performance from various aspects, including strategy, business management, financial result and others. We consider the net asset value and its growth as the key driver for the long-term value growth of our strategic investments portfolio. We employ a set of evaluation metrics to monitor the performance of our portfolio companies. For example, we focus on the viability of their business model for our emerging portfolio companies; once their business models have been proven successful, we shift our focus to their business scale, expansion plan and operating efficiency improvement; when they reach their mature stage, we evaluate their business prospects based on their profitability and value growth potentials.

We exercise strategic control over our portfolio companies through board seats we have in our portfolio companies and are not involved in their daily operation. We provide our management expertise and comprehensive value-added support to enhance our portfolio companies' value and maximize our investment return. We have built a post-investment management system to facilitate our appointed board members of our portfolio companies in performing their responsibilities and this system also provides our portfolio companies with various value-added support, including:

- *Management Enhancement*. We sit on the boards of our portfolio companies, and assign our professionals to serve in key management positions where needed. We also offer our portfolio companies advice and guidance ranging from strategic planning to operational enhancement.

- *Financial Support*. We assist our portfolio companies in obtaining low-cost financing in various forms, which can provide them with a significant funding advantage over their competitors.

- *Brand Endorsement*. We help our portfolio companies to achieve market expansion by leveraging the Legend brand through joint public appearances, advertisements and other brand endorsement and awareness initiatives.

- *Other Services*. Other services include public relations service, and financial, tax and human resource consulting services.

OUR STRENGTHS

Mr. Liu Chuanzhi and the Legend brand make us a "partner of choice" for entrepreneurs and corporates

Mr. Liu Chuanzhi and the Legend brand are widely recognized in the Chinese business community. We believe this assists us in attracting potential business and investment partners, leading to inbound inquiries and distinguishing us in China's highly competitive investment industry.

Our unique vision and forward-looking capabilities empower us to continuously capture the opportunities arising from China's economic development

Our investment and business operation experience accumulated over the past 30 years and our deep understanding of China enable us to identify China's key development themes. We started from the IT sector and gradually expanded into real estate, venture capital and private equity sectors. Beginning in 2010, based on our extensive research, economic analysis and experience, we broadened our footprint into major consumer-oriented segments such as financial services, modern services and agriculture and food.

We have developed a disciplined investment approach focused on growth potential, management team and investment return to evaluate potential opportunities. We look for leading companies with visionary entrepreneurs and conduct extensive due diligence and analysis before committing capital.

Best-in-class investment and management team led by Chairman Mr. Liu Chuanzhi

We believe that our success has been driven by our management team's strategic vision, in-depth industry expertise and strong execution capability.

Our Chairman Mr. Liu Chuanzhi is widely recognized as one of China's most influential business leaders. President Mr. Zhu Linan has been responsible for business management since 1989 and worked as one of Lenovo's senior management members for over eight years. As the founder of Legend Capital, he successfully built that platform into an industry-leading venture capital firm. Mr. Zhu Linan has extensive experience in corporate management and strategic planning. Under their leadership, we have built an experienced and energetic core management team. As the founder of Hony Capital, Executive Vice President Mr. Zhao John Huan successfully built it into an industry-leading private equity firm. He has deep expertise in cross-border mergers and acquisitions as well as the reform of China's state-owned enterprises. Senior Vice President Mr. Chen Shaopeng previously managed Lenovo's Asia-Pacific, Russia and emerging market operations and has accumulated rich experience in multinational management and has unique insights in agriculture and food investments. Senior Vice Presidents Mr. Tang Xudong and Mr. Ning Min have proven track records in angel investment and financial and asset management respectively.

Our core management team has worked closely for over 10 years with complementary capabilities in investment, financing, operations and management across multiple industry segments, allowing them to effectively formulate and execute the strategies that drive our growth.

Capability to create and enhance value in our portfolio companies

Strategic and management guidance. We sit on the boards of our portfolio companies, and assign our professionals to serve in key management positions where needed. Benefiting from our years of investment and management experience, we are able to offer our portfolio companies advice and guidance ranging from strategic planning to operational enhancement.

For example, Mr. Liu Chuanzhi returned to Lenovo as its chairman after it recorded a significant loss in 2009. He drove Lenovo's strategic transformation, helping Lenovo to return to profitability. After 2010, Lenovo swiftly recovered and became the world's largest PC company measured by unit shipments for the first time in 2013.

Brand endorsement. We accelerate the market expansion of our portfolio companies by leveraging the Legend brand. For example, with our endorsement through joint public appearances and advertisements, Joyvio has rapidly gained recognition in the fruit market, becoming a trustworthy brand for consumers who value food safety and quality.

Financial supports and reduced cost of capital. In addition to equity investments, we assist our portfolio companies in obtaining low-cost financing in various forms. For example, we provided bank guarantees to CAR and Bybo, allowing them to rapidly expand and become industry leaders.

Synergies among portfolio companies. The intelligence and resources shared among our portfolio companies have facilitated their cooperation and business development.

Complementary and synergistic investment platforms facilitate our value growth

Our investment platforms share research results and market information. This information flow helps us source opportunities and facilitates our decision-making. Our diverse investment platforms also allow us to invest in companies at different stages of their life cycle and to provide tailored and value-added support accordingly. For example, after helping iDreamsky Games streamline its business model and achieve initial growth through early stage investments by Legend Star, Lenovo and Legend Capital made subsequent investments in this company to provide further capital support. iDreamsky Games was listed on NASDAQ in 2014 and had a market capitalization of approximately US$457 million as of the Latest Practicable Date.

OUR ACHIEVEMENTS

Beginning with our IT business in 1984, we have grown into one of China's largest investment groups with total revenue of RMB289.5 billion in 2014 and total assets of RMB289.0 billion as of December 31, 2014. Our track record in building outstanding companies in a diverse range of industries is demonstrated by the following:

- *IT:* Lenovo was one of the first PC companies in China. Through organic growth and acquisitions, it has become the world's largest PC company, second largest PC and tablets company and third largest smartphone company, each measured by unit shipments in 2014 according to IDC.

- *Financial services:* We have successfully invested in traditional financial institutions such as Hankou Bank and Union Insurance. According to Euromonitor, Union Insurance had a market share of over 90% in China's school liability insurance market in terms of insurance premiums in 2014. In addition, we believe innovation in the financial sector will be an important driver for the Chinese economy. We have invested in emerging financial service companies, such as Zhengqi and Lakala, and helped them become industry leaders. According to Euromonitor, Lakala had a dominant market share of 74.7% in the offline terminal payment market in China in 2013.

- *Modern services:* We anticipated the growing demand in China for services and nurtured a number of leading companies in this sector. Among our leading modern service portfolio companies, CAR is China's largest car rental company in terms of fleet size. As of December 31, 2014, CAR had a total fleet of 63,522 vehicles and directly operated 723 service locations covering 70 major cities across China. As of December 31, 2014, Bybo was China's largest dental service chain in terms of number of outlets, with over 1.7 times that of the second largest player according to Euromonitor.

- *Agriculture and food:* We believe the increase in disposable incomes of Chinese consumers will drive improvements in lifestyle and consumer preferences. Our leading premium fruit producer, Joyvio, offers kiwifruit, blueberries and other high-quality products. According to Euromonitor, Joyvio had the largest market share in fresh blueberries and was one of the largest players in kiwifruit market measured by retail sales volume in 2014 in China.

- *Property:* Based on our in-depth research into economic trends in China, we entered the property industry in 2001 with the establishment of Raycom, which enabled us to enjoy the rapid growth of China's real estate industry.

- *Chemicals and energy materials:* We have made strategic investments based on the demand for chemicals and energy materials in the fields of construction materials, textile materials, daily chemical materials and clean energy products.

- *Financial investments:* Since early 2000s, we have established Legend Capital, Hony Capital and Legend Star to capture the rapid growth in China's alternative investment industry. As of December 31, 2014, total commitments in Legend Capital's USD funds and RMB funds were US$1,630 million and RMB7,190 million, respectively; total commitments in Hony Capital's USD and RMB funds were US$4,462 million and RMB16,031 million, respectively. According to Zero2IPO, Legend Capital was ranked first among China's domestic venture capital funds in 2014 based on a number of factors including return, fund raising amount and investment amount.

OUR STRATEGIES

We aspire to become a globally respected, trusted and influential company that builds leaders across various industries. To achieve this goal, we intend to:

Continue to make strategic investments in industries with high-growth potential, in particular focusing on consumer- and service-related themes

We will continue to identify opportunities arising from the ongoing transition in China's economy and its market-oriented reforms. We intend to invest in industries with high-growth potential, in particular focusing on consumer- and service-related investment themes. We will also pursue opportunities arising from innovation and the transformation of traditional business arising from increasing Internet penetration.

Optimize portfolio structure and enhance portfolio liquidity

We will continue to monitor, evaluate and optimize our portfolio to achieve long-term growth. We intend to access the capital market to enhance the liquidity of our portfolio and realize its value.

Add tangible value to our portfolio companies

We seek to facilitate the business expansion and improve operational efficiency of our portfolio companies through leveraging best practices and our resources.

Adhere to our "strategic investments plus financial investments" business model

In addition to building our strategic investments portfolio to achieve long-term growth, we will continue to build our financial investments business and promote the interaction between these two businesses as well as their development.

Encompass all stages of a company's life cycle through diversified investment platforms and enhance their synergies

We will promote the exchange of information and the sharing of opportunities among our investment platforms, and enhance synergies among them as well. In particular, we will seek to further utilize our diversified investment platforms to capture opportunities in all stages of a company's life cycle.

OUR BUSINESS PORTFOLIOS

We have established positions in industries with promising growth potential. The following table sets forth detailed information of our business segments and key portfolio companies in each segment as of the Latest Practicable Date.

Business Segments	Principal Businesses of the Segments	Key Drivers	Segment Strategies	Key Portfolio Companies	Principal Businesses of the Portfolio Companies	Our Ownership as of the Latest Practicable Date
Strategic Investments						
IT	Developing, manufacturing and marketing high-quality and easy-to-use technology products and services for consumers and enterprises	Consumption upgrade as well as relatively stable PC market and strong growth potential for smartphone, tablet and server markets	• “Protect and Attack” strategy to maintain and develop our strengths in our core, established markets, while at the same time targeting those businesses and markets in which we have historically less focus • In our PC business, maintaining our leadership by reinforcing our No. 1 position in China, expanding our market share and profitability in other markets, and actively increasing margins by cross-selling services and peripheral devices closely related to our PC products such as warranty upgrades, installation and data back-up • In our mobile devices business, developing innovative technologies for our smart devices, ensuring smooth integration of the Motorola Mobility business, increasing our profitability and actively expanding into emerging markets by leveraging our leading position in the PC business • In our enterprise business, achieving sustainable growth and profitability in the x86 server business • In our ecosystem and cloud service business, enhancing user experience and increasing our online competitiveness by leveraging our experience in distribution, product design and innovation	Lenovo***	The world’s largest PC company, second largest PC and tablets company and third largest smartphone company	30.56%

Business Segments	Principal Businesses of the Segments	Key Drivers	Segment Strategies	Key Portfolio Companies	Principal Businesses of the Portfolio Companies	Our Ownership as of the Latest Practicable Date
Financial Services	Comprehensive and customized financial products and services to China's under-served SMEs and individuals	Economic structure transformation and growth in China's financial sector, including financing demands of SMEs and individuals and demands for insurance, wealth management and community financial services	• Expanding the scope of our business by establishing or acquiring additional businesses to improve our brand • Promoting our portfolio companies to expand their businesses into more regions with high growth potential • Actively developing our Internet finance business by leveraging opportunities arising from China's booming P2P industry and the big data collected by our various businesses • Exploring and achieving synergies from our financial services businesses	Zhengqi**	A leading regional diversified financial services provider dedicated to serving SMEs and providing a comprehensive range of financial services including direct loans, credit guarantees, pawn loans, financial leasing, entrusted loans and other emerging financial services	92.00%
				Hankou Bank***	A regional commercial bank	15.33%
				Union Insurance***	An insurance broker dominant in the education sector	48.00%
				Lakala***	A payment and other financial services provider with a leading position in China's offline terminal payment market	36.44%
				Suzhou Trust***	A trust services provider	10.00%

Business Segments	Principal Businesses of the Segments	Key Drivers	Segment Strategies	Key Portfolio Companies	Principal Businesses of the Portfolio Companies	Our Ownership as of the Latest Practicable Date
Modern Services	Consumer services in China's dental care, logistics, senior care and car rental sectors	China's transition from a manufacturing economy to a service-oriented economy and consumption upgrade	• Seeking to identify and invest in the opportunities presented by the rapid growth and innovation associated with the Internet and mobile usage that drives business transformation	Bybo**	China's largest dental chain providing dental care services	54.90%
			• Closely monitoring industry innovation and reforms, looking for investment opportunities and ground-breaking business models	Zeny**	A logistics services provider	94.00%
				EnsenCare**	A senior care services provider	100.00%
				CAR***	China's largest car rental company	23.87%*****
Agriculture and Food	Agriculture and food business	Increase in China's consumers' per capita disposable income, consumption upgrade, high-quality pursuit and food safety concern	• Enhancing our product quality, expanding into new markets, building a premium brand and improving channel management for our agriculture and food business	Joyvio**	A leading agricultural products and food company in China	100.00%
			• Pursuing an Internet business model to reshape traditional businesses	Funglian**	A Chinese liquor company	93.30%
			• Continuing to seek investment opportunities in the fast-growing agriculture and food industry, especially to capture those opportunities arising from Chinese consumers' increasing attention to food safety			

Business Segments	Principal Businesses of the Segments	Key Drivers	Segment Strategies	Key Portfolio Companies	Principal Businesses of the Portfolio Companies	Our Ownership as of the Latest Practicable Date
Property	Development, sale, lease and management of residential properties, office buildings and industrial parks	Urbanization and growth in China's property market	• Continuing to leverage Raycom's decentralized management model with focus on established markets with potential • Continuing to develop residential property to seize the growth opportunities in China's property market and cooperate with third parties to share resources in complimentary ways • Further achieving product optimization and encouraging innovation by exploring opportunities in office building and industrial park development, and other real estate related services and value-added products	Raycom**	A property developer, owner and operator	100.00% (Raycom Property Investment**) 100.00% (Raycom Holdings**) 93.09% (Raycom Real Estate**)
Chemicals and Energy Materials	Production of chemicals and energy materials	Rapid growth in China's chemicals industry and significant opportunities to expand into more advanced downstream products	• Lowering raw material and energy consumption rate and raising productivity	Levima**	A chemical products manufacturer	90.00%
			• Developing new products and continuously increasing the proportion of high-end and custom-made products	Phylion Battery**	A lithium-ion batteries manufacturer	50.77%

Business Segments	Principal Businesses of the Segments	Key Drivers	Segment Strategies	Key Portfolio Companies	Principal Businesses of the Portfolio Companies	Our Ownership as of the Latest Practicable Date
Financial Investments						
	Engaging in fund investments and other financial investments	Economic structure transformation as well as rapidly growing markets and greater liquidity expected in the capital markets	• Maintaining a significant level of investments in various alternative investment funds • Seeking opportunities in new investments within financial services and financial products to explore new investment opportunities arising in the capital markets, and adjusting our asset allocation in accordance with changing market conditions • Further enhancing synergies with our strategic investments and boosting our investment returns	Legend Star**	Angel investment and start-up incubator	100.00% (Beijing Legend Star**) 100.00% (Tianjin Legend Star**)
				Legend Capital****	Venture capital investment	Certain LP and GP interests in various funds
				Hony Capital****	Private equity investment	Certain LP and GP interests in various funds

* We have de facto control over Lenovo and consolidated it in our consolidated financial statements during the Track Record Period (even though we have less than 50% of its voting rights) based on the following factors: 1) as of December 31, 2012, 2013 and 2014, we were the single largest shareholder of Lenovo; 2) we obtained an "acting in concert" undertaking from another shareholder; and 3) the rest of the voting rights of Lenovo are dispersed and since the date of Lenovo's listing, there has been no history of any shareholders collaborating to exercise their vote collectively or to out vote us.

** Consolidated subsidiary (We consolidate the financial performance of our subsidiaries, which are the entities (including structured entities) over which we have control. We control an entity when we are exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through our power over such entity.)

*** Associated company with accounting treatment of equity accounting

**** Our Group is an LP in each limited partnership fund and holds interests in each GP of funds structured as limited partnerships. Funds of Legend Capital and Hony Capital are accounted for as associates measured at fair value through profit or loss or subsidiaries when appropriate.

*****Due to the structure of our investments in CAR, the number refers to our beneficial interest in CAR as of December 31, 2014.

STRATEGIC INVESTMENTS

IT Business

Overview

We conduct our IT business through our subsidiary Lenovo, a global Fortune 500 company that develops, manufactures and markets high-quality and easy-to-use technology products and services for consumers and enterprises. According to IDC, Lenovo was the world's largest PC company and the world's second largest PC and tablets company in terms of unit shipments in 2014 and became the world's third largest manufacturer of smartphones in the fourth quarter of 2014. Lenovo has been listed on the Hong Kong Stock Exchange since 1994 (stock code: 992). In 2005, Lenovo completed the acquisition of IBM's personal computer division, through which it successfully expanded its business and operations on a global scale. It completed the acquisitions of Motorola Mobility and IBM's x86 server business in October 2014. As of the Latest Practicable Date, we held 30.56% of Lenovo's equity interests. For the years ended December 31, 2012, 2013 and 2014, revenue from our IT business was RMB211,635.8 million, RMB230,505.3 million and RMB272,343.9 million, respectively, while profit from our IT business in those years was RMB3,702.2 million, RMB4,822.9 million and RMB5,410.9 million, respectively.

Business Strategy

In our IT business, we adopt a "Protect and Attack" strategy. Under this strategy, we seek to maintain and develop our strengths in our core, established markets, while at the same time attacking those businesses and markets in which we have historically had less focus. In particular:

- In our PC business, we strive to maintain our leadership in the global PC market and increase our market share and profitability by leveraging the scale and efficiency of our operations, innovation and industry consolidation.

- In our mobile devices business, we aim to drive the growth of our mobile business through a dual-brand strategy, global expansion, integration synergy and consumer-centric transformation and to drive the growth in tablets by focusing on innovation.

- In our enterprise business, we strive to leverage synergies across businesses and focus on innovation to drive its growth.

- In our ecosystem and cloud service business, we plan to deliver a differentiated "Device + Service" user experience.

Products and Services

The products and services offered by our IT business primarily consists of (i) PCs, including notebook computers and desktop computers; (ii) mobile devices, including smartphones and tablets; (iii) enterprise business, including servers, storage and related services; and (iv) ecosystem and cloud services.

Effective from April 1, 2014 and until March 31, 2015, Lenovo re-organized its business structure from two business groups, the Think Business Group and the Lenovo Business Group, into four business groups, namely, the PC business group, mobile business group, enterprise business group and others (including ecosystem and cloud services). The following tables outline the unit shipments and revenue of Lenovo for 2012 by products and services and for 2013 and 2014 by business groups.

	Year ended December 31, 2012		
	Shipments	Revenue	% of total revenue
	(unit'000)	*(RMB in million)*	*(%)*
Sales of personal technology products and services			
– Desktop computer	21,772	66,684	31.5
– Notebook computer	30,618	113,594	53.7
– Mobile internet and digital home	29,798	17,199	8.1
– Others	225	6,318	3.0
Sale of other goods and services	N/A	7,826	3.7
Total	82,413	211,621	100.0

	Year ended December 31,					
	2013			2014		
	Shipments	Revenue	% of total revenue	Shipments	Revenue	% of total revenue
	(unit'000)	*(RMB in million)*	*(%)*	*(unit'000)*	*(RMB in million)*	*(%)*
PC Business Group	53,984	189,805	82.4	60,294	208,781	76.7
Mobile Business Group	53,013	30,564	13.3	61,243	45,737	16.8
Enterprise Business Group	319	2,957	1.3	527	10,362	3.8
Others	N/A	7,106	3.0	N/A	7,434	2.7
Total	107,316	230,432	100.0	122,064	272,314	100.0

To facilitate the execution of its strategy, effective from April 1, 2015, Lenovo has realigned its business groups by combining its PC business group and enterprise business group into a single strategic business unit and its mobile business group and ecosystem and cloud services into another strategic business unit.

PC Business

Lenovo has built high brand-awareness and was ranked No. 1 in the global PC market in terms of unit shipments in 2014, according to IDC. Lenovo closely follows consumption trends for personal electronic products and develops different lines of PC products with advanced technologies and innovative designs to meet customer needs. Our PC products are notebooks and desktop computers marketed under two major lines, namely Think Products, which target commercial customers and are focused primarily on premium products, and Idea Products, which are primarily focused on mainstream and entry-level consumer products.

Commercial PC Products

Our Think Products mainly target commercial customers and are primarily premium products. This product line includes a wide range of commercial desktop computers and notebooks featuring cutting-edge technology, customer-centric innovation and powerful productivity features. Among them, *ThinkPad* is a line of high-end, business-oriented notebooks with well-recognized designs; and *ThinkCentre* is a line of mid-range to high-end, business-oriented desktop computers. Our products in this line include:

- *ThinkPad® Yoga Series* – multimode Ultrabook™ with touch-screen displays that can rotate 360 degrees to offer different usage modes.

- *ThinkPad® T Series* – premium notebooks with superior design, spill-resistant keyboards, exceptional security features and strong performance.

- *ThinkCentre M Series All-in-Ones* – all-in-one desktop computers (computers that combine the processor and monitor into a single unit) to offer clean, clutter-free and compact solutions for enterprises with minimal space requirements, a professional appearance and enterprise-level productivity.

According to IDC, Lenovo was No. 2 in the global commercial PC market in terms of unit shipments in 2014.

Consumer PC Products

Our Idea Products are mainstream and entry-level consumer products. Among them, *IdeaPad* is a line of consumer-oriented notebooks and *IdeaCentre* is a line of all-in-one desktop computers. Our products in the Idea Product line include:

- *Y Series* – high-performing notebooks with fast processors, advanced 3D graphics technology, high resolution displays and studio-class audio for multimedia and gaming purposes.

- *Flex Series* – dual-mode notebooks that can flip the screen 300 degrees into stand mode for touch screen applications.

- *A Series All-in-Ones* – stylish and ultra-slim desktop computers with multi-touch displays.

According to IDC, Lenovo was No. 1 in the global consumer PC market in terms of unit shipments in 2014.

Mobile Business

Our mobile device business aims to capture the opportunities in consumer devices such as smartphones and tablets. Our smartphones and tablets maintain the powerful security and strong performance features associated with the Lenovo brand at reasonable prices.

Smartphones

We continue to broaden our smartphone portfolio by introducing premium smartphone products. Our smartphone products include:

- *S Series* – slim Android smartphones offering a complete video, music and gaming experience featuring long-lasting batteries and high-resolution displays.

- *A Series* – affordable Android smartphones with powerful processors and brilliant displays.

In October 2014, we completed the acquisition of Motorola Mobility from Google, including the Motorola brand. This acquisition positioned us as the world's third largest manufacturer of smartphones in terms of unit shipments in the fourth quarter of 2014 according to IDC. Motorola Mobility develops, manufactures, distributes and sells mobile wireless devices, particularly smartphones based on the Android operating system such as the *Moto X*, *Moto G* and *DROID*™ series.

Tablets

According to IDC, Lenovo was the world's second largest PC and tablet company in terms of unit shipments in 2014. Our rapid growth in tablets is driven by the same innovation excellence that makes us the PC leader. Our tablet products include:

- *ThinkPad® Helix* – an innovative product supporting notebook, tablet, stand and tablet+ modes, developed with top-of-line hardware and software technologies that ensure leading flexibility, productivity and connectivity.

- *Yoga Tablet* – a multimode tablet with a long battery-life.

Enterprise Business

Our enterprise business primarily includes servers and storage businesses. In this part of our business, we provide enterprise technology infrastructure solutions for a variety of operating environments.

Servers are hardware products that host software applications in a network environment. Our server business includes premium *ThinkServer* products, which primarily run Windows, Linux and virtualization platforms from software providers such as VMware, Inc. Our server business product lines include tower, rack and blade servers. Our storage offering includes storage platforms for enterprises and small-to-medium business environments. These offerings enable customers to optimize their existing storage systems, build new virtualization solutions and transition to cloud computing.

In October 2014, we completed the acquisition of the x86 server business from IBM, including the products, sales force, manufacturing facilities, and research and development personnel and facilities of that business. The x86 server business includes System X, BladeCenter and Flex System blade servers and switches, x86-based Flex integrated systems, NeXtScale and iDataPlex servers and associated software, blade networking and maintenance operations.

Others

Ecosystem and Cloud Services

Our ecosystem service business includes the development and launch of applications on smart mobile devices that create a new and unique experience for users. We launched our own app store in March 2012 and have also developed several popular applications, such as the *SHAREit* and *SECUREit* apps. Our cloud services allow users to securely access their cloud-based files and applications from any device via a single login ID and support convenient data backup, synchronization and other functions.

Other Technology Products and Services

Lenovo also offers computer accessories and other technology products and services. In July 2014, Lenovo launched its New Business Development ("**NBD**"), which is a new Internet-centric business platform in China aimed to assist startup businesses. The NBD platform provides our startup business partners with access to Lenovo's resources such as software, hardware, distribution channels and services to assist them in developing innovative products. As of December 31, 2014, there were three startup-developed innovative products sold on the NBD platform.

Geographical Operations

Lenovo's global corporate headquarters are located in Beijing, China and Morrisville, North Carolina, U.S. Lenovo has divided its global markets into four regions: China, Asia Pacific (excluding China) ("**AP**"), Americas ("**AG**") and Europe-Middle East-Africa ("**EMEA**").

The following table sets forth the unit shipments, revenue and operating profit of each of Lenovo's four regions for the years ended December 31, 2012, 2013 and 2014.

	Year ended December 31,								
	2012			2013			2014		
	Shipments	Revenue	Operating profit	Shipments	Revenue	Operating profit	Shipments	Revenue	Operating profit
	(unit'000)	(RMB in million)		(unit'000)	(RMB in million)		(unit'000)	(RMB in million)	
China	54,042	90,302	3,947	65,613	91,429	4,740	62,748	90,513	5,107
AP	8,842	36,244	131	11,505	35,290	497	15,821	40,517	1,672
EMEA	8,803	46,889	761	14,087	54,881	915	14,488	76,261	2,493
AG	10,726	38,186	990	16,111	48,832	421	29,007	65,023	183
Total	82,413	211,621	5,829	107,316	230,432	6,573	122,064	272,314	9,455

China

China was the largest of our four regions in terms of revenue contribution throughout the Track Record Period. For our mobile products, we have balanced growth and profitability and have invested in 4G smartphone products to lead market trends and stay competitive. According to IDC, Lenovo maintained its No. 1 market position in China's PC market in terms of unit shipments and its No. 2 market position in China's smartphone market in terms of unit shipments in 2014.

AP

Lenovo demonstrated strong growth in AP during the Track Record Period as a result of increased sales of PCs, tablets and smartphones and improved profitability, particularly in Japan, Southeast Asia, Australia and New Zealand. According to IDC, Lenovo maintained its No. 1 market position in Japan's PC market in terms of unit shipments in 2014.

EMEA

Lenovo demonstrated strong growth in EMEA during the Track Record Period as a result of its strong smartphone and tablet business in this region. According to IDC, Lenovo ranked No. 2 in the overall EMEA PC market and also maintained its No. 1 market position in PCs in 12 EMEA countries, including Germany, in terms of unit shipments in 2014.

AG

Lenovo maintained solid growth in AG during the Track Record Period driven by the balanced growth of both its commercial and consumer businesses. The growth in 2014 was partially offset by a decline in Brazil as a result of the weak market environment. According to IDC, Lenovo maintained its No. 4 market position in the U.S. PC market in terms of unit shipments in 2014.

Research and Development

Lenovo is committed to being an innovative company and creating new categories of products and technologies that will both enhance its client experience and differentiate it from its competitors. Lenovo's research and development team identifies new products and technologies, and typically focuses on ideas that can be brought to market within approximately 24 months. Lenovo's research and development team has introduced many industry firsts, such as Yoga Tablet. In addition to driving innovation in its own product development, Lenovo works with partners to develop innovative solutions. The NBD platform represents Lenovo's efforts to leverage its established advantages to bring new technologies to market.

As of December 31, 2014, Lenovo had approximately 3,500 research and development engineers globally. It operates major research centers in China, Japan, Brazil and the United States. As of December 31, 2014, over 60% of Lenovo's research and development team had a master or higher degree and had an average of eight years' experience in the IT industry. To retain its market leadership position, Lenovo has continually invested in research and development activities. For the years ended December 31, 2012, 2013 and 2014, Lenovo reported research and development expenses of RMB3,713.0 million, RMB4,465.9 million and RMB6,031.9 million, respectively.

Manufacturing and Quality Control

Lenovo focuses on vertical integration of manufacturing and has adopted a unique manufacturing model that utilizes both in-house manufacturing capabilities and external manufacturers. This model helps achieve not only cost-efficiency but also improved visibility of and control over the product-development process. Compared with most of its competitors, Lenovo manufactures a relatively high percentage of its products in its own plants and facilities. We believe this manufacturing model enables us to build closer strategic partnerships, effectively control inventory levels, and achieve our time-to-market and time-to-volume targets. Lenovo has manufacturing centers in China, Japan, Mexico, India, Brazil and the U.S. As of March 31, 2015, 16 of Lenovo's manufacturing facilities were ISO 14001 certified. Lenovo also uses original design manufacturers ("**ODMs**") for some of its operations. Lenovo conducts quarterly business reviews of its ODMs and evaluates their performance to determine future orders. Lenovo has assigned more than 20 engineers on-site at its ODMs to manage quality control, identify issues and provide technical and other support.

Lenovo regards quality as a fundamental component of the value its customers receive. It has gained a strong industry reputation for delivering quality and safe products. At the product development stage, Lenovo tests its products to ensure they satisfy the needs of customers. During the manufacturing process, Lenovo strictly controls the quality of raw materials and components from its suppliers. Its products go through various quality control and customer simulation tests before sale. Lenovo's in-house early warning group is involved in all new product launches. It collects customer feedback, summarizes key issues and coordinates with quality control, procurement, research and development and other relevant teams to analyze and solve identified problems. Lenovo continues to improve existing products based on feedback received at its call centers and through its data collection system. Lenovo's global quality management system, which has earned ISO 9001 certification, aims to achieve customer satisfaction and deliver superior products, solutions, and services, while meeting customer requirements.

As of December 31, 2014, Lenovo had a team of approximately 1,000 personnel dedicated to quality control (including 384 personnel for on-site inspection), who had an average of over seven years' experience in the industry.

Product Return and Warranty

Lenovo's customers are entitled to return their products when they encounter products that do not function at the time of purchase, failures in resolving warranty claims for over 30 days or other circumstances that provide for return eligibility pursuant to its policy, and Lenovo approves the return after its internal review. Lenovo's warranty terms and conditions generally include technical support, repair parts and labor associated with warranty repair and service actions, but vary depending on the product and the country in which the product was sold. The warranty periods generally range from one to three years. For more information on Lenovo's warranty provision, see "Financial Information – Critical Accounting Policies, Estimates and Judgments – Provisions – (a) Warranty provision".

Sales and Marketing

Lenovo sells its products and services through various wholesale distribution channels, such as retailers, third-party resellers and telecommunication service providers, as well as directly to corporate clients and consumers.

- *Sales through wholesale distribution channels.* Depending on the region and country, Lenovo's wholesale network includes resellers, distributors, large-format retailers and telecommunication service providers, which enables it to penetrate smaller cities and rural areas while maintaining a leading position in larger cities. Normally Lenovo enters into long-term framework agreements with its wholesale customers. These agreements set forth terms and conditions applicable to all orders placed during the contract period. The contract period is typically one year and can be extended automatically unless either party provides prior written notice.

- *Sales to large customers.* Lenovo maintains a global field sales force. Lenovo's dedicated account teams form long-term relationships with large corporate clients, to provide these customers with a single source of assistance, develop tailored solutions, and act as a channel for feedback. Lenovo also maintains specific sales and marketing programs targeted at government entities and educational institutions. Normally it negotiates purchase contracts with these customers under its relationship model and usually fulfils those contracts through its business partners.

- *Sales to consumers.* Lenovo provides direct sales to retail customers via the Internet.

Since 2011, Lenovo has deployed its "For Those Who Do" marketing campaign. The campaign is aimed at expressing the essence of who Lenovo is as a company, attracting a wide range of customers and highlighting how Lenovo's innovation and differentiated technology serves and inspires the world's greatest creators, innovators, and thinkers, "the Doers". This campaign has improved Lenovo's brand awareness in key markets globally and helped to drive Lenovo's successful marketing launches of its products. In addition to the campaign, Lenovo has also strengthened its media relations and increased its participation and engagement in major industry and business events such as the Wall Street Journal CEO Council. Lenovo launched its new Lenovo logo representing its dynamic and energetic brand identity at the inaugural Lenovo Tech World in Beijing, China on May 28, 2015, and it will continue to roll it out during the remainder of 2015.

Suppliers

Lenovo purchases raw materials, product components and other products from a large number of suppliers worldwide including those located in the United States, China, Republic of Korea and Taiwan. It maintains certain single- or limited-source suppliers like other market players. For example, Lenovo relies on Microsoft Corporation and Intel Corporation to supply operating systems and semiconductor chips used in its PCs, respectively. It also purchases components from major suppliers of disk drives, memory chips and other components. Lenovo enters into long-term framework agreements that typically range from five to ten years. Each agreement sets forth terms and conditions including product specifications and standards, quality requirements and the warranty policy applicable to all orders to be made with this supplier during the contract period. As long as an order is made within the lead time set forth in the agreement, the supplier cannot reject it. Lenovo is entitled to certain price protection arrangements for products delivered to Lenovo within 30 days prior to a price change date, and orders not delivered will follow the new price. The supplier is responsible for all fees and expenses incurred prior to the delivery of products. Lenovo is entitled to terminate an order at any time with prior written notice and will reimburse reasonable fees incurred by the supplier.

Given the competitive nature of the industry, Lenovo maintains a low-cost supply structure and manages to lower its inventory turnover days. It makes full provisions for inventories aged over 180 days.

Lenovo requires its suppliers to implement and maintain documented quality and environmental management systems that meet ISO 9001/14001 requirements, which are commonly accepted industry standards. Lenovo performs environmental audits at the facilities of its largest suppliers and those whose services potentially present significant environmental risks. As a member of the Electronics Industry Citizenship Coalition (EICC), Lenovo requires most of its suppliers to comply with the EICC Code of Conduct, including compliance audits using third-party EICC auditors to ensure full compliance with EICC standards in labor, environment, ethics, health and safety, and management systems.

Competition

Lenovo operates in an industry with rapid technological advances in hardware, software, and service offerings. Consequently, it faces ongoing product and price competition in all areas of its business. It competes based on its ability to offer the most current and desired product and service features at competitive prices.

Hedging

Lenovo follows a consistent hedging policy for business transactions to reduce the risk of currency fluctuations arising from daily operations. At the inception of a transaction, Lenovo assesses the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. It also monitors its assessment, both at hedge inception and on an ongoing basis, to evaluate whether the derivatives used in hedging transactions are effective.

Lenovo uses forward foreign exchange contracts to hedge a percentage of future transactions that are highly probable and as fair value hedges for identified assets and liabilities. Lenovo manages its interest rate risk by using floating-to-fixed interest rate swaps, which have the economic effect of converting borrowings from floating rates to fixed rates. Under these interest rate swaps, Lenovo agrees with the relevant counterparty to exchange, at specified intervals (primarily quarterly), the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional amounts.

Risk Management

In line with its commitment to deliver sustainable value, Lenovo has an Enterprise Risk Management (ERM) framework to proactively manage risks. This framework is implemented by Lenovo's board and management team, and is applied in designing strategy across all of Lenovo's major functions.

Within the ERM framework, critical and major risks of Lenovo's business functions, especially in view of the changing business environment, are identified and assessed to determine appropriate risk mitigation plans to be implemented. These plans are monitored and reviewed by each business function and at the Lenovo group level. The insurance function is embedded within the ERM team. At least annually, all influential risks are reported to Lenovo's audit committee, along with the status of actions taken to manage these risks. Actuarial studies are also engaged periodically to quantify the risks, and Lenovo's risk tolerance is adjusted accordingly.

FINANCIAL SERVICES BUSINESS

Overview

Growth in China's financial sector has given rise to many opportunities, including: (i) large and unfulfilled financing needs of SMEs and individuals; (ii) demand for insurance and wealth-management products arising from China's aging population and the increases in per capita disposal income; (iii) demand for community financial services; and (iv) opportunities to launch new businesses driven by big data through both online and offline platforms.

Based on our views of trends in the financial services industry, since 2009 we have been applying for and securing various financial licenses and approvals to establish a broad presence in China's financial industry. By providing financial and operational support to our portfolio companies in this sector, we have built up a competitive financial services platform and achieved sound financial performance within a short period of time.

Our diversified financial services platform consists of:

- our subsidiary Zhengqi, which provides services such as direct loans, credit guarantees, pawn loans, financial leasing, entrusted loans and other emerging financial services;
- our associated company Hankou Bank, which engages in commercial banking services;
- our associated company Union Insurance, which provides insurance brokerage and related services;
- our associated company Lakala, which provides payment and other financial services; and
- our associated company Suzhou Trust, which primarily engages in the trust business.

Our diverse product and service offerings enable us to quickly capture both traditional and innovative financial service opportunities.

We support our portfolio companies in the financial sector to facilitate their long-term development. Through equity investments and bank loan guarantees, we provide funding for these companies. In addition, we assist our portfolio companies to effectively promote their corporate governance, enhance their risk management, integrate businesses and intend to assist them in analyzing big data.

For the years ended December 31, 2012, 2013 and 2014, revenue from our financial services business was RMB50.7 million, RMB997.1 million and RMB1,318.4 million, respectively.

The following tables set forth certain key financial indicators of our major subsidiaries and associated companies in the financial services business for the years ended December 31, 2012, 2013 and 2014.

	For the years ended December 31 or as of December 31,											
	2012				2013				2014			
	Revenue	Net profit/(loss) attributable to the equity holders of the company	Total assets	Net assets attributable to the equity holders of the company	Revenue	Net profit attributable to the equity holders of the company	Total assets	Net assets attributable to the equity holders of the company	Revenue	Net profit/(loss) attributable to the equity holders of the company	Total assets	Net assets attributable to the equity holders of the company
	(RMB in thousands)											
Zhengqi[1]	26,264	8,721	1,910,702	1,508,721	495,440	282,153	3,867,806	1,790,874	726,371	379,729	6,791,791	2,689,497
Union Insurance[1][2]	24,443	(28,947)	615,463	392,893	501,660	41,014	868,631	647,932	592,071	(54,499)	1,142,857	589,558

Notes:

(1) The significant difference in the financial performance of Zhengqi and Union Insurance in 2012 compared to later years is primarily because we completed the acquisitions of the major businesses of Zhengqi and Union Insurance in November 2012 and December 2012, respectively, so that the financial results of these acquired businesses were consolidated only from the relevant acquisition date in late 2012.

(2) In December 2014, our equity interests in Union Insurance decreased from 51% to 48% and Union Insurance became one of our associates instead of our subsidiary.

	For the years ended December 31 or as of December 31,								
	2012			2013			2014		
	Net profit/(loss) attributable to the equity holders of the company	Net assets attributable to the equity holders of the company	Our shareholding percentage	Net profit/(loss) attributable to the equity holders of the company	Net assets attributable to the equity holders of the company	Our shareholding percentage	Net profit/(loss) attributable to the equity holders of the company	Net assets attributable to the equity holders of the company	Our shareholding percentage
	(RMB in millions)		*(%)*	*(RMB in millions)*		*(%)*	*(RMB in millions)*		*(%)*
Hankou Bank	1,858.5	11,902.5	15.33	2,066.6	13,379.8	15.33	1,472.4	14,569.2	15.33
Lakala[1]	(151.9)	(86.1)	56.13	(134.4)	(217.7)	56.13	(164.6)	(82.3)	36.44
Suzhou Trust	279.2	1,989.6	10.00	360.2	2,288.4	10.00	495.5	3,302.9	10.00

Note:

(1) Our shareholding percentage in Lakala was 56.13% as of December 31, 2012 and 2013. However, we did not control Lakala because board resolutions regarding Lakala's operating and financing decisions required the approval of over 2/3 voting rights; accordingly, Lakala was accounted for as our associated company during the Track Record Period.

Business Strategy

We strive to provide comprehensive and customized financial products and services to China's under-served SMEs and individuals by:

- expanding the scope of our business by establishing or acquiring additional businesses to improve our brand;
- promoting our portfolio companies to expand their businesses into more regions with high growth potential;
- actively developing our Internet finance business by leveraging opportunities arising from China's booming P2P industry and the big data collected by our various businesses; and
- exploring and achieving synergies from our financial services businesses. For example, we can cross-sell products among our portfolio companies using both online and offline platforms. In addition, we plan to accelerate the cooperation between our direct loan and Internet finance businesses.

Financial Services Provided by Zhengqi

Zhengqi and its subsidiaries are dedicated to serving SMEs and providing a comprehensive range of financial services to them, including direct loans, credit guarantees, pawn loans, financial leasing and entrusted loans, primarily within Anhui Province and Shenzhen. Zhengqi was founded in 2012 and acquired its main business subsidiaries from investment vehicles of the Hefei government. Zhengqi focuses on providing local SME customers with tailored financial solutions to fill the gaps not covered by China's traditional financial institutions. It has achieved a leading position in the short-term financing business in Anhui Province according to Euromonitor. As of the Latest Practicable Date, we held 92% of Zhengqi's equity interests. For the years ended December 31, 2012, 2013 and 2014, Zhengqi recorded net interest income of RMB14.4 million, RMB346.4 million and RMB520.3 million, respectively, and fee and commission income of RMB11.9 million, RMB149.1 million and RMB206.1 million, respectively. As of December 31, 2014, Zhengqi's total assets and net assets amounted to RMB6,792 million and RMB2,786 million, respectively.

Direct Loans

We offer micro and small loans with principal amounts generally not exceeding RMB15 million and terms ranging from two to six months. Our borrowers for direct loans are primarily SMEs across a broad range of sectors. For the years ended December 31, 2012, 2013 and 2014, we granted direct loans to 130, 146 and 183 borrowers, respectively. As of December 31, 2012, 2013 and 2014, the outstanding balance of our direct loans was approximately RMB472 million, RMB1,089 million and RMB2,172 million, respectively.

Our direct loans primarily comprise:

- *Guaranteed loans*. A third-party guarantor and the borrower are jointly and severally liable for the repayment of the loan. The third-party guarantor, whether an individual or a legal entity, must be creditworthy. We do not require collateral from the borrower for guaranteed loans. As of December 31, 2014, the total outstanding balance of our guaranteed direct loans was RMB1,379.0 million, which accounted for approximately 63.5% of our total direct loan portfolio.

- *Secured Loans*. The borrower provides land use rights, building ownership or tangible assets such as equipment as collateral for the loan. For loans secured by land use rights, we typically grant loans with principal amounts of no more than 50% to 70% of the value of the land use rights. For loans secured by building ownership, we grant loans with principal amounts of up to 100% of the value of the building. For loans secured by tangible assets, we typically grant loans with principal amounts of up to 70% of the value of the pledged assets. We may also require the owners of corporate borrowers to be jointly and severally liable for the repayment of the loan. In addition, we may require either a guarantee from a third party or certain other assets as collateral. As of December 31, 2014, the total outstanding balance of our secured direct loans was RMB793.0 million, which accounted for approximately 36.5% of our total direct loan portfolio.

Our loan approvals and the interest we charge depend on a number of factors, including the creditworthiness of the borrower, whether the loan is secured or guaranteed, the quality of the security or guarantee, and the term of the loan. Interest on our direct loans is generally payable monthly. Interest rates on our direct loans ranged from 1.68% to 2.00% per month during the Track Record Period. We adjust interest rates based on the interest rate environment and relevant regulations.

Our sources of funding for our direct loan business mainly comprise the net assets of our subsidiaries carrying out this business, bank borrowings, securitization, and cash flow from these operations. As of December 31, 2014, our subsidiaries carrying out the direct loan business had net assets of RMB1,278 million.

Credit Guarantees

Our credit guarantee business includes financing guarantees and non-financing guarantees.

Financing Guarantees

We provide financing guarantees to third-party borrowers to assist them in obtaining loans. Those borrowers are primarily SMEs in the manufacturing industry that we have determined to be generally creditworthy, but who lack the necessary credit history or collateral to obtain financing from commercial banks. We have established cooperation relationships with a number of Chinese state-owned and joint stock commercial banks such as Bank of China, Bank of Communications and China Merchants Bank for the loans they extend to customers. For the years ended December 31, 2012, 2013 and 2014, we had entered into 708, 722 and 909 financing guarantee contracts with guarantee amounts of RMB2,908 million, RMB4,161 million and RMB4,046 million, respectively.

We, as a guarantor, are jointly and severally liable with the borrower for the repayment of the principal and interest on their guaranteed loans. The fees we charged for providing financing guarantees during the Track Record Period generally ranged from 1.50% to 2.40% of the guaranteed amount per annum. We require the borrower to provide certain counter-guarantees and security to us, which normally include (i) pledges over fixed assets such as real property, vehicles and machinery, in respect of which we typically maintain a loan-to-value ratio (as calculated by dividing our guaranteed amount under the guarantee contract by the value of the pledged assets) of between 50% to 70%; (ii) pledges over movable and intangible assets such as equity interests and accounts receivables; and (iii) guarantees from the borrower's affiliate companies or owners, the borrower's spouse, or other third parties.

We enter into cooperation agreements with commercial banks. These agreements usually have a term of one year, are renewable upon expiration or both parties' consent and include certain limits on the aggregate guaranteed amount that we can provide. In addition, we are generally required by banks to deposit a certain amount of cash, usually equivalent to 10% of the guaranteed amount, as security in a segregated account with the relevant banks. These security deposits are normally returned to us upon the release of our guarantee. If the borrower defaults on the loan, the bank will withdraw our deposit to offset a portion of the defaulted amount.

Non-financing Guarantees

We provide non-financing guarantees such as performance guarantees in relation to the performance of payment obligations under collateral agreements and litigation guarantees for customers who have applied to courts to freeze their counterparties' assets during litigation. During the Track Record Period, we charged fees for non-financing guarantees that were usually 2% per annum of the guaranteed amount.

Our sources of funding for our credit guarantees business mainly comprise the net assets of our subsidiary carrying out this business and cash flow from these operations. As of December 31, 2014, our subsidiary carrying out our credit guarantee business had net assets of RMB705 million.

Pawn Loans

The principal amount of our pawn loans usually ranges from RMB2 million to RMB20 million with terms of up to six months. Our pawn loan borrowers are primarily SMEs in the property development industry and their respective business owners. These loans are primarily secured by real properties. As of December 31, 2012, 2013 and 2014, the total outstanding balance of our pawn loans was approximately RMB206 million, RMB482 million and RMB588 million, respectively. Interest on our pawn loans is generally payable monthly and ranged from 1.68% to 2.10% per month during the Track Record Period. Our approval of pawn loan applications and the interest and fees we charge on these loans primarily depend on the value of the collateral. Our primary source of funding for our pawn loan business is the net assets of our subsidiary carrying out this business and cash flow generated from its operations. As of December 31, 2014, our subsidiary carrying out the pawn loan business had net assets of RMB319 million.

Financial Leasing

We entered the sale and leaseback business in 2013 and the direct financial leasing business in 2014. Our major customers in our financial leasing business are companies in a range of industries, including manufacturing and healthcare services. In our sale and leaseback business, we typically purchase equipment from our customers and lease it back to them. In our direct financial leasing business, we purchase equipment from third parties pursuant to our customers' requirements and lease that equipment to them. Our leasing contracts are generally priced at floating interest rates, allowing us to transfer the impact of interest rate fluctuations to our customers. The interest rates we charge in these transactions are based on the relevant PBOC benchmark interest rates plus a margin, which is negotiated on a case-by-case basis and primarily reflects the customer's industry, the credit profile of the customer and the underlying assets. Our financial lease contracts are typically for three-year terms with rental payable quarterly.

To secure the payment of rental we usually require lessees to make upfront cash deposits equal to 10% to 15% of the total amount of the lease payments. These deposits are either returned to lessees upon their full payment of required rental on or before the expiry of the lease term, or are deducted from the last several instalment payments due to us. In addition, we may also require lessees to provide additional collateral or other security, such as land use rights, equity interests in other entities, third-party guarantees or other security. As of December 31, 2013 and 2014, the net lease receivables from our financial leasing business were approximately RMB215 million and RMB817 million, respectively.

We typically provide lessees with an option to purchase the assets underlying their lease upon expiry of the lease term at a preset nominal value to incentivize them to purchase the asset. During the Track Record Period, most of our customers chose to purchase the underlying asset at the end of the lease term.

Our sources of funding for our financial leasing business mainly comprise the net assets of our subsidiary carrying out this business, bank borrowings and cash flow generated from such operations. As of December 31, 2014, our subsidiary carrying out the financial leasing business had net assets of RMB428 million.

Entrusted Loans

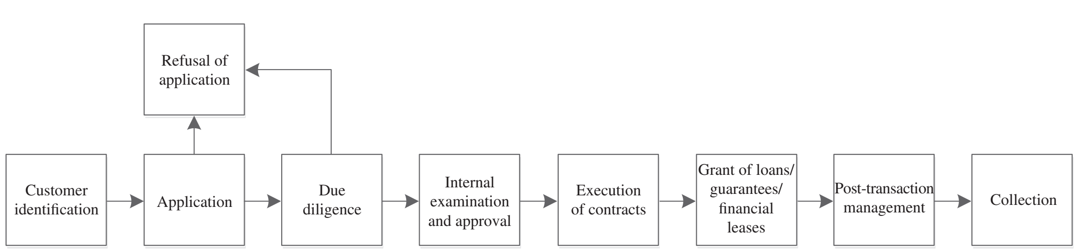
We provide entrusted loans primarily to SMEs in the property development, manufacturing and commercial services industries and their respective business owners. Entrusted loans are arrangements among three parties in which we deposit money with an intermediary commercial bank that on-lends that money to borrowers we designate. The principal amounts of our entrusted loans generally range from RMB10 million to RMB30 million with terms ranging from 6 months to 12 months. As of December 31, 2012, 2013 and 2014, the total outstanding balance of our entrusted loans was approximately RMB234 million, RMB959 million and RMB1,413 million, respectively. The interest we charged on our entrusted loans ranged from 1.68% to 2.00% per month during the Track Record Period. Interest on these loans is typically paid quarterly. We adjust the rates on these loans from time to time based on market conditions and relevant regulations. The commercial banks serving as intermediaries for these loans charged us one-time handling fees for these loans. These fees ranged from 0.1% to 0.2% of the principal loan amount during the Track Record Period.

Risk Management

Our financial services business faces a variety of risks, including credit risk, operational risk, liquidity risk and legal and compliance risk. Credit risk is the principal risk in this business. We have developed a risk management system that has been tailored to comprehensively, effectively and rigorously manage the risks in each of Zhengqi's business lines. We use this system to manage the risks through comprehensive customer due diligence, independent information review and multi-level approval processes. We also monitor the operations and performance of this risk management system, and optimize the system to adapt to changes in market conditions, the regulatory environment and Zhengqi's product offerings.

Credit Risk Management

Credit risk arises if a customer is unable or unwilling to make timely payments. Our credit risk management procedures mainly consist of customer due diligence reviews, multilevel assessment and approval processes, and post-transaction management. The chart below summarizes the key steps that Zhengqi and its subsidiaries use to assess and manage credit risk.



We identify potential customers through our sales and marketing efforts and referrals from our customers or cooperating with banks and other institutions. The business department of each subsidiary of Zhengqi is responsible for communicating with customers and helping them with the preparation of application packages. We usually assign two project managers to each transaction. Once we receive the application documents, we conduct a detailed analysis of them to understand our customers' background, industry information, proposed uses of funds, financing status, business scale, financial conditions, future plans, collateral, guarantee and/or counter-guarantee arrangements and sources of repayment. If an application is accepted, we subsequently undertake our due diligence procedures, including

- *On-site inspection*. In order to gain first-hand information and verify the authenticity of the information provided, our project managers conduct on-site visits to inspect the business operations of our customers and counter-guarantors and/or collateral providers.

- *Interviews*. We conduct interviews with our customers to understand their background, products and sales, procurement and production, operations of their connected entities, future plans, sources of funding and other information related to them to make a comprehensive assessment of their experience and integrity, which will be used as part of the bases for the evaluation.

- *Financial information verification*. Our project managers verify the financial information submitted by customers by making inquiries, invoice vouching, conducting asset inventories and reviewing management accounts and other records to avoid potential fraud. They also verify key line items in the financial statements of the customers, such as monetary assets, financial assets held for trading, trade receivables and inventories, pursuant to detailed procedures set forth in our internal guidelines.

- *Use of "soft information"*. We use "soft information" obtained in the due diligence process to help assess the creditworthiness of our customers and verify the information provided by them. The soft information we consider may include feedback from the customers' employees, counterparties and other independent third parties such as regulatory authorities as well as the controlling persons' expertise and experience in the customers' businesses and industries. We consider our use of soft information to be a useful tool as it provides a more comprehensive appraisal of the customers and their controlling persons.

Each of Zhengqi's subsidiaries has promulgated its own due diligence guidelines tailored to the unique characteristics of the transactions it enters into. Based on their evaluation after due diligence, if the application satisfies our internal guidelines, they proceed with the review and approval process as summarized below.

Category	Classification Criteria[1]	Approval Procedures
Category A	The amount of a single transaction is below the relevant threshold,[2] which varies by type of business	• *Step 1*. The risk management department of the subsidiary reviews the application prepared by the manager of the business operation department, and submits the application to the general manager of the subsidiary for approval • *Step 2*. Upon the general manager's approval, the chairman of the subsidiary or someone delegated by the chairman reviews and decides whether to approve • *Step 3*. If the chairman considers it necessary for the Transaction Review Committee[3] to review and approve the application, Steps 3 and 4 of Category B or C transactions may be applied If the transaction involves a type of business that the relevant subsidiary has not previously engaged in, Steps 3 and 4 of Category B or C transactions are applied
Category B	The amount of a single transaction is above the relevant threshold,[2] which varies by type of business	• *Step 1*. The risk management department of the subsidiary reviews the application prepared by the manager of the business operation department, and submits the application to the general manager of the subsidiary for approval • *Step* 2. Upon the general manager's approval, the chairman reviews and approves the application for submission to the risk management department of Zhengqi for further review and approval
Category C	The amount of a single transaction is above RMB75 million and the client (including its related parties) is a client of multiple subsidiaries of Zhengqi	• *Step 3*. The risk management department of Zhengqi reviews and submits the application to the Transaction Review Committee of Zhengqi • *Step 4*. The Transaction Review Committee of Zhengqi reviews and approves the application, with the concurrence of the chairman of the subsidiary

Notes:

1. In determining the transaction amount for classification purposes, we consider past transactions by the customer and its related parties.

2. For our direct loan, pawn loan, financial leasing and entrusted loans businesses, the threshold is RMB25 million. For our credit guarantee business, the threshold is RMB40 million.

3. Members of the Transaction Review Committee include the president and vice president of Zhengqi and certain senior officers of its various subsidiaries.

Once a loan is drawn down by a customer or, for financial leasing transactions, once we acquire the ownership of the leased asset, we carry out post-transaction management procedures. To manage risks, our project managers normally monitor the customer's financial condition through publicly available information, on-site investigations and discussions with the customer from time to time. We remind our customers of their repayment obligations generally no later than one week prior to the due date. If a customer repays in full, the collateral and guarantee are released and, in the case of financial leasing transactions, the ownership of the leased product is transferred to the customer. A customer may also renew or extend a loan, guarantee or lease pursuant to the agreements and subject to our internal procedures. If a customer defaults or fails to make any required payments of principal, interest or fees, we usually initiate legal proceedings to recover any outstanding amounts.

We use a classification approach as part of our credit risk management. We categorize Zhengqi's transactions as "normal", "special-mention", "substandard", "doubtful", or "loss" according to the level of credit risk. The definition for each category is outlined below.

Category	**Definition**
Normal	Customers can honor the terms of their contracts, and there is no reason to doubt their ability to repay principal and interest in full.
Special-mention	Customers are currently able to service their principal and interest obligations, but repayment may be adversely affected by certain factors.
Substandard	Customers' ability to service their debt obligations are in question, and they cannot rely solely on income to repay principal and interest in full. Losses may ensue even if collateral or guarantees are invoked.
Doubtful	Customers cannot repay principal and interest in full, and significant losses will need to be recognized even if collateral or guarantees are invoked.
Loss	Principal and interest cannot be recovered or only a small portion of them can be recovered after taking all available measures, including resorting to all available legal options.

We conduct monthly reviews of our transactions, and consider those transactions that we categorize as Substandard, Doubtful or Loss as "non-performing". When we find a customer is experiencing temporary liquidity issues or other factors exist that may affect the customer's ability to honor its obligations (leading to classification of the transaction as Substandard), we conduct an inspection of the customer's assets and assess its ability and willingness to repay us. We endeavor to minimize our losses by proactively adopting and implementing remedial measures on a case-by-case basis. When payment becomes overdue, we implement collection measures, negotiate with the customer and take legal actions to recover payments. For non-performing loans that cannot be recovered after taking all available measures, we write off the loans.

Provision Policy

We generally make provisions for our loans and guarantees based on prior experience and historic default rates. We assess impairment losses either collectively or individually as appropriate. We assess our loans for impairment on a regular basis, determine a level of allowance for impairment losses, and recognize any related provisions. We assess our outstanding guarantees on a regular basis to make reasonable estimates of the level of provisions necessary to cover probable losses. If we determine that (i) it has become probable that a lender will call upon us to fulfill our guarantee obligation under the guarantee; or (ii) the amount of claims under a guarantee can be expected to exceed the amount currently recorded as a liability in respect of the guarantee and a reliable estimate can be made, we will recognize a provision for guarantee losses in our income statement. We determine the timing and amount of these provisions by making individual and collective assessments of our outstanding guarantees as of the end of the relevant reporting period. See "Financial Information – Critical Accounting Policies, Estimates and Judgments – Provisions" and Note 2.29 in the Accountants' Report in Appendix IA to this prospectus.

Operational Risk Management

Zhengqi has established and continuously optimizes its operational procedures and internal control systems and utilizes its IT systems to monitor and assess the performance of each operational procedure. It has adopted and strictly adheres to measures to (i) prevent and detect employee fraud, including the segregation of business and credit review teams; (ii) implement multiple approval layers; and (iii) conduct on-site visits and inspection.

Liquidity Risk

Zhengqi's funding sources include its net assets of and the net assets of its subsidiaries, lines of credit with financial institutions as well as cash flow generated from its operations. Zhengqi's finance and accounting department has primary responsibility for managing liquidity risk and monitoring the maturities of assets and liabilities. It manages liquidity risk by maintaining a ratio of assets to liabilities that it believes is appropriate.

Legal and Compliance Risk Management

Zhengqi has established a legal and compliance division under its risk management department and has corresponding compliance departments at each of its subsidiaries, which are responsible for operational compliance review, examination of business procedures, implementation of regulatory policies, provision of operational guidance and training of legal personnel, legal matters related to asset collection, and drafting and review of contracts and other legal documents.

Banking

Our associated company, Hankou Bank, conducts commercial banking activities. We invested in Hankou Bank in 2010 and as of the Latest Practicable Date, we held 15.33% of the equity interest in Hankou Bank and were its single largest shareholder. Hankou Bank accepts deposits from the public and uses those deposits to fund its short-term, medium-term and long-term loans to corporate and individual customers. It also conducts domestic settlement, bill discounting, financial bond issuance and various other commercial bank businesses. It generates revenue primarily from net interest income and income derived from fee- and commission-based services.

Hankou Bank's principal businesses include corporate banking, personal banking and treasury operations.

Corporate Banking

Hankou Bank's primary business is corporate banking. It provides its corporate banking customers with diversified financial products and services, including corporate loans, bill discounting, corporate deposits and fee- and commission-based products and services such as settlement of payment, cash management, custody services and public utility fee collection services. Its corporate banking customers primarily include government authorities, public institutions, state-owned enterprises, privately owned enterprises, foreign-invested enterprises and financial institutions.

Hankou Bank provides SMEs with a variety of financial products. It appeals to these customers with its efficient approval process and the flexibility it exercises for guarantee and collateral terms and arrangements. It also provides customized financial support to high-technology enterprises at various stages of development, especially at their early stages. Located close to the Wuhan East Lake High-Tech Development Zone, one of China's leading high-tech development zones, Hankou Bank has access to a large high-quality customer base. It has built an integrated service platform aggregating lending, funding for government projects and other resources. As of December 31, 2014, Hankou Bank had over 1,300 high-technology enterprise customers.

As of December 31, 2012, 2013 and 2014, the number of its corporate customers was 8,409, 8,987 and 8,663, respectively.

Personal Banking

Hankou Bank offers a wide range of products and services to retail customers, including retail loans, retail deposit-taking and fee- and commission-based services. It is in the process of opening service outlets in various communities to provide easily accessible banking services and community services to local residents.

E-banking

Hankou Bank is actively developing its e-banking business to respond to trends in Internet-based finance. It offers its customers access to online banking, online payment, mobile banking, mobile payment, telephone banking, banking services on WeChat, and a variety of other e-banking and Internet banking services. In cooperation with network/cable providers, including Wuhan CATV, Hankou Bank has launched a diversified e-platform combining e-banking, mobile banking, TV home-banking, telephone banking and other services. It also offers an online financial product, "Zi Jin Bao (資金寶)", through this platform. As of December 31, 2014, Hankou Bank had 897,245 e-banking customers and 690,998 mobile banking customers.

Bank Card Business

Hankou Bank offers a full range of bank card services. As of December 31, 2012, 2013 and 2014, Hankou Bank had issued approximately 3.6 million, 4.0 million and 5.9 million debit cards, respectively; and approximately 122,000, 172,000 and 202,000 credit cards, respectively. Hankou Bank focuses on the development of its bank card business in the public sector to integrate public service functions, transportation cards and social security cards in Wuhan.

Treasury Operations

Hankou Bank's treasury operations mainly consists of (i) bond business; (ii) bills business; (iii) inter-bank business; and (iv) wealth management. In conducting its treasury operations, Hankou Bank strives to achieve a balance between risk and return on its investment portfolio.

Business Network

As of December 31, 2014, Hankou Bank had 112 branches and sub-branches in China, including its head office, 11 branches, 16 tier-one sub-branches, one direct sub-branch, and 83 tier-two sub-branches. Hankou Bank's network covers substantially all of Hubei Province, and also includes a branch in Chongqing.

Insurance-related Business

Union Insurance provides insurance brokerage and related services and according to Euromonitor, is a leading professional insurance intermediary in China. Union Insurance maintains a leading position in China's education-related insurance brokerage business. In late

2012, we acquired a 51% equity interest in Union Insurance. In December 2014, we transferred a 3% equity interest in Union Insurance to Siyihe, an Independent Third Party, for a consideration of approximately RMB52 million and we ceased to be its single largest shareholder. For more information, see "Our History and Corporate Structure – Our Principal Subsidiaries – Major Acquisitions and Disposal." As of the Latest Practicable Date, we held a 48% equity interest in Union Insurance, and Union Insurance was one of our associated companies.

We invested in Union Insurance in 2012 through a capital injection of an amount then needed for the expansion and growth of Union Insurance's business and we acquired its 51% equity interest based on the valuation of Union Insurance at that time. We eventually elected to transfer a 3% equity interest because: (a) after two years, we were willing to further incentivize the management team of Union Insurance by handing over the role of the controlling shareholder to its chairman; (b) we proactively managed the costs associated with Union Insurance's possible business expansion; and (c) we believe the current management-led shareholding structure of Union Insurance will help attract future strategic investors for Union Insurance to better facilitate Union Insurance's business expansion strategy. Currently, we have no plan to further invest in Union Insurance and are willing to help it find suitable potential strategic investors if necessary.

Union Insurance offers insurance brokerage, risk consulting and other value-add services. Union Insurance is primarily compensated for brokerage services through commissions and fees paid by insurance companies. Commission rates vary depending on the insurance coverage, the insurance provider selected by the customer, the services provided and negotiations with customers. While helping its customers achieve their insurance needs, Union Insurance also provides value to the insurance companies, by providing them access to customers and assisting them in reducing their loss ratio through risk management services. As of December 31, 2014, Union Insurance placed insurance products with over 30 insurance companies, including Ping An Insurance, China Life and PICC P&C. During the Track Record Period, Union Insurance's commission rates generally ranged from 20% to 30% of the annual insurance premiums. Union Insurance also receives fees by providing claim administration and other services.

In 2013 and 2014, revenue from Union Insurance's subsidiaries carrying out the insurance brokerage business, namely Beijing Union Insurance Brokerage Co., Ltd. and Jiangxi Union Insurance Brokerage Co., Ltd., was approximately RMB480 million and RMB510 million, respectively.

Insurance brokerage

Union Insurance does not assume underwriting risk. It acts as an intermediary between its customers and insurance companies by:

- identifying risks and providing customized risk management solutions;
- providing advice to customers in seeking, negotiating and purchasing insurance policies;

- providing customers with claim administration support when incidents or crises occur, such as damage assessments and claim-settlement services;

- designing and placing appropriate insurance products and acting as a principal distribution channel for these products.

Union Insurance distributes various types of insurance, including:

- *School liability insurance:* offered to schools to protect them and their staff from managerial and professional liability while providing education services. These products are usually purchased by educational authorities. Union Insurance introduced these products in Beijing in 2003, and as of December 31, 2014, it had cooperated in this field with approximately 297,000 schools in 32 provinces and municipalities in China. It had over a 90% market share of China's school liability insurance market in terms of insurance premiums in 2014 according to Euromonitor.

- *Student accident insurance:* offered to students to cover all accidents until they graduate, in return for the periodic payment of fixed premiums. According to Euromonitor, Union Insurance ranked first among all insurance brokerage firms in China for student accident insurance in terms of insurance premiums in 2014.

- *Other insurance products:* Liability insurance for school staff and interns, and supplemental medical insurance plans for students.

Union Insurance is actively expanding its product range by introducing new products and expanding to fields beyond the education sector such as shipping, environmental protection and medical insurance products. For example, it has introduced pollution liability insurance products for freight shipping companies and shipyards to protect them against costs incurred as a result of pollution caused by their vessels. Union Insurance is also cooperating with Wuhan University in studying community risk management and relevant insurance products. It also set up an actuarial firm to develop innovative insurance products. In addition, Union Insurance strives to provide effective protection for both students and schools by increasing the scope and amount of insurance coverage.

Risk Consulting Services

Union Insurance evaluates its customer risk management needs and designs appropriate insurance programs accordingly. Its major customers are in the education sector, and it is actively expanding to the municipal government, healthcare and environmental protection areas. Union Insurance offers consulting services to schools as well as education authorities at the local and provincial levels to provide insurance to students. Using these services, schools can obtain appropriate insurance coverage and reduce their liability risks through proactive risk management including the screening of potential risks on campus.

Other Services and Support

Union Insurance provides other value-added services to its customers and insurance companies, including setting up risk alerts and taking precautionary measures to lower claim ratios. When an incident occurs, it assists its customers in settling their claims with insurance companies.

Online Distribution

To further promote the distribution of its insurance products, Union Insurance operates several online distribution platforms in China, including "900 Community Risk Management Service" (www.900.cn) and an online distribution platform, "Li Ke Bao (立刻保)" (www.like18.com). These platforms offer customers convenient access to a broad range of insurance products.

Payment and Other Financial Services

Our associated company, Lakala, provides comprehensive financial services including payment, community O2O services and other service offerings, to individual customers as well as SMEs. In June 2014, Lakala received a capital injection of RMB300 million, and we also transferred a 10% equity interest in Lakala to a third party for RMB300 million; these transactions resulted in the dilution of our equity interests in Lakala to 36.4%. As of the Latest Practicable Date, our shareholding percentage remained unchanged and we were Lakala's single largest shareholder. Leveraging its established third-party payment businesses, Lakala focuses on community financial services, offering SMEs and individual customers in the community with a wide range of convenient financial services through its online and offline platforms.

Payment services

Lakala's payment services include:

- *Convenient financial services.* Lakala started its business by offering convenient financial services through point of sale ("**POS**") terminals, and these services remain a major part of Lakala's business, setting the foundation for Lakala to promote its community O2O business. Lakala provides convenient financial services through its POS terminals located in local communities, office buildings and convenience stores. Using Lakala's terminals, customers have easy access to automated banking services such as payment of credit card bills and bank transfers, payment services such as the payment of gas, electricity and water bills, and other services such as the purchase of railway and air tickets, movie and show tickets, and prepaid mobile top-up cards. As of December 31, 2014, Lakala had over 800,000 convenient POS terminals in over 31 provinces and municipalities in China with over 4.5 million average monthly active users.

- *Card acceptance services.* Card acceptance service was Lakala's largest revenue contributor during the Track Record Period. Through its POS terminals, Lakala allows small enterprises to process payments by scanning credit cards, authorizing charges and accepting digital signatures. Compared with traditional bank-authorized POS terminals, Lakala's are in more easily deployed forms, including innovative mobile POS terminals that are smaller, cheaper, portable and easier to use, and can be connected to mobile phones via Bluetooth. As of December 31, 2014, Lakala had authorized approximately 700,000 POS terminals for its card acceptance services.

- *Mobile payment services.* Lakala offers pocket-sized card terminals, and payments can be made by swiping debit or credit cards through card terminals that are plugged into mobile phones or other smart mobile devices. It has also developed a mobile app for individual users to enjoy cardless mobile payment and other services wirelessly through tablets and smartphones.

Community O2O Services

Lakala is expanding its O2O service offerings to small convenience stores and business outlets in local communities. In addition to its existing payment services that are already available at these stores and outlets, Lakala plans to broaden its community businesses by offering more e-commerce services and the sale of financial products through its designated online platform.

Other Services

Lakala has obtained licenses from the PBOC to provide nationwide enterprise credit investigation business and cross-border settlement business, and it is preparing to launch these businesses.

Trusts

Our associated company, Suzhou Trust, conducts a trust business. We invested in Suzhou Trust in 2008 and as of the Latest Practicable Date, we held a 10% equity interest in it. Suzhou Trust acts as a trustee and manages entrusted properties and it provides financial advisory and other consulting services. It has also established a wealth management platform in Jiangsu Province, one of China's most affluent provinces, to meet the investment and financing needs of a broad group of corporations and high-net-worth customers.

Products

Suzhou Trust classifies its trust products as individual trusts and collective trusts, depending on the type of client. Under an individual trust, the trustor is an individual entity, and the trustee separately and individually manages and disposes of the client's trust property. Under a collective trust, the trustee manages and disposes of a number of clients' trust properties as a whole. As of December 31, 2014, Suzhou Trust had launched approximately 129 individual trust products and 80 collective trust products.

Suzhou Trust's products can also be classified as financing, investment and non-discretionary, depending on the investment approach. Through its financing trust products, Suzhou Trust extends trust loans to borrowers in order to fulfill their funding needs. In addition, Suzhou Trust acts as an investment manager and offers private equity investment trust products and securities investment trust products. It also provides non-discretionary trust products under which it acts in accordance with specific terms of the trust agreement.

Suzhou Trust's clients are primarily located in Jiangsu Province and as of December 31, 2014, it had approximately 10,717 clients.

Competition

Our subsidiaries and associated companies in our financial services business compete with a wide range of financial service companies, including credit guarantee companies, short-term loan companies, pawnshops, financial leasing companies, commercial banks, insurance brokers, payment and Internet finance service providers and trust companies, as well as online financial services platforms. Competition is based on, among other things, the variety and quality of products and services offered, pricing, network, financial strength and brand recognition. In response to the competitive environment, we have developed a comprehensive business platform through integrating various financial services, which create synergies and cross-selling among different business lines. Leveraging the Legend brand's recognition and strong shareholder support, our portfolio companies will continue to reinforce their market position by improving their product and service offerings, risk management, pricing ability and operation systems.

Modern Services Business

Overview

China's economy is transitioning from a manufacturing economy to a service-oriented economy. To capture opportunities arising from this transition, we have established our presence in China's dental care, logistics, senior care and car rental sectors. Brands are a key asset that consumers and service providers value in these industries. We work to enhance brand awareness of these portfolio companies and some of their brands are already recognized among Chinese consumers, such as leading brands CAR and Bybo.

For the years ended December 31, 2012, 2013 and 2014, revenue from our modern services business was RMB58.0 million, RMB274.5 million and RMB853.4 million, respectively.

Business Strategy

We aim to expand our modern services business. We will seek to identify and invest in the opportunities presented by the rapid growth and innovation associated with the Internet and mobile usage that drives business transformation. We closely monitor industry innovation and reforms, looking for investment opportunities and ground-breaking business models.

Dental Care Business

Overview

According to Euromonitor, demand for dental services in China has significant potential for growth due to the large customer base, relatively poor dental condition, high incidence rate and low treatment rate. Given China's public hospitals, which have historically been the main provider of these services, are not able to fulfill this demand due to capacity limitations and service-quality constraints, we expect dental chains to experience increasing demand for their services.

Our subsidiary, Bybo, provides dental care services. We invested in Bybo in July 2014 and as of the Latest Practicable Date, we held a 54.9% equity interest in Bybo. According to Euromonitor, Bybo was among the best known dental chains in China, and as of December 31, 2014, it was the largest private dental chain in China in terms of outlet number.

As of December 31, 2014, Bybo had nine hospitals and 66 clinics in 14 municipalities and provinces, and the number of Bybo's dental chairs had increased from 296 as of December 31, 2012 to 724 as of December 31, 2014. As of December 31, 2014, we had made total investments in Bybo of RMB646.5 million, comprising of RMB616.5 million in equity, and RMB30 million in shareholder loans. Following our investment in Bybo, our revenue generated from our dental care services business was RMB358.4 million in 2014. The net debt of our dental care business, which is calculated as the total borrowings (which include bank loans and other loans) and shareholder loans less cash and cash equivalents of our dental care business, was RMB72.6 million as of December 31, 2014.

The following table sets forth key operating metrics of Bybo's dental business for the years ended December 31, 2012, 2013 and 2014.

	For the year ended December 31,		
	2012	**2013**	**2014**
Number of Outlets	34	41	75
Floor Space (sq.m.)	19,182	26,736	52,200
Number of Dental Chairs	296	359	724
Number of Dentists	183	297	451

Bybo has accumulated management expertise and developed a strong brand awareness across various regions of China. It plans to expand its coverage across China organically and through acquisitions, by leveraging its first-mover advantage and strong brand recognition.

Services

We provide comprehensive general dentistry services including treatment of dental disease, tooth implantation, orthodontics, teeth whitening, tooth filling and paediatric dental services.

- We accept customers' reservations through a centralized call center. Our extensive network allows patients to pick treatment locations and times at their convenience. After making a reservation, patients receive timely reminders of their appointments.

- We provide a clean and comfortable treatment environment furnished with advanced medical equipment. We optimize the treatment procedure and shorten the patient's waiting time so as to improve their treatment experience.

- We contact customers to collect their feedback, discuss post-treatment matters and remind them to schedule follow-up teeth cleansings and other treatments.

Technology

We use advanced dental treatment equipment and technologies to provide our patients with various premium services including:

- "All-on-4" implant technique, through which a full arch of teeth can be repaired by placing four implants;
- zygomatic implants, used to address problems of edentulous maxilla;
- comfort dentistry, which uses N_2O to reduce or eliminate pain in the course of dental treatment;
- waterlase, a minimally invasive dental surgery performed by stimulating water molecules with lasers; and
- invisalign, which uses invisible materials for orthodontic treatments.

Professionals

As of December 31, 2014, Bybo had 1,046 skilled professionals. It increased its number of dentists from 183 in 2012 to 451 in 2014. Bybo maintains a high level of employee retention by offering competitive compensation packages and good working conditions. Our hospitals and clinics share a pool of professionals and experts. Bybo's culture places a strong emphasis on the quality of dental services and the use of advanced technologies. As of December 31, 2014, all our dentists were qualified under the PRC National Health and Family Planning Commission.

We provide standardized training for all newly joined qualified dentists. These dentists must pass Bybo's internal assessments before practicing independently within our facilities. After joining us, our professionals undertake continuous internal and external trainings. In addition, we have established two training centers in Beijing to provide them with practical training.

We are committed to promoting advanced dental technologies, including working with the Beijing Stomatological Association to jointly host professional courses for Chinese dentists. These courses also provide us with opportunities to identify outstanding dentists among the courses' participants and enlarge our talent pool.

We have formed an international academic panel comprising well-known experts from the United States, Britain, Germany, Republic of Korea, China and Hong Kong to provide professional support for our dentists.

Quality Control

We have developed and implemented a unified set of clinical operational procedures and standards. We have designated professionals in every hospital and clinic responsible for the quality of the care we provide. Through real-time inspection records, video recording, diagnosis and treatment programs, we strive to ensure that every patient receives quality treatment.

Sales and Marketing

We advertise on traditional and new media and use other marketing techniques to increase patient awareness and visits. Our advertising efforts aim to emphasize the high-quality, timely and personalized service provided by our dentists. We also attend some pro bono public service activities, such as the "national implant free aid program", "dental care in action" and "dental care tour in community" organized by the National Health and Family Planning Commission of the PRC and the Chinese Stomatological Association. We believe these activities have effectively improved our brand recognition. We also benefit from patient referrals by our existing patients.

Competition

China's dental industry is highly fragmented. Bybo's competitors include public and private dental providers. According to Euromonitor, public general hospitals and public dental hospitals have limited service resources and growth potential due to other competing demands including research tasks and the provision of basic medical services. Private general hospitals with dental services and private dental hospitals are limited in number and have limited service capability, factors that together result in lower potential for expansion. Individual private dental providers are dispersed and operate on a small scale due to limitations in equipment, technology and service radius. Private chains offering more convenient access to service outlets, and having better brand awareness and stronger expansion capabilities are expected to enjoy stronger development and growth potential.

Logistics Business

We engage in our logistics business through our subsidiary, Zeny. As of the Latest Practicable Date, we held a 94% equity interest in Zeny. As of December 31, 2014, we have invested approximately RMB188 million through equity investments, and RMB1,226 million through shareholder loans in this business. Our major logistics services include:

- cold-chain logistics business, which is an integrated business model providing a temperature-controlled supply chain with refrigerated storage and distribution. We engage in the cold storage business through a cold storage facility and marketplace for food in Hubei Province. We intend to expand our network through acquisitions and the development of a cold storage facility and marketplace in Tianjin and a cold storage center in Zhengzhou, Henan Province to establish a cold-chain network;

- cross-border delivery and logistics services between China and Japan, and between China and Hong Kong;

- delivery services for cross-border e-commerce, providing customs clearance and last-mile domestic delivery in cooperation with third parties for overseas online purchases; and

- domestic express business, including express delivery and logistics services. As of December 31, 2014, our domestic express business had national reach, with 2,706 service outlets covering 31 provinces and municipalities.

For the years ended December 31, 2012, 2013 and 2014, revenue from our logistics business was RMB58.0 million, RMB186.7 million and RMB362.3 million, respectively.

Senior Care Business

We established our subsidiary, EnsenCare, to enter into the senior care business by developing apartments for senior citizens. As of December 31, 2014, we had made an equity investment of RMB200 million in this business. As of the same date, we had 345 apartment units with 819 beds under construction, covering a GFA of approximately 49,386 sq.m.

We plan to provide a broad range of senior living options including independent living, assisted living, dementia care, disease prevention, health management and medical care, as well as skilled nursing, rehabilitation and hospice care services. Our senior care business is expected to commence operations in late 2015.

Car Rental Business

CAR, our associated company, engages in the car rental business in China. CAR offers comprehensive car rental services including short-term rentals, long-term rentals and leasing. As of December 31, 2014, our beneficial interest in CAR, which is held through Grand Union Investment Fund L.P., was 23.87%.

As of December 31, 2014, CAR's total fleet, which excluded vehicles owned by its franchisees, comprised 63,522 vehicles. As of December 31, 2014, CAR had an extensive network of 723 directly operated service locations in 70 major cities in all provinces in China. As of December 31, 2013, the number of its directly operated service locations was approximately four times that of its next largest competitor. CAR's network was further supplemented by 219 service locations operated by its franchisees in 176 smaller Chinese cities as of December 31, 2014.

Several of China's largest cities, including Beijing, Shanghai, Guangzhou, Tianjin, Hangzhou, Guiyang and Shenzhen, have implemented restrictions on the issuance of new license plates, the transfer of old license plates between different vehicle owners, and entry to downtown areas by vehicles with non-local license plates. As an early mover with a large scale, CAR has, by purchasing a large number of vehicles, secured a sufficient number of license plates to accommodate its growth in the next few years in cities with license plate restrictions as well as in those Chinese cities it believes are likely to implement similar restrictions.

AGRICULTURE AND FOOD BUSINESS

Overview

We have studied Chinese consumer behavior for many years and believe we possess a deep understanding of the special preferences and behaviours of Chinese consumers. With China's increased per capita disposable income and the resulting changes in consumption patterns, we believe that Chinese consumers are seeking to improve their lifestyle. Recognizing the high growth potential of the agriculture and food industry, we are actively seeking opportunities in relevant industries. We focus on those selected market segments within the agriculture and food industry that we believe we will benefit most from industry developments. As of the Latest Practicable Date, we have engaged in the agriculture business and the Chinese liquor business.

In the agriculture and food sector, brands are a direct connection between consumers and products. Leveraging the Legend brand, we support agriculture and food business at different stages in their development, and through this process we effectively promote our businesses and build our brands. Based on our success in corporate management, we believe we have advantages in assisting our portfolio companies in strategic planning and management enhancement.

For the years ended December 31, 2012, 2013 and 2014, revenue from our agriculture and food business was RMB973.8 million, RMB1,684.7 million and RMB1,531.3 million, respectively.

Business Strategy

We plan to enhance our product quality, expand into new markets, build a premium brand and improve channel management for our agriculture and food business. We also plan to pursue an Internet business model to reshape traditional businesses. We will continue to seek investment opportunities in the fast-growing agriculture and food industry, especially to capture those opportunities arising from Chinese consumers' increasing attention to food safety.

Agriculture Business

Overview

China's fruit industry has grown steadily from 2012 to 2014. For example, fresh blueberries showed rapid growth and achieved a CAGR of 19.3% in terms of retail sales volume, according to Euromonitor.

Our agriculture business targets consumers demanding safe and high-quality products. Our agriculture business is conducted through our subsidiary Joyvio and focuses primarily on premium fruits and agricultural products, such as kiwifruit, blueberries, tea and imported wine. According to Euromonitor, Joyvio had the largest market share in China for fresh blueberries and was one of the largest players in kiwifruit market measured by retail sales volume in 2014. As of December 31, 2014, our total investment in Joyvio was RMB973 million, comprising equity investments of RMB200 million and shareholder loans of RMB773 million. In addition, the net debt of our agriculture business, which is calculated as the total borrowings (which include bank loans, other loans and corporate bonds) and shareholder loans less cash and cash equivalents of our agriculture business, was RMB1,651.9 million, as of December 31, 2014.

In anticipation of the growth potential of blueberries and kiwifruit, we acquired cultivation bases for these fruits in China and Chile, established plantations and explored channels for all-season fruit supply. We have built an end-to-end operation for our blueberry and kiwifruit business. Given the seasonality of fruit production, we import fresh and premium fruits such as cherries and grapes during China's cold season to take advantage of our distribution channels. To cross-sell to our customers, we have further expanded into the premium Longjing, or Dragon Well, tea and imported wine businesses.

Food safety and product quality are core values for Joyvio, and to support these values we have established a fully integrated platform that covers breeding, plant management, harvesting, sorting, cold-chain logistics and marketing. Joyvio's "Six-Unifications" cooperation model represents unifications in technical standards, plant varieties, agricultural production, provision of financial assistance, joint quality control and integrated branded marketing. This model has helped Joyvio to establish and maintain successful cooperation with farmers and other stakeholders in our business. Consistent with its high quality, our brand has received wide recognition, allowing us to achieve premium pricing.

We have taken initial steps to develop a platform that offers a broad range of high quality products to our customers. We will continue to consolidate our traditional wholesale and growing online marketing channels, including our flagship stores at Tmall.com, Benlai.com, SF-best.com and social network communities.

For the years ended December 31, 2012, 2013 and 2014, revenue from our agriculture business was RMB63.3 million, RMB386.8 million and RMB410.2 million, respectively.

Major Products

Joyvio's major products include premium fruit, tea and imported wine.

Premium Fruit

Blueberries

We commenced our blueberry operations, including the propagation of seedlings, planting, fruit processing, sales and import/export of blueberries, in late 2012. As of December 31, 2014, we had over 700 hectares of plantations (including land for seedlings and nursery stock) in China's Shandong, Liaoning, Jilin, Sichuan, Hubei and Yunnan provinces and over 64 hectares of planting sites in Chile. Blueberry bushes usually take three years to begin bearing fruit and five to six years to mature to reach peak output levels. Most of our blueberry bushes have not yet reached maturity. For the years ended December 31, 2012, 2013 and 2014, we had annual production of approximately 594 tonnes,[1] 998 tonnes and 789 tonnes of fresh blueberry products in China, respectively. In 2014, we relocated some of our blueberry plants to improve the soil quality for our blueberry orchards, which adversely affected our domestic fresh blueberry production.

The following table sets forth our sales volume from fresh blueberry sales for the years ended December 31, 2012, 2013 and 2014:

	As of December 31,		
	2012*	**2013**	**2014**
	Sales volume	**Sales volume**	**Sales volume**
	(Tonnes)	*(Tonnes)*	*(Tonnes)*
Fresh Blueberries	64	927	1,237

Note:

* Includes data from October 2012, when we acquired this business, through to the end of 2012.

According to Euromonitor, we are the largest fresh blueberry seller in China in terms of retail sales volume in 2014. We also sell blueberry seeds and plants, as well as blueberry processing products.

Kiwifruit

We began cultivating high-quality kiwifruit in Pujiang County, Sichuan Province, Zhouzhi County, Shaanxi Province and Xixia County, Henan Province in 2013. As of December 31, 2014, we had kiwifruit plantations of approximately 800 hectares in China as well as kiwifruit planting sites in Chile. Kiwifruit grow on vines that are usually developed through grafting and take four to five years to bear fruit and seven to eight years to mature to reach peak output levels. In 2013 and 2014, our annual domestic production volumes of kiwifruit were approximately 2,946 tonnes and 3,330 tonnes, respectively.

According to Euromonitor, we were one of the largest players in kiwifruit market in China in terms of retail sales volume in 2014. We have obtained from a third party that holds plant variety rights (a form of intellectual property rights for plants) exclusive world-wide licenses to plant and sell yellow-flesh "Jin Yan (金艷)" and yellow-flesh red-kerned "Dong Hong (東紅)" varieties of kiwifruit. We have also obtained from a third party holding plant variety rights a license to cultivate the "Jin Tao (金桃)" yellow-flesh kiwifruit variety in China.

1 Production volume for 2012 represents data for the full year, although we acquired this business in October 2012.

The following table sets forth our sales volume for fresh kiwifruit sales during 2013 and 2014.

	As of December 31,	
	2013*	2014
	Sales Volume	Sales Volume
	(Tonnes)	*(Tonnes)*
Fresh Kiwifruit	2,472	2,939

Note:

* Includes data from February 2013, when we acquired our kiwifruit business, through the end of 2013.

Other Fruits

In addition to blueberries and kiwifruit, Joyvio sells other premium fruit, such as cherries and grapes, which are supplied by its planting sites in Chile and suppliers at different locations around the world. For more information about Joyvio's global business, see "– Agriculture and Food Business – Agriculture Business – Production".

Tea

We acquired our tea business in 2013. We have partnered with the Tea Research Institute of the Chinese Academy of Agricultural Sciences to market the "Longguan" varieties of Longjing tea. "Longguan" Longjing tea is harvested from plantations in Hangzhou and the Thousand-Island Lake region of Zhejiang Province. Longguan Longjing tea products are regarded as premium products because of their special characteristics. In 2013 and 2014, the production volume of "Longguan" Longjing tea products was nine tonnes and 11 tonnes, respectively. We also sell tea purchased from other tea plantations.

Imported Wine

Joyvio began importing and selling premium wine from France, Australia, Chile and other countries' quality producers in 2013.

Production

As of December 31, 2014, we operated 24 blueberry orchards and 11 kiwifruit orchards in China and overseas and nine tea plantations in China. For the orchard land that we lease, we typically have lease terms of ten to twenty years, which can be extended by mutual consent. The rent for these lands are typically charged at fixed prices per sq.m., and are subject to periodic adjustment (usually a 5% to 10% rise) every five years.

As of December 31, 2014, we had approximately 1.7 million blueberry plants and 425,000 kiwifruit plants in China and overseas. Both blueberry plants and kiwifruit plants take several years to start to bear fruit, and a further number of years before maturing to reach peak output level. The following tables set out the age and lifecycle information of our blueberry and kiwifruit plants as of December 31, 2014.

Blueberry Plants	
Total (in thousands)	1,677.1
Years to Mature to Peak Harvest Output	5
Number of Plants by Age	
Up to three years (in thousands)	789.3
Four to five years (in thousands)	458.8
Over five years (in thousands)	429.0
Average Plant Age (Years)	3.5
Typical Maximum Plant Life (Years)	20

Kiwifruit Plants	
Total (in thousands)	425.2
Years to Mature to Peak Harvest Output	8
Number of Plants by Age	
Up to four years (in thousands)	82.6
Five to eight years (in thousands)	313.8
Over eight years (in thousands)	28.8
Average Plant Age (Years)	5.6
Typical Maximum Plant Life (Years)	30

Our costs in our agriculture business include primarily labor, agricultural materials, rent, equipment and the related depreciation, transportation costs and packaging costs. For the years ended December 31, 2012, 2013 and 2014, the costs of sales of our agriculture business were RMB35.6 million, RMB272.9 million and RMB280.4 million, respectively.

In 2013, we acquired interests in five agricultural companies in Chile, four of which became our subsidiaries and one became our associated company. The table below sets out major products and the production volume in 2014 of each of these five companies:

Company	Products	Production Volume in 2014 *(Tonnes)*
ARÁNDANOS DEL SUR S.A.*	Blueberries	613
FRUTÍCOLA PORVENIR S.A.*	Kiwifruit, wine grapes	2,626
AGRÍCOLA TRES VÍAS S.A.**	Table grapes, clementine	1,539
AGRÍCOLA EL RETORNO S.A*	Table grapes	2,277
NUTS DEL SUR S.A.*	Walnuts	26

Notes:

* subsidiary

** associated company

We provide Chinese consumers with an all-season supply of high-quality fruit by taking advantage of the complementary growing seasons in the Northern and Southern hemispheres. We have established strategic partnerships with leading Chilean fruit enterprises to cooperate on blueberry cultivation, agricultural technology, and import and export trades. We have also formed a strategic partnership with one of Australia's biggest fruit and vegetable producers, Perfection Fresh, to provide Chinese consumers with delicious, high quality fruits such as grapes, cherries, oranges and mangoes.

"Six-Unifications" Cooperation Model

In our agriculture business, we cooperate with farmers and other stakeholders. To support this partnership, Joyvio has developed a cooperation model that we refer to as "Six-Unifications". Our "Six-Unifications" model represents unifications in technical standards, plant varieties, agricultural production, provision of financial assistance to production partners, quality control and integrated branded marketing. We also cooperate with our stakeholders to promote awareness of our Six-Unifications model. This model encourages family farms and cooperatives to work under our standardized guidance. Using the Six-Unifications cooperation model, we purchase qualified products from partners at preferential prices in order to jointly build our mutually beneficial platform. We believe this model will support our expansion and increase the supply of qualified products for our customers.

Research and Development

Our research and development team aims to expand our product range, enhance product quality and improve the efficiency of our production processes. As of December 31, 2014, our research and development team consisted of over 40 technical and engineering specialists. They have an average relevant working experience of over five years. We have two research and development centers in China.

Our research and development team undertakes its own proprietary research and collaborates with other third-party research institutes in China. Collaborative projects include those relating to blueberries, kiwifruit and tea with various research partners.

We have developed a tracing system across our production process, and this represents one of our core technologies. The system provides controls at various levels of our production process, including quality management, production facilitation and planting management and enhances the standardization and controllability of our agricultural operations.

Quality Control and Food Safety

We undertake strict quality control measures to achieve food safety. All of our kiwifruit and blueberry products from our own orchards are traceable. These products have a unique identification number that customers can use to access relevant information about the product, including the name of the orchard that produced it, the packaging date and the quality control inspection status.

We strictly manage our use of agricultural materials by using approved product catalogs and supplier lists. We also have standardized planting handbooks and our internal staff oversees the planting process. All materials used in our production process are subject to internal quality control inspection procedures based on our quality standards. Joyvio is certified under for ISO9001 quality management, ISO14001 environment management, Global GAP certification, and ISO22000 food safety management systems.

As of December 31, 2014, we had a dedicated quality control team led by six experts in blueberry plantation quality control with an average of 15 years experience, five experts in kiwifruit plantation quality control with an average of ten years experience, and four experts in tea plantation quality control with an average of 15 years experience.

Sales and Marketing

Our pricing strategy varies based on product. As our blueberry and kiwifruit products are branded products targeting high-end market, we enjoy a certain brand premium in the market.

We engage distributors to sell our products primarily through wholesale markets, chain stores and online marketing channels. We believe this distribution network provides us with extensive geographic coverage, deep market penetration and diversified distribution channels and is in line with the industry practice. As of December 31, 2014, Joyvio had a total of approximately 20 distributors, all of whom were Independent Third Parties. Each distributor signs a distribution agreement with a term of typically one year. Distributors can receive bonuses or other rewards from us when their product sales achieve target quantities specified in our agreements with them.

Our sales and marketing team plays a significant role in expanding our agricultural business as well as in exploring potential markets and promoting our products. We conduct a wide range of marketing activities for our products, such as enhancing our product exposure on the mainstream media, maintaining our own online sales channels to interact with customers and organizing a number of marketing events, such as the Chilean Fruit Festival, to market and promote our Chilean products to China. As of December 31, 2014, we employed a sales team of over 100 people.

Competition

We compete based on a variety of factors, including product appearance, taste, size, shelf life, price and distribution terms, the timeliness of our deliveries to customers and the availability of supply. Our main competitors include multinational as well as domestic fruit companies. The fresh product business in China is highly competitive and fragmented, and competition is more intense because the products are perishable. Our sales are also affected by the availability of seasonal and alternative products. We believe that our high quality products, all-season supply, distribution network and operational efficiency may enable us to maintain and further expand our market share.

Chinese Liquor Business

Overview

We produce and sell Chinese liquor through our subsidiary, Funglian. The Chinese liquor business has historically been regionally focused, with different regions having developed and favoring particular types of liquor. Our Chinese liquor brands focus on consumer markets and our brands and products have strong presences in the regions close to their respective places of origin. Our Bancheng brand has been recognized by China's General Administration of Quality Supervision, Inspection and Quarantine as a "national geographical indication product" with wide acceptance in its regional market of Hebei province. Our Wenwang brand is popular among consumers in Anhui Province for its special production technique and its high quality products, and the company producing it, Anhui Wenwang Spirits Co., Ltd., was awarded "Quality Enterprise of Anhui Province". We acquired four Chinese liquor brands from 2011 to 2013 and have subsequently helped these brands adjust their strategic direction to stay competitive in their respective markets. We emphasize quality and customer experience and have set up a uniform quality control system for all of Funglian's brands. More importantly, we have successfully applied our understanding of China's fast-moving consumer goods industry to substantially enhance the efficiency of Funglian's supply chain management and marketing. As of December 31, 2014, we had made total investments of RMB1,594 million in Funglian, RMB187 million in the form of equity investments and RMB1,407 million through shareholder loans.

We intend to increase our market share in China's regional liquor markets and improve our business performance by further optimizing our operational efficiency and product mix. We believe that the Chinese liquor sector will be driven by the changing preferences of younger generations. As a result, we are exploring new marketing and branding strategies and designing new products to appeal to them.

For the years ended December 31, 2012, 2013 and 2014, the revenue from our Chinese liquor business was RMB910.5 million, RMB1,297.9 million and RMB1,121.1 million, respectively.

Products

We expanded our Chinese liquor business mainly through acquisitions, restructuring and innovation. We currently hold four major spirit brands: "Bancheng", "Confucius Family", "Wenwang" and "Wuling", each of which are held through subsidiaries.

Subsidiary	Major Brand	Type of Fragrance	Primary Market
Chengde Qianlong Zui Spirits Co., Ltd. ("**Bancheng Spirits**")	Bancheng	Luzhou-flavored	Hebei Province
Qufu Confucius Family Spirits Co., Ltd. ("**Confucius Family Spirits**")	Confucius Family	Luzhou-flavored	Shandong Province
Anhui Wenwang Spirits Co., Ltd. ("**Wenwang Spirits**")	Wenwang	Luzhou-flavored	Anhui Province
Wuling Spirits Co., Ltd. ("**Wuling Spirits**")	Wuling	Moutai-flavored	Hunan Province

Most of our Chinese Liquor products are low-end or middle-end. The major products of our four subsidiaries are set forth below:

- Bancheng Spirits' products achieve their unique taste by combining modern microbiological technology with traditional Chinese spirit-making techniques. Bancheng was named a "China's Time-honored Brand" by MOFCOM in 2006. Bancheng Spirits owned 20 production lines, with a designed production capacity of 20,000 tonnes per annum, as of December 31, 2014.

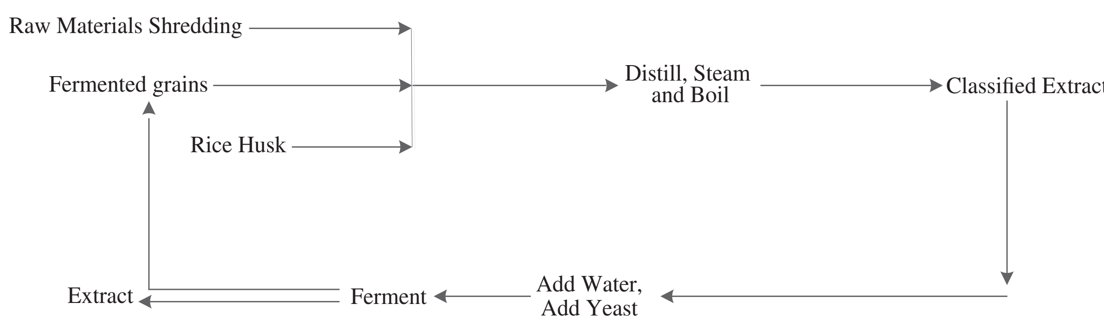
- Confucius Family Spirits has developed the pottery-vase series, mansion-stored series, satisfaction series, fragrant series and other products with different characteristics targeting different consumer groups. Qufu Confucius Family Spirits owned 13 production lines, with a designed production capacity of 13,000 tonnes per annum, as of December 31, 2014.

- Wenwang Spirits combines traditional techniques with modern technology to distil aromatic spirits through its own unique methods. Its main spirits products are sold under the "Wenwang" brand. Wenwang Spirits recently introduced its new "Xiao Mi Kung Fu" with a sweeter taste and creative packaging targeting younger consumers. Wenwang Spirits owned 18 production lines, with a designed production capacity of 6,000 tonnes per annum, as of December 31, 2014.

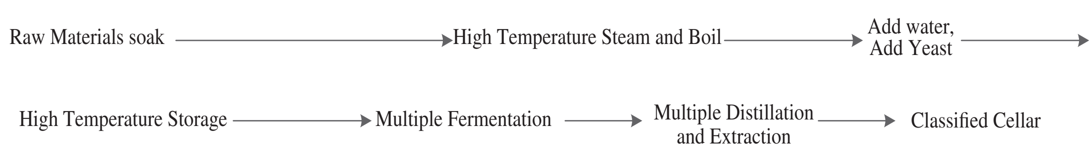
- Wuling Spirits produces and sells Moutai-flavored products, which are made of quality sorghum and wheat. Wuling Spirits owned two production lines, with designed production capacity of 1,750 tonnes per annum, as of December 31, 2014.

Production

Our Luzhou-flavoured products are made of quality sorghum, wheat, rice, glutinous rice and corn from China's Northeastern provinces, which are traditionally famous for the quality of their grains. Our production techniques combine traditional techniques as well as modern technology. The following flow chart illustrates our major production processes for Luzhou-flavored products:



Our principal Moutai-flavored product, Wuling Spirit, is a distilled spirit made of quality glutinous sorghum and wheat. The following flow chart illustrates the major production processes of our Moutai-flavored products:



Quality Control and Product Safety

Our quality control measures include internal controls over raw materials, the production process and final products; and our external control measures include control over supplier management and customer feedback. We use a comprehensive system covering the selection of qualified suppliers, internal quality management, customer feedback, supplier management and internal quality control to improve product quality.

Confucius Family Spirits was among the first Chinese liquor enterprises in Shandong Province to receive ISO9001:2008 quality management certification and ISO14001 environmental management certification. Both Wuling Spirits and Bancheng Spirits have obtained these two ISO certifications as well. Wenwang Spirits has received ISO9001:2008 quality management certification.

Sales and Marketing

The following table sets forth the Chinese liquor sales revenue of our four main brands for the years ended December 31, 2012, 2013 and 2014:

	As of December 31,		
	2012	**2013**	**2014**
	Sales Revenue	**Sales Revenue**	**Sales Revenue**
	(RMB in millions)		
Bancheng	638	543	511
Confucius Family	86	261	196
Wenwang	66	361	296
Wuling	111	122	103
Total	901	1,287	1,106

According to Euromonitor, China's high-end Chinese liquor market has been adversely affected as a result of the recent PRC government policies prohibiting luxury dining using government funds and is going through a period of intensive adjustment; low-end middle-end Chinese liquors have also been affected by these same trends, but to a lesser extent. It is expected that the Chinese liquor manufacturers will tailor their products and marketing strategies to place a greater emphasis on the mass market. To better respond to developments in China's liquor market, we adjusted our product mix, marketing strategies and distribution channels in 2013 and 2014. These business adjustments were substantially completed by the end of 2014.

We engage distributors to sell our products through liquor stores, restaurants, shopping malls and supermarkets. We believe this distribution network provides us with extensive geographic coverage, deep market penetration and diversified distribution channels and is in line with the industry practice. As of December 31, 2014, Funglian had business relationships with approximately 473 distributors, who were generally engaged in the business of distributing and selling Chinese liquor products, and of which all were Independent Third Parties.

We currently focus on the respective regional markets of product-origin of our four brands, where we have solid customer bases to support our marketing strategy. We intend to employ a group-level selling strategy to serve corporate customers and expand our business. We also plan to strengthen our sales in towns, villages and other rural areas in China with increased marketing campaigns.

Purchase and Suppliers

Funglian uses a centralized procurement system to obtain raw materials. We normally purchase sorghum from the three Northeastern provinces in China, which are traditionally famous for the quality of their grain products, to ensure the quality of our products. Funglian's cost of raw materials and auxiliary materials as a percentage of Funglian's revenue during the Track Record Period decreased as Funglian achieved higher operational efficiency.

Competition

The Chinese liquor industry is highly competitive and fragmented. We compete primarily with regional players. Chinese liquor producers have been adjusting their strategies and product mix to meet changes in the market. We continue to strengthen our brand awareness, focus on the mass consumer market, reinforce our regional market positions and expand to new markets. We are also trying to expand our Confucius Family brand into the international market, as it is already well known in overseas markets such as Taiwan and the Republic of Korea.

PROPERTY BUSINESS

Overview

Leveraging our deep understanding of China's economy and its industries, as well as our decades' of expertise in business development, in 2001 we founded Raycom to enter the Chinese property market and participate in the rapid growing China's property market in the early 2000s. Since its establishment, our property business has achieved strong growth.

As of April 30, 2015, our real estate portfolio covered 15 Chinese cities and included 50 projects at three different stages of development: (i) completed, (ii) under development; and (iii) held for future development. These projects covered a total land area of approximately 6.7 million sq.m. and a total GFA* of approximately 14.5 million sq.m. For the years ended December 31, 2012, 2013 and 2014, revenue for our property business was RMB7,535.0 million, RMB9,142.1 million and RMB11,498.5 million, respectively. As of December 31, 2014, the net debt of our property business, which is calculated as the total borrowings (which include bank loans and other loans) and shareholder loans less cash and cash equivalents of our property business, was RMB17,006.4 million.

We believe we have unique advantages in the property business. Leveraging our brand influence and network, we are able to attract local partners and acquire land at prime locations for joint development. Furthermore, we are able to address the diverse needs of customers in various regions and achieve growth by utilizing the management expertise of Raycom and its local subsidiaries.

Note: The data of GFA marked with "*" sets forth in this sub-section does not include the area which is not taken into consideration when calculating the plot ratio or floor area ratio, such as car parks and basements.

China's property industry is geographically segmented, which requires property developers to have in-depth understanding of the relevant region and local experience. Raycom has adopted a highly decentralized management system with headquarters having responsibility for investment decisions and local companies given sufficient decision-making authority for project development and management. The general managers of Raycom and its subsidiaries have an average tenure of over 10 years with a low turnover rate, and have developed deep understandings of their respective regional markets.

Business Strategy

Our property business will continue to leverage its decentralized management model with in-depth geographic coverage and pooled resources to focus on established markets, customer identification and product positioning analysis. We plan to enhance our regional strategic management and to increase our resource allocation to our established regions with good market prospects and experienced teams.

We will continue to develop residential property to seize the growth opportunities in China's property market. We will continue to cooperate with third parties to share resources in complementary ways. Our cooperation model has assisted us in acquiring high-quality land at a relatively low cost and expanding our business in a cost-efficient manner. We will continue to promote our development model and improve economic efficiency.

We will further achieve product optimization and encourage innovation. In addition to residential property development, we will also focus on opportunities in office building and industrial park development and plan to provide other real estate-related services and value-added products.

Our Business

Our property business includes the (i) development and sale of residential properties; (ii) development, sale, lease and management of office buildings and industrial parks, with the ability to develop properties tailored to the requirements of our corporate customers; and (iii) property management services provided by our joint venture, FPD Raycom Property Management Co., Ltd. ("**FPD-Raycom**"). Raycom primarily focuses on first-tier cities such as Beijing and affluent second- and third-tier cities in Southeast, Southwest and Central China.

For residential property development, our primary focus is on developing projects with comfortable living environments at locations with convenient public transportation. We develop these projects in municipalities, provincial capital cities and other cities with promising markets. We primarily develop the following types of residential properties:

- high-rise and mid-rise apartments, which are typically buildings higher than nine stories;

- low-rise garden apartments, which are typically buildings of five to eight stories; and

- townhouses, including connected townhouses, courtyard townhouses and split-level townhouses.

In our office building business, we develop (i) office buildings that we retain, lease and manage for investment purposes, including Raycom Infotech Center Tower A and Tower C; (ii) office buildings that we sell such as Raycom Wangjing Property Center and Raycom Creative Center; and (iii) customized office buildings for sale or lease to identified corporate customers, such as the Sohu New Media Plaza in Beijing. We develop office buildings primarily in prime locations of first- and second-tier cities in locations with attractive nearby facilities and convenient transportation.

We selectively hold office buildings as investment properties for long-term returns. As of December 31, 2014, we had an investment property portfolio with a total GFA* of approximately 104,718 sq.m. Our properties held for investment include Raycom Infotech Tower A and Tower C, a prestigious development located in Beijing's Zhongguancun area, with an average occupancy rate of over 95% as of December 31, 2014. We own Raycom Infotech Tower A and Tower C through our wholly owned subsidiary Raycom Property Investment, which, as of December 31, 2014, had a net debt of RMB4,049.2 million, which is calculated as the total borrowings (which include bank loans and other loans) and shareholder loans less cash and cash equivalent of Raycom Property Investment. Though we expect to continue to sell, rather than hold, a majority of the properties that we develop, we also intend to carefully evaluate investment opportunities and prudently increase our investment portfolio.

Our joint venture, FPD-Raycom, provides property management services to the residential properties we have developed and sold. We also engage FPD-Raycom to provide ancillary services for the office buildings we retain and manage for investment purposes. We place great emphasis on property management services because we believe that these services enhance property values for our customers and improve our brand recognition. We typically involve our property management teams in the early stages of property development, such as in design and planning, which helps to minimize future maintenance costs.

We categorize our properties into three types according to their stages of development:

- *Completed properties*. We treat a property as "completed" when we receive the certificate of completion from the relevant local government authorities in respect of the property;

- *Properties under development*. We treat a property as "under development" during the period from when we receive the construction works construction permit from the relevant local government authorities until we receive the certificate of completion; and

• *Properties held for future development*. We treat a property as "held for future development" when we acquire interests in the land relating to the property to be developed, regardless of whether we have obtained the relevant land use right certificate, until we receive the construction works construction permit. Our properties held for future development generally comprise land for which we have obtained the land use right certificate and sometimes also include land for which we have entered into a land use right grant contract but have yet to obtain the land use right certificate.

As of December 31, 2014, we had obtained the land use right certificates for all completed properties and properties under development.

Portfolio of Our Property Development Projects

By City

The table below summarizes our property development projects as of April 30, 2015 by city:

	Total GFA*			
City	**Completed**	**Under development**	**Future development**	**Total**
	(sq.m.)	*(sq.m.)*	*(sq.m.)*	
Beijing	1,079,012	53,092	37,476	1,169,580
Tianjin	672,526	147,855	373,377	1,193,758
Hangzhou	127,004	151,954	277,690	556,648
Wuhan	462,994	191,821	514,680	1,169,495
Chongqing	949,837	349,187	908,475	2,207,499
Changsha	934,626	153,476	164,556	1,252,658
Hefei	513,679	385,270	1,105,682	2,004,631
Wuxi	319,688	183,397	264,308	767,393
Kunming	107,361	266,572	1,086,951	1,460,884
Dalian	–	196,280	–	196,280
Sanya	–	78,398	177,136	255,534
Daqing	274,449	14,335	1,339,544	1,628,328
Jiangyin	35,043	66,364	–	101,407
Tangshan	201,116	–	–	201,116
Jingdezhen	48,108	–	263,058	311,166
Total	**5,725,443**	**2,238,001**	**6,512,933**	**14,476,377**

By Type of Property Project

The table below summarizes our property development projects as of April 30, 2015 by property type:

	Total GFA*			
Property type	**Completed**	**Under development**	**Future development**	**Total**
Residential properties	5,388,232	2,223,666	3,938,980	11,550,878
Commercial properties	337,211	14,335	2,573,953	2,925,499
Office buildings	337,211	–	–	337,211
Industrial parks	–	14,335	2,573,953	2,588,288
Total	**5,725,443**	**2,238,001**	**6,512,933**	**14,476,377**

Status of Our Projects

The following table sets forth certain information relating to our completed properties, properties under development and properties held for future development as of April 30, 2015. The GFA* data for each project is for that project as a whole and does not reflect the amount of GFA* solely attributable to us to the extent that our interest in the project is less than 100%.

Project	Location	Site Area	Completed: GFA* Completed(1)	Completed: GFA* sold and Delivered(2)	Completed: GFA* sold and Undelivered(2)	Completed: Saleable GFA* Remaining Unsold(2)	Completed: Rentable GFA* Held for Investment(2)	Completed: Actual Completion Date(6)	Under development: GFA* Under Development(3)	Under development: Saleable(5)/ Rentable GFA*(4)	Under development: GFA* Pre-sold(5)	Under development: Expected Completion Date	Held for Future Development: Planned GFA*	Held for Future Development: Land Use Rights Not Yet Obtained(2)	Raycom Attributable Interest(7)	Reference to property Valuation Report
		(sq.m.)	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*		*(sq.m.)*	*(sq.m.)*	*(sq.m.)*		*(sq.m.)*	*(sq.m.)*	*(%)*	*(property number)*
Wisdom Castle (千章嘉園)	Beijing	117,672	85,980	50,704	14,523	20,730	–	12/2014	53,092	53,080	–	12/2015	37,476		80	1
Olive City (橄欖城)	Beijing	132,451	398,221	384,130	2,966	8,954	–	08/2014	–	–	–	–	–		100	N/A
Raycom Creative Center (融科創意中心)	Beijing	19,750	78,445	65,996	–	12,450	–	01/2013	–	–	–	–	–		66.9	N/A
Blocks A and B and C of Raycom Info Tech Centre (融科資訊中心A&C座)	Beijing	27,128	102,264	–	–	–	101,744	09/2004	–	–	–	–	–		100	2
Block C of Raycom Info Tech Centre (融科資訊中心B座)	Beijing	15,388	60,004	–	–	–	59,922	03/2015	–	–	–	–	–		100	2
SOHU New Media Plaza (搜狐新媒體大廈)	Beijing	6,443	28,517	28,517	–	–	–	03/2013				–	–		100	N/A
Parc de Vincennes (鈞廷)	Beijing	47,824	120,633	117,411	–	3,221	–	09/2014	–	–	–	–	–		100	N/A
Xiang Xue Lan Xi (香雪蘭溪)	Beijing	81,979	204,948	204,948	–	–	–	09/2011	–	–	–	–	–		100	N/A
Fenghe Yuan (豊合園)	Tianjin	67,392	24,455	21,624	542	1,992	–	06/2014	78,851	28,703	50,148	08/2015	–		30.6	N/A
Lakeside Origin (橡樹灣)	Tianjin	584,786	75,509	31,326	3,438	40,445	–	11/2014	–	–	–	–	320,520		95	N/A
Taiyin Yuan (泰怡園)	Tianjin	18,214	27,321	26,146	234	941	–	09/2014	–	–	–	–	–		30.6	N/A
Han Tang Yuan (瀚棠園)	Tianjin	64,320	–	–	–	–	–	–	69,004	56,749	12,094	12/2015	52,857		29.8	N/A
Xin Yi Wan & Yi Jin Tai (心貽灣&貽錦台)	Tianjin	195,331	545,241	545,241	–	–	–	10/2012	–	–	–	–	–		54	N/A
Allinsun Garden (璦驪山)	Hangzhou	70,464	127,004	29,240	17,302	78,977	–	07/2014	–	–	–	–	–		100	N/A
Cover life (璦頤灣)	Hangzhou	60,801	–	–	–	–	–	–	151,954	150,623	–	09/2015	–		100	N/A

Project	Location	Site Area	Completed						Under development				Held for Future Development		Raycom Attributable Interest[(7)]	Reference to property Valuation Report
			GFA* Completed[(1)]	GFA* sold and Delivered[(2)]	GFA* sold and Undelivered[(2)]	Saleable GFA* Remaining Unsold[(2)]	Rentable GFA* Held for Investment[(2)]	Actual Completion Date[(6)]	GFA* Under Development[(3)]	Saleable[(5)]/ Rentable GFA*[(4)]	GFA* Pre-sold[(5)]	Expected Completion Date	Planned GFA*	Land Use Rights Not Yet Obtained[(2)]		
		(sq.m.)	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*		*(sq.m.)*	*(sq.m.)*	*(sq.m.)*		*(sq.m.)*	*(sq.m.)*	*(%)*	*(property number)*
Xiaoshan Plot (蕭山地塊)	Hangzhou	107,876	–	–	–	–	–	–	–	–	–	–		277,690	100	N/A
Raycom Skyline (融科天城)	Wuhan	87,366	400,700	378,592	3,660	9,784	2,454	05/2014	–	–	–	–	–		100	N/A
Raycom Luoyu Road Centre (珞瑜路中心)	Wuhan	15,890	62,294	58,639	243	2,475	–	07/2013	–	–	–	–	–		100	N/A
Raycom Flower Garden (花滿庭)	Wuhan	112,860	–	–	–	–	–	–	191,821	81,311	106,229	12/2015	–		100	N/A
Raycom Celestial Height (融科天域)	Wuhan	47,129	–	–	–	–	–	–	–	–	–	–	164,911		35.7[(8)]	N/A
Raycom Zhi Gu (融科智谷)	Wuhan	187,042	–	–	–	–	–	–	–	–	–	–	349,769		100	N/A
Teng Wang Ge (滕王閣)	Chongqing	250,007	–	–	–	–	–	–	–	–	–	–	823,831		100	N/A
Golden Age (金色時代)	Chongqing	112,876	–	–	–	–	–	–	197,243	172,432	18,127	10/2017	84,644		100	N/A
Chongqing Raycom City	Chongqing	634,625	949,837	880,312	10,116	30,650	–	11/2014	151,944	103,365	44,863	06/2016	–		100	N/A
First Sea (東南海)	Changsha	215,778	484,784	463,032	5,248	16,503	–	11/2013	153,476	103,444	41,501	12/2016	3,161		75	N/A
La Villa (檀香山)	Changsha	111,674	282,778	279,335	681	93	–	12/2012	–	–	–	–	–		100	N/A
Jin Jiang Ming Zhu (靳江明珠)	Changsha	46,380	–	–	–	–	–	–	–	–	–	–	161,395		95	N/A
San Wan Ying Chi (三萬英尺)	Changsha	34,852	167,064	167,064	–	–	–	03/2008	–	–	–	–	–		100	N/A
Wu Tong Li (梧桐裡)	Hefei	69,779	–	–	–	–	–	–	127,710	50,057	76,829	12/2015	124,083		60	N/A
Raycom Splendor Nonet (融科九重錦)	Hefei	74,916	232,927	221,565	593	7,539	–	08/2012	–	–	–	–	–		100	N/A
Hefei Raycom City (合肥融科城項目)	Hefei	401,595	280,752	245,595	4,036	30,341	–	01/2015	257,560	116,534	140,399	10/2015		981,599	61.42[(9)]	3
Nine Jade City (玖瑞尚城)	Wuxi	122,496	83,912	68,207	1,675	12,957	–	04/2014	–	–	–	–	225,672		95	N/A
Balance City (玖玖城)	Wuxi	92,258	101,524	95,924	224	5,376	–	06/2011	116,233	91,062	15,973	08/2016	–		100	N/A

Project	Location	Site Area	Completed						Under development				Held for Future Development		Raycom Attributable Interest[7]	Reference to property Valuation Report
			GFA* Completed[1]	GFA* sold and Delivered[2]	GFA* sold and Undelivered[2]	Saleable GFA* Remaining Unsold[2]	Rentable GFA* Held for Investment[2]	Actual Completion Date[6]	GFA* Under Development[3]	Saleable[5]/ Rentable GFA*[4]	GFA* Pre-sold[5]	Expected Completion Date	Planned GFA*	Land Use Rights Not Yet Obtained[2]		
		(sq.m.)	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*		*(sq.m.)*	*(sq.m.)*	*(sq.m.)*		*(sq.m.)*	*(sq.m.)*	*(%)*	*(property number)*
Jinhua Bay Shi Jia (金瑚灣世家)	Wuxi	133,298	82,163	71,466	3,997	3,997	–	12/2013	67,164	60,132	4,571	08/2015	38,636		100	N/A
Project Yixing (宜興項目)	Wuxi	32,556	52,089	52,089	–	–	–	12/2010	–	–	–	–	–		60	N/A
Kunming Legend Tech City (昆明聯想科技城)	Kunming	93,174	107,361	91,231	6,347	9,500	–	12/2014	171,027	79,381	87,433	12/2015	–		51	N/A
Kunming Legend Tech City (昆明聯想科技城)	Kunming	326,392	–	–	–	–	–	–	95,545	91,912	–	12/2015	1,086,951		51	N/A
Yan Qi Du (雁棲渡)	Dalian	140,289	–	–	–	–	–	–	196,280	181,170	11,330	09/2015	–		50	N/A
Blue Lifang (藍立方)	Sanya	22,328	–	–	–	–	–	–	78,398	48,417	29,791	12/2016	–		60	N/A
Haitang Bay (海棠灣項目)	Sanya	587,382	–	–	–	–	–	–	–	–	–	–	177,136		65	N/A
Daqing Legend Tech City (大慶聯想科技城)	Daqing	118,578	274,449	153,473	24,044	71,434	–	06/2013	–	–	–	–	97,854		100	N/A
Daqing Legend Tech City (大慶聯想科技城)	Daqing	168,329	–	–	–	–	–	–	–	–	–	–		437,656	100	N/A
Daqing Legend Tech City (大慶聯想科技城)	Daqing	199,973	–	–	–	–	–	–	–	–	–	–		201,972	100	N/A
Daqing Legend Tech City (大慶聯想科技城)	Daqing	75,929	–	–	–	–	–	–	–	–	–	–		174,637	100	N/A
Daqing Legend Tech City (大慶聯想科技城)	Daqing	42,276	–	–	–	–	–	–	–	–	–	–	101,461		100	N/A
Daqing Legend Tech City (大慶聯想科技城)	Daqing	103,424	–	–	–	–	–	–	–	–	–	–		104,458	100	N/A
Daqing Legend Tech City (大慶聯想科技城)	Daqing	24,560	–	–	–	–	–	–	–	–	–	–		120,345	100	N/A
Daqing Legend Tech City (大慶聯想科技城)	Daqing	22,279	–	–	–	–	–	–	–	–	–	–		82,434	100	N/A
Daqing Legend Tech City (大慶聯想科技城)	Daqing	27,551	–	–	–	–	–	–	14,335	14,335	–	12/2015	18,727		100	N/A

Project	Location	Site Area	GFA* Completed(1)	GFA* sold and Delivered(2)	GFA* sold and Undelivered(2)	Saleable GFA* Remaining Unsold(2)	Rentable GFA* Held for Investment(2)	Actual Completion Date(6)	GFA* Under Development(3)	Saleable(5)/ Rentable GFA*(4)	GFA* Pre-sold(5)	Expected Completion Date	Planned GFA*	Land Use Rights Not Yet Obtained(2)	Raycom Attributable Interest(7)	Reference to property Valuation Report
			Completed						Under development				Held for Future Development			
		(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)		(sq.m.)	(sq.m.)	(sq.m.)		(sq.m.)	(sq.m.)	(%)	(property number)
Private Palace In City (朝宗原築)	Jiangyin	83,824	35,043	26,593	272	8,123	–	06/2012	66,364	55,203	9,362	06/2015	–		100	N/A
Raycom Up Town (融科上城)	Tangshan	131,205	201,116	175,872	9,452	14,924	–	04/2013	–	–	–	–	–		42	N/A
Jiu Yu Yi Pin (九域一品)	Jingdezhen	152,157	48,108	12,499	10,317	12,982	–	11/2013	–	–	–	–	263,058		100	N/A
Total		**6,720,846**	**5,725,443**	**4,946,771**	**119,910**	**404,388**	**164,120**		**2,238,001**	**1,537,910**	**648,650**		**4,132,142**	**2,380,791**		

Notes:

(1) Based on figures provided in the relevant record of acceptance examination upon project completion, the construction works planning permit (建設工程規劃許可證), or our internal records and estimates. "GFA Completed" may not equal the sum of "GFA Sold," "Saleable GFA Remaining Unsold" and "Rentable GFA Held for Investment" as some areas, such as areas taken up by certain support facilities, are not saleable or rentable.

(2) Based on our internal records and estimates. With respect to the "Land Use Right Not Yet Obtained", we have entered into relevant land use right grant contract and are in the process of obtaining the relevant land use right certificates.

(3) Based on figures provided in the relevant construction works planning permit or construction works construction permit, as applicable, or our internal records and estimates. "GFA Under Development" may not equal the sum of "Saleable/Rentable GFA" and "GFA Pre-sold" as "GFA Under Development" includes GFA that is not saleable/rentable.

(4) Derived from the pre-sale permit for commodity property or, where such permit is not yet available, construction works planning permit.

(5) Derived from the pre-sale permit for commodity property or, where such permit is not yet available, our internal records and estimates.

(6) Refers to the latest completion date if the project is completed in several phases.

(7) Refers to interests attributable to Raycom.

(8) In addition to which 49% interests are attributable to Lenovo.

(9) In addition to which 29.4% interests are attributable to Lenovo.

Stages of Property Development

The discussion below describes the various stages in property development.

Land Acquisition

We use a variety of methods to acquire land interests, including:

- purchasing from existing non-governmental land-interest holders pursuant to land transfer agreements;
- establishing joint ventures with companies that have acquired or are well-positioned to acquire interests in land;
- acquiring from government entities through public tenders, auctions and listings-for-sale; and
- selectively seeking primary land development opportunities from local governments.

Project Planning and Design

We engage reputable domestic and international architecture and interior design firms for our projects. These firms handle the architectural, landscape and interior design work of the relevant property development project in accordance with our requirements. We are one of the first property developers in China to engage Skidmore, Owings & Merrill LLP, a globally recognized, U.S.-based architecture firm, who we hired as the primary designer of Raycom InfoTech Center (Towers A and C) and our Hefei Raycom City.

Construction

Before construction work commences, we must obtain the required planning and construction permits, which requires us to meet specific government requirements. We contract out construction work to large construction companies with sound reputations and good track records.

We consider reputation, experience and price in selecting our contractors. We generally select construction contractors through an open tender process. The quality and timeline for the construction is typically specified in the relevant contract, which also requires the construction contractor to pay penalties to us if these are not met. During the Track Record Period, we did not have any major disputes with any of our construction contractors.

We place a strong emphasis on quality control. We implement quality control procedures throughout our property development business, as well as in each of our project companies and construction supervisory companies. We use construction supervisory companies to ensure that our construction contractors' products and services comply with relevant laws, regulations and market standards. These construction supervisory companies have established a quality management system in compliance with the ISO 9001:2008 certification requirements.

Sales and Marketing

We conduct sales and marketing activities primarily through our own sales teams and sales agents. We offer regular training programs to our sales and marketing personnel to maintain an orderly and efficient sales system. Our primary sales promotion methods are Internet advertisements, print materials, indoor exhibitions, outdoor advertisements and proactive engagement with target customers.

Our customers are given the option to pay the purchase price for property as a lump sum or to finance their purchase through a mortgage. In line with market practice, we have made arrangements with various banks to provide mortgage loans to our customers, and we provide guarantees for our customers' mortgage loans. These guarantees are released upon the earlier of (i) the issuance of the property ownership certificate to the purchaser and completion of mortgage registration with the mortgagee bank; and (ii) the purchaser's full repayment of the mortgage loan. As of December 31, 2014, we had an aggregate of RMB3,308.7 million of guarantees outstanding for mortgage loans for the benefit of our customers.

Competition

China's property market is highly competitive. We face competition from domestic and foreign property developers targeting residential housing purchasers in China who are new to the market or are seeking a housing upgrade and office building customers in first-, second- and third-tier cities in China. Competition in the property markets in second- and third-tier cities in China has also intensified over the past few years.

We plan to consolidate our resources to develop properties in regions with high potential. We will be highly selective in choosing suitable land to ensure the continuing quality of our properties. We intend to pursue this strategy to remain competitive in our existing markets, achieve steady profit growth, maintain reasonable debt levels and achieve sustainable growth.

CHEMICALS AND ENERGY MATERIALS BUSINESS

Chemicals Business

Overview

China's chemical industry is transforming from one dominated by commoditized products to one in which specialized chemical products are taking an increasing share of overall production. According to Euromonitor, China's chemicals industry is undergoing rapid growth, faster than China's overall economic growth, driven by rising demand for customized and higher value-added chemical products.

In addition to these changes, against the background of government-mandated structural reforms of China's industrial manufacturing base, the domestic chemical industry is consolidating. We expect the industry's growth to also be driven by the Chinese government's emphasis on sustainable economic development and favourable government policies directed towards more environmentally-friendly products, including the production of olefin products through the deep catalytic cracking ("**DCC**") process.

China's technology for chemical production still lags behind that of developed countries. In particular, China still depends heavily on imports to source higher-end chemical products. Currently, most of Chinese olefin chemical producers' products are lower value-added products, and there are significant opportunities for expansion into more advanced downstream products. Chinese enterprises are now developing an industrial chain to support the production of high-end olefin products through the DCC process.

The high-end olefin products produced through the DCC process have a wide range of applications. For example, ethylene-vinyl acetate ("**EVA**") resins can be applied in producing foam materials, PV film, hot melt glue, wire and cable materials, coating materials, agricultural film and packaging film.

We engage in the production of chemicals through our subsidiary, Levima. Levima focuses on innovative chemical products with growth potential in the context of the transformation of China's chemical industry. We are dedicated to building large, integrated chemical complexes capable of competitively producing advanced products. We believe that with strong shareholder support from our Company, in particular for financing and human resources, Levima will continue to develop its chemicals business. Our reputation and unique corporate culture help Levima to attract and retain outstanding professionals. In addition, Levima can leverage our relationship with CAS to access advanced technologies in the chemicals field. We also share with Levima our resources and our relationships with local governments.

We started the construction of the production facilities for Shenda Chemicals and Haoda Chemicals in June 2012 to enter into the promising field of olefin-related products. As of December 31, 2014, we had completed the construction of most of these facilities and had begun trial operations. Our facilities for the production of EVA, an olefin copolymer with many applications in more advanced materials, are still under construction, and are expected to be completed in the third quarter of 2015. As of December 31, 2014, we had made a total investment of approximately RMB3,637.2 million for our chemicals business, comprising RMB360 million in equity investments and RMB3,277.2 million in shareholder loans.

Products and Production

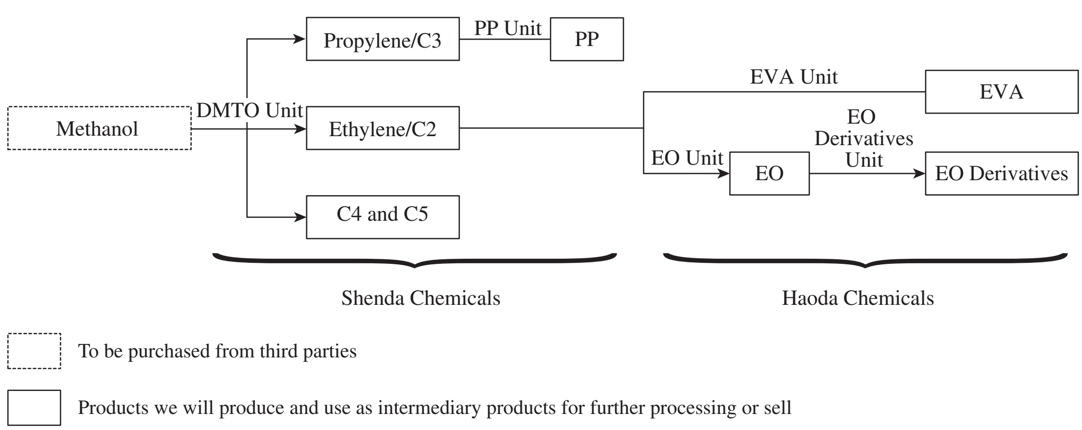
Shenda Chemicals

Levima's subsidiary, Shandong Shenda Chemicals Co., Ltd. ("**Shenda Chemicals**"), has a facility to use methanol to manufacture olefin-related products. Shenda Chemicals' facilities are designed to produce PP, ethylene and mixed C4 and C5 using the relatively mature methanol-to-olefin (DMTO) process. Its main products are expected to include PP (with a designed annual production capacity of 200,000 tonnes), ethylene (with a designed annual production capacity of 170,000 tonnes), and C4 and C5 (with a combined designed annual production capacity of 60,000 tonnes). As of the Latest Practicable Date, Shenda Chemicals facilities were undergoing testing and trial operations.

Haoda Chemicals

Levima's subsidiary Shandong Haoda Chemicals Co., Ltd. ("**Haoda Chemicals**"), has facilities for DCC processing of ethylene, and it is expected to use primarily ethylene produced by Shenda Chemicals as its feedstock to produce EVA, ethylene oxide (EO) and EO derivatives. Haoda Chemicals' designed annual production capacity is 100,000 tonnes of EVA (still under construction), 120,000 tonnes of EO, and 120,000 tonnes of EO derivatives (primarily polyether and non-ionic surfactant products). Using advanced technology and equipment for DCC processing and ethylene production, Haoda Chemicals is positioned differently from many other similar enterprises in China, as it will focus more on producing downstream derivatives to facilitate import substitution for high-end chemical products, rather than focusing on the more commoditized chemical products of other enterprises. As of the Latest Practicable Date, Haoda Chemicals' EVA production facilities are still under construction and other facilities are undergoing trial operation.

The following flow chart illustrates the production processes of the major products of Shenda Chemicals and Haoda Chemicals:



All of our DMTO, PP, EVA, EO and EO derivative facilities adopt world-leading production technologies.

Levima's subsidiary, Jining Zhongyin Electrochemical Co., Ltd. ("**Zhongyin Electrochemical**"), produces chlor-alkali products. Its main products include caustic soda, cyclohexanone, paste PVC resin and chlorparaffin. Its facilities have designed annual production capacities of 300,000 tonnes of caustic soda, 60,000 tonnes of cyclohexanone, 40,000 tonnes of paste PVC resin and 40,000 tonnes of chlorparaffin. For the years ended December 31, 2012, 2013 and 2014, revenue of Zhongyin Electrochemical was RMB733.6 million, RMB623.4 million and RMB1,264.3 million, respectively.

Levima's subsidiary, Tengzhou Guozhuang Mining Co., Ltd., conducts coal mining and related operations. As of December 31, 2014, it had two mines with an aggregate designed annual production capacity of approximately 1.08 million tonnes. For the years ended December 31, 2012, 2013 and 2014, revenue of Tengzhou Guozhuang Mining Co., Ltd. was RMB518.9 million, RMB448.4 million and RMB331.9 million, respectively. As the reserves gradually decrease along with the excavation activities, we do not plan to expand or make further investments in this business.

Research and Development

Levima established a research and development center in Changzhou, Jiangsu Province in 2011. This center focuses on the chemical sectors related to Levima's business. With an excellent research and development team, advanced testing facilities and the strong connection between our Company and CAS, we believe that Levima's research center is well-positioned to become a leading Chinese laboratory specializing in the synthesis and application of alkoxylated materials, as well as research and development on propylene/ethylene downstream materials. As of December 31, 2014, Levima's research and development team consisted of 28 technical and engineering personnel specialized in new product development; they had applied for four patents in China. As of the same date, approximately 75% of Levima's research and development team held master or above degrees among which six of them had received doctoral degrees. The team members had an average of over five years work experience in the relevant fields.

Levima conducts research and development activities focused on molecular design, synthesis, and the evaluation of application performance, in particular for non-ionic surfactants, polyether and end-capped products. Levima has designed its research and development projects according to the findings of its communications with downstream manufacturers and other consumers of its products to better understand market demand in China. As of December 31, 2014, Levima's research and development center in Changzhou had developed over 100 products, 46 of which were available for industrial production. All 46 of these products were in compliance with the relevant environmental and efficiency requirements, and these products have been used in applications in industries including construction, chemicals, textiles, metal processing, photovoltaic products, pulp and paper, emulsion polymers, agricultural pesticides, polyurethane and coating applications. Along with further promoting the industrial application of Levima's products, we also provide other differentiated and specialized products and services to customers in various industries. We provide these based on our understanding of market dynamics, and our deep research, development and technology expertise.

Quality Control

Levima's quality control procedures are implemented primarily through the following steps:

(1) Comprehensive staff training on quality awareness. We are dedicated to raising our staff's awareness of the importance of quality control, including through self-inspection, mutual inspection and professional inspection.

(2) Strict enforcement of technical standards. Levima is dedicated to continuously improving workers' operating skills to control key steps in the production process and managing all factors affecting product quality and to continuously improve operational capability and production efficiency. Levima is applying for ISO 9000 certification.

(3) Proper establishment of quality control points. We use quality control points at the relevant steps of production, including materials inspections, mid-point inspections, and final product inspections.

(4) Effective centralized control of defective products. Levima applies its findings from its quality control process to avoid future occurrences of similar issues.

Sales and Marketing

Levima's sales network mainly consists of direct sales to customers and sales through distributors. Distributors are generally responsible for maintaining relationships with small-to medium-sized customers, while Levima directly sells its products to its crucial larger customers, with whom it has long-term relationships. Levima is continuously seeking to increase the proportion of its direct sales.

Purchase and Suppliers

We purchase methanol, which is our most important externally sourced raw material, primarily from suppliers in Tengzhou City and the adjacent areas of Shandong Province, where our principal production facilities are located. Our production base is located in an area with many methanol suppliers, which we believe gives us a cost advantage over many other producers in China.

Environmental Matters

Levima is committed to observing environmental protection regulations in its business activities and has established management systems and procedures according to applicable laws and regulations. Each of its subsidiaries has a dedicated team responsible for undertaking relevant environmental protection activities and procedures set forth in manuals and policies promulgated by Levima, including organizing training, conducting on-site inspections, spotting potential issues, monitoring and analyzing data related to the emission, disposal and discharge of hazardous materials and following contingency plans in the case of accidents. For more information, see "– Environmental Protection, Health and Safety – Chemicals and energy materials business". During the Track Record Period, we did not encounter any serious accidents and were not charged with any material violations of environmental standards.

Competition

China's chemicals industry is highly fragmented. Levima's competitors in the chemicals market include overseas producers and local manufacturers in China.

We believe that the competition among chemical manufacturers in China is gradually moving away from one based on price towards one based on product quality, as well as on the ability to meet customers' demands. This transition is attributable to the higher product quality standards and innovation increasingly required by China's end-users in selecting their chemical product suppliers. We believe that, leveraging its high quality diversified product offerings and strong R&D capabilities, Levima is well equipped to maintain competitive advantages in the market.

Energy Materials Business

We engage in the lithium-ion batteries business through our subsidiary, Phylion Battery. Our products in this business are batteries used mainly in electric bicycles ("**E-bikes**") and electric vehicles. We are the major provider of lithium-ion batteries for China's top three E-bike producers: Aima (愛瑪), Yadea (雅迪) and Sunra (新日). Our production facilities have a designed annual production capacity of 370 megawatt-hours (MWh) of lithium-ion batteries. As of December 31, 2014, our equity investment in this business was RMB171 million.

We rigorously enforce environmental protection policies and health and safety rules in our lithium-ion battery business, including through the formation of a seven-member team specifically responsible for environmental protection, health and safety matters. We believe that our measures have been sufficient to meet applicable environmental and safety standards, and during the Track Record Period, we did not encounter any serious accidents and were not charged with any material violations of environmental or safety standards. For more information, see "– Environmental Protection, Health and Safety – Chemicals and energy materials business".

FINANCIAL INVESTMENTS

OVERVIEW

Our financial investments business includes fund investments and other financial investments. The Group is a limited partner investor and holds equity interests in the general partner of each limited partnership fund of Legend Capital and Hony Capital, fund groups that conduct venture capital and private equity investments, respectively. In addition, we hold all of the equity interests in Beijing Legend Star and Tianjin Legend Star, through which we conduct angel investments. In addition to providing us with financial returns, our financial investment activities also provide us with cash flow support, market information and market intelligence and other resources for our strategic investments. The Group is also a limited partner investor in other funds and has other minority investments.

We are a pioneer in China's alternative investment sector. We seek to capture investment opportunities available at various stages of a company's development. We achieve our growth by leveraging all aspects of our financial investment platforms, which includes angel investment, VC and PE funds, and other investments. In our financial investments business, we also seek synergies and share resources with our strategic investments. Each of our investment arms has a different specialization and focus, which allows us to target a broad range of investments. We provide diversified value-added services and other resources to our portfolio companies, supporting them at various stages in their development. Through Legend Star, Legend Capital and Hony Capital, we have obtained a deep understanding of the financial investment industry, which provides us with access to numerous investment opportunities.

Business Strategy

We intend to maintain a significant level of investments in various alternative investment funds. We will seek opportunities in new investments within financial services and financial products to explore new investment opportunities arising in the capital markets, and adjust our asset allocation in accordance with changing market conditions. We also intend to further enhance synergies with our strategic investments and boost our investment returns.

Investment Criteria and Process

For the investment criteria and process of our financial investments, see "– Our Business Model – Investment Criteria" and "– Our Business Model – Investment Process".

Fund Investment

Our fund investment business includes our investments in funds managed by Legend Capital, Hony Capital, CITIC PE, Zhenghedao Partnership, DCM Venture Capital, China Development Bank Investment, SBI BB Mobile Investment LPS, Bona Qiushi and Quant Star. These funds target asset classes including angel investment, VC, PE, and other investment asset classes. Our LP investments in most funds are either recorded as investments in associates measured at fair value through profit or loss or financial assets measured at fair value through profit or loss. We believe that our investments in leading funds in various asset classes will enable us to build a wide network in the investment community, expand information sources, capture more investment opportunities and diversify our investment risk. As of December 31, 2014, we had invested in a total of nine fund groups. The table below sets forth information relating to our invested funds as of December 31, 2014.

				As of December 31, 2014	
Fund Group	**Target asset class**	**Our role**	**Number of funds**	**Our total Commitment**	**Our total paid-in capital**
				(US$/RMB millions)	*(US$/RMB millions)*
Legend Capital	VC	GP[(1)]/LP	9	US$484 RMB2,483	US$391 RMB1,554
Hony Capital	PE/Mezzanine	GP[(1)]/LP	8	US$708 RMB3,610	US$690 RMB3,473
CITIC PE	PE	LP	2	RMB200	RMB170.3
Zhenghedao Partnership	VC	LP	1	RMB30	RMB12
DCM Venture Capital	VC	LP	1	US$1	US$0.15
SBI BB Mobile Investment LPS	PE	LP	1	US$10	US$10
China Development Bank Investment	PE	LP	1	US$10	US$3.2
Bona Qiushi	Winery Fund	LP	1	RMB4	RMB4
Quant Star	Quantitative fund	GP[(2)]/LP	1	RMB12	–
Total				US$1,213 RMB6,339	US$1,094 RMB5,213

Notes:

(1) We have a 20% equity interest in the general partners of these funds that are structured as limited partnerships.

(2) We have a 10% equity interest in the general partner of this fund.

Legend Capital

We started our venture capital business in the early 2000s and subsequently established Legend Capital as the platform for our venture capital investments. In 2012, Legend Capital changed its Chinese name from "聯想投資" to "君聯資本". Legend Capital focuses primarily on investments in the TMT, healthcare, consumer goods and services industries. According to Zero2IPO, in 2014 Legend Capital was ranked first among China's domestic venture capital funds based on a number of factors including return, fund raising amount and investment amount. Legend Capital was awarded "Outstanding Investment Firm" by Shanghai Securities News in 2014.

As of December 31, 2014, Legend Capital managed six USD funds and three RMB funds. Major investors in Legend Capital's USD funds include fund-of-funds, banks and family funds from North America, Europe and the Middle East. Legend Capital's major investors in its RMB funds include large domestic financial institutions. The Group is a limited partner investor in, and holds a 20% equity interest in the general partner of, each of Legend Capital's funds (except for LC Fund I and LC Fund II, which are structured as limited liability companies rather than limited partnerships).

The following table sets forth information relating to Legend Capital's funds as of December 31, 2014.

	As of December 31, 2014			
	Fund Term		Amount	
Fund	**Commencement Date[(1)]**	**End Date[(1)]**	**Total Commitment[(2)]**	**Total Paid-in Capital[(3)]**
US$ Funds (in US$ millions)				
– LC Fund I [(4)]	N/A	N/A	35	41
– LC Fund II[(5)]	N/A	N/A	60	60
– LC Fund III, L.P.	4/27/2006	4/26/2015	170	170
– LC Fund IV, L.P.	4/15/2008	4/14/2018	350	369
– LC Fund V, L.P.	5/31/2011	5/30/2021	515	413
– LC Fund VI, L.P.	1/30/2014	4/17/2024	500	182
Total of US$ funds			**1,630**	**1,235**
RMB Funds (in RMB millions)				
– Beijing Junlian Ruizhi Venture Investment Center (Limited Partnership)	9/18/2009	9/17/2017	1,000	961
– Tianjin Junruiqi Private Equity Partnership (Limited Partnership)	3/31/2011	3/30/2019	3,632	3,294

	As of December 31, 2014			
	Fund Term		Amount	
Fund	Commencement Date(1)	End Date(1)	Total Commitment(2)	Total Paid-in Capital(3)
– Beijing Junlian Maolin Private Equity Partnership (Limited Partnership)	9/9/2014	9/8/2022	2,558	552
Total of RMB funds			**7,190**	**4,807**

Notes:

(1) The commencement date represents the date of the fund formation. The end date represents the expiry date of the fund term, which is subject to extension in compliance with the relevant limited partnership agreement.

(2) Total Commitment represents the aggregate capital commitment by partners of limited partnerships or investors for the funds structured as limited liability companies, as applicable, as of the final closing date.

(3) Total Paid-in Capital includes management fees, without deduction for costs of fund liquidation.

(4) LC Fund I comprises two limited liability companies, namely Legend Capital Limited, which focused on investments in China, and Legend New-Tech Investment Limited, which focused on overseas investments. Both companies are our subsidiaries and are consolidated in our consolidated financial statements.

(5) LC Fund II is a limited liability company. It is our subsidiary and is consolidated in our consolidated financial statements.

Since its establishment, Legend Capital has invested in over 200 enterprises. As of December 31, 2014, Legend Capital had fully exited its investments in 39 companies with an average internal rate of return of approximately 43.4%.

Hony Capital

In anticipation of China's economic growth following the market reforms in the early years of this century, Hony Capital was founded in the early 2000s to capture investment opportunities as a private equity platform. Through more than 11 years of development, Hony Capital has become one of the most successful and reputable Chinese private equity firms, especially in the restructuring and reorganization of China's state-owned enterprises. Hony Capital was awarded "PE/VC of the Year" by *China Business News* in 2013. It was also awarded "China's Top 10 Most Creative Private Equity Firm" by *China Venture* in 2014. Hony Capital focuses primarily on investments in established businesses in consumer goods and services, advanced manufacturing, healthcare, retailing and other service industries with relatively large investment size both in China and overseas.

Major investors in Hony Capital's USD funds include pension funds, insurance companies, endowments and family funds from North America, Europe and the Asia-Pacific. Major investors in its RMB funds include large Chinese state-owned institutions. The Group is a limited partner investor in, and holds a 20% equity interest in the general partner of, each of Hony Capital's funds (except for Hony International Limited, which is structured as a limited liability company).

The following table sets forth information relating to Hony Capital's funds as of December 31, 2014.

	As of December 31, 2014			
	Fund Term		Amount	
Fund	Commencement Date(1)	End Date(1)	Total Commitment(2)	Total Paid-in Capital(3)
US$ Funds (in US$ millions)				
– Hony International Limited(4)	N/A	N/A	29	29
– Hony Capital II, L.P.	7/26/2004	8/31/2014	87	87
– Hony Capital Fund III, L.P.	9/19/2006	11/10/2016	580	613
– Hony Capital Fund 2008, L.P.	5/27/2008	6/26/2018	1,398	1,583
– Hony Capital Fund V, L.P.	8/10/2011	12/15/2021	2,368	1,850
Total of US$ funds			**4,462**	**4,162**
RMB Funds (in RMB millions)				
– Hony Capital RMB I, L.P.	4/24/2008	4/23/2018	5,026	4,995
– Hony Capital RMB Fund 2010, L.P.	10/13/2010	10/12/2018	9,965	9,315
– Hony Capital Mezzanine RMB Fund I, L.P.	5/17/2013	9/2/2016	1,040	1,034
Total of RMB funds			**16,031**	**15,344**

Notes:

(1) The commencement date represents the date of the fund formation. The end date represents the expiry date of the fund term, which is subject to extension in compliance with the relevant limited partnership agreements.

(2) Total Commitment represents the aggregate capital commitment by partners of limited partnerships or investors for the fund structured as limited liability company, as applicable, as of the final closing date.

(3) For Hony Capital Fund III, L.P., Hony Capital Fund 2008, L.P. and Hony Capital Fund V, L.P., includes eligible revolving committed capital.

(4) Hony International Limited is a limited liability company and the Group held a 40% equity interest in it as of December 31, 2014.

Since its establishment, Hony Capital has completed over 80 transactions. As of December 31, 2014, Hony Capital had fully exited its investments in 23 companies with an average internal rate of return of approximately 33.6%.

Legend Star

Legend Star was founded in 2008 as an angel investor and start-up incubator to capture opportunities in start-up companies. Legend Star assists start-up companies with their concept and technology commercialization by providing assistance in their funding, talent recruitment, training and other resources. According to Zero2IPO, in 2014 Beijing Legend Star was ranked among the top 3 angel investors in China based on a number of factors including return, fund raising amount and investment amount. We provide the following major services through Legend Star:

- *Entrepreneur training*. Leveraging our management practices and experience gained over the past 30 years, we design and develop curricula and lectures for entrepreneurs. Mr. Liu Chuanzhi and our other senior management members teach these programs in person. These programs guide entrepreneurs through issues that start-ups may face during their growth and help them develop their own management practices. As of December 31, 2014, approximately 10,000 participants had attended our year-long CEO training programs and other lecture sessions held in many Chinese cities such as Beijing, Shanghai, Tianjin, Guangzhou and in Silicon Valley in the U.S.

- *Angel investments*. We provide funding to support start-ups, some of which are set up by the alumni of our training sessions, through angel investments with our own capital. As of December 31, 2014, we had invested RMB343.2 million in 63 projects in China and HK$61.7 million in 16 projects overseas.

- *Platform support*. Legend Star has been increasing its cooperation with local governments, other angel investors and professional service providers to create a platform integrating various resources to provide entrepreneurs with a broad range of support. Legend Star operates start-up incubator bases in Suzhou, Tianjin and Shanghai in partnership with the Suzhou Industrial Zone Administrative Commission, Tianjin TEDA Science and Technology Development Group and Shanghai College Student Science and Technology Entrepreneur Foundation, respectively. We are committed to building a start-up platform that promotes technological innovation and the growth of start-ups.

Other Financial Investments

We also make some direct investments, including taking equity stakes in private and listed companies, both in China and overseas. As of December 31, 2014, we had recorded book values of these investments of RMB2,210.1 million and US$75.2 million, respectively, and the initial costs of these investments were RMB1,523.2 million and US$28.0 million, respectively. We plan to further expand our investments to fixed income products.

Competition

We compete with both foreign and domestic investment institutions for both investors and investment opportunities. Competition for investors is based primarily on (1) track record, including past investment performance and management experience; (2) platform strength, including business reputation, industry expertise and the strength of the parent company; and (3) investor relationship, including length and strength of client relationship, value-added services and pricing.

OUR LARGEST CUSTOMERS AND SUPPLIERS

Our customers mainly include customers for our IT business. For the years ended December 31, 2012, 2013 and 2014, 13%, 23% and 20% of our revenue, respectively, were attributable to our five largest customers, and 3%, 7% and 8% of our revenue, respectively, were attributable to our single largest customer.

Our suppliers mainly include the suppliers that provide central processing units, software and liquid crystal display panels for our IT business. For the years ended December 31, 2012, 2013 and 2014, 41%, 37% and 35% of our cost of sales, respectively, were attributable to our five largest suppliers, and 24%, 20% and 18% of our cost of sales, respectively, were attributable to our single largest supplier.

As of December 31, 2014, none of the Directors, their close associates or any shareholders of the Company (who or which to the knowledge of the Directors owned more than 5% of the Company's issued share capital) had any interest in any of our five largest customers or suppliers.

INFORMATION TECHNOLOGY

We recognize the critical importance of information technology and believe that information technology is a key component supporting our business growth and internal controls.

Information Technology Governance and Plans

We have established an information technology group at our headquarters level, which is responsible for (i) compiling overall information planning based on our development strategies and control modes; (ii) setting standardized norms for information technology development; (iii) constructing and operating information management systems and information technology infrastructure; (iv) developing and utilizing data and information resources; (v) establishing information security and information technology operation and maintenance management systems; and (vi) evaluating the outcome of our efforts in information technology development. Our subsidiaries have either established information technology departments or are equipped with professionals to take charge of the construction and operational maintenance of business, management and customer service information systems.

We recognize the importance of planning our information technology development. Centering on our development prospects and objectives, as well as considering the needs of business development and control mechanisms, we have compiled programs that can meet the demands of a listed company, and provide guidance to the development of our information technology systems.

Information Technology Infrastructure and Information Systems

We further divide our information technology group by functions and into sub-groups responsible for management, business, development and support. We have also developed rules on the operation, maintenance and management of our server rooms and have developed emergency response plans for our IT systems. We have developed an enterprise network that covers our subsidiaries in China and overseas, providing comprehensive and efficient information network support services. We have dedicated personnel responsible for our deployed network management and the security management of our enterprise networks. They are dedicated to security management and effectively mitigating internal and external security risks. Using virtualization technology, we have built information technology systems that support all types of management applications, provide data storage and information services, and permit the integration and sharing of information resources.

Research and Development

We have retained professional personnel for general planning, requirements analysis, structure design, software quality control, system deployment and back-up systems for use during maintenance of our information systems. We have formulated divisions of responsibility to address workflow, contingency plans and outsourcing service modes for the operation and maintenance of our information systems, which are designed to safeguard the normal operation of our various information systems.

EMPLOYEES

As of December 31, 2014, we had approximately 60,379 employees, among which 177 were at our Company and approximately 60,202 were at our subsidiaries. As of December 31, 2014, we had approximately 16,716 employees located overseas (primarily Lenovo employees), representing 27.7% of our total employees.

The table below sets forth details of our employees by business segment as of December 31, 2014:

	At December 31, 2014	
	Number of Employees	% of total
		(%)
Our Company	177	0.3
IT	45,696	75.6
Financial Services	170	0.3
Modern Services	3,796	6.3
Agriculture and Food	4,320	7.2
Property	1,120	1.9
Chemicals and Energy Materials	5,100	8.4
Total	60,379	100.0

As of the Latest Practicable Date, in addition to our senior management members, we employed 107 investment professionals with responsibility for our strategic investments and financial investments, with their responsibility divided as follows:

	Number of Employees	% of Total (%)
Strategic Investments	60	56.1
Financial Investments	47	43.9
Total	107	100.0

We believe that the skills and loyalty of our employees are vital to our sustained growth. We have adopted market-oriented performance assessment and incentive systems, under which compensation is linked to employees' performance. Our performance assessment systems provide the basis for human resource-related decisions such as compensation adjustment, bonus distribution, promotion, talent development and employee incentives. We provide various benefits to our employees, including pension insurance, medical insurance, employment injury insurance, unemployment insurance, maternity insurance and housing provident fund, in accordance with the relevant laws and regulations of China and other overseas jurisdictions, as applicable. Lenovo offers special pension plans for certain of its overseas subsidiaries. For more information, see "Appendix IA – Accountant's Report – Note 40. Retirement Benefit Obligations".

We also provide a diverse range of training to our employees, including orientation for new hires, professional skill training, qualification training and professional technology management training to improve employees' professional skills, and provide them with diversified career paths in order to better attract and retain talent. We have adopted various training formats, including videoconference training, field training and domestic and overseas study. We combine various types of content and training formats for customized and effective training.

We have labor unions that protect our employees' rights, assist us in attaining the economic objectives of our Group, encourage employees to participate in management decisions and assist us in mediating disputes with union branches. During the Track Record Period and as of the Latest Practicable Date, our operations were not affected by any strike or significant labor dispute. We believe we will continue to maintain positive relationships with the labor unions and our employees.

INSURANCE

As of the Latest Practicable Date, we maintained major insurance coverage for areas such as office buildings and facilities, vehicles, construction machinery, equipment and materials, and losses due to fire, flood and other natural disasters and incidents occurred during the designed use of flammable, explosive or toxic materials. We also maintain professional malpractice liability insurance for key dentists and medical staff and medical institution liability insurance for our dental business. After considering the nature of our business operations, we believe our insurance coverage is adequate and in line with the commercial practice of industries we operate.

PROPERTIES

Head Office

Our head office is located at 10F, Tower A, Raycom InfoTech Park, No. 2 Ke Xue Nan Lu, Haidian District, Beijing, China.

Property Valuation

Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent property valuer, has valued the selected property interests owned by Raycom as of April 30, 2015. Please refer to the full property valuation report set forth in Appendix III to this prospectus. The total carrying amount of our property interests relating to "non-property activities" is below 15% of the total assets, so the selected property interests are those property interests relating to "property activities" except for those with a carrying amount below 1% of the total assets. The total carrying amount not valued does not exceed 10% of the total assets.

Owned Properties

As of April 15, 2015, 84 properties with an aggregate GFA of approximately 951,940 sq.m. were owned or used by our Company and those of our subsidiaries that we consider material in China. These properties are mainly used as offices and business premises for subsidiaries and for other purposes. Among them:

- our Company and those of our subsidiaries that we consider material have obtained the relevant building ownership certificates for 77 properties with an aggregate GFA of approximately 743,459 sq.m., representing 78.1% of the total GFA of properties owned by our Company and those of our subsidiaries that we consider material. We have also obtained the land use right certificates for the land where these properties are located. We have been advised by Jia Yuan Law Offices, our PRC legal counsel, that we have land use rights over the occupied areas of such properties and are entitled to possess, use, transfer, lease, mortgage or otherwise dispose of such properties.

- our Company and those of our subsidiaries that we consider material have not obtained the building ownership certificate for seven properties with a total GFA of approximately 208,481 sq.m., representing 21.9% of the total GFA of properties owned by our Company and those of our subsidiaries that we consider material. Among these properties:

  (i) in respect of one property constructed by us with a total GFA of approximately 202,375 sq.m., representing 21.3% of the total GFA of properties owned by our Company and those of our subsidiaries that we consider material, we have obtained land use right certificate for the land where this property is located and other approvals relating to its construction. As of the Latest Practicable Date, we were in the process of going through the construction completion examination process, after which we will apply for the building ownership certificates. We have been advised by Jia Yuan Law Offices, our PRC legal counsel, that there are no substantive legal obstacles preventing us from obtaining the building ownership certificate for this property after completing the above-mentioned process.

  (ii) in respect of two properties purchased from third parties with a total GFA of approximately 4,466 sq.m., representing 0.5% of the total GFA of properties owned by our Company and those of our subsidiaries that we consider material, we were going through the registration of transfer procedures for the properties as of the Latest Practicable Date. We have been advised by Jia Yuan Law Offices, our PRC legal counsel, that there are no substantive legal obstacles preventing us from obtaining the building ownership certificates for these properties.

(iii) in respect of four properties constructed by us with a total GFA of approximately 1,640 sq.m., representing 0.2% of the total GFA of properties owned by our Company and those of our subsidiaries that we consider material, we had not obtained the relevant building ownership certificates because upon completion of the construction these properties, we slightly deviated from the original plan set forth in the construction work planning permits. As of the Latest Practicable Date, we were in the process of rectifying the deviations, and we will apply for the building ownership certificates immediately after the rectifications.

As of the Latest Practicable Date, we had not been considered by the competent authorities to be in violation of applicable laws and regulations for the four defective titles in our properties as listed in (iii) above, and we had not been subject to any administrative penalty as a result of these defects.

These defective properties, in aggregate, represent 0.2% of the total GFA of properties owned by our Company and those of our subsidiaries that we consider material, and we do not consider these defective properties crucial to our business operations. Our Directors believe that these properties are of safe conditions and the title defects in these properties will not, individually or in the aggregate, have a material impact on our operations. Jia Yuan Law Offices, our PRC legal counsel, is of the view that since these buildings are constructed on the land for which we have obtained the relevant land use right certificates, and we have obtained all the approvals relating to its construction, there are no substantive legal obstacles preventing us from obtaining the building ownership certificates for these properties after the rectifications.

Land Use Rights

As of April 15, 2015, in addition to the aforementioned properties, our Company and those of our subsidiaries that we consider material owned 52 parcels of land in China with a total site area of approximately 2,942,958 sq.m., with the site area for each parcel ranging from approximately 18 sq.m. to approximately 429,360 sq.m. Among them:

- our Company and those of our subsidiaries that we consider material have obtained the land use right certificates for 47 parcels of land with a total aggregate site area of approximately 2,057,162 sq.m., representing 69.9% of the total site area of parcels of land owned by our Company and those of our subsidiaries that we consider material. We have been advised by Jia Yuan Law Offices, our PRC legal counsel, that we have obtained land use rights for these parcels of land and are entitled to transfer, lease, mortgage or otherwise dispose of the land use rights for these parcels of land.

- our Company and those of our subsidiaries that we consider material have not obtained the land use right certificates in respect of five parcels of land with a total aggregate site area of approximately 885,796 sq.m., representing 30.1% of the total site area of these parcels of land owned by our Company and those of our subsidiaries that we consider material. Among them:

(i) in respect of two parcels of land with a total aggregate site area of approximately 395,938 sq.m., representing 13.5% of the total site area of these parcels of land owned by our Company and those of our subsidiaries that we consider material, we have entered into the relevant land transfer agreements with the local government in compliance with PRC Laws and paid up the premiums. As of the Latest Practicable Date, we were in the process of applying for the land use right certificates. We have been advised by Jia Yuan Law Offices, our PRC legal counsel, that given that we have entered into the relevant land transfer agreements with the local government in compliance with PRC Laws and paid up the premiums, there are no substantive legal obstacles preventing us from obtaining relevant land use right certificates.

(ii) in respect of three parcels of land with a total aggregate site area of approximately 489,859 sq.m., representing 16.6% of the total site area of these parcels of land owned by our Company and those of our subsidiaries that we consider material, we have obtained the relevant land use rights through judicial sale. As of the Latest Practicable Date, we were in the process of applying for the land use right certificates. We have been advised by Jia Yuan Law Offices, our PRC legal counsel, that there are no substantive legal obstacles preventing us from obtaining the relevant land use right certificates.

Rural Land

As of April 15, 2015, our Company and those of our subsidiaries that we consider material had obtained rural land with a total site area of approximately 13,537 mu (9,024,712 sq.m.) for our agriculture planting business. Among them:

(i) in respect of rural land with a total site area of approximately 13,045 mu (8,696,710 sq.m.), representing 96.4% of the total site area of the rural land used by our Company and those of our subsidiaries that we consider material, we have completed all relevant procedures to obtain the land use right.

(ii) in respect of rural land with a total site area of approximately 492 mu (328,002 sq.m.), representing 3.6% of the total site area of rural land used by our Company and those of our subsidiaries that we consider material, we have entered into the rural land use or assignment contract with relevant parties without completing all the mandatory procedures. These contracts are subject to the risks of being deemed null and void. As of the Latest Practicable Date, we were in the process of completing the required procedures.

The relevant rural land is used by our agriculture business for the plantation of fruit and tea. Our Directors believe that the rural land as set out in (ii) above ("**Defective Rural Land**") is not crucial to, and will not have a material impact on, our business, financial condition and results of operations primarily because (i) we have completed all required procedures for approximately 96.4% of the total site area of the rural land used by our Company and those of our subsidiaries that we consider material; (ii) relevant government authorities have issued letters to confirm that our usage of the Defective Rural Land was in compliance with its planning purposes and we had not been subject to any administrative penalty; and (iii) no disputes have occurred that impeded our usage of the Defective Rural Land as of the Latest Practicable Date. We believe that since the defective properties only represent approximately 3.6% of the total site area of rural land used by our Company and those of our subsidiaries that we consider material, the absence of the relevant title certificates will not, individually, or in aggregate, result in any material adverse effect on our operations.

Leased Properties

As of April 15, 2015, our Company and those of our subsidiaries that we consider material had leased from independent third parties 61 properties in China with an aggregate GFA of approximately 131,902 sq.m., with the GFA of each property ranging from approximately 51 to 21,203 sq.m. Among them, 53 properties with an aggregate GFA of approximately 125,277 sq.m. were leased for office and business use, and three properties with an aggregate GFA of approximately 6,625 sq.m. were leased for non-office or non-business use. Among them:

(i) for 53 properties with an aggregate GFA of approximately 122,492 sq.m., representing 92.9% of the total GFA of properties leased by our Company and those of our subsidiaries that we consider material, the lessors have obtained the building ownership certificates. We have been advised by Jia Yuan Law Offices, our PRC legal counsel, that the leases are legal and valid.

(ii) for eight properties with an aggregate GFA of approximately 9,410 sq.m., representing 7.1% of the total GFA of the properties leased by our Company and those of our subsidiaries that we consider material, the lessors have not provided us with the relevant building ownership certificates or consent from owners authorizing the lessors to lease or sublease the relevant properties. If any third party raises an objection regarding the ownership of or right to lease the properties, it may affect our ability to continue leasing such properties.

Our Directors believe that the properties set out in item (ii) above ("**Defective Leased Properties**") are not crucial to, and will not have a material adverse effect on, our business, financial condition and results of operations primarily because (i) the lessors of the properties representing 92.9% of the total GFA of properties leased by our Company and those of our subsidiaries that we consider material have obtained the relevant title certificates; (ii) as of the Latest Practicable Date, no third party had interfered in our use of the Defective Leased Properties; (iii) four out of eight lease agreements of the Defective Leased Properties contain undertakings provided by the lessors that they have the authority to lease the Defective Leased Properties and that we may seek indemnity from the lessors for any loss so caused; and (iv) we can easily lease other properties with valid title certificates in the event that we can no longer use any of the Defective Leased Properties and the estimated time and cost for relocation would not be material.

All of the lease agreements for the above-mentioned 61 properties in the PRC had not been registered with the relevant PRC government authorities. Pursuant to the Regulations of the Lease of Commodity Properties (商品房屋租賃管理辦法), parties to a property lease agreement must register the lease agreement with the relevant housing authorities within 30 days from executing the lease agreement. Failure to do so may subject the parties to a fine ranging from RMB1,000 to RMB10,000 for each non-registration. We have been advised by Jia Yuan Law Offices, our PRC legal counsel, that the failure of registration of the lease agreements does not affect the legality of the related lease agreements.

Overseas Properties

Our overseas businesses are primarily conducted by Lenovo. As of December 31, 2014, Lenovo owned seven properties and leased a number of properties in overseas jurisdictions where it operates. Lenovo's overseas properties are primarily used as warehouses, offices and manufacturing facilities.

INTELLECTUAL PROPERTY RIGHTS

We strongly emphasize the establishment, application, administration and protection of intellectual property rights. Through research, development and application in our ordinary course of business, we have obtained various intellectual property rights which offer enormous value to our businesses. For details of our material registered intellectual property rights, including trademarks, patents and domain names, see "Appendix VII – Statutory and General Information – B. Further Information about Our Business – 2. Our Intellectual Property Rights".

We were not aware of any material incidents of intellectual property rights infringement claims or litigation initiated by others against us or vice versa during the Track Record Period and up to the Latest Practicable Date.

ENVIRONMENTAL PROTECTION, HEALTH AND SAFETY

We are subject to extensive national and local environmental, labor and safety laws, rules and regulations. We believe that environmental protection, health and safety matters are particularly important for our IT, Chinese liquor, property and chemicals and energy materials businesses:

- *IT.* Lenovo is committed to accountability and leadership in environmental affairs. This commitment is documented in Lenovo's corporate environmental affairs policy, which applies to all of its operations and forms the foundation of Lenovo's Environmental Management System ("**EMS**"). Lenovo's EMS establishes the framework through which Lenovo manages all facets of its environmental matters. Lenovo's EMS is ISO 14001-certified and covers the company's global manufacturing, research, product design and development activities for personal computers, tablets, smartphones and related products, servers, and digital and peripheral products. Lenovo's EMS assures the highest level of environmental protection for Lenovo's products as well as throughout operations at Lenovo's worldwide operations. Lenovo's commitment to the health and safety of all its employees is ingrained in the company's culture. Lenovo believes that workplace injuries and illnesses are preventable, and as a result its incident rate is consistently below the industry average. Lenovo's Occupational Health and Safety organization is committed to ensuring the implementation of an effective health and safety management system that includes programs that are designed to meet or exceed regulatory compliance. As of March 31, 2015, all of Lenovo's global manufacturing facilities were OHSAS 18001 certified by Bureau Veritas. In addition, all of its manufacturing locations undertake a rigorous internal audit process to ensure the highest level of regulatory and OHS compliance. Lastly, all of Lenovo's China manufacturing facilities have been certified to meet requirements of China's work safety standardization law and regulations.

- *Chinese liquor business.* We have installed environmental protection facilities to deal with the waste water arising from operations of our Chinese liquor business. We have established procedures to deal with and dispose of all our wastes in accordance with national and local environmental protection laws and regulations. Meanwhile, we continue to enhance our environmental protection measures through various methods, such as (a) selling our byproducts generated in the course of fermentation to independent third parties as feedstuff and fertilizers for livestock, (b) reusing our packaging materials, and (c) reducing wastewater by installing water processing facilities in our production facilities.

- *Property business.* Property development in China must be carried out in accordance with relevant national and local environmental protection laws and regulations and it is in particular subject to laws and regulations regarding air, noise and water pollution, as well as waste discharge. Chinese environmental protection laws and regulations require property development companies to conduct assessments on environmental impact before new construction projects begin so as to ensure that the construction process complies with relevant environmental protection standards. In order to ensure compliance with applicable Chinese environmental laws or regulations, we have taken concrete measures, such as tests of noise levels, electromagnetic radiation and concrete filling, on-site checks of construction materials and removal of materials that are not compliant with environmental protection laws and regulations, regular on-site sampling and extra sampling, and a requirement for contractors to immediately rectify violations. In the course of construction, contractors are responsible for compliance with applicable environmental protection laws and regulations. Under written agreements, we generally entrust independent construction companies with construction work and require them to abide by relevant safety standards. As stipulated in the relevant agreements, our contractors are required to take appropriate safety measures, abide by all safety codes and attend safety trainings before construction begins. Contractors are subject to our supervision and are required to report on construction safety to us and relevant government authorities on a monthly basis. We buy health and accident insurance for our employees. We believe we have taken adequate measures to meet applicable safety standards. As at the Latest Practicable Date, we have not encountered any serious construction-related accidents or been sued for violating safety standards as stated in relevant Chinese laws.

- *Chemicals and energy materials business.* As our business involves production and storage of certain chemical products, it is our policy to strictly comply with national, industry and local environmental protection standards. When there is no local or industry standard available, we opt for compliance with applicable national or international standards. We strive to comply with standards relating to air emission, noise, surface pollution, pollutants emission, exhaust gas treatment, solid waste and wastewater discharge. Currently, we hold permits on pollutant discharge in China and actively manage wastewater and exhaust gas discharge in accordance with relevant Chinese laws and regulations. We have installed and enabled pollution control equipment for our environmental protection facilities to control gas exhaust, wastewater and waste materials discharges. We complete the construction of environmental protection facilities before production begins. All of our production facilities and employees are strictly subject to our safety codes put forward by our health and safety department. In addition, we have implemented infrastructure and safety policies to ensure equipment safety, prevent or minimize communities' contact with chemical materials and avoid intensifying natural disasters, such as landslides or floods.

We believe that annual expenses arising from our compliance with applicable environmental laws, regulations and policies were insignificant during the Track Record Period, and we expect relevant compliance expenses to remain insignificant in the foreseeable future. As advised by Jia Yuan Law Offices, our PRC legal counsel, we have complied with all applicable Chinese environmental laws and regulations in all material aspects of our business. During the Track Record Period and up to the Latest Practicable Date, no major injuries or deaths were reported in relation to environmental protection and safety production at our production facilities.

LEGAL PROCEEDINGS

We may from time to time be involved in legal proceedings arising from the ordinary course of our business. As of the Latest Practicable Date, none of our Company, any of our subsidiaries or any of our Directors was a party to any litigation, arbitration or claim that could have a material adverse effect on our financial condition or results of operations, and no such material litigation, arbitration or administrative proceedings have been threatened against our Company or any of our subsidiaries.

LICENSES, REGULATORY APPROVALS AND COMPLIANCE RECORD

As advised by Jia Yuan Law Offices, our PRC legal counsel, as of the Latest Practicable Date, we had obtained and maintained, or had no substantive legal obstacle to obtain, all material licenses, approvals and permits from relevant PRC authorities required for our business operations in China, and were in compliance with the applicable PRC laws and regulations in all material respects.

RISK MANAGEMENT

Risk Management Policy

We believe that effective risk management plays a crucial role in maintaining the healthy development of our business. Based on our development strategies, we have established a comprehensive risk management system covering all business segments in order to monitor, evaluate and manage financial, operational, compliance and legal risks arising from business activities. Certain of our subsidiaries and associated companies are publicly listed or are in highly-regulated industries and have in place well-established and complete risk management mechanisms. These mechanisms have been adapted to market conditions to achieve efficiencies in risk management, ensuring that value is created for the business from efficient risk management.

The overall goals of our risk management policy are to balance risks and benefits to meet the demands of our strategic development, optimize risk undertaking to effectively distribute our resources, comply with laws and regulations to guarantee healthy and orderly development, and provide accurate and reliable information to meet regulatory requirements.

Our risk management system aims to ensure the smooth and stable operation of each of our business segments by effectively recognizing and controlling the risks of our businesses.

Risk Management Structure

Our board of directors is ultimately responsible for our risk management and internal control and compliance. Our senior management is responsible for leading our day to day comprehensive risk management and is accountable to the board of directors for the effectiveness of this work.

We also have a risk management system with detailed responsibilities. Each department or group carries out its own risk control functions to implement comprehensive risk management. Our risk management system includes research and the formulation of plans in relation to establishing effective risk management and internal control systems, the adoption of risk management policies and systems, providing risk assessment recommendations on our major decisions, gathering and analyzing overall risk-related information to produce consolidated risk management reports, formulating risk management resolution plans targeted at our material risks, guiding and supervising subsidiaries to ensure that they carry out comprehensive risk management, and adopting other measures to strengthen internal control.

Risk Management Measures

We face various major risks, mainly including strategic risks, policy-related risks, financial risks, credit risks, market risks, operational risks, legal and compliance risks and reputational risks. We have adopted the following measures against these risks.

Strategic Control and Model Optimization

We have learned from extensive experience to conduct effective management of our business operational plans, and we have a corresponding comprehensive planning and audit management system that has effectively restricted and standardized the business operations of our subsidiaries. Our subsidiaries make their own annual operational plans based on the available and allocated resources, after taking into account their respective development strategies and changes in market conditions. These plans are submitted to us for approval. Our management plays an active role in the standardization of the business operations of our subsidiaries.

To promote sustainable, healthy and steady development and achieve business objectives, we have taken efforts to conduct strategic control and model optimization and, based on the comprehensive planning and audit management system we use with our subsidiaries, develop an asset-operation-accountability system and subsidiary performance assessment system that are capital-management-oriented and value-management-oriented. These systems help us to enhance the value-creation and dividend-paying abilities of our subsidiaries, formulate a series of policies to standardize the management of our subsidiaries and enhance our asset consolidation abilities. We will continue to develop strategies and optimize our internal controls and business models, in order to allow us to benefit from our strategic management, resource allocation, risk management and group-level coordination.

Promoting a Comprehensive Risk Management System

Our risk management system includes personnel dedicated to accelerating reform of our audit system, strengthening our asset profitability, liquidity and security management, and enhancing our supervisory management functions. Other functions carried out by these personnel include encouraging the establishment of comprehensive risk management organizations and positions within each of our operating units, implementing risk management duties, and strengthening management systems and operational flow infrastructure and our internal conduct standards. In addition, they conduct risk assessments on key projects and business segments, identify and resolve material risks using key risk indicators and a risk alert system, strengthen management over counterparty risk and industry risks, improve standardization of our internal trading activities and risk transfers, and strengthen checks on subsidiaries' implementation of their risk management system.

Management of Liquidity and Finance

Because we attach great importance to liquidity management, we actively expand financing channels available to us while strictly controlling new investment and credit extension to ensure that the funding needs of ongoing projects are satisfied. Our debt structure is optimized to reduce our finance costs. We intend to strengthen our liquidity assessment processes and the management, prevention and control of financial risks of our subsidiaries. We also intend to make timely adjustments to the ratio, interest rates and term structure of our asset and liability portfolios in accordance with changes on international and domestic financial markets to reduce market and currency risks.

We have financing policies and rules to achieve appropriate capital management and investment and financing plans. We prudently manage our liquidity risks to ensure timely repayment of current debts, and we are able to raise capital from markets at reasonable costs when needed to have sufficient liquidity to meet our daily operating demands.

We have implemented a unified and multitiered financial control management system. We guide, manage and supervise major aspects of the financial management of our subsidiaries. We also use comprehensive financial risk control systems to identify, evaluate, monitor and control potential financial risks from our operations.

Legal, Compliance and Reputation Risks Control

We plan to continue to provide legal support and other services to our portfolio companies and major projects and strengthen our legal assessments of significant contracts. We will further develop the structure and management of our legal structure and legal teams to improve their work and raise our employees' awareness of legal issues and the need to prioritize compliance management. Our group-wide information disclosure system will be set up to meet the requirements applicable to us as a listed company. As the Chinese government introduces increasingly stringent requirements for industrial safety and environmental protection, we will enhance the management of safety and compliance risks of our subsidiaries. We will step up supervision and management of our reputational risks, improve the related response mechanisms, strictly observe the authorized use of our key trademarks and maintain our reputation and interests.

Human Resource Management

We use strategic human resources management to formulate and execute strategic human resources plans in accordance with market competition and our strategy. We manage our subsidiaries by recruiting, evaluating and incentivizing senior management and other critical personnel of the subsidiaries, evaluating subsidiaries' market competitiveness and long-term operating capacity through a market-oriented performance evaluation system. We also promote organizational reform, to ensure the talent supply for our sustainable development.

OUR CONTROLLING SHAREHOLDER

Overview

In preparation for the Global Offering, our company was incorporated as a joint stock limited liability company in February 2014. CAS Holdings is one of our Promoters. As of the Latest Practicable Date, CAS Holdings held 36% of our issued share capital. Immediately following the completion of the Global Offering (but before the exercise of the Over-allotment Option), our Controlling Shareholder, CAS Holdings, will be entitled to exercise voting rights of approximately 29.10% of the issued share capital of our Company.

Background of our Controlling Shareholder

CAS Holdings was incorporated in 2002 as a wholly state-owned limited liability company with the approval of the State Council to represent CAS in exercising its investor's rights and obligations in state-owned business assets held by CAS. With a registered capital of approximately RMB5.1 billion, CAS Holdings currently has interests in more than 30 companies, 20 of which are wholly-owned or controlled entities. Most of CAS Holdings' invested companies are in the hi-tech, trade, investment, consulting or other service industries. CAS Holdings manages and supervises the state-owned business assets held by public institutions under CAS (中科院所屬事業單位) as authorized by CAS.

As of the Latest Practicable Date, CAS Holdings holds 67.5% equity interest in CAS Enterprise Group (Holdings) Corp. (中科實業集團(控股)有限公司), who in turn through its subsidiary, Beijing Sanhuan New Material Hi-tech Limited (北京三環新材料高技術公司), holds 23.17% interest in Beijing Zhongke Sanhuan Hi-tech Co., Ltd. (北京中科三環高技術股份有限公司), a company listed on the Shenzhen Stock Exchange, which primarily engages in researching, developing, manufacturing and selling magnetic material and devices.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDER

There is a clear and distinct delineation between the business of the Group and the business of our Controlling Shareholder. Having considered the following factors, our Directors are satisfied that we are capable of carrying out our business independently from our Controlling Shareholder and its associates after the Global Offering.

Management Independence

We carry on our business independently from our Controlling Shareholder from a management perspective. Our Board comprises nine Directors, including three executive Directors, three non-executive Directors and three independent non-executive Directors. Seven out of nine Directors do not hold any directorship or senior management position in our Controlling Shareholder. The two Directors, Mr. Wu Lebin and Mr. Wang Jin, who hold directorship in CAS Holdings or its associates, are our non-executive Directors and are not involved in the day-to-day management and operation of our Company. Mr. Wang Jin is a member of the Audit Committee of our Board. In addition to attending our Board and Audit Committee meetings, Mr. Wu Lebin and Mr. Wang Jin are mainly responsible for providing supervision regarding the business and operation of our Group.

The following table sets forth the positions held by our Directors in CAS Holdings and/or its associates:

Name of Director	Position held in our Company	Position held in CAS Holdings and/or its associates
Mr. Wu Lebin	Non-executive Director	Chairman of CAS Holdings
Mr. Wang Jin	Non-executive Director A member of the Audit Committee of our Board	Chairman of CAS Investment Management Co., Ltd. (中國科技產業投資管理有限公司)

Save as disclosed above, none of our Directors hold any position in CAS Holdings.

Corporate Governance Measures

The Directors are of the view that there are sufficient and effective control mechanisms to ensure that our Directors and senior management discharge their duties appropriately and safeguard the interests of our Shareholders as a whole on the following grounds:

- each of our Directors is aware of his fiduciary duties as a director which require, among others, that he must act for the benefit of and in the best interests of our Company and not allow any conflict between his duties as a Director and his personal interests;

- as a part of our preparation for the Global Offering, we have promulgated the Articles of Association to comply with the Listing Rules. In particular, our Articles of Association provide that, any Director, Supervisor and senior management member should abide by his fiduciary principles, and not to place himself in a position where his duty and his own interests may conflict. Where a Director, Supervisor, senior management member or his associates is directly or indirectly, materially interested in a contract, transaction or arrangement or proposed contract, transaction or arrangement with the Company, he shall disclose the nature and extent of his interest to the Board at the earliest opportunity, whether or not the related issue is otherwise subject to the approval of the Board under normal circumstance. A Director shall not vote on a board resolution that approves a contract, transaction, arrangement or any other related proposals in which he or any of his associates is materially interested, the relevant Directors shall abstain from voting and not be counted in the quorum for the meeting;

- we have promulgated a guidance to code of conduct and conflict of interest for our Directors and senior management members, to satisfy the regulatory requirements of relevant laws and regulations in respect of company internal control, and pursuant to which, provide guidance for Directors and senior management members to identify and disclose conflict of interest and to avoid the substantial and potential conflict of interest. Such guidance stipulated in detail the obligations of Directors and senior management members, including but not limited to, without the approval of a Shareholders' general meeting, Directors and senior management officers shall not directly or indirectly compete business opportunities with our Company or our subsidiaries;

- we have appointed three independent non-executive Directors. We believe our independent non-executive Directors have sufficient experience, and are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgment and will be able to provide an impartial, external opinion to protect the interests of our public Shareholders. Details of our independent non-executive Directors are set out in the section headed "Directors, Supervisors and Senior Management – Directors – Independent Non-executive Directors" in this prospectus;

- we have appointed Somerley Capital Limited as our compliance advisor, which will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules (including various requirements relating to directors' and supervisors' duties and corporate governance).

Based on the above, our Directors are satisfied that our Board and senior management team collectively are able to provide effective leadership and control to the Group's performance independently.

Operational Independence

Pursuant to the scope of operations as specified in articles of association of our Controlling Shareholder, it does not directly participate in the operation and management decision making process of our Company, or interfere with our day-to-day management and operation. Our Board is accountable to the Shareholders and is able to exercise its functions and powers to formulate business plans and investment decisions independently except those which are required to be approved by Shareholders. We have access to third parties independently from and not connected to our Controlling Shareholder for sources of suppliers and customers. Our organizational structure is made up of individual departments, each with specific areas of responsibilities. We have also established a set of internal control policies to facilitate the effective operation of our business.

Based on the above, our Directors are satisfied that we are able to promote our Group's success and direct its operational affairs independently from our Controlling Shareholder and its associates.

Financial Independence

Our Group has its own financial management system and the ability to operate independently from our Controlling Shareholder and its associates from a financial perspective. We make financial decisions according to our own business needs and our Controlling Shareholder does not intervene with our use of funds or provide any loans or guarantees to us.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, there is no non-trade balance to or from CAS Holdings or entities invested by CAS Holdings as of the Latest Practicable Date.

Based on the above, our Directors believe that we are able to maintain financial independence from our Controlling Shareholder.

COMPETITION

As of the Latest Practicable Date, apart from the Group's business, our Controlling Shareholder was not engaged in or have interest in any business that, directly or indirectly, competes or may compete with the Group's business and which would require disclosure under Rule 8.10 of the Listing Rules.

To the best of our Directors' knowledge, information and belief, having made all reasonable enquiries, we do not carry on any exempt or non-exempt continuing connected transactions (as defined under Chapter 14A of the Listing Rules) upon Listing under Chapter 14A of the Listing Rules.

IT BUSINESS

The telecom equipment network access permit

The *Telecommunications Regulations of the People's Republic of China* (《中華人民共和國電信條例》) (the "**Telecommunications Regulations**") were issued by the State Council On September 25, 2000. The *Measures on the Administration of Network Access of Telecom Equipment* (《電信設備進網管理辦法》) were promulgated by the Ministry of Information Industry On May 10, 2001.

Pursuant to the aforesaid regulations and implementation measures, the State implements the network access permit system for telecom terminal equipment, radio communications equipment, and equipment relating to network interconnection that is connected to public telecom networks. The telecom equipment subject to the network access permit system shall obtain the network access permit issued by the Ministry of Information Industry. Without the network access permit, no telecom equipment is allowed to be connected to the public telecom networks for use nor sold in the domestic market. An enterprise producing telecom equipment shall have a well-established quality assurance system and after-sale service measures.

A production enterprise shall affix the network access permit mark to its telecom equipment with a network access permit, and at the same time, shall indicate the codes of the network access permits on the packaging of the telecom equipment with a network access permit and in the advertisements for such equipment that they publish.

Telecom equipment producers must ensure that the quality of the telecom equipment for which they have obtained a network access permit is stable and reliable and they may not lower the quality or performance of their products. Telecom equipment producers shall affix a sticker bearing the network access permit logo to the telecom equipment for which they have obtained a network access permit.

If an enterprise violates the aforesaid regulations and implementation measures, the relevant authorities may impose a fine, order the violating party to make correction and give a warning hereto; if the case is serious, the Ministry of Information Industry shall cancel its qualifications for applying for network access permit or refuse to accept its applications for network access permit.

Rules on Responsibilities for Repair, Replacement, and Return of Substandard Commodities of Telecom Equipment

The *Rules on Responsibilities for Repair, Replacement, and Return of Substandard Commodities of Mobile Phones* (《移動電話機商品修理更換退貨責任規定》) were promulgated by the Ministry of Information Industry and other three national ministries and commissions on September 17, 2001. The *Rules on Responsibilities for Repair, Replacement, and Return of Substandard Commodities of Microcomputer* (《微型計算機商品修理更換退貨責任規定》) were issued by the Ministry of Information Industry and the General Administration of Quality Supervision on July 23, 2002.

The aforesaid regulations and implementation measures specify responsibilities and obligations of repair, replacement, and return (hereinafter referred to as the "**The Three Guarantees**") of substandard commodities of mobile phones and microcomputer of the sellers, repairers, and manufacturers.

Manufacturers (importers and suppliers as well) shall bear the following responsibilities and obligations:

1. Mobile Phones manufacturers shall have licenses issued by the Ministry of Information Industry for the telecommunication equipment's entry into networks, shall affix network-entry licensing signs on the bodies of mobile phones, and attach specifications, certificates of compliance, and The Three Guarantees vouchers of products of these models, shall compile specifications for products according to the GB 5296.1 General Principles Specifications for Use of Products of Consumer Interest, shall specify functions, applicable range, measures of use and maintenance, matters for attention and caution, normal malfunction judgment of products, and shall make The Three Guarantees vouchers satisfy requirements of the Appendix II: the Three Guarantees Vouchers for Commodities of Mobile Phones; Microcomputer manufacturers shall provide together with instruction manual in Chinese language, certificates of compliance, and The Three Guarantees vouchers of products of these models;

2. They shall guarantee that commodities of mobile phones and microcomputer satisfy requirements on the legal signs, accord with performance and functions expressly indicated by specifications of products, shall guarantee the approved quality of products. Mobile Phones manufacturers shall expressly indicate the stand-by time, and shall label the manufacture dates clearly on distinct positions of batteries;

3. They shall set up by themselves or designate repairers with the maintenance professional levels adapted to the sale scales to be responsible for repairs during the validity period of the Three Guarantee, provide names, addresses, post codes, contact telephone numbers of repairers, and make timely public announcements if names and addresses of repairers are removed or changed;

4. They shall, in accordance with the stipulations of the relevant agency contracts or agreements for repairs, provide funds for repairs during the validity period of the Three Guarantees. Such funds shall not be withheld in every link of circulation of products, and shall be paid to repairers in full at last;

5. Mobile Phones manufacturers shall, in accordance with the stipulations of the relevant agency contracts or agreements for repairs, provide sufficient qualified components and fittings, and guarantee to provide components and fittings satisfying technical requirements continuously within two years after stopping production of products;

6. They shall, in accordance with the stipulations of the relevant agency contracts or agreements for repairs, provide necessary technical support for the maintenance such as technical software, technical data, and technical training, etc.;

7. They shall handle inquiries and complaints of consumers consummately, and provide consulting services for them.

Where sellers, repairers, or manufacturers do not bear the Three Guarantees responsibilities according to these Rules, consumers, the quality supervision departments or administrations for industry and commerce shall order those sellers, repairers, or manufacturers to make corrections. If the case is serious, the administrations for industry and commerce, the quality supervision departments, the telecommunication administration of the Ministry of Information Industry impose a fine and expose to the general public.

FINANCIAL SERVICES BUSINESS

The Small Loan Industry

Regulatory authorities of the small loan industry

Nationwide regulatory authorities

As of the date of this prospectus. there is no nationwide administrative regulatory authority for the small loan industry. According to the *Guiding Opinions on the Pilot Operation of Small Loan Companies* (《關於小額貸款公司試點的指導意見》) (the "**Guiding Opinions**"), jointly issued by CBRC and PBOC on May 4, 2008, any provincial government that is able to assign a department, finance office or other similar agency to take charge of the supervision and administration of small loan companies and which is willing to assume the responsibility of risk management of small loan companies may commence incorporation of small loan companies on a county basis within the province, autonomous region or municipality directly under the central government of the PRC.

Local regulatory authorities

All provinces, autonomous regions, and municipalities directly government of the PRC Central must appoint their own regulatory authority for the small loan industry. Currently, the small loan industry in the PRC is primarily regulated by the financial affairs offices of the people's governments of the relevant provinces. autonomous regions and municipalities directly under the central government of the PRC.

Regulatory policies of the small loan industry

National guiding opinions

The Guiding Opinions have provided guidance on pilot operation of small loan companies and have specified the incorporation, capital source, capital use and regulatory policies of small loan companies. Pursuant to the Guiding Opinions:

- to establish a small loan company, an applicant applies to the supervising authority of the provincial government, and, upon approval, must comply with registration formalities to obtain all necessary business licenses. approvals and certificates;

- if a small loan company is a limited liability company, its registered capital must be at least RMB5 million; and if it is a company limited by shares, its registered capital must be at least RMB10 million. No single natural person, legal entity, other social organization or their respective affiliated parties can hold in excess of 10% of the total registered capital of the company;

- the funds of a small loan company mainly come from the capital contributed and funds donated by shareholders, as well as funds raised from, at most, two banking financial institutions. A small loan company must accept public supervision and shall not engage in any form of illegal fund-raising;

- according to relevant laws and regulations, the funds obtained by a small loan company from banking financial institutions may not exceed 50% or its net capital;

- the balance of loans of a single borrower may not exceed 5% of the net capital of a small loan company;

- a small loan company must conduct its operations according to market-oriented principles and lift the ceiling on the loan interest rate, which may not exceed that set by judicial departments, and set the floor at 0.9 times the benchmark interest rate announced by the PBOC. The specific floating range must be determined by the small loan company based on market-oriented principles;

- no founder (being natural persons, legal entities and other social organizations) of the small loan companies and no natural person (who is nominated as a director, supervisor or senior management of small loan companies) shall have a criminal or bad credit record;

- the small loan company shall, according to relevant provisions, set up prudent and normative asset classification and provision systems, accurately classify the assets, make full provision for allowances for doubtful accounts, and guarantee that its adequacy ratio of provision for asset losses always remains above 100% in order to fully cover all risks;

- the PBOC will trace and monitor the interest rates and capital flows of small loan companies, and will include them in the credit system. The small loan company shall regularly provide the credit system with information about the borrower, loan amount, guarantee and repayment, and other business information; and

- the small loan company shall establish a sound corporate governance structure and credit management system, and strengthen internal control.

Opinions of the State Council on Further Supporting the Sound Development of Small and Micro Enterprises (《國務院關於進一步支持小型微型企業健康發展的意見》) was issued by the State Council on April 19, 2012. They provide that the restriction on the percentage of equity interest held by a single investor in a small loan company can be relaxed as appropriate.

Local regulatory policies and measures

According to *the Notice of Matters Related to Small Loan Company Pilot Work*, (《中國銀監會辦公廳關於做好小額貸款公司試點工作有關事項的通知》) issued by the general office of the CBRC in 2009, each branch of CBRC shall request provincial government to establish prudential supervision system on small loans company industry. And a competent authority or department should be appointed in each province, to undertake the responsibility of management of small loan companies and potential risk.

In accordance with *the Interim Measures for the Administration of Small Loan Companies in Anhui Province* (《安徽省小額貸款公司監管暫行規定》), promulgated in 2009, Small Loan Company shall not take deposits, the main source of its funds are capital contributed by shareholders, donated funds, governmental reward fund, the interest income, as well as capitals from no more than two banking financial institutions. The scope business of Small Loan Company is to issue small loans, it shall not engage in any entrusted loans, including shareholders' business, and shall not operate activities across designated regions.

The Financing Guarantee Industry

Regulatory authorities of the financing guarantee industry

The State Council approved the establishment of the Inter-ministries Joint Meeting of Financing Guarantee Business Supervision (the "**Joint Meeting**") on April 22, 2009. Under the *Reply of the State Council Concerning the Approval of the Establishment of the lnter-Ministries Joint Meeting of Financing Guarantee Business Supervision* (《國務院關於同意建立融資性擔保業務監管部際聯席會議制度的批覆》) issued by the State Council on April 22, 2009 and *Notice of the General Office of the State Council on Further Specifying the Supervisory Functions for Financing Guarantee Business* (《國務院辦公廳關於進一步明確融資性擔保業務監管職責的通知》) issued by the General Office of the State Council on February 3, 2009, the Joint Meeting is responsible for:

- studying and formulating policy measures for promoting the development of the financing guarantee business;

- propositioning systems for the supervision and administration of the financing guarantee business;

- coordinating with the relevant ministries to jointly address the major problems in the supervision of the financing guarantee business;

- guiding the local people's governments to conduct supervision and risk management for the financing guarantee business; and

- other matters as instructed by the State Council.

The Joint Meeting is led by the CBRC, and involves seven other ministries, namely, the NDRC, the Ministry of Industry and Information Technology (the "**MIIT**"), the Ministry of Finance (the "**MOF**"), the PBOC, the SAIC, the Legislative Affairs Office of the State Council (the "**LAOSC**") and the Ministry of Commerce (the "**MOFCOM**"). The office of the Joint Meeting is located in the CBRC, which is in charge of the daily work of the Joint Meeting.

The people's governments of all provinces, autonomous regions, and municipalities directly under the central government of the PRC shall, according to their practical situations, be responsible for:

- formulating policy measures for promoting the healthy development of the local financing guarantee business and mitigating SMEs' difficulties in obtaining loans and financing guarantees;

- formulating specific measures for risk prevention and disposition of local financing guarantee institutions;

- coordinating risk disposition initiated by financing guarantee institutions;

- reforming and managing market withdrawal of financing guarantee institutions;

- urging regulatory authorities of the financing guarantee business to strictly fulfill their duties and strengthen supervision according to the law; and

- instructing financing guarantee institutions to explore ways to establish business models complying with national industrial policies and responding to market trends, and to improve operating mechanisms and risk control systems.

The people's governments of provinces, autonomous regions, and municipalities directly under the central government of the PRC shall comply with the rule which states that "whoever examines and approves the incorporation of financing guarantee institutions shall also be in charge of the supervision", and assign the corresponding departments to undertake the examination and approval or the incorporation, withdrawal and daily supervision or local financing guarantee institutions in accordance with relevant rules and policies of the state. Based on the principle of local regulation, the local people's governments shall be responsible for supervision and risk management of trans-regional or large financing guarantee institutions.

Regulatory policies of the financing guarantee industry

Nationwide regulatory policies

In 2010, *Interim Measures for the Administration of Financing Guarantee Companies* (《融資性擔保公司管理暫行辦法》) was jointly formulated and issued by CBRC, NDRC, MIIT, MOC, MOFCOM, PBOC, and SAIC. The main contents of the Interim Measures are as follows:

Incorporation of financing guarantee companies:

- the incorporation of financing guarantee companies and their branches shall be subject to examination and approval by the regulatory authorities;
- financing guarantee companies and their branches established upon approval shall obtain franchise licenses from the regulatory authorities before applying for registration with the industry and commerce authority; and
- registered capital of financing guarantee companies shall be paid-in capital of no less than RMB5 million and be contributed in cash.

Issues requiring examination and approval of the regulatory authorities are:

- change of the company's name;
- change of the company's organizational form;
- change of the company's registered capital;
- change of the company's domicile:
- change of the company's scope of business;
- change of directors, supervisors and senior managers;
- change of shareholders holding over 5% equity;
- spin-off or merger;
- amendment to the articles of incorporation; and
- other changes provided by the regulatory authorities.

Business scope under the approval of the regulatory authorities includes:

- loan guarantees;
- guarantees of acceptance of bills;
- trade financing guarantees;
- project financing guarantees;
- guarantees of letters of credit; and
- other financing guarantee business.

Concurrent business scope under the approval of the regulatory authorities includes:

- attachment bond;
- bid bond, advance payment guarantee, project performance guarantee, guarantee of balance payment, and other guarantees of performance of agreements;
- financing consulting, financial consulting and other intermediary services related to the guarantee business;
- investment with financing guarantee companies' own capital; and
- other businesses provided by the regulatory authorities.

Financing guarantee companies shall not engage in the following activities:

- acceptance of deposits;
- extending loans;
- granting trust loans;
- entrusted investment; and
- other activities prohibited by the regulatory authorities.

Moreover, the outstanding financing guarantee liability provided by a financing guarantee company:

- to an individual guaranteed customer shall not exceed 10% of the financing guarantee company's net assets;

- to an individual guaranteed customer and its affiliated parties shall not exceed 15% of the financing guarantee company's net assets; and

- to a bond issuance by an individual guaranteed customer shall not exceed 30% of the financing guarantee company's net assets.

The outstanding financing guarantees of a financing guarantee company may not exceed ten times its net assets. A financing guarantee company must set aside 50% of its guarantee income for each year as unearned premium reserves and not less than 1% of its outstanding guarantees at the end of the year as reserves for outstanding guarantees. If the accumulated guarantee reserves reach 10% of the outstanding guarantees, the difference shall be recognized as a provision. The measures for the difference recognition and the use of the guarantee compensation reserve shall be formulated by the respective local regulatory authorities.

Investment by a financing guarantee company of its own capital shall be limited to fixed-earning financial products with relatively high credit ratings, including treasury bonds, financial bonds and debt financing instruments of large enterprises and other investments not creating a conflict of interest, and the total amount of the investment shall be no more than 20% of its net assets. The regulatory authority may raise the requirements on the percentage of guarantee compensation reserve according to the actual risk circumstances of a specific company or pursuant to the prudent regulatory requirements generally. A financing guarantee company shall classify the risks involved in its guarantee business, and manage and measure such risks accordingly.

The interim Measures for the Post-holding Qualifications of Directors, Supervisors and Senior Managers of Financing Guarantee Companies (《融資性擔保公司董事、監事、高級管理人員任職資格整理暫行辦法》) (the "**Measures**"), was issued by CBRC on September 27, 2010. The Measures provide that directors, supervisors and senior managers of financing guarantee companies shall meet certain requirements as provided in the *Measures.*

On April 5, 2012, the Inter-ministerial Joint Meeting of Financing Guarantee Business Supervision promulgated *The Notice of Inter-ministries Joint Meeting of Financing Guarantee Business Supervision Concerning the Regulation of the Management of Customer Deposits by Financing Guarantee Institutions* (《融資性擔保業務監管部際聯席會議關於規範融資性擔保機構客戶擔保保證金管理之通知》), which encourages financing guarantee companies to discontinue the practice of taking customer-pledged deposits from their guarantee customers. Key details of this notice are set out as below:

1. In order to reduce the financing cost of microenterprises, financing guarantee institutions are encouraged to discontinue the practice of taking customer-pledged deposits from customers, These lenders should control the risks effectively through enhancing risk identification and management ability and the management of counter-guarantee collateral. The regulatory authorities of the financing guarantee institutions and the relevant departments will strengthen coordination in the supervisory and policy-support areas. Those financing guarantee institutions that take customer-pledged deposits from borrowers will be identified as targets of special scrutiny. The financing guarantee institutions which violate the management regulations of customer-pledged deposits will not be entitled to the relevant policy support and funds.

2. For customers who have a low credit rating and insufficient collateral for which the financing guarantee institutions are required to take customer-pledged deposits, the financing guarantee institutions will strictly manage such customer pledged deposits in accordance with the following requirements:

   (1) The customer-pledged deposits required by the financing guarantee institutions may only be enforced in accordance with the terms of the loan. The financing guarantee institutions may not use the collateral for entrusted loans. Investment or to pay security deposits to the banking institutions. Upon the release of the guarantee obligations, the financing guarantee institutions must return the customer-pledged deposits to the borrowers within the timeframe stipulated in the guarantee agreements. If a borrower fails to perform its obligations and the financing guarantee institutions need to foreclose on the collateral to remedy on behalf of the default customer, the financial guarantor must follow the conditions and procedures stipulated in the agreements and may not use collateral for its own purpose. Financing guarantee institutions may not apply collateral to management or consultation fees or take customer-pledged deposits in a disguised form, such as conducting wealth management for the guaranteed customer and retaining the loan of the customer.

   (2) Financing guarantee institutions must deposit the entire amount of customer-pledged deposits into the "customer guarantee deposits" accounts opened in a bank. The account should be segregated from basic accounts and general accounts. Financing guarantee institutions could open one special customer-pledged deposits account in a bank within a particular province or region. That account should be used only for taking, returning and repaying customer-pledged deposits. Financing guarantee institutions should account for collateral as "customer deposits received".

   (3) Financing guarantee institutions should establish and safeguard the management system of customer-pledged deposits by defining the standards, conditions and procedures regarding the taking, returning and repaying of and special account management of customer-pledged deposits. Financial guarantors must also make any required filings with respect to collateral with the relevant regulatory authorities. Financial guarantors should register all customer-pledged deposits, report the account balance and breakdown of those deposits to the regulatory authorities of the financing guarantee institutions on a monthly basis, and provide timely reports on the establishment, alteration and cancellation of special customer-deposit accounts to the relevant regulatory authorities.

(4) The regulatory authorities are required to perform their supervisory duties diligently, including formulating procedures, improving regulation of customer-pledged deposits, investigating any irregularities of financing guarantee institutions (such as receiving an excessive volume of customer-pledged deposits, receiving customer-pledged deposits in an inappropriate form, receiving misappropriated customer-pledged deposits) through off-site regulation or on-site checks. For those provinces or regions which have greater risk of misappropriation or occupation of customer-pledged deposits, the regulatory authorities are required to formulate and implement a system of third-party custody or entrustment so as to enhance supervision of customer-pledged deposits. In addition, the regulatory authorities are required to establish a customer whistle-blowing system, through which customers could report any irregularities with respect to financial guarantors of financing guarantee institutions to the regulatory authorities. The regulatory authorities are required to investigate in a timely manner and shall keep confidential any information provided by whistleblowers.

Local regulatory policies

In January 2014, *Interim Measures for the Administration of Financing Guarantee Companies in Anhui Province* (《安徽省融資擔保公司管理辦法(試行)》) was issued by people's government of Anhui province. In the light of this local regulation, the people's governments at or above the county level shall establish a proactive policy system on financing guarantee industry, and carry out the preferential tax policy. Provincial people's government and developed city, county (district) people's government shall set up the financing guarantee support fund. The people's governments at or above the county level shall improve the financing guarantee risk compensation, dispersion and disposal mechanism, promote the establishment of financing guarantee companies and risk sharing mechanism between the banking financial institutions.

The Financial Leasing Industry

In September 2013, MOFCOM issued the *Administration Measures of Supervision on Financial Leasing Enterprises* (《融資租賃企業監督管理辦法》) (the "**Leasing Measures**"), to further strengthen and administer the business operation of financial leasing companies.

According to the Measures, a "financial leasing business" is defined as a business in which a lessor, based on a lessee's selection of seller and leased asset, purchases the asset underlying the lease from a seller, makes the leased asset available to the lessee for use and collects rental payments from the lessee. Financial leasing companies may operate their financial leasing business through various means, such as direct leases, sub-leases, sale-leasebacks, leveraged leases, entrusted leases and joint leases.

Pursuant to the *Leasing Measures*, the amount of total risky assets (total assets less cash, bank deposits, the PRC treasury securities and entrusted lease assets) of a financial leasing company shall not exceed ten times the amount of its net assets.

The *Leasing Measures* further require that financial leasing companies shall submit a report on their business operations and audited financial statements of the past year to MOFCOM for filing purposes before March 31 of each year.

The Pawn Loan Industry

The Administrative Measures for Pawning

The *Provisional Measures on Pawnshop Administration* (《典當行管理暫行辦法》) was promulgated by the PBOC on April 3, 1996. The *Provisional Measures on Pawnshop Administration* defined "pawnshop" as a kind of special financial enterprise providing interim pledge loan to individuals and medium-sized or small non-state-owned enterprises via the transfer of possession of property. The PBOC was the competent authority to supervise and administer pawnshops, and was responsible for the approval of pawnshops.

However, pursuant to the *Notice of Pawn Industry's Transfer of Regulatory Responsibilities* (《關於典當行業監管職責交接的通知》) issued by the State Economic and Trade Commission (國家經濟貿易委員會) (the "**SETC**", which merged into MOFCOM in 2003) and the PBOC in 2000, the pawn industry was re-classified as a special commerce enterprise governed by SETC, rather than a financial institution previously governed by the PBOC. On August 8, 2001, the SETC promulgated the *Measures on Pawnshop Management* (《典當行管理辦法》) re-defining the establishment, alternation, dissolution and management of pawnshops. As a result, pawn industry operators may be distinguished from banks and financial institutions in the PRC on the basis that (i) pawn operators do not accept cash deposits from members of the public, and (ii) they come under a separate legal and supervisory regime.

On February 9, 2005, the *Administrative Measures for Pawning* (《典當管理辦法》) (the **"Pawning Measures"**) were then jointly issued by MOFCOM and the Ministry of Public Security (中華人民共和國公安部) and came into effect on April 2005, repealing the *Measures on Pawnshop Management* promulgated by the SETC. The *Pawning Measures* define "pawn" as an act whereby (a) an item of personal property (including equity interest. chattels, personal and moveable properties) is pledged, or real estate (including buildings, fixtures and land use rights) is mortgaged or pledged by its owner (the pledgor) to a pawnshop; (b) on the basis of the value of the mortgaged property, the pledgor pays a fee and interest to the pawnshop and the pawnshop provides a loan to the pledgor; and (c) within a pre-determined period the pledgor repays the loan and interest calculated thereon and by doing so discharges the pledge or mortgage and accordingly redeems the property and/or real estate. According to the *PRC Property Law* and the *PRC Guaranty Law*, a pledge is created over immoveable or moveable properties where the owner of such properties will not pass the possession of such properties to the creditor. By contrast, a pledge is created over moveable properties or property interests where the owner of such moveable properties will surrender the possession of moveable properties to the creditor or go through the registration process in terms of property interests.

A pawnshop is a legal person established in accordance with the Pawning Measures and the *PRC Company Law*. Pawnshops come under the supervision and administration of the competent commerce authorities and public security bureaus. According to the *Pawning Measures*, an application for establishment of a pawnshop must meet the following conditions: (a) the proposed pawnshop shall have an articles of association that complies with the laws and regulations of the PRC; (b) the proposed pawnshop shall have a registered capital not lower than the minimum provided by the Pawning Measures. Specifically, a pawnshop must have a minimum registered capital of (i) RMB3 million; (ii) RMB5 million in case it provides financing secured by real estate mortgages; or (iii) RMB10 million in case that it provides financing secured by pledges over equity interest. In each case, the minimum registered capital must be contributed in the form of cash; (c) the proposed pawnshop shall have business premises as required and necessary business facilities; (d) the proposed pawnshop shall have business management personnel and appraisal personnel who are familiar with the pawn business; (e) the proposed pawnshop shall have at least two legal person shareholders which have relative controlling shareholding of the pawnshop; (f) the proposed pawnshop shall meet the requirements of security administration provided by the Pawning Measures; and (g) the proposed pawnshop shall meet the requirements of the State on uniform planning and reasonable layout of pawnshops.

In accordance with the *Pawning Measures*, it is incumbent on a pawnshop to establish and implement procedures for the safe operation of the pawn business. Such procedures include but not limited to (a) the proper maintenance of paperwork for the receipt, preservation and redemption of pledged property; (b) the careful inspection and safeguarding of pledged property; (c) the provision of assistance in government investigations pertaining to the arrest of people suspected of crimes; (d) the reporting of suspicious persons or circumstances to the relevant authorities; (e) the engagement of security personnel; (f) the installation of security video and sound recording equipment, including those on all business counters; and (g) the installation of security vaults and safes adequate for the safe and secure storage of pledged property.

Pawnshops with a registered capital in excess of RMB15 million, an operating history of more than three years, and net profits and no record of unlawful business operations over the most recent two years may establish branch offices in provinces and regions outside their registration. For each branch office that is established, the pawnshop must provide a minimum of RMB5 million working capital, and the combined working capital provided to all branches must not exceed 50% of the registered capital of the pawnshop.

An application for the establishment of a new pawnshop or a new branch of an existing pawnshop must be submitted to local authority of MOFCOM and thereafter must undergo examination and approval by the provincial level authority of MOFCOM and finally be filed with MOFCOM before MOFCOM can issue the requisite Pawn Operations Business License (典當經營許可證). Within five working days of examination and approval by MOFCOM, the relevant provincial level authority of MOFCOM must inform the Public Security Organ at the provincial level, which thereafter must inform the local counterpart of Public Security Organ of the relevant circumstances of the establishment. Within ten working days of receiving a

Pawn Operations Business License, the applicant must report to the city-level counterpart of Public Security Organ and apply for a Special Industry License (特種行業許可證) by providing, among other things, architectural drawings and schematic diagrams detailing the layout of the pawnshop premises, treasury and the installation of secure vaults, safes and security surveillance equipment. Within ten working days of receiving a Special Industry License, the applicant must apply at the relevant Administration of Industry and Commerce (工商局) for registration of the business and receipt of a Business License (營業執照).

The *Pawning Measures* provide that, in addition to granting loans to pledgors who pledge their personal property, or mortgage their real property which is located in the province or region within the pawnshop's registration, or projects under-construction (在建工程) that have obtained Housing Presale Permits (商品房預售許可證), the permitted scope of a pawnshop's business includes, among other things, the sale of pledged or mortgaged property that has been dis-pawned by the pledgor, as well as the provision of valuation and related consultancy services. Pawnshops are not permitted to, among other things, accept mortgages over moveable properties, engage in unlawful capital raising activities, accept cash deposits in any form or provide unsecured loans. Furthermore, pawnshops are prohibited from borrowing money from any person other than commercial banks, entering into short-term loan facilities with other pawnshops, borrowing funds in excess of permitted amounts from commercial banks and engaging in investment activities. Where relevant laws of the PRC require the registration of pawned property, including in respect of mortgaged real estate or pledged automobiles, such registration must be duly completed.

The appraised value of pawned property and the amount of the loan provided in respect of pawned property should be determined through negotiation between the pledgor and the pawnshop. Where the parties are unable to agree on the loan amount in respect of mortgaged real estate, a qualified real estate valuer may be retained and reference may be made to the value of the real estate as determined by such valuer. The maximum term for which property may be pawned is six months, although this may be extended for further terms of a maximum of six months by each agreement between the parties. The maximum loan amount that may be provided for a single Real Estate Secured Loan must not exceed RMB1 million in the case that a pawnshop has a registered capital of RMB10 million or less. Where a pawnshop has a registered capital of over RMB10 million, the maximum loan amount for a single Real Estate Secured Loan must not exceed 10% of the registered capital amount. The maximum outstanding amount owing on property pledged or mortgaged by any single legal person or natural person must not exceed 25% of the registered capital of a pawnshop. The total outstanding amount owing in respect of equity interest pledged by customers must not exceed 50% of the registered capital of a pawnshop; whereas the total outstanding amount owing in respect of real estate mortgaged by customers must not exceed 100% of the registered capital of a pawnshop. The statutory limit on the rate of interest charged on a loan provided in respect of pawned property must not exceed the PBOC official interest rate for six month term loan as discounted by the pawn loan period. Interest must not be withheld or deducted in advance. The fees payable by the pledgor include various administration fees calculated on a monthly basis, the combined monthly total of which must not exceed 4.2% of the loan amount for loans secured by pledged moveable property, 2.7% of the loan amount for loans secured by mortgaged real estate, or 2.4% of the loan amount for loans secured by pledged equity interest.

The pawned property will be deemed dis-pawned if within five days of the expiration of the pawn term the pledgor has not repaid the principal amount, accumulated interest and combined expenses of the loan or not extended the pawn term. Where pawned property is redeemed after the expiration of the pledge term (or extended pledge term), in addition to repayment of the principal amount, accumulated interest and combined expenses of the loan, the pledgor must also pay penalty interest calculated with reference to the rate of penalty interest for term loans as stipulated by the PBOC as well as any related fees in accordance with the mortgage agreement.

A pawnshop shall satisfy the following conditions in order to increase its registered capital: (1) at least one year has elapsed between the present capital increase and the operating date or the previous capital increase; and (2) the pawnshop has no record of illegal or irregular operation in the last year.

On May 17, 2005, MOFCOM and the Ministry of Public Security jointly promulgated the *Circular of the Ministry of Commerce and the Ministry of Public Security on Relevant Issues concerning the Implementation of the Pawning Measures* (《商務部、公安部關於貫徹實施<典當管理辦法>的有關問題通知》), which further addresses the issues on, including but not limited to, preliminary examinations of applications for a new pawnshop, verification and issuance of Special Industry Licenses, the scope of senior officers and security standards for existing pawnshops.

MOFCOM issued the *Circular of the General Office of the Ministry of Commerce on Improving Systems for the Supervision and Risk Prevention of Pawn Industry* (《商務部辦公廳關於進一步完善典當業監管及風險防範制度的通知》), or Circular No. 119, and *the Circular of the General Office of the Ministry of Commerce on Strengthen the Supervision of Pawn industry* (《商務部辦公廳關於加強典當行業監管工作的通知》), or Circular No. 81, on November 12, 2008 and August 18, 2009 respectively. Under these circulars, MOFCOM further specifies the issues on supervision and inspection of pawnshops for the purpose of standardizing the business operations and improving the internal control mechanisms of pawnshops.

On December 15, 2011, MOFCOM released the *Guiding Opinions on Promoting the Development of the Pawn Industry during the "12th Five Year Plan" Period* (《關於"十二五"期間促進典當業發展的指導意見》), which reviewed and summarized the development of the pawn industry during the 11th Five Year Period, and emphasized its regulation principles, targets and measures of the pawn industry during the 12th Five Year Period. During 2011 to 2015, MOFCOM and the local Departments of Commerce will focus on the enactment of the regulatory laws and rules of the pawn industry, improve the environment for pawn industry development, and further formulate and enhance the pawn industry business standards.

On December 5, 2012, MOFCOM promulgated the *Regulation for Supervision of Pawning Industry* (《典當行業監管規定》) (the **"Pawning Industry Regulations"**) which further specifies, on the basis of the Pawning Measures, the responsibilities of MOFCOM and its local counterparts and raises the requirement of strengthening the supervision on certain aspects of pawnshops' business operations. Pursuant to the Pawning Industry Regulations, MOFCOM is responsible for the supervision of the pawning industry on a nationwide basis, with a primary focus on the promulgation of pawning industry laws and regulations, and guidance on the work of local authorities of the MOFCOM, while each local counterpart of MOFCOM is responsible for the supervision and administration of pawning industry within each of their jurisdictions. The provincial MOFCOM shall promulgate policies for the pawn industry within its jurisdiction, administer the Pawn Operations Business License and pawn tickets, establish a pawning industry material information reporting system, a risk pre-warning system and an emergency settlement plan, and supervise and regulate the pawn industry by multiple methods including conducting random on-site inspection on no less than 20% of pawnshops on an annually basis. The municipal MOFCOM shall supervise the entire progress of pawnshops' business operations, establish on-site inspection and conversation systems, focus on its supervision on the compliance of pawnshops' business operations and the authenticity of pawnshops' financial data, prevent and rectify any illegal activities in a timely manner, and conduct on-site inspection on all pawnshops within its jurisdiction at least once every half year. The MOFCOM on the county level shall focus on the on-site inspection of pawnshops within its jurisdiction, and assist the supervision of its superior counterparts.

The *Pawning Industry Regulations*, on the basis of the Pawning Measures, raise further requirements on the shareholders applying to establish a pawnshop, including: (i) corporate shareholders rather than individual shareholder shall have relative controlling shareholding of the pawnshop, specifically, all corporate shareholders shall hold collectively more than 1/2 of the entire shareholding of the pawnshop or the largest single corporate shareholder must hold the largest shareholding of more than 1/3 of the entire shareholding of the pawnshop; (ii) the corporate shareholder shall be capable of making capital contribution to the pawnshop in the form of monetary fund, and the corporate shareholder shall submit its audit report issued by an accounting firm selected from the ones designated by MOFCOM and its records of paying business tax and income tax; (iii) an individual shareholder shall be a PRC citizen residing in the PRC, who is no younger than 18 years old and has full civil capacity with no criminal record, good credibility and capability of making capital contribution to the pawnshop; (iv) to apply for establishment of pawnshop, the shareholders shall issue an undertaking letter to promise to comply with relevant PRC laws and regulations and the articles of association of the pawnshop, to strengthen the management and supervision of the pawnshop and to not to conduct illegal business operation, and to pay in the registered capital of pawnshop with its own legal fund; (v) for the corporate shareholder operating complying with laws, owning sufficient funds, having a good reputation and possessing the consistent profitability, its application for establishing pawnshop will be approved for priority; and (vi) the corporate shareholder shall undertake to report to the local authority of MOFCOM of its long-term equity investment in any enterprise other than that in the pawnshop.

In addition to the foregoing requirements on the shareholders applying for establish a new pawnshop, the *Pawning Industry Regulations* also reiterates the requirement on the approval of change of pawnshop's equity interest, including: (i) the interval between increases of registered capital of pawnshop shall be more than one year; (ii) the requirement of a shareholder paying increased registered capital to pawnshops shall be consistent with that of a shareholder applying for the establishment of a new pawnshop; the ineligible investors shall not be approved to invest in a pawnshop; the enterprise which operates less than three (3) years or fails to gain profit in the most recent consecutive two (2) years, shall be approved to invest in a pawnshop with the principle of strict examination and prudential approval; and (iii) the material alteration of a pawnshop including the transfer of more than 50% equity of a pawnshop to the new investors, the transfer of the entire shareholding of the controlling shareholder, and multiple material changes (including enterprise name, legal representative, address and shareholding structure of pawnshop) at one time shall be strictly examined for the purpose of preventing illegal fund-raising disguised in the form of pawning or illegal scalping of Pawn Operation Business License.

With respect to pawnshops' business operations, the *Pawning Industry Regulations* require local counterparts of the MOFCOM to reinforce their supervision and management in the following aspects: (i) strengthen its investigation and punishment of illegal fund-raising, illegal operation beyond the business scope of pawnshop, raising funds disguised in the form of pawning, and accepting stolen goods as the pawned property intentionally; (ii) strengthen the supervision and administration of pawnshops' fund, including the sources and use of pawning funds, bank deposits and cash flow of pawnshops, and fund flow between a pawnshop and its shareholders; and (iii) strengthen the supervision and administration over legal compliance of pawnshops' business operations. According to the *Pawning Measures and Pawning Industry Regulations*, pawnshops may only get funds from their registered capital, operating surplus and the loans provided by commercial banks. The municipal MOFCOM shall monitor the fund flow of pawnshops within its jurisdiction by recording the bank account of pawnshops and conducting random inspection on such bank accounts. All illegal operations regarding the funding of pawnshops, including pawnshops borrowing money from shareholders, shareholders conducting pawning business in the name of the pawnshop, and shareholders conducting financial activities through the pawnshop, are strictly forbidden. The following illegal operations of pawnshops are forbidden: participating in the investment in listed securities with pawn fund or providing fund to clients for investment in listed securities, accepting a securities account as pawn collateral, abuse and misappropriation of Pawn Operation Business License, pawning without issuance of pawn ticket, signing pawning contract without issuance of pawn ticket, accepting the pawn without any pawned property, or other illegal operation that would result in the pawn ticket being inconsistent with pawned property.

For the purpose of reinforcing the supervision of the pawn industry as mentioned above, the Pawning Industry Regulations provide that MOFCOM shall adopt multiple measures and establish multiple channels, including: (i) the provincial MOFCOM shall be responsible for the manufacture and issuance of pawn tickets, and the provincial MOFCOM and municipal MOFCOM shall set up the ledger recording the issuance, allocation and withdrawal of the pawn ticket for the purpose of numbering and managing the pawn tickets; (ii) the municipal MOFCOM shall strengthen the management of pawnshops' file by conducting on-site inspection to check the effectiveness, integrity and consistency of the pawn tickets, pawn contracts, the documents of pawnshops' clients and the account report of the pawnshop; and (iii) the authorities of MOFCOM at all levels shall supervise pawnshops' business operations and financial data via the Information System for the Supervision and Administration of Pawning Industry ("**System**"), and pawnshops shall, correspondingly, conduct business operations via the System (including printing out and issuing pawn tickets and reporting its operation and financial data) for the review and inspection the authorities of MOFCOM.

Pursuant to the *Pawning Industry Regulations*, the municipal MOFCOM or its superior authorities shall have conversations with the legal representative, director or senior management of the pawnshop, and issue a rectification letter ordering it to correct its non-compliance operation if a pawnshop: (i) withdraws registered capital during its operation term; (ii) establishes branch office without approval; (iii) changes its shareholding or business location without approval; (iv) operates beyond the approved business scope, provides pawning loans at a ratio higher than statutory allowed, and/or charge interest at a rate higher than statutory allowed; (v) refuses or hinders the on-site or off-site supervision; (vi) refuses or hinders to submit reports and documents, provides false reports and documents, or conceals material facts for the review and inspection the authorities of MOFCOM; (vii) fails to issue pawn tickets via the System, or signs pawning contracts without issuance of pawn tickets, or manufactures pawn tickets without approval; or (viii) engages in other non-compliant behavior.

Regulations and Rules on the Disposal of the Dis-pawned items

According the *Pawning Measures*, where the value of dis-pawned item does not exceed RMB30,000, the pawnshop may dispose or otherwise sell the property at its own risk. Dis-pawned item with a value exceeding RMB30,000 may be disposed in accordance with relevant provisions of the Guaranty Law. The Pawning Measures also provide that a pawnshop and pledgor may, prior to maturity of a loan, agree that if the dis-pawned item with a value exceeding RMB30,000 is forfeited, the pawnshop may arrange for its sale or auction. Any amount generated from the sale or auction of the pawned property that is in excess of the outstanding principal loan amount, accumulated interest and combined expenses (including the cost of the auction or sale) must be returned to the pledgor. If the money received from the sale or auction is insufficient to repay these amounts, the pawnshop may file a suit against the pledgor at the People's Court to recover the shortfall.

The *Pawning Measures* further provide that all dis-pawned items whose circulation is restricted by the State shall be, in accordance with relevant laws and regulations, disposed of, delivered or sold to designated entities upon approval of relevant administrative departments. Where the pawnshop sets up sales outlets of dis-pawned items other than its business premises, the pawnshop shall report the same to the competent commercial department at the provincial level for record-filing, and shall conscientiously accept supervision and inspections from local authorities of MOFCOM. Consent and cooperation from the mortgagor or pledgor is required where the pawnshop is to dispose of shares of a listed company as the dis-pawned item. Without authorization, the pawnshop may not sell off shares of a listed company as the dis-pawned item, dispose of the same at converted prices, or entrust auction houses to publicly auction the same.

System for Annual Inspection of Pawnshops

The SETC promulgated the *Measures for Annual Inspection of Pawnshops* (《典當行年審辦法》) on December 31, 2002 which came into effect on February 1, 2003. The annual inspection of pawnshops, among other things, includes: (a) alternation of the registered capital, shareholders and other matters of a pawnshop and its branches; (b) financial status of a pawnshop; (c) organization and internal management status of a pawnshop and its branches; (d) the compliance of the business operation of a pawnshop and its branches; (e) the use of pawn-tickets; and (f) other aspects in compliance with the Pawning Measures and other laws and regulations.

The pawnshop shall not pass the annual inspection and its Pawn Operation Business License shall be revoked, provided that the following circumstances are found in the annual inspection: (a) a pawnshop was established in a materially illegal manner (e.g. making feigned contributions and obtaining approval by fraud); (b) the business was operated in a materially illegal manner (e.g. accepting deposits or doing so in disguised form, illegally raising funds, extending credit loans, intentionally accepting unlawfully obtained goods as pawned property and forcing the pledgor to redeem the pawned property in a materially illegal manner); (c) the pawnshop has not been opened for business for more than 6 months since obtaining the pawning operation business license, or stopped business operations for more than 6 months; (d) illegal matters have not been rectified although the pawnshop makes the rectification as ordered by the administration authority; (e) the pawnshop refuses to participate in the annual inspection; and (f) other circumstances provided by the SETC.

Pursuant to the Pawing Industry Regulations, the annual inspection of pawnshops shall focus on the following aspects: (i) amount of paid-in capital; (ii) source of funds; (iii) the existing condition of corporate shareholders, the annual inspection of such shareholders, and fund flow between the pawnshop and its shareholders; (iv) business structure and extended pawning loans; (v) disposal of forfeited pawned property; (vi) use of pawn tickets; (vii) charge and collection of pawning interest and fees; (viii) change in the location of the pawnshop and its branch offices; and (ix) business operation of pawnshop's branch office.

MODERN SERVICES BUSINESS

Dental Care Business

Administrative Regulations On Medical Institutions (《醫療機構管理條例》) and Medical Institution Practicing License (醫療機構執業許可證)

The Administrative Regulations on Medical Institutions (《醫療機構管理條例》), which were promulgated on February 26, 1994 by the State Council and came into effect on September 1, 1994, and the Implementation Measures of the Administrative Regulations on Medical Institutions (《醫療機構管理條例實施細則》), which were promulgated by the National Health and Family Planning Commission on August 29, 1994 and came into effect on September 1, 1994, stipulate that the establishment of medical institutions shall comply with the relevant regional planning requirements as well as the basic standards of medical institutions. Any entity or individual that intends to establish a medical institution must follow the relevant application approval procedures and register with the relevant public health administrative authorities to obtain a Medical Institution Practicing License (醫療機構執業許可證).

According to the above regulations, should an entity be engaged in the practice without obtaining a Medical Institution Practicing License, the competent authorities may order it to suspend the practicing activities, confiscate income from the illegal practice, medicines and devices of the entity and give penalties.

Moreover, a medical institution's Medical Institution Practicing License is subject to periodic examinations and verifications by registration authorities, and will be cancelled if such medical institution fails to pass the examination.

Administrative Regulations on Radiotherapy (《放射診療管理規定》)

The Administrative Regulations on Radiotherapy (《放射診療管理規定》), which were promulgated by the National Health and Family Planning Commission on January 24, 2006 and came into effect on March 1, 2006, mainly apply to medical institutions engaged in the clinical diagnosis and treatment using radioisotopes and radiation devices. Depending on the specific radiotherapy treatment, medical institutions shall apply for and obtain the license for radiotherapy issued by the competent public health administrative authorities. During the course of radiotherapy, medical institutions shall take protective measures in accordance with the relevant laws and regulations.

Regulations on the Safety and Protection of Radioisotopes and Radiation Devices (《放射性同位素與射線裝置安全和防護條例》)

The Regulations on the Safety and Protection of Radioisotopes and Radiation Devices (《放射性同位素與射線裝置安全和防護條例》), which were promulgated by the State Council on September 14, 2005 and came into effect on December 1, 2005, stipulate that any entity engaging in the production, sale or use of any categories of radioisotopes or radiation devices shall obtain a corresponding license. In addition, medical institutions using radioisotopes or radiation devices for diagnosis and treatment shall obtain a license for diagnostic and therapeutic technique with radioactive sources and medical radiation.

Regulations on the Supervision and Administration of Medical Devices (《醫療器械監督管理條例》)

The Regulations on the Supervision and Administration of Medical Devices (《醫療器械監督管理條例》), which were promulgated by the State Council on January 4, 2000 and came into effect on April 1, 2000, regulate the management of medical devices manufacturers and the supervision, distribution and use of medical devices as well as relevant legal obligations. Pursuant to the above regulations, the government shall implement a product registration system for medical devices production. Enterprises established for manufacturing Class I medical devices shall file a record with the competent pharmaceutical regulatory department. Enterprises established for manufacturing Class II and/or Class III medical devices shall be examined and approved by the competent pharmaceutical regulatory department and obtain a Medical Device Manufacturing Enterprise License. The term of validity of a Medical Device Manufacturing Enterprise License is five years.

Logistics Business

Regulations Relating to Road Transportation

Enterprises engaged in road transportation and stations operations shall comply with *Road Transport Regulations of the People's Republic of China* (《中華人民共和國道路運輸條例》) (the "**Road Transport Regulations**") effective from July 1, 2004 and subsequently amended on November 9, 2012 and the *Regulations for the Administration of Road Cargo Transportation and Stations* (《道路貨物運輸及站場管理規定》), which took effect on August 1, 2005 and subsequently amended on March 14, 2012, by obtaining the Road Transportation Operation Permit (道路運輸經營許可證) from the road transportation administrative authorities.

According to the *Road Transport Regulations*, the *Functions of the Ministry of Transport*, the *Proposed Restructuring of the State Council* and the *Notice on the Structure of the Ministry of Transport*, the Ministry of Transport has established the Road Transport Bureau to manage the road transport industry.

Lithium-ion Batteries

Law of Prevention and Control of Environmental Pollution by Solid Waste

Law of the People's Republic of China on Prevention and Control of Environmental Pollution by Solid Waste (《中華人民共和國固體廢物污染環境防治法》), was promulgated by Standing Committee of the National People's Congress on December 29, 2004 and became effective on April 1, 2005. This law has been revised and taken effect from promulgated June 29, 2013. This Law is applicable to the prevention and control of environmental pollution by solid waste within the territory of the People's Republic of China. In preventing and controlling environmental pollution by solid waste, the State follows the principle whereby the polluter is held responsible in accordance with law.

In accordance with the *law of the People's Republic of China on Prevention and Control of Environmental Pollution by Solid Waste,* units where industrial solid waste is generated shall establish and improve the responsibility system for prevention and control of environmental pollution and adopt measures for prevention and control of environmental pollution by industrial solid waste. The State institutes a system of report and registration for industrial solid waste. Units where industrial solid waste is generated shall provide information about the types, quantity, flow direction, storage, treatment, etc. of industrial solid waste to the administrative department for environmental protection of the local people's governments at or above the county level in the places where they are located.

Where an entity, in violation of the provisions of this Law, the administrative department for environmental protection of the people's government at or above the county level shall instruct it to discontinue the violation and to rectify within a time limit, and may impose on it a fine.

The technology policy of prevention of Waste battery pollution

The Technology Policy of Prevention of Waste Battery Pollution (《廢電池污染防治技術政策》), was promulgated by State Environmental Protection Administration and other four national ministries and commissions and became effective on October 9, 2003. This regulation is committed to guiding treatment and disposal of the waste battery and the development of renewable resources disposal technology, regulating the behavior of disposal of waste battery treatment and resource recycling.

Under *The technology policy of prevention of Waste battery pollution*, battery manufacturers and the Merchant who owns the trademark but entrusts other battery manufacturer to manufacture batteries shall, in accordance with the national standards, mark the labels on its batteries which he manufactured.

The collection of waste battery is focused on those batteries which can be recharged, like cadmium nickel battery, nickel-metal hydride batteries, lithium-ion battery, battery manufacturers and the entrusted battery manufacturers. Battery manufacturers and the Merchant who owns the trademark but entrusts other battery manufacturer to manufacture batteries are responsible for recycling those waste rechargeable batteries. Those recycled batteries shall be sent to the plant or facilities that have the corresponding qualifications to treat and dispose, and improve the utility level.

AGRICULTURE AND FOOD BUSINESS

Agriculture

Regulations Relating to Land Contracting

According to the *Law of Land Administration of the People's Republic of China* (《中華人民共和國土地管理法》) promulgated by SCNPC on June 25, 1986, as amended in 1988, 1998 and 2004 (the "**Land Administration Law**"), the land in PRC is categorized into state-owned land and collective-owned land. State-owned land is owned by the State and the collective-owned land is owned by the collective economic organization.

The use right of the collective-owned land may be contracted by members of the collective economic organization or entities or individuals who are not members of the collective economic organization to engage in the business of farming, forestry, animal husbandry or fishery. The contractee and the contractor of the use right of the collective-owned land shall enter into a written land contracting agreement that stipulates the rights and obligations of each party. Any entity or individual who has contracted the use right of the collective-owned land are obliged to protect and make rational use of the collective-owned land pursuant to the purposes as stipulated in the land contracting agreement. In case that the use right of the collective-owned land is contracted by entities or individuals who are not members of the collective economic organization, the term of land contracting shall be stipulated in the land contracting agreement. In addition, where the use right of the collective-owned land is contracted by an entity or individual other than any member of the collective economic organization, it shall be subject to the consent of at least two-thirds of the members, or of the representatives of members, of such collective economic organization and shall also be subject to the approval of the people's government of the rural township (or town).

Pursuant to *the Law of Land Contracting in Rural Areas of the People's Republic of China* (《中華人民共和國農村土地承包法》) promulgated by the SCNPC on August 29, 2002 and effective as from March 1, 2003 (the "**Land Contracting Law**"), the households of the collective economic organization is allowed to contract the use right of the collective-owned land in rural areas, but the title of such collective-owned land will remain unchanged. For those collective-owned land that are barren mountains, gullies, hills and beaches and not suitable for contracting by households of the collective economic organization, the use right of such collective-owned land may be contracted through tendering and bidding, auction, public consultation or other methods.

The contractee of the use right of the collective-owned land shall be the relevant collective economic organization or the administrative committee of the relevant rural township. The land contracting procedure shall be subject to the following principles: (1) any member of the collective economic organization of the township shall have the equal right to participate in the land contracting and shall in its sole discretion, choose not to participate in the land contracting; (2) all parties participating in the land contracting shall consult with each other in a fair and reasonable manner; (3) the land contracting plan shall be subject to consent of at least two-thirds of the members, or of the representatives of members, of such collective economic organization; (4) the implementation procedure of land contracting shall comply with the law.

The contractor of the land may in its sole discretion subcontract, assign, lease, exchange or through other methods transfer the land contracting right to any third party, provided that the contractor and such third party shall enter into a written agreement stipulating each party's rights and obligations. In case that the land contracting right is transferred to such third party, the contractor shall obtain the approval of contractee. In case that the land contracting right is subcontracted, leased, exchanged or transferred through other methods to such third party, the contractor shall file with the contractee for record.

According to the *Measures for the Administration of Circulation of Agricultural Land Contracted Management Right* (《農村土地承包經營權流轉辦法》) promulgated by the Ministry of Agriculture on January 19, 2005 and took effective on March 1, 2005 and the *Explanation of the Higher People's Court in relation to Judge the Agricultural Land Litigation Applicable to Legal Problems* (《最高人民法院關於審理涉及農村土地承包糾紛案件適用法律問題的解釋》) announced by the Supreme People's Court on July 29, 2005 and took effect on September 1, 2005, if the leaser enter into more than two contracts in relation to the same land, the contractor who have legally register will obtain the contracted land operation right. If both parties do not legally apply for registration, the contractor with the contract first taking effect will obtain the contracted land operation right. If there is uncertainty based on the aforesaid situation, the one who legally use the land in accordance with the contract will obtain the contracted land operation right. However, the fact that one party forcefully occupies the land after the arguments occur cannot be the evidence for the recognition for the contracted land operation right. If the contractor does not legally register to obtain the contracted land operation right and the contracted land operation right is circulated by way of transfer, lease, investment and pledge, leaser can demand for the recognition of the circulation as invalid, except for the case of the contractor not being able to register to obtain certifications for operating the contracted land due to reason not arising from the contractor.

Regulations Relating to Agricultural Products Safety

The *Agricultural Products Safety Law of the PRC* (《中華人民共和國農產品質量安全法》) (the "**Agricultural Products Safety Law**"), which was promulgated by the Standing Committee of the NPC on April 29, 2006 and became effective on November 1, 2006, governs the supervision and administration of the quality and safety of primary agricultural products, namely plants, animals, microorganisms and other products obtained in the course of agricultural activities. *The Agricultural Products Safety Law* regulates the agricultural products in the following aspects to ensure that they meet the requirements necessary to protect people's health and safety, including:

- the quality and safety standards of agricultural products;
- the production places of agricultural products;
- the production of agricultural products; and
- the packaging and labeling of agricultural products.

According to the *Agricultural Products Safety Law*, producers of agricultural products shall reasonably use chemical products in order to avoid contaminating production places of agricultural products. The agricultural producers shall also ensure that the preservatives, additives and other chemicals used in the process of production, packaging, preservation, storage and transportation of agricultural products shall be in conformity with the relevant compulsory technical specifications set by the State.

Chinese Liquor Industry

Product Liabilities and Quality Control

The *Administration Regulations on the Production Permit for Industrial Products* (《中華人民共和國工業產品生產許可證管理條例》) promulgated by the State Council of PRC became effective on September 1, 2005, and *Implemental Rules on the Supervision and Administration of the Quality Safety of Food Production and Processing Enterprises (Provisional)* (《食品生產加工企業質量安全監督管理實施細則(試行)》) issued by General Administration of Quality Supervision, Inspection and Quarantine of the People's Republic of China (the "**GAQSIQ**") became effective on September 1, 2005 (collectively, the "**QS Rule**"). According to the QS Rules, the PRC adopted the market admittance system on food safety standards. Enterprises operating food production and/or food processing shall therefore maintain the production conditions which can guarantee the food safety standards, and shall obtain the production permit of the industrial products according to relevant procedures. Food products shall not leave the factory and be distributed without passing inspection and being stamped with the food safety standards market admittance symbols.

The *Special Rules of the State Council on Strengthening the Supervision and Management of the Safety of Food and Other Products* (《國務院關於加強食品等產品安全監督管理的特別規定》) (the "**Special Rules**") was promulgated by the State Council and took effect on July 26, 2007. According to the Special Rules and its implemental opinions, the PRC government imposes expressed requirements on manufacturers and distributors for production and distributions of products which are related to human health and safety. More strict requirements are imposed on imported and exported products. For exported goods, manufacturers and distributors must ensure that the exported goods meet the standard set by the importing countries or regions, or by the contractual requirements. Further, the Special Rules emphasize the responsibilities of inspectors of exported goods. The regulatory authority will keep an "honor roll" and blacklist of the manufacturers and distributors of exported goods.

Provisions on Management of Food Recalls (《食品召回管理規定》) was promulgated by GAQSIQ and took effect on August 27, 2007. The recall of food produced or sold within the territory of the PRC as well as the supervision and administration thereof shall be governed by *the Provisions on of Food Recalls*.

Further, consumers who sustain losses or damages from defective products are entitled to be indemnified by either manufacturers or distributors according to the *Law of the PRC on Products Quality* (《中華人民共和國產品質量法》) promulgated by the Standing Committee of the National People's Congress (the "**SCNPC**") on February 22, 1993 and amended on July 8, 2000. Nevertheless, if manufacturers are responsible for the defective products and the losses or damage caused thereby, the distributors which have indemnified consumers for their losses may seek claims on the indemnities against the manufacturers.

To impose further protection on consumers in connection with the purchase or use of food, *the PRC Food Safety Law* (《中華人民共和國食品安全法》) was promulgated by the SCNPC on February 28, 2009 and took effect from June 1, 2009. On July 20, 2009, *Regulations* *for Implementation of Food Safety Law of the PRC* (《中華人民共和國食品安全法實施條例》) was promulgated and became effective on the same date. According to the *PRC Food Safety Law*, (i) the food distributors may be subject to penalties, or even be required to cease operation if they fail to comply with the relevant food safety requirements; (ii) if the food distributors have caused any damage to the consumers or their assets, they shall compensate such consumers for the damage caused; and (iii) if the food distributors knowingly distribute unqualified food products, the consumers may claim for damages as well as compensation of up to ten times of the price of the unqualified food products.

The Administrative Measures on Food Circulation Permits (《食品流通許可管理辦法》) promulgated by the SAIC on and effective as of July 30, 2009, provides that a trader of general food products must obtain a food circulation permit from local agencies of the SAIC. However, a general food product trading enterprise may operate relying on a food hygiene permit issued prior to July 30, 2009 until the permit's expiration or cancellation.

Pursuant to the *Tort Liability Law of the PRC* (《中華人民共和國侵權責任法》) promulgated by the SCNPC on December 26, 2009, which became effective on July 1, 2010, manufacturers are liable for damages caused by defects in their products and sellers are liable for damages attributable to their fault. If the defects are caused by the fault of third parties such as the transporter or storekeeper, manufacturers and sellers are entitled to claim for compensation from these third parties after paying the compensation amount. The manufactures and sellers are obligated to take remedial measures such as issuing warnings or recalling the products in a timely manner if defects are found in products which are in circulation. If the products are manufactured and sold with known defects that cause death or severe personal injury to others, the infringed person has the right to claim punitive compensation.

Alcohol Circulation Rules

The *Alcohol Circulation Administration Rules* (《酒類流通管理辦法》) promulgated by the MOFCOM on November 7, 2005 came into effect on January 1, 2006. According to the *Alcohol Circulation Administration Rules* and relevant notices of the MOFCOM, alcohol (excluding beer) distributors should file with local commerce bureaus 60 days after having obtained business licenses. In addition, the alcohol (excluding beer) sellers should fill in the Alcohol Circulation Collateral Form (酒類流通附隨單) with the relevant information of alcohol sold when selling alcohols and such Alcohol Circulation Collateral Forms should be circulated with the sold alcohols.

Advertisement Rules

The *Provisional Rules on the Release of Food Advertisement* (《食品廣告發佈暫行規定》) (the "**Food Advertisement Rules**") promulgated by the State Administration for Industry and Commerce on December 30, 1996 as amended on December 3, 1998. According to the Food Advertisement Rules, the Food Hygiene Permit (食品衛生許可證) is required when releasing wine advertisements.

Pursuant to *Food Quality Certification Implementation Rules – Alcohol* (《食品質量認證實施規則—酒類》), joint issued by Certification and Accreditation Administration of PRC and MOFCOM in 2005, this rule applies to quality and safety certification of distilled liquor, fermented, modulated wine and other alcohol drink. The process of quality certification includes Sample inspection, preliminary factory inspection and post-supervision.

PROPERTY BUSINESS

Regulations on Real Estate Developer in the PRC

Establishment of a real estate developer

Pursuant to the *Law of the PRC on Administration of Urban Real Estate* (《中華人民共和國城市房地產管理法》) (the "**Urban Real Estate Law**") promulgated by the SCNPC, effective January 1, 1995 and revised in 2007, a "real estate developer" refers to an enterprise which engages in the development and sale of real estate for profit-making purposes. Under the *Regulations on Administration of Development of Urban Real Estate* (《城市房地產開發經營管理條例》) (the "**Development Regulations**") promulgated by the State Council on July 20, 1998, an enterprise engaging in real estate development must satisfy the following requirements in addition to other enterprise establishment conditions provided in relevant laws and administrative regulations:

(i) its registered capital must be RMB1 million or more; and

(ii) it must have four or more full-time professional real estate/construction technicians and two or more full-time accounting officers. each or whom must hold the relevant qualification certificate.

Qualifications of a real estate developer

According to the *Provisions on Administration of Qualifications of Real Estate Developers* (《房地產開發企業資質管理規定》) (the "**Provisions on Administration of Qualifications**") promulgated by the Ministry of Construction on March 29, 2000, a real estate developer must apply for registration of its qualifications. An enterprise may not engage in the development and sale of properties without a qualification classification certificate. The Ministry of Construction is in charge of monitoring the qualifications of all real estate developers within the PRC, and local real estate development authorities at or above the county level are in charge of monitoring the qualifications of local real estate developers. In accordance with the Provisions on Administration of Qualifications, real estate developers are divided into four classes.

(i) Class 1 qualifications are subject to preliminary examination by the construction authorities at the provincial level and the final approval of the Ministry of Construction. A Class 1 real estate developer is not restricted as to the scale of its real estate projects and may undertake a real estate development anywhere in the country. Class 2, 3 or 4 qualifications are regulated and managed by the construction authorities at the provincial level subject to delegation to lower level government agencies. A real estate developer of Class 2 or lower may undertake a project with a GFA of less than 250,000 sq.m., the detailed business scope of the developer of Class 2 or lower is determined by the construction authorities at the provincial level.

Under the *Provisions on Administration of Qualifications*, the real estate development authorities will examine applications for registration of qualifications submitted by real estate developers by mainly considering their registered capital and financial condition, lengths of time they have conducted real estate development business, professional personnel they employ, performance and operating results from past real estate operations and their quality control systems. A real estate developer that passes the qualification examination will be issued a qualification certificate of the relevant class by the qualification examination authority. A real estate developer shall only conduct the real estate development in compliance with the approved class or qualification.

For a newly established real estate developer, the real estate development authority will issue a provisional qualification certificate, if it is an eligible developer, within 30 days of receipt by the authority of the application. The provisional qualification certificate will be effective for one year from its date of issuance and may be extended for not more than two additional years with the approval of the real estate development authority. The real estate developer must apply for formal qualification classification certificate to the real estate development authority within one month before the expiration of its provisional qualification certificate. Failure to obtain the required provisional or formal qualification certificate may result in a fine ranging from RMB50,000 to RMB100,000 and, if such failure is not rectified, revocation of the developer's qualification certificate or business license.

Pursuant to the *Provisions on Administration of Qualifications*, the qualification of a real estate developer should be annually inspected. The construction authority under the State Council or the entrusted institution is responsible for carrying out the annual inspection of class 1 real estate developer's qualification. Procedures for annual inspection of developers of class 2 or lower qualifications shall be formulated by the construction authority under the people's government of the relevant province, autonomous region or municipality.

Foreign Investment in the PRC Real Estate Market

On July 11, 2006, the Ministry of Construction. MOFCOM, NDRC, PBOC, the State Administration for Industry and Commerce and SAFE issued the *Opinion on Regulating the Access and Management or Foreign Capital in the Real Estate Market* (《關於規範房地產市場外資準入和管理的意見》) (the "**171 Opinion**"), which states that, among other things, a foreign entity or individual investing in the PRC property other than for self-use, must apply for the establishment of a *Foreign Invested Real Estate Enterprise* (the "**FIREE**") in accordance with the applicable PRC Laws and can only conduct operations within the authorized business scope. The opinion attempts to impose additional restrictions on the establishment and operation of a FIREE by measures including regulating the amount of registered capital as a percentage of total investment in certain circumstances, limiting the validity of a FIREE or the transfer of its projects and prohibiting the borrowing of money from domestic and foreign lenders where, among other things, the registered capital is not paid up, land use rights are not obtained, or the capital fund is less than 35% or the total investment amount in the intended development project. In addition, the opinion also limits the ability of certain foreign individuals to purchase residential properties in China.

On May 23, 2007, MOFCOM and SAFE issued the *Circular on Further Reinforce and Standardize the Examination and Supervision on Foreign Direct Investment in Real Estate Industry* (《關於進一步加強、規範外商直接投資房地產業審批和監管的通知》) (the "**May Circular**"), which states that, among other things, a foreign investor must apply to establish FIREE in accordance with PRC laws if it plans to develop or operate property business in the PRC. The May Circular states that foreign investors cannot bypass the examination and approval requirements applicable to foreign invested property businesses by changing the actual controllers of the domestic property enterprises in the PRC and the merger of or investment in domestic real estate enterprises by way of returning investment (返程投資) (including the same actual controller) shall be placed under strict control. If foreign-invested enterprises wish to engage in property development or operation business, or FIREEs wish to engage in new project development operations, they must apply to the relevant examination and approval authorities for their expansion of scope of business or scale of business operation. In addition, local examining and approving organs shall file the approval of the establishment of foreign-funded real estate enterprises with the MOFCOM for record in a timely manner according to law.

Under the "*Catalog of Industries for Guiding Foreign Investment*" (《外商投資產業指導目錄》) promulgated by MOFCOM and NDRC on March 13, 2015 and becoming effective on April 10, 2015:

- the construction and operation of golf courses and villas falls within the category of industries in which foreign investment is prohibited; and

- other real estate development falls within the category of industries in which foreign investment is permitted.

Regulations on Real Estate Project Development

Obtaining Land Use Rights

In December 1988, the SCNPC amended the *Land Administration Law* (《土地管理法》) to permit the transfer of land use rights for value.

Grant of Land Use Rights

Under the *Interim Regulations of the People's Republic of China on Assignment and Transfer of the State-owned Land Use Rights in Urban Areas* (《中華人民共和國城鎮國有土地使用權出讓和轉讓暫行條例》) (the "**Interim Regulations on Assignment and Transfer**") promulgated and enforced by the State Council on May 19, 1990, a system of assignment and transfer of the right to use State-owned land is adopted. A land user shall pay a premium to the State as consideration for the assignment of the land use rights within certain terms, and a land user may transfer, lease, mortgage or otherwise commercially exploit the land use right within his terms of use. Under the *Interim Regulations on Assignment and Transfer and the Urban Real Estate law*, the land administration authority under the local government of the relevant city or county shall enter into an assignment contract with the land user for an assignment of land use right. The land user shall pay the assignment price as stipulated in the assignment contract. After paying the assignment price in full, the land user shall register with the land administration authority and obtain a Land Use Rights Certificate. The Certificate is an evidence of the acquisition of land use rights. The Development Regulations provide that the land use rights for a site intended for real estate development shall be obtained by way of an assignment except for those land use rights which may be obtained by way of allocation pursuant to the PRC laws or the stipulations of the State Council.

The grant of land use rights by way of competitive processes is subject to the *Regulations on the Grant of State-owned Land Use Rights by Invitation of Tender, Auction or Listing-for-bidding* (《招標拍賣掛牌出讓國有土地使用權規定》), issued by the Ministry of Land and Resources of the PRC on May 9, 2002 (the "**2002 Regulations**") and revised as of September 21, 2007 by *Regulations on Granting State-owned Construction Land Use Right through Tenders, Auction and Putting up for Bidding* (《招標拍賣掛牌出讓國有建設用地使用權規定》) (the "**2007 Regulations**"). In addition, the Ministry of Land and Resources required that with effect from August 31, 2004, the grant of land use rights must be made pursuant to auctions or listing at a land exchange and that no land use rights for commercial uses may be granted by way of agreement. The 2007 Regulations specifically provide that land to be used for industrial, commercial, tourism, entertainment or commodity residential purposes, or where there are two or more intended users for the certain piece of land, must be granted by way of competitive processes. A number of measures are provided by the 2007 Regulations to ensure such grant of land use rights for commercial purposes is conducted openly and fairly. For instance, the local land bureau must take into account various social, economic and planning considerations when deciding on the use of a certain piece of land, and its decision regarding land use designation is subject to approval of the city or provincial government. The grantee shall apply for land registration and obtain the State-owned land use rights certificate upon full payment of the land premium of the granted land according to the State-owned land use right granting contract. In the event that the land premium of the granted land is not paid in full, the grantee will not receive the land use rights certificate. In addition, the announcement of tender, auction or listing-forbidding must be made 20 days prior to the date on which such competitive process begins. Further, it also stipulated that for listing at a land exchange. The time period for accepting bids must be no less than 10 days.

Land use right Transfer from Current Land User

The assignment contract or the joint-develop agreement is subject to terms and conditions specified in the land grant contract. For residential construction projects, under the *Provisions on the Administration of Urban Real Estate Transfer* (《城市房地產轉讓管理規定》) promulgated by the Ministry of Construction in August 1995, as amended in August 2001, at least 25% of total construction costs, excluding land grant fees, be expended and the construction schedule and date of completion and delivery of the project have been determined before assignment can take place. All rights and obligations of the current holder under a land grant contract will be transferred contemporaneously to the assignee of the land use rights. The relevant local government has the right to acquire the land use rights to be assigned if the assignment price is significantly lower than the market price. Relevant local governments may also acquire the land use rights from a land user in the event of a change in town planning. The land user will then be compensated for the loss of his land use rights.

Construction of Real Estate

Construction projects shall be delivered for use only after passing the inspection and acceptance under the *Construction Law* (《中華人民共和國建築法》) which was promulgated in November 1997 and amended in 2011. A real estate development project must comply with various laws and legal requirements concerning planning, construction quality, safety and environment and technical guidance on architecture, design and construction work, as well as provisions of the relevant contracts.

Obtaining Planning Permits and Construction Commencement Permits

Under the *Law on Urban and Rural Planning of the People's Republic of China* (《中華人民共和國城鄉規劃法》) promulgated by the SCNPC on October 28, 2007, effective from January 1, 2008, a real estate developer shall apply for the construction work planning permit from the competent authorities of urban and rural planning under the People's Government at city or county level for project construction.

In addition, a real estate developer shall apply for a Construction Commencement Permit from the construction administrative authority under the local people's government above the county level pursuant to the Measures for the *Administration of Construction Work Permit of Construction Projects* (《建築工程施工許可管理辦法》) enacted by the Ministry of Construction on October 15, 1999 and revised on and effective as of July 4, 2001.

Completion of a Real Estate Project

In accordance with the *Circular on Strengthening and Standardizing the Administration of Newly-commenced Projects* (《關於加強和規範新開工項目管理的通知》) promulgated by the General Office of the State Council on November 17, 2007, construction projects shall meet certain conditions before commencement, including complying with the national industrial policies, development and construction plans, land supply policies and market access criteria;

completing the approval, ratification or filing procedures; complying with the urban and rural planning; obtaining the approval of the use of land; completing the approval of the environmental impact assessment: completing the energy-saving appraisal and examination for fixed asset investment projects; and acquiring the construction permit.

According to the *Development and Operation Regulations*, the *Provisions on Acceptance Inspection Upon Completion of House Construction and Municipal Infrastructure Projects* (《房屋建築和市政基礎設施工程竣工驗收規定》) promulgated by MOHURD on December 2, 2013 and the *Administrative Measures on the Filing of Acceptance Inspection upon Completion of House Construction and Municipal Infrastructure Projects* (《房屋建築和市政基礎設施工程竣工驗收備案管理辦法》) promulgated by the MOC on April 4, 2000 and revised by MOHURD on October 19, 2009, after the completion of real estate projects, the real estate developer must organize an acceptance inspection and, after passing the inspection, file with the relevant governmental authorities on such completion of acceptance inspection. A real estate development project shall not be delivered for use until and unless it has carried out and passed the acceptance inspection. Where a real estate project is developed in phases, acceptance inspection may be carried out by phase.

Sales of Commodity Properties

Under the *Measures for Administration of Sale of Commodity Properties* (《商品房銷售管理辦法》) promulgated by the Ministry of Construction in April 2001, the sale of commodity houses can include both sales prior to the completion of the buildings i.e. pre-sale of commodity properties and sales after the completion of the buildings.

Pre-Sale of Commodity Properties

Any pre-sale of commodity properties must be conducted in accordance with the *Measures for Administration of Pre-sale of Commodity Properties* (《城市商品房預售管理辦法》) (the "**Pre-sale Measures**") promulgated by the Ministry of Construction in November 1994, as amended in August 2001 and July 2004. The Pre-sale Measures provide that any pre-sale of commodity properties is subject to specified procedures. The pre-sale of commodity properties shall be subject to a licensing system. Where a real estate developer intends to sell commodity properties in advance, it shall apply to the real estate administrative department to obtain a Pre-sale Permit (《商品房預售許可證》). The pre-sale of commodity properties is required to meet the following conditions:

(i) the related land grant fee must be fully paid up and a Land Use Rights Certificate obtained;

(ii) a Construction Project Planning Permit and a Construction Commencement Permit must have been obtained;

(iii) the funds invested in the development of the commodity properties intended for pre-sale must represent 25% or more of the total investment in the project and the progress of construction and the completion and delivery dates must have been properly determined; and

(iv) the pre-completion sale has been registered and a Pre-sale Permit has been obtained.

The proceeds of pre-sale of commodity properties must be used to develop the relevant project so pre-sold.

Pursuant to the *Circular of the General Office of the State Council on Forwarding the Opinion of Such Departments as the Ministry of Construction on Stabilizing Housing Prices* (《國務院辦公廳轉發建設部等部門關於做好穩定住房價格工作意見的通知》) promulgated by the General Office of the State Council on May 9, 2005, the purchaser of a pre-sale commodity property is prohibited from transferring such property prior to the completion of its construction. Prior to the completion and delivery or a pre-sold commodity property and the obtaining or the Property Ownership Certificate, the administrative department of real estate shall not conduct any transfer formalities for the pre-sale purchaser. Property developers are required to carry out an immediate archival filing network system for pre-sales contracts or commodity properties with the local authorities on a real name and real time basis.

Sales after the Completion of Commodity Properties

Under the *Regulations for the Administration of Sale of Commodity Properties* (《商品房銷售管理辦法》), commodity properties may be put to post-completion sale only when the following preconditions have been satisfied:

(i) the real estate development enterprise offering to sell the post-completion buildings shall have an enterprise legal person business license and a qualification certificate of a real estate developer;

(ii) the enterprise has obtained a Land Use Rights Certificate or other approval documents of land use;

(iii) the enterprise has obtained the Construction Project Planning Permit and the Construction Commencement Permits;

(iv) the commodity properties have been completed and been inspected and accepted as qualified;

(v) the relocation of the original residents has been well settled;

(vi) the supplementary essential facilities for supplying water, electricity, heating, gas, communication, etc. have been made ready for use, and other supplementary essential facilities and public facilities have been made ready for use, or the schedule of construction and delivery date of have been specified;

(vii) the property management plan has been completed.

Before the post-completion sale of commodity properties, a real estate developer shall submit the real estate development project manual and other documents showing that the preconditions for post-completion sale have been fulfilled to the real estate development authority for making a record.

Lease of Properties

Under the *Administrative Measures for Commercial Housing Leases and Urban Real Estate Administration Law of the PRC* (《中華人民共和國城市房地產管理法》) promulgated by the SCNPC on July 5, 1994 which became effective on January 1, 1995 and as amended on August 30, 2007 and August 27, 2009 and the *Administrative Measures for Commercial Housing Leases* (《商品房屋租賃管理辦法》) promulgated by the MOHURD on December 1, 2010, which became effective on February 1, 2011, illegal properties cannot be leased. Further, a lease must be filed with the real estate administrative department.

Loan for Real Estate Developer

The PBOC issued *the Circular on Further Strengthening the Management of Loans for Property Business* (《關於進一步加強房地產信貸業務管理的通知》) in June 2003 to tighten the requirements on banks for the provision of loans for the purpose of residential development, individual home mortgage and individual commodity properties as follows:

(i) Property development loans may be granted to property developers who are qualified for property development, are ranked high in credibility and have no overdue payment for construction. For property developers with commodity properties with a large amount of idle land and high vacancy rate and high debt ratio, strict approval procedures must be applied for their new property development loans and their activities must also be subject to close monitoring.

(ii) Commercial banks are not allowed to grant loans to property developers to pay off land grant premium.

(iii) Commercial banks may only provide housing loans to individual buyers when the roofing of the main structural buildings has been completed. When a borrower applies for individual housing loans for a first residential unit, the down payment by the borrower must he at least 20% of the purchase price. In respect of a loan application for the additional purchase or residential unit(s), the percentage of the down payment by the borrower is increased.

(iv) When a borrower applies for mortgage loan for an individual commercial use building, the mortgage ratio may not be more than 60% of the purchase price of the property. In addition, the term of the loan may not be more than 10 years and the commodity property must be completed and delivery accepted after inspection.

On December 20, 2008, the General Office of the State Council issued the rules on the *Opinions on Promoting the Healthy Development of the Real Estate Market* (《國務院辦公廳關於促進房地產市場健康發展的若干意見》), which provides that in order to expand domestic demand and encourage consumption of ordinary residential housing, on the condition that the GFA per capita of the first residential housing bought with loans is lower than the local average standard, the buyer may apply for the purchase of the second housing with the same preferential interest rate and proportion of down payment for the first residential housing. For other circumstances of buying the second residential housing, the interest rate and other relevant factors shall be reasonably determined by the commercial banks based on risk factors.

Under the *Urban Real Estate Law*, the *Guaranty Law* (《擔保法》) promulgated by the SCNPC on June 30, 1995 and becoming effective from October 1, 1995, the *Measures for Administration of Mortgage of Urban Real Estate* (《城市房地產抵押管理辦法》) promulgated by the MOC on May 9, 1997, as amended on August 15, 2001, and the *Property Law* (《物權法》) promulgated by the NPC on March 16, 2007 and becoming effective from October 1, 2007, when a mortgage is created on the ownership of a legally obtained building, the mortgage must be simultaneously created on the right to use the land which the building occupies. When a mortgage is created on land obtained by way of grant, the mortgage must be simultaneously created on the ownership of the building erected on the land. The mortgagor and mortgagee shall sign a mortgage contract in writing. China adopts a registration system for real estate mortgage. Within 30 days after a real estate mortgage contract has been signed, the parties concerned must register the real estate mortgage with the real estate administration authorities at the location where the real estate is situated. The real estate mortgage right becomes effective on the date of registration of the mortgage. If a mortgage is created on a real estate in respect of which a real estate ownership certificate has been obtained legally, the registration authorities shall, when registering the mortgage, make an entry of "third party right" on the original real estate ownership certificate and then issue a certificate of third party right to the mortgagee. If a mortgage is created on a commodity building put up for pre-sale or construction in progress, the registration authority shall, when registering the mortgage, record the details on the mortgage contract. If construction of a real estate is completed during the term of a mortgage, the panics involved shall re-register the mortgage of the real estate after obtaining the certificates evidencing the rights and ownership to the real estate.

Supervisions on Idle Land

According to the *Measures on Disposing Idle Land* (《閒置土地處置辦法》) enacted and enforced by the Ministry of Land and Resources on April 28, 1999 and amended on June 1, 2012, the land can be defined as idle land under any of the following circumstances:

(i) development and construction of the land is not commenced after one year of the prescribed time limit in the contract of granting the land use right: or

(ii) the development and construction of the land has been commenced but the area of the development and construction that has been commenced is less than one-third of the total area to be developed and constructed or the invested amount is less than 25% of the total amount of investment, and the development and construction have been continuously suspended for one year or more without an approval.

If the delay of commencement is caused by the activities of the government, the municipality or county-level land administrative department shall negotiate with the concerned land user and conclude a proposal on methods of disposal of the idle land for the local government's approval, including but not limited to extending the time period for development and construction (provided that the extension shall be no longer than one year), changing the use of the land, arranging for temporary use, replacing with another land and withdrawing the land with a compensation. If the delay of commencement is caused by other reasons, if the work has not been commenced after one year from the prescribed date of commencement, a surcharge on idle land equivalent to no more than 20% of the land grant premium may be levied; if the work has not been commenced after two years from the prescribed date of commencement, the land can be confiscated without any compensation.

On January 3, 2008, the State Council issued the *Notice on Promoting the Saving and Intensive Use of Land* (《國務院關於促進節約集約用地的通知》). This notice strictly enforces the policies for dealing with idle land. If a piece of land has been idle for two years or more, it must be taken back free of charge resolutely and rearranged for other uses; if the land does not meet the statutory conditions for recovery, it must be timely dealt with and fully used through changing its uses, replacement by parity value, temporary use or incorporation into government reserves. If a piece of land has been idle for more than one year but less than two years, the idle land surcharge must be collected at 20% of the land grant premium. If the land premium has not been completely paid off according to the contract, no land certificate may be granted, and it is also prohibited to grant the land certificate by dividing the land based on the proportion of the paid land grant fee.

Measures on Stabilizing Property Prices

In March 2005, the General Office of the State Council promulgated the *Circular on Effectively Stabilizing Housing Prices* (《國務院辦公廳關於切實穩定住房價格的通知》), which is aimed at restraining housing prices from increasing too rapidly and promoting stable development of the real estate market. On May 9, 2005, the General Office of the State Council issued *the Circular of the General Office of the State Council on Forwarding the Opinions of the Ministry of Construction and other Departments on Stabilizing Property Prices* (《國務院辦公廳轉發建設部等部門關於做好穩定住房價格工作意見的通知》) which was followed by a series of corresponding measures which constitute a set of policies by the PRC Government to tackle the perceived overheating of the PRC property market. including:

(i) Where housing prices grow too rapidly at a time when the supply of ordinary commodity houses at medium or low prices and low-cost affordable houses is insufficient, construction projects should mainly involve the construction of ordinary commodity houses at medium or low prices and low-cost affordable houses. The construction of low-density. high-end houses should be strictly controlled.

(ii) Where the price of land for residential use and the price of residential housing grow too rapidly, land supply for residential use as a proportion of the total land supply should be appropriately raised, and the land supply for the construction of ordinary commodity houses all medium or low prices and low-cost affordable houses should be especially increased. Land supply for villa construction should continue to be suspended, and land supply for high-end residential property construction should be strictly restricted.

(iii) Idle land fee must be imposed on land that has not been developed for one year from the contractual construction commencement date. Land use rights of land that has not been developed for two years must be revoked without compensation.

(iv) Ordinary residential houses with medium or small GFA and at medium or low prices may be granted certain preferential treatment in relation to planning permits, land supply, credit and taxation. Properties enjoying these preferential policies must satisfy the following conditions in principle: the plot ratio of the residential development is above 1.0, the GFA of one single unit is less than 120 sq.m., and the actual transfer price is lower than 120% of the average transfer price of comparable properties at comparable locations. Local governments at the provincial level may, based on their actual local circumstances, formulate specific standards for ordinary residential properties that can enjoy the preferential policies.

(v) Transfer of uncompleted commodity properties by any pre-sale purchaser is forbidden. In addition, purchasers are required to buy properties in their real names. Any pre-sale contract of commodity property must also be filed with the relevant government agencies electronically immediately after its execution.

On April 17, 2010, the State Council also issued *the Notice on Strictly Control of the Escalation of Property Prices in Certain Cities* (《國務院關於堅決遏制部分城市房價過快上漲的通知》), which further increased the minimum down payment in respect of mortgage loans on purchases of second residential properties by individuals to 50% of the purchase price and provides that the applicable mortgage rate must be at least 1.1 times the relevant benchmark lending rate published by the PBOC. The minimum down payment in respect of mortgage loans on purchases of third or more residential properties by individuals may be substantially increased at the commercial bank's discretion and based on its risk control policies. The notice also specifies that the down payment for first owner-occupied residential properties with a GFA of more than 90 sq.m. must be at least 30% of the purchase price. Further, in those areas where property prices have escalated and property supply is tight, commercial banks may, depending on the level of risk, suspend granting mortgage loans to buyers purchasing their third or more residential properties or to those non-local residents who cannot provide documentation evidencing their payment for over one year of tax or social security in the locality.

On February 26, 2013, the General Office of the State Council announced the *Notice on Continuing to Improve the Regulation and Control of the Real Estate Market* (《國務院辦公廳關於繼續做好房地產市場調控工作的通知》), which, among others, provides the following requirements: (i) limitations on the purchase of commodity residential housing must be strictly implemented, and the scope of such limitations must cover all newly constructed commodity residential housing and second-hand housing located in all the administrative regions of the city concerned; (ii) for cities with excessive growth in housing prices, the local counterparts of the PBOC may further increase down payment proportion and interest rates for loans to purchase second housing in accordance with the price control policies and targets of the corresponding local governments; and (iii) the gains generated from the sale of a self-owned residential property shall he subject to individual income tax at a rate of 20%, if the original value of such property can be verified through historical information, such as tax filings and property registration.

Regulations on Environment Protection

The laws and regulations governing the environmental requirements for real estate development in the PRC include *the Environmental Protection Law* (《環境保護法》), the *Environmental Impact Assessment Law* (《環境影響評價法》), the *Administrative Regulations on Environmental Protection for Development Projects* (《建設項目環境保護管理條例》) *and the Administrative Regulations on Environmental Protection for Acceptance Examination Upon Completion of Buildings* (《建設項目竣工環境保護驗收管理辦法》). Pursuant to these laws and regulations, depending on the impact of the project on the environment, an environmental impact study report, an environmental impact analysis table or an environmental impact registration form must be submitted by a developer before the relevant authorities will grant approval for the commencement of construction of the property development. In addition, upon completion of the property development, the relevant environmental authorities will also inspect the property to ensure compliance with the applicable environmental standards and regulations before the property can he delivered to the purchasers.

CHEMICALS AND ENERGY MATERIALS BUSINESS

Regulations on Industrial Products

The *Regulations on the Administration of Production License for Industrial Products of the PRC* (《中華人民共和國工業產品生產許可證管理條例》) were promulgated by the State Council on July 9, 2005 and became effective on September 1, 2005. The *Measures for Implementation of the Regulations on the Administration of Production License for Industrial Products* (《中華人民共和國工業產品生產許可證管理條例實施辦法》) were promulgated by GAQSIQ on September 15, 2005 and became effective on November 1, 2005.

Pursuant to the aforesaid regulations and implementation measures, enterprises engaging in hazardous chemical production shall obtain the production license for industrial products. Such license shall be valid for 5 years. GAQSIQ is responsible for the management or the production license for industrial products nationwide, and local bureaus or quality supervision, inspection and quarantine at provincial level may be responsible for the issuance of production licenses for some products.

If an enterprise violates the aforesaid regulations and implementation measures, the relevant authorities may order it to rectify the violations within a prescribed period of time or to suspend production. The relevant authorities may also confiscate the illegal products, revoke the production license, confiscate the illegal income and impose a fine on the enterprise. If a criminal offense is committed, the responsible person may be subject to criminal liabilities.

Regulations on Safe Production

Production Safety Law of the PRC

The *Production Safety Law of the PRC* (《中華人民共和國安全生產法》) was promulgated by the SCNPC on June 29, 2002 and became effective on November 1, 2002. The *Production Safety Law* was adopted to strengthen the supervision and administration of production safety, prevent and reduce production accidents, protect people's life and property and promote economic development. The *Production Safety Law* applies to enterprises engaged in production activities within the PRC and provides that enterprises engaged in production activities shall meet the production safety requirements prescribed by relevant laws. administrative regulations and national or industrial standards, failure of which will result in the prohibition to engage in production activities. Such enterprises are also required to strengthen the production safety management, establish the responsibility system for production safety, improve work conditions and ensure safe production.

The *Production Safety Law* in particular stipulates the responsibilities of the person in charge of production safety, including the responsibilities to establish and improve the system of attributing responsibility for production safety, formulate the safe production and operation rules, ensure the effective investment in production safety areas, oversee and inspect production safety work and eliminate the potential danger of production accidents timely, formulate and execute the emergency rescue plans for production accidents, and report production accidents honestly and timely. If an enterprise fails to meet the requirements as provided by the *Production Safety Law* and other relevant laws, administrative regulations and national or industrial standards, it may be ordered to suspend business and rectify the violations. Failure to rectify the violations within a prescribed period of time may lead to the shutdown of the enterprise and revocation of the relevant licenses.

Regulations on Safety Production Permit

The *Regulations on Safety Production Permit* (《安全生產許可證條例》) were promulgated by the State Council and became effective on January 13, 2004. The *Regulations on Safety Production Permit* were adopted to strictly regulate the conditions for safe production, further strengthen the supervision and administration of safe production, prevent and reduce production accidents.

The Regulations on Safety Production Permit stipulate that hazardous chemical manufacturing enterprises shall obtain a safety production permit. Enterprises without the safety production permit are not allowed to engage in hazardous chemical production activities. The administrative department of work safety under the State Council is responsible for the issuance and administration or safety production permits for hazardous chemical production enterprises which are under the administration of the central government, while local work safety authorities at the provincial level are responsible for the issuance and administration of safety production permits for other enterprises. The safety production permit shall be valid for three years.

If an enterprise violates the provisions of the *Regulations on Safety Production Permit* and commences production without obtaining the safety production permit or fails to renew the safety production permit upon its expiration, the relevant authorities may order it to suspend production, confiscate the illegal gains and impose a fine on the enterprise. If a criminal offense is committed, the offender may be subject to criminal liabilities.

Regulations on Hazardous Chemicals

Regulations on the Safety Administration of Hazardous Chemicals

The *Regulations on the Safety Administration of Hazardous Chemicals* (《危險化學品安全管理條例》) were promulgated by the State Council on January 26, 2002 and became effective on March 15, 2002. An amendment was made to such regulations by the State Council on February 16, 2011 and will become effective on December 1, 2011. The Regulations on the *Safety Administration of Hazardous Chemicals*, as amended, were adopted to strengthen the safety control over hazardous chemicals. safeguard people's life and property and protect the environment.

The *Regulations on the Safety Administration of Hazardous Chemicals* prescribe that the production, operation, storage, transportation and usage of hazardous chemicals and disposal of disused hazardous chemicals within the PRC must comply with the provisions of the aforesaid regulations. Hazardous chemical production enterprises must apply to the relevant department of the State Council for the production license of hazardous chemicals, failure of which will result in prohibition against production. Entities and individuals shall not engage in the sale and operation of hazardous chemicals without permission. Hazardous chemical production and storage enterprises as well as entities using highly toxic chemicals and other hazardous chemicals, the quantity of which constitutes major hazard sources, shall register the hazardous chemicals with competent authorities.

If an enterprise violates the *Regulations on the Safety Administration of Hazardous Chemicals*, as amended, relevant authorities may order it to close down or to suspend production, and order it to destroy the hazardous chemicals. Any illegal gains may be confiscated and a fine may be imposed on the enterprise by relevant authorities. If a criminal offense is committed, the responsible person may be subject to criminal liabilities.

Measures for Implementation of Safety Production Permit of Hazardous Chemical Production Enterprises

The *Measures of Implementation of Safety Production Permit of Hazardous Chemical Production Enterprises* (《危險化學品生產企業安全生產許可證實施辦法》) were formulated according to the *Regulations on Safety Production Permit*, and were promulgated by SAWS and State Administration of Coal Mine Safety and became effective on May 17, 2004. An amendment was made to such measures by SAWS on July 22, 2011 and will become effective on December 1, 2011.

According to the aforesaid measures, as amended, hazardous chemical production enterprises must obtain the safety production permit. The local work safety authorities at the provincial level are responsible for the issuance and administration of safety production permits for local hazardous chemical production enterprises. If a hazardous chemical production enterprise commences production without obtaining the safety production permit, the relevant authorities may order it to suspend production, confiscate the illegal gains and impose a fine on the enterprise. If a criminal offense is committed, the offender may be subject to criminal liabilities.

Measures for the Administration of Hazardous Chemical Operation License

The *Measures for the Administration of Hazardous Chemical Operation License* (《危險化學品經營許可證管理辦法》) were promulgated by the former SETC on October 8, 2002 and became effective on November 15, 2002. The *Measures for the Administration of Hazardous Chemical Operation License* were adopted to strengthen the safety administration of hazardous chemicals, regulate the operation and sale of hazardous chemicals and protect people's lives and property.

The *Measures for the Administration of Hazardous Chemical Operation License* establishes a licensing system for the operation and sale of hazardous chemicals. Entities engaging in the operation and sale of non-self-produced hazardous chemicals shall obtain the hazardous chemical operation license pursuant to the aforesaid measures before registration with the administrative bureaus for industry and commerce. No entity or individual may operate or sell non-self-produced hazardous chemicals without obtaining the hazardous chemical operation license and registering with the administrative bureau for industry and commerce. Hazardous chemical producers that set up sales centers outside their production plants to sell self-produced hazardous chemicals would also need to obtain the relevant operation licenses for the sales centers. A hazardous chemical operation license shall be valid for three years.

If an enterprise engages in the operation and sale of non-self-produced hazardous chemicals without obtaining the hazardous chemical operation license, the relevant authorities may order it to close clown or to suspend production, and order it to destroy the hazardous chemicals. Any illegal gains may be confiscated and a fine may be imposed on the enterprise by relevant authorities. If a criminal offense is constituted, the responsible person shall be subject to criminal liabilities.

Measures for the Administration of Registration of Hazardous Chemicals

The *Measures for the Administration of Registration of Hazardous Chemicals* (《危險化學品登記管理辦法》) were promulgated by the former SETC on October 8, 2002 and became effective on November 15, 2002. The *Measures for the Administration of Registration of Hazardous Chemicals* were adopted to strengthen the safety control over hazardous chemicals. Prevent chemical accidents and provide technical and information support for emergency rescue.

According to the aforesaid measures, hazardous chemical production and storage enterprises and entities using highly toxic chemicals and other hazardous chemicals, the quantity of which constitutes major hazard sources, shall register the hazardous chemicals with competent authorities. Registration offices are established at the provincial level to take care of the detailed registration work and technical management for hazardous chemicals within their respective jurisdiction. Entities which fail to register with the relevant authorities may be ordered to rectify the violations and be imposed a fine.

Regulations on Environmental Protection

The Environmental Protection Law

The *Environmental Protection Law of the PRC* (《中華人民共和國環境保護法》), was promulgated by SCNPC and became effective on December 26, 1989, and is aimed at protecting and improving the living environment and the biological environment, preventing pollution and other public hazards. Protecting people's health, and facilitating the development or modern construction under socialism. MEP is responsible for the overall supervision and management of environmental protection in the PRC.

According to the *Environmental Protection Law*, companies causing environmental pollution and other public hazards must include environmental protection measures in their plans and set up a system of environmental protection responsibility. Pollution prevention facilities for construction projects must be designed, constructed and launched into production and use at the same time with the main part of the projects. Construction projects can only be put into operation after the environmental protection authority has examined and approved the pollution prevention facilities. If necessary, and in accordance with relevant environmental production regulations, construction projects may be put into trial production prior to final environmental protection examination and acceptance. Such trial production shall also be subject to the approval of the relevant environmental protection authority.

Enterprises and institutions discharging pollutants must report to and register with relevant authorities in accordance with the provisions of the environmental protection authority under the State Council. Enterprises and institutions discharging pollutants at levels above the pollutant discharge standards contained in the state or local stipulations must pay discharge fees for the exceeded amount according to the regulations or the state, and are responsible for the treatment of discharged material. The relevant authorities are authorized to impose various types of penalties on the persons or entities in violation of the environmental regulations. The penalties which could be imposed include the issue of a warning, the suspension of operations or installations which are incomplete and which fail to meet the prescribed standards, the reinstallation of preventive facilities which have been dismantled or left idle, the administrative sanction against the office-in-charge, the suspension of business operations or the shut-down of the enterprise or institution. Fines could also be levied together with these penalties.

FINANCIAL INVESTMENTS

The *Interim Administrative Measures for Venture Capital Enterprises* (《創業投資企業管理暫行辦法》), were jointly promulgated by National Development and Reform Commission and other eight national ministries and commissions on November 15, 2005 and became effective on January 3, 2006. This regulation is aimed at promoting the development of venture capital enterprises ("**VCEs**"), regulating their investment operation, and encouraging them to invest in small and medium enterprises, especially small and medium high-tech enterprises. For the purposes of these Measures, VCEs shall mean enterprise organizations that are registered and established within the territory of the People's Republic of China and primarily engage in venture capital investment.

According to the *Interim Administrative Measures for Venture Capital Enterprises*, the business scope of a VCE shall be limited to:

1. Engaging in venture capital investment business;

2. Acting as an agent for the venture capital investment business of other VCEs or of other organizations or individuals;

3. Providing venture capital investment consulting services;

4. Providing venture management services to venture enterprises; and

5. Participating in the establishment of VCEs or MCFs for venture capital investment.

A VCE shall not engage in the guaranty business or real estate business, except for purchasing real properties for its own use. The investment made by a VCE in a single enterprise shall not exceed 20% of the VCE's total assets.

The State implements a record-filing mechanism for the administration of VCE. Record-filing administrative departments for VCEs are of two levels, namely the State Council's administrative department and the administrative departments at the level of province (including that of sub-provincial municipality). Any VCE that fails to complete the record-filing procedures in accordance with these Measures is not subject to the supervision and administration of an administrative department for VCEs and therefore does not enjoy any policy support. In record-filing at the relevant administrative department, a VCE shall satisfy the following conditions:

1. It shall be registered at the relevant administration for industry and commerce;

2. Its business scope shall conform to the provisions hereof;

3. Its actual paid-up capital shall be no less than RMB30 million, or the first actual paid-up capital shall be no less than RMB10 million and all the investors undertake to fulfill the due payment within five years of the registration to the effect that the actual paid-up capital reaches no less than RMB30 million;

4. The number of investors shall not exceed 200, or, if the VCE is established in the form of a limited liability company, the number shall not exceed 50, with each investor's investment in the VCE being no less than RMB1 million and all the investors to make their investment in the form of currency; and

5. It shall have at least three senior management personnel with two or more years of experience in venture capital investment or related business areas, all of whom shall bear the responsibility of investment management, and, in the case of entrusting another VCE or venture capital management consulting enterprise as its MCF to be responsible for its investment management business, the MCF must have at least three senior management personnel with two or more years of experience in venture capital investment or related business areas to bear the responsibility of investment management to the entrusting VCE.

Industrial Policies for Foreign Investment

The business of the Company and its important subsidiaries does not involve industries in which foreign investment is prohibited by Chinese Government.

Guangdong Bybo Dental Investment Management Co., Ltd. (hereinafter referred to as Bybo) and its subsidiaries engaged in dental health care belong to Medical institution. In accordance with the Catalogue of Industries for Guiding Foreign Investment (2015 Revision) (hereinafter referred to as the Catalogue), Medical institutions falls into industries in which foreign investment is restricted and is limited to Sino-foreign equity/cooperative joint venture operations.

Bybo, whose 54.896% shares are held by Legend Holdings, is domestic non-foreign-funded enterprise. After this public offering and listing, *Guangdong Baibo* and its subsidiaries will not become wholly foreign-owned enterprises, which meets the requirements of the Catalogue.

Accordingly, the business of the Company and its important subsidiaries involves the industries in which foreign investment is restricted but does not involve the industries in which foreign investment is prohibited. As far as the industrial policies for foreign investment are concerned, the Company have obtained all necessary approvals and opinions from the relevant regulatory authorities confirming that its business conforms with the relevant industrial policies for foreign investment. After this overseas listing, the Company and its important subsidiaries will be in compliance with related industrial policies for foreign investment.

DIRECTORS

The following table sets forth information regarding our Directors:

Name	Age	Position/Title	Roles and Responsibilities	Timing of joining our Group	Date of Appointment as Director
LIU Chuanzhi (柳傳志)	71	Executive Director and Chairman of the Board	Formulating the overall business strategies of our Company and overseeing their execution	November 1984	February 18, 2014
ZHU Linan (朱立南)	52	Executive Director and President	Assisting the Chairman of the Board with the overall direction, strategic development, daily operation and management of our Company; determining investment plans and leading investment negotiations	April 1989	February 18, 2014
ZHAO John Huan (趙令歡)	52	Executive Director and Executive Vice President	Assisting the Chairman of the Board and the President with the strategic development, business operation and investment of our Company; participating in making key decisions of our Company; assisting the President with managing the core asset business of our Company	January 2003	February 18, 2014

Name	Age	Position/Title	Roles and Responsibilities	Timing of joining our Group	Date of Appointment as Director
WU Lebin (吳樂斌)	53	Non-executive Director	Participating in formulating general business plans and strategy of our Company through the Board, but not engaged in daily management of our Company	September 2014	September 4, 2014
WANG Jin (王津)	61	Non-executive Director	Participating in formulating general business plans and strategy of our Company through the Board, but not engaged in daily management of our Company	August 2012	February 18, 2014
LU Zhiqiang (盧志強)	63	Non-executive Director	Participating in formulating general business plans and strategy of our Company through the Board, but not engaged in daily management of our Company	September 2009	February 18, 2014
MA Weihua (馬蔚華)	66	Independent Non-executive Director	Providing independent opinion and judgment to the Board	the Listing Date	March 15, 2015*
ZHANG Xuebing (張學兵)	49	Independent Non-executive Director	Providing independent opinion and judgment to the Board	the Listing Date	March 15, 2015*
HAO Quan (郝荃)	56	Independent Non-executive Director	Providing independent opinion and judgment to the Board	the Listing Date	March 15, 2015*

* *Effective from the Listing Date*

Executive Directors

Mr. LIU Chuanzhi (柳傳志), aged 71, was appointed as a Director and the Chairman of the Board on February 18, 2014. He has substantial experience in corporate management. Mr. Liu is the Founder of our Group and held various positions therein, including those set out below:

Period of time	Position
November 1984 – September 1985	deputy general manager 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)
September 1985 – November 1989	general manager 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)
November 1989 – March 2001	president of Lenovo (including its predecessor)
April 2001 – December 2004	chairman of the board of Lenovo
December 2004 – February 2009	director of Lenovo
February 2009 – September 2009	president of Legend Holdings Limited chairman of the board of Lenovo
September 2009 to November 2011	chairman of the board and president of Legend Holdings Limited chairman of the board of Lenovo
November 2011 – June 2012	chairman of the board and president of Legend Holdings Limited
June 2012 – February 2014	chairman of the board of Legend Holdings Limited

He holds positions in various members of our Group, including those set out below:

Name of entity	Position	Period of time
Lenovo	honorary chairman and senior advisor	November 2011 – Present
Legend Investment	chairman of the board	March 2001 – Present
Raycom Real Estate	chairman of the board	April 2010 – Present
Raycom Holdings	chairman of the board	June 2006 – Present
Raycom Property Investment	chairman of the board	July 2006 – Present
Right Lane	director	March 1994 – Present
Legend Holdings Tianjin Limited (聯想控股(天津)有限公司)	chairman of the board	November 2011 – Present

Prior to joining our Group, Mr. Liu served at Institute of Computing Technology Chinese Academy of Sciences (中國科學院計算技術研究所). Mr. Liu obtained his graduate certificate from Radar Navigation Department of People's Liberation Army Institute of Telecommunication Engineering (中國人民解放軍軍事電信工程學院雷達導航系) (now known as Xidian University) in November 1967.

Mr. Liu is not and has not been a director of any listed companies in Hong Kong or overseas in the past three years.

Mr. ZHU Linan (朱立南), aged 52, was appointed as a Director and the President of our Company on February 18, 2014. Mr. Zhu joined our Group in April 1989 and served as the general manager of Shenzhen Legend Computer Co., Ltd. (深圳聯想電腦有限公司). From June 1993 to June 1997, he served as the general manager of Xinchuanqi Electronics Co., Ltd. (新傳奇電子有限公司). He rejoined our Group in June 1997 and served as general manager of business development department of Lenovo, and he served as vice head of the corporate planning office of Lenovo from January 1998 to March 1998, assistant president of Lenovo and executive vice head and head of its corporate planning office from March 1998 to March 1999, vice president of Lenovo and executive vice head and head of its corporate planning office from March 1999 to March 2000, senior vice president of Lenovo from April 2000 to March 2001, director and executive vice president of Legend Holdings Limited and president of Legend Investment from April 2001 to June 2012, director and president of Legend Holdings Limited from June 2012 to February 2014 and director of Beijing Legend Capital Co., Ltd. (北京君聯資本管理有限公司) from November 2003 to the present. In addition, Mr. Zhu holds positions in various members of our Group, including those set out below:

Name of entity	Position	Period of time
Lenovo	non-executive director	April 2005 – Present
Legend Investment	director	March 2001 – Present
Raycom Real Estate	director	April 2010 – Present
Raycom Holdings	director	June 2006 – Present
Raycom Property Investment	director	July 2006 – Present
Joyvio	director	January 2013 – Present
Levima	director	March 2013 – Present
Phylion Battery	director	December 2003 – Present
Right Lane	director	June 2006 – Present
Beijing Huaxia Liantong Management Consulting Co., Ltd. (北京華夏聯同管理諮詢有限公司)	executive director and manager	June 2012 – Present

Name of entity	Position	Period of time
Beijing Huaxia United Auto Network Technology Co., Ltd. (北京華夏聯合汽車網絡技術有限公司)	executive director	November 2010 – Present

He is currently a non-executive director of CAR. He also served as a non-executive director of Peak Sport Products Co., Limited, a company listed on the Hong Kong Stock Exchange (Stock Code: 1968), from April 2009 to June 2014 and a director of Foshan Saturday Shoes Co., Ltd., (佛山星期六鞋業股份有限公司), a company listed on the Shenzhen Stock Exchange (Stock Code: 002291), from July 2007 to January 2013.

Mr. Zhu obtained his master's degree in electronic engineering from Shanghai Jiao Tong University in China in January 1987.

Save as disclosed above, Mr. Zhu is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

Mr. ZHAO John Huan (趙令歡), aged 52, was appointed as a Director and Executive Vice President of our Company on February 18, 2014. Mr. Zhao joined our Group in January 2003 when he founded Hony Capital. He is currently the chief executive officer of Hony Capital. From January 2003 to December 2009, Mr. Zhao served as a vice president, and from January 2010 to May 2010, a senior vice president of Legend Holdings Limited. From May 2010 to December 2011, he served as a director and a senior vice president, and from January 2012 to February 2014, a director and executive vice president of Legend Holdings Limited.

Mr. Zhao has extensive experience in senior management positions at several companies in the United States and PRC. Prior to joining our Group, he was the advisor to chief executive officer of Lenovo from 2002 to 2003. He also served as the research & development director and senior manager of Shure Brothers, Inc. from December 1990 to January 1995, vice president of US Robotics Inc., a company listed on NASDAQ Stock Market (Stock Code: USRX), from January 1995 to February 1997, chairman of the board and president of Vadem, Inc. from March 1997 to December 1999, chairman of the board and president of Infolio Inc. from December 1999 to October 2001 and a managing partner and chief executive officer of eGarden Ventures, Ltd. from October 2001 to December 2002.

Mr. Zhao is currently a non-executive director of Lenovo and the chairman of the board of China Glass Holdings Limited (Stock Code: 3300), which are both listed on the Hong Kong Stock Exchange, and deputy chairman of Shanghai Chengtou Holding Co., Ltd. (上海城投控股股份有限公司), a company listed on the Shanghai Stock Exchange (Stock Code: 600649). He once served as a director of Wumart Stores, Inc., a company listed on the Main Board of Hong Kong Stock Exchange (Stock Code: 1025) (listed on the GEM Board of the Hong Kong Stock

Exchange prior to May 2011 (Stock Code: 8277)), from November 2009 to June 2014, a director of Fiat Industrial S.p.A., a company listed on MTA Italian Stock Exchange, from January 2011 to September 2013, a non-executive director of New China Life Insurance Company Ltd., a company listed on the Hong Kong Stock Exchange (Stock Code: 1336), from November 2012 to March 2015, a non-executive director of Chinasoft International Limited, a company listed on the Hong Kong Stock Exchange (Stock Code: 0354), from July 2011 to April 2015, an executive director of CSPC Pharmaceutical Group Limited, a company listed on the Hong Kong Stock Exchange (Stock Code: 1093), from December 2008 to May 2015, and a director of Jiangsu Phoenix Publishing & Media Corporation Limited (江蘇鳳凰出版傳媒股份有限公司), a company listed on the Shanghai Stock Exchange (Stock Code: 601928), from June 2009 to June 2012.

In addition, Mr. Zhao has been the chairman of the board of directors of EnsenCare since August 2011.

Mr. Zhao obtained his bachelor's degree in science from Nanjing University in China in July 1984 and a master of science degree from Northern Illinois University in the United States in May 1990 and a master of management degree from the J.L. Kellogg Graduate School of Management at Northwestern University in the United States in June 1996.

Save as disclosed above, Mr. Zhao is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

Non-executive Directors

Mr. WU Lebin (吳樂斌), aged 53, was appointed as a Director on September 4, 2014. He has been the chairman of the board of directors of CAS since June 2014 and the chairman of the board of directors and executive director of Biosino Bio-Technology and Science Incorporation, a company listed on the Hong Kong Stock Exchange (Stock Code: 8247) since January 2007, and from September 2003 to July 2014, he was the president of the company. He has been an engineer of Strategic Vision Office of CAS Technology Policy Bureau (中國科學院科技政策局戰略遠景處) from June 1988 to November 1991, a vice chief of Vision Office of CAS Planning Bureau (中國科學院計劃局遠景規劃處) from November 1991 to October 1992, the chief of Public Relations Coordination Office of CAS General Office (中國科學院辦公廳公共關係協調處) from October 1992 to April 1998 and a deputy head of Institute of Biophysics of CAS (中國科學院生物物理研究所) from April 1998 to June 2005.

Mr. Wu obtained his bachelor's degree in medicine from Jiangxi Medical College (江西醫學院) (now known as Medical College of Nanchang University (南昌大學醫學院)) in China in October 1983 and a master's degree in science from the Institute of Vertebrate Paleontology and Paleoanthropology of Chinese Academy of Sciences (中國科學院古脊椎動物與古人類研究所) in China in June 1988. He also completed an EMBA study program jointly offered by the University of Wisconsin-Madison in the United States and CAS in December 2002.

Save as disclosed above, Mr. Wu is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

Mr. WANG Jin (王津), aged 61, was appointed as a Director on February 18, 2014. Mr. Wang has been the chairman of the board of directors of CAS Investment Management Co., Ltd (中國科技產業投資管理有限公司) from January 2010. He was the office manager of National Laboratory of the Institute of High Energy Physics, Chinese Academy of Sciences (中國科學院高能物理研究所國家實驗室) from November 1990 to May 1992, the head of development office of the Institute of High Energy Physics, Chinese Academy of Sciences from July 1993 to March 1994, an assistant to the general manager of Oriental Scientific Instrument Import & Export Corp. (東方科學儀器進出口公司) from April 1994 to March 1995, a deputy general manager of Oriental Scientific Instrument Import & Export Corp. from April 1995 to February 1997, the president of Oriental Scientific Instrument Import & Export (Group) Corp. (東方科學儀器進出口集團公司) from March 1997 to January 2002 and the chairman of the board of that company from December 2000 to December 2012. Mr. Wang was appointed as a director and the deputy general manager of CAS Holdings from July 2008 to September 2009 and subsequently as an executive director and the general manager of that company from October 2009 to June 2014.

Mr. Wang obtained his bachelor's degree in engineering from Tianjin University in China in October 1978 and a master's degree in business administration from Asia International Open University (Macau) in Macau in August 2001. He was a visiting scholar at Fermilab of the United States from June 1992 to June 1993.

Mr. Wang is not and has not been a director of any listed companies in Hong Kong or overseas in the past three years.

Mr. LU Zhiqiang (盧志強), aged 63, was appointed as a Director on February 18, 2014. He has been the chairman of the board of directors and president of China Oceanwide since May 1999 and the chairman of the board of directors and president of Oceanwide Group Co., Ltd. (泛海集團有限公司) since August 1985. He served as the chairman of the board of directors of Oceanwide Holdings Co., Ltd. (泛海控股股份有限公司), a company listed on the Shenzhen Stock Exchange (Stock Code: 000046), from December 1998 to January 2014 and has reinstated as the chairman of the board of directors of Oceanwide Holdings Co., Ltd. since May 2015. Since February 1996, he has been a director, the chairman of the board of supervisors and the vice chairman of the board of directors of China Minsheng Banking Corp., Ltd., a company listed on the Hong Kong Stock Exchange (Stock Code: 01988) and the Shanghai Stock Exchange (Stock Code: 600016).

Mr. Lu obtained his graduate certificate specializing in international economics from East China Normal University in June 1990 and a master's degree in economics from Fudan University in China in July 1995.

Save as disclosed above, Mr. Lu is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

Independent Non-executive Directors

Mr. MA Weihua (馬蔚華), aged 66, was appointed as a Director on March 15, 2015 with effect from the Listing Date. Mr. Ma served as the president, chief executive officer and executive director of China Merchants Bank Co., Ltd., a company listed on the Hong Kong Stock Exchange (Stock Code: 3968) and the Shanghai Stock Exchange (Stock Code: 600036) from January 1999 to May 2013, the chairman of the board of directors of China Merchant Signa Life Insurance Co., Ltd. from July 2003 to June 2013 and the chairman of the board of directors of China Merchants Fund (CMF) Management Co., Ltd from November 2007 to September 2013. Mr. Ma also served as a director and the chairman of the board of directors of Wing Lung Bank Limited from October 2008 to May 2015.

Mr. Ma has been an independent non-executive director of China Resources Land Limited, a company listed on the Hong Kong Stock Exchange (Stock Code: 1109) since July 2013, an independent non-executive director of China Eastern Airlines Corporation Limited, a company listed on the Hong Kong Stock Exchange (Stock Code: 670) and the Shanghai Stock Exchange (Stock Code: 600115) since October 2013 and an independent non-executive director of China World Trade Center Co., Ltd. (中國國際貿易股份有限公司), a company listed on the Shanghai Stock Exchange (Stock Code: 600007) since August 2014. He served as an independent non-executive director of Winox Holdings Limited, a company listed on the Hong Kong Stock Exchange (Stock Code: 6838) from June 2011 to March 2015 and an independent non-executive director of China Petroleum & Chemical Corporation, a company listed on the Hong Kong Stock Exchange (Stock Code: 0386), the Shanghai Stock Exchange (Stock Code: 600028), the New York Stock Exchange (Stock Code: SNP) and the London Stock Exchange (Stock Code: SNP) from May 2010 to May 2015.

In addition, Mr. Ma has been a member of the Standing Council of China Society for Finance and Banking since March 2005, the director-general of One Foundation (壹基金公益基金會理事長) since February 2014 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) since July 2014. 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 in China in June 1999.

Save as disclosed above, Mr. Ma is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

Mr. ZHANG Xuebing (張學兵), aged 49, was appointed as a Director on March 15, 2015 with effect from the Listing Date. Mr. Zhang established Zhong Lun Law Firm in January 1993 and has served as the managing partner to the present. He served as an independent director of Huafa Industrial Co., Ltd. Zhuhai (珠海華發實業股份有限公司), a company listed on the Shanghai Stock Exchange (Stock Code: 600325) from July 2009 to the present.

In addition, Mr. Zhang has been the chairman of the Beijing Lawyers Association since 2009, the vice-chairman of the All China Lawyers Association since 2011, and an arbitrator of the China International Economic and Trade Arbitration Commission since 2005.

Mr. Zhang obtained his Bachelor of Laws degree from China University of Political Science and Law in July 1986, Master of Laws degree from China University of Political Science and Law in December 1991 and Master of Laws degree from Duke University in the United States in May 1998. Mr. Zhang was admitted as a PRC qualified lawyer in November 1989 by Beijing Municipal Bureau of Justice (北京市司法局) and was granted the Qualification of Lawyer for Engaging in Securities Law Business by the CSRC in July 1996.

Save as disclosed above, Mr. Zhang is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

Ms. HAO Quan (郝荃), aged 56, was appointed as a Director on March 15, 2015 with effect from the Listing Date. From August 1982 to November 1989, Ms. Hao served as a lecturer of the Renmin University of China. She joined KPMG (USA) in January 1993 and has been a partner of KPMG Huazhen since October 2001 and also served as a partner of KPMG Huazhen (Special General Partnership) from August 2012 to March 2015.

Ms. Hao obtained her Bachelor of Economics degree from the Renmin University of China in December 1982 and the Master of Business Administration degree from Temple University in the United States in January 1993. Ms. Hao obtained the qualification as a PRC certified public accountant in May 2002.

Ms. Hao is not and has not been a director of any listed companies in Hong Kong or overseas in the past three years.

SUPERVISORS

The following table sets out the information regarding our Supervisors:

Name	Age	Position/Title	Roles and Responsibilities	Timing of Joining our Group	Date of Appointment as Supervisor
LI Qin (李勤)	74	Chairman of the Board of Supervisors	Monitoring and overseeing our Company's financial matters, examining our Company's periodic reports, and supervising the conduct of the Board and senior management	November 1989	February 18, 2014
SUO Jishuan (索繼栓)	51	Supervisor	Monitoring and overseeing our Company's financial matters, examining our Company's periodic reports, and supervising the conduct of the Board and senior management	September 2014	September 4, 2014
QI Zixin (齊子鑫)	39	Supervisor	Monitoring and overseeing our Company's financial matters, examining our Company's periodic reports, and supervising the conduct of the Board and senior management	August 2012	February 18, 2014

Mr. LI Qin (李勤), aged 74, was appointed as the Chairman of the Board of Supervisors on February 18, 2014. Mr. Li served as deputy general manager 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) from January 1985 to November 1989, and as executive vice president of Lenovo from November 1989 to March 2001. He served at Legend Holdings Limited as executive vice president from April 2001 to October 2009 and as chief supervisor from October 2009 to February 2014.

Mr. Li has been an independent non-executive director of Sunac China Holdings Limited, a company listed on the Hong Kong Stock Exchange (Stock Code: 1918), since August 2009.

Mr. Li obtained his graduate certificate specializing in auto-control from Beijing Mechanical Institute (北京機械學院) in China in July 1965.

Save as disclosed above, Mr. Li is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

Mr. SUO Jishuan (索繼栓), aged 51, was appointed as a Supervisor on September 4, 2014. Mr. Suo served as the general manager of CAS Holdings from July 2014, and the chairman of the board of directors of Shanghai Bi Ke Clean Energy Technology Co., Ltd. and Shenzhen CAS IP Investment Co., Ltd. (深圳中科院知識產權投資有限公司) from April 2014 and February 2011 respectively. He started to work 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 December 1991. From September 1993 to April 1995, he served 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); from May 1995 to October 2003, he served as 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); from September 1997 to July 1998, he served as assistant to the chief of LICP; from August 1998 to October 2003, he served as deputy chief of LICP; from January 2003 to October 2003, he served as vice president of Lanzhou Branch of CAS; from November 2003 to September 2009, he served as chairman of the board of directors of Chengdu Organic Chemicals Co., Ltd., CAS; from September 2009 to June 2014, he served as deputy general manager of CAS Holdings; and from April 2011 to May 2014, he served as chairman of the board of directors of Software Engineering Center, Chinese Academy Sciences.

Mr. Suo obtained his bachelor's degree in science from Inner Mongolia University in China in July 1986 and a doctoral degree in science from LICP in December 1991.

Mr. Suo is not and has not been a director of any listed companies in Hong Kong or overseas in the past three years.

Mr. QI Zixin (齊子鑫), aged 39, was appointed as a Supervisor on February 18, 2014; Mr. Qi has been a director of China Oceanwide since January 2014 and the vice-president of China Oceanwide from January 2014 to May 2015; the vice-chairman of Oceanwide Energy Investment Holdings Co., Ltd. (泛海能源控股股份有限公司) since June 2012 and its president from January 2014 to May 2015; a director of the board of directors of Minsheng Securities Co., Ltd. (民生證券股份有限公司) since July 2010 and its vice chairman since August 2013; a director of China Minsheng Trust Co., Ltd. (中國民生信託有限公司) from April 2013 to May 2015; a director of Guangxi Beibu Gulf Bank Co., Ltd. (廣西北部灣銀行股份有限公司) since December 2013; a non-executive director of China Oceanwide Holdings Limited, a company listed on the Hong Kong Stock Exchange (Stock Code: 00715) since December 2014; the vice chairman of the board of directors of Minsheng Holdings Co., Ltd. (民生控股股份有限公司), a company listed on the Shenzhen Stock Exchange (Stock Code: 000416), since February 2012; and a director and the vice-president of Oceanwide Holdings Co., Ltd. since May 2015.

Mr. Qi obtained his bachelor of laws degree and a bachelor's degree in economics from Peking University in China in July 1998 and a master of laws degree from Peking University in June 2001.

Save as disclosed above, Mr. Qi is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

SENIOR MANAGEMENT

Our senior management is responsible for the day-to-day management of our businesses. The following table sets forth information regarding our senior management other than the executive Directors listed above:

Name	Age	Position/Title	Roles and Responsibilities	Timing of Joining our Group	Date of Appointment as Senior Management
CHEN Shaopeng (陳紹鵬)	45	Senior Vice President	Responsible for agriculture and food investment business	April 1993	February 18, 2014
TANG Xudong (唐旭東)	53	Senior Vice President	Responsible for Legend Star investment and Legend Management Institute, overseeing human resources department, administrative matters and the Party Office, etc.	April 1990	February 18, 2014

Name	Age	Position/Title	Roles and Responsibilities	Timing of Joining our Group	Date of Appointment as Senior Management
NING Min (寧旻)	45	Senior Vice President, Chief Financial Officer, Secretary to the Board and Joint Company Secretary	Responsible for asset management, overseeing public affairs and investor relationship, financial management and matters relevant to capital markets, and Hong Kong office of our Company	July 1991	February 18, 2014 (as Senior Vice President, Chief Financial Officer and Secretary to the Board) March 15, 2015 (as Joint Company Secretary)

Mr. LIU Chuanzhi (柳傳志), aged 71, was appointed as a Director and the Chairman of the Board on February 18, 2014. Please refer to his biographical details in "– Directors – Executive Directors" above.

Mr. ZHU Linan (朱立南), aged 52, was appointed as a Director and the President of our Company on February 18, 2014. Please refer to his biographical details in "– Directors – Executive Directors" above.

Mr. ZHAO John Huan (趙令歡), aged 52, was appointed as a Director and Executive Vice President of our Company on February 18, 2014. Please refer to his biographical details in "– Directors – Executive Directors" above.

Mr. CHEN Shaopeng (陳紹鵬), aged 45, was appointed as a senior vice president of our Company on February 18, 2014, responsible for agriculture and food investment business. Mr. Chen joined Lenovo in April 1993. From April 1993 to March 2001, he served consecutively as a sales representative, sales manager, general manager of Chengdu office, general manager of Xi'an office, manager of the South China Region, deputy general manager of South Central China Region, general manager of South Central China Region, assistant general manager and assistant president of Lenovo. From April 2001 to April 2006, Mr. Chen served as a vice president of Lenovo, and from April 2006 to October 2007, he served as a senior vice president of Lenovo and president of the Greater China Region of Lenovo. From November 2007 to March 2009, Mr. Chen served as a senior vice president of Lenovo and president of the Asia-Pacific and Russia Region of Lenovo. From March 2009 to October 2011, he served as a senior vice president of Lenovo and president of the Emerging Markets of Lenovo. From October 2011 to February 2014, he served as a senior vice president of Legend Holdings Limited.

Prior to joining our Group, he served as a system administrator of the computing center of the Planning and Design Institute of the Department of Light Industry from July 1992 to March 1993.

Mr. Chen obtained his bachelor's degree in engineering from Beijing Light Industry School (北京輕工業學院) (now known as Beijing Technology and Business University) in China in July 1992 and an EMBA degree from Tsinghua University in China in January 2005. He completed the Advanced Management Program at Harvard Business School in the United States in November 2008.

In addition, Mr. Chen holds positions in various members of our Group, including those set out below:

Name of entity	Position	Period of time
Funglian	chairman of the board of directors	August 2013 – Present
Joyvio	chairman of the board of directors	May 2012 – Present

Mr. Chen is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

Mr. TANG Xudong (唐旭東), aged 53, was appointed as a Senior Vice President of our Company on February 18, 2014, responsible for managing Legend Star investment, Legend Management Institute, overseeing our human resources department, other administrative matters and the Party Office, etc. Mr. Tang joined our Group in April 1990 and served at the corporate management department of Lenovo. He held various positions in our Group, including those set out below:

Period of time	Position
April 1993 – April 1994	deputy general manager of human resources department of Lenovo
April 1994 – April 1995	general manager of human resources department of Lenovo
April 1995 – April 1996	deputy head of the office of the president of Lenovo
April 1996 – April 1998	general manager of the legal department of Lenovo

Period of time	Position
April 1998 – March 1999	assistant head of the corporate planning office of Lenovo
April 1999 – March 2001	deputy head of the corporate planning office of Lenovo
April 2001 – December 2009	vice president and head of the corporate planning office of Legend Holdings Limited
January 2010 – February 2011	vice president of Legend Holdings Limited and general manager of its incubator investment division and general manager of its human resources department
February 2011 – December 2011	vice president of Legend Holdings Limited and general manager of its incubator investment division, general manager of its human resources department and executive dean of Legend Management Institute (聯想管理學院)
January 2012 – January 2014	senior vice president of Legend Holdings Limited and general manager of its incubator investment division, general manager of its human resources department and executive dean of Legend Management Institute
January 2014 – February 2014	senior vice president of Legend Holdings Limited and general manager of its incubator investment division

Prior to joining our Group, Mr. Tang served as an assistant engineer in CAS Policy Bureau (中國科學院政策局) from May 1987 to April 1990.

Mr. Tang obtained his bachelor's degree in laws from Central Institute of Nationalities (中央民族學院) (now known as Minzu University of China) in China in July 1986 and got an EMBA degree from Cheung Kong Graduate School of Business in China in June 2005.

In addition, Mr. Tang serves as a director of CAS Holdings since July 2011 and holds positions in various members of our Group, including those set out below:

Name of entity	Position	Period of time
Raycom Holdings	director	June 2006 – Present
Beijing Legend Star	vice chairman of the board of directors	September 2012 – Present
Tianjin Legend Star	director	January 2012 – Present
Legend Holdings Tianjin Limited (聯想控股(天津)有限公司)	director	November 2011 – Present

Mr. Tang is not and has not been a director of any listed companies in Hong Kong or overseas in the past three years.

Mr. NING Min (寧旻), aged 45, was appointed as a Senior Vice President, the chief financial officer and the secretary of the Board of our Company on February 18, 2014, being responsible for asset management, overseeing public affairs and external communication and investor relationship, financial management and matters relevant to capital markets, and the Hong Kong office of our Company. He was appointed as the Joint Company Secretary of our Company on March 15, 2015. Mr. Ning joined our Group in July 1991 and served at the management department of Lenovo. He held various principal positions in our Group, including those set out below:

Period of time	Position
May 1995 – March 1997	secretary to the president of Lenovo
April 1997 – March 2000	assistant to the chairman of the board of directors of Lenovo
April 2000 – March 2005	assistant to the president of Legend Holdings Limited and secretary of its board of directors
April 2005 – March 2006	assistant to the president of Legend Holdings Limited, secretary of its board of directors and deputy head of its corporate planning office
April 2006 – December 2009	assistant president of Legend Holdings Limited, deputy head of its corporate planning office and secretary of its board of directors

Period of time	Position
January 2010 – December 2011	vice president of Legend Holdings Limited, general manager of its asset management department and secretary of its board of directors
January 2012 – February 2014	senior vice president of Legend Holdings Limited, general manager of its asset management department and secretary of its board of directors

Mr. Ning was a non-executive director of China Glass Holdings Limited, a company listed on the Hong Kong Stock Exchange (Stock Code: 3300), from June 2011 to February 2015 and is currently a director of Xi'an Shaangu Power Co., Ltd. (西安陝鼓動力股份有限公司), a company listed on the Shanghai Stock Exchange (Stock Code: 601369).

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

In addition, Mr. Ning holds positions in various members of our Group, including those set out below:

Name of entity	Position	Period of time
Legend Investment	director	March 2012 – Present
Beijing Legend Star	chairman of the board of directors	September 2012 – Present
Tianjin Legend Star	chairman of the board of directors	September 2012 – Present
Right Lane	director	June 2013 – Present
Legend Holdings Tianjin Limited (聯想控股(天津)有限公司)	director	November 2011 – Present

Save as disclosed above, Mr. Ning is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

JOINT COMPANY SECRETARIES

Mr. NING Min (寧旻), see "– Senior Management".

Ms. YEUNG Yee Har, aged 50, was appointed as the Joint Company Secretary of our Company on March 15, 2015. Ms. Yeung joined our Group in June 2013 and served as a company secretary of Right Lane and is primarily responsible for the support of company secretarial functions of the Group. Ms. Yeung has over 18 years practical experience in the corporate secretarial field of listed companies. Prior to joining the Group, Ms. Yeung served as a joint company secretary of MGM China Holdings Limited (Stock Code: 2282) from December 2010 to June 2013. Ms. Yeung also served as an assistant company secretary of China Travel International Investment Hong Kong Limited (Stock Code: 308) from June 1994 to November 1999, a company secretary of South China Industries Limited (now known as South China (China) Limited) (Stock Code: 413) from November 1999 to August 2003 and the company secretary of IDT International Limited (Stock Code: 167) from August 2003 to July 2008. The aforementioned companies are all listed on the Hong Kong Stock Exchange. Ms. Yeung has been a fellow member of The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries since March 2015. Ms. Yeung obtained a bachelor's degree in accountancy from the City Polytechnic of Hong Kong (now known as the City University of Hong Kong) in November 1993.

Ms. Yeung is not and has not been a director of any listed companies in Hong Kong or overseas in the past three years.

DIRECTORS' INTEREST

Save as disclosed in "Directors, Supervisors and Senior Management" section of this prospectus, each of our Directors (i) did not hold other positions in our Company or other members of our Group as of the Latest Practicable Date; (ii) had no other relationship with any Directors, senior management or substantial or controlling shareholders of our Company as of the Latest Practicable Date; and (iii) did not hold any directorship in any other listed companies in the three years prior to the Latest Practicable Date. As of the Latest Practicable Date, save as disclosed in "Statutory and General Information – C. Further Information about Our Directors, Our Supervisors and Substantial Shareholders", each of our Directors did not have any interest in the Shares within the meaning of Part XV of the SFO.

To the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, save as disclosed herein, there was no additional matter with respect to the appointment of our Directors that needs to be brought to the attention of the Shareholders, and there was no additional information relating to our Directors that is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules as of the Latest Practicable Date.

POSITION IN LEGEND CAPITAL AND HONY

As of the Latest Practicable Date, Mr. Zhu Linan served as the chairman of the board of Beijing Legend Capital Management Co., Ltd. (北京君聯資本管理有限公司) and Mr. Zhao John Huan served as a director and the president of Hony Capital.

Our Directors believe that there is no direct or indirect competition between the investment businesses of Legend Capital and Hony Capital on the one hand, and the Company on the other hand, given they are two distinct businesses of different nature:

Legend Holdings	**Legend Capital/Hony Capital**
Our strategic investments focus on long-term holding investments without any specific target exit date	Every fund usually has a pre-defined fund size, investment strategies, fund allocation to core investment projects, and a fixed fund life of 10 years with two additional one-year extensions
In addition to economic returns, the strategic value and long-term development and sustainability of the portfolio companies is one of the critical factors we take into account	Primarily earnings driven. The net cash proceeds from the disposal of portfolio company investments will be distributed in cash upon receipt to the limited partners in accordance with the terms and conditions in the relevant limited partnership agreement.

Our Board has been operating and will continue to operate independently for the following reasons:

(i) each of our Directors is aware of his/her fiduciary duties as a director which require, among other things, that he/she acts for the benefit and in the best interests of us and does not allow any conflict between his/her duties as a director and his/her personal interests;

(ii) our independent non-executive Directors have extensive experience in different areas and have been appointed in accordance with the requirements under the Listing Rules to ensure that the decision of our Board are made only after due and careful consideration of independent and impartial opinions; and

(iii) we have adopted the "Code of Conduct on Directors and Senior Management and Guidance on Conflict of Interest", which particularly provides the following guidance:

   (a) without the approval and consent of a majority of the shareholders, Directors and senior management shall not compete, directly or indirectly, with us in any form, nor compete, directly or indirectly, for business opportunities with us;

(b) when a Director or a senior management member is involved in any actual or potential conflict of interest, a notice in writing must be sent to the chairman, president, secretary of the Board or the joint company secretary of the Company. If such notice is from chairman or president himself, it must be sent to the company secretary, and vice versa. The nature and extent of the actual or potential conflict of interest shall be included in the minutes of the Board meeting;

(c) the Board shall make the final judgment on whether there is a conflict of interest concerning the Director and/or the senior management, and approve the appropriate solutions. The Director who is of concern on the conflict of interest shall abstain from the discussion and voting.

The Group will regularly review the Code of Conduct on Directors and Senior Management and Guidance on Conflict of Interest to ensure the implementation and improvement of the latest corporate governance.

COMPLIANCE ADVISOR

We have appointed Somerley Capital Limited as our compliance adviser pursuant to Rules 3A.19 and 19A.05 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, our compliance adviser will provide advice to us in the following circumstances:

(a) before the publication of any regulatory announcement, circular or financial report;

(b) where a transaction, which might be a notifiable or connected transaction (as defined under the Listing Rules), is contemplated, including share issues and share repurchases;

(c) where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate or other information in this prospectus; and

(d) where Hong Kong Stock Exchange makes an inquiry to us regarding unusual movements in the price or trading volume of our Shares or any other matters under Rule 13.10 of the Listing Rules.

Pursuant to Rule 19A.06 of the Listing Rules, Somerley Capital Limited will, on a timely basis, inform our Company of any amendment or supplement to the Listing Rules that are announced by the Hong Kong Stock Exchange. Somerley Capital Limited will also inform our Company of any new or amended law, regulation or code in Hong Kong applicable to use, and advise us on the continuing requirements under the Listing Rules and applicable laws and regulations.

The term of this appointment shall commence on the Listing Date and is expected to end on the date on which we distribute our annual report in respect of the financial results for the first full financial year commencing after the Listing Date, and such appointment may be subject to extension by mutual agreement.

BOARD COMMITTEES

In accordance with the requirements and the corporate governance practice prescribed in the Listing Rules, our Company has established the following committees under the Board: the Nomination Committee, the Audit Committee and the Remuneration Committee. The committees operate in accordance with terms of reference established by the Board.

Nomination Committee

We have established the Nomination Committee with written terms of reference. The Nomination Committee consists of Mr. Liu Chuanzhi, Mr. Ma Weihua and Mr. Zhang Xuebing. The chairman of the Nomination Committee is Mr. Liu Chuanzhi. The primary duties of the Nomination Committee include, but are not limited to, the following:

(a) to review periodically the structure, size and composition of the Board and make recommendations to the Board regarding any proposed changes to complement the Company's corporate strategy;

(b) to widely search for and identify individuals who are suitable to become a member of the Board, and to select or make recommendations to the Board on the selection of individuals nominated for Directors and the President; and

(c) to assess the independence of independent non-executive Directors.

Audit Committee

We have established the Audit Committee with written terms of reference. The Audit Committee consists of Ms. Hao Quan, Mr. Zhang Xuebing and Mr. Wang Jin. The chairman of the Audit Committee is Ms. Hao Quan. The primary duties of the Audit Committee include, but are not limited to, the following:

(a) to guide, review and supervise the establishment of the Company's financial controls, risk management and internal control systems and mechanisms;

(b) to make recommendations to the Board on the appointment, reappointment or removal of agencies such as accounting firms and their remuneration; and to review and supervise the external auditor's independence and objectivity and the effectiveness of the audit process;

(c) to review the Company's financial and accounting policy and its changes and make recommendations to the Board; and

(d) to evaluate and supervise the integrity and operational effectiveness of the Company's audit system.

Remuneration Committee

We have established the Remuneration Committee with written terms of reference. The Remuneration Committee consists of Mr. Ma Weihua, Mr. Lu Zhiqiang and Ms. Hao Quan. The chairman of the Remuneration Committee is Mr. Ma Weihua. The primary duties of the Remuneration Committee include, but are not limited to, the following:

(a) to make recommendations to the Board on the Company's policy and structure for remuneration of all Directors and senior management of the Company and on the establishment of a formal and transparent procedure for developing remuneration policy;

(b) to make recommendations to the Board on the specific remuneration packages of all executive Directors and senior management and on the remuneration of non-executive Directors; and

(c) to review and approve the management's remuneration proposals with reference to the objectives passed by the Board from time to time.

REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The remunerations (including fees, salaries, discretionary bonuses, share option and rewards, retirement payment and employer's contribution to pension schedule and other benefits) paid to our Directors and Supervisors during each of the three years ended December 31, 2012, 2013 and 2014 were RMB60,730,000, RMB204,086,000 and RMB67,385,000, respectively.

The remuneration (including fees, salaries, discretionary bonuses, share option and rewards, retirement payment and employer's contribution to pension schedule and other benefits) paid to our Group's five highest paid individuals in aggregate for each of the three years ended December 31, 2012, 2013 and 2014 were approximately RMB202,601,000, RMB450,315,000 and RMB288,940,000, respectively.

Under the arrangements currently in force, the aggregate amount of remuneration, excluding discretionary bonuses and entitlement under any incentive schemes, payable to our Directors and Supervisors for the year ending December 31, 2015 is estimated to be approximately RMB38,001,000.

Save as disclosed above, no other payments have been made or are payable during the three financial years ended December 31, 2012, 2013 and 2014, respectively, by our Company or any of our subsidiaries to the Directors, Supervisors or the five highest paid individuals.

No remuneration was paid to our Directors or Supervisors or the five highest paid individuals as an inducement to join us or as a compensation for loss of office in respect of the three years ended December 31, 2012, 2013 and 2014. None of our Directors or Supervisors had waived any remuneration during the same period.

So far as our Directors are aware, immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised), the following persons will have an interest or a short position in the Shares or underlying Shares which will be required to be disclosed to our Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company:

Name of Shareholder	Class of Shares held after the Global Offering	Nature of interest	Number of Shares held after the Global Offering	Approximate percentage of shareholding in the relevant class of Shares after the Global Offering[(1)]	Approximate percentage of shareholding in the total share capital of our Company after the Global Offering[(2)]
CAS Holdings	Domestic Shares	Beneficial owner	684,705,600	34.85%	29.10%
Lian Chi Zhi Yuan	Domestic Shares	Beneficial owner	480,000,000	24.43%	20.40%
China Oceanwide	Domestic Shares	Beneficial owner	400,000,000	20.36%	17.00%
Lian Heng Yong Xin	Domestic Shares	Beneficial owner	178,000,000	9.06%	7.56%
Lian Chi Zhi Tong	Domestic Shares	Interest in controlled corporation	480,000,000	24.43%	20.40%
Oceanwide Group Co., Ltd.[(3)] (泛海集團有限公司)	Domestic Shares	Interest in controlled corporation	400,000,000	20.36%	17.00%
Tonghai Holdings Co., Ltd.[(3)] (通海控股有限公司)	Domestic Shares	Interest in controlled corporation	400,000,000	20.36%	17.00%
Lu Zhiqiang[(3)] (盧志強)	Domestic Shares	Interest in controlled corporation	400,000,000	20.36%	17.00%
Lian Heng Yong Kang	Domestic Shares	Interest in controlled corporation	178,000,000	9.06%	7.56%
CCB Trust Co., Ltd.	Domestic Shares	Person having a security interest in shares	180,000,000	9.16%	7.65%
Ping An Trust	Domestic Shares	Person having a security interest in shares	219,990,000	11.20%	9.35%
China Construction Bank Corporation	Domestic Shares	Interest in controlled corporation	180,000,000	9.16%	7.65%
Central Huijin Investment Ltd.	Domestic Shares	Interest in controlled corporation	180,000,000	9.16%	7.65%

Name of Shareholder	Class of Shares held after the Global Offering	Nature of interest	Number of Shares held after the Global Offering	Approximate percentage of shareholding in the relevant class of Shares after the Global Offering(1)	Approximate percentage of shareholding in the total share capital of our Company after the Global Offering(2)
China Investment Corporation	Domestic Shares	Interest in controlled corporation	180,000,000	9.16%	7.65%
Ping An Insurance (Group) Company of China, Ltd.	Domestic Shares	Interest in controlled corporation	219,990,000	11.20%	9.35%

Notes:

(1) The calculation is based on the percentage of shareholding in Domestic Shares or H Shares (as applicable) of our Company immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised).

(2) The calculation is based on the total number of 2,352,944,000 Shares in issue following the completion of the Global Offering (assuming the Over-allotment Option is not exercised).

(3) Oceanwide Group Co., Ltd. and Tonghai Holdings Co., Ltd. are corporations controlled by Mr. Lu Zhiqiang. Tonghai Holdings Co,, Ltd. holds the entire equity interest in Oceanwide Group Co., Ltd. which in turn holds 97.44% equity interest in China Oceanwide. Accordingly, Mr. Lu Zhiqiang is deemed to have interest in the 400,000,000 Shares held by China Oceanwide.

For details of our Directors' and Supervisors' interests in the Shares or underlying Shares immediately following the completion of the Global Offering, see "Appendix VII – Statutory and General Information – C. Further Information about Our Directors, Our Supervisors and Substantial Shareholders".

Save as disclosed above, our Directors are not aware of any person who will, immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised), have an interest or a short position in the Shares or underlying Shares which will be required to be disclosed to our Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company.

We are not aware of any arrangement which may result in any change of control in our Company at any subsequent date.

SHARE STRUCTURE

Before the Global Offering

As of the date of this prospectus, the registered share capital of the Company is RMB2,000,000,000 divided into 2,000,000,000 Domestic Shares with a nominal value of RMB1.00 each.

Upon Completion of the Global Offering

Immediately following the completion of the Global Offering, assuming the Over-allotment Option is not exercised, the registered capital of our Company will be RMB2,352,944,000, comprising 388,238,400 H Shares and 1,964,705,600 Domestic Shares, representing approximately 16.50% and 83.50%, respectively, of the registered capital of our Company, and particulars of our Company's shareholdings will be as follows:

Name of Shareholder	Class of Shares	Number of Shares	Approximate percentage of registered capital
CAS Holdings	Domestic Shares	684,705,600	29.10%
Lian Chi Zhi Yuan	Domestic Shares	480,000,000	20.40%
China Oceanwide	Domestic Shares	400,000,000	17.00%
Lian Heng Yong Xin	Domestic Shares	178,000,000	7.56%
Mr. Liu Chuanzhi	Domestic Shares	68,000,000	2.89%
Mr. Zhu Linan	Domestic Shares	48,000,000	2.04%
Mr. Ning Min	Domestic Shares	36,000,000	1.53%
Mr. Huang Shaokang	Domestic Shares	30,000,000	1.27%
Mr. Chen Shaopeng	Domestic Shares	20,000,000	0.85%
Mr. Tang Xudong	Domestic Shares	20,000,000	0.85%
NSSF	H Shares	35,294,400	1.50%
Holders of H Shares issued pursuant to the Global Offering	H Shares	352,944,000	15.00%
Total		2,352,944,000	100%

Immediately following the completion of the Global Offering, assuming the Over-allotment Option is exercised in full, the registered capital of our Company will be RMB2,405,884,000, comprising 446,472,400 H Shares and 1,959,411,600 Domestic Shares, representing approximately 18.56% and 81.44%, respectively, of the registered capital of our Company, and the particulars of our Company's shareholdings will be as follows:

Name of Shareholder	Class of Shares	Number of Shares	Approximate percentage of registered capital
CAS Holdings	Domestic Shares	679,411,600	28.24%
Lian Chi Zhi Yuan	Domestic Shares	480,000,000	19.95%
China Oceanwide	Domestic Shares	400,000,000	16.63%
Lian Heng Yong Xin	Domestic Shares	178,000,000	7.40%
Mr. Liu Chuanzhi	Domestic Shares	68,000,000	2.83%
Mr. Zhu Linan	Domestic Shares	48,000,000	2.00%
Mr. Ning Min	Domestic Shares	36,000,000	1.50%
Mr. Huang Shaokang	Domestic Shares	30,000,000	1.25%
Mr. Chen Shaopeng	Domestic Shares	20,000,000	0.83%
Mr. Tang Xudong	Domestic Shares	20,000,000	0.83%
NSSF	H Shares	40,588,400	1.69%
Holders of H Shares issued pursuant to the Global Offering	H Shares	405,884,000	16.87%
Total		2,405,884,000	100%

The above tables assume the Global Offering becomes unconditional and is completed.

RANKING

The H Shares in issue upon completion of the Global Offering and Domestic Shares are ordinary Shares in the share capital of our Company. All dividends in respect of the H Shares are to be paid by us in Hong Kong dollars.

H Shares and Domestic Shares are regarded as different classes of Shares under our Articles of Association. The differences between the two classes of Shares, including provisions on class rights, the despatch of notices and financial reports to Shareholders, dispute resolution, registration of Shares on different registers of Shareholders, the method of Share transfer and the appointment of dividend receiving agents are set out in our Articles of Association and summarized in "Appendix VI – Summary of Articles of Association" to this prospectus. Further, any change or abrogation of the rights of a class of Shareholders should be approved by way of a special resolution of the general meeting of Shareholders and by a separate meeting of Shareholders of the affected class of Shares. However, the procedures for approval by Shareholders of the affected class of Shares shall not apply (i) where we issue, upon approval by a special resolution of our Shareholders in a general meeting, either separately or concurrently every twelve months, not more than 20% of each of the existing issued H Shares and Domestic Shares; (ii) where our plan to issue H Shares and Domestic Shares on establishment is implemented within fifteen months from the date of approval by the securities regulatory authorities under the State Council; or (iii) upon approval by the securities regulatory authorities under the State Council, the holders of Domestic Shares transfer their Shares to overseas investors and list or trade their Shares in an overseas securities exchange. H Shares and Domestic Shares will however rank *pari passu* with each other in all other respects and, in particular, will rank equally (save for the currency of payment) for all dividends or distributions declared, paid or made after the date of this prospectus. H Shares and Domestic Shares are generally neither interchangeable nor fungible.

CONVERSION OF OUR DOMESTIC SHARES INTO H SHARES

Conversion of Domestic Shares

According to the stipulations by the State Council's securities regulatory authorities and the Articles of Association, our Domestic Shares may be converted into H Shares, and such converted H Shares may be listed or traded on an overseas stock exchange provided that prior to the conversion and trading of such converted Shares, the requisite internal approval processes (but without the necessity of Shareholders' approval by class) have been duly completed and the approval from the relevant PRC regulatory authorities, including the CSRC, have been obtained. In addition, such conversion, trading and listing shall in all respects comply with the regulations prescribed by the State Council's securities regulatory authorities and the regulations, requirements and procedures prescribed by the relevant overseas stock exchange.

If any of our Domestic Shares is to be converted and to be traded as H Shares on the Hong Kong Stock Exchange, such conversion will be subject to the approval of the relevant PRC regulatory authorities including the CSRC. Approval of the Hong Kong Stock Exchange is required for the listing of such converted Shares on the Hong Kong Stock Exchange. Based on the methodology and procedures for the conversion of our Domestic Shares into H Shares as described in this section, we can apply for the listing of all or any portion of our Domestic Shares on the Hong Kong Stock Exchange as H Shares in advance of any proposed conversion to ensure that the conversion process can be completed promptly upon notice to the Hong Kong Stock Exchange and delivery of Shares for entry on the H Share register. As any listing of additional Shares after our initial listing on the Hong Kong Stock Exchange is ordinarily considered by the Hong Kong Stock Exchange to be a purely administrative matter, it does not require such prior application for listing at the time of our initial listing in Hong Kong.

No Shareholder voting by class is required for the listing and trading of the converted Shares on an overseas stock exchange. Any application for listing of the converted Shares on the Hong Kong Stock Exchange after our initial listing is subject to prior notification by way of announcement to inform our Shareholders and the public of any proposed conversion.

Mechanism and Procedures for Conversion

After all the requisite approvals have been obtained, the following procedures will need to be completed in order to effect the conversion: the relevant Domestic Shares will be withdrawn from the Domestic Share register and we will re-register such Shares on our H Share register maintained in Hong Kong and instruct our H Share Registrar to issue H Share certificates. Registration on our H Share register will be conditional on (i) our H Share Registrar lodging with the Hong Kong Stock Exchange a letter confirming the proper entry of the relevant H Shares on the H Share register and the due despatch of H Share certificates; and (ii) the admission of the H Shares to trade on the Hong Kong Stock Exchange in compliance with the Listing Rules, the General Rules of CCASS and the CCASS Operational Procedures in force from time to time. Until the converted Shares are re-registered on our H Share register, such Shares would not be listed as H Shares.

So far as our Directors are aware, none of our Shareholders currently proposes to convert any of the Domestic Shares held by it into H Shares, except for the Domestic Shares to be converted and transferred by CAS Holdings to the NSSF in connection with the Global Offering. Our PRC legal advisor advised that our Articles of Association are not inconsistent with the relevant laws and regulations with respect to the laws and regulations regarding the conversion.

TRANSFER OF SHARES ISSUED PRIOR TO THE GLOBAL OFFERING

Under the PRC Company Law, Shares which have been in issue before we publicly issue Shares may not be transferred within one year from the date of listing on a stock exchange. Accordingly, Shares issued by our Company prior to the Listing Date shall be subject to this statutory restriction and not be transferred within a period of one year from the Listing Date.

TRANSFER OF STATE-OWNED SHARES

In accordance with the relevant PRC regulations regarding the transfer of state-owned Shares in overseas capital markets or their monetary equivalent based on the Offer Price, CAS Holdings is required to transfer to the NSSF, in proportion to its respective share holdings in our Company, such number of Domestic Shares in aggregate equivalent to 10% of the number of the Offer Shares (being 35,294,400 H Shares before the exercise of the Over-allotment Option, and 40,588,400 H Shares upon the exercise in full of the Over-allotment Option), or pay the equivalent cash at the Offer Price under the Global Offering, or a combination of both. At the time of the listing of our H Shares on the Hong Kong Stock Exchange, such Domestic Shares will be converted into H Shares on a one-for-one basis. Neither we nor CAS Holdings will receive any proceeds from the transfer of such Domestic Shares to the NSSF.

The transfer of such Domestic Shares by CAS Holdings was approved by the Ministry of Finance of the PRC on January 29, 2015. The conversion of those Domestic Shares into H Shares was approved by the CSRC on April 20, 2015. Pursuant to a letter issued by the NSSF (She Bao Ji Jin Fa [2015] No. 49) on April 8, 2015, the NSSF instructed us that (i) when we file listing application with the CSRC, we shall at the same time apply for the conversion of all state-owned shares held by the NSSF pursuant to the document Cai Zi Han [2015] No. 9 issued by the Ministry of Finance of the PRC into H Shares; (ii) after passing the listing hearing by the Listing Committee, we shall promptly serve the listing timetable on the NSSF; (iii) when processing registration of the Shareholders, we shall arrange for the H Shares decided to be held by the NSSF to be registered under its name, and before Listing arrange for the entry of the number of such H Shares into the NSSF's investor participant's account opened with the HKSCC; and (iv) within thirty working days upon completion of the offering of the Shares, report timely to the NSSF about the results of the offering, including submitting to it "The Table of the NSSF's Shareholding in the H Shares of Legend Holdings Corporation". We have been advised by our PRC legal advisor that the transfer and sale described above and the conversion have been approved by the relevant PRC authorities and are legal under PRC law.

REGISTRATION OF SHARES NOT LISTED ON AN OVERSEAS STOCK EXCHANGE

According to the Notice of Centralized Registration and Deposit of Non-overseas Listed Shares of Companies Listed on an Overseas Stock Exchange (《關於境外上市公司非境外上市股份集中登記存管有關事宜的通知》) issued by the CSRC, an overseas listed company is required to register its shares that are not listed on any overseas stock exchange with China Securities Depository and Clearing Corporation Limited within 15 business days upon its listing.

GENERAL MEETING AND CLASS MEETING

For details of circumstances under which our Shareholders' general meeting and class Shareholders' meeting are required, please refer to "Variation of Rights of Existing Shares or Classes of Shares" and "Notice of Meeting and Business to be Conducted Thereat" under "Appendix VI – Summary of Articles of Association" to this prospectus.

GENERAL MANDATE TO ISSUE SHARES

Subject to completion of the Global Offering, and subject to compliance with the applicable PRC laws, the Articles of Association, the requirements under Listing Rules and the approvals by CSRC and the Hong Kong Stock Exchange (if applicable), our Board has been granted a general mandate to issue Domestic Shares and/or H Shares to the extent that the number of Shares shall be less than 20% of issued H Shares or issued Domestic Shares, as the case may be. Such general mandate shall be effective from the Listing Date and shall expire on the date on which the first Shareholders' general meeting of our Company to be held after Listing or the general meeting to be held where the Shareholders amend or revoke the terms of the general mandate, whichever is earlier.

For more details of the general mandate, please see "Appendix VII – Statutory and General Information – The Shareholder Resolutions of Our Company".

THE CORNERSTONE PLACING

We have entered into cornerstone investment agreements with, amongst others, 24 cornerstone investors (the "**Cornerstone Investors**", and each a "**Cornerstone Investor**"), who agreed to subscribe, or cause their designated entities to subscribe, for such number of our Offer Shares (rounded down to the nearest whole board lot of 100 H Shares) which may be purchased with an aggregate amount of approximately US$950 million (approximately HK$7.37 billion) (the "**Cornerstone Placing**") at the Offer Price.

Assuming an Offer Price of HK$39.80 (being the low end of the Offer Price range set out in this prospectus), the total number of H Shares subscribed by the Cornerstone Investors would be approximately 185,060,000, representing approximately (i) 52.43% of the Offer Shares, assuming that the Over-allotment Option is not exercised; (ii) 7.87% of the Shares in issue upon completion of the Global Offering and assuming that the Over-allotment Option is not exercised; and (iii) 7.69% of the Shares in issue upon completion of the Global Offering and assuming that the Over-allotment Option is exercised in full. Assuming an Offer Price of HK$41.40 (being the approximate mid-point of the Offer Price range set out in this prospectus), the total number of H Shares subscribed by the Cornerstone Investors would be approximately 177,907,600, representing approximately (i) 50.41% of the Offer Shares, assuming that the Over-allotment Option is not exercised; (ii) 7.56% of the Shares in issue upon completion of the Global Offering and assuming that the Over-allotment Option is not exercised; and (iii) 7.39% of the Shares in issue upon completion of the Global Offering and assuming that the Over-allotment Option is exercised in full. Assuming an Offer Price of HK$43.00 (being the high end of the Offer Price range set out in this prospectus), the total number of H Shares subscribed by the Cornerstone Investors would be approximately 171,288,500, representing approximately (i) 48.53% of the Offer Shares, assuming that the Over-allotment Option is not exercised; (ii) 7.28% of the Shares in issue upon completion of the Global Offering and assuming that the Over-allotment Option is not exercised; and (iii) 7.12% of the Shares in issue upon completion of the Global Offering and assuming that the Over-allotment Option is fully exercised.

Each of the Cornerstone Investors has agreed that, if the requirement pursuant to Rule 8.08(3) of the Listing Rules, in which no more than 50% of the Shares in public hands on the Listing Date can be beneficially owned by the three largest public Shareholders cannot be satisfied, the Joint Global Coordinators and the Company have the right to adjust the allocation of the number of Shares to be purchased by the Cornerstone Investor in their sole and absolute discretion to satisfy the requirement pursuant to Rule 8.08(3) of the Listing Rules.

The Cornerstone Placing will form part of the International Offering and none of such Cornerstone Investors will subscribe for any Offer Share under the Global Offering (other than and pursuant to the respective cornerstone investment agreements). The Offer Shares to be subscribed for by the Cornerstone Investors will rank *pari passu* in all respects with the other fully paid H Shares in issue and will be counted towards the public float of our Company. Immediately following the completion of the Global Offering, none of the Cornerstone Investors will have any board representation in our Company, nor will any of the Cornerstone Investors become a substantial shareholder of the Company. The Offer Shares to be subscribed for by the Cornerstone Investors will not be affected by any reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering in the event of over-subscription under the Hong Kong Public Offering as described in the section headed "Structure of the Global Offering – The Hong Kong Public Offering" in this prospectus.

To the best knowledge of our Company, each of the Cornerstone Investors is an Independent Third Party and independent of other Cornerstone Investors, not our connected person or an existing shareholder of our Group or a close associate (as defined under the Listing Rules) of our Group.

Details of the allocations to the Cornerstone Investors will be disclosed in the announcement of results of allocations in the Hong Kong Public Offering to be published on or about June 26, 2015.

CORNERSTONE INVESTORS

We set out below a brief description of our Cornerstone Investors:

Beijing Tourism

Beijing Tourism Group (HK) Holdings Company Limited ("**Beijing Tourism**") has agreed to subscribe for such number of the Offer Shares (rounded down to the nearest whole board lot of 100 H Shares) which may be purchased with an aggregate amount of US$30 million (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005%) at the Offer Price.

Assuming an Offer Price of HK$39.80, being the low end of the Offer Price range set out in this prospectus, the total number of H Shares that Beijing Tourism would subscribe for would be 5,844,000, representing approximately 1.66% of the Offer Shares, and 0.25% of the Shares in issue immediately following the completion of the Global Offering assuming that the Over-allotment Option is not exercised.

Established in Hong Kong, Beijing Tourism is principally engaged in investment holding and is a wholly-owned subsidiary of Beijing Tourism Group Corporation Limited. The six major tourism business segments where Beijing Tourism Group Corporation Limited operates, namely, dining, accommodation, transportation, travel, retail and entertainment, cover business aspects such as food and beverage, hotel, transport, travel agency business and resorts.

To the best knowledge of our Company, Beijing Tourism is an Independent Third Party and independent of other Cornerstone Investors, not our connected person or an existing shareholder of our Group.

C&D

C&D (Hong Kong) Corporation Limited ("**C&D**") has agreed to subscribe for such number of the Offer Shares (rounded down to the nearest whole board lot of 100 H Shares) which may be purchased with an aggregate amount of US$30 million (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005%) at the Offer Price.

Assuming an Offer Price of HK$39.80, being the low end of the Offer Price range set out in this prospectus, the total number of H Shares that C&D would subscribe for would be 5,844,000, representing approximately 1.66% of the Offer Shares, and 0.25% of the Shares in issue immediately following the completion of the Global Offering assuming that the Over-allotment Option is not exercised.

C&D is a wholly-owned subsidiary of Xiamen C&D Corporation Limited ("**Xiamen C&D**"). Founded in December 1980 and affiliated to Xiamen Municipal Government, Xiamen C&D is a state-owned investment enterprise group with a current registered capital of RMB4.5 billion, a total asset of RMB110 billion and an annual operation revenue of over RMB120 billion. Xiamen C&D has a major business covering fields such as supply chain operation, real estate development, tourism and hotel, and conference and exhibition.

To the best knowledge of our Company, C&D is an Independent Third Party and independent of other Cornerstone Investors, not our connected person or an existing shareholder of our Group.

China Life Franklin

China Life Franklin Asset Management Co., Limited ("**China Life Franklin**") has agreed to subscribe for such number of the Offer Shares (rounded down to the nearest whole board lot of 100 H Shares) which may be purchased with an aggregate amount of US$50 million (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005%) at the Offer Price.

Assuming an Offer Price of HK$39.80, being the low end of the Offer Price range set out in this prospectus, the total number of H Shares that China Life Franklin would subscribe for would be 9,740,000, representing approximately 2.76% of the Offer Shares, and 0.41% of the Shares in issue immediately following the completion of the Global Offering assuming that the Over-allotment Option is not exercised.

China Life Franklin is a Hong Kong-based asset management joint venture between China Life Asset Management Company Limited, China Life Insurance (Overseas) Company Limited and Franklin Templeton Investments. China Life Franklin holds the licenses granted from the SFC to carry out Type 9 (asset management) and Type 4 (advising on securities) regulated activities.

To the best knowledge of our Company, China Life Franklin is an Independent Third Party and independent of other Cornerstone Investors, not our connected person or an existing shareholder of our Group.

China Re

China Re Asset Management (Hong Kong) Company Limited ("**China Re**") has agreed to subscribe for such number of the Offer Shares (rounded down to the nearest whole board lot of 100 H Shares) which may be purchased with an aggregate amount of US$50 million (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005%) at the Offer Price.

Assuming an Offer Price of HK$39.80, being the low end of the Offer Price range set out in this prospectus, the total number of H Shares that China Re would subscribe for would be 9,740,000, representing approximately 2.76% of the Offer Shares, and 0.41% of the Shares in issue immediately following the completion of the Global Offering assuming that the Over-allotment Option is not exercised.

China Re was established and wholly-owned by China Re Asset Management Co., Ltd.. China Re Asset Management Co., Ltd., which is owned by China Reinsurance (Group) Corporation and its affiliates, is the asset allocation and investment platform of China Reinsurance (Group) Corporation. China Reinsurance (Group) Corporation is the only state-owned reinsurance group in China, and was jointly founded by Ministry of Finance of China and Central Huijin Investment Corporation, of which as to 15.09% is held by Ministry of Finance of China and 84.91% is held by Central Huijin Investment Corporation respectively.

To the best knowledge of our Company, China Re is an Independent Third Party and independent of other Cornerstone Investors, not our connected person or an existing shareholder of our Group.

CNBM

China National Building Material Company Limited ("**CNBM**"), through China Building Material Holdings Co., Limited which is its wholly-owned subsidiary, has agreed to subscribe for such number of the Offer Shares (rounded down to the nearest whole board lot of 100 H Shares) which may be purchased with an aggregate amount of US$50 million (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005%) at the Offer Price.

Assuming an Offer Price of HK$39.80, being the low end of the Offer Price range set out in this prospectus, the total number of H Shares that CNBM would subscribe for would be 9,740,000, representing approximately 2.76% of the Offer Shares, and 0.41% of the Shares in issue immediately following the completion of the Global Offering assuming that the Over-allotment Option is not exercised.

CNBM is a large state-owned enterprise and the core enterprise of China National Building Material Group Co., Ltd.. CNBM was founded on March 28, 2005 and was listed on Hong Kong Stock Exchange on March 23, 2006 (Stock Code: 3323). CNBM is mainly engaged in cement, lightweight building materials, glass fiber and composite materials and engineering services.

To the best knowledge of our Company, CNBM is an Independent Third Party and independent of other Cornerstone Investors, not our connected person or an existing shareholder of our Group.

CNIGC

CNIGC Investment Management Co., Ltd. ("**CNIGC**") has agreed to subscribe for such number of the Offer Shares (rounded down to the nearest whole board lot of 100 H Shares) which may be purchased with an aggregate amount of US$50 million (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005%) at the Offer Price.

Assuming an Offer Price of HK$39.80, being the low end of the Offer Price range set out in this prospectus, the total number of H Shares that CNIGC would subscribe for would be 9,740,000, representing approximately 2.76% of the Offer Shares, and 0.41% of the Shares in issue immediately following the completion of the Global Offering assuming that the Over-allotment Option is not exercised.

Established on March 18, 2014, CNIGC is a wholly-owned subsidiary of China North Industries Group Corporation with a registered capital of RMB1 billion. CNIGC will adhere to the strategy of systematic and lean management of the whole value chain, and implement a market-oriented, standardized and specialized operation mode. Through the provision of financial services and capital operation, CNIGC will promote the effective integration of the industrial capital in the ordnance industry and the financial capital in the society, and gradually explore and establish its peculiar modes of equity operation, asset operation and management and financial investment. CNIGC has agreed to cause an asset manager that is a qualified domestic institutional investor to subscribe on its behalf at the Offer Price for such number of Offer Shares.

To the best knowledge of our Company, CNIGC is an Independent Third Party and independent of other Cornerstone Investors, not our connected person or an existing shareholder of our Group.

E Fund HK

E Fund Management (Hong Kong) Co., Limited ("**E Fund HK**") has agreed to subscribe for, or to procure certain investment or collective investment funds and/or accounts that E Fund HK has discretionary investment management power over to subscribe for, such number of the Offer Shares (rounded down to the nearest whole board lot of 100 H Shares) which may be purchased with an aggregate amount of US$30 million (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005%) at the Offer Price.

Assuming an Offer Price of HK$39.80, being the low end of the Offer Price range set out in this prospectus, the total number of H Shares that E Fund HK would subscribe for would be 5,844,000, representing approximately 1.66% of the Offer Shares, and 0.25% of the Shares in issue immediately following the completion of the Global Offering assuming that the Over-allotment Option is not exercised.

E Fund HK was incorporated in Hong Kong in August 2008. E Fund HK is licensed for Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities by the SFC. E Fund HK serves as the global investment and business platform for its parent company, E Fund Management Co., Limited ("**E Fund**"). As E Fund's only window company overseas, E Fund HK strategically connects China and the overseas market. E Fund HK capitalizes the investment and research capabilities of E Fund and its competitive advantage in the overseas market to provide comprehensive quality service to its clients.

To the best knowledge of our Company, E Fund HK is an Independent Third Party and independent of other Cornerstone Investors, not our connected person or an existing shareholder of our Group.

Easy Smart

Easy Smart Limited ("**Easy Smart**") has agreed to subscribe for such number of the Offer Shares (rounded down to the nearest whole board lot of 100 H Shares) which may be purchased with an aggregate amount of US$50 million (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005%) at the Offer Price.

Assuming an Offer Price of HK$39.80, being the low end of the Offer Price range set out in this prospectus, the total number of H Shares that Easy Smart would subscribe for would be 9,740,000, representing approximately 2.76% of the Offer Shares, and 0.41% of the Shares in issue immediately following the completion of the Global Offering assuming that the Over-allotment Option is not exercised.

Easy Smart is a company incorporated in the Cayman Islands, which is wholly-owned and controlled by China Aerospace Investment Holdings Ltd. ("**CAIH**"). Easy Smart is the overseas investment platform of CAIH, which focuses on the satellite application equipment and products, electronic information technology, new materials and new energy products, financial services and other plate investment.

To the best knowledge of our Company, Easy Smart is an Independent Third Party and independent of other Cornerstone Investors, not our connected person or an existing shareholder of our Group.

Fidelidade

Fidelidade – Companhia de Seguros, S.A. ("**Fidelidade**") has agreed to subscribe for such number of the Offer Shares (rounded down to the nearest whole board lot of 100 H Shares) which may be purchased with an aggregate amount of US$30 million (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005%) at the Offer Price.

Assuming an Offer Price of HK$39.80, being the low end of the Offer Price range set out in this prospectus, the total number of H Shares that Fidelidade would subscribe for would be 5,844,000, representing approximately 1.66% of the Offer Shares, and 0.25% of the Shares in issue immediately following the completion of the Global Offering assuming that the Over-allotment Option is not exercised.

Fidelidade is a joint stock limited liability company incorporated in Portugal with a registered share capital of EUR381,150,000.00. As at December 31, 2014, the total assets of Fidelidade amounted to EUR13,422 million, and its market share was approximately 28.9% in life business and 25.6% in non-life business. Its ultimate controlling shareholder is Fosun International Limited, a company listed on the Hong Kong Stock Exchange (Stock Code: 656).

To the best knowledge of our Company, Fidelidade is an Independent Third Party and independent of other Cornerstone Investors, not our connected person or an existing shareholder of our Group.

Fortune Class

Fortune Class Investments Limited ("**Fortune Class**") has agreed to subscribe for such number of the Offer Shares (rounded down to the nearest whole board lot of 100 H Shares) which may be purchased with an aggregate amount of US$50 million (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005%) at the Offer Price.

Assuming an Offer Price of HK$39.80, being the low end of the Offer Price range set out in this prospectus, the total number of H Shares that Fortune Class would subscribe for would be 9,740,000, representing approximately 2.76% of the Offer Shares, and 0.41% of the Shares in issue immediately following the completion of the Global Offering assuming that the Over-allotment Option is not exercised.

Fortune Class is incorporated in the British Virgin Islands and is an indirect wholly-owned subsidiary of CITIC Limited, a company listed on the Hong Kong Stock Exchange (Stock Code: 267). On August 25, 2014, CITIC Pacific Limited, which was the Hong Kong listed subsidiary of CITIC Group Corporation ("**CITIC Group**"), acquired the main business of CITIC Group and changed its name to CITIC Limited. CITIC Limited is one of China's largest conglomerate enterprises and is principally engaged in the businesses of financial services, real estate and infrastructure, engineering contracting, resources and energy, and manufacturing.

To the best knowledge of our Company, Fortune Class is an Independent Third Party and independent of other Cornerstone Investors, not our connected person or an existing shareholder of our Group.

Fubon Life

Fubon Life Insurance Co., Ltd. ("**Fubon Life**") has agreed to subscribe for such number of the Offer Shares (rounded down to the nearest whole board lot of 100 H Shares) which may be purchased with an aggregate amount of US$50 million (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005%) at the Offer Price.

Assuming an Offer Price of HK$39.80, being the low end of the Offer Price range set out in this prospectus, the total number of H Shares that Fubon Life would subscribe for would be 9,740,000, representing approximately 2.76% of the Offer Shares, and 0.41% of the Shares in issue immediately following the completion of the Global Offering assuming that the Over-allotment Option is not exercised.

Fubon Life is a company incorporated in Taiwan, which is wholly-owned and controlled by Fubon Financial Holdings Co., Ltd.. Its principal activity is provision of life insurance products.

To the best knowledge of our Company, Fubon Life is an Independent Third Party and independent of other Cornerstone Investors, not our connected person or an existing shareholder of our Group.

GKJT Capital

Guo Kai Jin Tai Capital Co., Ltd. ("**GKJT Capital**") has agreed to subscribe for such number of the Offer Shares (rounded down to the nearest whole board lot of 100 H Shares) which may be purchased with an aggregate amount of US$30 million (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005%) at the Offer Price.

Assuming an Offer Price of HK$39.80, being the low end of the Offer Price range set out in this prospectus, the total number of H Shares that GKJT Capital would subscribe for would be 5,844,000, representing approximately 1.66% of the Offer Shares, and 0.25% of the Shares in issue immediately following the completion of the Global Offering assuming that the Over-allotment Option is not exercised.

GKJT Capital is incorporated in Air CBD in Shunyi District of Beijing and is a subsidiary of China Development Bank Capital (國開金融有限責任公司) ("**CDB Capital**"). It is principally engaged in investment in fast-developing industries which conform to the direction of industry strategic transformation of China such as environmental protection, clean energy, advanced manufacturing and medical services. GKJT Capital focuses on strategic investments with maximizing synergies for portfolio companies whose principal activities include pre-IPO, buyout fund, venture capital investment for the emerging industry and overseas mergers and acquisitions.

To the best knowledge of our Company, GKJT Capital is an Independent Third Party and independent of other Cornerstone Investors, not our connected person or an existing shareholder of our Group.

Greenland

Greenland Financial Overseas Investment Group Co., Ltd. ("**Greenland**") has agreed to subscribe for such number of the Offer Shares (rounded down to the nearest whole board lot of 100 H Shares) which may be purchased with an aggregate amount of US$30 million (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005%) at the Offer Price.

Assuming an Offer Price of HK$39.80, being the low end of the Offer Price range set out in this prospectus, the total number of H Shares that Greenland would subscribe for would be 5,844,000, representing approximately 1.66% of the Offer Shares, and 0.25% of the Shares in issue immediately following the completion of the Global Offering assuming that the Over-allotment Option is not exercised.

Greenland is a company incorporated in the British Virgin Islands with limited liability in June 2014. It is principally engaged in IPO investments, pre-IPO investments, mergers and acquisitions, real estate finance, microfinance and financial leasing. It is directly wholly-owned by Greenland Financial Holdings Group Co., Ltd., which in turn is directly wholly-owned by Greenland Holding Group Co., Ltd. (綠地集團) ("**Greenland Group**") and serves as Greenland Group's main investment and finance platform to conduct diversified domestic and overseas investments in accordance with Greenland Group's global strategy.

To the best knowledge of our Company, Greenland is an Independent Third Party and independent of other Cornerstone Investors, not our connected person or an existing shareholder of our Group.

Guangzhou Fund

Guangzhou Xinhua Urban Development Industry Investment Enterprise (Limited Partnership) ("**Guangzhou Fund**") has agreed to subscribe for such number of the Offer Shares (rounded down to the nearest whole board lot of 100 H Shares) which may be purchased with an aggregate amount of US$30 million (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005%) at the Offer Price.

Assuming an Offer Price of HK$39.80, being the low end of the Offer Price range set out in this prospectus, the total number of H Shares that Guangzhou Fund would subscribe for would be 5,844,000, representing approximately 1.66% of the Offer Shares, and 0.25% of the Shares in issue immediately following the completion of the Global Offering assuming that the Over-allotment Option is not exercised.

Guangzhou Fund is a private equity investment fund which is managed by Guangzhou Chengfa Capital Company Limited ("**CF Capital**"). CF Capital is a subsidiary of Guangzhou Industrial Investment Fund Management Co., Ltd., and focuses on infrastructure, industrials, high-tech, energy, urban re-development and other related investments. Guangzhou Fund focuses on infrastructure, industrials, and related investment advisory and management. Other than the partial funds contribution by New China Life Insurance Company Ltd., Guangzhou Fund's investment committee and final investment decisions are independent of New China Life Insurance Company Ltd.. Guangzhou Fund has agreed to cause an asset manager that is a qualified domestic institutional investor to subscribe on its behalf at the Offer Price for such number of Offer Shares.

To the best knowledge of our Company, Guangzhou Fund is an Independent Third Party and independent of other Cornerstone Investors, not our connected person or an existing shareholder of our Group.

Heywin

Heywin Investments Limited ("**Heywin**") has agreed to subscribe for such number of the Offer Shares (rounded down to the nearest whole board lot of 100 H Shares) which may be purchased with an aggregate amount of US$30 million (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005%) at the Offer Price.

Assuming an Offer Price of HK$39.80, being the low end of the Offer Price range set out in this prospectus, the total number of H Shares that Heywin would subscribe for would be 5,844,000, representing approximately 1.66% of the Offer Shares, and 0.25% of the Shares in issue immediately following the completion of the Global Offering assuming that the Over-allotment Option is not exercised.

Heywin, being a wholly-owned subsidiary of TCL Corporation, is an investment company incorporated in the British Virgin Islands with limited liability. TCL Corporation is a company established under the laws of the PRC and its shares were listed on the Shenzhen Stock Exchange (Stock Code: 000100) on January 30, 2004. Founded in 1981, TCL Corporation is one of the largest consumer electronics conglomerates in China with a global presence.

To the best knowledge of our Company, Heywin is an Independent Third Party and independent of other Cornerstone Investors, not our connected person or an existing shareholder of our Group.

ICBC AM

ICBC Asset Management Scheme Nominee ("**ICBC AM**") has agreed to subscribe on behalf of certain third party clients under ICBC Group's wealth management products and/or under the fund managed by ICBC Group for, such number of the Offer Shares (rounded down to the nearest whole board lot of 100 H Shares) which may be purchased with an aggregate amount of US$50 million (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005%) at the Offer Price. For the purpose of this paragraph, "ICBC Group" shall mean Industrial and Commercial Bank of China and its subsidiaries.

Assuming an Offer Price of HK$39.80, being the low end of the Offer Price range set out in this prospectus, the total number of H Shares that ICBC AM would subscribe for would be 9,740,000, representing approximately 2.76% of the Offer Shares, and 0.41% of the Shares in issue immediately following the completion of the Global Offering assuming that the Over-allotment Option is not exercised.

ICBC AM is the asset management arm of Industrial and Commercial Bank of China Limited in the PRC. ICBC AM offers comprehensive asset management services to different types of clients, including individuals, corporate clients, private banking clients and institutions in the PRC.

To the best knowledge of our Company, ICBC AM is an Independent Third Party and independent of other Cornerstone Investors, not our connected person or an existing shareholder of our Group.

Invest Highway

Invest Highway Corporation ("**Invest Highway**") has agreed to subscribe for such number of the Offer Shares (rounded down to the nearest whole board lot of 100 H Shares) which may be purchased with an aggregate amount of US$30 million (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005%) at the Offer Price.

Assuming an Offer Price of HK$39.80, being the low end of the Offer Price range set out in this prospectus, the total number of H Shares that Invest Highway would subscribe for would be 5,844,000, representing approximately 1.66% of the Offer Shares, and 0.25% of the Shares in issue immediately following the completion of the Global Offering assuming that the Over-allotment Option is not exercised.

Invest Highway was incorporated in the British Virgin Islands and is wholly-owned by the family trust of Dr. Kwok Ping Sheung, Walter. Dr. Kwok Ping Sheung, Walter was the Chairman and Chief Executive Officer of Sun Hung Kai Properties Limited from 1990 to 2008. Under his chairmanship, Sun Hung Kai Properties Limited developed a significant number of notable hotels, including the Four Seasons, Ritz Carlton, St. Regis, W, Royal Garden, securing its position as one of Hong Kong's leading hotel companies. Dr. Kwok Ping Sheung, Walter, during his reign at Sun Hung Kai Properties Limited, led the development of many significant projects including The Sun Hung Kai Centre, Central Plaza, International Finance Centre ("**IFC**"), International Commerce Centre in Hong Kong, IFC in Pudong Shanghai, Sun Dong An Plaza and St. Regis Hotel in Beijing.

To the best knowledge of our Company, Invest Highway is an Independent Third Party and independent of other Cornerstone Investors, not our connected person or an existing shareholder of our Group.

Kunyu Fund

Suzhou Kunyu Jinming Investment LLP ("**Kunyu Fund**") has agreed to subscribe for such number of the Offer Shares (rounded down to the nearest whole board lot of 100 H Shares) which may be purchased with an aggregate amount of US$30 million (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005%) at the Offer Price.

Assuming an Offer Price of HK$39.80, being the low end of the Offer Price range set out in this prospectus, the total number of H Shares that Kunyu Fund would subscribe for would be 5,844,000, representing approximately 1.66% of the Offer Shares, and 0.25% of the Shares in issue immediately following the completion of the Global Offering assuming that the Over-allotment Option is not exercised.

Kunyu Fund is a limited partnership incorporated under the laws of the PRC. Kunyu Fund is managed by Suzhou Kunyu Qiancheng Investment Management Co., Ltd. ("**Kunyu Capital**"). Kunyu Capital manages capital for leading institutional investors in China, and focuses on the investment in leading Chinese companies in either private equity market or public equity market. Kunyu Fund has agreed to cause an asset manager that is a qualified domestic institutional investor to subscribe on its behalf at the Offer Price for such number of Offer Shares.

To the best knowledge of our Company, Kunyu Fund is an Independent Third Party and independent of other Cornerstone Investors, not our connected person or an existing shareholder of our Group.

Lead Connection

Lead Connection Investments Limited ("**Lead Connection**") has agreed to subscribe for such number of the Offer Shares (rounded down to the nearest whole board lot of 100 H Shares) which may be purchased with an aggregate amount of US$50 million (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005%) at the Offer Price.

Assuming an Offer Price of HK$39.80, being the low end of the Offer Price range set out in this prospectus, the total number of H Shares that Lead Connection would subscribe for would be 9,740,000, representing approximately 2.76% of the Offer Shares, and 0.41% of the Shares in issue immediately following the completion of the Global Offering assuming that the Over-allotment Option is not exercised.

Lead Connection is a wholly-owned subsidiary of Chow Tai Fook Nominee Limited, a company incorporated in Hong Kong, which is in turn wholly-owned and controlled by Dato' Dr. Cheng Yu Tung. Its principal activities include investment holdings.

To the best knowledge of our Company, Lead Connection is an Independent Third Party and independent of other Cornerstone Investors, not our connected person or an existing shareholder of our Group.

Ping An

Ping An of China Asset Management (Hong Kong) Company Limited ("**Ping An**") has agreed to subscribe for such number of the Offer Shares (rounded down to the nearest whole board lot of 100 H Shares) which may be purchased with an aggregate amount of US$60 million (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005%) at the Offer Price.

Assuming an Offer Price of HK$39.80, being the low end of the Offer Price range set out in this prospectus, the total number of H Shares that Ping An would subscribe for would be 11,688,000, representing approximately 3.31% of the Offer Shares, and 0.50% of the Shares in issue immediately following the completion of the Global Offering assuming that the Over-allotment Option is not exercised.

Ping An, established in May 2006, is the major entity responsible for the overseas investment management business of Ping An Insurance (Group) Company of China, Ltd., a limited company incorporated in the PRC whose shares are listed on the Hong Kong Stock Exchange (Stock Code: 2318) and the Shanghai Stock Exchange (Stock Code: 601318).

To the best knowledge of our Company, Ping An is an Independent Third Party and independent of other Cornerstone Investors, not our connected person or an existing shareholder of our Group.

Prudence

Prudence Investment Management (Hong Kong) Limited ("**Prudence**") has agreed to subscribe for such number of the Offer Shares (rounded down to the nearest whole board lot of 100 H Shares) which may be purchased with an aggregate amount of US$30 million (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005%) at the Offer Price.

Assuming an Offer Price of HK$39.80, being the low end of the Offer Price range set out in this prospectus, the total number of H Shares that Prudence would subscribe for would be 5,844,000, representing approximately 1.66% of the Offer Shares, and 0.25% of the Shares in issue immediately following the completion of the Global Offering assuming that the Over-allotment Option is not exercised.

Prudence was incorporated in Hong Kong in 2008 and a holder of SFC Type 9 (asset management) license. Prudence acts as an investment adviser for institutional and high net worth individuals through multiple investment funds. Prudence is subscribing for the Offer

Shares as an agent for and on behalf of certain funds and management accounts managed or advised by it. Prudence aims to pursue stable income as well as capital appreciation, by investing in listed financial instruments issued by companies with significant business exposure in Greater China.

To the best knowledge of our Company, Prudence is an Independent Third Party and independent of other Cornerstone Investors, not our connected person or an existing shareholder of our Group.

Shanghai Guohe Capital

Shanghai Guohe Modern Service Industry Investment Management Company Limited ("**Shanghai Guohe Capital**") has agreed to subscribe for, or to procure investment funds or managed accounts that Shanghai Guohe Capital or its affiliate advises or manages to subscribe for, such number of the Offer Shares (rounded down to the nearest whole board lot of 100 H Shares) which may be purchased with an aggregate amount of US$30 million (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005%) at the Offer Price.

Assuming an Offer Price of HK$39.80, being the low end of the Offer Price range set out in this prospectus, the total number of H Shares that Shanghai Guohe Capital would subscribe for would be 5,844,000, representing approximately 1.66% of the Offer Shares, and 0.25% of the Shares in issue immediately following the completion of the Global Offering assuming that the Over-allotment Option is not exercised.

Shanghai Guohe Capital is an investment management firm primarily engaged in private equity business. Its largest as well as controlling shareholder is SIG Asset Management Co., Ltd., a wholly-owned subsidiary of Shanghai International Group Co., Ltd. ("**Shanghai International Group**"). Shanghai International Group is a large state-owned company backed by Shanghai Municipal Government. Its major businesses include investments in financial service and asset management, with interests spanning from banking, security firms, mutual funds, to insurance, asset management, etc. Shanghai Guohe Capital focuses on the investments in such areas as financial service, media, logistics, IT service and real estate. Shanghai Guohe Capital has agreed to cause an asset manager that is a qualified domestic institutional investor to subscribe on its behalf at the Offer Price for such number of Offer Shares.

To the best knowledge of our Company, Shanghai Guohe Capital is an Independent Third Party and independent of other Cornerstone Investors, not our connected person or an existing shareholder of our Group.

Suning

Suning International Limited ("**Suning**") has agreed to subscribe for such number of the Offer Shares (rounded down to the nearest whole board lot of 100 H Shares) which may be purchased with an aggregate amount of US$50 million (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005%) at the Offer Price.

Assuming an Offer Price of HK$39.80, being the low end of the Offer Price range set out in this prospectus, the total number of H Shares that Suning would subscribe for would be 9,740,000, representing approximately 2.76% of the Offer Shares, and 0.41% of the Shares in issue immediately following the completion of the Global Offering assuming that the Over-allotment Option is not exercised.

Suning is a company incorporated in Hong Kong with limited liability, principally engaged in the business of investment. Suning is directly wholly-owned by Suning Appliance Group Limited (蘇寧電器集團有限公司), one of the largest electronic appliance retail chain store operators in the PRC. Suning Appliance Group Limited is a substantial shareholder of Suning Commerce Group Co., Ltd., a company listed on the Shenzhen Stock Exchange (Stock Code: 002024). Suning Appliance Group Limited is wholly-owned by Ms. Bu Yang, Mr. Zhang Jindong and Mr. Sun Weimin, all of whom are Independent Third Parties.

To the best knowledge of our Company, Suning is an Independent Third Party and independent of other Cornerstone Investors, not our connected person or an existing shareholder of our Group.

Value Partners

Value Partners Hong Kong Limited ("**Value Partners**") has agreed to subscribe for, or to procure investment funds or managed accounts that Value Partners or its subsidiary advises or manages to subscribe for, such number of the Offer Shares (rounded down to the nearest whole board lot of 100 H Shares) which may be purchased with an aggregate amount of US$30 million (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005%) at the Offer Price.

Assuming an Offer Price of HK$39.80, being the low end of the Offer Price range set out in this prospectus, the total number of H Shares that Value Partners would subscribe for would be 5,844,000, representing approximately 1.66% of the Offer Shares, and 0.25% of the Shares in issue immediately following the completion of the Global Offering assuming that the Over-allotment Option is not exercised.

Value Partners (a wholly-owned subsidiary of Value Partners Group Limited, a company listed on the Hong Kong Stock Exchange (Stock Code: 806) ("**Value Partners Group**")) was established in 1999. It acts as investment manager or investment advisor to certain investment funds. Value Partners Group is one of Asia's largest independent asset management firms headquartered in Hong Kong. Value Partners Group manages absolute return long-biased funds, long-short hedge funds, exchange-traded funds, quantitative funds, as well as fixed income products for institutional and individual clients in the Asia Pacific, Europe and the United States.

To the best knowledge of our Company, Value Partners is an Independent Third Party and independent of other Cornerstone Investors, not our connected person or an existing shareholder of our Group.

CONDITIONS PRECEDENT

The subscription of each Cornerstone Investor is subject to, among other things, the satisfaction that:

a) the Hong Kong Underwriting Agreement and the International Underwriting Agreement shall have been entered into and become effective and all of the conditions precedent to completion set forth therein shall have been satisfied (or waived by the relevant parties) by no later than the time and date as specified in these Underwriting Agreements;

b) the Listing Committee having granted the approval for the listing of, and permission to deal in, the H Shares and such approval or permission not having been revoked prior to the commencement of dealings in the H Shares on the Hong Kong Stock Exchange; and

c) the respective representations, warranties, undertakings, acknowledgements and confirmations of the relevant Cornerstone Investor under the relevant cornerstone investment agreement are accurate and true in all material respects and not misleading in any material respect and that there is no material breach of the relevant cornerstone investment agreement on the part of the relevant Cornerstone Investor.

RESTRICTIONS ON DISPOSAL OF H SHARES BY THE CORNERSTONE INVESTORS

Each of the above Cornerstone Investors has agreed and undertaken to the Company and the Joint Global Coordinators that unless it has obtained the prior written consent of the Company and the Joint Global Coordinators to do otherwise, it will not, whether directly or indirectly, at any time during the period of six months following the Listing Date, effect any disposal (as defined in the respective cornerstone investment agreements) of any of the Shares subscribed for by it pursuant to the relevant cornerstone investment agreements.

Each Cornerstone Investor may transfer the H Shares so subscribed in certain limited circumstances as set out in the relevant cornerstone investment agreement, such as transfer to a wholly-owned subsidiary of such Cornerstone Investor, provided that, among other things, such wholly-owned subsidiary undertakes in writing that such wholly-owned subsidiary be bound by the Cornerstone Investor's obligations under the relevant cornerstone investment agreement.

The following discussion should be read in conjunction with our consolidated financial information, together with the accompanying notes, as set forth in the Accountant's Report in Appendix IA to this prospectus. Our consolidated financial information has been prepared in accordance with International Financial Reporting Standards ("IFRS"), which may differ in material aspects from generally accepted principles in other jurisdictions, including the United States.

The following discussion and analysis contains certain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future developments, as well as factors we believe are appropriate under the relevant circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties. Factors that could cause or contribute to such differences include those disclosed in "Risk Factors" and "Forward-looking Statements".

OVERVIEW

We are a leading Chinese investment group. We are committed to long-term value creation by developing industry-leading companies and managing a dynamic portfolio. Over the past 30 years, under the leadership of our Founder and Chairman, Mr. Liu Chuanzhi, and our President, Mr. Zhu Linan, we have capitalized on our understanding of China's key development themes, our complementary investment businesses and our extensive management expertise to cultivate a number of industry leaders. We have established a significant presence across diverse industries and accumulated a wealth of portfolio companies, which allows us to gradually realize its value. We proactively provide value-added support to our portfolio companies, adjust resource allocation and optimize our portfolio to secure sustained value growth.

We have successfully built a number of industry-leading companies over the past 30 years:

- We began investing in the IT sector in 1984 and established Lenovo, the world's largest PC company, second-largest PC and tablets company, and third-largest smartphone company, each in terms of unit shipments in 2014.

- At the turn of the 21st century, we foresaw several trends in the Chinese economy, including (i) the rising housing demand resulting from urbanization and industrialization; (ii) the need for non-bank financing alternatives, such as venture capital and private equity investments; and (iii) the demand for improved management and strategic vision in both public and private sectors resulting from economic reform. In anticipation of these opportunities, in early 2000s we established Raycom (real estate), Legend Capital (venture capital) and Hony Capital (private equity).

- Since 2010, given the growing affluence and rising expectations of Chinese consumers, we have made strategic investments in sectors benefiting from these changes and built leading companies. These include CAR, China's largest car rental company by fleet size; Bybo, China's No. 1 dental chain in terms of number of outlets; Union Insurance, China's dominant insurance broker in education sector measured by insurance premiums; and Joyvio, a leading premium fruit producer in China.

During the Track Record Period, our revenue increased at a CAGR of 13.1% from RMB226,315.9 million in 2012 to RMB289,475.8 million in 2014; our profit attributable to equity holders of the Company increased at a CAGR of 34.8% from RMB2,287.9 million in 2012 to RMB4,160.4 million in 2014; our total assets increased at a CAGR of 20.8% from RMB197,911.0 million as of December 31, 2012 to RMB289,001.5 million as of December 31, 2014; and our total equity attributable to equity holders of the Company increased at a CAGR of 18.7% from RMB22,689.6 million as of December 31, 2012 to RMB31,985.9 million as of December 31, 2014.

Our operations consist of strategic investments and financial investments businesses. The table below sets forth the profit contribution of these two businesses for the periods indicated.

	Profit				Profit attributable to equity holders of the Company
	Strategic investments	Financial investments	Unallocated[1]	Total	
	(RMB in thousands)				
2012	5,803,456	(515,228)	(823,522)	4,464,706	2,287,897
2013	6,304,116	2,107,040	(697,682)	7,713,474	4,837,590
2014	6,829,611	2,112,910	(1,120,350)	7,822,171	4,160,389

Note:

(1) Unallocated amounts are primarily attributable to corporate and shared service expenses that are not directly attributable to any of our operating segments. Unallocated amounts also include other income statement items such as employee benefit expenses, interest income, finance costs and other income, which cannot be directly identified to specific operating segments. For additional information, see Note 5 to the Accountant's Report set forth in Appendix IA to this prospectus.

The significant increase in our profit in 2013 was primarily due to (i) the fair value gains of our investments in funds and our other minority investments in our financial investments business and (ii) our ceasing to consolidate the results of CSPC, a portfolio company in our financial investments business that ceased to be our subsidiary on October 29, 2012, and which incurred substantially losses in 2012. The slowdown in our profit increase in 2014 as compared with the increase in 2013 was primarily due to (i) the impairment losses for non-financial assets of RMB1,097.7 million that we recorded in 2014 and (ii) the profit contribution from our financial investments business in 2014 was substantially the same as in 2013. The changes in our profit attributable to equity holders of the Company during the same period were primarily due to the same reasons.

Our strategic investments and financial investments businesses are further divided into seven operating segments as follows:

- *Strategic investments*. Our strategic investments consist of our operations in IT, financial services, modern services, agriculture and food, property, and chemicals and energy materials businesses.

  ◦ *IT.* IT business is our largest segment in terms of revenue contribution. Our IT business is operated by Lenovo, a global Fortune 500 company. According to IDC, in terms of unit shipments, in 2014, Lenovo was the world's largest PC company, the world's second largest PC and tablets company and the world's third largest smartphone company. For the years ended December 31, 2012, 2013 and 2014, our revenue from IT business increased from RMB211,635.8 million in 2012 to RMB230,505.3 million in 2013 and further to RMB272,343.9 million in 2014, and profit from our IT business increased from RMB3,702.2 million in 2012 to RMB4,822.9 million in 2013 and further to RMB5,410.9 million in 2014.

  ◦ *Financial services.* We have a diversified financial services platform offering services including direct loans, credit guarantees, pawn loans, financial leasing, entrusted loans, banking, insurance-related business, payment and other financial services, and trusts, to provide customized financial solutions to the clients. For the years ended December 31, 2012, 2013 and 2014, our revenue from financial services business increased from RMB50.7 million in 2012 to RMB997.1 million in 2013 and further to RMB1,318.4 million in 2014, and profit from our financial services business increased from RMB233.3 million in 2012 to RMB607.9 million in 2013 and further to RMB1,079.9 million in 2014.

  ◦ *Modern services.* The businesses we operate in our modern services segment include dental, logistics and senior care businesses, and one of our associated companies, CAR, operates car rental business. Our dental business is operated by Bybo, a dental chain, which, according to Euromonitor, was the largest private dental chain in China in terms of number of outlets as of December 31, 2014. CAR was the largest car rental company in China in terms of fleet size as of December 31, 2013. For the years ended December 31, 2012, 2013 and 2014, revenue from our modern services business increased from RMB58.0 million in 2012 to RMB274.5 million in 2013 and further to RMB853.4 million in 2014. Our modern services business recorded a profit of RMB280.6 million in 2012, a loss of RMB211.7 million in 2013 and a profit of RMB1,073.0 million in 2014.

- *Agriculture and food.* Our agriculture and food business includes our agriculture and Chinese liquor businesses. We mainly produce and sell fruit, tea and wine products in our agriculture business and various brands of liquors in our Chinese liquor business. For the years ended December 31, 2012, 2013 and 2014, revenue from our agriculture and food business was RMB973.8 million, RMB1,684.7 million and RMB1,531.3 million, respectively. Our agriculture and food business recorded a loss of RMB73.4 million in 2012, a loss of RMB201.0 million in 2013 and a loss of RMB948.2 million in 2014. The significant increase in loss of our agriculture and food business was mainly due to the impairment loss of RMB620.6 million we incurred for our Chinese liquor business in 2014, reflecting the lower expected profitability of this business as a result of the stagnation of the Chinese liquor industry.

- *Property.* Our property business includes the development and sale of residential properties and office buildings, office rental services and property management services for properties that we have developed. We also have a portfolio of investment properties which comprise office buildings that we develop and retain. For the years ended December 31, 2012, 2013 and 2014, our revenue from property business increased from RMB7,535.0 million in 2012 to RMB9,142.1 million in 2013 and further to RMB11,498.5 million in 2014, and our profit from property business decreased from RMB1,734.6 million in 2012 to RMB1,514.5 million in 2013 and further to RMB982.7 million in 2014. The decrease in profit of our property business was mainly due to the impairment loss of RMB754.5 million we incurred for our property business in 2014, reflecting the lower expected profitability of our several property development projects as a result of the significant decrease in property and land price in certain cities in 2014. We will continuously monitor the market conditions and strengthen our risk control mechanism to improve our decision-making process and control the risks in property development projects.

- *Chemicals and energy materials.* Our chemicals and energy materials business includes our chemicals business and our energy materials business. For the years ended December 31, 2012, 2013 and 2014, revenue from our chemicals and energy materials business decreased from RMB1,460.5 million in 2012 to RMB1,282.3 million in 2013, and increased to RMB1,908.5 million in 2014. Our chemicals and energy materials business recorded a loss of RMB74.0 million in 2012, a loss of RMB228.4 million in 2013 and a loss of RMB768.6 million in 2014. The significant increase in loss of our chemicals and energy materials business was due to the impairment losses for non-financial assets of RMB477.2 million we incurred mainly for Zhongyin Electrochemical in 2014, reflecting the lower expected profitability of this business as a result of the excess industrial capacity in China for Zhongyin Electrochemical's products.

- *Financial investments.* Our financial investments business includes fund and other financial investments. We are a limited partner investor and hold equity interests in the general partner of each fund of Legend Capital and Hony Capital structured as a limited partnership, have invested in other fund groups that conduct venture capital and private equity investments. In addition, we hold 100% equity interests in Legend Star, a leading angel investor and start-up incubator. We also have direct investments in private and public companies. Our segment assets from the financial investments business increased from RMB27,278.2 million in 2012 to RMB27,871.5 million in 2013 and further to RMB31,717.5 million in 2014. Our financial investments business recorded a loss of RMB515.2 million in 2012, a profit of RMB2,107.0 million in 2013 and a profit of RMB2,112.9 million in 2014.

BASIS OF PREPARATION

Our consolidated financial statements have been prepared in accordance with IFRS and the Listing Rules. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss, associates measured at fair value, investment properties and biological assets other than bearer plants, which are carried at fair value. The preparation of consolidated 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 our accounting policies.

MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations and financial condition have been and will continue to be affected by a number of factors, including but not limited to the following:

Macroeconomic trends and policies in China and globally

The operations of our businesses are influenced by the macroeconomic environment in China and globally. Economic development and other economic trends and factors in China and globally have a direct impact on our businesses, including on the demand for our services and products, the supply and prices of our raw materials, and our other costs. In the past few years, the governments of many countries in the world have taken various macroeconomic measures in response to the global financial crisis, striving to maintain steady economic growth. In addition, in order to sustain the steady growth of China's economy, the PRC Government has from time to time adjusted its monetary, financial, fiscal and industrial policies, among others, and has implemented other macroeconomic measures. These types of adjustments in and implementation of economic policies and measures also directly or indirectly affect our results of operations and financial condition. Macroeconomic trends and various macroeconomic policies, both in China and globally, could affect our procurement, production, sales and other parts of our businesses, leading to fluctuations in our results of operations.

With the globalization of the world economy, China's macroeconomic environment is closely related to political, economic, policy and other changes globally. China has achieved significant economic development over the last few decades and has become one of the fastest growing economies in the world. The Chinese government has been actively promoting the transformation of economic development and expediting industrial reforms, which are intended to accelerate the consolidation of resources, discourage excessive expansion of industrial production capacity and improve the operational efficiency of the real economy, and it has announced lower GDP growth targets. The outcome of the aforementioned or other measures and the degree to which they benefit or harm us could materially affect our financial condition and results of operations.

Impact on strategic investments

- *IT, modern services, agriculture and food, and chemicals and energy materials*: With China's economic growth, the increase in its urban population and the rising levels of disposable income, China's demand for IT products and services, modern services offerings, agriculture and food products and chemical products has increased. Various policy measures taken by the PRC Government to increase China's domestic consumption have also significantly affected the growth of our IT, agriculture and food and modern services businesses and their results of operations. Furthermore, the global economy has gradually recovered from the financial crisis in recent years, which has contributed to the growth of our IT business.

- *Financial services:* China's economic growth has led to increased business activities of Chinese enterprises and greater individual wealth. It has also facilitated the rapid business growth of domestic commercial banks and demand for loans and other financial services from SMEs and the trust and insurance brokerage businesses. Recently, the PRC Government implemented a series of adjustments to its macroeconomic and monetary policies. All of these policy developments have significantly impacted the development of China's financial industry, the growth of our financial services business and our results of operations.

- *Property:* China's economic growth, urbanization and industrialization, and the improvement in living standards of the Chinese people have supported the development of China's real estate industry. However, the PRC Government periodically adjusts monetary and fiscal policies and the laws and regulations applicable to the real estate market in order to attain various policy objectives. These macroeconomic measures and changes to them have both positively and negatively affected our property development business and may continue to do so in the future.

Impact on financial investments

- The performance of our financial investments business, including angel investments, venture capital, private equity and other investments, are affected by macroeconomic conditions, industry cycles, operating performance of target companies, and fund raising and investment activities in China and around the world. The increases in disposable income and personal wealth in China resulting from its economic growth have led to an increasing demand for wealth management services and investment management products in China, driving the growth of our financial investments businesses.

Mergers, acquisitions and disposals

We establish, as well as acquire and dispose of our equity interests in, portfolio companies from time to time in accordance with our business objectives. Some of these mergers, acquisitions and dispositions have had a significant impact on our financial condition and results of operations. For example, our revenue from financial services and agriculture and food business increased significantly in 2013 as compared to 2012, primarily as a result of our mergers and acquisitions in those segments in late 2012 and 2013. In addition, our revenue increase from 2013 to 2014 was partially due to our acquisitions of the Motorola Mobility and IBM's x86 server businesses in October 2014. Period-to-period comparisons of the results of our operations must therefore be evaluated in light of the impact of these transactions.

We have a proven record of successfully identifying expansion opportunities in industries with high growth potential. We generally pursue investment opportunities that help to strengthen our market positions in industries in which we operate or that enable us to expand into industries that we believe have significant growth potential. We will dispose of our interests in portfolio companies if the relevant business no longer falls into our core businesses or our target areas for strategic growth. As a result of these types of dispositions, we may cease to include the financial results of the disposed portfolio companies and our financial condition and results of operations may be affected.

The success of our expansionary strategy through mergers and acquisitions depends largely on the following factors:

- our ability to identify suitable acquisition targets and to complete such acquisitions under commercially acceptable terms;

- whether we can obtain the necessary financing for such acquisitions or for the completion of our expansion plans, and the relevant financing terms;

- the business growth post acquisition;

- our ability to integrate the acquired businesses into our Group and to maximize the expected synergies; and

- whether we can successfully obtain the regulatory approvals necessary for the acquisitions and any conditions regulatory authorities may impose as a condition to granting their approvals.

Change in fair value of certain assets

Under IFRS, we are required to reassess the fair value of certain of our assets, such as associates measured at fair value through profit or loss, financial assets at fair value through profit or loss, derivative financial instruments, and investment properties. These reassessments of fair value are made as of each balance sheet date, and gains or losses arising from changes in the fair value of these assets are included in our consolidated income statements in the periods in which they arise. As of December 31, 2012, 2013 and 2014, the aggregate asset value of our associates measured at fair value through profit or loss, financial assets at fair value through profit or loss, derivative financial instruments and investment properties were RMB22,978.5 million, RMB21,570.0 million and RMB21,141.7 million, respectively. For the years ended December 31, 2012, 2013 and 2014, we experienced a fair value and dividend gain of RMB1,875.9 million, RMB2,312.9 million and RMB2,497.8 million, respectively, on these assets. The valuation of these assets involves the exercise of professional judgment, requires the use of certain bases and assumptions and is subject to market conditions. The fair value of these assets may have been higher or lower if a different set of bases or assumptions had been used. The fair value of these assets may fluctuate from time to time in the future, and volatility in our results of operations may increase as a result of fair value gains or losses. Any decrease in the fair value of these assets would adversely affect our profitability and financial position. In addition, fair value gains or losses do not give rise to any direct change in our cash position unless we dispose of the relevant assets. Therefore, we may experience constraints on our liquidity even though our profitability increases.

Regulatory environment

We conduct business in various sectors that are subject to regulations imposed by both Chinese and foreign governmental authorities. Our business and results of operations are subject to changes in the laws, regulations and policies in the relevant industries of China and other countries.

- *IT, agriculture and food, modern services, and chemicals and energy materials businesses*: Our IT, agriculture and food, modern services and chemicals and energy materials businesses are subject to domestic and foreign laws and regulations, including those with respect to industry entry qualification, imports and exports, environmental protection and health and safety regulations, taxation, and foreign exchange controls. Changes in these laws and regulations may have a significant impact on our businesses, financial condition and results of operations.

- *Financial services and financial investments*: Our financial services and financial investments businesses are subject to the supervision and monitoring by various Chinese regulatory agencies primarily including the PBOC, the CBRC, the CSRC and various provincial and local financial regulatory authorities. Recently, Chinese financial regulatory agencies have implemented a series of regulations to allow banking and non-bank financial institutions to carry out business reforms, launch various new businesses and product offerings and invest in innovative financial instruments. These changes to the regulatory environment have directly impacted the results of operations of our financial services and financial investments businesses.

- *Property*: The Chinese government has historically issued and adjusted macroeconomic and real estate-related policies (including those with respect to land grants, presale of real estate, construction and supply of affordable housing, bank financing, and taxation) to smooth the development of the real estate market. The measures taken by the Chinese government to monitor and control the liquidity in the market, credit quotas and limitations on fixed asset investments may also have a direct impact on our property business and its results of operations.

Interest rates and exchange rates

Monetary policy is an important measure employed by the Chinese Government to achieve macroeconomic adjustments and controls. To curb excessive inflation, the PBOC raised the benchmark RMB deposit and lending interest rates five times between October 2010 to July 2011. The PBOC adjusted its monetary policy in 2012 and reduced the benchmark RMB deposit and lending interest rates twice during that year. The PBOC further reduced the benchmark RMB deposit and lending interest rates on November 22, 2014 and March 1, 2015. In addition, the PBOC reduced the reserve requirement ratio for financial institutions on February 5, 2015. In addition to monetary policy adjustments, as part of the overall reform of the banking system, the PBOC has implemented a series of initiatives with the aim of gradually liberalizing interbank market interest rates, bond market interest rates and foreign currency deposit interest rates in recent years, and it removed the floor on financial institutions' lending rates on July 20, 2013.

A significant portion of our business operations and capital expenditures are financed through short-term and long-term interest-bearing borrowings. Interest rate fluctuations and the amount of our total borrowings affect our finance costs. In addition, the profitability of some of our business segments, including financial services and financial investments, is sensitive to the monetary policies set by the PRC Government and market liquidity. Our interest expenses incurred in connection with our financial services business will also be affected by interest rate fluctuations. Some of our interest-bearing assets and indebtedness are in foreign currencies and will be affected by the interest rates changes relevant to the jurisdictions where we deposited and borrowed funds.

In addition, the value of the Renminbi is influenced by political and economic conditions in China. Since July 21, 2005, the Chinese government has permitted the Renminbi exchange rate to fluctuate within a monitored band depending on market supply and demand and with reference to a basket of foreign currencies. In June 2010, the PBOC further reformed and liberalized the Renminbi market by widening the band for permitted fluctuations. In March 2014, the PBOC enlarged the fluctuation band for trading prices in the inter-bank spot exchange market of the Renminbi against the U.S. dollar to 2.0% around the central parity rate. Recent market expectation for a rise in U.S. interest rates may also affect the exchange rate of the Renminbi against the U.S. dollar. If the Renminbi appreciates or depreciates against the U.S. dollar or the exchange rates of U.S. dollar fluctuate, it may lead to foreign exchange losses or gains, respectively, on our foreign-currency-denominated assets and liabilities.

We conduct the majority of our IT business and a portion of our agriculture and food business overseas. We also have investments in U.S. dollar funds. For the years ended December 31, 2012, 2013 and 2014, 53.6%, 57.1% and 62.7%, respectively, of our revenue was generated overseas. We have also invested in various U.S. dollar funds as a limited partner. Thus, changes in foreign exchange rates may affect the pricing of the products and services offered by our IT business and agriculture and food business, their expenditures on products and services in foreign currencies and the fair value assessments and recognition of the investments made by U.S. dollar funds. We are therefore subject to the risks associated with foreign currency fluctuations.

Taxation

The statutory PRC enterprise income tax rate is 25% of taxable income as determined in accordance with the EIT Law. PRC national and local tax laws provide for a number of preferential tax treatments applicable to different enterprises. Certain of our subsidiaries are taxed at preferential rates under the preferential policy of the development plan for the western part of China or are currently exempted from certain taxes or taxed at preferential rates applicable to special types of enterprises, such as high and new technology enterprises. The various types of preferential tax treatments that certain of our subsidiaries, associates and jointly controlled entities currently enjoy and other taxes applicable to our businesses, such as LAT, may change as the PRC tax policy evolves, and these developments may affect our financial condition and results of operations.

In addition, we pay various taxes in the foreign jurisdictions in which we operate. Our tax expenditures associated with our overseas operations may fluctuate as a result of changes in applicable foreign tax rates or the changes in the overseas portion of our revenues and profits.

Dilution gains and impairment losses for non-financial assets

We recognize dilution gains or losses arising from our investments in associates when one of our associates issues shares to other investors that dilutes our interest in the associate. The amount of such gains or losses is equal to the difference between our share of net assets in the associates before and after dilutive transaction. In addition, we are required to test many of our assets for impairment and recognize an impairment loss under certain conditions, including when a non-financial asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and the asset's value in use. During the Track Record Period, we recognized dilution gains and a number of impairment losses for non-financial assets and these affected our profitability, particularly in 2014. Our recognition of dilution gains or losses or impairment losses for non-financial assets could affect our profitability in future periods.

CRITICAL ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS

The preparation of our consolidated financial information requires selecting accounting policies and making accounting estimates and assumptions that affect items reported in our consolidated financial information. The determination of these accounting policies is fundamental to our results of operations and financial position and requires our management to make subjective and complex judgments about matters that are inherently uncertain based on information and data that may change in future periods. As a result, determinations regarding these items necessarily involve the use of assumptions and subjective judgments as to future events and are subject to change, and the use of different assumptions or data could produce materially different results. In addition, actual results could differ from estimates and may have a material adverse effect on our business, financial position, results of operations or cash flows. For more information regarding our significant accounting policies and the summary of significant accounting judgments and accounting estimates, see Notes 2 and 4 to the Accountant's Report set forth in Appendix IA to this prospectus.

Revenue recognition

Revenue is measured at fair value of the consideration received or receivable, and represents the amount receivable for goods supplied and services rendered, stated net of discounts, estimated returns and value-added taxes. We recognize revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of our activities, as described below. We base our estimates of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Sales of goods

Revenue from the sale of computer hardware, software and peripherals, mobile devices, chemicals and energy materials, agriculture products and other products is recognized, net of value-added tax, an allowance for estimated returns, rebates and discounts, when both ownership and risk of loss are effectively transferred to the customer. This is generally when there is persuasive evidence that a sales arrangement exists, the price is fixed or determinable, collectability is reasonably assured and delivery has occurred. Revenue from extended warranty contracts is deferred and amortized as earned over the contract period, ranging from one to four years. Revenue associated with undelivered elements is deferred and recorded when delivery occurs. We defer the cost of shipped products awaiting revenue recognition until the goods are delivered and revenue is recognized.

(b) Sales of properties

Revenue from sales of properties is recognized upon the delivery of property sold and transfer of ownership of the properties to the customers, which are deemed to be the earlier of the actual date of delivery or the first day after the last day of the delivery period as stipulated in the property delivery notice. Deposits and installments received on properties sold prior to the date of revenue recognition are included in current liabilities, and are separately stated in the balance sheet as advances from customers.

(c) Guarantee income

Guarantee income is determined based on the total agreed fee in the guarantee contracts and is recognized in the consolidated income statement over the period of the guarantee.

(d) Rental income

Revenue is recognized on a time-proportion basis over the lease terms.

(e) Provision of service

Revenue from the provision of logistic services, property management and financial leasing services, consultancy and commission income and management fees are all recognized in the accounting period in which the services are rendered. Revenue from the provision of systems integration service and information technology technical service is recognized over the term of the contract or when the services are rendered.

(f) Interest income

Interest income is recognized using the effective interest method. When a financial asset is impaired, we reduce 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. Interest income on impaired financial assets is recognized using the original effective interest rate.

Property, plant and equipment

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

Subsequent costs are included in an asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to us and the cost of the item can be measured reliably. The carrying amount of a replaced part is derecognized. All other repairs and maintenance 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 us, 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 us. The principal annual rates used for this purpose are:

– Buildings and leasehold improvements	10-50 years
– Machinery and equipment	2-8 years
– Motor and Vehicles	5-6 years
– Office equipment and others	3-10 years
– Bearer plants	20 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.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within "other income and gains/(losses)" in the consolidated income statement.

Borrowings

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

Fees paid on the establishment of loan facilities are recognized 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 capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

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

Inventories, properties under development and completed properties held for sale

Inventories are stated at the lower of cost and net realizable 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 overhead. For trading products, cost represents invoiced value on purchases, less purchase returns and discounts. Net realizable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

Development costs 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 realizable value of properties under development is determined by reference to estimated sales proceeds of the properties sold in the ordinary course of business less costs to complete development and estimated selling expenses.

Completed properties held for sale are completed properties remaining unsold at year-end and are stated at the lower of cost and net realizable values. Cost comprises development costs attributable to the unsold properties. Net realizable values are determined by reference to the estimated sales proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management estimates based on prevailing market conditions.

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 our other receivables are those arising from our 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.

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading and those designated at fair value through profit or loss at initial recognition. A financial asset is classified in this category if it was acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current assets.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

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 recognized 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 recognized as interest expense.

(a) Warranty provision

We record warranty liabilities at the time of sale for the estimated costs that will be incurred under our 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 labor associated with warranty repair and service actions. The period ranges from one to three years. We reevaluate our estimates on a quarterly basis to assess the adequacy of our recorded warranty liabilities and adjust the amounts as necessary.

(b) Provision for guarantee losses

Provisions for guarantee losses are recognized when (i) it becomes probable that the holder of the guarantee will call upon us under the guarantee, and (ii) the amount of that claim on us is expected to exceed the amount currently carried in liabilities from guarantees in respect of that guarantee, which is the amount initially recognized, less accumulated amortization.

When determining the amounts to be recognized in respect of liabilities arising from our guarantee business, management estimates the provisions based on prior experience and default history of the business. It is possible that the prior experience and default history is not indicative of future loss on the guarantees issued. Any increase or decrease in the provisions would affect the consolidated income statement in future years.

(c) Other provisions

Provisions for environmental restoration, restructuring costs and legal claims are recognized 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 recognized for future operating losses.

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable 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 recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. We use our judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at each balance sheet date. We have used discounted cash flow analyses for various available-for-sale financial assets and financial assets measured at fair value through profit or loss that are not traded in active markets.

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 based on the latest available financial information provided by the general partners of these funds. We review 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 the 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 us. The carrying values of the VC Funds and PE Funds may be significantly different from the values ultimately realized on an exit via a secondary market sale.

Depreciation and amortization

Leasehold land and land use rights, property, plant and equipment (excluding land and construction in progress) and intangible assets (excluding goodwill and intangible assets with indefinite useful life) are depreciated and amortized 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. We review the estimated useful lives and estimated residual values periodically, to ensure that method and rate of depreciation/amortization are consistent with the pattern of how such assets' economic benefits are expected to be realized.

We make 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 amortization expenses will be adjusted accordingly.

Estimated impairment of non-financial assets

We test at least annually whether goodwill and other assets that have indefinite useful lives have suffered any impairment. Other 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 recoverable amounts of an asset or a cash generating unit have been determined based on value-in-use calculations. These calculations require the use of estimates.

The value-in-use calculations primarily use cash flow projections based on financial budgets, in general covering 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 in the preparation of both cash flow projections for the period covered by the approved budget and the estimated terminal values. Key assumptions include the expected growth in revenues and operating margin and the selection of discount rates, to reflect the risks involved and the earnings multiple that can be realized for the estimated terminal value.

Management prepares 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.

Income taxes

We are 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 recognized are based on management's assessment of the likely outcome.

We recognize 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 recognized for temporary differences such as warranty provisions, accrued sales rebates, bonus accruals, fair value changes 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 utilized, 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 recognized. 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 realized, such as the existence of taxable temporary differences, group relief, tax planning strategies and the periods in which estimated tax losses can be utilized. 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, the asset balance will be reduced and the difference will be charged to the consolidated income statement.

Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax provisions and deferred income tax assets and liabilities in the period in which such determination is made.

The implementation and settlement of land appreciation tax ("**LAT**") varies among various tax jurisdictions in cities of the PRC. LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditures including land use rights, borrowing costs, business taxes, property development and other related expenditures. These taxes are incurred upon transfer of property ownership.

Significant judgment is required in determining the extent of land appreciation and its related taxes. We recognized LAT based on management's best estimates according to the understanding of the tax rules. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the consolidated income statement in the periods in which such taxes are finalized with local tax authorities.

Fair value of identifiable assets and liabilities acquired through business combinations

We record assets acquired and liabilities assumed in business combinations at fair value on the date of acquisition. Significant judgment is used to estimate the fair values 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.

Principal assumptions underlying management's estimation of 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 of the Accountant's Report set out in Appendix IA to this prospectus.

Consolidation of entities in which we hold less than 50% voting rights

Our management consider that we have de facto control over Lenovo even though we have less than 50% of the voting rights based on the following factors: 1) as of December 31, 2012, 2013 and 2014, we are the single largest shareholder of Lenovo with a 33.61%, 32.16% and 30.47% equity interest; 2) we obtained an "acting in concert" undertaking from another shareholder; and 3) the rest of the voting rights of Lenovo is dispersed and since the date of Lenovo's listing, there has been no history of any shareholders collaborating to exercise their vote collectively or to out vote us.

Investment in associates

We made our assessment on whether we have 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 us 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 we do not have control but only exercise significant influence over most VC Funds and PE Funds.

SELECTED RESULTS OF OPERATIONS AND FINANCIAL POSITION

The following tables set forth a summary of our consolidated results of operations and financial position for the periods indicated.

Consolidated Income Statements

	Year ended December 31,		
	2012	**2013**	**2014**
	(RMB in thousands)		
Sales of goods and services	226,301,535	243,611,280	288,955,525
Interest income	16,166	399,184	706,306
Interest expense	(1,759)	(52,803)	(185,999)
Net interest income	14,407	346,381	520,307
Total revenue	226,315,942	243,957,661	289,475,832
Cost of sales	(197,518,634)	(209,231,001)	(246,333,803)
Gross profit	28,797,308	34,726,660	43,142,029
Selling and distribution expenses	(12,778,019)	(12,467,621)	(13,972,291)
General and administrative expenses	(10,960,555)	(14,330,428)	(20,044,101)
Investment income and gains	1,432,618	3,186,581	4,806,134
Other income and gains/(losses)	1,479,083	478,725	(68,702)
Finance income	520,631	539,007	591,023
Finance costs	(1,840,558)	(2,048,697)	(3,185,529)
Share of (loss)/profit of associates and joint ventures accounted for using the equity method	(7,182)	(122,010)	291,689
Profit before income tax	6,643,326	9,962,217	11,560,252
Income tax expense	(2,178,620)	(2,248,743)	(3,738,081)
Profit for the year	4,464,706	7,713,474	7,822,171
Profit attributable to:			
– Equity holders of the Company	2,287,897	4,837,590	4,160,389
– Non-controlling interests	2,176,809	2,875,884	3,661,782
	4,464,706	7,713,474	7,822,171

Consolidated Balance Sheets

	As of December 31,		
	2012	2013	2014
	(RMB in thousands)		
ASSETS			
Non-current assets			
Leasehold land and land use rights	1,260,958	1,534,288	1,512,285
Property, plant and equipment	8,967,519	12,641,269	21,079,168
Investment properties	6,629,836	5,705,381	6,023,298
Intangible assets	22,127,842	22,944,438	56,386,519
Associates and joint ventures using equity accounting	4,531,556	4,388,752	6,990,086
Associates measured at fair value through profit or loss	9,725,080	11,882,076	12,676,928
Available-for-sale financial assets	3,310,935	2,567,931	3,549,532
Loans to customers	198,167	–	118,800
Restricted deposits	822,151	–	–
Deferred income tax assets	2,599,154	2,906,447	3,331,117
Other non-current assets	572,059	1,888,754	2,006,385
	60,745,257	66,459,336	113,674,118
Current assets			
Inventories	12,019,633	16,979,028	20,217,386
Properties under development	21,612,666	27,169,767	28,569,482
Completed properties held for sale	1,728,536	1,518,729	6,001,854
Trade and notes receivables	26,168,682	28,345,851	39,401,148
Prepayments, other receivables and current assets	26,888,052	31,368,592	32,632,921
Available-for-sale financial assets	207,000	7,000	114,100
Loans to customers	685,755	2,495,558	3,965,794
Derivative financial instruments	666,111	556,659	1,293,703
Financial assets at fair value through profit or loss	5,957,501	3,425,887	1,147,797
Restricted deposits	702,621	1,595,472	1,378,512
Bank deposits	2,704,561	2,068,017	4,831,811
Cash and cash equivalents	37,824,632	35,461,855	35,772,890
	137,165,750	150,992,415	175,327,398
Total assets	197,911,007	217,451,751	289,001,516
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Paid-in capital/Share capital	660,860	660,860	2,000,000
Other reserves	6,343,417	6,167,798	5,482,489
Retained earnings	15,685,336	20,206,766	24,503,367
Total equity attributable to equity holders of the Company	22,689,613	27,035,424	31,985,856
Non-controlling interests	18,095,664	18,285,139	22,222,809
Put option written on non-controlling interests	(1,343,399)	(1,343,399)	(1,343,399)
Total equity	39,441,878	43,977,164	52,865,266

	As of December 31,		
	2012	2013	2014
	(RMB in thousands)		
LIABILITIES			
Non-current liabilities			
Borrowings	27,341,298	32,219,101	56,550,145
Deferred revenue	2,597,759	2,602,730	3,742,876
Retirement benefit obligations	972,497	996,557	1,530,258
Provisions	2,360,362	1,951,493	2,595,523
Deferred income tax liabilities	2,466,044	2,600,366	3,409,654
Other non-current liabilities	6,810,487	7,842,304	16,549,953
	42,548,447	48,212,551	84,378,409
Current liabilities			
Trade and notes payables	35,616,992	38,373,453	49,755,181
Other payables and accruals	52,080,514	51,838,837	58,757,218
Derivative financial instruments	411,678	369,271	572,641
Provisions	4,980,507	5,085,863	7,050,244
Advance from customers	6,710,091	11,150,778	7,873,102
Deferred revenue	2,491,223	2,503,590	4,664,382
Current income tax liabilities	2,105,528	2,544,188	3,514,538
Borrowings	11,524,149	13,396,056	19,570,535
	115,920,682	125,262,036	151,757,841
Total liabilities	158,469,129	173,474,587	236,136,250
Total equity and liabilities	197,911,007	217,451,751	289,001,516
Net current assets	21,245,068	25,730,379	23,569,557
Total assets less current liabilities	81,990,325	92,189,715	137,243,675

DESCRIPTION OF CERTAIN STATEMENT OF OPERATIONS ITEMS

The following summarizes components of certain items appearing in our consolidated income statements in the Accountant's Report set out in Appendix IA to this prospectus that we believe will be helpful in understanding the period-to-period discussions that follow below.

Sales of goods and services

Our revenue from sales of goods and services includes revenue generated from our IT, financial services, modern services, agriculture and food, property, chemicals and energy materials, and financial investments businesses.

Revenue from sales of goods and services of our IT business was the largest source of our total revenue over the Track Record Period. Revenue from the sales of goods and services of our IT business primarily comprises the sales of (i) Lenovo's personal technology products and services and (ii) non-PC home appliances and other non-PC services.

Revenue from sales of goods and services of our financial services business consists of (i) fee and commission income generated from our credit guarantees and financial leasing businesses and (ii) fee and commission income from our insurance-related business.

Revenue from sales of goods and services of our modern services business primarily includes income from services by our dental chain and logistics businesses.

Revenue from sales of goods and services of our agriculture and food business primarily includes income from the sales of the fruit and tea products from our agriculture business and the sale of liquor products from our Chinese liquor business.

Revenue from sales of goods and services of our property business primarily includes the sales of properties from our residential and office property projects and the rental fee and management fee income from the properties we operate.

Revenue from sales of goods and services of our chemicals and energy materials business primarily includes income from the sales of chemical products and lithium-ion batteries.

Revenue from sales of goods and services of our financial investments business primarily includes the income generated from consulting services that we provided to our associates. Before October 29, 2012, revenue from our financial investments business also included revenue generated by CSPC Pharmaceutical Group Limited ("**CSPC**"). CSPC completed a reverse acquisition through the issuance of shares and convertible bonds on October 29, 2012, which led to the dilution of our voting rights in CSPC from 51.22% to 28.75%. Since then, we ceased to consolidate the financial results of CSPC. During the Track Record Period, revenue from our financial investments business also included the management fees and carried interests from our consolidated general partnership entities that provided management services. In 2013, we restructured parts of our financial investments business, and as a result we no longer had this type of revenue.

The following table sets forth our revenue from these businesses after inter-segment elimination and their respective contributions to our total revenue after inter-segment elimination for the periods indicated:

	For the Year Ended December 31,					
	2012		2013		2014	
	Revenue	*(%)*	*Revenue*	*(%)*	*Revenue*	*(%)*
	(RMB in thousands, except percentages)					
Strategic investments						
IT	211,635,843	93.7%	230,505,310	94.6%	272,343,938	94.2%
Financial services	36,300	–	650,719	0.3%	798,136	0.3%
Modern services	57,967	–	274,461	0.1%	853,407	0.3%
Agriculture and food	973,826	0.4%	1,684,689	0.7%	1,531,323	0.5%
Property	7,534,984	3.3%	9,142,109	3.8%	11,498,478	4.0%
Chemicals and energy materials	1,460,526	0.6%	1,282,334	0.5%	1,908,500	0.7%
Financial investments	4,602,089	2.0%	71,658	–	21,743	–
Sales of goods and services	226,301,535	100.0%	243,611,280	100.0%	288,955,525	100.0%

Net interest income

Net interest income is attributable to our financial services business. Our interest income primarily includes interest income from our direct loans, pawn loans and entrusted loans businesses. Our interest expenses arise primarily from bank and other borrowings that we use to fund these businesses. Our net interest income is affected by the difference between the yields on our interest-earning assets and the costs of our interest-bearing liabilities, as well as the average balances of these assets and liabilities.

The following table sets forth the breakdown of our net interest income by sources for the periods indicated:

	For the Year Ended December 31,		
	2012	2013	2014
	(RMB in thousands)		
Interest income arising from			
Interest income from direct loans	10,849	170,216	281,885
Interest income from pawn loans	2,453	93,505	120,413
Interest income from entrusted loans	2,864	135,463	304,008
Subtotal	16,166	399,184	706,306
Interest expenses arising from			
Borrowings from banks and other financial institutions	(1,759)	(52,803)	(185,999)
Subtotal	(1,759)	(52,803)	(185,999)
Net interest income	14,407	346,381	520,307

Cost of sales

Our cost of sales primarily includes cost of inventories sold, cost of properties sold, and other costs for our businesses other than financial services and financial investments. Our cost of sales on a consolidated basis is presented below after elimination of inter-segment transactions. As a result of these eliminations, only the cost of sales incurred from purchases of goods or services from external suppliers is accounted for as cost in our consolidated results of operations.

The following table shows a breakdown of our cost of sales for the periods indicated:

	For the Year Ended December 31,					
	2012		2013		2014	
	(RMB in thousands, except percentages)					
Cost of inventories sold	177,788,157	90.0%	188,680,402	90.2%	221,481,445	89.9%
Cost of properties sold	3,973,950	2.0%	5,381,027	2.6%	6,463,520	2.6%
Others	15,756,527	8.0%	15,169,572	7.2%	18,388,838	7.5%
Total	197,518,634	100.0%	209,231,001	100.0%	246,333,803	100.0%

Our cost of inventories sold is mainly incurred by our IT business and to a lesser extent by our agriculture and food business and chemicals and energy materials business. Our cost of inventories sold constituted the main component of our cost of sales during the Track Record Period. Cost of properties sold represents the costs incurred by our property business. Other costs mainly include depreciation and transportation and storage expenses.

Gross profit

Gross profit represents the excess of revenue over cost of sales. For the years ended December 31, 2012, 2013 and 2014, our total gross profit was RMB28,797.3 million, RMB34,726.7 million and RMB43,142.0 million, respectively, and our total gross profit margin was 12.7%, 14.2% and 14.9%, respectively. Gross profit and gross profit margin are not applicable to our financial services and financial investments businesses due to the nature of their respective businesses. The following table sets forth our gross profit (after inter-segment elimination) and gross profit margin (gross profit after inter-segment elimination divided by revenue of the relevant segment) of certain of our business segments for the periods indicated:

	For the Year Ended December 31,					
	2012		2013		2014	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	(RMB in thousands, except percentages)					
IT	24,719,194	11.7%	30,236,211	13.1%	37,700,433	13.8%
Modern services	27,729	47.8%	101,681	37.0%	170,229	19.9%
Agriculture and food	340,540	35.0%	577,338	34.3%	523,277	34.2%
Property business	2,937,283	39.0%	2,929,915	32.0%	3,615,378	31.4%
Chemicals and energy materials	228,554	15.6%	103,408	8.1%	94,339	4.9%

Selling and distribution expenses

Our selling and distribution expenses include employee benefit expenses with respect to our sales staffs, advertising costs, depreciation and amortization, office and administrative expenses, transportation expenses, and other expenses of our sales and distribution departments.

The following table shows a breakdown of our selling and distribution expenses for the periods indicated:

	For the Year Ended December 31,					
	2012		2013		2014	
	(RMB in thousands, except percentages)					
Employee benefit expenses	5,557,854	43.5%	6,247,676	50.1%	7,021,387	50.3%
Advertising costs	4,383,201	34.3%	4,228,632	33.9%	4,844,743	34.7%
Depreciation and amortization	105,628	0.8%	108,558	0.9%	145,502	1.0%
Office and administrative expenses	795,026	6.2%	785,866	6.3%	947,588	6.8%
Transportation expenses	123,563	1.0%	166,942	1.3%	185,504	1.3%
Other expenses	1,812,747	14.2%	929,947	7.5%	827,567	5.9%
Total	12,778,019	100.0%	12,467,621	100.0%	13,972,291	100.0%

General and administrative expenses

Our general and administrative expenses include employee benefit expenses with respect to our administrative staff, depreciation and amortization, impairment losses for non-financial assets, office and administrative expenses, consultancy and professional fees, labs and testing, operating lease payments, business tax and surcharge and other taxes and other expenses of our administration departments.

The following table shows a breakdown of our general and administrative expenses for the periods indicated:

	For the Year Ended December 31,					
	2012		2013		2014	
	(RMB in thousands, except percentages)					
Employee benefit expenses	6,029,024	55.0%	9,137,042	63.8%	11,029,828	55.0%
Depreciation and amortization	907,092	8.3%	1,134,781	7.9%	1,884,271	9.4%
Office and administrative expenses	711,464	6.5%	798,092	5.6%	1,109,377	5.5%
Consultancy and professional fees	688,321	6.3%	832,381	5.8%	1,421,411	7.1%
Labs and testing	584,969	5.3%	470,527	3.3%	395,050	2.0%
Operating lease payments	308,479	2.8%	409,363	2.9%	627,721	3.1%
Business tax and surcharge and other taxes	161,107	1.5%	296,696	2.1%	373,594	1.9%
Impairment losses for non-financial assets	259,013	2.4%	–	–	1,097,739	5.5%
Other expenses	1,311,086	11.9%	1,251,546	8.6%	2,105,110	10.5%
Total	10,960,555	100.0%	14,330,428	100.0%	20,044,101	100.0%

Investment income and gains

Our investment income and gains mainly consist of fair value gains and dividend income from associates measured at fair value through profit and loss, fair value (losses)/gains and dividend income on financial assets at fair value through profit or loss and (losses)/gains on disposal/dilution of interests in associates.

The following table sets forth our investment income and gains for the periods indicated:

	Year ended December 31,		
	2012	2013	2014
	(RMB in thousands)		
(Losses)/gains on disposal/dilution of associates	(70,055)	385,357	2,209,725
Gains on disposal of available-for-sale financial assets	416,210	451,241	119,977
(Losses)/gains on disposal of subsidiaries	(233,258)	83,706	101,085
Dividend income from available-for-sale financial assets	61,490	119,207	85,622
Dividend income from associates measured at fair value through profit or loss	366,657	1,194,828	2,976,395
Fair value gains/(losses) from associates measured at fair value through profit or loss	1,018,836	1,953,967	(1,335,464)
Dividend income on financial assets at fair value through profit or loss	132,027	114,492	92,197
Fair value (losses)/gains from financial assets at fair value through profit or loss	(263,756)	(1,151,935)	515,389
Others	4,467	35,718	41,208
Total	1,432,618	3,186,581	4,806,134

The fair value gains/(losses) from associates measured at fair value through profit or loss come from our financial investments business, and represent the fair value changes of our associate funds. The fair value (losses)/gains on financial assets at fair value through profit or loss represent changes of the unrealized fair value of our angel investments and investments made by our consolidated funds.

The dividend income from associates measured at fair value through profit or loss comes from our financial investments business, and represents dividends generated from our associate funds, including funds managed by Legend Capital and Hony Capital. The dividend income on financial assets at fair value through profit or loss represents the dividend income from our angel investments and investments made by our consolidated funds.

The amount of fair value gains and dividend income from associates measured at fair value through profit or loss in 2013 was significant compared to historical levels mainly due to the increases in prices of the publicly-traded shares held by our associate funds.

The amount of dilution gain from associates in 2014 was significant primarily due to CAR's IPO in 2014, which led us to record a dilution gain of RMB1,646.6 million.

Other income and gains/(losses)

Our other income and gains/(losses) mainly consist of government grants, fair value gains on investment properties, net foreign exchange losses, and others.

The following table sets forth our other income and gains/(losses) for the periods indicated:

	Year Ended December 31,		
	2012	**2013**	**2014**
	(RMB in thousands)		
Government grants	606,314	1,098,137	1,315,902
De-recognition of contingent consideration	125,323	–	–
Losses on disposal of property, plant and equipment and intangible assets	(17,176)	(34,756)	(273,835)
Fair value gains on investment properties	622,172	201,557	249,243
Net foreign exchange losses	(154,699)	(408,144)	(1,019,612)
Others	297,149	(378,069)	(340,400)
	1,479,083	478,725	(68,702)

The fair value of our investment properties is primarily affected by supply and demand for comparable properties, market price for similar properties, the rate of economic growth, interest rates, inflation, and political and economic developments in the areas where the investment properties are located.

The government grants during the Track Record Period were primarily related to our IT and chemicals and energy materials businesses.

The net foreign exchange losses during the Track Record Period were primarily related to our IT business as a result of currency fluctuations.

Finance income and costs

Our finance income consists of interest income on bank deposits and interest income on loans to related parties. Our finance costs mainly consist of interest expenses on borrowings (other than those borrowings the interest expenses of which were included under interest expenses), less amounts capitalized on qualifying assets. The amounts capitalized on qualifying assets mainly include our finance costs incurred that are associated with our property business and finance costs incurred by our chemicals and energy materials business in connection with borrowings incurred to finance the construction of plants and purchase of equipment.

The following table sets forth our finance income and costs for the periods indicated:

	For the Year Ended December 31,		
	2012	2013	2014
	(RMB in thousands)		
Interests			
– Bank loans and overdrafts repayable within 5 years	1,066,321	1,450,981	1,990,190
– Bank loans and overdrafts not wholly repayable within 5 years	161,758	187,574	17,517
– Other loans repayable within 5 years	1,332,020	1,030,994	1,997,879
– Bonds repayable within 5 years	120,511	385,409	615,217
– Bonds not wholly repayable within 5 years	182,565	132,638	132,728
Factoring costs	93,045	109,152	305,057
Total finance costs	2,956,220	3,296,748	5,058,588
Less: amounts capitalized on qualifying assets	(1,115,662)	(1,248,051)	(1,873,059)
Finance costs	1,840,558	2,048,697	3,185,529
Finance income:			
– Interest income on bank deposits	(443,100)	(518,867)	(578,592)
– Interest income on loans to related parties	(77,531)	(20,140)	(12,431)
Finance income	(520,631)	(539,007)	(591,023)
Net finance costs	1,319,927	1,509,690	2,594,506

Share of (loss)/profit of associates and joint ventures accounted for using the equity method

Associates are entities other than subsidiaries in which we have a long-term interest or certain equity voting rights, and over which we are in a position to exercise significant influence. Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligation of each investor. Investments in associates other than those investments in venture capital funds and private equity funds are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of the income statement of the investee after the date of acquisition. During the Track Record Period, our share of (loss)/profit of associates and joint ventures accounted for using the equity method was a loss of RMB7.2 million and RMB122.0 million in 2012 and 2013, respectively, and a profit of RMB291.7 million in 2014.

Income tax expense

For the years ended December 31, 2012, 2013 and 2014, our income tax expense were RMB2,178.6 million, RMB2,248.7 million and RMB3,738.1 million, respectively, and our effective tax rate was 32.8%, 22.6% and 32.3%, respectively. The fluctuations of our effective tax rate were mainly because our income tax expenses include expenses of LAT from our sales of properties, tax recognition from our investment income and tax expenses incurred by Lenovo at different applicable tax rates in the various jurisdictions in which Lenovo operates. As a result of these and other factors, primarily including non-taxable income and expenses not deductible for tax purposes, our effective tax rate moves around 25%, which is the PRC enterprise income tax rate.

Profit attributable to non-controlling interests

Profit attributable to non-controlling interests represents the interests of outside shareholders not held by our Company in the results of operations of our non-wholly owned subsidiaries. The largest of these are the non-controlling interests in Lenovo. For the years ended December 31, 2012, 2013 and 2014, our profit attributable to non-controlling interests was RMB2,176.8 million, RMB2,875.9 million and RMB3,661.8 million, respectively.

RESULTS OF OPERATIONS

The discussion below provides information about our results of operations for the relevant period compared with the prior period. The discussions of our operating segments below use revenue amounts that include only external sales and not inter-segment sales. Other amounts included in the segment discussions are stated without respect to unallocated amounts. Unallocated amounts primarily represent corporate and shared service expenses that are not directly allocated to any operating segment, including employee benefit expenses, finance income, finance costs and other income and gains. For additional information about our operating segments, see Note 5 of the Accountant's Report in Appendix IA to this prospectus.

Year ended December 31, 2014 compared to year ended December 31, 2013

Overview of our operating results

The following table shows the revenue and profit or loss of our segments for the periods indicated:

	Revenue For the Year Ended December 31,		Profit / (Loss) For the Year Ended December 31,	
	2013	**2014**	**2013**	**2014**
	(RMB in thousands)			
Strategic investments				
IT	230,505,310	272,343,938	4,822,890	5,410,915
Financial services	997,100	1,318,443	607,880	1,079,881
Modern services	274,461	853,407	(211,733)	1,072,984
Agriculture and food	1,688,113	1,531,729	(200,998)	(948,216)
Property	9,161,721	11,514,505	1,514,454	982,694
Chemicals and energy materials	1,282,334	1,908,500	(228,377)	(768,647)
Financial investments	101,076	42,662	2,107,040	2,112,910
Unallocated	–	–	(697,682)	(1,120,350)
Inter-segment elimination	(52,454)	(37,352)	–	–
Total	243,957,661	289,475,832	7,713,474	7,822,171

Total revenue. Our total revenue increased by 18.7% from RMB243,957.7 million in 2013 to RMB289,475.8 million in 2014. This increase was mainly attributable to the increase in revenue of our IT business as a result of both organic growth and the consolidation of the Motorola Mobility and x86 server businesses following our acquisitions of those businesses, and the increase in revenue of our property business.

Cost of sales. Our cost of sales increased by 17.7% from RMB209,231.0 million in 2013 to RMB246,333.8 million in 2014. This increase was mainly attributable to the increase in cost of sales of our IT and property businesses, both of which were generally in line with their revenue growth.

Gross profit. As a result of the foregoing, our gross profit increased by 24.2% from RMB34,726.7 million in 2013 to RMB43,142.0 million in 2014.

Selling and distribution expenses. Our selling and distribution expenses increased by 12.1% from RMB12,467.6 million in 2013 to RMB13,972.3 million in 2014 which was generally in line with our revenue growth.

General and administrative expenses. Our general and administrative expenses increased by 39.9% from RMB14,330.4 million in 2013 to RMB20,044.1 million in 2014. The increase in general and administrative expenses was mainly attributable to (i) the impairment losses of non-financial assets incurred by our Chinese liquor and chemicals and energy materials businesses in 2014, and (ii) the consolidation of the general and administrative expenses of the Motorola Mobility and x86 server businesses following our acquisitions of those businesses in late 2014.

Investment income and gains. Our investment income and gains increased by 50.8% from RMB3,186.6 million in 2013 to RMB4,806.1 million in 2014, which was primarily due to the dilution gain of RMB1,646.6 million that we recorded in 2014 in connection with CAR's IPO in September 2014.

Other income and gains/(losses). Our other income and gains/(losses) reversed from a gain of RMB478.7 million in 2013 to a loss of RMB68.7 million in 2014. The reversal was primarily due to the significant increase in net foreign exchange losses recognized by our IT business as a result of global currency fluctuations in 2014, particularly for the Euro and the Yen, which was offset in part by the increase in government grants for our IT.

Finance income. Our finance income increased by 9.7% from RMB539.0 million in 2013 to RMB591.0 million in 2014 primarily due to the increase in our bank deposits in 2014.

Finance costs. Our finance costs increased by 55.5% from RMB2,048.7 million in 2013 to RMB3,185.5 million in 2014 primarily due to higher aggregate borrowings because of (i) the increase in bank borrowings for our strategic investments business and (ii) the issuance of U.S.$1.5 billion long term notes by Lenovo in 2014.

Share of (loss)/profit of associates and joint ventures accounted for using the equity method. Our share of (loss)/profit of associates and joint ventures accounted for using the equity method changed from a loss of RMB122.0 million in 2013 to a profit of RMB291.7 million in 2014 primarily due to the improved performance of some of our associates.

Income tax expense. Our income tax expense increased by 66.2% from RMB2,248.7 million in 2013 to RMB3,738.1 million in 2014 primarily due to the significant amount of LAT recorded for our property business in 2014. Our effective tax rate increased from 22.6% in 2013 to 32.3% in 2014.

Profit for the year. As a result of the foregoing, our profit for the year increased by 1.4% from RMB7,713.5 million in 2013 to RMB7,822.2 million in 2014.

Profit attributable to equity holders of our Company. As a result of the foregoing, the profit attributable to equity holders of our Company declined by 14.0% from RMB4,837.6 million in 2013 to RMB4,160.4 million in 2014.

Discussion of Our Operating Results by Segment

IT business

The principal segment information for our IT business is as follows:

	For the Year Ended December 31,			
	2013		2014	
	(RMB in thousands, except percentages)			
Revenue	230,505,310	100.0%	272,343,938	100.0%
Cost of sales	(200,269,099)	(86.9%)	(234,643,505)	(86.2%)
Gross profit	30,236,211	13.1%	37,700,433	13.8%
Finance income	228,336	0.1%	202,797	0.1%
Finance costs	(576,185)	(0.2%)	(1,118,980)	(0.4%)
Share of loss of associates and joint ventures accounted for using the equity method	(6,787)	–	(13,419)	–
Investment income and gains	138,990	0.1%	9,155	–
Profit before income tax	5,925,351	2.6%	6,467,815	2.4%
Income tax expense	(1,102,461)	(0.5%)	(1,056,900)	(0.4%)
Profit for the year	4,822,890	2.1%	5,410,915	2.0%

Segment revenue. The revenue of our IT business increased by 18.2% from RMB230,505.3 million in 2013 to RMB272,343.9 million in 2014. The increase was primarily due to (i) the increase in sale volumes of our major products and (ii) the consolidation of the financial results of the Motorola Mobility and x86 server businesses following our acquisitions of those businesses in late 2014.

Cost of sales. The cost of sales of our IT business increased by 17.2% from RMB200,269.1 million in 2013 to RMB234,643.5 million in 2014, which was generally in line with our revenue growth.

Gross profit. Gross profit generated from our IT business increased by 24.7% from RMB30,236.2 million in 2013 to RMB37,700.4 million in 2014. The gross profit margin of our IT business increased from 13.1% in 2013 to 13.8% in 2014 primarily due to improved operational efficiency and the consolidation of higher margin business in late 2014.

Finance income. Finance income generated from our IT business decreased by 11.2% from RMB228.3 million in 2013 to RMB202.8 million in 2014.

Finance costs. Finance costs for our IT business increased by 94.2% from RMB576.2 million in 2013 to RMB1,119.0 million in 2014. The increase was mainly due to (i) the issuance of US$1.5 billion long term notes by Lenovo in May 2014 and (ii) the increase in Lenovo's factoring costs.

Share of loss of associates and joint ventures accounted for using the equity method. The share of loss of associates and joint ventures accounted for using the equity method from our IT business increased significantly from a loss of RMB6.8 million in 2013 to a loss of RMB13.4 million in 2014 primarily due to the increase in losses from our associates in the IT business segment.

Investment income and gains. Investment income and gains for our IT business decreased significantly from RMB139.0 million in 2013 to RMB9.2 million in 2014, mainly because in 2013 we recognised gains upon the disposal of a significant amount of available-for-sale financial assets.

Income tax expense. Income tax expense for our IT business decreased by 4.1% from RMB1,102.5 million in 2013 to RMB1,056.9 million in 2014 primarily due to the increased revenue contribution from countries with lower income tax rates.

Profit for the year. As a result of the foregoing, profit of our IT business increased by 12.2% from RMB4,822.9 million in 2013 to RMB5,410.9 million in 2014, which was partially offset by the increase in our IT business' general and administrative expenses as a result of the two major acquisitions in late 2014.

Financial services business

The principal segment information for our financial services business is as follows:

	For the Year Ended December 31,	
	2013	**2014**
	(RMB in thousands)	
Total revenue	997,100	1,318,443
– Interest income	399,184	706,306
– Interest expense	(52,803)	(185,999)
– Net interest income	346,381	520,307
– Fee and commission income	650,719	798,136
Finance income	7,224	18,481
Finance costs	(5,236)	(22,563)
Share of profit of associates and joint ventures accounted for using the equity method	292,894	186,065
Investment income and gains	–	650,409
Profit before income tax	723,652	1,299,483
Income tax expense	(115,772)	(219,602)
Profit for the year	607,880	1,079,881

Segment revenue. The revenue of our financial services business increased by 32.2% from RMB997.1 million in 2013 to RMB1,318.4 million in 2014. The increase was mainly due to the increase in net interest income generated from Zhengqi and the increase in revenue generated from Union Insurance.

- Zhengqi's interest income

  - *Direct loans.* Interest income generated from our direct loans business increased by 65.6% from RMB170.2 million in 2013 to RMB281.9 million in 2014 primarily due to the increase in our interest-earning assets in this business. The outstanding balance of Zhengqi's direct loans to customers increased from RMB1,088.6 million as of December 31, 2013 to RMB2,172.1 million as of December 31, 2014.

  - *Pawn loans.* Interest income generated from our pawn loans business increased by 28.8% from RMB93.5 million in 2013 to RMB120.4 million in 2014 primarily due to the increase in our interest-earning assets in this business. Zhengqi's outstanding balance of pawn loans increased from RMB482.0 million as of December 31, 2013 to RMB588.2 million as of December 31, 2014.

  - *Entrusted loans.* Interest income generated from our entrusted loans business increased significantly from RMB135.5 million in 2013 to RMB304.0 million in 2014 primarily due to the increase in our interest-earning assets in this business. Zhengqi's outstanding balance of entrusted loans increased from RMB959.5 million as of December 31, 2013 to RMB1,412.5 million as of December 31, 2014.

- Zhengqi's fee and commission income

  - *Credit guarantees.* Fee and commission income from our credit guarantees business increased by 8.9% from RMB120.1 million in 2013 to RMB130.8 million in 2014.

  - *Financial leasing.* Fee and commission income from our financial leasing business increased significantly from RMB14.0 million in 2013 to RMB63.0 million in 2014 primarily due to the increase in net lease receivables. It increased from RMB215.3 million as of December 31, 2013 to RMB817.0 million as of December 31, 2014.

  - *Others.* Our other fee and commission income decreased from RMB14.9 million in 2013 to RMB12.2 million in 2014.

- Union Insurance's fee and commission income

  - Revenue generated from Union Insurance increased by 18.0% from RMB501.7 million in 2013 to RMB592.1 million in 2014 primarily due to the growth of Union Insurance's insurance brokerage services.

Finance income. Finance income generated from our financial services business increased significantly from RMB7.2 million in 2013 to RMB18.5 million in 2014 primarily due to the increase in Zhengqi and Union Insurance's bank deposits in 2014.

Finance costs. Finance costs for our financial services business increased significantly from RMB5.2 million in 2013 to RMB22.6 million in 2014 primarily due to the additional bank borrowings incurred by Union Insurance in connection with the expansion of its new business.

Share of profit of associates and joint ventures accounted for using the equity method. The share of profit of associates and joint ventures accounted for using the equity method from our financial services business decreased by 36.5% from RMB292.9 million in 2013 to RMB186.1 million in 2014 primarily due to the decrease in profit of Hankou Bank.

Investment income and gains. Investment income and gains for our financial services business increased from zero in 2013 to RMB650.4 million in 2014, which was primarily due to (i) our disposition of a portion of our equity interests in Lakala and dilution gains recognized in connection with Lakala's equity placement in 2014 and (ii) our sale of a portion of our equity interests in Union Insurance in 2014.

Income tax expense. Income tax expense for our financial services business increased by 89.7% from RMB115.8 million in 2013 to RMB219.6 million in 2014.

Profit for the year. As a result of the foregoing, profit of our financial services business increased significantly from RMB607.9 million in 2013 to RMB1,079.9 million in 2014.

Modern services business

The principal segment information for our modern services business is as follows:

	For the Year Ended December 31,			
	2013		2014	
	(RMB in thousands, except percentages)			
Revenue	274,461	100.0%	853,407	100.0%
Cost of sales	(172,780)	(63.0%)	(683,178)	(80.1%)
Gross profit	101,681	37.0%	170,229	19.9%
Finance income	4,031	1.5%	7,992	0.9%
Finance costs	(66,811)	(24.3%)	(98,422)	(11.5%)
Share of loss of associates and joint ventures accounted for using the equity method	(398,700)	(145.3%)	(309,078)	(36.2%)
Investment income and gains	338,397	123.3%	1,646,131	192.9%
(Loss)/profit before income tax	(249,683)	(91.0%)	1,041,357	122.0%
Income tax credit	37,950	13.8%	31,627	3.7%
(Loss)/profit for the year	(211,733)	(77.2%)	1,072,984	125.7%

Segment revenue. Revenue from our modern services business significantly increased from RMB274.5 million in 2013 to RMB853.4 million in 2014. This increase was primarily due to the significant increase in revenue from our logistics business due to its business growth and the consolidation of Bybo's financial results in 2014 following our acquisition of Bybo in July 2014.

Cost of sales. The cost of sales of our modern services business increased significantly from RMB172.8 million in 2013 to RMB683.2 million in 2014. This increase was primarily attributable to the consolidation of the cost of sales of the Bybo following our acquisition of that business and the increase in costs incurred in connection with the expansion of our logistics services.

Gross profit. Gross profit of our modern services business increased by 67.4% from RMB101.7 million in 2013 to RMB170.2 million in 2014. The gross profit margin of our modern services business decreased from 37.0% in 2013 to 19.9% in 2014 primarily due to the increased revenue contribution from our logistics business, which had a negative gross profit margin due to significant costs associated with its business expansion, which was partially offset by the addition of Bybo's higher margin business.

Finance income. Finance income from our modern services business significantly increased from RMB4.0 million in 2013 to RMB8.0 million in 2014.

Finance costs. Finance costs of our modern services business increased by 47.3% from RMB66.8 million in 2013 to RMB98.4 million in 2014, primarily due to the increase in bank borrowings in connection with the expansion of our logistics business and the consolidation of Bybo's finance costs.

Share of loss of associates and joint ventures accounted for using the equity method. The share of loss of associates and joint ventures accounted for using the equity method of our modern services business decreased by 22.5% from a loss of RMB398.7 million in 2013 to a loss of RMB309.1 million in 2014 primarily due to the improved financial results of CAR in 2014, which was partially offset by the fair value changes of CAR's then parent company's preferred shares in 2014.

Investment income and gains. Investment income and gains for our modern services business increased from RMB338.4 million in 2013 to RMB1,646.1 million in 2014, which was primarily due to the dilution gains of RMB1,646.6 million we recorded in 2014 as a result of CAR's IPO in September 2014.

Income tax credit. We recorded an income tax credit of RMB31.6 million in 2014, as compared with an income tax credit of RMB38.0 million in 2013 primarily due to the recognition of deferred tax assets.

(Loss)/profit for the year. Primarily due to the dilution gain we recorded in connection with the listing of CAR in 2014, our (loss)/profit reversed from a loss of RMB211.7 million in 2013 to a profit of RMB1,073.0 million in 2014.

Agriculture and Food Business

The principal segment information for our agriculture and food business is as follows:

	For the Year Ended December 31,			
	2013		2014	
	(RMB in thousands, except percentages)			
Revenue	1,684,689	100.0%	1,531,323	100.0%
Cost of sales	(1,107,351)	(65.7%)	(1,008,046)	(65.8%)
Gross profit	577,338	34.3%	523,277	34.2%
Finance income	9,868	0.6%	7,419	0.5%
Finance costs	(126,239)	(7.5%)	(199,902)	(13.1%)
Share of profit of associates and joint ventures accounted for using the equity method	348	–	960	0.1%
Investment income and gains	(1,495)	(0.1%)	7,158	0.5%
Loss before income tax	(209,065)	(12.4%)	(960,064)	(62.7%)
Income tax credit	8,067	0.5%	11,848	0.8%
Loss for the year	(200,998)	(11.9%)	(948,216)	(61.9%)

Segment revenue. The revenue of our agriculture and food business decreased by 9.1% from RMB1,684.7 million in 2013 to RMB1,531.3 million in 2014. The decrease was mainly due to the decrease in revenue generated from our Chinese liquor business mainly caused by lower sales volume as a result of the industry slow down.

- *Agriculture business*. Revenue generated from our agriculture business increased by 6.0% from RMB386.8 million in 2013 to RMB410.2 million in 2014 primarily due to the increase in sales volume of our tea, wine and imported fresh fruit products.

- *Chinese liquor business*. Revenue generated from our Chinese liquor business decreased by 13.6% from RMB1,297.9 million in 2013 to RMB1,121.1 million in 2014 due to the lower sales volume as a result of the industry slow down.

Cost of sales. The cost of sales of our agriculture and food business decreased by 9.0% from RMB1,107.4 million in 2013 to RMB1,008.0 million in 2014.

- *Agriculture business*. The cost of sales of our agriculture business increased slightly from RMB272.9 million in 2013 to RMB280.4 million in 2014. Our cost of sales for our agriculture business increased at a lower pace than our revenue growth primarily due to the proportionally higher revenue contribution from sales of higher margin products.

- *Chinese liquor business*. The cost of sales of our Chinese liquor business decreased by 12.8% from RMB834.5 million in 2013 to RMB727.6 million in 2014, which was generally in line with the revenue decrease for our Chinese liquor business.

Gross profit. Gross profit generated from our agriculture and food business decreased by 9.4% from RMB577.3 million in 2013 to RMB523.3 million in 2014. The gross profit margin of our agriculture business increased from 29.4% in 2013 to 31.6% in 2014 and the gross profit margin of our Chinese liquor business was 35.7% in 2013 and 35.1% in 2014.

Finance income. Finance income generated from our agriculture and food business decreased from RMB9.9 million in 2013 to RMB7.4 million in 2014.

Finance costs. Finance costs for our agriculture and food business increased from RMB126.2 million in 2013 to RMB199.9 million in 2014 primarily due to the increase in shareholder loans and bank borrowings.

Share of profit of associates and joint ventures accounted for using the equity method. The share of profit of associates and joint ventures accounted for using the equity method from our agriculture and food business increased from a profit of RMB0.3 million in 2013 to profit of RMB1.0 million in 2014.

Investment income and gains. Investment income and gains for our agriculture and food business reversed from a loss of RMB1.5 million in 2013 to an income of RMB7.2 million in 2014, primarily due to our disposition of our equity interests in a subsidiary.

Income tax credit. We recorded income tax credit of RMB11.8 million in 2014, as compared to income tax credit of RMB8.1 million in 2013 primarily due to the recognition of deferred tax assets.

Loss for the year. We recorded a loss of RMB948.2 million in 2014, as compared to a loss of RMB201.0 million in 2013, primarily due to the significant goodwill impairment loss of RMB620.6 million that we incurred for our Chinese liquor business in 2014 reflecting the lower expected profitability of this business as a result of the stagnation of the Chinese liquor industry.

Property business

The principal segment information for our property business is as follows:

	For the Year Ended December 31,			
	2013		2014	
	(RMB in thousands, except percentages)			
Revenue	9,142,109	100.0%	11,498,478	100.0%
Cost of sales	(6,212,194)	(68.0%)	(7,883,100)	(68.6%)
Gross profit	2,929,915	32.0%	3,615,378	31.4%
Fair value gains on investment properties	201,557	2.2%	249,243	2.2%
Finance income	94,988	1.0%	50,657	0.4%
Finance costs	(341,830)	(3.7%)	(181,003)	(1.6%)
Share of profit of associates and joint ventures accounted for using the equity method	2,948	–	10,184	0.1%
Investment income and gains	161,506	1.8%	4,490	–
Profit before income tax	2,652,623	29.0%	3,204,296	27.9%
Income tax expense	(1,138,169)	(12.4%)	(2,221,602)	(19.3%)
Profit for the year	1,514,454	16.6%	982,694	8.6%

Segment revenue. The revenue of our property business increased by 25.8% from RMB9,142.1 million in 2013 to RMB11,498.5 million in 2014.

- *Properties sale*. Revenue generated from sales of our properties increased by 26.6% from RMB8,858.9 million in 2013 to RMB11,211.5 million in 2014, primarily due to the increase in revenue generated from our sales of residential properties as a result of an increase in average selling prices per GFA delivered from our higher priced residential projects, partially offset by a decrease in GFA delivered for our office and retail properties.

- *Rental fee and other income*. Our rental fee and other income increased by 1.3% from RMB283.2 million in 2013 to RMB287.0 million in 2014 primarily as a result of higher rental fee rates.

Cost of sales. The cost of sales of our property business increased by 26.9% from RMB6,212.2 million in 2013 to RMB7,883.1 million in 2014 primarily due to the impairment loss of RMB754.5 million that we incurred in 2014 to reflect the lower expected profitability of several of our property projects as a result of the significant decreases in property and land prices in certain cities in 2014.

Gross profit. Gross profit generated from our property business increased significantly from RMB2,929.9 million in 2013 to RMB3,615.4 million in 2014. The gross profit margin of our property business decreased slightly from 32.0% in 2013 to 31.4% in 2014, mainly as a result of the increase in cost of sales due to the impairment loss we incurred in 2014.

Fair value gains on investment properties. Fair value gains on investment properties increased from RMB201.6 million in 2013 to RMB249.2 million in 2014.

Finance income. Finance income generated from our property business decreased from RMB95.0 million in 2013 to RMB50.7 million in 2014 primarily due to the lower level of bank deposits for our property business in 2014 as a result of a decrease in presales of property.

Finance costs. Finance costs for our property business decreased from RMB341.8 million in 2013 to RMB181.0 million in 2014. Finance costs for our property business fluctuate primarily due to the fluctuations in amounts capitalized on qualifying assets in different years.

Share of profit of associates and joint ventures accounted for using the equity method. The share of profit of associates and joint ventures accounted for using the equity method from our property business increased from RMB2.9 million in 2013 to RMB10.2 million in 2014 due to the improved performance of our associates.

Investment income and gains. Investment income and gains for our property business decreased from RMB161.5 million in 2013 to RMB4.5 million in 2014, primarily because we disposed of a subsidiary in 2013 and had no similar disposal in 2014.

Income tax expense. Income tax expenses for our property business increased significantly from RMB1,138.2 million in 2013 to RMB2,221.6 million in 2014 primarily because a significant amount of LAT was incurred for our property business in 2014 as a result of (i) the increase in sales revenue and (ii) the increased revenue contribution from our sales of higher margin properties, which typically have higher value appreciation for calculating LAT, thus leading to a larger amount of LAT.

Profit for the year. As a result of the foregoing, profit of our property business decreased by 35.1%, from RMB1,514.5 million in 2013 to RMB982.7 million in 2014.

Chemicals and energy materials business

The principal segment information for our chemicals and energy materials business is as follows:

	For the Year Ended December 31,			
	2013		2014	
	(RMB in thousands, except percentages)			
Revenue	1,282,334	100.0%	1,908,500	100.0%
Cost of sales	(1,178,926)	(91.9%)	(1,814,161)	(95.1%)
Gross profit	103,408	8.1%	94,339	4.9%
Finance income	132,728	10.4%	57,164	3.0%
Finance costs	(226,892)	(17.7%)	(169,733)	(8.9%)
Investment income and gains	–	–	(2,214)	(0.1%)
Profit before income tax	(247,586)	(19.3%)	(753,736)	(39.5%)
Income tax credit/(expense)	19,209	1.5%	(14,911)	(0.8%)
Loss for the year	(228,377)	(17.8%)	(768,647)	(40.3%)

Segment revenue. The revenue of our chemicals and energy materials business increased by 48.8%, from RMB1,282.3 million in 2013 to RMB1,908.5 million in 2014.

The revenue generated from our chemicals business increased by 47.7% from RMB1,089.4 million in 2013 to RMB1,608.5 million in 2014 primarily because of higher sales volume of chemical products in 2014, which in 2013 was negatively affected by the relocation of Zhongyin Electrochemical's production facilities; those facilities gradually resumed production in 2014. These increases were partially offset by the revenue decrease of our coal mining operations as a result of decreased sales volume and selling prices. The revenue generated from our energy materials business increased by 55.5% from RMB192.9 million in 2013 to RMB300.0 million in 2014 primarily due to higher demand for our battery products.

Cost of sales. The cost of sales of our chemicals and energy materials business increased by 53.9% from RMB1,178.9 million in 2013 to RMB1,814.2 million in 2014 primarily due to the increased sales volume of our chemical and battery products.

Gross profit. Gross profit generated from our chemicals and energy materials business decreased by 8.8% from RMB103.4 million in 2013 to RMB94.3 million in 2014. Gross profit margin of our chemicals and energy materials business decreased from 8.1% in 2013 to 4.9% in 2014 primarily due to the increased revenue contribution from low margin products.

Finance income. Finance income generated from our chemicals and energy materials business decreased from RMB132.7 million in 2013 to RMB57.2 million in 2014. The significant finance income in this segment was subject to inter-segment elimination.

Finance costs. Finance costs for our chemicals and energy materials business decreased by 25.2% from RMB226.9 million in 2013 to RMB169.7 million in 2014 primarily due to the decrease of our expensed finance costs in 2014.

Income tax credit/(expense). We recorded income tax credit of RMB19.2 million in 2013 and income tax expense of RMB14.9 million in 2014 primarily due to write-off of deferred tax assets.

Loss for the year. As a result of foregoing and the fixed assets and goodwill impairment loss of RMB477.2 million that we incurred in 2014, primarily for Zhongyin Electrochemical to reflect the lower expected profitability of our chemicals business as a result of the excess industrial capacity in China for Zhongyin Electrochemical's products, the loss for our chemicals and energy materials business increased from RMB228.4 million in 2013 to RMB768.6 million in 2014.

Financial investments business

The principal segment information for our financial investments business is as follows:

	For the Year Ended December 31,	
	2013	**2014**
	(RMB in thousands)	
Revenue	71,658	21,743
Share of (loss)/profit of associates and joint ventures accounted for using the equity method	(12,713)	416,977
Investment income and gains	2,549,183	2,491,005
Profit before income tax	2,297,165	2,754,902
Income tax expense	(190,125)	(641,992)
Profit for the year	2,107,040	2,112,910

Segment revenue. Revenue from our financial investments business decreased from RMB71.7 million in 2013 to RMB21.7 million in 2014 primarily because we disposed of subsidiaries that previously recorded revenue from their provision of management services.

Share of (loss)/profit of associates and joint ventures accounted for using the equity method. Our share of (loss)/profit of associates and joint ventures accounted for using the equity method for our financial investments business changed from a loss of RMB12.7 million in 2013 to a profit of RMB417.0 million in 2014. This reversal was mainly due to the improved performance of our associates.

Investment income and gains. Investment income and gains for our financial investments business decreased by 2.3% from RMB2,549.2 million in 2013 to RMB2,491.0 million in 2014. This decline was primarily due to fair value gains/(losses) from our associates measured at fair value through profit or loss, which reversed from a gain of RMB1,954.0 million in 2013 to a loss of RMB1,335.5 million in 2014. This reversal was primarily a result of the decrease in the number of the underlying investments held by our associate funds due to the investment realization as well as the slowdown in share price increases of certain underlying investments in 2014. This was, however, partially offset by the RMB1,781.6 million increase in dividend income from our associates measured at fair value through profit or loss upon the realization of their underlying investment portfolio and the RMB1,667.2 million increase in fair value gains from financial assets at fair value through profit or loss, primarily as a result of the increase in share price of certain underlying investments.

Income tax expense. Our income tax expense was RMB190.1 million in 2013, while our income tax expense was RMB642.0 million in 2014; the change was primarily because the profit before income tax and non-deductible costs increased in 2014, while we recorded significant non-taxable investment income in 2013.

Profit for the year. As a result of foregoing, profit of our financial investments business was RMB2,112.9 million in 2014, 0.3% higher than the profit of RMB2,107.0 million in 2013.

Unallocated amounts

Our unallocated amounts mainly include our general and administrative expenses incurred at our corporate headquarters level and the net finance costs the Company incurred in the Group's operation. The significant increase in unallocated amounts from 2013 to 2014 was mainly due to the increase in finance costs as a result of increased borrowings that we incurred for our business growth.

The table below sets forth our unallocated amounts for the periods indicated:

	For the Year Ended December 31,	
	2013	**2014**
	(RMB in thousands)	
General and administrative expenses	(269,920)	(332,702)
Finance costs, net	(643,672)	(1,148,413)
Other income and gains/(losses)	(16,648)	(12,686)
Income tax credit	232,558	373,451
Total	(697,682)	(1,120,350)

Year ended December 31, 2013 compared to year ended December 31, 2012

Overview of our operating results

The following table sets forth the revenue and profit or loss of our segments for the periods indicated:

	Revenue for the Year Ended December 31,		Profit/(loss) for the Year Ended December 31,	
	2012	**2013**	**2012**	**2013**
	(RMB in thousands)			
Strategic investments				
IT	211,635,843	230,505,310	3,702,244	4,822,890
Financial services	50,707	997,100	233,310	607,880
Modern services	57,967	274,461	280,616	(211,733)
Agriculture and food	973,826	1,688,113	(73,398)	(200,998)
Property	7,545,330	9,161,721	1,734,648	1,514,454
Chemicals and energy materials	1,460,526	1,282,334	(73,964)	(228,377)
Financial investments	4,618,636	101,076	(515,228)	2,107,040
Unallocated	–	–	(823,522)	(697,682)
Inter-segment elimination	(26,893)	(52,454)	–	–
Total	226,315,942	243,957,661	4,464,706	7,713,474

Total revenue. Our total revenue increased by 7.8% from RMB226,315.9 million in 2012 to RMB243,957.7 million in 2013. This increase was mainly attributable to increases in revenue from our IT business, property business and financial service business, partially offset by a decrease in revenue from our financial investments business because we ceased consolidating the financial results of CSPC following the dilution of our equity interest in that business on October 29, 2012.

Cost of sales. Our cost of sales increased by 5.9% from RMB197,518.6 million in 2012 to RMB209,231.0 million in 2013. This increase was mainly attributable to increase in cost of sales in our IT business, which was generally in line with the revenue growth in our IT business.

Gross profit. As a result of the foregoing, our gross profit increased by 20.6% from RMB28,797.3 million in 2012 to RMB34,726.7 million in 2013.

Selling and distribution expenses. Our selling and distribution expenses decreased by 2.4% from RMB12,778.0 million in 2012 to RMB12,467.6 million in 2013.

General and administrative expenses. Our general and administrative expenses increased by 30.7% from RMB10,960.6 million in 2012 to RMB14,330.4 million in 2013. The increase in general and administrative expenses was mainly attributable to (i) the increase in general and administrative expenses in our IT business in 2013; and (ii) the consolidation of the general and administrative expenses from the acquired businesses in our agriculture and food and financial services businesses in 2013 and late 2012 respectively.

Investment income and gains/(losses). Our investment income and gains/(losses) increased significantly from RMB1,432.6 million in 2012 to RMB3,186.6 million in 2013, which was primarily due to the significant increase in fair value gains and dividend income from associates measured at fair value, partially offset by the significant decrease in fair value losses and dividend income on financial assets at fair value through profit or loss, primarily because of lower valuations of our equity investments.

Other income and gains. Our other income and gains decreased by 67.6% from RMB1,479.1 million in 2012 to RMB478.7 million in 2013, primarily due to a decrease in the fair value gains on investment properties and an increase in net foreign exchange losses in 2013.

Finance income. Our finance income increased slightly by 3.5% from RMB520.6 million in 2012 to RMB539.0 million in 2013.

Finance costs. Our finance costs increased by 11.3% from RMB1,840.6 million in 2012 to RMB2,048.7 million in 2013, primarily due to the organic growth and mergers and acquisitions in our strategic investments business.

Share of loss of associates and joint ventures accounted for using the equity method. Our share of loss of associates and joint ventures accounted for using the equity method increased significantly from RMB7.2 million in 2012 to RMB122.0 million in 2013. This increase was primarily attributable to higher operating losses from CAR and the share of fair value loss of CAR's then parent company's preferred shares in 2013.

Income tax expense. Our income tax expense increased by 3.2% from RMB2,178.6 million in 2012 to RMB2,248.7 million in 2013. Our effective tax rate decreased from 32.8% in 2012 to 22.6% in 2013 primarily due to the higher revenue contribution of our IT business from countries with lower income tax rates in 2013.

Profit for the year. As a result of the foregoing, our profit for the year increased by 72.8% from RMB4,464.7 million in 2012 to RMB7,713.5 million in 2013.

Profit attributable to equity holders of our Company. As a result of the foregoing, the profit attributable to equity holders of our Company was RMB2,287.9 million in 2012 and RMB4,837.6 million in 2013.

Discussion of Our Operating Results by Segment

IT business

The principal segment information for our IT business is as follows:

	For the Year Ended December 31,			
	2012		2013	
	(RMB in thousands, except percentages)			
Revenue	211,635,843	100.0%	230,505,310	100.0%
Cost of sales	(186,916,649)	(88.3%)	(200,269,099)	(86.9%)
Gross profit	24,719,194	11.7%	30,236,211	13.1%
Finance income	278,407	0.1%	228,336	0.1%
Finance costs	(346,232)	(0.2%)	(576,185)	(0.2%)
Share of loss of associates and joint ventures accounted for using the equity method	(7,768)	–	(6,787)	–
Investment income and gains	(290)	–	138,990	0.1%
Profit before income tax	4,654,316	2.2%	5,925,351	2.6%
Income tax expense	(952,072)	(0.4%)	(1,102,461)	(0.5%)
Profit for the year	3,702,244	1.8%	4,822,890	2.1%

Segment revenue. Revenue from our IT business increased by 8.9% from RMB211,635.8 million in 2012 to RMB230,505.3 million in 2013. This increase was mainly due to increased revenue from AG and EMEA countries and regions.

Cost of sales. The cost of sales in our IT business increased by 7.1% from RMB186,916.6 million in 2012 to RMB200,269.1 million in 2013, which was generally in line with the revenue growth in our IT business.

Gross profit. Gross profit generated by our IT business increased by 22.3% from RMB24,719.2 million in 2012 to RMB30,236.2 million in 2013. The gross profit margin in our IT business increased from 11.7% in 2012 to 13.1% in 2013, primarily due to improved operational efficiency.

Finance income. Finance income generated from our IT business decreased by 18.0% from RMB278.4 million in 2012 to RMB228.3 million in 2013 primarily due to the lower level of Lenovo's bank deposits in 2013.

Finance costs. Finance costs in our IT business increased by 66.4% from RMB346.2 million in 2012 to RMB576.2 million in 2013 primarily due to the increase in bank borrowings to support the growth of our IT business.

Share of loss of associates and joint ventures accounted for using the equity method. The share of loss of associates and joint ventures accounted for using the equity method from our IT business decreased by 12.6% from RMB7.8 million in 2012 to RMB6.8 million in 2013.

Investment income and gains. We recorded investment income and gains for our IT business of RMB139.0 million in 2013, as compared to an investment loss of RMB0.3 million in 2012, mainly because we sold certain available-for-sale financial assets in 2013.

Income tax expense. Income tax expense in our IT business increased by 15.8% from RMB952.1 million in 2012 to RMB1,102.5 million in 2013.

Profit for the year. As a result of the foregoing, profit from our IT business increased by 30.3%, or RMB1,120.7 million, from RMB3,702.2 million in 2012 to RMB4,822.9 million in 2013.

Financial services business

The principal segment information for our financial services business is as follows:

	For the Year Ended December 31,	
	2012	**2013**
	(RMB in thousands)	
Total revenue	50,707	997,100
– Interest income	16,166	399,184
– Interest expense	(1,759)	(52,803)
– Net interest income	14,407	346,381
– Fee and commission income	36,300	650,719
Finance income	2,079	7,224
Finance costs	(1,815)	(5,236)
Share of profit of associates and joint ventures accounted for using the equity method	254,219	292,894
Investment income and gains	1,352	–
Profit before income tax	236,982	723,652
Income tax expense	(3,672)	(115,772)
Profit for the year	233,310	607,880

Segment revenue. Revenue from our financial services business increased significantly from RMB50.7 million in 2012 to RMB997.1 million in 2013. The increase was mainly due to the significantly higher revenue from Zhengqi in 2013, which was mainly because (i) we completed the acquisitions of the major businesses under Zhengqi in November 2012, and as a result we consolidated only a small portion of the financial results of those acquired businesses in 2012 while their full year financial results were consolidated in 2013; and (ii) the significant growth of Zhengqi's business in 2013. Similarly, we acquired 51% of the equity interests in Union Insurance in November 2012, and accordingly consolidated a small portion of the financial results of Union Insurance in that year, while we consolidated its full-year financial results in 2013.

- Zhengqi's interest income:

  ◦ *Short-term loans*. Interest income from our short-term loans business increased significantly from RMB10.8 million in 2012 to RMB170.2 million in 2013.

  ◦ *Pawn loans*. Interest income from our pawn loans business increased significantly from RMB2.5 million in 2012 to RMB93.5 million in 2013.

  ◦ *Entrusted loans*. Interest income from our entrusted loans business increased significantly from RMB2.9 million in 2012 to RMB135.5 million in 2013.

- Zhengqi's fee and commission income:

  ◦ *Credit guarantees*. Fee and commission income from our credit guarantees business increased significantly from RMB9.3 million in 2012 to RMB120.1 million in 2013.

  ◦ *Financial leasing*. Fee and commission income from our financial leasing business increased from zero in 2012 to RMB14.0 million in 2013, primarily due to Zhengqi's commencement of financial leasing business in 2013.

  ◦ *Others*. Our other fee and commission income increased from RMB2.6 million in 2012 to RMB14.9 million in 2013.

- Union Insurance's fee and commission income:

  ◦ Fee and commission income from Union Insurance increased significantly from RMB24.4 million in 2012 to RMB501.7 million in 2013.

Finance income. Finance income from our financial services business increased significantly from RMB2.1 million in 2012 to RMB7.2 million in 2013 mainly because we consolidated full year financial results of Union Insurance in 2013.

Finance costs. Finance costs in our financial services business increased significantly from RMB1.8 million in 2012 to RMB5.2 million in 2013 mainly because we consolidated full year financial results of Union Insurance in 2013.

Share of profit of associates and joint ventures accounted for using the equity method. The share of profit of associates and joint ventures accounted for using the equity method in our financial services business increased by 15.2% from RMB254.2 million in 2012 to RMB292.9 million in 2013. This increase was primarily due to the increase in profit generated by both Hankou Bank and Suzhou Trusts and the decrease in the loss incurred by Lakala.

Investment income and gains. We recorded investment income and gains from our financial services business of RMB1.4 million in 2012, as compared to zero in 2013.

Income tax expense. Income tax expense in our financial services business increased significantly from RMB3.7 million in 2012 to RMB115.8 million in 2013. The increase was mainly due to the consolidation of only a portion of the financial results of Zhengqi and Union Insurance in 2012 and consolidation of a full year of their financial results in 2013.

Profit for the year. As a result of the foregoing, profit from our financial services business increased by RMB374.6 million, from RMB233.3 million in 2012 to RMB607.9 million in 2013.

Modern services business

The principal segment information for our modern services business is as follows:

	For the Year Ended December 31,			
	2012		2013	
	(RMB in thousands, except percentages)			
Revenue	57,967	100.0%	274,461	100.0%
Cost of sales	(30,238)	(52.2%)	(172,780)	(63.0%)
Gross profit	27,729	47.8%	101,681	37.0%
Finance income	889	1.5%	4,031	1.5%
Finance costs	(20,526)	(35.4%)	(66,811)	(24.3%)
Share of loss of associates and joint ventures accounted for using the equity method	(89,274)	(154.0%)	(398,700)	(145.3%)
Investment income and gains	399,609	689.4%	338,397	123.3%
Profit/(loss) before income tax	272,005	469.2%	(249,683)	(91.0%)
Income tax credit	8,611	14.9%	37,950	13.8%
Profit/(loss) for the year	280,616	484.1%	(211,733)	(77.2%)

Segment revenue. Revenue from our modern services business increased significantly from RMB58.0 million in 2012 to RMB274.5 million in 2013, primarily as a result of the increase in revenue generated from our logistics business due to its business expansion.

Cost of sales. The cost of sales in our modern services business increased significantly from RMB30.2 million in 2012 to RMB172.8 million in 2013. The increase in the cost of sales was primarily due to the expansion of our logistics business.

Gross profit. Gross profit from our modern services business increased significantly from RMB27.7 million in 2012 to RMB101.7 million in 2013. The gross profit margin in our modern services business decreased from 47.8% in 2012 to 37.0% in 2013, primarily because of higher costs of our logistic business related to its business expansion.

Finance income. Finance income from our modern services business increased significantly from RMB0.9 million in 2012 to RMB4.0 million in 2013.

Finance costs. Finance costs in our modern services business increased significantly from RMB20.5 million in 2012 to RMB66.8 million in 2013, which was primarily due to the increase in borrowings in connection with the expansion of our logistics business.

Share of loss of associates and joint ventures accounted for using the equity method. The share of loss of associates and joint ventures accounted for using the equity method in our modern services business significantly increased from RMB89.3 million in 2012 to RMB398.7 million in 2013. The increase was primarily due to our share in (i) the increased loss incurred by CAR in 2013; and (ii) the loss arising from the changes in fair value of the preferred shares of CAR's then parent company in 2013.

Investment income and gains. Investment income and gains from our modern services business decreased from RMB399.6 million in 2012 to RMB338.4 million in 2013.

Income tax credit. We recorded an income tax credit of RMB38.0 million in 2013, as compared with an income of tax credit of RMB8.6 million in 2012, primarily due to a higher level of recognition of deferred tax assets from increased carry-over loss.

Profit/(loss) for the year. As a result of the foregoing, we recorded a loss of RMB211.7 million in 2013, as compared to a profit of RMB280.6 million in 2012.

Agriculture and Food Business

The principal segment information for our agriculture and food business is as follows:

	For the Year Ended December 31,			
	2012		**2013**	
	(RMB in thousands, except percentages)			
Revenue	973,826	100.0%	1,684,689	100.0%
Cost of sales	(633,286)	(65.0%)	(1,107,351)	(65.7%)
Gross profit	340,540	35.0%	577,338	34.3%
Finance income	6,340	0.7%	9,868	0.6%
Finance costs	(9,832)	(1.0%)	(126,239)	(7.5%)
Share of profit of associates and joint ventures accounted for using the equity method	–	–	348	–
Investment income and gains	–	–	(1,495)	(0.1%)
Loss before income tax	(49,313)	(5.1%)	(209,065)	(12.4%)
Income tax (expense)/credit	(24,085)	(2.5%)	8,067	0.5%
Loss for the year	(73,398)	(7.6%)	(200,998)	(11.9%)

Segment revenue. Revenue from our agriculture and food business increased by 73.0% from RMB973.8 million in 2012 to RMB1,684.7 million in 2013.

- *Agriculture business*. Revenue from our agriculture business increased significantly from RMB63.3 million in 2012 to RMB386.8 million in 2013. The increase was mainly due to our consolidation of the financial results of (i) China New Agriculture and Longguan in February and July 2013, respectively; and (ii) Wallen in October 2012, following their respective acquisitions; and to a lesser extent, the significant organic growth in our agriculture business in 2013.

- *Chinese liquor business*. Revenue generated by our Chinese liquor business increased by 42.5% from RMB910.5 million in 2012 to RMB1,297.9 million in 2013. This increase was mainly because we acquired some of the new businesses for our Chinese liquor business in the fourth quarter of 2012, and as a result only a small portion of the financial results of these acquired businesses was included in our 2012 financial results while their full-year financial results were consolidated in 2013.

Cost of sales. The cost of sales in our agriculture and food business increased by 74.9%, from RMB633.3 million in 2012 to RMB1,107.4 million in 2013.

- *Agriculture business*. The cost of sales in our agriculture business increased significantly from RMB35.6 million in 2012 to RMB272.9 million in 2013. This increase was mainly due to the acquisitions in October 2012 and February and July 2013 and the significant organic growth of our agriculture business in 2013.

- *Chinese liquor business*. The cost of sales in our Chinese liquor business increased by 39.6% from RMB597.7 million in 2012 to RMB834.5 million in 2013. This increase was mainly due to we acquired some of the new business for our Chinese liquor business in the fourth quarter of 2012.

Gross profit. Gross profit generated by our agriculture and food business increased by 69.5% from RMB340.5 million in 2012 to RMB577.3 million in 2013. The gross profit margin in our agriculture and food business was 35.0% in 2012 and 34.3% in 2013.

Finance income. Finance income generated from our agriculture and food business increased by 55.6% from RMB6.3 million in 2012 to RMB9.9 million in 2013.

Finance costs. Finance costs in our agriculture and food business increased significantly from RMB9.8 million in 2012 to RMB126.2 million in 2013. The increase was primarily due to the significant amount of borrowings we incurred in connection with the business growth and acquisitions by our agriculture and food business in the fourth quarter of 2012 and in 2013, and the finance costs incurred as a result of the issuance of RMB230 million guaranteed bonds in connection with our agriculture business in 2013.

Share of profit of associates and joint ventures accounted for using the equity method. The share of profit of associates and joint ventures accounted for using the equity method from our agriculture and food business increased from zero in 2012 to RMB0.3 million in 2013.

Investment income and gains. We recorded an investment loss in our agriculture and food business of RMB1.5 million in 2013, as compared to zero in 2012.

Income tax (expense)/credit. We incurred income tax credit of RMB8.1 million in 2013, as compared to an income tax expense of RMB24.1 million in 2012. The business recorded an income tax expense in 2012 as some of our subsidiaries in the business had taxable income.

Loss for the year. Since our agriculture and food business was ramping up in both 2012 and 2013, a significant amount of selling and general and administrative expenses were incurred in these periods, which led to a loss of RMB73.4 million in 2012 and RMB201.0 million in 2013, respectively.

Property business

The principal segment information for our property business is as follows:

	For the Year Ended December 31,			
	2012		2013	
	(RMB in thousands, except percentages)			
Revenue	7,534,984	100.0%	9,142,109	100.0%
Cost of sales	(4,597,701)	(61.0%)	(6,212,194)	(68.0%)
Gross profit	2,937,283	39.0%	2,929,915	32.0%
Net fair value gains on investment properties	622,172	8.3%	201,557	2.2%
Finance income	52,663	0.7%	94,988	1.0%
Finance costs	(380,685)	(5.1%)	(341,830)	(3.7%)
Share of profit of associates and joint ventures accounted for using the equity method	123	–	2,948	–
Investment income and gains	2,214	–	161,506	1.8%
Profit before income tax	2,817,502	37.4%	2,652,623	29.0%
Income tax expense	(1,082,854)	(14.4%)	(1,138,169)	(12.4%)
Profit for the year	1,734,648	23.0%	1,514,454	16.6%

Segment revenue. Revenue from our property business increased by 21.3% from RMB7,535.0 million in 2012 to RMB9,142.1 million in 2013.

- *Sales of properties*. Revenue generated from sales of properties increased by 23.1% from RMB7,196.2 million in 2012 to RMB8,858.9 million in 2013, primarily due to the increase in revenue generated from our sales of office buildings as a result of the increase in GFA of the office buildings delivered in 2013, partially offset by the decrease in revenue from sales of residential properties as a result of a decrease in our average selling prices, reflecting changes in the geographic locations of the residential properties delivered.

- *Rental fee and other income*. Our rental fee and other income decreased by 16.4% from RMB338.8 million in 2012 to RMB283.2 million in 2013 primarily due to our disposal of a subsidiary that held investment properties.

Cost of sales. The cost of sales in our property business increased by 35.1% from RMB4,597.7 million in 2012 to RMB6,212.2 million in 2013.

Gross profit. Gross profit generated by our property business decreased slightly from RMB2,937.3 million in 2012 to RMB2,929.9 million in 2013. The gross profit margin in our property business decreased from 39.0% in 2012 to 32.0% in 2013. The decrease in gross profit margin in 2013 was primarily attributable to our lower margin projects in certain areas.

Fair value gains on investment properties. Fair value gains on investment properties decreased significantly from RMB622.2 million in 2012 to RMB201.6 million in 2013, primarily due to the rental fee of our investment properties increasing at a slower pace in 2013 and our disposal of a subsidiary in 2013 that held certain investment properties.

Finance income. Finance income generated from our property business increased by 80.4% from RMB52.7 million in 2012 to RMB95.0 million in 2013. The increase was mainly due to the increase in our presale deposits.

Finance costs. Finance costs in our property business decreased by 10.2% from RMB380.7 million in 2012 to RMB341.8 million in 2013. Finance costs in our property business fluctuates from period to period primarily due to fluctuations in the amount of capitalized finance costs.

Share of profit of associates and joint ventures accounted for using the equity method. The share of profit of associates and joint ventures accounted for using the equity method from our property business increased significantly from RMB0.1 million in 2012 to RMB2.9 million in 2013.

Investment income and gains. Investment income and gains from our property business increased significantly from RMB2.2 million in 2012 to RMB161.5 million in 2013, primarily due to our dispositions of a subsidiary and certain available-for-sale financial assets.

Income tax expense. Income tax expense in our property business increased by 5.1% from RMB1,082.9 million in 2012 to RMB1,138.2 million in 2013.

Profit for the year. As a result of the foregoing, profit from our property business decreased by 12.7%, or RMB220.1 million, from RMB1,734.6 million in 2012 to RMB1,514.5 million in 2013.

Chemicals and energy materials business

The principal segment information for our chemicals and energy materials business is as follows:

	For the Year Ended December 31,			
	2012		2013	
	(RMB in thousands, except percentages)			
Revenue	1,460,526	100.0%	1,282,334	100.0%
Cost of sales	(1,231,972)	(84.4%)	(1,178,926)	(91.9%)
Gross profit	228,554	15.6%	103,408	8.1%
Finance income	90,668	6.2%	132,728	10.4%
Finance costs	(118,695)	(8.1%)	(226,892)	(17.7%)
Investment income and gains	2,517	–	–	–
Loss before income tax	(61,725)	(4.2%)	(247,586)	(19.3%)
Income tax (expense)/credit	(12,239)	(0.8%)	19,209	1.5%
Loss for the year	(73,964)	(5.0%)	(228,377)	(17.8%)

Segment revenue. Revenue from our chemicals and energy materials business decreased by 12.2% from RMB1,460.5 million in 2012 to RMB1,282.3 million in 2013.

The revenue generated by our chemicals business decreased by 13.1% from RMB1,253.1 million in 2012 to RMB1,089.4 million in 2013, primarily due to (i) the revenue decrease of our coal mining operations as a result of lower selling prices and (ii) lower production volume as a result of the relocation of Zhongyin Electrochemical's production facilities in 2013. The revenue generated by our energy materials business decreased by 7.0% from RMB207.4 million in 2012 to RMB192.9 million in 2013. This decrease was mainly from the decrease in overseas demand for one of our major lithium-ion battery products, partially offset by increased sales to other customers.

Cost of sales. The cost of sales in our chemicals and energy materials business decreased by 4.3% from RMB1,232.0 million in 2012 to RMB1,178.9 million in 2013.

Gross profit. Gross profit generated by our chemicals and energy materials business decreased by 54.8% from RMB228.6 million in 2012 to RMB103.4 million in 2013. Gross profit margin of our chemicals and energy materials business decreased from 15.6% in 2012 to 8.1% in 2013 due to the industry slow down.

Finance income. Finance income generated from our chemicals and materials business increased by 46.4% from RMB90.7 million in 2012 to RMB132.7 million in 2013. The significant amount of finance income in this segment was subject to inter-segment elimination.

Finance costs. Finance costs for our chemicals and energy materials business increased by 91.2% from RMB118.7 million in 2012 to RMB226.9 million in 2013. The increase was mainly due to the increase in borrowings for our chemicals and energy materials business.

Investment income and gains. We recorded investment income and gains for our chemicals and energy materials business of RMB2.5 million in 2012, as compared to zero in 2013.

Income tax (expense)/credit. Income tax expense in our chemicals and energy materials business was RMB12.2 million in 2012 as compared to an income tax credit of RMB19.2 million in 2013. We recorded an income tax expense in 2012 because one of our subsidiaries in this business recorded taxable income.

Loss for the year. As a result of foregoing, the loss in our chemicals and energy materials business increased significantly from RMB74.0 million in 2012 to RMB228.4 million in 2013.

Financial investments business

The principal segment information for our financial investments business is as follows:

	For the Year Ended December 31,	
	2012	**2013**
	(RMB in thousands)	
Revenue	4,602,089	71,658
Share of loss of associates and joint ventures accounted for using the equity method	(164,482)	(12,713)
Investment income and gains	1,027,216	2,549,183
(Loss)/profit before income tax	(128,413)	2,297,165
Income tax expense	(386,815)	(190,125)
(Loss)/profit for the year	(515,228)	2,107,040

Segment revenue. Revenue from our financial investments business decreased from RMB4,602.1 million in 2012 to RMB71.7 million in 2013. The decrease was primarily because we have ceased to consolidate the financial results of CSPC since October 29, 2012, when CSPC completed the reverse acquisition through the issuance of its shares and convertible bonds. This transaction led to a dilution in our voting rights in CSPC from 51.22% to 28.75%. Accordingly, CSPC made a significant revenue contribution in 2012, but its revenue was not consolidated into our financial results in 2013.

Share of loss of associates and joint ventures accounted for using the equity method. Our share of loss of associates and joint ventures accounted for using the equity method for our financial investments business decreased from a loss of RMB164.5 million in 2012 to a loss of RMB12.7 million in 2013, mainly due to improvements in the profitability of our associates.

Investment income and gains. Investment income and gains for our financial investments business increased significantly from RMB1,027.2 million in 2012 to RMB2,549.2 million in 2013. The increase was primarily attributable to the RMB828.2 million increase in dividend income from our associates measured at fair value through profit or loss and the RMB1,334.7 million increase in fair value gains from our associates measured at fair value through profit or loss as a result of the increase in the share prices of certain underlying investments. These increases were partially offset by an RMB888.2 million increase in fair value losses from financial assets at fair value through profit or loss primarily as a result of the decrease in the share prices of certain underlying investments.

Income tax expense. Our income tax expense decreased from RMB386.8 million in 2012 to RMB190.1 million in 2013 primarily, because we incurred a large amount of income tax expense as a result of receipt of a dividend in 2012 and did not have similar dividend income in 2013.

(Loss)/profit for the year. As a result of foregoing, profit from our financial investments business was RMB2,107.0 million in 2013. Our loss of RMB515.2 million in 2012 was mainly due to the deemed disposal loss recognized on our investment in CSPC of RMB233.3 million.

Unallocated amounts

The decrease in our unallocated amounts from 2012 to 2013 was mainly due to a decrease in our net finance costs as a result of the allocation of borrowings incurred for the business growth of our subsidiaries from the Company to such subsidiaries.

The table below sets forth our unallocated amounts for the periods indicated:

	For the Year Ended December 31,	
	2012	**2013**
	(RMB in thousands)	
General and administrative expenses	(216,813)	(269,920)
Finance costs, net	(873,188)	(643,672)
Other income and gains/(losses)	(8,027)	(16,648)
Income tax credit	274,506	232,558
Total	(823,522)	(697,682)

Geographic Analysis of Our Operations

We conduct business in China as well as other countries and regions around the world. The following table sets forth the breakdown of our revenue from external sales by customer location for the periods indicated:

Revenue from external sales	**Year ended December 31,**		
	2012	**2013**	**2014**
	(RMB in thousands)		
China	104,997,029	104,657,386	108,023,371
Overseas countries and regions	121,318,913	139,300,275	181,452,461
Total	226,315,942	243,957,661	289,475,832

Revenue generated from overseas countries and regions increased from RMB121,318.9 million in 2012 to RMB139,300.3 million in 2013 and further to RMB181,452.5 million in 2014, primarily as a result of the increase of our IT business worldwide. The percentage of our revenue generated from overseas countries and regions increased from 53.6% in 2012 to 57.1% in 2013 and further to 62.7% in 2014.

LIQUIDITY AND CAPITAL RESOURCES

Overview

Our principal sources of funds have been, and we expect to continue to utilize, cash generated from operations, short-term and long-term bank borrowings, facilities and debt financing including corporate bonds and private placement bonds, to satisfy our future funding needs. Our liquidity requirements primarily involve our working capital needs, purchases of property, plant and equipment, mergers and acquisitions and equity investments, and servicing our indebtedness.

Cash Flow

The following table presents selected cash flow data from our combined statements of cash flows for the periods indicated:

	Years Ended December 31,		
	2012	2013	2014
	(RMB in thousands)		
Net cash generated from/(used in) operating activities	3,530,761	(1,581,817)	1,435,305
Net cash used in investing activities	(8,722,827)	(1,834,196)	(23,724,624)
Net cash generated from financing activities	6,828,553	1,074,938	23,107,071
Net increase/(decrease) in cash and cash equivalents	1,636,487	(2,341,075)	817,752

Net cash generated from or used in operating activities

We had net cash generated from operating activities of RMB1,435.3 million in 2014, which was primarily attributable to (i) profit before income tax of RMB11,560.3 million; (ii) adjusted for certain items, mainly including impairment losses of RMB2,686.6 million, finance costs-net of RMB2,594.5 million (primarily associated with our business growth and our mergers and acquisitions in 2014), gains on disposal/dilution of associates of RMB2,209.7 million, fair value gains and dividend income from associates measured at fair value of RMB1,640.9 million, amortization of RMB1,474.5 million, and depreciation of property, plant and equipment of RMB1,391.7 million; (iii) offset by changes in working capital items that negatively impact the cash flow from operating activities, including an increase in inventories, properties under development and properties held for sale of RMB8,365.1 million (primarily associated with the business growth of our IT business and property business), an increase in trade and other receivables of RMB2,308.0 million (primarily associated with the growth of our IT business) and a decrease in trade and other payables of RMB1,443.7 million (primarily associated with the growth of our IT business); and (iv) income tax paid of RMB2,736.8 million.

We had net cash used in operating activities of RMB1,581.8 million in 2013, which was primarily attributable to (i) profit before income tax of RMB9,962.2 million, (ii) adjusted for certain items, mainly including fair value gains and dividend income from associates measured at fair value through profit or loss of RMB3,148.8 million, finance costs-net of RMB1,509.7 million and fair value losses and dividend income on financial assets at fair value through profit or loss of RMB1,037.4 million, depreciation of property, plant and equipment of RMB1,006.8 million, and amortisation of RMB942.7 million, (iii) adjusted for changes in working capital items that positively impact the cash flow from operating activities, including an increase in trade and other payables of RMB3,077.2 million (primarily associated with the growth of our IT business and property business), (iv) offset by changes in certain working capital items that negatively impact the cash flow from operating activities, including an increase in inventories, properties under development and completed properties held for sale of RMB10,064.2 million (primarily associated with the growth of our IT business) and an increase in trade and other receivables of RMB4,182.7 million (primarily associated with the growth of our IT business and financial services business), and (v) income tax paid of RMB2,055.3 million.

We had net cash generated from operating activities of RMB3,530.8 million in 2012, which was primarily attributable to (i) profit before income tax of RMB6,643.3 million, (ii) adjusted for certain items, mainly including finance costs-net of RMB1,319.9 million, fair value gains and dividend income from associates measured at fair value through profit or loss of RMB1,385.5 million, and depreciation of property, plant and equipment of RMB1,154.7 million, (iii) adjusted for changes in certain working capital items that positively impact the cash flow from operating activities, including an increase in trade and other payables of RMB12,673.3 million (primarily associated with the growth of our IT business), (iv) offset by changes in certain working capital items that negatively impact the cash flow from operating activities, mainly including an increase in inventories, properties under development and completed properties held for sale of RMB9,152.7 million (primarily associated with the growth of our IT business and property business) and an increase in trade and other receivables of RMB7,011.0 million (primarily associated with the growth of our IT business), and (v) income taxes paid of RMB1,921.3 million.

Net cash used in or generated from investing activities

We had net cash used in investing activities of RMB23,724.6 million in 2014, which was primarily attributable to acquisition of subsidiaries, net of cash acquired of RMB14,815.1 million, which was primarily associated with the acquisitions of the Motorola Mobility and x86 servers businesses, the purchase of property, plant and equipment, and intangible assets of RMB9,087.8 million, which was primarily associated with the construction of manufacturing facilities and staff housing buildings for our IT business and chemicals and energy materials business, capital injection into associates measured at fair value through profit or loss of RMB2,163.6 million, which was primarily associated with our financial investments business, loss from disposal of subsidiaries, net of cash, of RMB2,015.7 million, and purchase of financial assets at fair value through profit or loss of RMB665.1 million, offset in part by distributions from associates measured at fair value through profit or loss of RMB3,745.4 million, the proceeds from the disposal of financial assets at fair value through profit or loss of RMB1,984.8 million, and a decrease in restricted deposits of RMB799.3 million.

We had net cash used in investing activities of RMB1,834.2 million in 2013, which was primarily attributable to the purchase of property, plant and equipment, and intangible assets of RMB6,970.7 million, which was primarily associated with the construction of manufacturing facilities and staff housing for our IT business and chemicals and energy materials businesses, purchase of financial assets at fair value through profit or loss of RMB1,192.4 million and acquisition of subsidiaries, net of cash acquired of RMB1,168.8 million, offset in part by the proceeds from the disposal of financial assets at fair value through profit or loss of RMB2,060.4 million, proceeds from disposal of available-for-sale financial assets of RMB1,549.9 million and dividend distributions from associates measured at fair value through profit or loss of RMB1,400.7 million.

We had net cash used in investing activities of RMB8,722.8 million in 2012, which was primarily attributable to the purchase of property, plant and equipment, and intangible assets of RMB4,903.6 million, increase in bank deposits of RMB2,410.2 million, acquisition of subsidiaries, net of cash acquired of RMB2,170.4 million, which was primarily associated with the expansion of our strategic investments business, and purchase of financial assets at fair value through profit or loss of RMB958.0 million, offset in part by the proceeds from the disposal of financial assets at fair value through profit or loss of RMB1,415.9 million and interest received of RMB771.1 million.

Net cash generated from or used in financing activities

We had net cash generated from financing activities of RMB23,107.1 million in 2014, which was primarily attributable to proceeds from borrowings of RMB39,114.9 million and cash proceeds from issuance of bonds, net of issuance costs of RMB11,851.4 million, offset in part by repayments of borrowings of RMB19,698.8 million, interest paid of RMB4,617.9 million, distribution to non-controlling interests of RMB1,891.1 million, and transaction with non-controlling interests of RMB1,693.6 million.

We had net cash generated from financing activities of RMB1,074.9 million in 2013, which was primarily attributable to proceeds from borrowings of RMB18,973.6 million and cash proceeds from issuance of bonds, net of issuance costs of RMB2,213.0 million, offset in part by repayments of borrowings of RMB14,773.9 million, interest paid of RMB3,227.1 million and distribution to non-controlling interests of RMB1,618.4 million.

We had net cash generated from financing activities of RMB6,828.6 million in 2012, which was primarily attributable to proceeds from borrowings of RMB21,043.5 million and cash proceeds from issuance of bonds, net of issuance costs of RMB2,281.6 million, offset in part by repayments of borrowings of RMB11,513.5 million, interest paid of RMB2,179.6 million, distribution to non-controlling interests of RMB1,642.7 million and transaction with non-controlling interests of RMB1,978.7 million.

Capital Expenditures

The following table sets forth our capital expenditures for the periods indicated. Capital expenditures were funded primarily through internally generated resources and external borrowings.

Capital expenditure	**Year ended December 31,**		
	2012	**2013**	**2014**
	(RMB in thousands)		
Strategic investments			
– IT	2,428,857	4,558,342	6,224,102
– Financial service	46,435	31,061	123,726
– Modern service	525,377	366,960	417,675
– Agriculture and food	563,491	580,343	297,211
– Property	119,213	122,068	154,269
– Chemicals and energy materials	1,681,749	2,532,212	3,339,455
Financial investments	356,130	26	12,425
Unallocated	12,259	6,454	6,725
Total	5,733,511	8,197,466	10,575,588

Our capital expenditure during the Track Record Period was primarily related to our strategic investments business. During the Track Record Period, the increase in our capital expenditures was primarily due to the growth and expansion of our IT and chemicals and energy materials businesses. We expect our capital expenditures for 2015 to be approximately RMB15,212.0 million, which may vary from the actual amount of expenditures for a variety of reasons, including changes in market conditions and other factors.

Net Current Assets

The following table sets forth the breakdown of our current assets and current liabilities as of the dates indicated below:

	As of December 31,			As of April 30,
	2012	2013	2014	2015
				(unaudited)
		(RMB in thousands)		
Current assets				
Inventories	12,019,633	16,979,028	20,217,386	22,262,333
Properties under development	21,612,666	27,169,767	28,569,482	26,262,031
Completed properties held for sale	1,728,536	1,518,729	6,001,854	6,456,589
Trade and notes receivables	26,168,682	28,345,851	39,401,148	30,187,881
Prepayments, other receivables and current assets	26,888,052	31,368,592	32,632,921	29,632,784
Available-for-sale financial assets	207,000	7,000	114,100	135,000
Loans to customers	685,755	2,495,558	3,965,794	4,341,117
Derivative financial instruments	666,111	556,659	1,293,703	525,383
Financial assets at fair value through profit or loss	5,957,501	3,425,887	1,147,797	1,301,227
Restricted deposits	702,621	1,595,472	1,378,512	1,094,294
Bank deposits	2,704,561	2,068,017	4,831,811	4,926,120
Cash and cash equivalents	37,824,632	35,461,855	35,772,890	29,623,337
Total current assets	137,165,750	150,992,415	175,327,398	156,748,096
Current liabilities				
Trade and notes payables	35,616,992	38,373,453	49,755,181	34,173,210
Other payables and accruals	52,080,514	51,838,837	58,757,218	60,439,725
Derivative financial instruments	411,678	369,271	572,641	791,767
Provisions	4,980,507	5,085,863	7,050,244	7,453,689
Advance from customers	6,710,091	11,150,778	7,873,102	6,571,790
Deferred revenue	2,491,223	2,503,590	4,664,382	4,263,309
Current income tax liabilities	2,105,528	2,544,188	3,514,538	2,482,992
Borrowings	11,524,149	13,396,056	19,570,535	23,740,954
Total current liabilities	115,920,682	125,262,036	151,757,841	139,917,436
Net current assets	21,245,068	25,730,379	23,569,557	16,830,660

As of April 30, 2015, we had net current assets of RMB16,830.7 million, representing a decrease of RMB6,738.9 million from RMB23,569.6 million as of December 31, 2014. This decrease was mainly due to a decrease in trade and notes receivables of RMB9,213.3 million, a decrease in cash and cash equivalents of RMB6,149.6 million, and an increase in borrowings of RMB4,170.4 million, offset in part by a decrease in trade and notes payables of RMB15,582.0 million in connection with our IT business.

As of December 31, 2014, our net current assets remained relatively stable at RMB23,569.6 million, as compared to net current assets of RMB25,730.4 million as of December 31, 2013.

As of December 31, 2013, we had net current assets of RMB25,730.4 million, representing an increase of RMB4,485.3 million from our net current assets of RMB21,245.1 million as of December 31, 2012. This increase in our net current assets was primarily due to an increase of RMB4,959.4 million in inventories related to the growth of our IT business, an increase of RMB5,557.1 million in properties under development, and an increase of RMB4,480.5 million in prepayments, other receivables and current assets, which was partially offset by an increase of RMB2,756.5 million in trade and notes payables, an increase of RMB1,871.9 million in borrowings and an increase of RMB4,440.7 million in advance from customers.

Working Capital

During the Track Record Period, we satisfied our working capital and other liquidity requirements principally through cash generated from operations, with the remainder financed through borrowings.

In 2013, we recorded net cash used in operations of RMB1,581.8 million mainly because expansion of some of our capital intensive financial services business, such as our direct loans and pawn loans businesses, requires substantial operating cash outflow in the ordinary course of business because Chinese regulations limit our funding sources for these businesses and we therefore rely primarily on the capital of the subsidiaries carrying out these businesses to fund these businesses.

Taking into account the estimated net proceeds from the Global Offering, our available bank loan facilities, our internal resources and cash flow from our operations, our Directors confirm that we have sufficient working capital for our operations, including our contractual commitments and obligations, for at least the next 12 months from the date of this prospectus.

Capital Commitments

Capital commitments contracted for but not yet incurred at the end of each period of the Track Record Period are as follows:

	As of December 31,		
	2012	2013	2014
	(RMB in thousands)		
Property, plant and equipment	3,662,253	4,599,115	2,462,353
Intangible assets	869,809	50,635	77,444
Investments[(i)]	3,986,245	2,774,895	2,386,016
Land use rights and properties under development	5,236,368	5,307,141	4,613,794
Total	13,754,675	12,731,786	9,539,607

Note:

(i) We had investment commitments in respect of investments in certain VC Funds and PE Funds. Investment commitments represent the portion of committed capital not yet called for payment.

Capital commitments authorised for at the end of each period of the Track Record Period but not yet contracted are as follows:

	As of December 31,		
	2012	2013	2014
	(RMB in thousands)		
Property, plant and equipment	5,665,635	3,661,616	4,908,638
Intangible assets	34,491	310,652	302,364
Total	5,700,126	3,972,268	5,211,002

During the Track Record Period, our commitments primarily consisted of commitments for investments by our Company and Lenovo and commitments for land use right and properties under development by Raycom.

Operating Lease Commitments

We lease various retail outlets, offices and warehouses under non-cancellable operating lease agreements. The lease terms are between 5 and 10 years, and the majority of lease agreements are renewable at the end of the lease period at market rates. We also lease various plant and machinery under cancellable operating lease agreements. The following table sets out our total future minimum lease payments under non-cancellable operating leases as of the dates indicated:

	As of December 31,		
	2012	**2013**	**2014**
	(RMB in thousands)		
Not later than 1 year	402,521	430,191	804,580
Later than 1 year and not later than 5 years	950,210	1,184,929	3,167,917
Later than 5 years	501,137	908,145	2,056,035
Total	1,853,868	2,523,265	6,028,532

CONSOLIDATED BALANCE SHEETS

	As of December 31,		
	2012	2013	2014
	(RMB in thousands)		
ASSETS			
Non-current assets			
Leasehold land and land use rights	1,260,958	1,534,288	1,512,285
Property, plant and equipment	8,967,519	12,641,269	21,079,168
Investment properties	6,629,836	5,705,381	6,023,298
Intangible assets	22,127,842	22,944,438	56,386,519
Associates and joint ventures using equity accounting	4,531,556	4,388,752	6,990,086
Associates measured at fair value through profit or loss	9,725,080	11,882,076	12,676,928
Available-for-sale financial assets	3,310,935	2,567,931	3,549,532
Loans to customers	198,167	–	118,800
Restricted deposits	822,151	–	–
Deferred income tax assets	2,599,154	2,906,447	3,331,117
Other non-current assets	572,059	1,888,754	2,006,385
	60,745,257	66,459,336	113,674,118
Current assets			
Inventories	12,019,633	16,979,028	20,217,386
Properties under development	21,612,666	27,169,767	28,569,482
Completed properties held for sale	1,728,536	1,518,729	6,001,854
Trade and notes receivables	26,168,682	28,345,851	39,401,148
Prepayment, other receivables and current assets	26,888,052	31,368,592	32,632,921
Available-for-sale financial assets	207,000	7,000	114,100
Loans to customers	685,755	2,495,558	3,965,794
Derivative financial instruments	666,111	556,659	1,293,703
Financial assets at fair value through profit or loss	5,957,501	3,425,887	1,147,797
Restricted deposits	702,621	1,595,472	1,378,512
Bank deposits	2,704,561	2,068,017	4,831,811
Cash and cash equivalents	37,824,632	35,461,855	35,772,890
	137,165,750	150,992,415	175,327,398
Total assets	197,911,007	217,451,751	289,001,516

	As of December 31,		
	2012	2013	2014
	(RMB in thousands)		
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Paid-in capital/Share capital	660,860	660,860	2,000,000
Other reserves	6,343,417	6,167,798	5,482,489
Retained earnings	15,685,336	20,206,766	24,503,367
Total equity attributable to equity holders of the Company	22,689,613	27,035,424	31,985,856
Non-controlling interests	18,095,664	18,285,139	22,222,809
Put option written on non-controlling interests	(1,343,399)	(1,343,399)	(1,343,399)
Total equity	39,441,878	43,977,164	52,865,266
LIABILITIES			
Non-current liabilities			
Borrowings	27,341,298	32,219,101	56,550,145
Deferred revenue	2,597,759	2,602,730	3,742,876
Retirement benefit obligations	972,497	996,557	1,530,258
Provisions	2,360,362	1,951,493	2,595,523
Deferred income tax liabilities	2,466,044	2,600,366	3,409,654
Other non-current liabilities	6,810,487	7,842,304	16,549,953
	42,548,447	48,212,551	84,378,409
Current liabilities			
Trade and notes payables	35,616,992	38,373,453	49,755,181
Other payables and accruals	52,080,514	51,838,837	58,757,218
Derivative financial instruments	411,678	369,271	572,641
Provisions	4,980,507	5,085,863	7,050,244
Advance from customers	6,710,091	11,150,778	7,873,102
Deferred revenue	2,491,223	2,503,590	4,664,382
Current income tax liabilities	2,105,528	2,544,188	3,514,538
Borrowings	11,524,149	13,396,056	19,570,535
	115,920,682	125,262,036	151,757,841
Total liabilities	158,469,129	173,474,587	236,136,250
Total equity and liabilities	197,911,007	217,451,751	289,001,516
Net current assets	21,245,068	25,730,379	23,569,557
Total assets less current liabilities	81,990,325	92,189,715	137,243,675

Intangible assets

Our intangible assets include primarily trademarks, software, goodwill, patents and technology, and customer relationships. As of December 31, 2012, 2013 and 2014, our intangible assets were RMB22,127.8 million, RMB22,944.4 million and RMB56,386.5 million, respectively, which represented 36.4%, 34.5%, and 49.6% of our non-current assets, respectively. During the Track Record Period, the value of our intangible assets grew rapidly, mainly due to the increase in the software, patents and technology, and the goodwill in relation to our IT business as a result of our acquisition of Stoneware Inc. and EMC JV in 2012 and the Motorola Mobility and x86 server businesses in 2014, as well as the increase in our agriculture and food, modern services and financial services businesses as a result of the mergers and acquisitions in these segments.

Goodwill arises on the acquisition of subsidiaries and primarily represents the difference between the consideration transferred over our interest in the net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree. As of December 31, 2012, 2013 and 2014, the book value of our goodwill was RMB16,023.9 million, RMB16,259.3 million and RMB29,688.6 million, respectively, which represented 72.4%, 70.9% and 52.7% of our intangible assets, respectively. Management reviews the business performance based on type of business. Goodwill and intangible assets with indefinite useful life is monitored by our management at the operating segment level. The following is a summary of goodwill and intangible assets with indefinite useful life allocated to each operating segment and cash-generating unit ("**CGU**"):

CGUs	Goodwill As of December 31,		
	2012	**2013**	**2014**
	(RMB in thousands)		
– IT			
– China	6,983,191	7,002,202	6,890,715
– Europe-Middle East-Africa ("**EMEA**")	1,671,943	1,736,239	1,515,518
– North America	1,509,639	NA	NA
– Asia Pacific Latin America ("**APLA**")	4,550,702	NA	NA
– Americas ("**AG**")	NA	2,316,245	2,213,022
– Asia Pacific ("**AP**")	NA	3,584,977	3,218,594
– Amounts pending allocation	–	–	14,918,771
– Agriculture and food			
– Agriculture business	230,647	510,831	510,831
– Chinese liquor business	620,570	620,570	–
– All others	457,165	488,260	421,180
	16,023,857	16,259,324	29,688,631

CGUs	Intangible assets with indefinite useful life As of December 31,		
	2012	2013	2014
	(RMB in thousands)		
– IT			
– China	1,313,670	1,274,252	1,278,871
– EMEA	722,833	719,434	666,971
– North America	364,559	NA	NA
– APLA	427,414	NA	NA
– AG	NA	408,492	409,973
– AP	NA	359,718	361,021
– Amounts pending allocation	–	–	5,078,770
– Agriculture and food			
– Agriculture business	–	–	–
– Chinese liquor business	294,992	294,992	294,992
– All others	–	57,530	425,890
	3,123,468	3,114,418	8,516,488

Investments in associates and joint ventures

Our investments in associates and joint ventures are (i) reported using equity accounting, such as our investments in CAR, Hankou Bank, Suzhou Trust and Lakala, or (ii) measured at fair value through profit or loss, such as our investment in several funds under Hony Capital and Legend Capital. For details of our investments in associates and joint ventures, see Note 12 of the Accountant's Report in Appendix IA to this prospectus.

The following table sets forth the details of our investments in associates and joint ventures as of the dates indicated:

	As of December 31,		
	2012	2013	2014
	(RMB in thousands)		
Investments in associates and joint ventures:			
– using equity accounting	4,531,556	4,388,752	6,990,086
– measured at fair value through profit or loss	9,725,080	11,882,076	12,676,928
	14,256,636	16,270,828	19,667,014

Inventories

Our inventories mainly consist of raw materials, work in progress, finished goods and service parts. As of December 31, 2012, 2013 and 2014, we had inventories of RMB12,019.6 million, RMB16,979.0 million, and RMB20,217.4 million, respectively. Our inventory balance as of December 31, 2012, 2013, and 2014 increased significantly, primarily due to the increase in raw materials and finished goods as a result of the growth of our IT business.

The following table sets forth the details of our inventories as of the dates indicated:

	As of December 31,		
	2012	**2013**	**2014**
	(RMB in thousands)		
Raw materials	5,100,468	7,719,272	8,988,262
Work in progress	288,017	342,868	448,025
Finished goods	5,710,089	7,497,459	8,515,249
Service parts	859,728	1,311,173	2,140,066
Others	61,331	108,256	125,784
	12,019,633	16,979,028	20,217,386

The following table sets forth the turnover days of our inventories for the periods indicated.

	December 31,		
	2012	**2013**	**2014**
Turnover days of inventories[(1)]	20	25	28

Note:

(1) Turnover days of inventories for a certain year is the arithmetic mean of the beginning and ending balances of inventories of relevant year divided by cost of sales for the relevant year and multiplied by 365.

The increase in our inventory turnover days from 2012 to 2013 was mainly because our new production facilities commenced production in 2013 and as a result, we increased our inventory level in 2013. The increase in our inventory turnover days from 2013 to 2014 was mainly due to the consolidation of the Motorola Mobility and x86 serve businesses' inventory balance while only a portion of their cost of sales in 2014 was included.

Properties under development

Our properties under development increased from RMB21,612.7 million as of December 31, 2012 to RMB27,169.8 million as of December 31, 2013, and further to RMB28,569.5 million as of December 31, 2014. This increase was primarily due to our investment in new property projects.

The following table shows certain information about our properties under development as of the dates and for the periods indicated:

	As of December 31,		
	2012	**2013**	**2014**
	(RMB in thousands)		
At beginning of the year	15,529,061	21,612,666	27,169,767
Additions	11,133,665	11,064,864	13,919,958
Disposal of subsidiaries	–	(111,832)	(857,225)
Provision for impairment	–	(65,850)	(701,330)
Transfer to completed properties held for sale	(5,050,060)	(5,330,081)	(10,961,688)
At end of the year	21,612,666	27,169,767	28,569,482
Properties under development comprise:			
Land use rights	12,515,940	15,514,649	17,381,835
Construction costs and capitalized expenditure	8,121,537	9,198,429	8,048,955
Interest capitalized	975,189	2,456,689	3,138,692
	21,612,666	27,169,767	28,569,482

The properties under development with a carrying value of RMB5,371.9 million, RMB7,031.6 million and RMB11,612.1 million was pledged as collateral for the borrowings of RMB3,075.0 million, RMB3,619.9 million and RMB4,586.1 million as of December 31, 2012, 2013 and 2014 respectively.

Trade and Notes Receivables

Our trade and notes receivables mainly comprise of receivables relating to our IT business.

The credit term for our IT business usually ranges from 0 to 120 days. We do not have specific credit terms for our other businesses.

Our notes receivable are generally bank accepted notes mainly with maturity within six months in connection with our IT business.

Our trade and notes receivables increased from RMB26,168.7 million as of December 31, 2012 to RMB28,345.9 million as of December 31, 2013, and further increased to RMB39,401.1 million as of December 31, 2014, primarily due to the increase of trade receivables as a result of business growth and mergers and acquisitions of our IT business.

The following table sets forth the details of our trade and notes receivables as of the dates indicated:

	As of December 31,		
	2012	**2013**	**2014**
	(RMB in thousands)		
Trade Receivables	20,795,921	24,368,070	36,268,453
Notes Receivables	5,552,881	4,166,227	3,259,744
Receivables arising from finance leases	–	71,025	319,657
Less: provision for impairment	(180,120)	(259,471)	(446,706)
Trade and notes receivables – net	26,168,682	28,345,851	39,401,148

The following table sets forth the turnover days of our trade and notes receivables for the periods indicated:

	December 31,		
	2012	**2013**	**2014**
Turnover days of trade and notes receivables[(1)]	40	41	43

Note:

(1) Turnover days of trade and notes receivables for a certain year is the arithmetic mean of the beginning and ending balances of trade and notes receivables for the relevant year divided by revenue for the year and multiplied by 365.

Our trade and notes receivables turnover days remained relatively stable in 2012 and 2013. The increase in our trade and notes receivables turnover days from 41 days in 2013 to 43 days in 2014 was mainly due to the consolidation of the Motorola Mobility and x86 server business' trade and notes receivables balance while only a portion of their revenue in 2014 was included.

As of December 31, 2012, 2013 and 2014, the aging analysis of the trade receivables based on invoice date is as follows:

	As of December 31,		
	2012	2013	2014
	(RMB in thousands)		
Up to 3 months	19,441,888	22,304,309	33,588,932
3 to 6 months	827,331	1,397,934	1,796,070
6 months to 1 year	364,864	307,445	367,099
1 to 2 years	109,399	281,452	217,549
2 to 3 years	5,684	43,878	133,588
Over 3 years	46,755	33,052	165,215
	20,795,921	24,368,070	36,268,453

As of December 31, 2012 and 2013, no trade and notes receivables were used as collateral for borrowings. As of December 31, 2014, trade and notes receivables with a net amount of RMB11.2 million was used as the collateral for short term borrowings of RMB10.0 million.

As of December 31, 2012, 2013 and 2014, we had trade receivables past due of RMB2,628.7 million, RMB2,967.3 million and RMB6,873.8 million, representing 12.6%, 12.2% and 19.0% of our trade receivables as of December 31, 2012, 2013 and 2014, respectively, for which we recorded provision for impairment of RMB180.1 million, RMB259.5 million and RMB446.7 million, respectively. During the Track Record Period, most of our trade receivables that were past due were related to customers for whom there was no recent history of default. Accordingly, we believe we have provided sufficient provision of impairment for trade receivables. Please see Note 22 of the Accountant's Report set out in Appendix IA to this prospectus for more information on trade receivables past due.

Trade and notes payables

Our trade and notes payables mainly include trade payables incurred in connection with our IT and property businesses.

Our trade and notes payables increased from RMB35,617.0 million as of December 31, 2012 to RMB38,373.5 million as of December 31, 2013 primarily due to the business growth of our IT and property business. The increase from RMB38,373.5 million as of December 31, 2013 to RMB49,755.2 million as of December 31, 2014 was primarily due to the business growth of our IT business.

The following table sets forth the details of our trade and notes payables as of the dates indicated:

	As of December 31,		
	2012	2013	2014
	(RMB in thousands)		
Trade payables	34,797,052	37,463,504	48,615,804
Notes payables	819,940	909,949	1,139,377
	35,616,992	38,373,453	49,755,181

As of December 31, 2012, 2013 and 2014, the aging analysis of our trade payables based on invoice date is as follows:

	As of December 31,		
	2012	2013	2014
	(RMB in thousands)		
0-30 days	20,463,566	18,527,857	38,642,051
31-60 days	8,162,041	11,071,949	5,599,572
61-90 days	3,522,566	3,961,572	2,139,781
90 days-1 year	1,292,274	2,691,404	1,388,691
Over 1 year	1,356,605	1,210,722	845,709
	34,797,052	37,463,504	48,615,804

The following table sets forth the turnover days of our trade and notes payables for the periods indicated:

	December 31,		
	2012	2013	2014
Turnover days of trade and notes payables[1]	59	65	65

Note:

(1) Turnover days of trade and notes payables for a certain year is the arithmetic mean of the beginning and ending balances of trade and notes payables for the relevant year divided by cost of sales for the year and multiplied by 365.

The increase in our trade and notes payables turnover days from 2012 to 2013 was mainly because our new production facilities commenced production in 2013 and as a result, our trade and notes payables increased in connection with our raw materials purchase. Our trade and notes payables turnover days remained stable in 2013 and 2014.

Other payables and accruals

Our other payables and accruals consist of (i) payables to parts subcontractors, (ii) allowance for billing adjustment, (iii) accrual expenses, (iv) payroll payable, (v) amount due to minority shareholders of subsidiaries, (vi) other taxes payable, (vii) amounts due to related parties, (viii) deposits payable, (ix) deferred consideration, (x) interest payable, and (xi) others. As of December 31, 2012, 2013 and 2014, our other payables and accruals were RMB52,080.5 million, RMB51,838.8 million, and RMB58,757.2 million, respectively.

The following table sets forth our other payables and accruals as of each date indicated:

	As of December 31,		
	2012	2013	2014
	(RMB in thousands)		
Payables to parts subcontractors	22,763,729	23,790,456	21,943,551
Allowance for billing adjustment	11,955,071	11,227,789	13,949,897
Accrual expenses	4,764,430	4,742,516	8,635,500
Payroll payable	2,676,246	2,577,689	4,514,141
Amounts due to minority shareholders of subsidiaries	713,200	1,217,685	1,567,346
Other taxes payable	1,373,170	1,516,417	1,756,369
Amounts due to related parties	1,318,930	845,117	1,241,353
Deposits payable	1,071,788	1,062,898	676,212
Deferred consideration	343,692	542,908	261,104
Interest payable	218,811	290,675	398,560
Royalty payable	1,151,648	1,069,402	935,595
Social security payable	430,380	376,806	789,517
Others	3,299,419	2,578,479	2,088,073
	52,080,514	51,838,837	58,757,218

RELATED PARTY TRANSACTIONS

We enter into certain transactions with related parties from time to time. For details of our significant related party transactions during the Track Record Period, see Note 49 in the Accountant's Report in Appendix IA to this prospectus. Our Directors are of the view that each of the related party transactions set out in Note 49 to the Accountant's Report in Appendix IA was conducted in the ordinary course of business on an arm's length basis between the relevant parties, and would not distort our track record results or make our historical results not reflective of our future performance.

Amounts due from related parties

As of December 31, 2012, 2013 and 2014, the amounts due from related parties were RMB1,098.7 million, RMB1,122.0 million and RMB1,185.4 million, respectively. The amounts due from related parties as of December 31, 2012, 2013 and 2014 primarily consisted of (i) our loans to CAR as of December 31, 2012 and Lakala as of December 31, 2012 and 2013, and (ii) the receivables arising from our other associates.

Amounts due to related parties

As of December 31, 2012, 2013 and 2014, the amounts due to related parties were RMB3,126.5 million, RMB3,065.6 million and RMB1,404.0 million, respectively. The amounts due to related parties as of December 31, 2012, 2013 and 2014 primarily consisted of the borrowings from certain funds managed by Hony Capital and Legend Shenzhen Science and Technology Park and the payables arising from our other associated companies.

Guarantee provided to related parties

For the year ended December 31, 2012, 2013 and 2014, the amount of guarantees provided to related parties was RMB3,301.0 million, RMB4,143.2 million and RMB4,420.0 million, respectively. The guarantees provided to related parties as of December 31, 2012, 2013 and 2014 primarily consisted of our guarantee provided to CAR.

Guarantee provided by related parties

For the years ended December 31, 2012, 2013 and 2014, the amount of guarantees provided by related parties was RMB2,030.0 million, RMB1,050.4 million and RMB1,800.0 million, respectively. The guarantees provided by related parties as of December 31, 2012, 2013 and 2014 primarily consisted of the guarantee provided by our associate, Beijing Legend Technology Investment Co. Ltd.

INDEBTEDNESS

Borrowings

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

	As of December 31,			As of April 30,
	2012	**2013**	**2014**	**2015**
				(unaudited)
		(RMB in thousands)		
Bank loans				
– Unsecured loans	11,569,317	13,190,368	20,677,196	23,716,319
– Guaranteed loans	9,384,421	10,374,185	14,469,046	15,084,118
– Collateralized loans	4,335,616	5,251,137	7,155,674	10,018,273
Other loans				
– Unsecured loans	1,397,722	21,370	15,395	–
– Guaranteed loans	1,735,000	5,315,500	10,905,000	10,335,870
– Collateralized loans	3,292,926	2,079,185	1,678,000	1,116,071
Corporate bonds				
– Unsecured	7,150,445	9,153,412	20,990,369	20,989,810
– Guaranteed	–	230,000	230,000	230,000
	38,865,447	45,615,157	76,120,680	81,490,461
Less: non-current portion	(27,341,298)	(32,219,101)	(56,550,145)	(57,749,507)
Current portion	11,524,149	13,396,056	19,570,535	23,740,954

Our bank loans as of December 31, 2012, 2013 and 2014 and April 30, 2015 were RMB25,289.4 million, RMB28,815.7 million, RMB42,301.9 million and RMB48,818.7 million, respectively. Our other loans as of December 31, 2012, 2013 and 2014 and April 30, 2015 were RMB6,425.6 million, RMB7,416.1 million, RMB12,598.4 million and RMB11,451.9 million, respectively. Our corporate bonds as of December 31, 2012, 2013 and 2014 and April 30, 2015 were RMB7,150.4 million, RMB9,383.4 million, RMB21,220.4 million and RMB21,219.8 million, respectively. During the Track Record Period, the increase in our borrowings was mainly due to the growth and expansion of our strategic investments business.

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

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

	As of December 31,		
	2012	2013	2014
	(RMB in thousands)		
Within 1 year	11,524,149	13,396,056	19,570,535
After 1 year but within 2 years	8,189,083	13,767,821	16,522,878
After 2 years but within 5 years	10,334,404	14,229,406	36,962,155
After 5 years	8,817,811	4,221,874	3,065,112
	38,865,447	45,615,157	76,120,680
Wholly repayable within 5 years	30,047,636	41,393,283	73,055,568

The following table sets forth the effective interest rates ranges of our bank loans and other loans as of each of the dates indicated:

	As of December 31,		
	2012	2013	2014
Bank loans	1.33% – 11.50%	1.24% – 21.25%	1.26% – 13.56%
Other loans	0.30% – 15.00%	1.00% – 12.50%	5.6% – 11.00%

Some of our borrowing agreements contain customary affirmative and negative covenants that, among other things, limit or restrict our ability to create pledges, liens and other encumbrances, incur debt, make mergers, acquisitions, division or other reorganization and investments, decrease our registered capital and dispose of or transfer assets or equity interests in certain subsidiaries, deconsolidate certain subsidiaries, change our certain shareholders' equity interests in us, and subject us to certain financial covenants. During the Track Record Period and up to the Latest Practicable Date, we had no default with regard to covenants under our borrowings that could have material adverse effect on our business operations.

As of December 31, 2014, we had the following corporate bonds outstanding:

Issuer	Type of bonds	Currency	Issuance date	Term	Principal amount	Balance as of December 31, 2014
					('000)	*('000)*
The Company	Corporate bonds	RMB	October 8, 2008	7 years	RMB2,000,000	RMB1,997,538
The Company	Corporate bonds	RMB	October 31, 2011	7 years	RMB2,900,000	RMB2,884,484
The Company	Corporate bonds	RMB	November 30, 2012	10 years	RMB2,300,000	RMB2,284,212
The Company	Private placement bonds	RMB	March 6, 2013	3 years	RMB2,000,000	RMB1,997,396
Brave Rise Investments Limited, a subsidiary of Joyvio	Guaranteed bonds secured by Right Lane	RMB	May 24, 2013	3 years	RMB230,000	RMB230,000
The Company	Private placement bonds	RMB	March 21, 2014	5 years	RMB2,000,000	RMB1,974,015
The Company	Private placement bonds	RMB	March 27, 2014	5 years	RMB740,000	RMB733,579
Lenovo	Long term notes	USD	May 8, 2014	5 years	USD1,500,000	RMB9,119,145

The annual interest rates of our bonds listed above as of December 31, 2014 ranged from 4.70% to 7.00%.

On June 10, 2015, Lenovo issued and sold notes in an aggregate principal amount of RMB4,000.0 million. The notes bear interest at 4.95% per annum and will mature on June 10, 2020. The notes constitute direct, general, unsecured and unsubordinated obligations of Lenovo and shall at all times rank *pari passu* and without any preference among themselves. Lenovo intends to use the net proceeds from the notes issuance for general corporate purposes including working capital.

In addition to equity investment, we also use shareholder loans and shareholder-guaranteed bank loans to help our subsidiaries and associates obtain low-cost financing. As of December 31, 2014, the Company's and Right Lane's total shareholder loans to our subsidiaries and associates were RMB9,339.7 million and the Company's total net debt, which is calculated as the total borrowings of the Company and Right Lane less the cash and cash equivalents of the Company and Right Lane and our total shareholder loans, was RMB14,431.0 million as of the same date. Right Lane, our subsidiary incorporated in Hong Kong, is our offshore investment platform focusing on investment and financing activities with its own financial resources.

The carrying amounts of our borrowings are denominated in the following currencies:

	As of December 31,		
	2012	2013	2014
	(RMB in thousands)		
RMB	30,225,467	36,552,811	53,435,436
USD	8,322,436	8,076,531	21,950,807
HKD	249,363	267,071	81,723
EUR	68,181	113,143	100
Brazil Real	–	559,630	646,735
Others	–	45,971	5,879
	38,865,447	45,615,157	76,120,680

As of April 30, 2015, the Company had undrawn bank facilities of RMB72.7 billion. We believe that we will be able to utilize the undrawn bank facilities by following the customary procedures of the relevant lending banks and are not subject to unusual restrictions or conditions. We have also received Chinese regulatory approvals to issue corporate bonds, RMB1,150 million of which remained available as of April 30, 2015. In addition, we received another Chinese regulatory approval to issue up to RMB5,000 million of corporate bonds in March 2015, which is valid for two years from March 11, 2015 so long as the first issuance is made before September 10, 2015. We plan to issue bonds pursuant to these approvals subject to market conditions. Except as set forth above, we have no material external debt financing plan.

Statement of Indebtedness

As of April 30, 2015, being the latest practicable date for the purpose of this indebtedness statement, save as disclosed in this prospectus, we did not have any outstanding debt securities, term loans or other borrowings, bank overdrafts, hire purchase commitments, mortgages, charges, guarantees or other material contingent liabilities.

There has not been any material adverse change in our indebtedness and contingent liabilities since April 30, 2015.

Contingent Liabilities

Our contingent liabilities primarily comprise (i) shareholder's guarantees we provided in respect of the borrowings provided by commercial banks and other financial institutions to associated companies for their business expansion, (ii) the guarantees we provided regarding the mortgage facilities granted by commercial banks to the purchasers of our properties in connection with our property business, and (iii) financial guarantees provided by our subsidiaries in the financial services business to small and medium-sized entities for their borrowings from certain banks. During the Track Record Period, we did not incur any material losses with respect to the guarantees provided for borrowings to our subsidiaries and associated companies or mortgage facilities granted to purchasers of our properties, and as a result, no provision was made for such guarantees as of December 31, 2012, 2013 and 2014.

We evaluated the financial position of financial guarantees provided in connection with our financial services business periodically and made provision accordingly. As of December 31, 2012, 2013 and 2014, the provision made by us was RMB135.6 million, RMB145.5 million and RMB146.0 million.

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

	As of December 31,			As of April 30,
	2012	2013	2014	2015
	(RMB in thousands)			
Guarantee in respect of mortgage facilities for certain purchaser	1,911,305	2,898,729	3,308,692	4,471,809
Financial guarantee of guarantee business	2,907,668	4,161,000	4,046,464	4,082,340
Other guarantee				
– Related parties	3,301,015	4,143,246	4,420,031	3,554,195
– Unrelated parties	1,633,500	1,522,500	1,500,000	1,500,000
	9,753,488	12,725,475	13,275,187	13,608,344

Off-balance Sheet Commitments and Arrangements

As of April 30, 2015, we had not entered into any financial guarantees or other commitments to guarantee the payment obligations of any third parties except as disclosed in this prospectus; we did not have retained or contingent interests in assets transferred to an unconsolidated entity or a similar arrangement that serves as credit, liquidity or market risk support to such entity for such assets; we had not entered into any derivative contracts that are indexed to our Shares and classified as shareholders' equity, or that are not reflected in our consolidated financial statements; except as disclosed in this prospectus, we did not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing, hedging or research and development services with us.

KEY FINANCIAL RATIOS

The following table sets out a summary of certain financial ratios as of the dates or for the periods indicated:

	As of/For the Year Ended December 31,		
	2012	2013	2014
Current ratio (times)	1.2	1.2	1.2
Return on equity ratio (%)	11.3%	17.5%	14.8%
Debt to equity ratio (%)	2.6%	23.1%	76.3%

Current ratio

Current ratio is our current assets divided by our current liabilities at the end of each financial period. Our current ratio remained stable during the Track Record Period.

Return on equity ratio

Return on equity ratio is calculated by dividing our profit for each financial period as a percentage of total equity at the end of the financial period. The increase in our return on equity ratio from 11.3% as of December 31, 2012 to 17.5% as of December 31, 2013 was mainly due to the increase in our profit as a result of increased profit margin. The decrease in our return on equity ratio from 17.5% as of December 31, 2013 to 14.8% as of December 31, 2014 was mainly due to the increase in our total equity while our profit remained relatively constant.

Debt to equity ratio

Debt to equity ratio is calculated by dividing our net debt (total borrowings less cash and cash equivalents) as a percentage of total equity at the end of each financial period. The increase in the debt to equity ratio from 2012 to 2013 was mainly due to the increase in net debt of approximately RMB9.1 billion in 2013 mainly for our IT and property businesses, and Zhengqi's business. The increase in the debt to equity ratio from 2013 to 2014 was mainly due to the increase in net debt of approximately RMB30.2 billion in 2014, mainly as a result of the increase in net debt (i) of approximately RMB13.3 billion for our IT business, including the issuance of a long-term notes by Lenovo in 2014 for general corporate purposes including working capital, and to fund any acquisition activities, (ii) of approximately RMB7.7 billion and RMB1.9 billion for our property business and Zhengqi's business, respectively, for their daily operation, and (iii) for the equity investments made to our portfolio companies.

LISTING EXPENSES

As of December 31, 2014, we incurred approximately RMB23.4 million listing expenses for the Global Offering, of which approximately RMB2.1 million was charged to our consolidated income statements and approximately RMB21.3 million was capitalized as deferred expenses and will be charged against equity upon the Listing. We expect to incur an additional RMB394.3 million in expenses (assuming an Offer Price of HK$41.40 per H Share, being the mid-point of the Offer Price range of HK$39.80 to HK$43.00 per H Share) until the completion of the Global Offering, of which approximately RMB24.7 million is expected to be charged to our consolidated income statements and approximately RMB369.6 million is expected to be charged against equity upon the Listing under the relevant accounting standards. We do not expect these expenses to have a material impact on our results of operations for 2015.

FINANCIAL RISK DISCLOSURE

Our activities expose us to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. Our overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on our financial performance. We have implemented a unified and multilevel financial control management system. We guide and supervise major aspects of the financial management of our subsidiaries and each subsidiary manages its financial risks locally. Certain of our subsidiaries use derivative financial instruments to hedge certain risk exposures.

Market risk

Foreign exchange risk

We operate internationally and are exposed to foreign currency risk arising from various currency exposures, primarily with respect to Renminbi ("**RMB**"), US dollar ("**USD**") and Euro ("**EUR**"). Foreign currency risks arise 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 our subsidiaries. Each of our subsidiaries monitors the amount of assets and liabilities and transactions denominated in foreign currencies closely in order to minimize the foreign exchange risk and enter into forward exchange contracts to mitigate the foreign currency risk as appropriate.

The carrying amount in RMB equivalents of the financial assets and liabilities held by us and our subsidiaries denominated in the currencies other than their respective functional currencies of these entities at the end of the reporting period are summarized below:

	As of December 31, 2012			
	USD	RMB	EUR	Total
	(RMB in thousands)			
Trade and other receivables	1,524,713	11	745,630	2,270,354
Bank deposits and cash and cash equivalents	201,769	366,102	99,368	667,239
Trade and other payables	(5,426,415)	(14,183)	(48,615)	(5,489,213)
Borrowings	(797,067)	–	(34,303)	(831,370)
Intercompany balances before elimination	(10,480,210)	(2,659,037)	(1,110,227)	(14,249,474)
Gross exposure	(14,977,210)	(2,307,107)	(348,147)	(17,632,464)
Notional amounts of forward exchange contracts used as economic hedge	14,475,419	–	389,607	14,865,026
Net exposure	(501,791)	(2,307,107)	41,460	(2,767,438)

	As of December 31, 2013			
	USD	**RMB**	**EUR**	**Total**
	(RMB in thousands)			
Trade and other receivables	1,288,228	8,452	1,119,364	2,416,044
Bank deposits and cash and cash equivalents	927,542	108,262	152,290	1,188,094
Trade and other payables	(3,176,441)	(65,286)	(5,952)	(3,247,679)
Borrowings	(971,065)	–	(91,261)	(1,062,326)
Intercompany balances before elimination	(13,221,393)	(168,207)	(1,698,244)	(15,087,844)
Gross exposure	(15,153,129)	(116,779)	(523,803)	(15,793,711)
Notional amounts of forward exchange contracts used as economic hedge	15,632,657	–	922,569	16,555,226
Net exposure	479,528	(116,779)	398,766	761,515

	As of December 31, 2014			
	USD	**RMB**	**EUR**	**Total**
	(RMB in thousands)			
Trade and other receivables	2,043,847	41,330	1,752,203	3,837,380
Bank deposits and cash and cash equivalents	1,322,316	225,419	354,652	1,902,387
Trade and other payables	(5,538,496)	(159,972)	(69,981)	(5,768,449)
Borrowings	(518,624)	–	(100)	(518,724)
Intercompany balances before elimination	(9,088,164)	1,970,897	(1,043,290)	(8,160,557)
Gross exposure	(11,779,121)	2,077,674	993,484	(8,707,963)
Notional amounts of forward exchange contracts used as economic hedge	14,185,115	–	243,102	14,428,217
Net exposure	2,405,994	2,077,674	1,236,586	5,720,254

As of December 31, 2014, if RMB had weakened/strengthened by 5% against the major currencies with all other variables held constant, we would generate extra exchange gains or losses of approximately RMB78 million (December 31, 2013: gains or losses of approximately RMB50 million; December 31, 2012: gains or losses of approximately RMB92 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 this assumption may not be necessarily true in reality.

Price risk

We are exposed to equity securities price risk because of investments held by us and classified on our consolidated balance sheets either as available-for-sale or at fair value through profit or loss. The commodity price risk to which we are exposed is not material. To manage our price risk arising from investments in equity securities, we diversify our portfolio.

Our investments in equity of other entities include companies that are publicly traded in the following five capital markets: Hong Kong, China, US, Japan and Taiwan.

The table below summarizes the impact of increases/decreases of five capital markets on our pre-tax profit and other comprehensive income for the year. The analysis is based on the assumption that the relevant equity indexes had increased/decreased by 5% with all other variables held constant.

	Impact on pre-tax profit Year ended December 31,		
Index	**2012**	**2013**	**2014**
	(RMB in thousands)		
Equity securities – HK	910	425	861
Equity securities – US	32,075	–	3,968
Equity securities – Taiwan	12,304	7,137	–
Equity securities – China	222,189	132,611	341
	267,478	140,173	5,170

Index	Impact on other comprehensive income Year ended December 31, 2012	2013	2014
	(RMB in thousands)		
Equity securities – HK	36,431	25,324	23,541
Equity securities – US	11,818	–	4,409
Equity securities – Japan	3,283	2,972	3,123
Equity securities – China	41,397	56,758	94,810
	92,929	85,054	125,883

Pre-tax profit for the year would increase/decrease as a result of gains/losses on equity securities classified as financial assets measured at fair value through profit or loss. Other comprehensive income would increase/decrease as a result of gains/losses on equity securities classified as available-for-sale.

Other market price risk also arises from our investments in unlisted equity securities including VC Funds and PE Funds.

Cash flow and fair value interest rate risk

Our interest rate risk arises primarily from long-term borrowings and loans from related parties. Long-term borrowings at floating rates expose us to cash flow interest rate risk. Long-term borrowings and loans from related parties at fixed rates expose us to fair value interest rate risk. Our long-term borrowings and loans from related parties with fixed interest rates amounted to approximately RMB24 billion, RMB29 billion and RMB49 billion as at December 31, 2012, 2013 and 2014; our long-term borrowings with floating interest rates amounted to approximately RMB5 billion, RMB5 billion and RMB8 billion as at December 31, 2012, 2013 and 2014.

We operate various customer financing programs, primarily in our IT business. We are exposed to fluctuation of interest rates of all the currencies covered by those programs.

We manage the interest rate risk by performing regular reviews and monitoring our interest rate exposure and, when appropriate, using floating-to-fixed interest rate swaps.

If interest rates on our floating rate borrowings had risen/fallen 50 basis points while all other variables had been held constant, our post-tax profit would have decreased/increased by approximately RMB24 million, RMB25 million and RMB38 million for the years ended December 31, 2012, 2013 and 2014, respectively.

If interest rates on our customer financing programs had risen/fallen 50 basis points while all other variables had been held constant, our post-tax profit would have decreased/increased by approximately RMB21 million, RMB24 million and RMB40 million as at December 31, 2012, 2013 and 2014.

Credit risk

Credit risk is managed on a group basis. Credit risk mainly arises from cash and cash equivalents, bank deposits, restricted deposits, trade and notes receivable, loans to customers, other receivables and derivative financial instruments, etc.

For the cash in bank deposits, we control our credit risk through monitoring our credit ratings and setting approved credit limits that are regularly reviewed.

We have no significant concentration of customer credit risk. We have policies to limit the credit exposure on receivables. We assess the credit quality of and set credit limits on our customers, taking into account their financial position, the availability of guarantee from third parties, their credit history and other factors such as current market conditions. The credit history of our customers is regularly monitored by us. In respect of customers with a poor credit history, we use written payment reminders, or shorten or cancel credit periods, to ensure our overall credit risk is limited to a controllable extent.

Liquidity risk

Cash flow forecasting is performed by each of our subsidiaries. We monitor our subsidiaries' rolling forecasts of their short-term and long-term liquidity requirements to ensure they have sufficient cash and securities that are readily convertible to cash to meet operational needs, while maintaining sufficient headroom on their undrawn committed borrowing facilities from major financial institution so that they do not breach borrowing limits or covenants on any of their borrowing facilities to meet the short-term and long-term liquidity requirements.

The table below set forth our financial liabilities, based on the remaining period at the balance sheet date to the contractual maturity date at their contractual undiscounted cash flows:

	The Group				
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	(RMB in thousands)				
As of December 31, 2012					
Borrowings	13,588,401	10,931,176	12,077,823	9,959,748	46,557,148
Trade and notes payables	35,616,992	–	–	–	35,616,992
Other payables and accruals	36,199,161	–	–	–	36,199,161
Other liabilities excluding non-financial liabilities	1,191,397	1,973,003	4,807,963	296,795	8,269,158
Derivative financial instruments settled in gross:					
Forward foreign exchange contracts					
– outflow	24,756,757	–	–	–	24,756,757
– inflow	(25,002,025)	–	–	–	(25,002,025)
Financial guarantee contracts	9,753,488	–	–	–	9,753,488
As of December 31, 2013					
Borrowings	15,781,622	15,133,466	16,078,583	4,980,229	51,973,900
Trade and notes payables	38,373,453	–	–	–	38,373,453
Other payables and accruals	36,015,397	–	–	–	36,015,397
Other liabilities excluding non-financial liabilities	358,213	1,692,698	5,809,185	147,538	8,007,634
Derivative financial instruments settled in gross:					
Forward foreign exchange contracts					
– outflow	33,958,836	–	–	–	33,958,836
– inflow	(34,113,383)	–	–	–	(34,113,383)
Financial guarantee contracts	12,725,475	–	–	–	12,725,475
As of December 31, 2014					
Borrowings	20,957,057	19,231,308	41,082,770	3,539,944	84,811,079
Trade and notes payables	49,755,181	–	–	–	49,755,181
Other payables and accruals	38,482,595	–	–	–	38,482,595
Other liabilities excluding non-financial liabilities	325,670	3,565,024	10,988,625	817,259	15,696,578
Derivative financial instruments settled in gross:					
Forward foreign exchange contracts					
– outflow	39,071,463	–	–	–	39,071,463
– inflow	(45,392,444)	–	–	–	(45,392,444)
Financial guarantee contracts	13,275,187	–	–	–	13,275,187

PROPERTY INTEREST AND PROPERTY VALUATION

Our selective property interests are set forth in the Property Valuation Report in Appendix III to this prospectus. Jones Lang LaSalle Corporate Appraisal and Advisory Limited has valued our selective property interests as of April 30, 2015. A summary of values and valuation certificates issued by Jones Lang LaSalle Corporate Appraisal and Advisory Limited are included in the Property Valuation Report set forth in Appendix III to this prospectus.

A reconciliation of our selective property interests as of April 30, 2015 and such property interests in our consolidated financial statements as of December 31, 2014 as required under Rule 5.07 of the Listing Rules is set forth below:

	(RMB in millions)
Net book value of selective property interests as of	
December 31, 2014	14,109
Additions	(565)
Net book value as of April 30, 2015	13,544
Valuation surplus as of April 30, 2015	4,085
Valuation as of April 30, 2015(1)	17,629

Note:

(1) Including commercial value and reference value of the selective property interests in the consolidated financial statement as of April 30, 2015.

DIVIDENDS AND RETAINED PROFIT

Dividend Policy

Our Directors are responsible for submitting proposals in respect of dividend payments, if any, to the Shareholders' General Meeting for approval. Whether we pay a dividend and in what amount is based on our results of operations, cash flows, financial condition, cash dividends we receive from our subsidiaries, future business prospects, statutory and regulatory restrictions on the payment of dividends by us and other factors that our Directors deem relevant.

According to our Articles of Association, we will pay dividends out of our distributable profit after tax of the year only after we have made the following allocations from our profit after tax of the year:

- recovery of accumulated losses, if any;
- allocations to the statutory reserve equivalent to 10% of our profit after tax, and, when the statutory reserve reaches and is maintained at or above 50% of our registered capital, no further allocations to this statutory reserve will be required; and upon allocations to the statutory reserve and authorizing Shareholder resolutions, allocations to the discretionary reserve.

In accordance with our Articles of Association, dividends may be paid only out of distributable profit as determined under PRC GAAP or IFRS or the accounting rules of the listing venue, whichever is lower.

We currently intend to pay dividends in 2016 no less than the amount of dividends we paid in 2015 subject to our financial performance and any other conditions that our Directors deem relevant. Going forward, we do not have a dividend payout ratio and our future dividend policy will be determined by our Board of Directors based on our results of operations, cash flows, financial position, capital adequacy ratio, cash dividends we receive from our subsidiaries, future business prospects, statutory and regulatory restrictions on the payment of dividends by us, and other factors that our Board of Directors deem relevant, which shall be submitted to general meetings for approval.

Distributable Reserves

As of December 31, 2014, the Company's distributable reserves were RMB531.9 million.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative statement of the unaudited pro forma adjusted consolidated net tangible assets which has been prepared in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the effect of the Global Offering as if it had taken place on December 31, 2014 and based on the consolidated net tangible assets attributable to equity holders of the Company as at December 31, 2014 as shown in the Accountant's Report, the text of which is set out in Appendix IA to this prospectus, and adjusted as described below.

This unaudited pro forma adjusted consolidated net tangible assets has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Global Offering been completed as at December 31, 2014 or at any future date.

	Audited consolidated net tangible assets attributable to equity holders of the Company as at December 31, 2014(1)	Estimated net proceeds from the Global Offering(2)	Unaudited pro forma adjusted consolidated net tangible assets attributable to equity holders of the Company	Unaudited pro forma adjusted consolidated net tangible assets per Share	
		(RMB'000)		*(RMB)(3)*	*(HK$)(5)*
Based on the Offer Price of HK$39.80 per Share	13,669,918	10,679,150	24,349,068	10.35	13.11
Based on the Offer Price of HK$43.00 per Share	13,669,918	11,549,953	25,219,871	10.72	13.58

Notes:

(1) The audited consolidated net tangible assets attributable to equity holders of the Company as at December 31, 2014 is extracted from the Accountant's Report set forth in Appendix IA to the prospectus, which is based on the audited consolidated net assets attributable to equity holders of the Company as at December 31, 2014 of RMB31,985.9 million with an adjustment for the intangible assets attributable to equity holders of the Company as at December 31, 2014 of RMB18,315.9 million.

(2) The estimated net proceeds from the Global Offering are based on the indicative Offer Price of HK$39.80 and HK$43.00 per Share, being the lower end and the higher end of the stated offer price range, respectively, after deduction of the underwriting fees and other related expenses payable by the Company, and do not take into account of any Shares that may be issued pursuant to the Over-Allotment Option.

(3) The unaudited pro forma adjusted consolidated net tangible assets per Share are determined after the adjustments as described in note (2) above and on the basis that 2,352,944,000 Shares are in issue, assuming the Global Offering had been completed on December 31, 2014 but takes no account of any shares which may fall to be issued upon the exercise of the Over-Allotment Option. The audited consolidated net assets attributable to equity holders of the Company as at December 31, 2014 was RMB31,985.9 million. After the adjustments as described in note (2) above and on the basis that 2,352,944,000 Shares are in issue, assuming the Global Offering had been completed on December 31, 2014 but takes no account of any shares which may fall to be issued upon the exercise of the Over-Allotment Option, the unaudited pro forma adjusted consolidated net assets per Share would be RMB18.16 (equivalent to HK$23.01) and RMB18.53 (equivalent to HK$23.48) based on the Offer prices of HK$39.80 and HK$43.00, respectively.

(4) No adjustments have been made to the unaudited pro forma adjusted consolidated net tangible assets to reflect any trading results or other transactions of the Group entered into subsequent to December 31, 2014.

(5) For the purpose of this unaudited pro forma adjusted consolidated net tangible assets, the balance stated in Renminbi is converted into Hong Kong dollars at a rate of HK$1.00 to RMB0.7892. No representation is made that Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.

RECENT DEVELOPMENTS

Our strategic investments business continues to focus on the growth of our portfolio and opportunities arising from our investment themes and the transformation of the business of our portfolio companies resulting from increasing Internet penetration. Since January 1, 2015, for our strategic investments business, we have made or proposed to make 16 equity investments with total investment amounts of approximately RMB1,348.1 million. Among these 16 investments, ten investments are related to our dental care business, three investments are related to Internet-related business, two are related to our logistics business and one is related to agriculture-related insurance business, which refers to our proposed acquisition of 6.8% equity interests of AnHua Agricultural Insurance Company Limited, the closing of which is subject to the regulatory approval. We will use our internal resources to fund these 16 investments. In our angel investments business, since January 1, 2015 we have made or proposed to make 26 equity investments with a total investment amount of approximately RMB96.5 million. For further details regarding these equity investments and certain financial information of the acquired and to be acquired businesses, please refer to Section III of the Accountant's Report set out in Appendix IA to this prospectus, the Shinewing Report set out in Appendix IB to this prospectus, and "Waivers from Strict Compliance with the Listing Rules – Waiver in Relation to Business or Subsidiary Acquired or Proposed to Be Acquired after the Track Record Period."

For the three months ended March 31, 2015, our revenue and gross profit were RMB73,678 million, and RMB12,451 million, respectively compared with RMB59,326 million RMB8,189 million, respectively, in the same period of the prior year. Our unaudited financial information as of and for the three months ended March 31, 2015 has been reviewed by the reporting accountant in accordance with International Standard on Review Engagement 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the International Auditing and Assurance Standards Board.

On May 27, 2015, Lenovo published its annual report for its fiscal year ended March 31, 2015. For that fiscal year, Lenovo's consolidated revenue increased by 20 percent year-on-year to US$46,296 million, its gross profit increased by 32 percent year-on-year to US$6,682 million and its gross profit margin increased 1.3 percentage points year-on-year to 14.4 percent. For a discussion of Lenovo's results for the fiscal year ended March 31, 2015, see its annual results announcement as filed with the Hong Kong Stock Exchange at http://www.lenovo.com/ww/lenovo/pdf/FY14_15%20Annual%20Results%20Announcement%20(Eng).pdf. On June 10, 2015, Lenovo issued and sold notes in an aggregate principal amount of RMB4,000.0 million. The notes bear interest at 4.95% per annum and will mature on June 10, 2020.

Lakala recently entered into an equity financing agreement with third party investors, pursuant to which the investors subscribed for 13.9% equity interests of Lakala for approximately RMB1,450 million based on a post-investment valuation of approximately RMB10,453 million of Lakala.

On May 28, 2015, our Board of Directors declared an annual dividend of RMB366.0 million to our existing Shareholders, and such dividend was paid on June 10, 2015.

Our Directors confirm that there have been no material changes in our business, results of operations or financial condition since December 31, 2014 and up to the date of this prospectus.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, since December 31, 2014 and up to the date of this prospectus, there has been no material adverse change in our financial position or prospects, revenue or gross profit margin and no event has occurred that would materially affect the information shown in the Accountant's Report set out in Appendix IA to this prospectus.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors have confirmed that as of the Latest Practicable Date, there are no circumstances which, had we been required to comply with Rules 13.13 to 13.19 in Chapter 13 of the Hong Kong Listing Rules, would have given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Hong Kong Listing Rules.

FUTURE PLANS

Please refer to the section headed "Business – Our Strategies" in this prospectus for a detailed description of our future plans.

USE OF PROCEEDS

We estimate that the net proceeds accruing to us from the Global Offering (after deducting underwriting commissions, fees and other estimated expenses payable by us in connection with the Global Offering) will be approximately HK$14,082.6 million, assuming the Over-allotment Option is not exercised and assuming an Offer Price of HK$41.40 per H Share, being the mid-point of the Offer Price range of HK$39.80 to HK$43.00 per H Share as stated in this prospectus. We currently intend to apply such net proceeds for the following purposes:

- (i) approximately HK$7,745.4 million to HK$8,449.6 million, or 55-60% of the estimated total net proceeds, to be used in strategic investments for new business acquisition(s) and further development of the existing businesses. As of the Latest Practicable Date, we had not proposed to invest in any specific acquisition target or identified any such targets for the use of net proceeds from the Global Offering. Regarding our future acquisitions in strategic investments, we will focus on industries with high growth potential, such as consumer- and service-related industries, and (ii) approximately HK$1,408.3 million to HK$2,816.5 million, or 10-20% of the estimated total net proceeds, to be used in financial investments, focusing on investment in new funds, as LP and GP, and direct investments in equity and fixed income products. As of the Latest Practicable Date, we had not identified or committed to any investment targets for the use of net proceeds from the Global Offering. For details, see "Business – Our Business Model – Investment Criteria".

- approximately HK$2,112.4 million to HK$2,816.5 million, or 15-20% of the estimated total net proceeds, to be used for partial repayment of our corporate bonds due in 2015, details of which are set out below:

Principal amount	**Interest rate (per annum)**	**Redemption date**	**Usage**
RMB2 billion	5.87%	October 8, 2015	working capital

- approximately HK$1,408.3 million, or 10% of the estimated total net proceeds, to be used for working capital and other general corporate purposes.

We estimate that the additional net proceeds to us from the offering of these additional H Shares will be approximately HK$2,141.3 million, after deducting underwriting commissions, fees and other estimated expenses payable by us, assuming the Over-allotment Option is exercised in full and assuming an Offer Price of HK$41.40 per H Share (being the mid-point of the Offer Price range of HK$39.80 to HK$43.00 per H Share). We intend to apply all additional net proceeds for the same purposes as set out above on a pro rata basis.

If the Offer Price is set at the high-end of the indicative Offer Price range, being HK$43.00 per H Share, the net proceeds from the Global Offering will increase by approximately HK$551.7 million (assuming the Over-allotment Option is not exercised) or approximately HK$634.4 million (assuming the Over-allotment Option is exercised in full), in which case we intend to apply the additional net proceeds to increase the net proceeds applied for the same purposes as set out above on a pro rata basis. If the Offer Price is set at the low-end of the indicative Offer Price range, being HK$39.80 per H Share, the net proceeds from the Global Offering will decrease by approximately HK$551.7 million (assuming the Over-allotment Option is not exercised) or approximately HK$634.4 million (assuming the Over-allotment Option is exercised in full), in which case we intend to reduce the net proceeds applied for the same purposes as set out above on a pro rata basis.

To the extent that the net proceeds from the Global Offering are not immediately applied to the above purposes, we intend to place the same in short-term deposits with licensed banks or financial institutions in the PRC or Hong Kong as permitted by the relevant laws and regulations.

HONG KONG UNDERWRITERS

China International Capital Corporation Hong Kong Securities Limited

UBS AG, Hong Kong Branch

Goldman Sachs (Asia) L.L.C.

Morgan Stanley Asia Limited

BOCI Asia Limited

BOCOM International Securities Limited

Citigroup Global Markets Asia Limited

CLSA Limited

CMB International Capital Limited

China Merchants Securities (HK) Co., Limited

Haitong International Securities Company Limited

Guotai Junan Securities (Hong Kong) Limited

VMS Securities Limited

HONG KONG UNDERWRITING ARRANGEMENTS

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement entered into on June 15, 2015, our Company is offering initially 17,647,200 Hong Kong Offer Shares (subject to adjustment) for subscription by way of the Hong Kong Public Offering at the Offer Price on and subject to the terms and conditions of this prospectus and the Application Forms.

Subject to the Listing Committee of the Hong Kong Stock Exchange granting listing of, and permission to deal in, the H Shares to be issued and sold pursuant to the Global Offering (including any additional H Shares which may be issued and/or sold pursuant to the exercise of the Over-allotment Option) as mentioned herein and to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have severally agreed to subscribe or procure subscriptions for their respective applicable proportions of the Hong Kong Offer Shares now being offered but which are not taken up under the Hong Kong Public Offering on the terms and conditions of this prospectus, the Application Forms and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on and subject to, among other things, the International Underwriting Agreement having been signed and becoming unconditional.

Grounds for Termination

The obligations of the Hong Kong Underwriters to subscribe or procure subscribers for the Hong Kong Offer Shares under the Hong Kong Underwriting Agreement are subject to termination, if, at any time prior to 8:00 a.m. on the day that trading in the H Shares commences on the Hong Kong Stock Exchange:

(a) there develops, occurs, exists or comes into force:

 (i) any change or development involving a prospective change, or any event or series of events resulting in or representing a change or development involving a prospective change, in local, national, regional or international financial, political, military, industrial, economic, currency market, fiscal or regulatory or market conditions or any monetary or trading settlement system (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets and inter-bank markets, a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States or a devaluation of the Renminbi against any foreign currencies) in or affecting Hong Kong, China, the United States, the United Kingdom, the European Union (taken as a whole) or Japan; or

 (ii) any new law or regulation or any change or development involving a prospective change in existing law or regulation, or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority, in or affecting Hong Kong, China, the United States, the United Kingdom, the European Union (taken as a whole) or Japan; or

(iii) any event or series of events in the nature of force majeure (including, without limitation, acts of government, labor disputes, strikes, lock-outs, fire, explosion, flooding, civil commotion, acts of war, acts of terrorism (whether or not responsibility has been claimed), acts of God, accident or interruption in transportation, outbreak of diseases or epidemics including, but not limited to, MERS, SARS, swine or avian flu, H5N1, H1N1 and such related/mutated forms, economic sanction, in whatever form) directly or indirectly, in or affecting Hong Kong, China, the United States, the United Kingdom, the European Union (taken as a whole) or Japan; or

(iv) any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or calamity or crisis in or affecting Hong Kong, China, the United States, the United Kingdom, the European Union (taken as a whole) or Japan; or

(v) (A) any moratorium, suspension or limitation on trading in shares or securities generally on the Hong Kong Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Tokyo Stock Exchange, the Shanghai Stock Exchange or the Shenzhen Stock Exchange or (B) a general moratorium on commercial banking activities in Hong Kong, China, the United States, the United Kingdom, the European Union (taken as a whole) or Japan declared by the relevant authorities, or a disruption in commercial banking activities or foreign exchange trading or securities settlement or payment or clearance services in or affecting any of these jurisdictions; or

(vi) any (A) material change or prospective material change in exchange controls, currency exchange rates or foreign investment regulations, or (B) any change or prospective change in taxation, in Hong Kong, China, the United States, the United Kingdom, the European Union (taken as a whole) or Japan adversely affecting an investment in the H Shares; or

(vii) any material litigation or claim being threatened or instigated against our Company or any of its subsidiaries,

which, in any of (i) to (vii), individually or in the aggregate, and in the sole opinion of the Joint Global Coordinators, after consultations with our Company (for themselves and on behalf of the Hong Kong Underwriters):

(A) is or is likely to or will be materially adverse to, or materially and prejudicially affect, the business or financial or trading position of our Company and its subsidiaries as a whole; or

(B) has or is likely to or will have a material adverse effect on the success of the Global Offering and/or make it impracticable or inadvisable or incapable for any material part of the Hong Kong Underwriting Agreement, the Hong Kong Public Offering or the Global Offering to be performed or implemented in accordance with their terms; or

(b) there has come to the notice of the Joint Global Coordinators or any of the Hong Kong Underwriters after the date of the Hong Kong Underwriting Agreement:

(i) any statement contained in the Prospectus, the Application Forms, the Formal Notice or any announcements issued by our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) which was when it was issued or has become untrue, incorrect, inaccurate or misleading in any material respect unless such untrue, incorrect or misleading statement has been properly rectified by our Company in a timely manner; or

(ii) any matter that has arisen or has been discovered which would, had it arisen or been discovered immediately before the Prospectus Date, not having been disclosed in the Prospectus, constitute a material omission therefrom unless such omission has been properly rectified by our Company in a timely manner; or

(iii) any warranty given by our Company in the Hong Kong Underwriting Agreement is (or would when repeated be) untrue or misleading in any material respect; or

(iv) any event, act or omission which gives or is likely to give rise to any liability of our Company pursuant to the indemnities given by our Company under the Hong Kong Underwriting Agreement which liability has a material adverse effect on the business or financial or trading position of the Company and its subsidiaries as a whole; or

(v) any material breach on the part of our Company of any of the provisions under the Hong Kong Underwriting Agreement; or

(vi) that, as a result of market conditions or otherwise, a material portion of the orders in the bookbuilding process at the time the International Underwriting Agreement is entered into, have been withdrawn or cancelled, and the Joint Global Coordinators, in their sole discretion, conclude that it is therefore inadvisable or inexpedient or impracticable to proceed with the Global Offering; or

(vii) any material adverse change or prospective material adverse change in the business, results of operations, financial or trading position of our Company and its subsidiaries as a whole,

then the Joint Global Coordinators may in their sole discretion (for themselves and on behalf of all the Hong Kong Underwriters), after consultants with our Company, upon giving notice in writing to our Company and the Hong Kong Underwriters, terminate the Hong Kong Underwriting Agreement with immediate effect.

UNDERTAKINGS TO THE HONG KONG STOCK EXCHANGE PURSUANT TO THE LISTING RULES

Undertakings by Our Company

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Hong Kong Stock Exchange that, no further Shares or securities convertible into our equity securities (whether or not of a class already listed) shall be issued by us or form the subject of any agreement to such an issue within six months from the Listing Date (whether or not such issue of Shares or our securities will be completed within six months from the Listing Date), except for Shares issued pursuant to (i) the Global Offering (including any exercise of the Over-allotment option); or (ii) any of the circumstances provided under Rule 10.08 of the Listing Rules.

Undertakings by our Controlling Shareholder

Pursuant to Rule 10.07 of the Listing Rules, our Controlling Shareholder has undertaken to the Hong Kong Stock Exchange and to our Company that, except pursuant to the Global Offering (including the Over-allotment Option), it shall not and shall procure that the relevant registered holder(s) shall not, without the prior written consent of the Hong Kong Stock Exchange or unless in compliance with the applicable requirements of the Listing Rules in the period commencing on the date by reference to which disclosure of its shareholdings in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the securities of our Company in respect of which it is shown by this prospectus to be the beneficial owner.

Pursuant to Note (3) to Rule 10.07(2) of the Listing Rules, our Controlling Shareholder has further undertaken to the Hong Kong Stock Exchange and to our Company respectively that, within the period commencing on the date by reference to which disclosure of its shareholdings in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, it will:

(1) when it pledges or charges any securities of our Company beneficially owned by it in favor of any authorized institution pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform our Company of such pledge or charge together with the number of securities so pledged or charged; and

(2) when it receives indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged securities of our Company will be disposed of, immediately inform our Company of such indications.

We will also inform the Hong Kong Stock Exchange as soon as we have been informed of the above matters (if any) by our Controlling Shareholder and disclose such matters in accordance with the publication requirements under Rule 2.07C of the Listing Rules as soon as possible after being so informed by our Controlling Shareholder.

UNDERTAKINGS PURSUANT TO THE HONG KONG UNDERWRITING AGREEMENT

Undertaking by Our Company

We have, pursuant to the Hong Kong Underwriting Agreement, undertaken to each of the Joint Bookrunners, the Joint Global Coordinators, and the Hong Kong Underwriters not to (except for the issue of the Offer Shares pursuant to the Global Offering, including pursuant to any exercise of the Over-allotment Option), at any time during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date that is six months after the Listing Date (the "**First Six-Month Period**"), without the prior written consent of the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) and subject to the requirements set out in the Hong Kong Listing Rules):

(i) offer, accept subscription for, pledge, charge, lend, mortgage, assign, allot, issue, sell, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally or repurchase, any of our share capital or any securities of our Company or any securities convertible into or exercisable or exchangeable for or that represent the right to receive such share capital or any interest therein or deposit H Shares with a depositary in connection with the issue of depositary receipts; or

(ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such share capital or securities or any interest therein; or

(iii) offer to or agree to do any of the foregoing,

whether any of the foregoing transactions described in paragraph (i) (ii) or (iii) above is to be settled by delivery of share capital or such other securities, in cash or otherwise,

PROVIDED THAT the foregoing restrictions shall not apply to the issue of H Shares by our Company pursuant to the Global Offering (including pursuant to the Over-Allotment Option), and our Company further agrees that, in the event of an issue or disposal of any H Shares or any interest therein at any time during the six-month period immediately following the expiry of the First Six Month Period, we will take all reasonable steps to ensure that such an issue or disposal will not create a disorderly or false market for the H Shares and the undertakings shall remain in full force and effect notwithstanding completion of matters and arrangements referred to in or contemplated by the Hong Kong Underwriting Agreement.

INTERNATIONAL OFFERING

International Underwriting Agreement

In connection with the International Offering, it is expected that we will enter into the International Underwriting Agreement with the Joint Global Coordinators and the International Underwriters. Under the International Underwriting Agreement, the International Underwriters, subject to certain conditions, will agree severally to purchase, or procure purchasers for, the International Offer Shares being offered pursuant to the International Offering.

We expect to grant the Over-allotment Option to the International Underwriters and the Joint Bookrunners, exercisable by the Joint Global Coordinators for themselves and on behalf of the International Underwriters and the Joint Bookrunners, on or before July 18, 2015, being the 30th day from the last day for the lodging of Application Forms under the Hong Kong Public Offering, to require us to issue and allot, up to an aggregate of 52,940,000 H Shares, representing in aggregate approximately 15% of the Offer Shares initially available under the Global Offering at the Offer Price to cover over-allocations, if any, in the International Offering.

COMMISSION AND EXPENSES

The Hong Kong Underwriters will receive an underwriting commission of 1.5% of the aggregate Offer Price payable for the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering. For unsubscribed Hong Kong Offer Shares reallocated to the International Offering, we will pay an underwriting commission at the rate applicable to the International Offering and such commission will be paid to the relevant International Underwriters and not the Hong Kong Underwriters. Our Company may, at our sole and absolute discretion, pay to the Joint Global Coordinators for their respective accounts an incentive fee up to but not exceeding 0.5% of the Offer Price for each Offer Share.

The aggregate commissions and fees, together with the listing fees, SFC transaction levy, the Hong Kong Stock Exchange trading fee, legal and other professional fees, printing and other expenses payable by us relating to the Global Offering are estimated to amount to approximately HK$529.28 million in total (based on the Offer Price of HK$41.40 per Offer Share and assuming the Over-allotment Option is not exercised).

HONG KONG UNDERWRITERS' INTERESTS IN OUR COMPANY

Save as disclosed in this prospectus, save for its obligations under the Hong Kong Underwriting Agreement, none of the Hong Kong Underwriters has any shareholding in any member of our Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement and/or the International Underwriting Agreement.

JOINT SPONSORS' INDEPENDENCE

Each of the Joint Sponsors satisfies the independence criteria set out in Rule 3A.07 of the Hong Kong Listing Rules.

STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the Underwriters may bid for, or purchase, the new securities in the secondary market, during a specified period of time, to retard and, if possible, prevent any decline in the market price of the securities below the Offer Price. In Hong Kong and certain other jurisdictions, activity aimed at reducing the market price is prohibited and the price at which stabilization is effected is not permitted to exceed the Offer Price.

In connection with the Global Offering, the Stabilizing Manager, its affiliates or any person acting for it, on behalf of the Underwriters, may, to the extent permitted by applicable laws of Hong Kong or elsewhere, over-allocate or effect short sales or any other stabilizing transactions with a view to stabilizing or maintaining the market price of the H Shares at a level higher than that which might otherwise prevail in the open market for a limited period after the last day for the lodging of applications under the Hong Kong Public Offering. Any market purchases of H Shares will be effected in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilizing Manager or any person acting for it to conduct any such stabilizing activity, which if commenced, will be done at the absolute discretion of the Stabilizing Manager and may be discontinued at any time. Any such stabilizing activity is required to be brought to an end within 30 days of the last day for the lodging of applications under the Hong Kong Public Offering. The number of H Shares that may be over-allocated will not exceed the number of H Shares that may be issued and/or sold under the Over-allotment Option, namely 52,940,000 H Shares, which is 15% of the Offer Shares initially available under the Global Offering.

Stabilizing action will be entered into in accordance with the laws, rules and regulations in place in Hong Kong on stabilization and stabilization action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules (Chapter 571W of the Laws of Hong Kong) includes: (i) over-allocation for the purpose of preventing or minimizing any reduction in the market price of the H Shares; (ii) selling or agreeing to sell the H Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of the H Shares; (iii) purchasing or subscribing for, or agreeing to purchase or subscribe for, the H Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above; (iv) purchasing, or agreeing to purchase, any of the H Shares for the sole purpose of preventing or minimizing any reduction in the market price of the H Shares; (v) selling or agreeing to sell any H Shares in order to liquidate any position held as a result of those purchases; and (vi) offering or attempting to do anything described in (ii), (iii), (iv) or (v).

Specifically, prospective applicants for and investors in the Offer Shares should note that:

(i) the Stabilizing Manager, or any person acting for it, may, in connection with the stabilizing action, maintain a long position in the H Shares;

(ii) there is no certainty regarding the extent to which and the time period for which the Stabilizing Manager, or any person acting for it, will maintain such a position;

(iii) liquidation of any such long position by the Stabilizing Manager may have an adverse impact on the market price of the H Shares;

(iv) no stabilizing action can be taken to support the price of the H Shares for longer than the stabilizing period which will begin on the Listing Date following announcement of the Offer Price, and is expected to expire on July 19, 2015, being the 30th day after the last date for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilizing action may be taken, demand for the H Shares, and therefore the price of the H Shares, could fall;

(v) the price of the H Shares cannot be assured to stay at or above the Offer Price either during or after the stabilizing period by the taking of any stabilizing action; and

(vi) stabilizing bids may be made or transactions effected in the course of the stabilizing action at any price at or below the Offer Price, which means that stabilizing bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the H Shares.

Our Company will procure that a public announcement in compliance with the Securities and Futures (Price Stabilizing) Rules will be made within seven days of the expiration of the stabilizing period.

In connection with the Global Offering, the Stabilizing Manager may over-allocate up to and not more than an aggregate of 52,940,000 H Shares and cover such over-allocations by (amongst other methods) exercising the Over-allotment Option, making purchases in the secondary market at prices that do not exceed the Offer Price or by any combination of these means.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. China International Capital Corporation Hong Kong Securities Limited, UBS AG, Hong Kong Branch, Goldman Sachs (Asia) L.L.C. and Morgan Stanley Asia Limited are the Joint Global Coordinators and China International Capital Corporation Hong Kong Securities Limited, UBS AG, Hong Kong Branch, Goldman Sachs (Asia) L.L.C., Morgan Stanley Asia Limited (for Hong Kong Public Offering), Morgan Stanley & Co. International plc. (for International Offering), BOCI Asia Limited, BOCOM International Securities Limited, Citigroup Global Markets Asia Limited (for Hong Kong Public Offering), Citigroup Global Market Limited (for International Offering), CLSA Limited, CMB International Capital Limited, China Merchants Securities (HK) Co., Limited and Haitong International Securities Company Limited are the Joint Bookrunners.

The Global Offering consists of (subject to adjustment and the Over-allotment Option):

(i) the Hong Kong Public Offering of 17,647,200 H Shares (subject to adjustment as mentioned below) in Hong Kong as described in "The Hong Kong Public Offering" below; and

(ii) the International Offering of 335,296,800 H Shares (subject to adjustment and Over-allotment Option as mentioned below) in the United States with QIBs who are also QPs in reliance on Rule 144A or another available exemption from the registration requirements of the U.S. Securities Act, and outside the United States to non-U.S. persons in offshore transactions in reliance on Regulation S.

The Offer Shares will represent approximately 15.0% of the enlarged issued share capital of our Company immediately after completion of the Global Offering without taking into account the exercise of the Over-allotment Option. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 16.9% of the enlarged issued share capital immediately after completion of the Global Offering and the exercise of the Over-allotment Option as set out in "The International Offering – Over-allotment Option" below.

Investors may apply for the Hong Kong Offer Shares under the Hong Kong Public Offering or indicate an interest, if qualified to do so, for the International Offering Shares under the International Offering, but may not do both. The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors in Hong Kong. The International Offering will involve selective marketing of the International Offering Shares to QIBs who are also QPs in the United States in reliance on Rule 144A or another available exemption from the registration requirements of the U.S. Securities Act, as well as to institutional and professional investors and other investors expected to have a sizeable demand for the International Offering Shares in Hong Kong and other jurisdictions outside the United States to non-U.S. persons in offshore transactions in reliance on Regulation S. The International Underwriters and the Joint Bookrunners are soliciting from prospective investors' indications of interest in acquiring the International Offering Shares. Prospective investors will be required to specify the number of International Offering Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price.

The number of Hong Kong Offer Shares and International Offer Shares to be offered under the Hong Kong Public Offering and the International Offering respectively may be subject to reallocation as described in "The Hong Kong Public Offering – Reallocation and Clawback" below.

THE HONG KONG PUBLIC OFFERING

Number of Shares Initially Offered

Our Company is initially offering 17,647,200 H Shares at the Offer Price under the Hong Kong Public Offering, representing 5.0% of the 352,944,000 H Shares initially available under the Global Offering, for subscription by the public in Hong Kong. Subject to adjustment as mentioned below, the number of H Shares initially offered under the Hong Kong Public Offering will represent 0.8% of our total issued share capital immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

In Hong Kong, individual retail investors are expected to apply for the Hong Kong Offer Shares through the Hong Kong Public Offering and individual retail investors, including individual investors in Hong Kong applying through banks and other institutions, seeking International Offer Shares will not be allotted International Offer Shares in the International Offering.

The Joint Global Coordinators (on behalf of the Underwriters) and the Joint Sponsors may require any investor who has been offered H Shares under the International Offering, and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Joint Global Coordinators and the Joint Sponsors so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that it is excluded from any application for the Hong Kong Offer Shares.

Allocation

For allocation purposes only, the 17,647,200 H Shares initially being offered for subscription under the Hong Kong Public Offering (after taking into account any adjustment in the number of Offer Shares allocated between the Hong Kong Public Offering and the International Offering) will be divided equally into two pools (subject to adjustment at odd lot size): Pool A comprising 8,823,600 Hong Kong Offer Shares and Pool B comprising 8,823,600 Hong Kong Offer Shares, both of which are available on an equitable basis to successful applicants. All valid applications that have been received for the Hong Kong Offer Shares with a total subscription amount (excluding brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee) of HK$5 million or below will fall into Pool A and all valid applications that have been received for the Hong Kong Offer Shares with a total subscription amount (excluding brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee) of over HK$5 million and up to the total value of Pool B, will fall into Pool B.

Applicants should be aware that applications in Pool A and Pool B are likely to receive different allocation ratios. If the Hong Kong Offer Shares in one pool (but not both pools) are under-subscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. Applicants can only receive an allocation of the Hong Kong Offer Shares from either Pool A or Pool B but not from both pools and only apply for Hong Kong Offer Shares in either Pool A or Pool B. When there is over-subscription, allocation of the Hong Kong Offer Shares to investors under the Hong Kong Public Offering, both in relation to Pool A and Pool B, will be based on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation in each pool may vary, depending on the number of Hong Kong Offer Shares validly applied for by each applicant. The allocation of Hong Kong Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

Reallocation and Clawback

The allocation of Shares between the Hong Kong Public Offering and the International Offering is subject to adjustment. If the number of H Shares validly applied for in the Hong Kong Public Offering represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times, and (iii) 100 times or more, of the number of Hong Kong Offer Shares initially available under the Hong Kong Public Offering, the total number of Hong Kong Offer Shares available under the Hong Kong Public Offering will be increased to 26,470,800, 35,294,400 and 70,588,800 H Shares, respectively, representing 7.5% (in the case of (i)), 10% (in the case of (ii)) and 20% (in the case of (iii)), respectively, of the total number of Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option), and such reallocation being referred to in this prospectus as "Mandatory Reallocation". In such cases, the number of Offer Shares allocated in the International Offering will be correspondingly reduced, in such manner as the Joint Global Coordinators and the Joint Sponsors deem appropriate, and such additional Offer Shares will be reallocated to Pool A and Pool B. If the Hong Kong Offer Shares are not fully subscribed, the Joint Global Coordinators have the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Joint Global Coordinators and the Joint Sponsors deem appropriate. In addition to any Mandatory Reallocation which may be required, the Joint Global Coordinators and the Joint Sponsors may, at their discretion, reallocate Shares initially allocated for the International Offering to the Hong Kong Public Offering to satisfy valid applications in Pool A and Pool B under the Hong Kong Public Offering, regardless of whether the Mandatory Reallocation is triggered.

Applications

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the Application Form submitted by him that he and any person(s) for whose benefit he is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the International Offering.

Multiple or suspected multiple applications and any application for more than 50% of the 17,647,200 H Shares initially comprised in the Hong Kong Public Offering (that is 8,823,600 Hong Kong Offer Shares) are liable to be rejected.

The listing of the Offer Shares on the Hong Kong Stock Exchange is sponsored by the Joint Sponsors. Applicants under the Hong Kong Public Offering are required to pay, on application, the Offer Price of HK$43.00 per H Share in addition to any brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee payable on each Offer Share. Further details are set out below in the section entitled "How to Apply for Hong Kong Offer Shares".

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

THE INTERNATIONAL OFFERING

Number of International Offer Shares Offered

The number of International Offer Shares to be initially offered and sold by us for subscription under the International Offering will consist of an initial offering of 335,296,800 Offer Shares, representing 95% of the Offer Shares under the Global Offering. Subject to any reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, the International Offer Shares will represent approximately 14.3% of our enlarged issued share capital immediately after completion of the Global Offering assuming that the Over-allotment Option is not exercised.

Allocation

Pursuant to the International Offering, the International Underwriters will conditionally place the International Offer Shares with QIBs who are also QPs in the United States in reliance on Rule 144A or another available exemption from the registration requirements under the U.S. Securities Act, as well as with institutional and professional investors and other investors who are not a U.S. person and expected to have a sizeable demand for the Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. The International Offering is subject to the Hong Kong Public Offering being unconditional.

Allocation of the International Offer Shares pursuant to the International Offering will be determined by the Joint Global Coordinators and will be based on a number of factors including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell Offer Shares after the Listing. Such allocation may be made to professional, institutional and corporate investors and is intended to result in a distribution of our Offer Shares on a basis which would lead to the establishment of a solid shareholder base to the benefit of our Company and our Shareholders as a whole.

Reallocation

The total number of International Offer Shares to be transferred pursuant to the International Offering may change as a result of the clawback arrangement described in "The Hong Kong Public Offering – Reallocation and Clawback", exercise of the Over-allotment Option in whole or in part and/or reallocation of all or any unsubscribed Hong Kong Offer Shares to the International Offering.

Over-allotment Option

In connection with the Global Offering, our Company is expected to grant the Over-allotment Option to the International Underwriters and the Joint Bookrunners, exercisable by the Joint Global Coordinators at their sole and absolute discretion for themselves and on behalf of the International Underwriters and the Joint Bookrunners for up to 30 days after the last day for lodging applications under the Hong Kong Public Offering. Pursuant to the Over-allotment Option, the Joint Global Coordinators will have the right to require our Company to issue and allot, up to an aggregate of additional 52,940,000 H Shares representing in aggregate approximately 15% of the initial number of the Offer Shares at the Offer Price to cover, among other things, over-allocations in the International Offering, if any. An announcement will be made in the event that the Over-allotment Option is exercised.

PRICING OF THE GLOBAL OFFERING

The Offer Price will be not more than HK$43.00 and is currently expected not to be less than HK$39.80 unless otherwise announced, as further explained below. Applicants for Hong Kong Offer Shares are required to pay, on application, the maximum Offer Price of HK$43.00 for each Hong Kong Offer Share together with brokerage of 1%, a Hong Kong Stock Exchange trading fee of 0.005% and a SFC transaction levy of 0.0027%.

If, based on the level of interest expressed by prospective institutional, professional and other investors during the book-building process, the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and the Joint Sponsors consider it appropriate, with our consent the number of Offer Shares being offered under the Global Offering and/or the Offer Price may be reduced below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of Friday, June 19, 2015, being the last day for lodging applications under the Hong Kong Public Offering, cause to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese), on the Hong Kong Stock Exchange's website at **www.hkexnews.hk**, and on our Company's website at **www.legendholdings.com.cn** notice of the reduction in the number of Offer Shares being offered under the Global Offering and/or the Offer Price. Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the offering statistics as currently set out in "Summary" and any other financial information which may change as a result of such reduction.

Before submitting applications for the Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares being offered under the Global Offering and/or the Offer Price may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering.

If applications for Hong Kong Offer Shares have been submitted prior to the day which is the last day for lodging applications under the Hong Kong Public Offering, in the event that the number of Offer Shares and/or the Offer Price is so reduced, such applications can subsequently be withdrawn.

The Hong Kong Offer Shares and the International Offer Shares may, in certain circumstances, be reallocated as between the Hong Kong Public Offering and International Offering at the discretion of the Joint Global Coordinators and the Joint Sponsors.

The level of applications in the Hong Kong Public Offering, the level of indications of interest in the International Offering, the results of applications and basis of allotment of the Hong Kong Offer Shares are expected to be announced on Friday, June 26, 2015 through a variety of channels as described in "How to Apply for Hong Kong Offer Shares – 11. Publication of Results".

UNDERWRITING ARRANGEMENTS

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement.

We expect that our Company will, on or about Sunday, June 21, 2015, enter into the International Underwriting Agreement relating to the International Offering. Underwriting arrangements, the Hong Kong Underwriting Agreement and the International Underwriting Agreement are summarized in "Underwriting".

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Monday, June 29, 2015, it is expected that dealings in H Shares on the Hong Kong Stock Exchange will commence on Monday, June 29, 2015. H Shares will be traded in board lots of 100 H Shares each.

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for the Offer Shares will be conditional on, inter alia:

- the Listing Committee granting approval for the listing of, and permission to deal in, the H Shares to be issued pursuant to the Global Offering (including pursuant to the exercise of the Over-allotment Option) on the Main Board of the Stock Exchange and such listing and permission not subsequently having been revoked prior to the commencement of dealings in the H Shares on the Stock Exchange;

- our Company having submitted to the HKSCC all requisite documents to enable the Offer Shares to be admitted to trade on the Hong Kong Stock Exchange; and

- the obligations of the Underwriters under the respective Underwriting Agreements becoming and remaining unconditional (unless and to the extent such conditions are validly waived on or before such dates and times) and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the date which is 30 days after the date of this prospectus.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Hong Kong Stock Exchange will be notified immediately. We will cause a notice of the lapse of the Hong Kong Public Offering to be published by us in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on the next day following such lapse. In such event, all application monies will be returned, without interest, on the terms set out in "How to Apply for Hong Kong Offer Shares". In the meantime, the application monies will be held in separate bank account(s) with the receiving banker(s) or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, amongst other things, the other becoming unconditional and not having been terminated in accordance with its terms.

Share certificates for the Offer Shares are expected to be issued on Friday, June 26, 2015 but will only become valid certificates of title at 8:00 a.m. on the date of commencement of the dealings in our H Shares, which is expected to be on Monday, June 29, 2015, provided that (i) the Global Offering has become unconditional in all respects and (ii) neither of the Underwriting Agreements has been terminated in accordance with its terms. Investors who trade H Shares prior to the receipt of share certificates or prior to the share certificates bearing valid certificates of title do so entirely at their own risk.

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Offer Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **White Form eIPO** service at **www.eipo.com.hk**; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Joint Global Coordinators, the Joint Sponsors, the **White Form eIPO** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S); and
- are not a legal or natural person of the PRC.

If you apply online through the **White Form eIPO** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorized officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Joint Global Coordinators and the Joint Sponsors may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **White Form eIPO** service for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of any Shares in our Company and/or any its subsidiaries;
- a Director or chief executive officer of our Company and/or any of its subsidiaries;
- an associate (as defined in the Listing Rules) of any of the above;
- a connected person (as defined in the Listing Rules) of our Company or will become a connected person of our Company immediately upon completion of the Global Offering; and
- have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

3. APPLYING FOR HONG KONG OFFER SHARES

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through **www.eipo.com.hk**.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours between 9:00 a.m. on Tuesday, June 16, 2015 until 12:00 noon on Friday, June 19, 2015 from:

(i) any of the following offices of the Joint Global Coordinators and the Hong Kong Underwriters:

China International Capital Corporation Hong
Kong Securities Limited (中國國際金融香港證券有限公司)
29th Floor, One International Finance Centre
1 Harbour View Street
Central
Hong Kong

UBS AG, Hong Kong Branch
52/F, Two International Finance Centre
8 Finance Street
Central, Hong Kong

Goldman Sachs (Asia) L.L.C.
68th Floor, Cheung Kong Center
2 Queen's Road Central
Central, Hong Kong

Morgan Stanley Asia Limited
Level 46, International Commerce Centre
1 Austin Road West
Hong Kong

BOCI Asia Limited
26th Floor, Bank of China Tower
1 Garden Road
Central, Hong Kong

BOCOM International Securities Limited
9th Floor, Man Yee Building
68 Des Voeux Road
Central, Hong Kong

Citigroup Global Markets Asia Limited
50/F Citibank Tower, Citibank Plaza
3 Garden Road
Central, Hong Kong

CLSA Limited
Level 18, One Pacific Place
88 Queensway
Hong Kong

CMB International Capital Limited
Units 1803-4, 18/F, Bank of America Tower
12 Harcourt Road
Central, Hong Kong

China Merchants Securities (HK) Co., Limited
48/F., One Exchange Square
Central, Hong Kong

Haitong International Securities Company Limited
22/F Li Po Chun Chambers
189 Des Voeux Road
Central, Hong Kong

Guotai Junan Securities (Hong Kong) Limited
27th Floor, Low Block
Grand Millennium Plaza, 181 Queen's Road
Central, Hong Kong

VMS Securities Limited
Suites 4112-4119, 41/F
Jardine House, 1 Connaught Place
Central, Hong Kong

(ii) any of the following branches of the receiving banks:

Bank of China (Hong Kong) Limited

District	**Branch name**	**Address**
Hong Kong Island	Bank of China Tower Branch	3/F, 1 Garden Road
	Sheung Wan Branch	252 Des Voeux Road Central
	Wan Chai (Wu Chung House) Branch	213 Queen's Road East, Wan Chai
	Taikoo Shing Branch	Shop G1006, Hoi Sing Mansion, Taikoo Shing

District	Branch name	Address
Kowloon	Mong Kok Branch	589 Nathan Road, Mong Kok
	Kowloon Plaza Branch	Unit 1, Kowloon Plaza, 485 Castle Peak Road
	Kwun Tong Plaza Branch	G1 Kwun Tong Plaza, 68 Hoi Yuen Road, Kwun Tong
New Territories	Shatin Branch	Shop 20, Level 1, Lucky Plaza, 1-15 Wang Pok Street, Sha Tin
	Tuen Mun Town Plaza Branch	Shop 2, Tuen Mun Town Plaza Phase II
	Castle Peak Road (Yuen Long) Branch	162 Castle Peak Road, Yuen Long

Standard Chartered Bank (Hong Kong) Limited

District	Branch name	Address
Hong Kong Island	Hennessy Road Branch	399 Hennessy Road, Wanchai
	North Point Centre Branch	Shop G, G/F, North Point Centre, 284 King's Road, North Point
Kowloon	Tsimshatsui Branch	G/F, 8A-10 Granville Road, Tsimshatsui
	Telford Gardens Branch	Shop P9-12, Telford Centre, Telford Gardens, Tai Yip Street, Kwun Tong
	Lok Fu Shopping Centre Branch	Shop G201, G/F., Lok Fu Shopping Centre
New Territories	Tsuen Wan Branch	Shop C, G/F & 1/F, Jade Plaza, 298 Sha Tsui Road, Tsuen Wan
	Maritime Square Branch	Shop 308E, Level 3, Maritime Square, Tsing Yi

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Tuesday, June 16, 2015 until 12:00 noon on Friday, June 19, 2015 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "Bank of China (Hong Kong) Nominees Limited – Legend Holdings Corporation Public Offer" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

- Tuesday, June 16, 2015 – 9:00 a.m. to 5:00 p.m.
- Wednesday, June 17, 2015 – 9:00 a.m. to 5:00 p.m.
- Thursday, June 18, 2015 – 9:00 a.m. to 5:00 p.m.
- Friday, June 19, 2015 – 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Friday, June 19, 2015, the last application day or such later time as described in "Effect of Bad Weather on the Opening of the Applications Lists" in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **White Form eIPO** service, among other things, you:

(i) undertake to execute all relevant documents and instruct and authorize our Company and/or the Joint Global Coordinators (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;

(ii) agree to comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;

(iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;

(iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;

(v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;

(vi) agree that none of our Company, the Joint Global Coordinators, the Joint Sponsors, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);

(vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares under the International Offering nor participated in the International Offering;

(viii) agree to disclose to our Company, our H Share Registrar, the receiving bank, the Joint Global Coordinators, the Joint Sponsors, the Underwriters and/or their respective advisors and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Joint Global Coordinators, the Joint Sponsors and the Underwriters nor any of their respective officers or advisors will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;

(x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(xi) agree that your application will be governed by the laws of Hong Kong;

(xii) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(xiii) warrant that the information you have provided is true and accurate;

(xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;

(xv) authorize our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any e-Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect the share certificate(s) and/or refund cheque(s) in person;

(xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(xvii) understand that our Company, the Joint Global Coordinators and the Joint Sponsors will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

(xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or to the **White Form eIPO** Service Provider by you or by any one as your agent or by any other person; and

(xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC; and (ii) you have due authority to sign the Application Form or give electronic application instructions on behalf of that other person as their agent.

Additional Instructions for YELLOW Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH WHITE FORM eIPO SERVICE

General

Individuals who meet the criteria in "Who can apply" section, may apply through the **White Form eIPO** service for the Offer Shares to be allotted and registered in their own names through the designated website at **www.eipo.com.hk**.

Detailed instructions for application through the **White Form eIPO** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorize the **White Form eIPO** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** service.

Time for Submitting Applications under the White Form eIPO

You may submit your application to the **White Form eIPO** Service Provider at **www.eipo.com.hk** (24 hours daily, except on the last application day) from 9:00 a.m. on Tuesday, June 16, 2015 until 11:30 a.m. on Friday, June 19, 2015 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Friday, June 19, 2015 or such later time under the "Effects of Bad Weather on the Opening of the Applications Lists" in this section.

No Multiple Applications

If you apply by means of **White Form eIPO**, once you complete payment in respect of any electronic application instruction given by you or for your benefit through the **White Form eIPO** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under **White Form eIPO** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **White Form eIPO** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Environmental Protection

The obvious advantage of **White Form eIPO** is to save the use of papers via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated **White Form eIPO** Service Provider, will contribute HK$2 for each "Legend Holdings Corporation" **White Form eIPO** application submitted via **www.eipo.com.hk** to support the funding of "Source of Dongjiang – Hong Kong Forest" project initiated by Friends of Earth (HK).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give electronic application instructions to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these electronic application instructions through the CCASS Phone System by calling +852 2979 7888 or through the CCASS Internet System (**https://ip.ccass.com**) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input electronic application instructions for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
1/F, One & Two Exchange Square
8 Connaught Place, Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Joint Global Coordinators, the Joint Sponsors and our H Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given electronic application instructions to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

(i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

(ii) HKSCC Nominees will do the following things on your behalf:

- agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;

- agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;

- undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering;

- (if the electronic application instructions are given for your benefit) declare that only one set of electronic application instructions has been given for your benefit;

- (if you are an agent for another person) declare that you have only given one set of electronic application instructions for the other person's benefit and are duly authorized to give those instructions as their agent;

- confirm that you understand that our Company, the Directors, the Joint Global Coordinators and the Joint Sponsors will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;

- authorize our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;

- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;

- agree that none of our Company, the Joint Global Coordinators, the Joint Sponsors, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);

- agree to disclose your personal data to our Company, our H Share Registrar, the receiving bank, the Joint Global Coordinators, the Joint Sponsors, the Underwriters and/or its respective advisors and agents;

- agree without prejudice to any other rights which you may have that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your electronic application instructions can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Hong Kong Public Offering results;

- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving electronic application instructions to apply for Hong Kong Offer Shares;

- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving electronic application instructions) to observe and comply with the Company Law, the Special Regulations on Listing Overseas and the Articles of Association of the Company;

- agree with the Company, for itself and for the benefit of each shareholder of the Company and each director, supervisor, manager and other senior officer of the Company (and so that the Company will be deemed by its acceptance in whole or in part of this application to have agreed, for itself and on behalf of each shareholder of the Company and each director, supervisor, manager and other senior officer of the Company, with each CCASS Participant giving electronic application instructions):

  (a) to refer all differences and claims arising from the Articles of Association of the Company or any rights or obligations conferred or imposed by the Company Law or other relevant laws and administrative regulations concerning the affairs of the Company to arbitration in accordance with the Articles of Association of the Company;

  (b) that any award made in such arbitration shall be final and conclusive; and

  (c) that the arbitration tribunal may conduct hearings in open sessions and publish its award;

- agree with the Company (for the Company itself and for the benefit of each shareholder of the Company) that H shares in the Company are freely transferable by their holders;

- authorise the Company to enter into a contract on its behalf with each director and officer of the Company whereby each such director and officer undertakes to observe and comply with his obligations to shareholders stipulated in the Articles of Association of the Company; and

- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving electronic application instructions to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;

- instructed and authorized HKSCC to arrange payment of the Offer Price, brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application, refund of the application monies (including brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee) by crediting your designated bank account; and

- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions for a minimum of 100 Hong Kong Offer Shares. Instructions for more than 100 of Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input electronic application instructions at the following times on the following dates:

- Tuesday, June 16, 2015 – 9:00 a.m. to 8:30 p.m.[(1)]

- Wednesday, June 17, 2015 – 8:00 a.m. to 8:30 p.m.[(1)]

- Thursday, June 18, 2015 – 8:00 a.m. to 8:30 p.m.[(1)]

- Friday, June 19, 2015 – 8:00 a.m.[(1)] to 12:00 noon

Note:

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input electronic application instructions from 9:00 a.m. on Tuesday, June 16, 2015 until 12:00 noon on Friday, June 19, 2015 (24 hours daily, except on the last application day).

The latest time for inputting your electronic application instructions will be 12:00 noon on Friday, June 19, 2015, the last application day or such later time as described in "Effect of Bad Weather on the Opening of the Application Lists" in this section.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any electronic application instructions to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed "Personal Data" applies to any personal data held by our Company, the H Share Registrar, the receiving bank, the Joint Global Coordinators, the Joint Sponsors, the Underwriters and any of their respective advisors and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving electronic application instructions to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **White Form eIPO** service is also only a facility provided by the **White Form eIPO** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, the Directors, the Joint Bookrunners, the Joint Sponsors, the Joint Global Coordinators and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **White Form eIPO** service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their electronic application instructions, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of electronic application instructions, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for electronic application instructions before 12:00 noon on Friday, June 19, 2015.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or through **White Form eIPO** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on electronic application instructions). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Hong Kong Stock Exchange.

"Statutory control" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the Offer Price, brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee in full upon application for H Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **White Form eIPO** service in respect of a minimum of 100 Hong Kong Offer Shares. Each application or electronic application instruction in respect of more than 100 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at **www.eipo.com.hk**.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Hong Kong Stock Exchange trading fee are paid to the Hong Kong Stock Exchange (in the case of the SFC transaction levy, collected by the Hong Kong Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see "Structure of the Global Offering – Pricing of the Global Offering".

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a "black" rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, June 19, 2015. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Friday, June 19, 2015 or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in "Expected Timetable", an announcement will be made in such event.

11. PUBLICATION OF RESULTS

Our Company expects to announce the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Friday, June 26, 2015 in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) on our Company's website at (**www.legendholdings.com.cn**) and the website of the Hong Kong Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company's website at (**www.legendholdings.com.cn**) and the Hong Kong Stock Exchange's website at **www.hkexnews.hk** by no later than 8:00 a.m. on Friday, June 26, 2015;

- from the designated results of allocations website at **www.iporesults.com.hk** with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Friday, June 26, 2015 to 12:00 midnight on Thursday, July 2, 2015;
- by telephone enquiry line by calling +852 2862 8669 between 9:00 a.m. and 10:00 p.m. from Friday, June 26, 2015 to Monday, June 29, 2015;
- in the special allocation results booklets which will be available for inspection during opening hours from Friday, June 26, 2015 to Saturday, June 27, 2015 and Monday, June 29, 2015 at all the receiving bank branches and sub-branches.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in "Structure of the Global Offering".

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving electronic application instructions to HKSCC or to **White Form eIPO** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If our Company or its agents exercise their discretion to reject your application:

Our Company, the Joint Global Coordinators, the Joint Sponsors, the **White Form eIPO** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Listing Committee of the Hong Kong Stock Exchange does not grant permission to list the H Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your electronic application instructions through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonored upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Joint Global Coordinators and the Joint Sponsors believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with "Structure of the Global Offering – Conditions of the Global Offering" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on Friday, June 26, 2015.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by electronic application instructions to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the H Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and

- refund cheque(s) crossed "Account Payee Only" in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for. Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on dispatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or before Friday, June 26, 2015. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on Monday, June 29, 2015 provided that the Global Offering has become unconditional and the right of termination described in the "Underwriting" section in this prospectus has not been exercised. Investors who trade shares prior to the receipt of share certificates or the share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from our H Share Registrar at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, Computershare Hong Kong Investor Services Limited, from 9:00 a.m. to 1:00 p.m. on Friday, June 26, 2015 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorize any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the H Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on or before Friday, June 26, 2015, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on or before Friday, June 26, 2015, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Friday, June 26, 2015, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- **If you apply through a designated CCASS participant (other than a CCASS investor participant)**

  For Hong Kong Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS participant.

- **If you are applying as a CCASS investor participant**

  Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in "Publication of Results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Friday, June 26, 2015 or any other date as determined by HKSCC or HKSCC Nominees.

  Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply through the White Form eIPO service

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your share certificate(s) from H Share Registrar at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Friday, June 26, 2015, or such other date as notified by our Company in the newspapers as the date of despatch/collection of share certificates/e-Refund payment instructions/refund cheques.

If you do not collect your share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your share certificate(s) where applicable) will be sent to the address specified in your application instructions on or before Friday, June 26, 2015 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) If you apply via Electronic Application Instructions to HKSCC

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives electronic application instructions or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Friday, June 26, 2015, or, on any other date determined by HKSCC or HKSCC Nominees.

- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in "Publication of Results" above on Friday, June 26, 2015. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Friday, June 26, 2015 or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give electronic application instructions on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Friday, June 26, 2015. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications (including brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Friday, June 26, 2015.

15. ADMISSION OF THE H SHARES INTO CCASS

If the Hong Kong Stock Exchange grants the listing of, and permission to deal in, the H Shares and we comply with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Hong Kong Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the H Shares to be admitted into CCASS.

The following is the text of a report received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to the Joint Sponsors pursuant to the requirements of Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants.

pwc 羅兵咸永道

June 16, 2015

The Directors
Legend Holdings Corporation

China International Capital Corporation Hong Kong Securities Limited
(中國國際金融香港證券有限公司)
UBS Securities Hong Kong Limited

Dear Sirs,

We report on the financial information of Legend Holdings Corporation (聯想控股股份有限公司, the "Company") and its subsidiaries (together, the "Group"), which comprises the consolidated balance sheets as at December 31, 2012, 2013 and 2014, the balance sheets of the Company as at December 31, 2012, 2013 and 2014, and the consolidated income statements, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements for each of the years ended December 31, 2012, 2013 and 2014 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory information. This financial information has been prepared by the directors of the Company and is set out in Sections I to IV below for inclusion in Appendix IA to the prospectus of the Company dated June 16, 2015 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
*T: +852 2289 8888, F: +852 2810 9888, **www.pwchk.com***

The Company was incorporated as a an enterprise owned by the whole people 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) in the People's Republic of China (the "PRC") in November 1984 with the approval of Chinese Academy of Science (the "CAS"). After the group reorganization as described in Note 1 of Section II headed "1. General information and reorganization" below, the Company was converted into a joint stock company with limited liability on February 18, 2014 with the approval of CAS and relevant government authorities.

As at the date of this report, the Company has direct and indirect interests in its subsidiaries, joint ventures and associates. Note 11 and Note 12 of Section II below set out all of the Company's significant subsidiaries, joint ventures and associates, all of these companies are private companies except for Lenovo Group Limited, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited. Except for Lenovo Group Limited which adopted March 31 as its financial year end date to better align with its operation seasonality, all the other subsidiaries, joint ventures and associates have adopted December 31 as their financial year end date.

The consolidated financial statements of the Company prepared in accordance with Accounting Standards for Business Enterprises of the PRC as at and for each of the years ended December 31, 2012, 2013 and 2014 were audited by PricewaterhouseCoopers Zhong Tian LLP (普華永道中天會計師事務所(特殊普通合夥)) respectively. The audited financial statements of the subsidiaries comprising the Group during the Relevant Periods for which there are statutory audit requirements have been prepared in accordance with the relevant accounting principles and financial regulations applicable to enterprises incorporated in the PRC or other accounting principles applicable to those companies incorporated in other jurisdictions. The details of the statutory auditors of these companies are set out in Note 11 of Section II below.

For the purpose of this report, the directors of the Company have prepared the consolidated financial statements of the Company for the Relevant Periods, in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board (the "Underlying Financial Statements"). The directors of the Company are responsible for the preparation of the Underlying Financial Statements that gives a true and fair view in accordance with IFRS. The Underlying Financial Statements have been audited by PricewaterhouseCoopers Zhong Tian LLP (普華永道中天會計師事務所(特殊普通合夥)) in accordance International Standards on Auditing (the "ISAs") issued by the International Auditing and Assurance Standards Board ("IAASB") pursuant to separate terms of engagement with the Company.

The financial information has been prepared based on the Underlying Financial Statements, with no adjustment made thereon.

Directors' Responsibility for the Financial Information

The directors of the Company are responsible for the preparation of the financial information that gives a true and fair view in accordance with IFRS, and for such internal control as the directors determine is necessary to enable the preparation of financial information that is free from material misstatement, whether due to fraud or error.

Reporting Accountant's Responsibility

Our responsibility is to express an opinion on the financial information and to report our opinion to you. We carried out our procedures in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Opinion

In our opinion, the financial information gives, for the purpose of this report, a true and fair view of the state of affairs of the Company and the Group as at December 31, 2012, 2013 and 2014 and of the Group's results and cash flows for the Relevant Periods then ended.

I. FINANCIAL INFORMATION OF THE GROUP

The following is the financial information of the Group prepared by the directors of the Company as at December 31, 2012, 2013 and 2014 and for each of the years ended December 31, 2012, 2013 and 2014 (the "Financial Information").

Consolidated Income Statements

		Year ended December 31,		
		2012	**2013**	**2014**
	Note	*RMB'000*	*RMB'000*	*RMB'000*
Sales of goods and services		226,301,535	243,611,280	288,955,525
Interest income		16,166	399,184	706,306
Interest expense		(1,759)	(52,803)	(185,999)
Net interest income		14,407	346,381	520,307
Total revenue	*5*	226,315,942	243,957,661	289,475,832
Cost of sales	*8*	(197,518,634)	(209,231,001)	(246,333,803)
Gross profit		28,797,308	34,726,660	43,142,029
Selling and distribution expenses	*8*	(12,778,019)	(12,467,621)	(13,972,291)
General and administrative expenses	*8*	(10,960,555)	(14,330,428)	(20,044,101)
Investment income and gains	*6*	1,432,618	3,186,581	4,806,134
Other income and gains/(losses)	*7*	1,479,083	478,725	(68,702)
Finance income	*10*	520,631	539,007	591,023
Finance costs	*10*	(1,840,558)	(2,048,697)	(3,185,529)
Share of (loss)/profit of associates and joint ventures accounted for using the equity method		(7,182)	(122,010)	291,689
Profit before income tax		6,643,326	9,962,217	11,560,252
Income tax expense	*13*	(2,178,620)	(2,248,743)	(3,738,081)
Profit for the year		4,464,706	7,713,474	7,822,171
Profit attributable to:				
– Equity holders of the Company		2,287,897	4,837,590	4,160,389
– Non-controlling interests		2,176,809	2,875,884	3,661,782
		4,464,706	7,713,474	7,822,171
Earnings per share for the profit attributable to the equity holders of the Company (expressed in RMB per share)				
Basic earnings per share	*14*	1.16	2.43	2.08
Diluted earnings per share	*14*	1.15	2.42	2.07
Dividends	*42*	275,000	302,500	332,750

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Year ended December 31,		
		2012	**2013**	**2014**
	Note	*RMB'000*	*RMB'000*	*RMB'000*
Profit for the year		4,464,706	7,713,474	7,822,171
Other comprehensive loss:				
Items that will not be reclassified to income statement				
Remeasurements of post-employment benefit obligation, net of taxes	*13, 40*	(91,926)	(73,657)	(108,836)
Revaluation of investment properties upon reclassification from property, plant and equipment, net of taxes	*13, 17*	–	30,201	–
Items that may be reclassified subsequently to income statement				
Currency translation differences		(466,005)	(1,606,392)	(2,165,833)
Share of other comprehensive income of associates		31,235	15,566	81,985
Change in fair value of available-for-sale financial assets, net of taxes	*13*	(304,124)	(194,782)	406,881
Fair value change on cash flow hedges, net of taxes	*13*	46,120	(12,544)	448,233
Other comprehensive loss for the year		(784,700)	(1,841,608)	(1,337,570)
Total comprehensive income for the year		3,680,006	5,871,866	6,484,601
Attributable to:				
– Equity holders of the Company		1,827,044	4,057,523	4,187,692
– Non-controlling interests		1,852,962	1,814,343	2,296,909
		3,680,006	5,871,866	6,484,601

CONSOLIDATED BALANCE SHEETS

	Note	As at December 31, 2012 RMB'000	2013 RMB'000	2014 RMB'000
ASSETS				
Non-current assets				
Leasehold land and land use rights	15	1,260,958	1,534,288	1,512,285
Property, plant and equipment	16	8,967,519	12,641,269	21,079,168
Investment properties	17	6,629,836	5,705,381	6,023,298
Intangible assets	18	22,127,842	22,944,438	56,386,519
Associates and joint ventures using equity accounting	12	4,531,556	4,388,752	6,990,086
Associates measured at fair value through profit or loss	12	9,725,080	11,882,076	12,676,928
Available-for-sale financial assets	20	3,310,935	2,567,931	3,549,532
Loans to customers	24	198,167	–	118,800
Restricted deposits	29	822,151	–	–
Deferred income tax assets	39	2,599,154	2,906,447	3,331,117
Other non-current assets	21	572,059	1,888,754	2,006,385
		60,745,257	66,459,336	113,674,118
Current assets				
Inventories	25	12,019,633	16,979,028	20,217,386
Properties under development	26	21,612,666	27,169,767	28,569,482
Completed properties held for sale	27	1,728,536	1,518,729	6,001,854
Trade and notes receivables	22	26,168,682	28,345,851	39,401,148
Prepayments, other receivables and current assets	23	26,888,052	31,368,592	32,632,921
Available-for-sale financial assets	20	207,000	7,000	114,100
Loans to customers	24	685,755	2,495,558	3,965,794
Derivative financial instruments	19	666,111	556,659	1,293,703
Financial assets at fair value through profit or loss	28	5,957,501	3,425,887	1,147,797
Restricted deposits	29	702,621	1,595,472	1,378,512
Bank deposits	29	2,704,561	2,068,017	4,831,811
Cash and cash equivalents	29	37,824,632	35,461,855	35,772,890
		137,165,750	150,992,415	175,327,398
Total assets		197,911,007	217,451,751	289,001,516
EQUITY AND LIABILITIES				
Equity attributable to equity holders of the Company				
Paid-in capital/Share capital	31	660,860	660,860	2,000,000
Other reserves		6,343,417	6,167,798	5,482,489
Retained earnings		15,685,336	20,206,766	24,503,367
Total equity attributable to equity holders of the Company		22,689,613	27,035,424	31,985,856
Non-controlling interests		18,095,664	18,285,139	22,222,809
Put option written on non-controlling interests	37(iii)	(1,343,399)	(1,343,399)	(1,343,399)
Total equity		39,441,878	43,977,164	52,865,266

		As at December 31,		
		2012	**2013**	**2014**
	Note	*RMB'000*	*RMB'000*	*RMB'000*
LIABILITIES				
Non-current liabilities				
Borrowings	*38*	27,341,298	32,219,101	56,550,145
Deferred revenue	*34*	2,597,759	2,602,730	3,742,876
Retirement benefit obligations	*40*	972,497	996,557	1,530,258
Provisions	*41*	2,360,362	1,951,493	2,595,523
Deferred income tax liabilities	*39*	2,466,044	2,600,366	3,409,654
Other non-current liabilities	*37*	6,810,487	7,842,304	16,549,953
		42,548,447	48,212,551	84,378,409
Current liabilities				
Trade and notes payables	*33*	35,616,992	38,373,453	49,755,181
Other payables and accruals	*35*	52,080,514	51,838,837	58,757,218
Derivative financial instruments	*19*	411,678	369,271	572,641
Provisions	*41*	4,980,507	5,085,863	7,050,244
Advance from customers	*36*	6,710,091	11,150,778	7,873,102
Deferred revenue	*34*	2,491,223	2,503,590	4,664,382
Current income tax liabilities		2,105,528	2,544,188	3,514,538
Borrowings	*38*	11,524,149	13,396,056	19,570,535
		115,920,682	125,262,036	151,757,841
Total liabilities		158,469,129	173,474,587	236,136,250
Total equity and liabilities		197,911,007	217,451,751	289,001,516
Net current assets		21,245,068	25,730,379	23,569,557
Total assets less current liabilities		81,990,325	92,189,715	137,243,675

BALANCE SHEETS OF THE COMPANY

		As at December 31,		
		2012	2013	2014
	Note	*RMB'000*	*RMB'000*	*RMB'000*
ASSETS				
Non-current assets				
Property, plant and equipment		18,652	14,707	11,368
Intangible assets		6,631	5,461	4,775
Investments in subsidiaries	*11*	7,401,420	6,471,945	6,404,970
Associates using equity accounting	*12*	3,262,490	3,494,139	4,266,004
Associates measured at fair value through profit or loss	*12*	3,436,887	2,904,829	3,253,792
Available-for-sale financial assets	*20*	1,639,460	1,249,475	1,396,732
Amounts due from subsidiaries	*11*	500,000	27,600	27,600
Other non-current assets		–	–	132,416
		16,265,540	14,168,156	15,497,657
Current assets				
Amounts due from subsidiaries	*11*	4,872,409	7,717,956	8,542,959
Amounts due from related parties		780,882	231,125	370,892
Prepayments, other receivables and current assets		290,466	426,055	632,323
Derivative financial instruments		24,078	–	–
Financial assets at fair value through profit or loss	*28*	188,469	184,296	180,210
Bank deposits	*29*	60,000	1,000,000	2,380,000
Cash and cash equivalents	*29*	3,826,510	2,216,074	3,497,579
		10,042,814	11,775,506	15,603,963
Total assets		26,308,354	25,943,662	31,101,620
Paid-in capital/Share capital	*31*	660,860	660,860	2,000,000
Other reserves	*32*	2,666,387	2,697,916	1,201,341
Retained earnings		605,553	501,799	632,713
Total equity		3,932,800	3,860,575	3,834,054

		As at December 31,		
		2012	**2013**	**2014**
	Note	*RMB'000*	*RMB'000*	*RMB'000*
LIABILITIES				
Non-current liabilities				
Borrowings	*38*	12,567,845	16,400,237	20,573,712
Deferred income tax liabilities	*39*	196,902	55,515	287,133
Amount due to related parties		671,880	1,671,880	–
Other non-current liabilities		–	–	30,559
		13,436,627	18,127,632	20,891,404
Current liabilities				
Amount due to subsidiaries	*11*	1,309,408	819,919	866,452
Amount due to related parties		1,008,231	–	1,000
Other payables and accruals		619,379	326,349	418,172
Borrowings	*38*	6,001,909	2,809,187	5,090,538
		8,938,927	3,955,455	6,376,162
Total liabilities		22,375,554	22,083,087	27,267,566
Total equity and liabilities		26,308,354	25,943,662	31,101,620
Net current assets		1,103,887	7,820,051	9,227,801
Total assets less current liabilities		17,369,427	21,988,207	24,725,458

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to the equity holders of the Company											
	Paid-in capital *RMB'000*	Statutory surplus reserve *RMB'000*	Treasury stock *RMB'000*	Revaluation reserve *RMB'000*	Share-based compensation reserve *RMB'000*	Hedging reserve *RMB'000*	Exchange reserve *RMB'000*	Other reserve *RMB'000*	Retained earnings *RMB'000*	Non-controlling interests *RMB'000*	Put option written on non-controlling interests *RMB'000*	Total *RMB'000*
As January 1, 2012	660,860	330,430	(168,982)	1,252,754	531,632	57,200	(1,039,889)	6,060,737	13,675,834	20,289,028	–	41,649,604
Profit for the year	–	–	–	–	–	–	–	–	2,287,897	2,176,809	–	4,464,706
Other comprehensive income												
Fair value changes on available-for-sale financial assets	–	–	–	(30,950)	–	–	–	–	–	20,017	–	(10,933)
Reclassified to income statement on disposal of available-for-sale financial assets	–	–	–	(293,191)	–	–	–	–	–	–	–	(293,191)
Share of other comprehensive income of associates	–	–	–	31,235	–	–	–	–	–	–	–	31,235
Fair value change on forward foreign exchange contracts	–	–	–	–	–	21,728	–	–	–	42,725	–	64,453
Reclassified to income statement on forward foreign exchange contracts	–	–	–	–	–	(6,160)	–	–	–	(12,173)	–	(18,333)
Currency translation differences	–	–	–	–	–	–	(153,156)	–	–	(312,849)	–	(466,005)
Remeasurement of post-employment benefit obligation	–	–	–	–	–	–	–	(30,359)	–	(61,567)	–	(91,926)
Total comprehensive (loss)/income for the year	–	–	–	(292,906)	–	15,568	(153,156)	(30,359)	2,287,897	1,852,962	–	3,680,006
Acquisition of subsidiaries *(Note 47)*	–	–	–	–	–	–	–	–	–	756,707	–	756,707
Disposal of subsidiaries	–	–	–	–	–	–	–	–	–	(3,614,077)	–	(3,614,077)
Transaction with non-controlling interests *(Note 46)*	–	–	–	–	–	–	–	(430,070)	–	(628,347)	–	(1,058,417)
Put option written on non-controlling interests	–	–	–	–	–	–	–	–	–	–	(1,343,399)	(1,343,399)
Contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	1,154,640	–	1,154,640
Transfer to reserve	–	–	–	–	–	–	–	7,494	(3,395)	2,127	–	6,226
Share-based compensation	–	–	–	–	93,520	–	–	–	–	184,814	–	278,334
Contribution from a shareholder	–	–	–	–	–	–	–	109,444	–	–	–	109,444
Dividends paid	–	–	–	–	–	–	–	–	(275,000)	(1,902,190)	–	(2,177,190)
As December 31, 2012	660,860	330,430	(168,982)	959,848	625,152	72,768	(1,193,045)	5,717,246	15,685,336	18,095,664	(1,343,399)	39,441,878

	Attributable to the equity holders of the Company											
	Paid-in capital RMB'000	Statutory surplus reserve RMB'000	Treasury stock RMB'000	Revaluation reserve RMB'000	Share-based compensation reserve RMB'000	Hedging reserve RMB'000	Exchange reserve RMB'000	Other reserve RMB'000	Retained earnings RMB'000	Non-controlling interests RMB'000	Put option written on non-controlling interests RMB'000	Total RMB'000
As January 1, 2013	660,860	330,430	(168,982)	959,848	625,152	72,768	(1,193,045)	5,717,246	15,685,336	18,095,664	(1,343,399)	39,441,878
Profit for the year	–	–	–	–	–	–	–	–	4,837,590	2,875,884	–	7,713,474
Other comprehensive income												
Fair value changes on available-for-sale financial assets	–	–	–	88,305	–	–	–	–	–	16,788	–	105,093
Reclassified to income statement on disposal of available-for-sale financial assets	–	–	–	(213,577)	–	–	–	–	–	(86,298)	–	(299,875)
Share of other comprehensive income of associates	–	–	–	15,566	–	–	–	–	–	–	–	15,566
Fair value change on forward foreign exchange contracts	–	–	–	–	–	56,993	–	–	–	120,223	–	177,216
Reclassified to income statement on forward foreign exchange contracts	–	–	–	–	–	(61,027)	–	–	–	(128,733)	–	(189,760)
Currency translation differences	–	–	–	–	–	–	(672,840)	–	–	(933,552)	–	(1,606,392)
Remeasurement of post-employment benefit obligation	–	–	–	–	–	–	–	(23,688)	–	(49,969)	–	(73,657)
Revaluation of investment properties upon reclassification from property, plant and equipment	–	–	–	30,201	–	–	–	–	–	–	–	30,201
Total comprehensive (loss)/income for the year	–	–	–	(79,505)	–	(4,034)	(672,840)	(23,688)	4,837,590	1,814,343	–	5,871,866
Acquisition of subsidiaries *(Note 47)*	–	–	–	–	–	–	–	–	–	64,283	–	64,283
Disposal of subsidiaries	–	–	–	–	–	–	–	–	–	(300,038)	–	(300,038)
Transaction with non-controlling interests *(Note 46)*	–	–	–	–	–	–	–	93,437	–	(158,718)	–	(65,281)
Contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	49,553	–	49,553
Transfer to reserve	–	–	–	–	–	–	–	18,098	(13,660)	3,931	–	8,369
Share of other reserve of associates	–	–	–	–	–	–	–	107,750	–	–	–	107,750
Share-based compensation	–	–	168,982	–	108,132	–	–	–	–	228,098	–	505,212
Contribution from a shareholder	–	–	–	–	–	–	–	108,049	–	–	–	108,049
Dividends paid	–	–	–	–	–	–	–	–	(302,500)	(1,511,977)	–	(1,814,477)
As December 31, 2013	660,860	330,430	–	880,343	733,284	68,734	(1,865,885)	6,020,892	20,206,766	18,285,139	(1,343,399)	43,977,164

	Attributable to the equity holders of the Company											
	Paid-in capital/ Share capital *RMB'000*	**Statutory surplus reserve** *RMB'000*	**Treasury stock** *RMB'000*	**Revaluation reserve** *RMB'000*	**Share-based compensation reserve** *RMB'000*	**Hedging reserve** *RMB'000*	**Exchange reserve** *RMB'000*	**Other reserve** *RMB'000*	**Retained earnings** *RMB'000*	**Non-controlling interests** *RMB'000*	**Put option written on non-controlling interests** *RMB'000*	**Total** *RMB'000*
As January 1, 2014	660,860	330,430	–	880,343	733,284	68,734	(1,865,885)	6,020,892	20,206,766	18,285,139	(1,343,399)	43,977,164
Profit for the year	–	–	–	–	–	–	–	–	4,160,389	3,661,782	–	7,822,171
Other comprehensive income												
Fair value changes on available-for-sale financial assets	–	–	–	534,977	–	–	–	–	–	33,013	–	567,990
Reclassified to income statement on disposal of available-for-sale financial assets	–	–	–	(161,109)	–	–	–	–	–	–	–	(161,109)
Share of other comprehensive income of associates	–	–	–	81,985	–	–	–	–	–	–	–	81,985
Fair value change on forward foreign exchange contracts	–	–	–	–	–	(54,966)	–	–	–	(155,951)	–	(210,917)
Reclassified to income statement on forward foreign exchange contracts	–	–	–	–	–	199,293	–	–	–	459,857	–	659,150
Currency translation differences	–	–	–	–	–	–	(540,009)	–	–	(1,625,824)	–	(2,165,833)
Remeasurement of post-employment benefit obligation	–	–	–	–	–	–	–	(32,868)	–	(75,968)	–	(108,836)
Total comprehensive income/(loss) for the year	–	–	–	455,853	–	144,327	(540,009)	(32,868)	4,160,389	2,296,909	–	6,484,601
Acquisition of subsidiaries *(Note 47)*	–	–	–	–	–	–	–	–	–	331,016	–	331,016
Disposal of subsidiaries	–	–	–	–	–	–	–	–	–	(1,978,538)	–	(1,978,538)
Transaction with non-controlling interests *(Note 46)*	–	–	–	–	–	–	–	712,435	–	4,067,546	–	4,779,981
Contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	375,060	–	375,060
Transfer to reserve	–	–	–	–	–	–	–	19,912	(21,538)	(704)	–	(2,330)
Share of share option reserve of an associate	–	–	–	–	43,256	–	–	–	–	–	–	43,256
Share-based compensation	–	–	–	–	345,431	–	–	–	–	774,998	–	1,120,429
Contribution from a shareholder	–	–	–	–	–	–	–	106,401	–	–	–	106,401
Release of escrow shares for settlement of acquisition consideration	–	–	–	–	–	–	–	10,077	–	20,915	–	30,992
Reclassified share of reserve in associate to income statement upon dilution	–	–	–	–	–	–	–	(120,484)	–	–	–	(120,484)
Dividends paid	–	–	–	–	–	–	–	–	(332,750)	(1,949,532)	–	(2,282,282)
Conversion into a joint stock limited liability company	1,339,140	(330,430)	–	(336,863)	–	–	–	(1,162,347)	490,500	–	–	–
As December 31, 2014	2,000,000	–	–	999,333	1,121,971	213,061	(2,405,894)	5,554,018	24,503,367	22,222,809	(1,343,399)	52,865,266

CONSOLIDATED CASH FLOW STATEMENTS

		Year ended December 31,		
		2012	2013	2014
		RMB'000	*RMB'000*	*RMB'000*
Cash flows from operating activities				
Cash generated from operations	*43*	5,452,036	473,530	4,172,100
Income tax paid		(1,921,275)	(2,055,347)	(2,736,795)
Net cash generated from/(used in) operating activities		3,530,761	(1,581,817)	1,435,305
Cash flows from investing activities				
Purchases of property, plant and equipment, and intangible assets		(4,903,557)	(6,970,727)	(9,087,844)
Proceeds from sale of property, plant and equipment, and intangible assets		59,892	82,450	108,977
Purchase of financial assets at fair value through profit or loss		(957,979)	(1,192,416)	(665,064)
Proceeds from the disposal of financial assets at fair value through profit or loss		1,415,915	2,060,422	1,984,766
Dividends from financial assets at fair value through profit or loss		366,798	254,041	185,141
Capital injection in associates measured at fair value through profit or loss		(586,287)	(722,301)	(2,163,613)
Distributions from associates measured at fair value through profit or loss		381,878	1,400,687	3,745,411
Acquisition of and capital injection in associates and joint ventures using equity accounting		(185,344)	(60,361)	(315,725)
Proceeds from partial disposal of associates using equity accounting		12,453	438,038	741,019
Distributions from associates using equity accounting		149,472	177,387	415,282
Purchase of available-for-sale financial assets		(80,691)	(76,810)	(626,743)
Proceeds from disposal of available-for-sale financial assets		515,812	1,549,901	186,193
Dividends from available-for-sale financial assets		4,147	281,624	13,154
Acquisition of subsidiaries, net of cash acquired		(2,170,385)	(1,168,799)	(14,815,107)
Disposal of subsidiaries, net of cash disposed		(502,276)	273,772	(2,015,654)
(Increase)/decrease in restricted deposits		(113,663)	(99,591)	799,328
Interest received		771,132	658,100	549,649
Loan (granted to)/repaid by others		(489,928)	643,843	–
(Increase)/decrease in bank deposits	*29*	(2,410,216)	636,544	(2,763,794)
Net cash used in investing activities		(8,722,827)	(1,834,196)	(23,724,624)

	Note	Year ended December 31, 2012	2013	2014
		RMB'000	*RMB'000*	*RMB'000*
Cash flows from financing activities				
Proceeds from borrowings		21,043,464	18,973,641	39,114,885
Repayments of borrowings		(11,513,493)	(14,773,934)	(19,698,835)
Capital contributions from non-controlling interests		1,092,943	93,452	375,060
Distribution to non-controlling interests		(1,642,690)	(1,618,424)	(1,891,125)
Transactions with non-controlling interests		(1,978,696)	(283,123)	(1,693,619)
Cash proceeds from issuance of bonds, net of issuance costs		2,281,600	2,212,964	11,851,395
Dividends paid to equity holders of the company	*42*	(275,000)	(302,500)	(332,750)
Interest paid		(2,179,575)	(3,227,138)	(4,617,940)
Net cash generated from financing activities		6,828,553	1,074,938	23,107,071
Net increase/(decrease) in cash and cash equivalents		1,636,487	(2,341,075)	817,752
Cash and cash equivalents at beginning of year		36,183,479	37,824,632	35,461,855
Exchange gains/(losses) on cash and cash equivalents		4,666	(21,702)	(506,717)
Cash and cash equivalents at end of year	*29*	37,824,632	35,461,855	35,772,890

II. NOTES ON THE FINANCIAL INFORMATION OF THE GROUP

1. GENERAL INFORMATION AND REORGANIZATION

1.1 General information

Legend Holdings Corporation (the "Company") is a joint stock company with limited liability under Company Law of the PRC. The address of the Company's registered office is 10F, Tower A, Raycom Info Tech Park, 2 Ke Xue Yuan Nan Lu, Hai Dian District, Beijing 100190, PRC.

The Company and its subsidiaries (together, the "Group") operate businesses through two principal business platforms, strategic investments and financial investments. The strategic investments consist of operations in (a) IT industry, which is primarily engaged in the development, manufacturing and marketing for personal technology products and services and other non-PC home appliances and other non-PC services; (b) financial services industry, which offers services including short-term financing, credit guarantees, entrusted loans, finance lease, banking, insurance brokerage services, payment and Internet finance and trusts, customised financial solutions to customers; (c) modern services industry, which operates in modern services including dental care, logistics, senior care and car rental business; (d) agriculture and food industry, which is mainly engaged in planting and sales of premium fruit and tea products in agriculture business, and producing and selling various brands of liquors in Chinese liquor business; (e) property industry, which is engaged in the business of the development and sale of residential properties and office buildings, office rental services and property management services to projects that the Group developed; and (f) chemicals and energy materials industry, which includes chemicals and energy materials and lithium-ion battery businesses. The financial investments platform conducts management of private equity and venture capital funds as well as advisory services. The Group also makes early stage or "angel" investments in technology start-ups and minority investments in other entities and invests in other funds as a limited partner investor.

1.2 Reorganization

The predecessor of the Company, known as 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), was incorporated in November 1984 with the approval of Chinese Academy of Sciences (中國科學院) ("CAS") as an enterprise owned by the whole people (全民所有制企業) with a registered capital of RMB1,300,000. Since its incorporation, 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) has completed a series of restructuring and changed its name to Legend Group Holdings Company (聯想集團控股公司) in August 1998 with an increased registered capital of RMB100,000,000.

With the agreement-in-principle from the Ministry of Finance of the PRC (中華人民共和國財政部) and the Ministry of Science and Technology of the PRC (中華人民共和國科學技術部) and the approval of CAS, on June 22, 2001, Legend Group Holdings Company (聯想集團控股公司) was reformed into a limited liability company and was renamed to Legend Holdings Limited (聯想控股有限公司). The registered capital of Legend Holdings Limited was RMB660,860,399.40, with CAS and the former Employee Shareholding Association (職工持股會) holding 65% and 35% interest respectively. The Company completed a number of reorganization thereafter, with shares transferred among its shareholders. As at February 20, 2012, CAS, through Chinese Academy of Sciences Holdings Co., Ltd (中國科學院國有資產經營有限責任公司), China Oceanwide Holdings Group Co. Ltd., (中國泛海控股集團有限公司) (the "COHG"), 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") and 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"), held 36%, 20%, 24% and 8.9% equity interests of the Company, respectively, and the rest of the equity interests of the Company were held by 6 individual shareholders.

On February 18, 2014, with the approval of CAS and relevant government authorities, Legend Holdings Limited (聯想控股有限公司) was converted into a joint stock limited liability company with a registered capital of RMB2 billion with capital contribution from its previous shareholders, in proportion to their respective holdings in the Company. The shareholdings of the Company has been maintained the same after the conversion.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

The Financial Information has been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The Financial Information has been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss, associates measured at fair value, investment properties and biological assets other than bearer plants, which are carried at fair value.

The preparation of the Financial Information 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 involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Financial Information are disclosed in Note 4.

2.1.1 New amendments early adopted by the Group

Amendments to IAS 16 and IAS 41 on Agriculture: bearer plants change the reporting for bearer plants, such as grape vines, rubber trees and oil palms. Bearer plants should be accounted for in the same way as property, plant and equipment because their operation is similar to that of manufacturing. The amendments include bearer plants in the scope of IAS 16 rather than IAS 41. The amendments are effective for annual periods beginning on or after January 1, 2016, with earlier application permitted.

Amendment to IAS 27 on equity method in separate financial statements allows entities to use equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The amendment is effective for annual period beginning on or after January 1, 2016, with earlier application permitted.

As at December 31, 2014, the Group has early adopted amendments to IAS 16 and IAS 41 with retrospective application. Consequently, the Group accounted bearer plants as property, plants and equipment. With the early adoption and retrospective application of IAS 27, the Company accounts for investment in associates and joint ventures using equity accounting whereas investments in subsidiaries are accounted for at cost. Early adoption of those relevant standards is to be consistent with the financial information prepared for statutory reporting purpose under Accounting Standards for Business Enterprises of the PRC.

2.1.2 New standards and interpretations not yet adopted

The following new standards, amendments and interpretations to existing standards have been issued but are not effective for the financial year beginning January 1, 2014 and have not been early adopted by the Group.

- IFRS 14, "Regulatory Deferral Accounts", describes regulatory deferral account balances as amounts of expense or income that would not be recognised as assets or liabilities in accordance with other standards, but that qualify to be deferred in accordance with IFRS 14 because the amount is included, or is expected to be included, by the rate regulator in establishing the price(s) that an entity can charge to customers for rate-regulated goods or services. IFRS 14 permits eligible first-time adopters of IFRS to continue their previous GAAP rate-regulated accounting policies, with limited changes. IFRS 14 requires separate presentation of regulatory deferral account balances in the balance sheet and of movements in those balances in the statement of comprehensive income. Disclosures are required to identify the nature of, and risk associated with, the form of rate regulation that has given rise to the recognition of regulatory deferral account balances. IFRS 14 is effective for an entity's first annual financial statements under IFRS for a period beginning on or after January 1, 2016, with earlier application permitted.

- IFRS 9, "Financial instruments", addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after January 1, 2018. Early adoption is permitted.

- IFRS 15, "Revenue from contracts with customers" deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after January 1, 2017 and earlier application is permitted.

- Amendment to IAS 19 regarding defined benefit plans: employee contributions narrow scope amendment applies to contributions from employees or third parties to defined benefit plans. The amendment distinguishes between contributions that are linked to service only in the period in which they arise and those linked to service in more than one period. The amendment allows contributions that are linked to service, and do not vary with the length of employee service, to be deducted from the cost of benefits earned in the period that the service is provided. Contributions that are linked to service, and vary according to the length of employee service, must be spread over the service period using the same attribution method that is applied to the benefits. The amendment is effective for annual periods beginning on or after July 1, 2014 and to be applied retrospectively, with earlier application permitted.

- Amendments to IFRS 10 and IAS 28 on sale or contribution of assets between an investor and its associate or joint venture address an inconsistency between IFRS 10 and IAS 28 in the sale and contribution of assets between an investor and its associate or joint venture. A full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if those assets are in a subsidiary. The amendment is effective for annual period beginning on or after January 1, 2016, with earlier application permitted.

- Amendments to IAS 16 and IAS 38 on clarification of acceptable methods of depreciation and amortisation clarify when a method of depreciation or amortisation based on revenue may be appropriate. The amendment to IAS 16 clarifies that depreciation of an item of property, plant and equipment based on revenue generated by using the asset is not appropriate. The amendment to IAS 38 establishes a rebuttable presumption that amortisation of an intangible asset based on revenue generated by using the asset is inappropriate. The presumption may only be rebutted in certain limited circumstances:

  - where the intangible asset is expressed as a measure of revenue; or

  - where it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

  The amendment is effective for annual period beginning on or after January 1, 2016, with earlier application permitted.

- Amendment to IFRS 11 on accounting for acquisitions of interests in joint operations requires an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a 'business' (as defined in IFRS 3, Business combinations). Specifically, an investor will need to:

  - measure identifiable assets and liabilities at fair value;

  - expense acquisition-related costs;

  - recognise deferred income tax; and

  - recognise the residual as goodwill.

  All other principles of business combination accounting apply unless they conflict with IFRS 11.

The amendment is applicable to both the acquisition of the initial interest and a further interest in a joint operation. The previously held interest is not remeasured when the acquisition of an additional interest in the same joint operation with joint control maintained.

The amendment is effective for annual period beginning on or after January 1, 2016, with earlier application permitted.

The Group is assessing the impact of above new standards or amendments or interpretations to standards. There are no other IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

2.2 Subsidiaries

2.2.1 Consolidation

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. 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 either at fair value or 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.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in income statement or as a change to other comprehensive income. 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 (Note 2.10). 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 Financial Information 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 financial liabilities when such options may only be settled other than by exchange of a fixed amount of cash or another financial asset for a fixed number of shares in the subsidiary. The amount that may become payable under the option on exercise is initially recognised at fair value as a written put option liability with a corresponding charge directly to equity.

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

(c) Disposal of subsidiaries

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

2.2.2 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.

With the early adoption of amendments to IAS 27 as described in Note 2.1.1 above, investment in associates are accounted for using equity method in separate financial statement. The carrying amount of investment in associates is increased or decreased to recognise the investor's share of comprehensive income and other change in the net assets of the associates. Investments in associates that are accounted for in accordance with IAS 39 in the consolidated financial statements are accounted for in the same way in the separate financial statements.

2.3 Associates

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

(a) Equity method of accounting

Investments in associates other than those investments in venture capital funds ("VC Funds") and private equity funds ("PE Funds") 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 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 other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to "share of (losses)/profit of associates and joint ventures accounted for using the equity method" 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 statements 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 the 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.

2.4 Joint arrangements

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

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

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

2.5 Segment reporting

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

2.6 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The Financial Information are presented in RMB, which is the Company's functional and the Group's presentation 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 income and gains/(losses)".

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale 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 available for sale, are included in other comprehensive income.

(c) Group companies

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

- income and expenses for each income statement presented are translated at average exchange rates (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 recognised 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.

(e) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the equity owners of the Company are reclassified to income statement.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in income statement. For all other partial disposals (that is, reductions in the Group's ownership interest in associates or jointly controlled entities that do not result in the Group losing significant influence or joint control) the proportionate share of the accumulated exchange difference is reclassified to income statement.

2.7 Property, plant and equipment

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

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

– Buildings and leasehold improvements	10-50 years
– Machinery and equipment	2-8 years
– Motor & Vehicles	5-6 years
– Office equipment and others	3-10 years
– Bearer plants	20 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 2.10).

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

2.8 Construction-in-progress

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

2.9 Investment property

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

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

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 reserve. The revaluation reserve included in equity may be transferred directly to retained earnings when the surplus is realised.

2.10 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 cash-generating units ("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 reviews 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. Trademarks with a definite useful life are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks over their estimated useful lives of up to 8 years. Trademarks with an indefinite useful life are subject to impairment testing annually.

(c) Contractual customer relationships

Contractual customer relationships acquired in a business combination are recognised at fair value at the acquisition date. The contractual 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 useful lives, which are from 10 to 15 years.

(d) Computer software

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

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

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 is 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 5 years.

2.11 Impairment of non-financial assets

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 costs to sell 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 (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.12 Biological assets

As stated in Note 2.1.1, the Group has early adopted the amendments to IAS 41 and IAS 16 with regard to bearer plants as at December 31, 2014. Bearer plants of the Group consist of blueberry and kiwi trees, which are recognised as property, plant and equipment and measured at cost less accumulated depreciation and impairment.

Agricultural produce harvested from bearer biological assets is measured at its fair value less costs to sell at the point of harvest and recognised as inventory subsequently. The fair value of agricultural produce is based on market prices of agricultural produce of similar size and weight or alternative estimates of fair value.

2.13 Financial assets

2.13.1 Classification

The Group classifies its financial assets in the following categories: (a) at fair value through profit or loss, (b) loans and receivables, and (c) available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading and those designated at fair value through profit or loss at initial recognition. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise trade, notes and other receivables, deposits, bank deposits and cash and cash equivalents in the balance sheet (Notes 2.18 and 2.19).

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

2.13.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date, the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the consolidated income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are transferred to the income statement as "investment income and gains".

Interest on available-for-sale securities calculated using the effective interest method is recognised in the consolidated income statement as part of "investment income and gains". Dividends on available-for-sale equity instruments are recognised in the consolidated income statement as part of "investment income and gains" when the Group's right to receive payments is established.

2.14 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is 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 legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.15 Impairment of financial assets

(a) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

(b) Assets classified as available-for-sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, if any such evidence exists, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in income statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated income statement.

For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in consolidated income statement. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the income statement.

2.16 Derivative financial instruments and hedging activities

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).

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 19. 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.

(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 income statement within "other income and gains/(losses)".

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

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 income statement within "other income and gains/(losses)".

2.17 Inventories, properties under development and completed properties held for sale

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

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

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

Completed properties held for sale are completed properties remaining unsold at year end and are stated at the lower of cost and net realisable values. Cost comprises development costs attributable to the unsold properties. Net realisable values are determined by reference to the estimated sales proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management estimates based on prevailing marketing conditions.

2.18 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.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.19 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. In the consolidated balance sheet, bank overdrafts are shown within borrowings in current liabilities.

2.20 Share capital

Ordinary shares are classified as equity.

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

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

2.21 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable 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.

2.22 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 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.

2.23 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 income statement in the period in which they are incurred.

2.24 Current and deferred income tax

The tax expense for the period comprises current and deferred 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, respectively.

(a) Current income tax

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

(b) Deferred income tax

Inside basis differences

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

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

Outside basis differences

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

(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 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.

2.26 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 guarantees are initially recognised in the financial statements at fair value on the date the guarantee was given. The fair value of financial guarantees issued at the time of issuance is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in the income statement on initial recognition of any deferred income. Subsequent to initial recognition, the Group's liabilities under such guarantees are measured at the higher of the initial amount, less amortization of fees recognised in accordance with IAS 18, and the best estimate of the amount required to settle the guarantee. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by management's judgment. The fee income earned is recognised on a straight-line basis over the life of the guarantee. Any increase in the liability relating to guarantees is reported in the consolidated income statement within "General and Administrative expenses".

Where guarantees in relation to loans or other payables of subsidiaries or associates are provided with no consideration, the fair values of guarantees are accounted for as contributions and recognised as part of the cost of the investment in the financial statements of the Company.

2.27 Employee benefits

The Group operates various post-employment schemes. The schemes are funded through payments to insurance companies or trustee-administrated fund, 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.

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

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 service 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 income/expense in the period in which they arise. The obligations of these schemes in the United States are valued annually by independent qualified actuaries.

2.28 Share-based payments

The Group operates a number of equity-settled compensation plans, including the long-term incentive program and share option plan granted by a principal subsidiary, Lenovo Group Limited ("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. The fair value of the employee services received in exchange for the grant of the Incentive Awards is recognised as an 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 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 that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, with a corresponding adjustment to share-based compensation reserve under equity.

2.29 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 interest expense.

(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 guarantee losses

Provisions for guarantee losses are recognised when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in liabilities from guarantees in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

When determining the amounts to be recognised in respect of liabilities arising from the guarantee business, management estimates the provisions based on prior experience and default history of the business. It is possible that the prior experience and default history is not indicative of future loss on the guarantees issued. Any increase or decrease in the provisions would affect the income statement in future years.

(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.

2.30 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied and service rendered, stated net of discounts, estimated returns and value added taxes. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Sales of goods

Revenue from sale of computer 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 both ownership and risk of loss are 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. Revenue from extended warranty contracts is deferred and amortised as earned over the contract period, ranging from one to four years. Revenue associated with undelivered elements is deferred and recorded when delivery occurs. The Group defers the cost of shipped products awaiting revenue recognition until the goods are delivered and revenue is recognised.

(b) Sales of properties

Revenue from sales of properties is recognised upon the delivery of property sold and transfer of ownership of the properties to the customers which are deemed to be the earlier of the actual date of delivery or the first day after the last day of the delivery period as stipulated in the property delivery notice. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in current liabilities, and are separately stated in the balance sheet as advances from customers.

(c) Guarantee income

Guarantee income is determined based on the total agreed fee in the guarantee contracts and is recognised in the income statement over the period of guarantee.

(d) Rental income

Revenue is recognised on a time proportion basis over the lease terms.

(e) Provision of service

Revenue from the provision of logistic services, property management and financial leasing services, consultancy & commission income and management fees are all recognised in the accounting period in which the services are rendered. Revenue from provision of systems integration service and information technology technical service is recognised over the term of contract or when services are rendered.

(f) 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. Interest income on impaired financial assets is recognised using the original effective interest rate.

2.31 Dividend income

Dividend income is recognised when the right to receive payment is established.

2.32 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 income and gains/(losses)" 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 income statement on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate.

2.33 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

2.34 Related party transactions

A related party transaction is a transfer of resources, services or obligations between the Group and a related party of the Group, regardless of whether a price is charged.

(a) A person, or a close member of that person's family, is related to the Group if that person:

- has control or joint control over the Group;
- has significant influence over the Group; or
- is a member of the key management personnel of the Group.

(b) An entity is related to the Group if any of the following conditions applies:

- The entity and the Group 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 the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
- Both entities are 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 Group, 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).

2.35 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow 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 multitiered 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 Group 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 currency risk arising from various currency exposures, primarily with respect to United States dollar, Renminbi, and Euro. Foreign currency 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.

The carrying amount in RMB equivalents of the financial assets and liabilities held by the Company and its subsidiaries denominated in the currencies other than their respective functional currencies are summarised below:

	As at December 31, 2012			
	USD	**RMB**	**EUR**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade and other receivables	1,524,713	11	745,630	2,270,354
Bank deposits and cash and cash equivalents	201,769	366,102	99,368	667,239
Trade and other payables	(5,426,415)	(14,183)	(48,615)	(5,489,213)
Borrowings	(797,067)	–	(34,303)	(831,370)
Intercompany balances before elimination	(10,480,210)	(2,659,037)	(1,110,227)	(14,249,474)
Gross exposure	(14,977,210)	(2,307,107)	(348,147)	(17,632,464)
Notional amounts of forward exchange contracts used as economic hedge	14,475,419	–	389,607	14,865,026
Net exposure	(501,791)	(2,307,107)	41,460	(2,767,438)

	As at December 31, 2013			
	USD	**RMB**	**EUR**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade and other receivables	1,288,228	8,452	1,119,364	2,416,044
Bank deposits and cash and cash equivalents	927,542	108,262	152,290	1,188,094
Trade and other payables	(3,176,441)	(65,286)	(5,952)	(3,247,679)
Borrowings	(971,065)	–	(91,261)	(1,062,326)
Intercompany balances before elimination	(13,221,393)	(168,207)	(1,698,244)	(15,087,844)
Gross exposure	(15,153,129)	(116,779)	(523,803)	(15,793,711)
Notional amounts of forward exchange contracts used as economic hedge	15,632,657	–	922,569	16,555,226
Net exposure	479,528	(116,779)	398,766	761,515

	As at December 31, 2014			
	USD	RMB	EUR	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade and other receivables	2,043,847	41,330	1,752,203	3,837,380
Bank deposits and cash and cash equivalents	1,322,316	225,419	354,652	1,902,387
Trade and other payables	(5,538,496)	(159,972)	(69,981)	(5,768,449)
Borrowings	(518,624)	–	(100)	(518,724)
Intercompany balances before elimination	(9,088,164)	1,970,897	(1,043,290)	(8,160,557)
Gross exposure	(11,779,121)	2,077,674	993,484	(8,707,963)
Notional amounts of forward exchange contracts used as economic hedge	14,185,115	–	243,102	14,428,217
Net exposure	2,405,994	2,077,674	1,236,586	5,720,254

As at December 31, 2012, 2013 and 2014, if RMB had weakened/strengthened by 5% against the major currencies with all other variables held constant, the Group would generate extra exchange gains or losses of approximately RMB92 million, RMB50 million, and RMB78 million, respectively.

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.

(ii) Price risk

The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated balance sheets either as available-for-sale or at fair value through profit or loss. 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 five capital markets: HK, China, US, Japan and Taiwan.

The table below summarises the impact of increases/decreases of the five capital markets on the group's pre-tax profit and other comprehensive income for the year. The analysis is based on the assumption that the equity indexes had increased/decreased by 5% with all other variables held constant.

	Impact on pre-tax profit Year ended December 31,		
Index	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
Equity securities – HK	910	425	861
Equity securities – US	32,075	–	3,968
Equity securities – Taiwan	12,304	7,137	–
Equity securities – China	222,189	132,611	341
	267,478	140,173	5,170

Index	Impact on other comprehensive income Year ended December 31, 2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
Equity securities – HK	36,431	25,324	23,541
Equity securities – US	11,818	–	4,409
Equity securities – Japan	3,283	2,972	3,123
Equity securities – China	41,397	56,758	94,810
	92,929	85,054	125,883

Pre-tax profit for the year would increase/decrease as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other comprehensive income would increase/decrease as a result of gains/losses on equity securities classified as available-for-sale.

Other market price risk also arises from the Group's investments in unlisted equity securities, including VC Funds and PE Funds.

(iii) Cash flow and fair value interest rate risk

The Group's interest rate risk arises primarily from long-term borrowings and loans from related parties. Long-term borrowings at floating rates expose the Group to cash flow interest rate risk. Long-term borrowings and loans from related parties at fixed rates expose the Group to fair value interest rate risk. The Group's long-term borrowings with floating interest rates amounted to approximately RMB5 billion, RMB5 billion and RMB8 billion as at December 31, 2012, 2013 and 2014; long-term borrowings and loans from related parties with fixed interest rates amounted to approximately RMB24 billion, RMB29 billion and RMB49 billion as at December 31, 2012, 2013 and 2014.

The Group operates various customer financing programs primarily in IT business. The Group is exposed to fluctuation of interest rates of all the currencies covered by those programs.

The Group manage its interest rate risk by performing regular review and monitoring its interest rate exposure and when appropriate using floating-to-fixed interest rate swaps.

If interest rates on the floating rate borrowings had risen/fallen 50 basis points while all other variables had been held constant, the Group's post-tax profit would have decreased/increased by approximately RMB24 million, RMB25 million and RMB38 million as at December 31, 2012, 2013 and 2014.

If interest rates on customer financing programs had risen/fallen 50 basis points while all other variables had been held constant, the Group's post-tax profit would have decreased/increased by approximately RMB21 million, RMB24 million and RMB40 million as at December 31, 2012, 2013 and 2014.

(b) Credit risk

Credit risk is managed on a group basis. Credit risk mainly arises from cash and cash equivalents, bank deposits, restricted deposits, trade and notes receivable, loans to customers, other receivables and derivative financial instruments etc.

For the cash at bank, the Group controls its credit risk through monitoring their credit rating and setting approved credit limits that are regularly reviewed.

The Group has no significant concentration of customer credit risk. The Group has policies to limit the credit exposure on receivables. The Group assesses the credit quality of and sets credit limits on its customers, taking into account their financial position, the availability of guarantee from third parties, their credit history and other factors such as current market conditions. The credit history of the customers is regularly monitored by the Group. In respect of customers with a poor credit history, the Group will use written payment reminders, or shorten or cancel credit periods, to ensure the overall credit risk of the Group is limited to a controllable extent.

The Group has taken measures to identify credit risks arising from guarantee business. The Group manages credit risk at every stage of the risk management system, including pre-approval, review and credit approval and post-transaction monitoring processes. The Group conducts customer acceptance and due diligence by business department and risk management department during the pre-approval process. A transaction may be subject to the review and approval of credit approval officer, regional risk committee, deputy chairman and chairman depending on the transaction size. During the post-transaction monitoring process, the Group conducts on-site inspection and ongoing post-transaction reviews focusing on various aspects, including but not limited to customers' product markets, operating income, assets and liabilities, cash flows from operating activities to detect potential risks. The Group takes proactive preventive actions based on the risk analysis and design contingency plans accordingly.

The Group adopts the same pre-approval, review and credit approval risk management system for credit risk arising from loan business. During the post-transaction monitoring process, the Group conducts a visit of customers within one month after disbursement of loans, and conducts on-site inspection on a semi-annual basis. The review focuses on the use of loans, the financial and operational conditions of the borrowers or the progress of projects and status of the collateral.

The Group adopts a loan risk classification approach to manage its loan portfolio risk. Loans are generally classified as normal, special mention, substandard, doubtful and loss according to their levels of risk. Substandard, doubtful and loss loans are considered to be impaired loans and advances. They are classified as such when one or more events demonstrate that there is objective evidence of a loss event. The impairment loss is assessed collectively or individually as appropriate.

At the same time, the Group has established relevant mechanisms to apply tiered management of credit risks, and set limits to acceptable risks for different individual or group counterparties, different industries and geographical regions. The Group monitors the risk status of these customers regularly and reviews their risk positions at least on a quarterly basis.

(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 table below set forth the financial liabilities of the Group and the Company based on the remaining period at the balance sheet date to the contractual maturity date at their contractual undiscounted cash flows:

			The Group		
	Less than 1 year	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at December 31, 2012					
Borrowings	13,588,401	10,931,176	12,077,823	9,959,748	46,557,148
Trade and notes payables	35,616,992	–	–	–	35,616,992
Other payables and accruals	36,199,161	–	–	–	36,199,161
Other liabilities excluding non-financial liabilities	1,191,397	1,973,003	4,807,963	296,795	8,269,158
Derivative financial instruments settled in gross:					
Forward foreign exchange contracts					
– outflow	24,756,757	–	–	–	24,756,757
– inflow	(25,002,025)	–	–	–	(25,002,025)
Financial guarantee contracts *(Note 44)*	9,753,488	–	–	–	9,753,488

	The Group				
	Less than 1 year	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at December 31, 2013					
Borrowings	15,781,622	15,133,466	16,078,583	4,980,229	51,973,900
Trade and notes payables	38,373,453	–	–	–	38,373,453
Other payables and accruals	36,015,397	–	–	–	36,015,397
Other liabilities excluding non-financial liabilities	358,213	1,692,698	5,809,185	147,538	8,007,634
Derivative financial instruments settled in gross:					
Forward foreign exchange contracts					
– outflow	33,958,836	–	–	–	33,958,836
– inflow	(34,113,383)	–	–	–	(34,113,383)
Financial guarantee contracts *(Note 44)*	12,725,475	–	–	–	12,725,475
As at December 31, 2014					
Borrowings	20,957,057	19,231,308	41,082,770	3,539,944	84,811,079
Trade and notes payables	49,755,181	–	–	–	49,755,181
Other payables and accruals	38,482,595	–	–	–	38,482,595
Other liabilities excluding non-financial liabilities	325,670	3,565,024	10,988,625	817,259	15,696,578
Derivative financial instruments settled in gross:					
Forward foreign exchange contracts					
– outflow	39,071,463	–	–	–	39,071,463
– inflow	(45,392,444)	–	–	–	(45,392,444)
Financial guarantee contracts *(Note 44)*	13,275,187	–	–	–	13,275,187

	The Company				
	Less than 1 year	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At December 31, 2012					
Borrowings	6,893,189	1,713,100	7,671,856	6,023,700	22,301,845
Amounts due to subsidiaries	1,309,408	–	–	–	1,309,408
Amounts due to related parties	1,047,516	684,280	–	–	1,731,796
Other payables and other liabilities	580,077	–	–	–	580,077
Financial guarantee contracts	16,839,285	–	–	–	16,839,285
At December 31, 2013					
Borrowings	3,839,975	7,612,717	8,297,817	2,813,625	22,564,134
Amounts due to subsidiaries	819,919	–	–	–	819,919
Amounts due to related parties	47,516	47,516	1,718,745	–	1,813,777
Other payables and other liabilities	279,346	–	–	–	279,346
Financial guarantee contracts	19,957,937	–	–	–	19,957,937
At December 31, 2014					
Borrowings	4,407,786	7,459,382	13,101,633	2,682,525	27,651,326
Amounts due to subsidiaries	866,452	–	–	–	866,452
Amounts due to related parties	1,000	–	–	–	1,000
Other payables and other liabilities	391,438	–	–	–	391,438
Financial guarantee contracts	28,516,141	–	–	–	28,516,141

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.

Consistent with others in the industry, the Group monitors capital on the basis of debt to equity ratio. Debt to equity ratio is calculated by dividing net debt by total equity at the end of each financial period. The Group's strategy remains unchanged and debt to equity ratios and net cash position of the Group as at December 31, 2012, 2013 and 2014 are as follows:

	As at December 31,		
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
Total borrowings *(Note 38)*	38,865,447	45,615,157	76,120,680
Less: cash and cash equivalents *(Note 29)*	(37,824,632)	(35,461,855)	(35,772,890)
	1,040,815	10,153,302	40,347,790
Total equity	39,441,878	43,977,164	52,865,266
Debt to equity ratio	2.6%	23.1%	76.3%

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).

The following table presents the group's financial assets and liabilities that are measured at fair value at December 31, 2012, 2013 and 2014.

	The Group As at December 31, 2012			
	Level 1	Level 2	Level 3	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Assets				
Associates measured at fair value through profit or loss *(Note 12(b))*	–	–	9,725,080	9,725,080
Financial assets measured at fair value through profit or loss				
– Listed securities	5,217,952	131,608	–	5,349,560
– Unlisted securities	–	–	607,941	607,941
Derivative financial instruments *(Note i)*	–	642,033	24,078	666,111
Available-for-sale financial assets				
– Listed securities	1,789,384	69,173	–	1,858,557
– Unlisted securities	–	–	1,452,378	1,452,378
– Bank's wealth management product	–	–	207,000	207,000
	7,007,336	842,814	12,016,477	19,866,627
Liabilities				
Derivative financial instruments *(Note i)*	–	411,678	–	411,678
Contingent considerations	–	–	1,905,814	1,905,814
Written put option liability	–	–	1,348,158	1,348,158
	–	411,678	3,253,972	3,665,650

	The Group As at December 31, 2013			
	Level 1	Level 2	Level 3	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Assets				
Associates measured at fair value through profit or loss *(Note 12(b))*	–	–	11,882,076	11,882,076
Financial assets measured at fair value through profit or loss				
– Listed securities	2,691,824	111,638	–	2,803,462
– Unlisted securities	–	–	622,425	622,425
Derivative financial instruments *(Note i)*	–	556,659	–	556,659
Available-for-sale financial assets				
– Listed securities	978,384	722,692	–	1,701,076
– Unlisted securities	–	–	866,855	866,855
– Bank's wealth management product	–	–	7,000	7,000
	3,670,208	1,390,989	13,378,356	18,439,553
Liabilities				
Derivative financial instruments *(Note i)*	–	369,271	–	369,271
Contingent considerations	–	–	1,865,475	1,865,475
Written put option liability	–	–	1,320,710	1,320,710
	–	369,271	3,186,185	3,555,456

	The Group As at December 31, 2014			
	Level 1	Level 2	Level 3	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Assets				
Associates measured at fair value through profit or loss *(Note 12(b))*	–	–	12,676,928	12,676,928
Financial assets measured at fair value through profit or loss				
– Listed securities	103,404	–	–	103,404
– Unlisted securities	–	–	1,044,393	1,044,393
Derivative financial instruments *(Note i)*	–	1,293,703	–	1,293,703
Available-for-sale financial assets				
– Listed securities	1,196,820	1,320,858	–	2,517,678
– Unlisted securities	–	–	1,031,854	1,031,854
– Bank's wealth management product	–	–	114,100	114,100
	1,300,224	2,614,561	14,867,275	18,782,060
Liabilities				
Derivative financial instruments *(Note i)*	–	572,641	–	572,641
Contingent considerations	–	–	1,902,091	1,902,091
Written put option liability	–	–	1,338,684	1,338,684
	–	572,641	3,240,775	3,813,416

Note i: Derivatives primarily related to foreign currency forward contracts that are designated as hedges for the fair value of recognized assets or liabilities or a firm commitment, or of highly probable forecast transactions from IT business of the Group.

The following table presents the Company's financial assets that are measured at fair value at December 31, 2012, 2013 and 2014.

	The Company As at December 31, 2012			
	Level 1	Level 2	Level 3	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Assets				
Associates measured at fair value through profit or loss	–	–	3,436,887	3,436,887
Financial assets measured at fair value through profit or loss				
– Unlisted securities	–	–	188,469	188,469
Derivative financial instruments	–	–	24,078	24,078
Available-for-sale financial assets				
– Listed securities	1,036,856	69,173	–	1,106,029
– Unlisted securities	–	–	533,431	533,431
	1,036,856	69,173	4,182,865	5,288,894

	The Company As at December 31, 2013			
	Level 1	Level 2	Level 3	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Assets				
Associates measured at fair value through profit or loss	–	–	2,904,829	2,904,829
Financial assets measured at fair value through profit or loss				
– Unlisted securities	–	–	184,296	184,296
Available-for-sale financial assets				
– Listed securities	714,739	245,972	–	960,711
– Unlisted securities	–	–	288,764	288,764
	714,739	245,972	3,377,889	4,338,600

	The Company As at December 31, 2014			
	Level 1	Level 2	Level 3	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Assets				
Associates measured at fair value through profit or loss	–	–	3,253,792	3,253,792
Financial assets measured at fair value through profit or loss				
– Unlisted securities	–	–	180,210	180,210
Available-for-sale financial assets				
– Listed securities	804,571	222,463	–	1,027,034
– Unlisted securities	–	–	369,698	369,698
	804,571	222,463	3,803,700	4,830,734

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.

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.

As at December 31, 2012, 2013 and 2014, 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 of the respective fund's offering documentation. The investments in VC Funds and PE Funds are primarily valued based on the latest available financial information provided by their General Partners. The VC Funds and PE Funds are not publicly traded; prior to maturity, an exit can only be made by the Group through a sale of its investment and commitment in a fund through a secondary market. The Group's objective is to invest in VC Funds and PE Funds with the intention to recover the capital invested through distributions funded through their realisation of their private equity and venture capital investment portfolios. As a result, the carrying values of VC Funds and PE Funds may be significantly different from the values ultimately realised on an exit via a secondary market sale.

All of the VC Funds and PE Funds in the investment portfolio are managed by investment managers who are compensated by the respective funds for their services. Such compensation generally consists of a commitment/investment-based management fee and a performance based incentive fee which is accounted for at VC Funds and PE Funds level. Such compensation is reflected in the valuation of the Group's investment in each of the funds.

For those funds that are not traded on an active market, their fair value is determined using valuation techniques. The value is primarily based on the latest available financial/capital account statement of VC Funds and PE Funds as reported by the General Partner of the funds, unless the Group is aware of reasons that such a valuation may not be the best approximation of fair value. The Group may make adjustments to the value based on considerations such as: the underlying investments of each fund, the value date of the net asset value provided, cash flows since the latest value date, geographic and sector exposures, market movements and the basis of accounting of the underlying funds. The unobservable inputs which significantly impact the fair value are the net asset value advised by the fund's general partner. No adjustment has been made by the Group on such value.

There were no significant transfers of financial assets between level 1 and level 2 fair value hierarchy classifications.

The following table presents the changes in level 3 financial assets during the Relevant Periods, respectively.

	The Group				
	Associates measured at fair value through profit or loss	**Financial assets measured at fair value through profit or loss**	**Available-for-sale financial assets**	**Derivative financial instruments**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2012	8,159,990	684,894	1,410,293	–	10,255,177
Additions/capital contributions	1,471,085	81,710	807,348	24,078	2,384,221
Disposals/return of capital	(925,469)	(50,456)	(580,933)	–	(1,556,858)
Exchange adjustment	638	(259)	623	–	1,002
Gains/(losses) recognised in income statement	1,018,836	(107,948)	–	–	910,888
Gains recognised in other comprehensive income	–	–	22,047	–	22,047
At December 31, 2012	9,725,080	607,941	1,659,378	24,078	12,016,477
Additions/capital contributions	629,455	70,076	99,500	–	799,031
Disposals/return of capital	(211,894)	(15,233)	(611,625)	(24,078)	(862,830)
Exchange adjustment	(214,532)	(8,638)	(5,659)	–	(228,829)
Transfers out from level 3	–	–	(227,828)	–	(227,828)
Gains/(losses) recognised in income statement	1,953,967	(31,721)	–	–	1,922,246
Losses recognised in other comprehensive income	–	–	(39,911)	–	(39,911)
At December 31, 2013	11,882,076	622,425	873,855	–	13,378,356
Additions/capital contributions	3,094,531	483,348	278,450	–	3,856,329
Disposals/return of capital	(994,349)	(295,490)	(103,311)	–	(1,393,150)
Exchange adjustment	30,133	(603)	(4,088)	–	25,442
(Losses)/gains recognised in income statement	(1,335,463)	234,713	–	–	(1,100,750)
Gains recognised in other comprehensive income	–	–	101,048	–	101,048
At December 31, 2014	12,676,928	1,044,393	1,145,954	–	14,867,275

	The Company				
	Associates measured at fair value through profit or loss	**Financial assets measured at fair value through profit or loss**	**Available-for-sale financial assets**	**Derivative financial instruments**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2012	3,211,242	181,952	311,203	–	3,704,397
Additions/capital contributions	347,802	1,200	223,817	24,078	596,897
Disposals/return of capital	(15,221)	(2,579)	(1,589)	–	(19,389)
(Losses)/gains recognised in income statement	(106,936)	7,896	–	–	(99,040)
At December 31, 2012	3,436,887	188,469	533,431	24,078	4,182,865
Additions/capital contributions	105,273	20,000	76,500	–	201,773
Disposals/return of capital	(211,894)	–	(105,167)	(24,078)	(341,139)
Transfers out from level 3	–	–	(216,000)	–	(216,000)
Losses recognised in income statement	(425,437)	(24,173)	–	–	(449,610)
At December 31, 2013	2,904,829	184,296	288,764	–	3,377,889
Additions/capital contributions	658,962	23,100	–	–	682,062
Disposals/return of capital	(893,943)	(19,403)	(100)	–	(913,446)
Gains/(losses) recognised in income statement	583,944	(7,783)	–	–	576,161
Gains recognised in other comprehensive income	–	–	81,034	–	81,034
At December 31, 2014	3,253,792	180,210	369,698	–	3,803,700

The following table presents the changes in level 3 financial liabilities of the Group for the Relevant Periods.

	Amounts
	RMB'000
At January 1, 2012	2,674,297
Additions	1,613,221
De-recognition	(1,067,305)
Exchange adjustment	(20,154)
Recognised in the consolidated income statement	53,913
At December 31, 2012	3,253,972
Additions	–
De-recognition	–
Exchange adjustment	(122,349)
Recognised in the consolidated income statement	54,562
At December 31, 2013	3,186,185
Additions	–
De-recognition	–
Exchange adjustment	36,366
Recognised in the consolidated income statement	18,224
At December 31, 2014	3,240,775

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) Estimated impairment of non-financial assets

The Group tests at least annually whether goodwill and other assets that have indefinite useful lives have suffered any impairment. Other 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 recoverable amounts of an asset or a cash generating unit have been determined based on value-in-use calculations. These calculations require the use of estimates.

The value-in-use calculations 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 in revenues and operating 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.

(b) 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, the asset balance will be reduced and the difference charged to the consolidated income statement.

Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax provisions and deferred income tax assets and liabilities in the period in which such determination is made.

The implementation and settlement of land appreciation tax ("LAT") varies among various tax jurisdictions in cities of the PRC. LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditures including land use rights, borrowing costs, business taxes, property development and other related expenditures. These taxes are incurred upon transfer of property ownership.

Significant judgment is required in determining the extent of land appreciation and its related taxes. The Group recognised LAT based on management's best estimates according to the understanding of the tax rules. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the consolidated income statement in the periods in which such taxes are finalised with local tax authorities.

(c) 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.

(d) Fair value of derivatives and other 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. The Group has used discounted cash flow analyses for various available-for-sale financial assets and financial assets measured at fair value through profit or loss that are not traded in active markets.

(e) 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 financial information 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.

(f) Fair value of contingent considerations and written put option liabilities

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.

(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) Principal assumptions underlying management's estimation of 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) Costs of property under development

In determination of the costs of property under development, significant estimates and judgments are used to determine the budgetary cost and the construction progress. If the final cost differs from the budget cost, the difference will impact the costs of the property under development.

(j) Depreciation and amortisation

Leasehold land and land use rights, property, plant and equipment (excluding land and construction in progress) 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.

(k) Provisions for bad debts

Losses on bad debts are accounted for using allowance method. Provision for bad debts is made based on the assessment of the recoverability of receivable, which requires the judgments and estimates of the management. Any difference between actual outcome and the initial estimates will affect the carrying value of accounts receivable as well as the accrual and reversal of bad debts provision during the period when estimates are adjusted.

(l) 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.

(m) 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 currently under warranty, historical and anticipated rates of warranty claims on those units, and cost expected to be incurred to satisfy warranty obligation. 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 and reduce the warranty expense provision, to the extent of the amount received or receivable, when it is virtually certain that reimbursement will be received if the Group settles the obligation.

4.2 Critical judgments in applying the accounting policies

(a) 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 sell 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.

The sales revenue is recognised when the substantial risks and rewards of ownership are transferred to the buyer. Lenovo usually retains the risks of obsolesce and loss associated with goods-in-transit. Lenovo records the revenue upon delivery of product, and defers the amounts of revenue according to the estimated days-in-transit at each month-end. The days-in-transit are determined using the weighted average estimated time of shipment arrival. The costs of goods-in-transit are deferred until revenue is recognised. Estimated days-in-transit are reassessed semi-annually.

Revenue recognition of properties

In the normal commercial environment, the subsidiaries of the Group's property segment sign the sales contracts with the customers. If the customer needs to obtain mortgage loan from banks for payment of the properties, the Group would sign a three-party agreement with the customer and the bank. According to the agreement, the Group would provide periodic joint liability guarantee for the mortgage loan that the bank grants to customer, and such responsibility ceases when the customer obtains ownership certificate and completes property mortgage registration.

Under the three-party agreement, during the guarantee period, the Group only provides guarantee for the part of mortgage loan that are not repaid by the customer, and the bank will only exercise recourse right when the customer defaults on repayment of the mortgage loan.

According to the Group's experience of the sales of properties, the Group believes that, during the period of providing joint liability guarantee, the probability of assuming guarantee responsibility, in case of customer not repaying the mortgage loan, is really low. Besides, in case of customer default, the Group can recover the amount paid for the guarantee by exercising the recourse right to customer, and avoid losses by disposing the property in accordance with relative clauses in the sales contract. Therefore, the Group believes that such financial guarantee has no significant impact over the revenue recognition for sales of properties.

(b) Consolidation of entities in which the Group holds less than 50% voting rights

Management consider that the Group has de facto control over Lenovo even though it has less than 50% of the voting rights based on the following factors: 1) as of December 31, 2012, 2013 and 2014 the Group is the single largest shareholder of Lenovo with a 33.61%, 32.16% and 30.47% equity interest; 2) the Company obtained an "acting in concert" undertaking from another shareholder; and 3) the rest of the voting rights of Lenovo is dispersed and since the date of Lenovo's listing, there has been no history of any other shareholders collaborating to exercise their vote collectively or to out vote the Group.

(c) Investment in associates

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)).

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.

The Group identifies 7 reportable segments as follows:

– Information technology segment ("IT" Segment), which is mainly engaged in the development, manufacturing and marketing for personal technology products and service and other non-PC home appliances and other non-PC services;.

– Financial services segment, which offers services including short-term financing, credit guarantees, entrusted loans, financial leasing, banking, insurance brokerage services, payment and Internet finance and trusts, to provide customised financial solutions to customers;

– Modern services segment, which operates in consumer services including dental care, logistics and senior care businesses, and the car rental business;

– Agriculture and food segment, which are mainly engaged in planting and sales of premium fruit and tea products in agriculture business, and produce and sell various brands of liquors in Chinese liquor business;

– Property segment, which is primarily engaged in the business of the development and sale of residential properties and office buildings, office rental services and property management services to projects that the Group developed;

– Chemicals and energy materials segment, which includes chemicals and energy materials and lithium-ion battery business;

– Financial investments segment, which is engaged in the management of private equity and venture capital funds as well as advisory services. It also makes early stage or "angel" investments in technology start-ups and minority investments in other entities and invests in other funds as a limited partner investor.

The unallocated amounts primarily represent corporate and shared service expenses that are not directly allocated to one of the aforementioned operating segments. The unallocated amounts also include other income statement items such as employee benefit expenses, interest income, finance costs and other income, which cannot be directly identified to specific operating segments. Segment assets consist, primarily of land use rights, investment properties, property, plant and equipment, intangible assets, inventories, properties under development, completed properties held for sale, 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 profit before tax.

Year ended December 31, 2012

	Strategic investments									
	IT *RMB'000*	Financial services *RMB'000*	Modern services *RMB'000*	Agriculture and food *RMB'000*	Property *RMB'000*	Chemicals and energy materials *RMB'000*	Financial investments *RMB'000*	Unallocated *RMB'000*	Elimination *RMB'000*	Total *RMB'000*
Segment revenue										
Sales to external customers	211,635,843	36,300	57,967	973,826	7,534,984	1,460,526	4,602,089	–	–	226,301,535
Net interest income	–	14,407	–	–	–	–	–	–	–	14,407
Inter-segment sales	–	–	–	–	10,346	–	16,547	–	(26,893)	–
Total	211,635,843	50,707	57,967	973,826	7,545,330	1,460,526	4,618,636	–	(26,893)	226,315,942
Segment results										
Profit/(loss) before income tax	4,654,316	236,982	272,005	(49,313)	2,817,502	(61,725)	(128,413)	(1,098,028)	–	6,643,326
Income tax (expense)/credit	(952,072)	(3,672)	8,611	(24,085)	(1,082,854)	(12,239)	(386,815)	274,506	–	(2,178,620)
Profit/(loss) for the year	3,702,244	233,310	280,616	(73,398)	1,734,648	(73,964)	(515,228)	(823,522)	–	4,464,706
Segment assets	110,929,405	6,029,157	3,262,490	4,094,607	37,511,436	6,746,867	27,278,215	9,145,144	(7,086,314)	197,911,007
Segment liabilities	96,319,352	622,720	1,945,111	2,676,537	27,165,818	5,867,979	4,159,064	26,798,862	(7,086,314)	158,469,129
Other segment information:										
Depreciation and amortisation	(1,227,089)	(4,152)	(25,935)	(73,244)	(14,491)	(162,129)	(442,249)	(5,454)	–	(1,954,743)
Impairment loss for non-financial assets	–	–	–	–	–	–	(259,013)	–	–	(259,013)
Investment income and gains	(290)	1,352	399,609	–	2,214	2,517	1,027,216	–	–	1,432,618
Finance income	278,407	2,079	889	6,340	52,663	90,668	–	381,761	(292,176)	520,631
Finance costs	(346,232)	(1,815)	(20,526)	(9,832)	(380,685)	(118,695)	–	(1,254,949)	292,176	(1,840,558)
Share of (loss)/profit of associates and joint ventures accounted for using the equity method	(7,768)	254,219	(89,274)	–	123	–	(164,482)	–	–	(7,182)
Material non-cash items other than depreciation and amortisation	(459,368)	–	–	–	–	–	–	(109,444)	–	(568,812)
Capital expenditure	2,428,857	46,435	525,377	563,491	119,213	1,681,749	356,130	12,259	–	5,733,511
Associates and joint ventures using equity accounting	12,606	2,903,389	827,872	–	19,695	–	767,994	–	–	4,531,556
Associates measured at fair value through profit or loss	–	–	–	–	–	–	9,725,080	–	–	9,725,080

Year ended December 31, 2013

	Strategic investments									
	IT	Financial services	Modern services	Agriculture and food	Property	Chemicals and energy materials	Financial investments	Unallocated	Elimination	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Segment revenue										
Sales to external customers	230,505,310	650,719	274,461	1,684,689	9,142,109	1,282,334	71,658	–	–	243,611,280
Net interest income	–	346,381	–	–	–	–	–	–	–	346,381
Inter-segment sales	–	–	–	3,424	19,612	–	29,418	–	(52,454)	–
Total	230,505,310	997,100	274,461	1,688,113	9,161,721	1,282,334	101,076	–	(52,454)	243,957,661
Segment results										
Profit/(loss) before income tax	5,925,351	723,652	(249,683)	(209,065)	2,652,623	(247,586)	2,297,165	(930,240)	–	9,962,217
Income tax (expense)/credit	(1,102,461)	(115,772)	37,950	8,067	(1,138,169)	19,209	(190,125)	232,558	–	(2,248,743)
Profit/(loss) for the year	4,822,890	607,880	(211,733)	(200,998)	1,514,454	(228,377)	2,107,040	(697,682)	–	7,713,474
Segment assets	116,636,893	8,191,608	2,964,843	4,906,427	47,068,044	8,419,436	27,871,460	12,053,347	(10,660,307)	217,451,751
Segment liabilities	100,359,628	2,288,375	1,906,737	4,707,516	35,767,661	7,796,956	4,285,172	27,022,849	(10,660,307)	173,474,587
Other segment information:										
Depreciation and amortisation	(1,520,766)	(27,783)	(84,930)	(115,389)	(17,623)	(172,771)	(173)	(10,023)	–	(1,949,458)
Impairment loss for non-financial assets	–	–	–	–	–	–	–	–	–	–
Investment income and gains	138,990	–	338,397	(1,495)	161,506	–	2,549,183	–	–	3,186,581
Finance income	228,336	7,224	4,031	9,868	94,988	132,728	–	566,357	(504,525)	539,007
Finance costs	(576,185)	(5,236)	(66,811)	(126,239)	(341,830)	(226,892)	–	(1,210,029)	504,525	(2,048,697)
Share of (loss)/profit of associates and joint ventures accounted for using the equity method	(6,787)	292,894	(398,700)	348	2,948	–	(12,713)	–	–	(122,010)
Material non-cash items other than depreciation and amortisation	(514,233)	–	–	–	–	–	–	(108,049)	–	(622,282)
Capital expenditure	4,558,342	31,061	366,960	580,343	122,068	2,532,212	26	6,454	–	8,197,466
Associates and joint ventures using equity accounting	34,484	3,088,556	432,681	7,432	17,736	–	807,863	–	–	4,388,752
Associates measured at fair value through profit or loss	–	–	–	–	–	–	11,882,076	–	–	11,882,076

Year ended December 31, 2014

	Strategic investments									
	IT *RMB'000*	Financial services *RMB'000*	Modern services *RMB'000*	Agriculture and food *RMB'000*	Property *RMB'000*	Chemicals and energy materials *RMB'000*	Financial investments *RMB'000*	Unallocated *RMB'000*	Elimination *RMB'000*	Total *RMB'000*
Segment revenue										
Sales to external customers	272,343,938	798,136	853,407	1,531,323	11,498,478	1,908,500	21,743	–	–	288,955,525
Net interest income	–	520,307	–	–	–	–	–	–	–	520,307
Inter-segment sales	–	–	–	406	16,027	–	20,919	–	(37,352)	–
Total	272,343,938	1,318,443	853,407	1,531,729	11,514,505	1,908,500	42,662	–	(37,352)	289,475,832
Segment results										
Profit/(loss) before income tax	6,467,815	1,299,483	1,041,357	(960,064)	3,204,296	(753,736)	2,754,902	(1,493,801)	–	11,560,252
Income tax (expense)/credit	(1,056,900)	(219,602)	31,627	11,848	(2,221,602)	(14,911)	(641,992)	373,451	–	(3,738,081)
Profit/(loss) for the year	5,410,915	1,079,881	1,072,984	(948,216)	982,694	(768,647)	2,112,910	(1,120,350)	–	7,822,171
Segment assets	176,037,596	11,097,298	4,992,888	4,268,603	48,619,370	9,865,179	31,717,453	12,098,462	(9,695,333)	289,001,516
Segment liabilities	152,055,088	3,998,334	2,285,068	5,137,533	36,508,301	10,004,754	1,179,988	34,595,517	(9,628,333)	236,136,250
Other segment information:										
Depreciation and amortisation	(2,378,330)	(34,654)	(123,833)	(114,934)	(17,176)	(186,396)	(2,704)	(8,232)	–	(2,866,259)
Impairment loss for non-financial assets	–	–	–	(620,570)	–	(477,169)	–	–	–	(1,097,739)
Investment income and gains	9,155	650,409	1,646,131	7,158	4,490	(2,214)	2,491,005	–	–	4,806,134
Finance income	202,797	18,481	7,992	7,419	50,657	57,164	–	815,392	(568,879)	591,023
Finance costs	(1,118,980)	(22,563)	(98,422)	(199,902)	(181,003)	(169,733)	–	(1,963,805)	568,879	(3,185,529)
Share of (loss)/profit of associates and joint ventures accounted for using the equity method	(13,419)	186,065	(309,078)	960	10,184	–	416,977	–	–	291,689
Material non-cash items other than depreciation and amortisation	(593,716)	–	–	–	–	–	–	(106,401)	–	(700,117)
Capital expenditure	6,224,102	123,726	417,675	297,211	154,269	3,339,455	12,425	6,725	–	10,575,588
Associates and joint ventures using equity accounting	69,649	4,330,080	1,703,766	22,295	132,682	–	731,614	–	–	6,990,086
Associates measured at fair value through profit or loss	–	–	–	–	–	–	12,676,928	–	–	12,676,928

(a) Total revenue

	Year ended December 31,		
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
China	104,997,029	104,657,386	108,023,371
Overseas countries and regions	121,318,913	139,300,275	181,452,461
Total	226,315,942	243,957,661	289,475,832

(b) Non-current assets

	Year ended December 31,		
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
China	28,396,106	32,412,963	36,799,619
Overseas countries and regions	11,039,488	12,056,729	49,341,209
Total	39,435,594	44,469,692	86,140,828

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

6. INVESTMENT INCOME AND GAINS

	Year ended December 31,		
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
(Losses)/gains on disposal/dilution of associates	(70,055)	385,357	2,209,725
Gains on disposal of available-for-sale financial assets	416,210	451,241	119,977
(Losses)/gains on disposal of subsidiaries	(233,258)	83,706	101,085
Dividend income from available-for-sale financial assets	61,490	119,207	85,622
Fair value gains and dividend income from associates measured at fair value through profit or loss	1,385,493	3,148,795	1,640,931
Fair value (losses)/gains and dividend income from financial assets at fair value through profit or loss	(131,729)	(1,037,443)	607,586
Others	4,467	35,718	41,208
	1,432,618	3,186,581	4,806,134

7. OTHER INCOME AND GAINS/(LOSSES)

	Year ended December 31,		
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
Government grants	606,314	1,098,137	1,315,902
De-recognition of contingent consideration *(Note i)*	125,323	–	–
Losses on disposal of property, plant and equipment and intangible assets	(17,176)	(34,756)	(273,835)
Fair value gains on investment properties	622,172	201,557	249,243
Net foreign exchange losses	(154,699)	(408,144)	(1,019,612)
Others	297,149	(378,069)	(340,400)
	1,479,083	478,725	(68,702)

Note i: Subsequent to the completion of acquisition of Medion AG ("Medion") in 2011, the Group entered into an agreement with the former major shareholder of Medion in 2012, to complete the transfer of ownership interest under the business combination agreement between the Group and Medion.

Accordingly, the contingent consideration of approximately RMB1,062 million (including financial liabilities arisen from put option and guaranteed dividend) was derecognised in October 2012 and approximately RMB125 million gains was recorded in "other income and gains/(losses)" in the consolidated income statement.

8. EXPENSES BY NATURE

	Year ended December 31,		
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
Cost of inventories sold	177,788,157	188,680,402	221,481,445
Cost of properties sold	3,973,950	5,381,027	6,463,520
Employee benefit expenses *(Note 9)*	16,358,046	17,931,691	21,693,721
Advertising costs	4,492,816	4,250,880	4,956,465
Depreciation and amortisation	1,954,743	1,949,458	2,866,259
Impairment loss for non-financial assets	259,013	–	1,097,739
Office and administrative expenses	1,888,186	1,950,723	2,495,427
Consultancy and professional fees	829,156	998,999	1,698,988
Auditors' remuneration	55,595	73,627	63,298
Labs and testing	614,994	470,782	393,004
Operating lease payments	435,300	602,197	916,204
Business tax and surcharge and other taxes	833,976	1,170,911	1,353,756
Transportation expenses	148,918	207,361	368,856
Inventory write-down	216,679	436,007	1,294,929
Other expenses *(Note i)*	11,407,679	11,924,985	13,206,584
	221,257,208	236,029,050	280,350,195

Note i: 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, and contribute to bringing inventories to their present location and condition. Non-base manufacturing costs enter into the calculation of gross margin but not inventoriable costs.

9. EMPLOYEE BENEFIT EXPENSE

	Year ended December 31, 2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
Wages and salaries	11,875,933	12,489,960	15,960,571
Social security costs other than pension	1,110,281	1,119,284	1,249,072
Long-term incentive awards granted	459,368	514,233	593,716
Pension costs – defined contribution plans	824,448	894,665	857,390
Pension costs – defined benefit plans *(Note 40)*	146,215	196,245	137,419
Others	1,941,801	2,717,304	2,895,553
	16,358,046	17,931,691	21,693,721

(a) Directors', supervisors' and chief executive's emoluments

The remuneration of each director, supervisor, and the chief executive for the year ended December 31, 2012 is set out below:

Name	Fees	Salaries	Discretionary bonuses	Share option and rewards	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. LIU Chuanzhi (柳傳志) *(Chief Executive)*(1)	–	15,600	16,000	8,077	–	1,400	41,077
Mr. ZHU Linan (朱立南) *(Chief Executive)*(2)	517	13,800	–	1,123	966	1,272	17,678
Mr. ZHAO John Huan (趙令歡)	517	–	–	562	–	–	1,079
Non-executive Director							
Mr. WANG Jin (王津)(3)	–	–	–	–	–	–	–
Mr. DENG Maicun (鄧麥村)	–	–	–	–	–	–	–
Mr. LU Zhiqiang (盧志強)	–	–	–	–	–	–	–
Mr. ZENG Maochao (曾茂朝)(4)	–	–	–	41	855	–	896
Supervisors							
Mr. WANG Jin (王津)(3)	–	–	–	–	–	–	–
Mr. LI Qin (李勤)	–	–	–	–	–	–	–
Mr. WANG Qi (王琪)(5)	–	–	–	–	–	–	–
Mr. QI Zixin (齊子鑫)(5)	–	–	–	–	–	–	–
Mr. YU Zheng (余政)(4)	–	–	–	–	–	–	–
	1,034	29,400	16,000	9,803	1,821	2,672	60,730

The remuneration of each director, supervisor, and the chief executive for the year ended December 31, 2013 is set out below:

Name	Fees	Salaries	Discretionary bonuses	Share option and rewards	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. LIU Chuanzhi (柳傳志)	–	16,000	16,000	2,510	148,738	1,545	184,793
Mr. ZHU Linan (朱立南) *(Chief Executive)*	533	13,800	–	1,029	1,159	1,402	17,923
Mr. ZHAO John Huan (趙令歡)	533	–	–	837	–	–	1,370
Non-executive Director							
Mr. WANG Jin (王津)	–	–	–	–	–	–	–
Mr. DENG Maicun (鄧麥村)	–	–	–	–	–	–	–
Mr. LU Zhiqiang (盧志強)	–	–	–	–	–	–	–
Supervisors							
Mr. LI Qin (李勤)	–	–	–	–	–	–	–
Mr. WANG Qi (王琪)	–	–	–	–	–	–	–
Mr. QI Zixin (齊子鑫)	–	–	–	–	–	–	–
	1,066	29,800	16,000	4,376	149,897	2,947	204,086

The remuneration of each director, supervisor, and the chief executive for the year ended December 31, 2014 is set out below:

Name	Fees	Salaries	Discretionary bonuses	Share option and rewards	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. LIU Chuanzhi (柳傳志)	–	16,000	16,000	11,066	–	1,546	44,612
Mr. ZHU Linan (朱立南) *(Chief Executive)*	541	13,800	–	1,180	1,159	1,409	18,089
Mr. ZHAO John Huan (趙令歡)	541	–	–	1,143	–	–	1,684
Non-executive Director							
Mr. DENG Maicun (鄧麥村)(6)	–	–	–	–	–	–	–
Mr. WU Lebin (吳樂斌)(7)	–	–	–	–	–	–	–
Mr. LU Zhiqiang (盧志強)	–	–	–	–	–	–	–
Mr. WANG Jin (王津)	–	–	–	–	–	–	–
Supervisors							
Mr. LI Qin (李勤)	–	3,000	–	–	–	–	3,000
Mr. QI Zixin (齊子鑫)	–	–	–	–	–	–	–
Mr. WANG Qi (王琪)(6)	–	–	–	–	–	–	–
Mr. SUO Jishuan (索繼栓)(7)	–	–	–	–	–	–	–
	1,082	32,800	16,000	13,389	1,159	2,955	67,385

Notes:

(1) Resigned as chief executive in June 2012

(2) Appointed as chief executive in June 2012

(3) Resigned as supervisor in August 2012 and appointed as non-executive director

(4) Resigned in August 2012

(5) Appointed in August 2012

(6) Resigned in September 2014

(7) Appointed in September 2014

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group during the Relevant Periods include one director whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining four individuals during the Relevant Periods are as follows:

	For the year ended December 31,		
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
Salaries	17,535	28,242	27,889
Discretionary bonuses	62,236	115,042	88,533
Share option and rewards	75,386	116,784	123,298
Retirement payment and employer's contribution to pension schedule	2,915	1,841	1,395
Other benefits	3,452	3,613	3,213
	161,524	265,522	244,328

The emoluments fell within the following bands:

	Number of individuals As at December 31,		
	2012	**2013**	**2014**
Emolument bands			
RMB23,371,745 – RMB23,767,875	1	–	–
RMB26,144,663 – RMB26,540,794	2	–	–
RMB32,878,895 – RMB33,275,025	–	–	1
RMB33,275,026 – RMB33,671,156	–	1	–
RMB34,859,551 – RMB35,255,681	–	–	1
RMB37,632,470 – RMB38,028,600	–	1	–
RMB57,042,901 – RMB57,439,031	–	–	1
RMB62,588,738 – RMB62,984,869	–	1	–
RMB85,168,220 – RMB85,564,350	1	–	–
RMB119,235,507 – RMB119,631,638	–	–	1
RMB131,119,445 – RMB131,515,575	–	1	–

During the Relevant Periods, 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.

10. FINANCE INCOME AND COSTS

	Year ended December 31,		
	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
Interests			
– Bank loans and overdrafts repayable within 5 years	1,066,321	1,450,981	1,990,190
– Bank loans and overdrafts not wholly repayable within 5 years	161,758	187,574	17,517
– Other loans wholly repayable within 5 years	1,332,020	1,030,994	1,997,879
– Bonds wholly repayable within 5 years	120,511	385,409	615,217
– Bonds not wholly repayable within 5 years	182,565	132,638	132,728
Factoring costs	93,045	109,152	305,057
Total finance costs	2,956,220	3,296,748	5,058,588
Less: amounts capitalised on qualifying assets	(1,115,662)	(1,248,051)	(1,873,059)
Finance costs	1,840,558	2,048,697	3,185,529
Finance income:			
– Interest income on bank deposits	(443,100)	(518,867)	(578,592)
– Interest income on loans to related parties	(77,531)	(20,140)	(12,431)
Finance income	(520,631)	(539,007)	(591,023)
Net finance costs	1,319,927	1,509,690	2,594,506

11. INVESTMENTS IN AND AMOUNTS DUE FROM/TO SUBSIDIARIES

	Year ended December 31,		
	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
Investments, at cost:			
– Listed shares	987,694	987,694	987,694
– Unlisted shares	6,413,726	5,484,251	5,417,276
	7,401,420	6,471,945	6,404,970
Market value of listed shares	19,753,766	24,802,763	27,238,801
Amounts due from subsidiaries (Note i)			
– Current portion	4,872,409	7,717,956	8,542,959
– Non-current portion	500,000	27,600	27,600
Amount due to subsidiaries (Note ii)	1,309,408	819,919	866,452

Note i: Amounts due from subsidiaries are unsecured, interest-bearing and with terms renewed every year.

Note ii: Amounts due to subsidiaries are unsecured, interest free and repayable on demand.

Investments in group undertakings are recorded at cost, which is the fair value of the consideration paid.

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 Relevant Periods or form a substantial portion of the net assets of the Group at December 31, 2012, 2013 and 2014. The directors consider that giving details of other subsidiaries would result in particulars of excessive length.

Company name	Place of incorporation	Issued share capital/Paid-in capital *(in RMB, unless otherwise stated)*	Principal activities	Effective interest held 2012	2013	2014	Statutory auditor
Lenovo Group Limited (聯想集團有限公司)	Hong Kong	*Note iii*	Manufacturing and distribution of IT products and provision of IT service (development, manufacturing and marketing of personal technology products and services and sale of non-PC home appliances and other non-PC services)	33.61%	32.16%	30.47%	(1)
Raycom Real Estate Development Co., Ltd. (融科智地房地產股份有限公司, "Raycom Real Estate") *(Note iv)*	Beijing	270,000,000	Residential and commercial property development	93.09%	93.09%	93.09%	(2)
Raycom Property Investment Limited (融科物業投資有限公司)	Beijing	60,000,000	Real estate investment and asset management	100.00%	100.00%	100.00%	(2)
Chongqing Raycom Guangkong Industrial Development Co., Ltd. (重慶融科光控實業發展有限公司, "Chongqing Guangkong")	Chongqing	294,120,000	Real estate investment and asset management	51%	NA *(Note 48(b))*	NA	(2)
Right Lane Limited (南明有限公司, "Right Lane")	Hong Kong	HKD4	Investment and management	100.00%	100.00%	100.00%	(1)
Legend Holdings Tianjin Limited (聯想控股(天津)有限公司)	Tianjin	100,000,000	Investment and management	100.00%	100.00%	100.00%	(2)
Legend Capital Limited (聯想投資有限公司, "Legend Investment")	Beijing	429,476,555	Investment and management	92.58%	92.58%	55.30% *(Note v)*	(2)
Beijing Legend Star Venture Capital Co., Ltd. (北京聯想之星創業投資有限公司)	Beijing	150,000,000	Angel investment and start-up incubator	100.00%	100.00%	100.00%	(2)
Tianjin Legend Star Venture Capital Co., Ltd. (天津聯想之星創業投資有限公司)	Tianjin	100,000,000	Angel investment and start-up incubator	100.00%	100.00%	100.00%	(2)
Funglian Holdings Limited (豐聯酒業控股有限公司, "Funglian")	Beijing	200,000,000	Manufacturing and distribution of Chinese liquor	94.50%	93.30%	93.30%	(2)
Zeny Supply Chain Co., Ltd. (增益供應鏈有限公司, "Zeny")	Beijing	200,000,000	Providing cold chain and various logistics service	94.00%	94.00%	94.00%	(2)
Levima Group Limited (聯泓集團有限公司, "Levima")	Beijing	400,000,000	Development and production of chemicals and energy materials	93.00%	90.00%	90.00%	(2)
Joyvio Group Co., Ltd. (佳沃集團有限公司, "Joyvio")	Beijing	200,000,000	Agriculture and food investment and other relevant business operations	97.50%	92.20%	100.00%	(2)

Company name	Place of incorporation	Issued share capital/Paid-in capital *(in RMB, unless otherwise stated)*	Principal activities	Effective interest held 2012	2013	2014	Statutory auditor
Zhengqi Anhui Financial Holding Co., Ltd. (正奇安徽金融控股有限公司, "Zhengqi Anhui")	Hefei	2,000,000,000 *(Note vi)*	Providing financial services for small-and medium-sized entities	100.00%	100.00%	92.00%	(2)
Union Insurance Broker Group Brokerage Co., Ltd. (聯保投資集團有限公司, "Union Insurance")	Beijing	235,000,000	Insurance brokerage	51.00%	51.00%	N/A *(Note vii)*	(2)
Beijing EnsenCare Holdings Co., Ltd. (北京安信頤和控股有限公司)	Beijing	200,000,000	Operation of senior care facilities and development senior apartments	100.00%	100.00%	100.00%	(2)
Phylion Battery Co., Ltd. (蘇州星恒電源有限公司)	Suzhou	163,037,143	Manufacturing and sales of lithium-ion battery products and related research and development	60.77%	60.77%	50.77%	(3)
Guangdong Bybo Dental Investment Management Co.,Ltd. (廣東拜博口腔醫療投資管理有限公司, "Bybo")	Zhuhai	50,815,358	Investment and operation of dental care and other medical projects	N/A	N/A	51.00%	(4)

The English names of the above subsidiaries represent the best efforts by management of the Company in translating their Chinese names as they do not have official English names.

(1) The statutory financial statements of this subsidiary for the Relevant Periods were audited by PricewaterhouseCoopers, Certified Public Accountants, Hong Kong.

(2) The statutory financial statements of this subsidiary for the Relevant Periods were audited by Ruihua Certified Public Accountants.

(3) The statutory financial statements of this subsidiary for the Relevant Periods were audited by Jiangsu GongZheng Tianye Certified Public Accountants Co., Ltd. Suzhou Branch.

(4) The statutory financial statements of this subsidiary for the year ended December 31, 2014 were audited by Ruihua Certified Public Accountants.

Note iii: As at December 31, 2012, 2013 and 2014, the issued shares of Lenovo were 10,325,798,742, 10,402,014,059 and 11,108,654,724 shares, respectively.

Note iv: The Group currently owns 93.09% equity interest in Raycom Real Estate, of which 70.57% is directly owned by the Company and 22.52% is indirectly held through Legend Investment. Legend Investment's interest in Raycom Real Estate is solely attributed to the equity owner of the Company.

Note v: On July 30, 2014, Zhengqi Anhui acquired an equity interest of 36.66% in Legend Investment through a capital injection of RMB500 million. On December 15, 2014, Beijing Hony 2010 Equity Investment Centre L.P. (北京弘毅貳零壹零股權投資中心 (有限合夥), "Beijing Hony 2010") invested another amount of RMB204 million in Legend Investment and shared 5.70% of Legend Investment's equity interest. Accordingly, the interest held by Zhengqi Anhui in Legend Investment was diluted to 34.57%. Upon completion of the two transactions, the registered capital of Legend Investment was increased from RMB256,538,500 to RMB429,476,555 accordingly.

Pursuant to article of association of Legend Investment, Zhengqi Anhui and Beijing Hony 2010's voting right and beneficial interest in Legend Investment are limited to certain underlying investments as set forth in the article of association.

Note vi: As at December 31, 2012 and 2013, the paid-in capital for Zhengqi Anhui was RMB1.5 billion.

Note vii: In December 2014, the Group sold 3% equity interests in Union Insurance. The details have been set out in Note 48(c).

Subsidiaries with significant non-controlling interest

The total comprehensive income attributable to non-controlling interests during the Relevant Periods as shown in the consolidated statements of comprehensive income are RMB1,853 million, RMB1,814 million and RMB2,297 million, of which RMB2,136 million, RMB2,315 million and RMB2,330 million is the comprehensive income attributable to non-controlling interest in Lenovo. The total non-controlling interests at December 31, 2012, 2013 and 2014 as shown in the consolidated balance sheet are RMB18,096 million, RMB18,285 million and RMB22,223 million, of which RMB12,156 million, RMB13,444 million and RMB19,190 million is attributed to Lenovo. The non-controlling interest in respect of other subsidiaries is not considered material by the directors. The summarised financial information of Lenovo is set out below.

Summarised Balance Sheets

	As at December 31,		
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
Current			
Assets	86,058,948	89,186,850	108,851,328
Liabilities	(83,971,257)	(89,843,808)	(117,242,273)
Net current assets/(liabilities)	2,087,691	(656,958)	(8,390,945)
Non-current			
Assets	27,069,367	29,843,636	69,963,080
Liabilities	(12,944,596)	(11,341,216)	(35,918,916)
Net non-current assets	14,124,771	18,502,420	34,044,164
Net assets	16,212,462	17,845,462	25,653,219

Summarised Income Statements

	Year ended December 31,		
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
Revenue	211,620,502	230,431,999	272,314,267
Profit before income tax	4,652,161	5,996,614	6,434,229
Income tax expense	(951,410)	(1,102,208)	(1,056,900)
Net profit	3,700,751	4,894,406	5,377,329
– Attributable to equity owner of the Company	3,701,597	4,969,531	5,251,892
– Attributable to non-controlling interest	(846)	(75,125)	125,437
Other comprehensive loss	(494,291)	(1,445,651)	(2,014,366)
Total comprehensive income	3,206,460	3,448,755	3,362,963
– Attributable to equity owner of the Company	3,193,859	3,523,880	3,237,526
– Attributable to non-controlling interest	12,601	(75,125)	125,437
Dividends paid to non-controlling interest	–	(18,264)	–

Summarised Cash Flow Statement

	Year ended December 31,		
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
Cash flows from operating activities			
Cash generated from operations	7,870,321	3,225,214	12,986,587
Income tax paid	(1,260,180)	(797,235)	(1,685,451)
Net cash generated from operating activities	6,610,141	2,427,979	11,301,136
Net cash used in investing activities	(5,224,789)	(2,232,627)	(20,262,467)
Net cash (used in)/generated from financing activities	(1,541,087)	(3,070,751)	9,983,061
Net (decrease)/increase in cash and cash equivalents	(155,735)	(2,875,399)	1,021,730
Cash and cash equivalents at beginning of the year	25,667,705	25,516,019	22,708,325
Exchange gains/(losses) on cash and cash equivalents	4,049	67,705	(505,660)
Cash and cash equivalents at end of the year	25,516,019	22,708,325	23,224,395

12. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

	The Group As at December 31,		
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
Investments in associates and joint ventures:			
– using equity accounting *(Note(a))*	4,531,556	4,388,752	6,990,086
– measured at fair value through profit or loss *(Note(b))*	9,725,080	11,882,076	12,676,928
	14,256,636	16,270,828	19,667,014

	The Company As at December 31,		
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
Investments in associates:			
– using equity accounting	3,262,490	3,494,139	4,266,004
– measured at fair value through profit or loss	3,436,887	2,904,829	3,253,792
	6,699,377	6,398,968	7,519,796

(a) Associates and joint ventures using equity accounting

Set out below are the associates of the Group as at December 31, 2012, 2013 and 2014, which, in the opinion of the directors, are material to the Group, and the intention of the Group to hold these associates is for strategic investment purpose, not only for capital appreciation. The place of incorporation or registration is also their principal places of business.

Name	Place of incorporation/ registration	Principal activities	Effective interest held 2012	2013	2014
Grand Union Investment Fund L.P. ("Grand Union") *(Note i)*	Cayman Islands	Investment holding	30.78%	30.78%	30.78%
Hankou Bank Co., Ltd. (漢口銀行有限公司, "Hankou Bank") *(Note ii)*	Wuhan	Commercial banking business	15.33%	15.33%	15.33%
Suzhou Trust Ltd. (蘇州信托有限公司, "Suzhou Trust") *(Note ii)*	Suzhou	Trust business	10.00%	10.00%	10.00%
Beijing Lakala Payment Limited, (拉卡拉支付有限公司, "Lakala") *(Note iii)*	Beijing	Provision of terminal-based payment and other financial services	56.13%	56.13%	36.44%

Note i: The percentage represents the Group's percentage share of the committed capital in Grand Union. The Group's capital contribution to one of the major investments of Grand Union, China Auto Rental Holdings Inc. ("CAR"), is not in proportion to the committed capital percentage. The Group's beneficial interest in CAR held through Grand Union is 54.49%, 44.88% and 23.87% of CAR's equity interest as at December 31, 2012, 2013 and 2014, respectively.

Note ii: The directors determine the Group has significant influence over Hankou Bank and Suzhou Trust 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%.

Note iii: As at December 31, 2012 and 2013, the Group's interest in Lakala was 56.13%, however, the directors have determined that they do not control Lakala as the Board resolutions regarding Lakala's operating and financing decisions require approval of over 2/3 voting rights. It is accounted for as an associate in the Financial Information accordingly. In 2014, the Group disposed a portion of its interest in Lakala, after the disposal, the equity interest held by the Group in Lakala is 36.44% and the Group retains significant influence over Lakala.

The English names of the above associates represent the best efforts by management of the Group in translating their Chinese names as they do not have official English names.

Set out below is the summarised financial information of Hankou Bank, the most significant associate accounted for using equity method. The directors consider that giving details on the financial information of other associates would result in particulars of excessive length.

Summarised balance sheet

	Year ended December 31,		
	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
Total assets	162,382,243	176,192,875	169,089,631
Total liabilities	(150,431,745)	(162,761,571)	(154,461,095)
Net assets	11,950,498	13,431,304	14,628,536

Summarised statement of comprehensive income

	Year ended December 31,		
	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
Operating income	4,350,252	5,513,968	5,732,666
Operating expenses	(1,950,661)	(2,829,159)	(3,861,463)
Non-operation profit	15,184	6,771	19,333
Income tax expense	(556,810)	(621,429)	(410,276)
Net profit	1,857,965	2,070,151	1,480,260
Total comprehensive income attribute to equity holders of Hankou Bank	1,858,524	1,902,947	1,692,572

Reconciliation of summarised financial information

	Year ended December 31,		
	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
Share of net assets at January 1	1,453,089	1,824,655	2,039,879
Share of profit for the year	319,344	316,817	225,738
Share of other comprehensive income/(loss)	86	(25,633)	32,547
Share of other changes in equity	115,436	–	–
Share of distribution of profit	(63,300)	(75,960)	(75,960)
Share of net assets at December 31	1,824,655	2,039,879	2,222,204
Goodwill	675,857	675,857	675,857
Carrying value of investment in associates	2,500,512	2,715,736	2,898,061

During the Relevant Periods, share of the associates' losses and profits which are not material to the Group are losses of RMB326 million, losses of RMB439 million and profits of RMB66 million respectively.

During the Relevant Periods, share of the associates' other comprehensive income which are not material to the Group are RMB31 million, RMB41 million and RMB49 million respectively.

During the Relevant Periods, share of the associates' total comprehensive losses and incomes which are not material to the Group are losses of RMB295 million, losses of RMB398 million and income of RMB115 million respectively.

As at December 31, 2012, 2013 and 2014, the aggregate carrying amount of the Group's investments in the associates which are not material to the Group are RMB2,031 million, RMB1,673 million and RMB4,092 million respectively.

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

			The Group As at December 31,					
			2012		2013		2014	
Company Name	**Place of incorporation/ registration**	**Type**	**Fair value** *RMB'000*	**Effective interest held**	**Fair value** *RMB'000*	**Effective interest held**	**Fair value** *RMB'000*	**Effective interest held**
– Hony Capital Fund III, L.P.	Cayman Islands	USD funds	2,280,691	34.48%	4,874,272	34.48%	2,161,622	34.48%
– Hony Investment Industry Fund I (Tianjin) L.P. (弘毅投資產業一期基金(天津)(有限合夥))	Tianjin	RMB funds	1,704,187	29.84%	1,216,129	29.84%	1,119,766	29.84%
– Beijing Hony 2010	Beijing	RMB funds	1,344,013	20.07%	1,364,302	20.07%	1,634,281	20.07%
– Hony Capital Fund 2008, L.P. *(i)*	Cayman Islands	USD funds	1,293,977	14.31%	1,088,006	14.31%	1,106,401	14.31%
– LC Fund IV, L.P.	Cayman Islands	USD funds	716,698	29.77%	760,079	29.77%	763,670	29.77%
– LC Fund III, L.P.	Cayman Islands	USD funds	655,904	49.41%	489,299	49.41%	813,395	49.41%
– Tianjin Junruiqi Equity Investment L.P. (天津君睿祺股權投資合夥企業(有限合夥))	Tianjin	RMB funds	651,067	31.67%	818,366	31.67%	1,176,172	31.67%
– Beijing Junlian Ruizhi Venture Capital Center L.P. (北京君聯睿智創業投資中心(有限合夥))	Beijing	RMB funds	388,687	31.00%	284,990	31.00%	417,923	31.00%
– LC Fund V, L.P. *(i)*	Cayman Islands	USD funds	341,215	19.42%	412,761	19.42%	759,862	19.42%
– Hony Capital Fund V, L.P. *(i)*	Cayman Islands	USD funds	221,662	10.98%	465,362	10.98%	1,367,725	10.98%
– Hony International Limited	Hong Kong	USD funds	126,979	40.00%	69,102	40.00%	73,272	40.00%
– LC Fund VI, L.P.	Cayman Islands	USD funds	–	–	–	–	274,646	23.20%
– Hony Capital II, L.P. ("Hony II LP") *(Note 48(d))*	Cayman Islands	USD funds	–	–	–	–	509,570	41.38%
– Others		RMB funds	–	–	39,408	N/A	498,623	N/A
			9,725,080		11,882,076		12,676,928	

The principal activities of the above associates are investment holding as venture capital funds and private equity funds.

(i) The directors determined that the Group has significant influence on Hony Capital Fund 2008, L.P., Hony Capital Fund V, L.P. and LC Fund V, L.P., even though the capital contribution percentage in these funds are below 20% by virtue of its significant influence on the general partner and/or management company of these funds. Consequently, these investments have been classified as associates.

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 financial information on RMB funds is prepared in accordance with IFRS while the financial information on USD funds is prepared in accordance with the Generally Accepted Accounting Principles in US.

	Year ended December 31, 2012	
	Post-tax profit/(loss)	**Total comprehensive income/(loss)**
RMB funds	(214,314)	(214,314)
USD funds	4,392,495	4,392,495
Total	4,178,181	4,178,181

	Year ended December 31, 2013	
	Post-tax profit	**Total comprehensive income**
RMB funds	127,672	127,672
USD funds	11,380,338	11,380,338
Total	11,508,010	11,508,010

	Year ended December 31, 2014	
	Post-tax profit	**Total comprehensive income**
RMB funds	4,637,173	4,637,173
USD funds	3,630,088	3,630,088
Total	8,267,261	8,267,261

13. INCOME TAX EXPENSE

Majority of the group entities are subject to PRC enterprise income tax, which has been provided based on the statutory income tax rate of 25% of the assessable income of each of these group entities. Hong Kong profits have been provided at the rate of 16.5%. Income tax of other group entities operating in overseas countries and regions are calculated at the rates applicable in the respective jurisdictions.

	The Group Year ended December 31,		
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
Current income tax:			
Current income tax on profits for the year	1,558,017	2,137,811	2,567,717
LAT	483,130	523,475	1,275,607
	2,041,147	2,661,286	3,843,324
Deferred income tax	137,473	(412,543)	(105,243)
Income tax expense	2,178,620	2,248,743	3,738,081

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, 2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
Profit before tax	6,643,326	9,962,217	11,560,252
Tax effects of:			
Tax calculated at domestic rates applicable in countries concerned	1,545,358	2,164,518	2,359,881
Income not subject to tax	(737,234)	(2,133,389)	(2,692,694)
Expenses not deductible for tax purposes	829,847	1,071,415	1,829,956
Utilisation of previously unrecognised tax losses	(485,892)	(205,359)	(343,135)
Deferred income tax assets not recognised	357,641	822,668	1,058,556
Others	185,770	5,415	249,910
Enterprise income tax	1,695,490	1,725,268	2,462,474
LAT	483,130	523,475	1,275,607
	2,178,620	2,248,743	3,738,081

As at December 31, 2012, 2013 and 2014, the weighted average applicable tax rate was 23.3%, 21.7% and 20.4%, respectively. The decrease on tax rate was mainly caused by tax concessions and profitability changes of the Group's subsidiaries in respective countries they were operating.

The tax (charge)/credit relating to components of other comprehensive income is as follows:

	The Group Year ended December 31, 2012			2013			2014		
	Before tax	Tax (charge)/ credit	After tax	Before tax	Tax (charge)/ credit	After tax	Before tax	Tax (charge)/ credit	After tax
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Fair value gains on available-for-sale financial assets	(35,467)	24,534	(10,933)	161,437	(56,344)	105,093	744,473	(176,483)	567,990
Investment revaluation reserve reclassified to consolidated income statement on disposal of an available-for-sale financial assets	(391,565)	98,374	(293,191)	(354,986)	55,111	(299,875)	(200,548)	39,439	(161,109)
Share of other comprehensive income of associates	31,235	–	31,235	15,566	–	15,566	81,985	–	81,985
Actuarial loss on retirement benefit obligations	(110,260)	18,334	(91,926)	(63,400)	(10,257)	(73,657)	(110,003)	1,167	(108,836)
Fair value change on cashflow hedges	58,423	(12,303)	46,120	(8,834)	(3,710)	(12,544)	468,742	(20,509)	448,233
Currency translation differences	(466,005)	–	(466,005)	(1,606,392)	–	(1,606,392)	(2,165,833)	–	(2,165,833)
Revaluation of investment properties upon reclassification from property, plant and equipment	–	–	–	40,268	(10,067)	30,201	–	–	–
Other comprehensive income/loss	(913,639)	128,939	(784,700)	(1,816,341)	(25,267)	(1,841,608)	(1,181,184)	(156,386)	(1,337,570)
Current tax		–			–			–	
Deferred tax *(Note 39)*		128,939			(25,267)			(156,386)	
		128,939			(25,267)			(156,386)	

14. EARNINGS PER SHARE

Basic and diluted earnings per share for each of the Relevant Periods have been computed by dividing the profit for the years attributable to the equity holders of the Company by 2,000,000,000 ordinary shares issued and outstanding at February 18, 2014 upon conversion of the Company into a joint stock limited liability company, as if such shares had been outstanding for all periods presented.

	Year ended December 31, 2012	2013	2014
Weighted average number of issued ordinary shares (thousands)	2,000,000	2,000,000	2,000,000
Adjustment of the number of treasury shares (thousands)	(27,130)	(6,782)	–
Weighted average number of issued ordinary shares (thousands)	1,972,870	1,993,218	2,000,000
Basic earnings attributable to equity holders of the Company (RMB'000)	2,287,897	4,837,590	4,160,389
Diluted impact arising from share options and long-term incentive awards held by Lenovo (RMB'000)	(23,303)	(22,420)	(20,685)
Diluted earnings attributable to equity holders of the Company (RMB'000)	2,264,594	4,815,170	4,139,704
Earnings per share			
– Basic (RMB per share)	1.16	2.43	2.08
– Diluted (RMB per share)	1.15	2.42	2.07

Diluted earnings per share is calculated by adjusting earnings attributable to the equity holders of the Company due to the effect of two categories of dilutive instruments, namely share options and long-term incentive awards held by Lenovo.

15. LEASEHOLD LAND AND LAND USE RIGHTS

The Group's interests in leasehold land and land use rights represent prepaid operating lease payments and their net book value is analysed as follows:

	Year ended December 31,		
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
In Mainland China:			
Leases between 10 to 50 years	1,260,958	1,534,288	1,512,285

The movement of leasehold land and land use rights are as following:

	Year ended December 31,		
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
At beginning of the year	656,542	1,260,958	1,534,288
Additions	424,126	240,012	199,215
Transfer from construction in progress	140,640	97,724	84,072
Acquisition of subsidiaries *(Note 47(a))*	405,974	–	–
Transfer to construction in progress	(4,413)	(30,341)	–
Disposals	–	–	(58,487)
Amortisation	(35,100)	(34,065)	(36,192)
Disposal of subsidiaries	(326,811)	–	(210,611)
At end of the year	1,260,958	1,534,288	1,512,285

As at December 31, 2012, 2013 and 2014, the land use rights with a carry amount of RMB39 million, RMB41 million and RMB178 million were pledged as collateral for RMB25 million, RMB55 million, and RMB43 million borrowings, respectively.

16. PROPERTY, PLANT AND EQUIPMENT

	The Group							
	Land and buildings *RMB'000*	Vehicles *RMB'000*	Machinery *RMB'000*	Furniture *RMB'000*	Equipment *RMB'000*	Construction in Progress *RMB'000*	Bearer plants *RMB'000*	Total *RMB'000*
As at January 1, 2012								
Cost	4,332,655	152,307	7,189,362	1,813,197	22,229	1,910,656	–	15,420,406
Accumulated depreciation	(1,180,244)	(75,311)	(4,380,797)	(1,256,336)	(14,850)	–	–	(6,907,538)
Net book amount	3,152,411	76,996	2,808,565	556,861	7,379	1,910,656	–	8,512,868
For the year ended December 31, 2012								
Opening net book amount	3,152,411	76,996	2,808,565	556,861	7,379	1,910,656	–	8,512,868
Exchange adjustment	(71,947)	(47)	(66)	(2,579)	–	(542)	–	(75,181)
Acquisition of subsidiaries *(Note 47(a)(2))*	453,302	65,182	829,627	9,268	9,586	–	165,158	1,532,123
Additions	345,026	18,986	370,959	363,586	20,553	3,634,287	12,326	4,765,723
Transfers to intangible assets	–	–	–	–	–	(403,758)	–	(403,758)
Transfers to leasehold land and land use right	–	–	–	–	–	(140,640)	–	(140,640)
Transfers from construction in progress	752,458	727	384,212	44,837	–	(1,182,234)	–	–
Disposals	(56,652)	(5,677)	(115,847)	(19,569)	(305)	(3,911)	(11,939)	(213,900)
Depreciation charge	(280,537)	(28,906)	(562,457)	(271,627)	(8,923)	–	(2,258)	(1,154,708)
Disposal of subsidiaries	(1,356,155)	(17,703)	(2,011,218)	(35,293)	–	(434,639)	–	(3,855,008)
Closing net book amount	2,937,906	109,558	1,703,775	645,484	28,290	3,379,219	163,287	8,967,519
As at December 31, 2012								
Cost	3,803,768	165,672	3,914,814	2,010,990	48,821	3,379,219	165,545	13,488,829
Accumulated depreciation	(865,862)	(56,114)	(2,211,039)	(1,365,506)	(20,531)	–	(2,258)	(4,521,310)
Net book amount	2,937,906	109,558	1,703,775	645,484	28,290	3,379,219	163,287	8,967,519

	The Group							
	Land and buildings	**Vehicles**	**Machinery**	**Furniture**	**Equipment**	**Construction in Progress**	**Bearer plants**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
For the year ended December 31, 2013								
Opening net book amount	2,937,906	109,558	1,703,775	645,484	28,290	3,379,219	163,287	8,967,519
Exchange adjustment	(123,481)	(663)	(32,779)	(26,919)	(97)	(18,924)	(1,280)	(204,143)
Acquisition of subsidiaries *(Note 47(b)(2))*	108,616	1,349	54,589	16,355	370	–	243,417	424,696
Additions	312,016	81,838	643,701	345,317	76,792	4,154,469	149,970	5,764,103
Transfers to intangible assets	–	–	–	–	–	(606,692)	–	(606,692)
Transfers to leasehold land and land use right	–	–	–	–	–	(97,724)	–	(97,724)
Transfers from construction in progress	1,244,881	490	734,068	54,682	2,163	(2,036,284)	–	–
Disposals	(67,260)	(5,645)	(305,245)	(15,767)	(2,054)	(6,371)	(10,709)	(413,051)
Depreciation charge	(389,297)	(58,062)	(215,125)	(306,500)	(32,867)	–	(4,925)	(1,006,776)
Disposal of subsidiaries	(18,629)	(463)	(2,237)	(103)	(1,592)	(163,639)	–	(186,663)
Closing net book amount	4,004,752	128,402	2,580,747	712,549	71,005	4,604,054	539,760	12,641,269
As at December 31, 2013								
Cost	5,207,600	217,880	4,416,789	2,198,042	115,909	4,604,054	546,944	17,307,218
Accumulated depreciation	(1,202,848)	(89,478)	(1,836,042)	(1,485,493)	(44,904)	–	(7,184)	(4,665,949)
Net book amount	4,004,752	128,402	2,580,747	712,549	71,005	4,604,054	539,760	12,641,269

	The Group							
	Land and buildings *RMB'000*	**Vehicles** *RMB'000*	**Machinery** *RMB'000*	**Furniture** *RMB'000*	**Equipment** *RMB'000*	**Construction in Progress** *RMB'000*	**Bearer plants** *RMB'000*	**Total** *RMB'000*
For the year ended December 31, 2014								
Opening net book amount	4,004,752	128,402	2,580,747	712,549	71,005	4,604,054	539,760	12,641,269
Exchange adjustment	(141,862)	(1,606)	(40,727)	(31,270)	(9)	(47,552)	(1,326)	(264,352)
Acquisition of subsidiaries *(Note 47(c)(2))*	1,832,817	20,299	563,006	1,477,503	4,598	82,394	–	3,980,617
Additions	555,897	54,882	736,774	374,669	47,024	6,026,662	141,201	7,937,109
Transfers to intangible assets	–	–	–	–	–	(373,409)	–	(373,409)
Transfers to leasehold land and land use right	–	–	–	–	–	(84,072)	–	(84,072)
Transfers from construction in progress	1,529,539	360	661,641	77,972	14,213	(2,283,725)	–	–
Disposals	(52,770)	(9,690)	(26,819)	(28,022)	(2,778)	(177,100)	(26,750)	(323,929)
Depreciation charge	(417,108)	(44,533)	(506,698)	(386,118)	(29,033)	–	(8,226)	(1,391,716)
Disposal of subsidiaries	(479,866)	(33,886)	(105,188)	(9,635)	(36,675)	(25,467)	–	(690,717)
Impairment charge	–	–	(306,788)	–	–	(44,844)	–	(351,632)
Closing net book amount	6,831,399	114,228	3,555,948	2,187,648	68,345	7,676,941	644,659	21,079,168
As at December 31, 2014								
Cost	8,353,118	205,174	6,008,797	3,867,327	122,903	7,721,785	660,069	26,939,173
Accumulated depreciation	(1,521,719)	(90,946)	(2,146,061)	(1,679,679)	(54,558)	–	(15,410)	(5,508,373)
Accumulated impairment	–	–	(306,788)	–	–	(44,844)	–	(351,632)
Net book amount	6,831,399	114,228	3,555,948	2,187,648	68,345	7,676,941	644,659	21,079,168

Depreciation expense of RMB695 million, RMB417 million and RMB649 million has been charged in "cost of sales", RMB59 million, RMB62 million and RMB87 million in "selling and marketing costs" and RMB401 million, RMB528 million and RMB656 million in "general and administrative expenses" during the Relevant Periods.

The property, plant and equipment with a carrying amount of RMB256 million, RMB49 million and RMB441 million were pledged as collateral for the borrowings of RMB1,556 million, RMB45 million and RMB235 million as at December 31, 2012, 2013 and 2014, respectively.

The construction in progress with a carrying amount of RMB154 million, nil and RMB2,127 million were pledged as collateral for the borrowings of RMB550 million, nil and RMB1,035 million as at December 31, 2012, 2013 and 2014, respectively.

Bearer plants with a carrying amount of RMB59 million, RMB170 million and 280 million were pledged as collateral for the borrowings of RMB43 million, RMB88 million and RMB158 million as at December 31, 2012, 2013 and 2014, respectively.

17. INVESTMENT PROPERTIES

	The Group		
	Year ended December 31,		
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
At beginning of the year	5,924,329	6,629,836	5,705,381
Subsequent expenditure capitalised	83,335	–	68,674
Disposals	–	(97,818)	–
Disposal of a subsidiary	–	(1,068,462)	–
Fair value gains	622,172	201,557	249,243
Transfer from property, plant and equipment	–	40,268	–
At end of the year	6,629,836	5,705,381	6,023,298

The Group's investment properties are all situated in Mainland China. All the investment properties are rented out under operating leases.

(a) Amounts recognised in income statement for investment properties

	The Group		
	Year ended December 31,		
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
Rental income	321,291	275,677	278,801
Direct operating expenses from properties that generated rental income	(122,070)	(73,600)	(62,748)
	199,221	202,077	216,053

The direct operating expenses from properties that did not generate rental income is immaterial to the Group in the year ended December 31, 2012, 2013 and 2014.

(b) Valuation basis

Investment properties held by the Group were revalued at the end of each of the Relevant Periods based on valuations performed by independent qualified valuers, 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.

The valuations are derived using the income capitalisation method. This method is based on the capitalisation of net income with due allowance for outgoings and reversionary income potential by adopting appropriate capitalisation rates, which are derived from analysis of sale transactions and valuers' interpretation of prevailing investor requirements or expectations or, where appropriate, by reference to market evidence of transaction prices for the similar properties in the surrounding areas. Prevailing market rents are estimated based on the independent valuer's view of recent letting transactions within the subject properties and other comparable properties. There were no changes to the valuation techniques during the Relevant Periods.

At the end of each of the Relevant Periods, 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. There were no transfers between levels 1, 2 and 3 during the Relevant Periods.

At the end of each of the Relevant Periods, the directors:

- verifies all major inputs to the independent valuation reports;
- assesses property valuation movements when compared to the prior year valuation reports;
- holds discussion with the independent valuer.

The key assumptions used by the directors in determining fair value during the Relevant Periods were in the following ranges:

	The Group Year ended December 31, 2012	2013	2014
Capitalisation rate	4.0%-5.5%	4.0%-5.5%	4.0%-5.5%
Expected vacancy rate			
– Office	2.5%	5.0%	4.0%
– Retail	10.0%	10.0%	10.0%
– Car park	5.0%	5.0%	5.0%
Prevailing market rents (per sq.m. per month)			
– Office	RMB261–RMB330	RMB290–RMB335	RMB310–RMB360
– Retail	RMB90–RMB135	RMB120–RMB165	RMB150–RMB180
– Car park	RMB650	RMB750	RMB850

The following tables show the sensitivity of the fair value of the investment properties to the key assumptions had the director's estimates to increase or decrease by 10%.

	Year ended December 31, 2012	
	Favourable change by 10%	Unfavourable change by 10%
	RMB'000	*RMB'000*
Capitalisation rate	421,677	(375,042)
Expected vacancy rate	13,908	(13,910)

	Year ended December 31, 2013	
	Favourable change by 10%	Unfavourable change by 10%
	RMB'000	*RMB'000*
Capitalisation rate	431,943	(383,879)
Expected vacancy rate	28,793	(27,793)

	Year ended December 31, 2014	
	Favourable change by 10%	Unfavourable change by 10%
	RMB'000	*RMB'000*
Capitalisation rate	451,484	(402,509)
Expected vacancy rate	26,004	(26,005)

(c) Investment properties pledged as security

The investment properties with a fair value of RMB6,511 million, RMB5,692 million and RMB6,008 million were pledged as collateral for the borrowings of RMB1,798 million, RMB1,080 million and RMB912 million as at December 31, 2012, 2013 and 2014.

(d) Leasing arrangements

Minimum lease payments under non-cancellable operating leases of investment properties not recognised in the financial statements are receivable as follows:

	The Group As at December 31,		
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
Within one year	160,533	196,032	215,527
Later than one year but no later than 5 years	177,560	153,621	149,332
Later than 5 years	1,676	57	–
	339,769	349,710	364,859

The Group's interests in investment properties at their net book values are analysed as follows:

	The Group As at December 31,		
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
In Mainland China, held on:			
Leases of less than 50 years	6,629,836	5,705,381	6,023,298

18. INTANGIBLE ASSETS

	The Group							
	Mining rights	Trademarks	Softwares	Goodwill	Patent and technology	Customer relationships	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at January 1, 2012								
Cost	656,501	3,745,228	3,421,757	14,837,802	881,936	732,555	76,888	24,352,667
Accumulated amortisation and impairment	(50,241)	(846,927)	(1,978,857)	(107,185)	(659,957)	(153,679)	(72,727)	(3,869,573)
Net book amount	606,260	2,898,301	1,442,900	14,730,617	221,979	578,876	4,161	20,483,094
For the year ended December 31, 2012								
Opening net book amount	606,260	2,898,301	1,442,900	14,730,617	221,979	578,876	4,161	20,483,094
Additions	–	18,299	642,767	–	8,344	–	5,540	674,950
Acquisition of subsidiaries	–	274,087	150	1,667,874	147,617	247,360	–	2,337,088
Exchange adjustment	–	(26,733)	(374)	(229,410)	(7,928)	(47,923)	–	(312,368)
Disposals	–	–	(16,978)	–	–	–	(3,633)	(20,611)
Disposal of subsidiaries	–	(20,248)	–	(145,224)	(119,309)	–	(2,167)	(286,948)
Amortisation charge	(20,279)	(2,929)	(616,559)	–	(54,229)	(52,146)	(1,221)	(747,363)
Closing net book amount	585,981	3,140,777	1,451,906	16,023,857	196,474	726,167	2,680	22,127,842
As at December 31, 2012								
Cost	656,501	3,351,530	4,002,373	16,131,042	1,369,313	1,039,376	2,954	26,553,089
Accumulated amortisation and impairment	(70,520)	(210,753)	(2,550,467)	(107,185)	(1,172,839)	(313,209)	(274)	(4,425,247)
Net book amount	585,981	3,140,777	1,451,906	16,023,857	196,474	726,167	2,680	22,127,842
For the year ended December 31, 2013								
Opening net book amount	585,981	3,140,777	1,451,906	16,023,857	196,474	726,167	2,680	22,127,842
Additions	–	2,049	1,140,148	–	151,608	9,434	548	1,303,787
Acquisition of subsidiaries	–	67,705	5,471	1,152,411	7,448	235,711	67,511	1,536,257
Exchange adjustment	–	(85,093)	(35,798)	(916,944)	(16,799)	(24,243)	–	(1,078,877)
Disposals	–	–	(43,609)	–	–	(8,273)	(9,611)	(61,493)
Disposal of subsidiaries	–	–	(1,127)	–	–	–	–	(1,127)
Amortisation charge	(24,505)	(13,507)	(712,593)	–	(59,485)	(70,717)	(1,144)	(881,951)
Closing net book amount	561,476	3,111,931	1,804,398	16,259,324	279,246	868,079	59,984	22,944,438
At December 31, 2013								
Cost	644,522	3,336,200	5,066,582	16,366,509	1,511,577	1,252,012	61,132	28,238,534
Accumulated amortisation and impairment	(83,046)	(224,269)	(3,262,184)	(107,185)	(1,232,331)	(383,933)	(1,148)	(5,294,096)
Net book amount	561,476	3,111,931	1,804,398	16,259,324	279,246	868,079	59,984	22,944,438

	The Group							
	Mining rights	Trademarks	Softwares	Goodwill	Patent and technology	Customer relationships	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
For the year ended December 31, 2014								
At beginning of the year	561,476	3,111,931	1,804,398	16,259,324	279,246	868,079	59,984	22,944,438
Additions	–	–	104,128	–	2,053,902	25,148	43,575	2,226,753
Acquisition of subsidiaries	–	5,590,911	1,743	15,355,132	6,112,209	7,926,190	61,395	35,047,580
Exchange adjustment	–	(67,155)	(9,732)	(863,573)	(70,065)	(206,336)	–	(1,216,861)
Disposals	–	–	(48,063)	–	(3,940)	–	–	(52,003)
Disposal of subsidiaries	–	–	(11,721)	(316,145)	–	(48,633)	(31,536)	(408,035)
Amortisation charge	(37,708)	(67,908)	(567,286)	–	(494,342)	(241,278)	(724)	(1,409,246)
Impairment loss	–	–	–	(746,107)	–	–	–	(746,107)
At end of the year	523,768	8,567,779	1,273,467	29,688,631	7,877,010	8,323,170	132,694	56,386,519
At December 31, 2014								
Cost	644,522	9,444,337	4,998,438	30,541,926	9,074,211	8,832,434	134,536	63,670,404
Accumulated amortisation and impairment	(120,754)	(876,558)	(3,724,971)	(853,295)	(1,197,201)	(509,264)	(1,842)	(7,283,885)
Net book amount	523,768	8,567,779	1,273,467	29,688,631	7,877,010	8,323,170	132,694	56,386,519

Amortisation of RMB196 million, RMB118 million and RMB92 million are included in the "cost of sales"; RMB48 million, RMB47 million and RMB59 million in "selling and distribution expenses"; and RMB503 million, RMB717 million and RMB1,258 million in "general and administrative expenses" in the consolidated income statement for the years ended December 31, 2012, 2013 and 2014.

Impairment tests for goodwill and intangible assets with indefinite useful life

Management reviews the business performance based on type of business and monitor goodwill and intangible assets with indefinite useful lives at cash generating unit or a group of cash generating units.

In 2013, IT segment of the Group underwent an organizational structure change whereby Latin America that was previously part of Asia Pacific/Latin America ("APLA") has been spun off and combined with North America, transforming into a new Americas region. The carrying amount of goodwill and intangible assets with indefinite useful lives, less accumulated impairment charged, are presented below:

		Goodwill	
CGUs	**As at December 31, 2012**	**As at December 31, 2013**	**As at December 31, 2014**
	RMB'000	*RMB'000*	*RMB'000*
– IT			
– China	6,983,191	7,002,202	6,890,715
– Europe-Middle East-Africa ("EMEA")	1,671,943	1,736,239	1,515,518
– North America	1,509,639	NA	NA
– Asia Pacific Latin America("APLA")	4,550,702	NA	NA
– Americas ("AG")	NA	2,316,245	2,213,022
– Asia Pacific ("AP")	NA	3,584,977	3,218,594
– Amounts pending allocation *(Note i)*	–	–	14,918,771
– Agriculture and food			
– Chinese liquor business	620,570	620,570	–
– Agriculture business	230,647	510,831	510,831
– All others	457,165	488,260	421,180
	16,023,857	16,259,324	29,688,631

		Intangible assets with indefinite useful life	
CGUs	**As at December 31, 2012**	**As at December 31, 2013**	**As at December 31, 2014**
	RMB'000	*RMB'000*	*RMB'000*
– IT			
– China	1,313,670	1,274,252	1,278,871
– EMEA	722,833	719,434	666,971
– North America	364,559	NA	NA
– APLA	427,414	NA	NA
– AG	NA	408,492	409,973
– AP	NA	359,718	361,021
– Amounts pending allocation *(Note i)*	–	–	5,078,770
– Agriculture and food			
– Chinese liquor business	294,992	294,992	294,992
– Agriculture business	–	–	–
– All others	–	57,530	425,890
	3,123,468	3,114,418	8,516,488

Note i: As of December 31, 2014, management is in the process of determining the allocation of goodwill and intangible assets with indefinite useful life arising from acquisition of Motorola Mobility Holdings LLC ("Motorola Mobility") and IBM x86 Business ("x86 Business") to the appropriate cash generating units of the Group.

The Group completed its annual impairment test on goodwill and intangible assets with indefinite useful life for its various CGUs by comparing their recoverable amounts to the carrying amounts, as at the reporting date. The recoverable amount of all CGUs is determined based on value-in-use calculations. These calculations 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 CGUs extrapolated using the estimated growth rates stated below beyond the five-year period.

The key assumptions used for value-in-use calculations under the five-year financial budget period for CGUs with significant goodwill and intangible assets with indefinite useful lives are as follows:

Year ended December 31, 2012

	IT				Agriculture and food		Chemicals and energy materials
	China	**APLA**	**EMEA**	**North America**	**Chinese liquor business**	**Agriculture business**	**Chlor-alkali business**
Growth rate	8%	-2%	-1%	0%	22%	NA	13%
Discount rate	11%	11%	11%	11%	12%	NA	15%

Year ended December 31, 2013

	IT				Agriculture and food		Chemicals and energy materials
	China	**AP**	**EMEA**	**AG**	**Chinese liquor business**	**Agriculture business**	**Chlor-alkali business**
Growth rate	2%	-1%	-2%	0%	8%-15%	30%	10%
Discount rate	11%	11%	11%	11%	14%	12%	12%

Year ended December 31, 2014

	IT				Agriculture and food		Chemicals and energy materials
	China	**AP**	**EMEA**	**AG**	**Chinese liquor business**	**Agriculture business**	**Chlor-alkali business**
Growth rate	0%	-2%	-5%	-1%	3%-10%	28%	6%
Discount rate	9%	9%	9%	9%	14%	12%	12%

The estimated growth rate used in the value-in-use calculations beyond the five-year period are as follows:

Year ended December 31, 2012

	IT				Agriculture and food		Chemicals and energy materials
	China	**APLA**	**EMEA**	**North America**	**Chinese liquor business**	**Agriculture business**	**Chlor-alkali business**
Growth rate	0%	0%	0%	0%	2%	NA	2%

Year ended December 31, 2013

	IT				Agriculture and food		Chemicals and energy materials
	China	**AP**	**EMEA**	**AG**	**Chinese liquor business**	**Agriculture business**	**Chlor-alkali business**
Growth rate	0%	0%	0%	0%	0%	0%	2%

Year ended December 31, 2014

	IT				Agriculture and food		Chemicals and energy materials
	China	**AP**	**EMEA**	**AG**	**Chinese liquor business**	**Agriculture business**	**Chlor-alkali business**
Growth rate	0%	0%	0%	0%	0%	0%	0%

The weighted average growth rates applied by the Group are consistent with those estimated in the industry reports, and do not exceed the long-term average growth rates in the industry each CGU operates. Management determines budgeted gross margin based on past experience and forecast on future market development. The discount rates used by management are the pre-tax interest rates that are able to reflect the risks specific to the relevant operating segments.

As at December 31, 2012, 2013 and 2014, the directors are of the view that there was no evidence of impairment of goodwill, trademarks and trade names other than impairment charge recorded on goodwill in relation to Chinese liquor business and chemicals and energy materials business.

Due to the stagnation of the Chinese liquor industry, the directors of the Group believed that the Group's expected revenue generated from Chinese liquor business will be affected and the overall market situation of Chinese liquor business remains challenging. As at December 31, 2014, the Group recognised an impairment loss of RMB621 million on goodwill based on management's assessment.

Chemicals and energy materials business faced pressure resulting from the increased raw materials price. The capability of chemicals and energy materials business remain profitable is uncertain and as such, in 2014, the Group recognised an impairment loss of RMB477 million, of which, RMB125 million has been allocated to goodwill while RMB352 million has been allocated to property, plant and equipment and construction in progress.

The Group has performed a sensitivity analysis on key assumptions used for the annual impairment test for goodwill during the Relevant Periods.

In 2012, except for APLA, 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. As at December 31, 2012, the recoverable amount for APLA calculated based on value in use exceeded carrying value by RMB2,866 million. Had APLA's forecasted operating margin been 0.80 percentage point lower than management's estimates, the APLA's remaining headroom would be removed.

In 2013, except for AP, a reasonably possible change in key assumptions used in the impairment test for goodwill would not cause any CGU's carrying amount to exceed their respective recoverable amount. As at December 31, 2013, the recoverable amount for AP calculated based on value in use exceeded carrying value by RMB1,372 million. Had AP's forecasted operating margin been 0.80 percentage point lower than management's estimates, the AP's remaining headroom would be removed.

In 2014, except for AP, 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. As at December 31, 2014, the recoverable amount for AP calculated based on value in use exceeded carrying value by RMB3,763 million. Had AP's forecasted operating margin been 1.30 percentage point lower than management's estimates, the AP's remaining headroom would be removed.

19. FINANCIAL INSTRUMENTS BY CATEGORY

	The Group				
	Loans and receivables	**Assets at fair value through profit or loss**	**Derivatives used for hedging**	**Available-for-sale financial assets**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at December 31, 2012					
Assets					
Available-for-sale financial assets	–	–	–	3,517,935	3,517,935
Derivative financial instruments	–	505,887	160,224	–	666,111
Trade and notes receivables	26,168,682	–	–	–	26,168,682
Loans to customers	883,922	–	–	–	883,922
Other receivables and other current assets	20,931,166	–	–	–	20,931,166
Other non-current assets	14,945	–	–	–	14,945
Financial assets at fair value through profit or loss	–	5,957,501	–	–	5,957,501
Associates measured at fair value through profit or loss	–	9,725,080	–	–	9,725,080
Restricted deposits	1,524,772	–	–	–	1,524,772
Bank deposits	2,704,561	–	–	–	2,704,561
Cash and cash equivalents	37,824,632	–	–	–	37,824,632
	90,052,680	16,188,468	160,224	3,517,935	109,919,307

	Liabilities at fair value through profit or loss	**Derivatives used for hedging**	**Other financial liabilities at amortised cost**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Liabilities				
Borrowings	–	–	38,865,447	38,865,447
Derivative financial instruments	340,325	71,353	–	411,678
Trade and notes payables	–	–	35,616,992	35,616,992
Other payables	–	–	40,727,114	40,727,114
Other liabilities	3,253,972	–	2,500,844	5,754,816
	3,594,297	71,353	117,710,397	121,376,047

	The Group				
	Loans and receivables	**Assets at fair value through profit or loss**	**Derivatives used for hedging**	**Available-for-sale financial assets**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at December 31, 2013					
Assets					
Available-for-sale financial assets	–	–	–	2,574,931	2,574,931
Derivative financial instruments	–	327,098	229,561	–	556,659
Trade and notes receivables	28,345,851	–	–	–	28,345,851
Loans to customers	2,495,558	–	–	–	2,495,558
Other receivables and other current assets	19,984,903	–	–	–	19,984,903
Other non-current assets	145,616	–	–	–	145,616
Financial assets at fair value through profit or loss	–	3,425,887	–	–	3,425,887
Associates measured at fair value through profit or loss	–	11,882,076	–	–	11,882,076
Restricted deposits	1,595,472	–	–	–	1,595,472
Bank deposits	2,068,017	–	–	–	2,068,017
Cash and cash equivalents	35,461,855	–	–	–	35,461,855
	90,097,272	15,635,061	229,561	2,574,931	108,536,825

	Liabilities at fair value through profit or loss	**Derivatives used for hedging**	**Other financial liabilities at amortised cost**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Liabilities				
Borrowings	–	–	45,615,157	45,615,157
Derivative financial instruments	293,976	75,295	–	369,271
Trade and notes payables	–	–	38,373,453	38,373,453
Other payables	–	–	39,919,370	39,919,370
Other non-current liabilities	3,186,185	–	2,390,554	5,576,739
	3,480,161	75,295	126,298,534	129,853,990

	The Group				
	Loans and receivables	**Assets at fair value through profit or loss**	**Derivatives used for hedging**	**Available-for-sale financial assets**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at December 31, 2014					
Assets					
Available-for-sale financial assets	–	–	–	3,663,632	3,663,632
Derivative financial instruments	–	690,019	603,684	–	1,293,703
Trade and notes receivables	39,401,148	–	–	–	39,401,148
Loans to customers	4,084,594	–	–	–	4,084,594
Other receivables and other current assets	23,104,606	–	–	–	23,104,606
Other non-current assets	741,683	–	–	–	741,683
Financial assets at fair value through profit or loss	–	1,147,797	–	–	1,147,797
Associates measured at fair value through profit or loss	–	12,676,928	–	–	12,676,928
Restricted deposits	1,378,512	–	–	–	1,378,512
Bank deposits	4,831,811	–	–	–	4,831,811
Cash and cash equivalents	35,772,890	–	–	–	35,772,890
	109,315,244	14,514,744	603,684	3,663,632	128,097,304

	Liabilities at fair value through profit or loss	**Derivatives used for hedging**	**Other financial liabilities at amortised cost**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Liabilities				
Borrowings	–	–	76,120,680	76,120,680
Derivative financial instruments	570,154	2,487	–	572,641
Trade and notes payables	–	–	49,755,181	49,755,181
Other payables	–	–	44,982,648	44,982,648
Other non-current liabilities	3,240,775	–	8,708,959	11,949,734
	3,810,929	2,487	179,567,468	183,380,884

	The Company			
	Loans and receivables	**Assets at fair value through profit or loss**	**Available-for-sale financial assets**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at December 31, 2012				
Assets:				
Available-for-sale financial assets	–	–	1,639,460	1,639,460
Financial assets at fair value through profit or loss	–	188,469	–	188,469
Associates measured at fair value through profit or loss	–	3,436,887	–	3,436,887
Derivative financial instruments	–	24,078	–	24,078
Amounts due from subsidiaries	5,372,409	–	–	5,372,409
Amounts due from related parties	780,882	–	–	780,882
Cash and cash equivalents	3,826,510	–	–	3,826,510
Bank deposit	60,000	–	–	60,000
Other receivables	290,466	–	–	290,466
Total	10,330,267	3,649,434	1,639,460	15,619,161

	Financial liabilities at amortised cost
	RMB'000
Liabilities:	
Borrowings	18,569,754
Amounts due to subsidiaries	1,309,408
Amounts due to related parities	1,680,111
Other payables	619,379
Total	22,178,652

	The Company			
	Loans and receivables	Assets at fair value through profit or loss	Available-for-sale financial assets	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at December 31, 2013				
Assets:				
Available-for-sale financial assets	–	–	1,249,475	1,249,475
Financial assets at fair value through profit or loss	–	184,296	–	184,296
Associates measured at fair value through profit or loss	–	2,904,829	–	2,904,829
Amounts due from subsidiaries	7,745,556	–	–	7,745,556
Amounts due from related parties	231,125	–	–	231,125
Cash and cash equivalents	2,216,074	–	–	2,216,074
Bank deposits	1,000,000	–	–	1,000,000
Other receivables	426,055	–	–	426,055
Total	11,618,810	3,089,125	1,249,475	15,957,410

	Financial liabilities at amortised cost
	RMB'000
Liabilities:	
Borrowings	19,209,424
Amounts due to subsidiaries	819,919
Amounts due to related parities	1,671,880
Other payables	326,349
Total	22,027,572

	The Company			
	Loans and receivables	**Assets at fair value through profit or loss**	**Available-for-sale financial assets**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at December 31, 2014				
Assets:				
Available-for-sale financial assets	–	–	1,396,732	1,396,732
Financial assets at fair value through profit or loss	–	180,210	–	180,210
Associates measured at fair value through profit or loss	–	3,253,792	–	3,253,792
Amounts due from subsidiaries	8,570,559	–	–	8,570,559
Amounts due from related parties	370,892	–	–	370,892
Cash and cash equivalents	3,497,579	–	–	3,497,579
Bank deposits	2,380,000	–	–	2,380,000
Other receivables	763,264	–	–	763,264
Total	15,582,294	3,434,002	1,396,732	20,413,028

	Financial liabilities at amortised cost
	RMB'000
Liabilities as per balance sheet:	
Borrowings	25,664,250
Amounts due to subsidiaries	866,452
Amounts due to related parities	1,000
Other payables	418,172
Total	26,949,874

20. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets of the Group and the Company include the following:

	The Group		
	As at December 31,		
	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
Listed securities:			
Equity securities – HK	728,613	506,476	470,824
Equity securities – China	827,932	1,135,155	1,896,209
Equity securities – US	236,354	–	88,182
Equity securities – Japan	65,658	59,445	62,463
Subtotal	1,858,557	1,701,076	2,517,678
Unlisted securities:			
Unlisted equity instruments	1,452,378	866,855	1,031,854
Bank's wealth management product	207,000	7,000	114,100
Subtotal	1,659,378	873,855	1,145,954
Total	3,517,935	2,574,931	3,663,632
Less: non-current portion	(3,310,935)	(2,567,931)	(3,549,532)
Current portion	207,000	7,000	114,100

	The Company		
	As at December 31,		
	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
Listed securities:			
Equity securities – HK	444,747	302,276	229,221
Equity securities – China	661,282	658,435	797,813
Subtotal	1,106,029	960,711	1,027,034
Unlisted securities:			
Unlisted equity instruments	533,431	288,764	369,698
Total	1,639,460	1,249,475	1,396,732
Less: non-current portion	(1,639,460)	(1,249,475)	(1,396,732)
Current portion	–	–	–

21. OTHER NON-CURRENT ASSETS

Other non-current assets primarily include the advances to suppliers for construction-in-progress and long-term receivable arising from finance lease in Financial services segment.

At December 31, 2012, no non-current asset was used as collateral for borrowings. As at December 31, 2013 and 2014, non-current assets with a net amount of RMB21 million and RMB10 million were used as the collateral for long term borrowings of RMB17 million and RMB10 million, respectively.

22. TRADE AND NOTES RECEIVABLES

	The Group		
	As at December 31,		
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	20,795,921	24,368,070	36,268,453
Notes receivables	5,552,881	4,166,227	3,259,744
Receivables arising from finance leases	–	71,025	319,657
Less: provision for impairment	(180,120)	(259,471)	(446,706)
Trade and notes receivables – net	26,168,682	28,345,851	39,401,148

At December 31, 2012, 2013 and 2014, the ageing analysis of the trade receivables based on invoice date was as follows:

	The Group		
	As at December 31,		
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
Up to 3 months	19,441,888	22,304,309	33,588,932
3 to 6 months	827,331	1,397,934	1,796,070
6 months to 1 year	364,864	307,445	367,099
1 to 2 years	109,399	281,452	217,549
2 to 3 years	5,684	43,878	133,588
Over 3 years	46,755	33,052	165,215
	20,795,921	24,368,070	36,268,453

At December 31, 2012 and 2013, no trade and notes receivable was used as collateral for borrowings. As at December 31, 2014, trade and notes receivable with a net amount of RMB11.2 million was used as collateral for short term borrowings of RMB10 million.

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

Movements on the provision for impairment of trade receivables are as follows:

	The Group Year ended December 31,		
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
At beginning of the year	(196,314)	(180,120)	(259,471)
Exchange adjustment	(778)	17,926	(16,513)
Provision made	(152,314)	(252,539)	(341,245)
Uncollectible receivable written off	97,509	14,642	54,104
Unused amounts reversed	71,777	140,620	116,419
At end of the year	(180,120)	(259,471)	(446,706)

Trade receivables of RMB2,629 million, RMB2,967 million and RMB6,874 million at December 31, 2012, 2013 and 2014 were past due. The ageing of these receivables, based on due date, is as follows:

	The Group Year ended December 31,		
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
3 months	2,418,123	2,648,335	6,071,764
3 to 6 months	139,176	223,453	535,087
Over 6 months	71,428	95,522	266,981
	2,628,727	2,967,310	6,873,832

The carrying amounts of trade 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. The Group does not hold any collateral as security.

Credit terms of IT segment granted to the customers is around 0-120 days while other segments do not have specific credit terms.

23. PREPAYMENT, OTHER RECEIVABLES AND OTHER CURRENT ASSETS

	The Group As at December 31, 2012 *RMB'000*	 2013 *RMB'000*	 2014 *RMB'000*
Receivables from parts subcontractors	12,236,750	11,351,130	11,661,729
Prepayments	3,324,124	3,471,433	6,519,009
Amounts due from related parties	1,098,669	1,121,971	1,182,178
Amount due from minority shareholders of subsidiaries	1,328,530	1,618,072	1,659,763
Advance to employees	115,595	266,189	226,057
Deposits receivable	221,925	1,013,447	509,919
Prepaid tax	4,221,420	5,193,524	5,243,055
Advance to suppliers	1,981,195	4,279,713	1,824,013
Adjustment for in-transit products *(Note i)*	973,549	2,149,793	2,493,176
Others	1,416,371	934,192	1,364,612
	26,918,128	31,399,464	32,683,511
Less: provision for bad debt	(30,076)	(30,872)	(50,590)
	26,888,052	31,368,592	32,632,921

Note i: The Group defers the cost of shipped products awaiting revenue recognition until the goods are delivered and revenue is recognised. Adjustments are made on in-transit products and included as prepayment.

24. LOANS TO CUSTOMERS

Loans to customers are short-term loans derive from the subsidiaries of the Group which engages in the short-term loans business.

(a) Analysed by nature

	The Group As at December 31, 2012 *RMB'000*	 2013 *RMB'000*	 2014 *RMB'000*
Direct loans and pawn loans to customers	678,129	1,570,556	2,760,287
Entrusted loans to customers	234,000	959,475	1,412,515
Gross loans to customers	912,129	2,530,031	4,172,802
Less: allowances for impairment loss			
– Individually assessed	(4,800)	(5,550)	(40,959)
– Collectively assessed	(23,407)	(28,923)	(47,249)
Total allowances for impairment loss	(28,207)	(34,473)	(88,208)
Net loans to customers	883,922	2,495,558	4,084,594
Less: non-current portion	(198,167)	–	(118,800)
Current portion	685,755	2,495,558	3,965,794

(b) Movement of allowances for impairment losses

	Allowance for loans which are individually assessed	Allowance for loans which are collectively assessed	Total
As at January 1, 2012	–	(23,407)	(23,407)
Provision made	(4,800)	–	(4,800)
Write-offs	–	–	–
As at December 31, 2012	(4,800)	(23,407)	(28,207)
As at January 1, 2013	(4,800)	(23,407)	(28,207)
Provision made	(750)	(25,996)	(26,746)
Write-offs	–	20,480	20,480
As at December 31, 2013	(5,550)	(28,923)	(34,473)
As at January 1, 2014	(5,550)	(28,923)	(34,473)
Provision made	(35,409)	(18,326)	(53,735)
Write-offs	–	–	–
As at December 31, 2014	(40,959)	(47,249)	(88,208)

25. INVENTORIES

	The Group		
	As at December 31,		
	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
Raw materials	5,100,468	7,719,272	8,988,262
Work in progress	288,017	342,868	448,025
Finished goods	5,710,089	7,497,459	8,515,249
Service parts	859,728	1,311,173	2,140,066
Others	61,331	108,256	125,784
	12,019,633	16,979,028	20,217,386

26. PROPERTIES UNDER DEVELOPMENT

	The Group		
	As at December 31,		
	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
At beginning of the year	15,529,061	21,612,666	27,169,767
Additions	11,133,665	11,064,864	13,919,958
Disposal of subsidiaries	–	(111,832)	(857,225)
Provision for impairment	–	(65,850)	(701,330)
Transfer to completed properties held for sale	(5,050,060)	(5,330,081)	(10,961,688)
At end of the year	21,612,666	27,169,767	28,569,482

	The Group		
	As at December 31,		
	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
Properties under development comprise:			
Land use rights	12,515,940	15,514,649	17,381,835
Construction costs and capitalised expenditure	8,121,537	9,198,429	8,048,955
Interest capitalised	975,189	2,456,689	3,138,692
	21,612,666	27,169,767	28,569,482
Land use rights are analysed as follows:			
In Mainland China held on:			
Leases within 50 years	1,419,532	1,738,620	3,415,749
Leases over 50 years	11,096,408	13,776,029	13,966,086
	12,515,940	15,514,649	17,381,835

The properties under development with a carrying value of RMB5,372 million, RMB7,032 million and RMB11,612 million were pledged as collateral for the borrowings of RMB3,075 million, RMB3,620 million and RMB4,586 million as at December 31, 2012, 2013 and 2014, respectively.

27. COMPLETED PROPERTIES HELD FOR SALE

	The Group		
	As at December 31,		
	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
Completed properties held for sale comprise:			
Land use rights	547,639	294,498	1,766,500
Construction costs and capitalised expenditure	1,102,818	1,137,231	3,673,067
Interest capitalised	78,079	87,000	562,287
	1,728,536	1,518,729	6,001,854
Land use rights are analysed as follows:			
In Mainland China held on:			
Leases within 50 years	–	25,938	65,348
Leases over 50 years	547,639	268,560	1,701,152
	547,639	294,498	1,766,500

The completed properties held for sale with a carrying value of nil, nil and RMB35 million were pledged as collateral for the borrowings of nil, nil and RMB154 million as at December 31, 2012, 2013 and 2014, respectively.

28. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	The Group		
	As at December 31,		
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
Listed securities:			
Equity securities – HK	18,201	8,493	17,210
Equity securities – US	641,509	–	79,365
Equity securities – Taiwan	246,080	142,747	–
Equity securities – China	4,443,770	2,652,222	6,829
Market value of listed securities	5,349,560	2,803,462	103,404
Unlisted equity instruments	607,941	622,425	1,044,393
	5,957,501	3,425,887	1,147,797

	The Company		
	As at December 31,		
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
Unlisted equity instruments	188,469	184,296	180,210

The fair value of listed securities is based on their current bid prices in an active market while the fair value of unlisted equity instruments is estimated by management using valuation techniques where applicable.

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

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

	The Group As at December 31,		
	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
Restricted deposit			
Deposits for guarantee business	434,693	610,360	559,706
Deposits for notes payables and borrowings	1,090,079	980,533	288,000
Other restricted deposit	–	4,579	530,806
	1,524,772	1,595,472	1,378,512
Less: non-current portion	(822,151)	–	–
Current portion	702,621	1,595,472	1,378,512
Bank deposit			
Matured between three to twelve months	2,704,561	2,068,017	4,831,811
Cash and cash equivalents			
Cash at bank and in hand	31,390,887	33,050,547	30,797,706
Money market funds	6,433,745	2,411,308	4,975,184
	37,824,632	35,461,855	35,772,890
Total	41,231,814	39,125,344	41,983,213
Maximum exposure to credit risk	41,231,814	39,125,344	41,983,213
Effective annual interest rates	0%-12.42%	0%-12.36%	0%-11.50%

	The Company As at December 31,		
	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
Bank deposit			
Matured between three to twelve months	60,000	1,000,000	2,380,000
Cash and cash equivalents			
Cash at bank and in hand	3,826,510	2,216,074	3,497,579
Total	3,886,510	3,216,074	5,877,579

30. SHARE-BASED PAYMENTS

The Group operates several share-based payment schemes, including the long-term incentive program and share option plan 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

(i) Long-term incentive program:

A performance-related long-term incentive program was approved by Lenovo on May 26, 2005 for the purpose of rewarding and motivating directors, executives and top-performing employees of Lenovo and its subsidiaries (the "Participants").

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.

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.

Movements in the number of units of awards granted during the Relevant Periods and their related weighted average fair values are as follows:

	Number of units	
	SARs	**RSUs**
Outstanding as at January 1, 2012	208,684,000	183,167,000
Granted during the year	60,249,000	74,177,000
Vested during the year	(76,000,000)	(75,252,000)
Lapsed/cancelled during the year	(43,548,000)	(20,138,000)
Outstanding as at December 31, 2012	149,385,000	161,954,000
Granted during the year	86,306,000	110,932,000
Vested during the year	(73,538,000)	(80,912,000)
Lapsed/cancelled during the year	(9,358,000)	(8,433,000)
Outstanding as at December 31, 2013	152,795,000	183,541,000
Granted during the year	83,373,000	230,353,000
Vested during the year	(56,065,000)	(86,408,000)
Lapsed/cancelled during the year	(3,275,000)	(12,121,000)
Outstanding as at December 31, 2014	176,828,000	315,365,000
Average fair value per unit (HKD)		
At December 31, 2012	2.15	5.23
At December 31, 2013	2.18	7.17
At December 31, 2014	2.42	9.46

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, 2012, 2013 and 2014, 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 55.23%, 39.47% and 36.62%, expected dividends rate during the vesting periods of 1.84%, 2.25% and 2.71%, contractual life of 4.75 years, 4.75 years and 4.75 years, and a risk-free interest rate of 0.57%, 0.24% and 0.67%.

As at December 31, 2012, 2013 and 2014, the average remaining vesting period of the awards granted under the above long-term incentive plans for Lenovo is 1.87 years, 2.08 years and 2.17 years.

(ii) Share options plan

On March 25, 2002, an ordinary resolution approving the adoption of a new share option scheme ("New Option Scheme") was passed by shareholders at an extraordinary general meeting of Lenovo to replace the old option scheme which was adopted on January 18, 1994.

Under the New Option Scheme, Lenovo may grant options to qualified participants as defined in the New Option Scheme to subscribe for ordinary shares in Lenovo, subject to a maximum of 10 percent of the issued share capital of Lenovo as at the date of adoption of the New Option Scheme. Options granted are exercisable at any time during a period of ten years from the date upon which the option is accepted. The subscription price of the option shares is the highest of the closing price of the listed ordinary shares on the date of grant; the average of the closing prices of the listed ordinary shares for the five trading days immediately preceding the date of grant; and the nominal value of the ordinary shares.

The New Option Scheme was expired on April 26, 2012, and no further options could thereafter be granted under the New Option Scheme. However, all remaining provisions will remain in full force and effect to govern the exercise of all the options granted under the New Option Scheme prior to its expiration.

	Number of outstanding share options Year ended December 31,		
	2012	**2013**	**2014**
At beginning of the year	100,726,000	72,857,000	35,849,000
Exercised during the year *(ii)*	(19,633,000)	(22,834,000)	(4,361,000)
Lapsed during the year *(iii)*	(8,236,000)	(14,174,000)	(31,488,000)
At end of the year *(iv)*	72,857,000	35,849,000	–
Weighted average price of stock options exercised during the year *(HKD)*	2.43	2.49	2.55

(i) During the Relevant Periods, Lenovo did not grant or cancel any share options.

(ii) Details of share options exercised during the Relevant Periods are as follows:

	Year ended December 31,		
	2012	**2013**	**2014**
Exercise price range (HKD)	2.245-2.545	2.245-2.545	2.545
Market value range per ordinary share at exercise date (HKD)	5.81-7.66	6.45-9.49	7.72-10.96
Number of share options exercised	19,633,000	22,834,000	4,361,000

(iii) Details of share options lapsed during the Relevant Periods are as follows:

Exercise period *(MM.DD.YYYY)*	**Exercise price** *HKD*	Year ended December 31, **2012**	**2013**	**2014**
10.10.2002 to 10.09.2012	2.435	8,236,000	–	–
04.26.2003 to 04.25.2013	2.245	–	14,174,000	–
04.27.2004 to 04.26.2014	2.545	–	–	31,488,000
		8,236,000	14,174,000	31,488,000

(iv) Details of share options at the balance sheet date are as follows:

Exercise period	Exercise price	Year ended December 31, 2012	2013	2014
(MM.DD.YYYY)	*HKD*			
04.26.2003 to 04.25.2013	2.245	18,772,000	–	–
04.27.2004 to 04.26.2014	2.545	54,085,000	35,849,000	–
		72,857,000	35,849,000	–

(b) Share incentive plan of the Company

The Company approved and implemented a share-based payment plan in 2011, under which the Company's shareholder COHG would transfer certain shares in the Company to the Company's employees in 2011, representing 18.50% of the total issued and outstanding shares at February 18, 2014 upon conversion of the Company into a joint stock limited liability company. The related consideration for purchasing the shares will be paid to COHG by the employees within three years as an interest free loan.

A portion representing 17.14% of the total issued and outstanding shares of the Company was granted to certain qualified employees in 2011, at a price of RMB6.23 per share while the rest of 1.36% of the total issued and outstanding shares were granted to employees in 2013 at a price of RMB9.25 per share.

A part of awards granted to eligible employees were vested immediately upon the grant, a part of awards will be vested on the date of Initial Public Offering, and the others are conditional on the employees completing requisite service period.

These awards are classified as equity-settled share-based payment.

Movements in the number of shares granted during the Relevant Periods are as follows:

	Number of shares
Outstanding as at January 1, 2012	14,084,000
Exercised during the year	–
Outstanding as at December 31, 2012	14,084,000
Granted during the year	34,204,000
Exercised during the year	(6,107,000)
Forfeited during the year	(5,466,000)
Outstanding as at December 31, 2013	36,715,000
Granted during the year	3,516,000
Exercised during the year	(1,231,000)
Forfeited during the year	(3,516,000)
Outstanding as at December 31, 2014	35,484,000

The remaining service period of the awards granted under the Company's above incentive plan as at December 31, 2012, 2013 and 2014 is 3.00 years, 2.92 years and 1.91 years, respectively.

(c) During the Relevant Periods, the share-based payment expenses of RMB459 million, RMB514 million and RMB594 million were recognised in the consolidated income statement.

31. PAID-IN CAPITAL/SHARE CAPITAL

	The Group and the Company
	Registered and paid-in capital
	Amount
	RMB'000
At December 31, 2012 and 2013	
Registered and paid-in capital *(i)*	660,860

	The Group and the Company	
	Share capital	
	Number	**Amount**
	'000	*RMB'000*
At December 31, 2014		
Share capital *(ii)*	2,000,000	2,000,000

(i) The Company was established in Mainland China on November 9, 1984 as a company owned by whole people under the Company Law of Mainland China. The registered and paid-in capital of the Company as of December 31, 2012 and 2013 was RMB660,860,399.

(ii) On February 18, 2014, the Company was converted into a joint stock limited liability company by capitalising its equity attributable to equity holders of the Company of RMB2,529,122,962 as at June 30, 2013, representing share capital and reserve of RMB2,000 million and RMB529 million, respectively. The share capital represents 2,000,000,000 ordinary shares at RMB1 per share.

32. OTHER RESERVES

The amount of the Group's reserves and the movements therein during the Relevant Periods are presented in the consolidated statement of changes in equity of the Financial Information.

The amount of the Company's reserves and the movements therein during the Relevant Periods are as follows:

	The Company					
	Statutory surplus reserve	Investment revaluation reserve	Share-based compensation reserve	Treasury shares	Other reserve	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at January 1, 2012	330,430	764,767	231,971	(168,982)	1,528,001	2,686,187
Fair value changes in available-for-sale financial assets	–	(137,332)	–	–	–	(137,332)
Reclassified to income statement on disposal of available-for-sale financial assets	–	(26,884)	–	–	–	(26,884)
Share of other comprehensive income of associates	–	34,972	–	–	–	34,972
Contribution from a shareholder	–	–	–	–	109,444	109,444
As at December 31, 2012	330,430	635,523	231,971	(168,982)	1,637,445	2,666,387
Fair value changes in available-for-sale financial assets	–	(194,785)	–	–	–	(194,785)
Reclassified to income statement on disposal of available-for-sale financial assets	–	(28,717)	–	–		(28,717)
Reissuance of treasury shares to employees	–	–	–	168,982	–	168,982
Share of other comprehensive income of associates	–	(22,000)	–	–	–	(22,000)
Contribution from a shareholder	–	–	–	–	108,049	108,049
As at December 31, 2013	330,430	390,021	231,971	–	1,745,494	2,697,916
Fair value changes in available-for-sale financial assets	–	142,693	–	–	–	142,693
Share of other comprehensive income of associates	–	83,971	–	–	–	83,971
Contribution from a shareholder	–	–	–	–	106,401	106,401
Conversion into joint stock limited company	(330,430)	(336,863)	–	–	(1,162,347)	(1,829,640)
As at December 31, 2014	–	279,822	231,971	–	689,548	1,201,341

33. TRADE AND NOTES PAYABLES

	The Group As at December 31, 2012	 2013	 2014
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	34,797,052	37,463,504	48,615,804
Notes payables	819,940	909,949	1,139,377
	35,616,992	38,373,453	49,755,181

At December 31, 2012, 2013 and 2014, the ageing analyses of the trade payables based on invoice date were as follows:

	As at December 31, 2012	 2013	 2014
	RMB'000	*RMB'000*	*RMB'000*
0-30 days	20,463,566	18,527,857	38,642,051
31-60 days	8,162,041	11,071,949	5,599,572
61-90 days	3,522,566	3,961,572	2,139,781
90 days-1 year	1,292,274	2,691,404	1,388,691
Over 1 year	1,356,605	1,210,722	845,709
	34,797,052	37,463,504	48,615,804

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

The carrying amounts of trade payables and notes payable approximate to their fair value.

34. DEFERRED REVENUE

Deferred revenue are advances received for extend warranty from our customers in IT segment.

35. OTHER PAYABLES AND ACCRUALS

	The Group As at December 31, 2012	 2013	 2014
	RMB'000	*RMB'000*	*RMB'000*
Payables to parts subcontractors	22,763,729	23,790,456	21,943,551
Allowance for billing adjustment *(i)*	11,955,071	11,227,789	13,949,897
Accrued expenses	4,764,430	4,742,516	8,635,500
Payroll payable	2,676,246	2,577,689	4,514,141
Other taxes payable	1,373,170	1,516,417	1,756,369
Amounts due to related parties *(ii)*	1,318,930	845,117	1,241,353
Deposits payable	1,071,788	1,062,898	676,212
Royalty payable	1,151,648	1,069,402	935,595
Amount due to minority shareholders of subsidiaries *(iii)*	713,200	1,217,685	1,567,346
Social security payable	430,380	376,806	789,517
Deferred consideration	343,692	542,908	261,104
Interest payable	218,811	290,675	398,560
Others	3,299,419	2,578,479	2,088,073
	52,080,514	51,838,837	58,757,218

(i) Allowance for billing adjustment relates primarily to allowances for future volume discounts, price protection, rebates, and customer sales returns.

(ii) Amounts due to related parties are unsecured, bearing interest rate from 6.53% to 8.71% and repayable within 5 years, the non-current portion are included in "other non-current liabilities".

(iii) As at December 31, 2012, 2013 and 2014, RMB195 million, RMB734 million and RMB720 million are unsecured, bearing interest rate of 9.6% and repayable on demand.

36. ADVANCES FROM CUSTOMERS

Advances from customers represent amounts received from sales of properties and inventories, where the risks and rewards of the properties and inventories sold had not yet been transferred as at year-end.

37. OTHER NON-CURRENT LIABILITIES

	The Group		
	As at December 31,		
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
Loans from related parties *(Note 35 ii)*	1,734,880	2,215,380	147,500
Government incentives and grants received in advance *(i)*	806,728	1,404,758	1,672,654
Contingent considerations *(ii)*	1,905,814	1,865,475	1,902,091
Written put option liability *(iii)*	1,348,158	1,320,710	1,338,684
Guaranteed dividend to non-controlling shareholders of a subsidiary *(iv)*	191,155	114,792	66,954
Deferred considerations *(ii)*	13,520	13,114	8,474,702
Unfavourable lease contracts assumed	–	–	529,265
Others	810,232	908,075	2,418,103
	6,810,487	7,842,304	16,549,953

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

(ii) Upon to the completion of business combinations, the Group is required to pay in cash to the then respective shareholders/sellers contingent considerations with reference to certain performance conditions as written in the respective agreements with those then shareholders/sellers and deferred considerations. Accordingly, non-current liabilities in respect of the present values of contingent and deferred considerations have been recognised. The contingent considerations are subsequently re-measured at their fair values as a result of change in the expected performance at each balance sheet date, with any resulting gain or loss recognised in the consolidated income statement. Deferred consideration is subsequently measured at amortised cost.

As at December 31, 2012, 2013 and 2014, undiscounted amounts of potential future payments in respect of the contingent and deferred considerations that the Group could be required to make to the then respective shareholders sellers under the arrangements were as follows:

	As at December 31, 2012	2013	2014
Joint venture with NEC Corporation ("NEC")	Nil – USD325 million	Nil – USD325 million	Nil – USD325 million
Joint venture with EMC Corporation ("EMC JV") *(Note 47)*	USD39 – 59 million	USD39 – 59 million	USD39 – 59 million
Stoneware Inc. *(a)*	Nil – USD48 million	Nil – USD48 million	Nil – USD48 million
CCE *(b)*	–	Nil – BRL400 million	Nil – BRL400 million
Google Inc.	–	–	USD1,500 million

(a) Refer to Note 47 for the acquisition of Stoneware Inc. ("Stoneware").

(b) CCE, the abbreviation of Digibrás Indústria do Brasil S.A., Digiboard Eletrônica da Amazônia Ltda., and Dual Mix Comércio de Eletrônicos Ltda., companies incorporated in Brazil (refer to Note 47 for the acquisition of CCE).

With reference to the performance indicators, if their actual performances had been 10% higher/lower than their respective expected performances, contingent considerations would have been increased/decreased by approximately USD6 million and USD29 million, USD4 million and USD30 million, USD4 million and USD30 million on December 31, 2012, 2013 and 2014, respectively with the corresponding loss/gain recognised in the consolidated income statement.

(iii) Pursuant to the joint venture agreement entered into in 2012 between Lenovo and Compal Electronics, Inc. ("Compal") to establish a joint venture company ("JV Co") to manufacture notebook computer products and related parts, Lenovo and Compal are respectively granted call and put options which entitle Lenovo to purchase from Compal and Compal to sell to Lenovo the 49% Compal's interests in the joint venture company. The call and put options will be exercisable at any time after October 1, 2019 and October 1, 2017, respectively. The exercise price for the call and put options will be determined in accordance with the joint venture agreement, and up to a maximum of USD750 million.

The financial liability that may become payable under the put option is initially recognised at fair value within other non-current liabilities with a corresponding charge directly to equity, as a put option written on non-controlling interest with an amount of RMB1,343 million.

The put option liability shall be re-measured at its fair value resulting from the change in the expected performance of the JV Co at each balance sheet date, with any resulting gain or loss recognised in the consolidated income statement. If the actual performance of JV Co had been 10% higher/lower than its expected performances, the written put option liability would have been increased/decreased by approximately USD4 million on December 31, 2012, 2013 and 2014, with the corresponding loss/gain recognised in the consolidated income statement. In the event that the put option lapses unexercised, the liability will be derecognised with a corresponding adjustment to equity.

(iv) Following the acquisition of Medion on July 29, 2011, Lenovo Germany Holding GmbH ("Lenovo Germany"), an indirect wholly-owned subsidiary of Lenovo and the immediate holding company of Medion entered into a domination and profit and loss transfer agreement (the "Domination Agreement") with Medion on October 25, 2011. Pursuant to the Domination Agreement, Lenovo Germany has guaranteed to the non-controlling shareholders of Medion an annual guaranteed pre-tax dividend amounting to EUR0.82 per share for each fiscal year. The Domination Agreement became effective on January 3, 2012 and is terminable by either Lenovo Germany or Medion after March 31, 2017. Accordingly, a non-current liability in respect of future guaranteed dividends has been recognised. The corresponding amount stated at its discounted value on the date of acquisition of Medion was charged to retained earnings in equity.

38. BORROWINGS

	The Group		
	As at December 31,		
	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
Bank loans			
– Unsecured loans	11,569,317	13,190,368	20,677,196
– Guaranteed loans	9,384,421	10,374,185	14,469,046
– Collateralised loans	4,335,616	5,251,137	7,155,674
Other loans			
– Unsecured loans	1,397,722	21,370	15,395
– Guaranteed loans	1,735,000	5,315,500	10,905,000
– Collateralised loans	3,292,926	2,079,185	1,678,000
Corporate bonds *(Note i)*			
– Unsecured	7,150,445	9,153,412	20,990,369
– Guaranteed	–	230,000	230,000
	38,865,447	45,615,157	76,120,680
Less: non-current portion	(27,341,298)	(32,219,101)	(56,550,145)
Current portion	11,524,149	13,396,056	19,570,535

	The Company		
	As at December 31,		
	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
Bank loans			
– Unsecured loans	7,510,000	8,421,025	11,993,025
– Guaranteed loans	2,030,000	1,050,400	1,800,000
Other loans			
– Unsecured loans	1,879,309	584,587	–
Corporate bonds			
– Unsecured	7,150,445	9,153,412	11,871,225
	18,569,754	19,209,424	25,664,250
Less: non-current portion	(12,567,845)	(16,400,237)	(20,573,712)
Current portion	6,001,909	2,809,187	5,090,538

As at December 31, 2012, 2013 and 2014, the carrying value of the borrowings approximates their fair value.

Note i: The information about corporate bonds issued as of December 31, 2014 is as below:

Issuer	Type of bonds	Currency	Issuance date	Term	Principal amount *'000*
The Company	Corporate bonds	RMB	October 8, 2008	7 years	2,000,000
The Company	Corporate bonds	RMB	October 31, 2011	7 years	2,900,000
The Company	Corporate bonds	RMB	November 30, 2012	10 years	2,300,000
The Company	Private placement bonds	RMB	March 6, 2013	3 years	2,000,000
Brave Rise Investments Limited, a subsidiary of Joyvio	Guaranteed bonds *(Note i)*	RMB	May 24, 2013	3 years	230,000
The Company	Private placement bonds	RMB	March 21, 2014	5 years	2,000,000
The Company	Private placement bonds	RMB	March 27, 2014	5 years	740,000
Lenovo	Long term notes	USD	May 8, 2014	5 years	1,500,000

Note i: The guaranteed bonds issued by Brave Rise Investments Limited are secured by Right Lane.

The annual interest rates of the above bonds are from 4.70% to 7.00%.

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

	The Group As at December 31, 2012	2013	2014
Bank loans	1.33% – 11.50%	1.24% – 21.25%	1.26% – 13.56%
Other loans	0.30% – 15.00%	1.00% – 12.50%	5.6% – 11.00%

	The Company As at December 31, 2012	2013	2014
Bank loans	5.54% – 7.59%	5.54% – 6.72%	1.66% – 6.30%
Other loans	1.00% – 6.15%	1.00%	NA

(b) Borrowings are repayable as follows:

	The Group As at December 31, 2012 *RMB'000*	2013 *RMB'000*	2014 *RMB'000*
Within 1 year	11,524,149	13,396,056	19,570,535
After 1 year but within 2 years	8,189,083	13,767,821	16,522,878
After 2 years but within 5 years	10,334,404	14,229,406	36,962,155
After 5 years	8,817,811	4,221,874	3,065,112
	38,865,447	45,615,157	76,120,680
Wholly repayable within 5 years	30,047,636	41,393,283	73,055,568

	The Company		
	As at December 31,		
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	6,001,909	2,809,187	5,090,538
After 1 year but within 2 years	1,150,000	6,803,669	6,505,396
After 2 years but within 5 years	6,258,975	7,313,893	11,784,103
After 5 years	5,158,870	2,282,675	2,284,213
	18,569,754	19,209,424	25,664,250
Wholly repayable within 5 years	13,410,884	16,926,749	23,380,037

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

	The Group		
	As at December 31,		
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
RMB	30,225,467	36,552,811	53,435,436
USD	8,322,436	8,076,531	21,950,807
HKD	249,363	267,071	81,723
EUR	68,181	113,143	100
Brazil Real	–	559,630	646,735
Others	–	45,971	5,879
	38,865,447	45,615,157	76,120,680

	The Company		
	As at December 31,		
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
RMB	18,569,754	19,209,424	25,664,250

39. DEFERRED INCOME TAX

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

	The Group		
	As at December 31,		
	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
Deferred tax assets:			
Recoverable after 12 months	366,713	461,503	923,680
Recoverable within 12 months	2,232,441	2,444,944	2,407,437
	2,599,154	2,906,447	3,331,117
Deferred tax liabilities:			
Recoverable after 12 months	(2,466,044)	(2,600,366)	(3,409,654)
Deferred tax assets/(liabilities) – net	133,110	306,081	(78,537)

	The Company		
	As at December 31,		
	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
Deferred tax liabilities:			
Recoverable after 12 months	(196,902)	(55,515)	(287,133)

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

	The Group		
	As at December 31,		
	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
At beginning of the year	280,931	133,110	306,081
Acquisition of subsidiaries	(149,555)	(158,209)	(282,591)
(Charged)/credited to the income statement	(137,473)	412,543	105,243
Credited/(charged) to other comprehensive income	128,939	(25,267)	(156,386)
Disposal of subsidiaries	38,334	55,848	–
Exchange adjustment	(28,066)	(111,944)	(50,884)
At end of the year	133,110	306,081	(78,537)

	The Company		
	As at December 31,		
	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
At beginning of the year	(144,313)	(196,902)	(55,515)
(Charged)/credited to the income statement	(107,328)	66,887	(184,054)
Credited/(charged) to other comprehensive income	54,739	74,500	(47,564)
At end of the year	(196,902)	(55,515)	(287,133)

The movement in deferred income tax assets and liabilities accounts during the year, without taking into consideration of the offsetting of balances within the same tax jurisdiction, is as follows:

	The Group						
Deferred tax liabilities	**Fair value gains – investment properties**	**Fair value gains – financial assets**	**Fair value gains – associates**	**Share of profits in associates and joint ventures**	**Assets valuation***	**Others**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2012	1,164,537	369,356	80,837	201,962	401,617	21,988	2,240,297
Acquisition of subsidiaries	–	–	–	–	201,503	–	201,503
Charged/(credited) to the income statement	167,997	2,839	(46,753)	48,716	42,268	1,158	216,225
(Credited)/charged to other comprehensive income	–	(122,908)	–	–	–	12,303	(110,605)
Disposal of subsidiaries	–	–	–	(38,334)	–	–	(38,334)
Exchange adjustment	–	34,625	–	102	28,504	509	63,740
At December 31, 2012	1,332,534	283,912	34,084	212,446	673,892	35,958	2,572,826
Acquisition of subsidiaries	–	–	–	–	153,827	4,380	158,207
(Credited)/charged to the income statement	(6,742)	(13,723)	(19,409)	77,715	(46,246)	106,535	98,130
Charged to other comprehensive income	10,067	1,233	–	–	–	3,710	15,010
Disposal of subsidiaries	(53,820)	–	–	–	–	–	(53,820)
Exchange adjustment	–	8,240	–	(9,612)	(36,598)	(18,483)	(56,453)
At December 31, 2013	1,282,039	279,662	14,675	280,549	744,875	132,100	2,733,900
Acquisition of subsidiaries	–	–	–	–	430,143	725	430,868
Charged/(credited) to the income statement	70,483	20,218	181,736	54,939	(52,540)	26,014	300,850
Charged to other comprehensive income	–	137,044	–	–	–	20,509	157,553
Exchange adjustment	–	353	–	1,375	(81,883)	(12,260)	(92,415)
At December 31, 2014	**1,352,522**	**437,277**	**196,411**	**336,863**	**1,040,595**	**167,088**	**3,530,756**

* Assets valuation include valuation gains on property, plant and equipment, land use rights and intangible assets arising from initial recognition in business combination.

	The Group				
Deferred tax assets	**Provision and accruals**	**Tax losses**	**Deferred revenue**	**Others**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2012	1,592,634	307,033	501,519	120,042	2,521,228
Acquisition of subsidiaries	–	–	13,581	38,367	51,948
Credited/(charged) to the income statement	163,650	1,225	(17,687)	(68,436)	78,752
Credited to other comprehensive income	–	–	–	18,334	18,334
Exchange adjustment	21,926	(6,552)	10,081	10,219	35,674
At December 31, 2012	1,778,210	301,706	507,494	118,526	2,705,936
Credited to the income statement	252,898	251,803	2,397	3,575	510,673
Charged to other comprehensive income	–	–	–	(10,257)	(10,257)
Disposal of subsidiaries	–	–	–	2,028	2,028
Exchange adjustment	(41,355)	(66,663)	(54,704)	(5,677)	(168,399)
At December 31, 2013	1,989,753	486,846	455,187	108,195	3,039,981
Acquisition of subsidiaries	37,539	19,051	83,735	7,952	148,277
Credited/(charged) to the income statement	194,320	189,665	107,435	(85,327)	406,093
Credited to other comprehensive income	–	–	–	1,167	1,167
Exchange adjustment	(149,408)	(861)	1,648	5,322	(143,299)
At December 31, 2014	**2,072,204**	**694,701**	**648,005**	**37,309**	**3,452,219**

	The Company			
Deferred tax liabilities	**Fair value gains – financial assets**	**Fair value gains – associates**	**Others**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2012	260,697	80,837	–	341,534
Charged/(credited) to the income statement	1,974	(46,753)	–	(44,779)
Credited to other comprehensive income	(54,739)	–	–	(54,739)
At December 31, 2012	207,932	34,084	–	242,016
Credited to the income statement	(19,181)	(19,409)	–	(38,590)
Credited to other comprehensive income	(74,500)	–	–	(74,500)
At December 31, 2013	114,251	14,675	–	128,926
(Credited)/charged to the income statement	(1,946)	181,736	24,762	204,552
Charged to other comprehensive income	47,564	–	–	47,564
At December 31, 2014	**159,869**	**196,411**	**24,762**	**381,042**

	The Company			
Deferred tax assets	**Provision and accruals**	**Tax losses**	**Others**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2012	32,118	165,103	–	197,221
Credited/(charged) to the income statement	2,845	(154,952)	–	(152,107)
At December 31, 2012	34,963	10,151	–	45,114
(Charged)/credited to the income statement	(26,685)	48,962	6,020	28,297
At December 31, 2013	8,278	59,113	6,020	73,411
Credited/(charged) to the income statement	11,912	(27,494)	36,080	20,498
At December 31, 2014	**20,190**	**31,619**	**42,100**	**93,909**

Deferred income tax assets are recognised for deductible temporary differences and tax losses carried forward to the extent that realization of the related tax benefits through the future taxable profits is probable.

At December 31, 2012, 2013 and 2014, the Group did not recognise deferred income tax assets in respect of deductible temporary differences of approximately RMB16,139 million, RMB13,913 million and RMB14,845 million and tax losses of approximately RMB4,662 million, RMB9,405 million and RMB11,571 million that can be carried forward against future taxable income, of which tax losses of RMB2,576 million, RMB5,637 million and RMB8,999 million can be carried forward indefinitely. The remaining balances of tax losses will expire as follows:

	Year ended December 31,		
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
Expiring in			
– within 1 year	–	73,819	762
– 1 to 2 years	81,580	33,670	58,260
– 2 to 3 years	44,882	53,431	174,921
– 3 to 4 years	302,809	662,542	1,676,202
– Over 4 years	4,233,134	8,581,635	9,660,743
	4,662,405	9,405,097	11,570,888

40. RETIREMENT BENEFIT OBLIGATIONS

The Group's retirement benefit obligations relate to IT segment

	As at December 31,		
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
Pension obligations included in non-current liabilities			
Pension benefits *(a)*	885,935	899,952	1,436,552
Post-employment medical benefits *(b)*	86,562	96,605	93,706
	972,497	996,557	1,530,258

	As at December 31,		
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
Expensed in income statement			
Pension benefits *(Note 9)*	139,558	191,317	134,386
Post-employment medical benefits	6,657	4,928	3,033
	146,215	196,245	137,419
Remeasurements for			
Defined pension benefits	(94,341)	(54,855)	(115,705)
Post-employment medical benefits	(15,919)	(8,545)	5,702
	(110,260)	(63,400)	(110,003)

The Group's largest pension liabilities are in Japan where a cash balance benefit is provided for substantially all employees.

The Group also operates final salary defined benefit plans in a number of countries as a result of acquisition since 2005. The largest of these plans is in the United States where less than 20% of employees were covered, but where the closed nature of this plan means the number of active participants is rapidly reducing. In the United States, the Group also operates a supplemental defined benefit plan that covers certain executives. In Germany, the Group operates a sectionalized plan that has both defined contribution and defined benefit features, including benefits based on a final pay formula. This plan is closed to new entrants.

Following the acquisition of IBM's x86 server business and Motorola Mobility, the Group has assumed a small number of additional defined benefit obligations which are not material. However, in Germany, the Group assumed an unfunded pension obligation for Motorola Mobility's employees of RMB746 million. This plan contains less than twenty active employees but a large number of retirees and former employees with benefits which have been vested but payment will be deferred until they retire.

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,		
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
Present value of funded obligations	2,499,364	2,534,902	4,141,410
Fair value of plan assets	(1,731,165)	(1,758,535)	(2,839,975)
Deficit of funded plans	768,199	776,367	1,301,435
Present value of unfunded obligations	117,736	123,585	135,117
Liability in the balance sheet	885,935	899,952	1,436,552

	As at December 31, 2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
Representing:			
Pension benefits obligation	885,935	899,952	1,436,552
Pension plan asset in the balance sheet	–	–	–
	885,935	899,952	1,436,552

The principal actuarial assumptions used were as follows:

	As at December 31, 2012	2013	2014
Discount rate	1.75%-3.5%	1.75%-3.75%	1.75%-3.75%
Future salary increases	2%-5%	0%-3%	0%-3%
Future pension increases	0%-1.8%	0%-1.75%	0%-1.75%
Life expectancy for male aged 60	23	23	23
Life expectancy for female aged 60	27	29	29

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

	Year ended December 31, 2013 Impact on defined benefit obligation		
	Change in assumption	**Increase in assumption**	**Decrease in assumption**
Discount rate	0.5%	Decrease by 6.6%	Increase by 7.4%
Salary growth rate	0.5%	Increase by 0.5%	Decrease by 0.5%
Pension growth rate	0.5%	Increase by 1.2%	Decrease by 1.6%
		Increase by 1 year in assumption	Decrease by 1 year in assumption
Life expectancy		Increase by 1.7%	Decrease by 1.6%

	Year ended December 31, 2014 Impact on defined benefit obligation		
	Change in assumption	**Increase in assumption**	**Decrease in assumption**
Discount rate	0.5%	Decrease by 8.1%	Increase by 9.2%
Salary growth rate	0.5%	Increase by 0.5%	Decrease by 0.4%
Pension growth rate	0.5%	Increase by 2.7%	Decrease by 2.2%
		Increase by 1 year in assumption	Decrease by 1 year in assumption
Life expectancy		Increase by 2.3%	Decrease by 2.3%

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 during the Relevant Periods.

(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.

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,		
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
Present value of funded obligations	112,284	125,450	122,113
Fair value of plan assets	(36,946)	(41,227)	(37,028)
Deficit of funded plans	75,338	84,223	85,085
Present value of unfunded obligations	11,224	12,382	8,621
Liability in the balance sheet	86,562	96,605	93,706

(c) Additional information on post-employment benefits (pension and medical)

Percentage of fair value of the plan assets are analysed below:

	2012			2013			2014		
	Quoted	Unquoted	Total	Quoted	Unquoted	Total	Quoted	Unquoted	Total
Pension									
Equity instruments									
– Information technology	1.23%	–	0.36%	0.96%	–	0.32%	0.85%	–	0.29%
– Energy	0.34%	–	0.10%	0.33%	–	0.11%	0.30%	–	0.10%
– Manufacturing	2.89%	–	0.86%	1.36%	–	0.46%	1.21%	–	0.40%
– Others	7.92%	–	2.35%	12.54%	–	4.21%	11.96%	–	4.00%
	12.38%	–	3.67%	15.19%	–	5.10%	14.32%	–	4.79%
Debt instruments									
– Government	25.98%	46.59%	40.48%	29.87%	24.20%	26.11%	24.37%	21.43%	22.41%
– Corporate bonds (investment grade)	45.91%	1.22%	14.46%	44.26%	4.01%	17.53%	54.42%	3.63%	20.61%
– Corporate bonds (non-investment grade)	0.49%	–	0.15%	–	0.27%	0.18%	–	0.24%	0.16%
	72.38%	47.81%	55.09%	74.13%	28.48%	43.82%	78.79%	25.30%	43.18%
Property	–	9.91%	6.98%	–	10.65%	7.07%	–	9.54%	6.35%
Qualifying insurance policies	9.60%	17.88%	15.42%	0.94%	23.45%	15.89%	0.94%	28.91%	19.56%
Cash and cash equivalents	4.71%	–	1.39%	9.08%	–	3.05%	5.28%	2.74%	3.59%
Investment funds	0.93%	0.07%	0.32%	0.49%	–	0.16%	0.49%	–	0.16%
Structured bonds	–	21.90%	15.41%	–	27.37%	18.17%	–	–	–
Others	–	2.43%	1.72%	0.17%	10.05%	6.74%	0.18%	33.51%	22.37%
	15.24%	52.19%	41.24%	10.68%	71.52%	51.08%	6.89%	74.70%	52.03%
	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Medical Plan									
– Cash and cash equivalents	100.00%	–	100.00%	100.00%	–	100.00%	100.00%	–	100.00%

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.

During the Relevant Periods, the weighted average duration of the defined benefit obligation is 14.5 years, 14.5 years and 14 years respectively.

Pension and medical plan assets do not include any of the Company's ordinary shares or US real estate occupied by the Group during the Relevant Periods.

Reconciliation of fair value of plan assets of the Group:

Pension	As at December 31, 2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
Opening fair value	1,414,533	1,731,165	1,758,535
Exchange adjustment	(52,838)	(328,579)	(471,748)
Interest income	37,254	27,575	42,460
Actuarial (losses)/gains	(11,111)	(7,792)	293,266
Contributions by the employer	378,303	371,553	121,031
Contributions by plan participants	1,054	–	2,550
Benefits paid	(36,030)	(35,387)	(141,774)
Acquisition of subsidiaries	–	–	1,235,655
Closing fair value	1,731,165	1,758,535	2,839,975
Actual return on plan assets	26,143	19,783	335,726

Medical	As at December 31, 2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
Opening fair value	40,609	36,946	41,227
Exchange adjustment	4,274	7,474	(1,668)
Interest income	1,098	813	492
Actuarial losses	(5,968)	(1,552)	(897)
Contributions by the employer	(568)	–	166
Benefits paid	(2,499)	(2,454)	(2,292)
Closing fair value	36,946	41,227	37,028
Actual return on plan assets	(4,870)	(739)	(405)

Contributions of RMB51.0 million are estimated to be made for the year ending December 31, 2015, respectively.

Reconciliation of movements in present value of defined benefit obligations of the Group:

Pension	As at December 31, 2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
Opening defined benefit obligation	2,582,422	2,617,100	2,658,487
Exchange adjustment	(171,464)	(170,595)	(545,751)
Current service cost	99,375	98,824	112,824
Past service cost	12,816	71,462	(4,947)
Interest cost	65,668	48,606	68,969
Actuarial losses	83,230	47,063	408,971
Contributions by plan participants	1,054	–	2,550
Benefits paid	(54,954)	(53,973)	(154,438)
Curtailments	(1,047)	–	–
Acquisitions of subsidiaries	–	–	1,729,862
Closing defined benefit obligation	2,617,100	2,658,487	4,276,527

Medical	As at December 31, 2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
Opening defined benefit obligation	130,214	123,508	137,832
Exchange adjustment	(21,831)	4,125	(1,732)
Current service cost	3,294	2,438	1,523
Past service cost	–	–	(105)
Interest cost	4,461	3,303	2,107
Actuarial losses/(gains)	9,951	6,993	(6,599)
Benefits paid	(2,581)	(2,535)	(2,292)
Closing defined benefit obligation	123,508	137,832	130,734

For the year ended December 31, 2012, 2013 and 2014, benefit of RMB18.9 million, RMB18.6 million and RMB12.7 million were paid directly by the Group.

The amounts recognised in the consolidated income statement were as follows:

Pension	As at December 31, 2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
Current service cost	99,375	98,824	112,824
Past service cost	12,816	71,462	(4,947)
Interest cost	65,668	48,606	68,969
Interest income	(37,254)	(27,575)	(42,460)
Curtailment losses	(1,047)	–	–
Total expense recognised in the consolidated income statement	139,558	191,317	134,386

Medical	As at December 31, 2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
Current service cost	3,294	2,438	1,523
Past service cost	–	–	(105)
Interest cost	4,461	3,303	2,107
Interest income	(1,098)	(813)	(492)
Total expense recognised in the consolidated income statement	6,657	4,928	3,033

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

	Year ended December 31, 2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
Present value of defined benefit obligations	2,740,608	2,796,319	4,407,261
Fair value of plan assets	(1,768,111)	(1,799,762)	(2,877,003)
Deficit	972,497	996,557	1,530,258
Actuarial (losses)/gains arising on plan assets	(17,079)	(9,344)	292,369
Actuarial losses arising on plan liabilities	(93,181)	(54,056)	(402,372)
	(110,260)	(63,400)	(110,003)

41. PROVISIONS

	Warranties	Restructuring	Environmental restoration	Provision on guarantee	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of the year	6,187,482	31,088	555,223	–	6,773,793
Provision made	5,548,783	1,346	79,842	4,601	5,634,572
Acquisition of subsidiaries	–	–	–	131,008	131,008
Unused amounts reversed	(46,631)	–	–	–	(46,631)
Amount utilised	(4,842,179)	(31,515)	(259,880)	–	(5,133,574)
Exchange adjustment	(17,682)	41	(658)	–	(18,299)
At end of the year	6,829,773	960	374,527	135,609	7,340,869
Non-current portion	(1,863,843)	–	(360,910)	(135,609)	(2,360,362)
As at December 31, 2012	4,965,930	960	13,617	–	4,980,507
At beginning of the year	6,829,773	960	374,527	135,609	7,340,869
Provision made	5,253,038	–	64,801	9,902	5,327,741
Acquisition of subsidiaries	131,019	–	–	–	131,019
Unused amounts reversed	(96,909)	(919)	–	–	(97,828)
Amount utilised	(5,091,005)	–	(272,892)	–	(5,363,897)
Exchange adjustment	(248,486)	(41)	(52,021)	–	(300,548)
At end of the year	6,777,430	–	114,415	145,511	7,037,356
Non-current portion	(1,702,377)	–	(103,605)	(145,511)	(1,951,493)
As at December 31, 2013	5,075,053	–	10,810	–	5,085,863
At beginning of the year	6,777,430	–	114,415	145,511	7,037,356
Provision made	6,665,461	–	76,578	479	6,742,518
Acquisition of subsidiaries	2,017,825	–	–	–	2,017,825
Unused amounts reversed	(82,855)	–	(126)	–	(82,981)
Amount utilised	(5,773,794)	–	(39,295)	–	(5,813,089)
Exchange adjustment	(243,674)	–	(12,188)	–	(255,862)
At end of the year	9,360,393	–	139,384	145,990	9,645,767
Non-current portion	(2,330,185)	–	(119,348)	(145,990)	(2,595,523)
As at December 31, 2014	7,030,208	–	20,036	–	7,050,244

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.

Restructuring costs provision represents provision for lease termination penalties and employee termination payments by Lenovo for restructuring.

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.

42. DIVIDENDS

The dividends declared and paid during the Relevant Periods are as below:

	Year ended December 31,		
	2012	**2013**	**2014**
	RMB'000 except for per share data	*RMB'000* except for per share data	*RMB'000* except for per share data
Dividends declared/Paid	275,000	302,500	332,750
Dividends per share (RMB)	0.14	0.15	0.17

43. CASH GENERATED FROM OPERATIONS

	Year ended December 31,		
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
Profit before income tax:	6,643,326	9,962,217	11,560,252
Adjustments for:			
Impairment loss	561,578	495,120	2,686,608
Depreciation of property, plant and equipment *(Note 16)*	1,154,708	1,006,776	1,391,716
Amortisation	800,035	942,682	1,474,543
Losses on disposal of property, plant and equipment and intangible assets *(Note 7)*	17,176	34,756	273,835
Fair value gains on investment properties *(Note 7)*	(622,172)	(201,557)	(249,243)
De-recognition of contingent consideration *(Note 7)*	(125,323)	–	–
Fair value losses/(gains) and dividend income from financial assets at fair value through profit or loss *(Note 6)*	131,729	1,037,443	(607,586)
Fair value gains and dividend income from associates measures at fair value through profit or loss *(Note 6)*	(1,385,493)	(3,148,795)	(1,640,931)
Finance costs – net *(Note 10)*	1,319,927	1,509,690	2,594,506
Losses/(gains) on disposal/dilution of associates *(Note 6)*	70,055	(385,357)	(2,209,725)
Gains on disposal of available-for-sale financial assets *(Note 6)*	(416,210)	(451,241)	(119,977)
Losses/(gains) on disposal of subsidiary *(Note 6)*	233,258	(83,706)	(101,085)
Dividend income from available-for-sale financial assets *(Note 6)*	(61,490)	(119,207)	(85,622)
Share-based payment	459,368	514,233	593,716
Share of loss/(profit) of associates and joint ventures accounted for using the equity method	7,182	122,010	(291,689)
Net foreign exchange losses	154,699	408,144	1,019,612
Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation):			
Inventories, properties under development and completed properties held for sale	(9,152,674)	(10,064,197)	(8,365,102)
Trade and other receivables	(7,010,983)	(4,182,676)	(2,307,988)
Trade and other payables	12,673,340	3,077,195	(1,443,740)
	5,452,036	473,530	4,172,100

44. CONTINGENCIES

	As at December 31,		
	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
Guarantee in respect of mortgage facilities for certain purchaser	1,911,305	2,898,729	3,308,692
Financial guarantee of guarantee business	2,907,668	4,161,000	4,046,464
Other guarantee			
– Related parties *(Note 49(e))*	3,301,015	4,143,246	4,420,031
– Unrelated parties	1,633,500	1,522,500	1,500,000
	9,753,488	12,725,475	13,275,187

(a) Guarantee in respect of mortgage facilities for certain purchaser

The property segment provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantee, upon the default in mortgage payments by this purchaser, the Group is responsible to repay the outstanding mortgage principles together with the accrued interest and penalty owed by the purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantees periods starts with the grant of the relevant mortgage loans and ends when the property purchaser obtains the "property title certificate" which is then pledged with the banks. No provision is made for the guarantee regarding the mortgage loan as at December 31, 2012, 2013 and 2014.

(b) Financial guarantee of guarantee business

Subsidiaries in financial services segment provided financial guarantees to small and medium-sized entities for their borrowings from certain banks and charged them guarantee fees accordingly. As at December 31, 2012, 2013 and 2014 the outstanding guarantee balance is RMB2,908 million, RMB4,161 million and RMB4,046 million. The Directors evaluated the financial position of the guaranteed entities and made provision accordingly. As at December 31, 2012, 2013 and 2014, the provision made by the Group is RMB136 million, RMB146 million and RMB146 million, which are included in "Provision" in the consolidated balance sheet.

(c) Other guarantee

As at 31 December 2012, 2013 and 2014, of the total guarantee balances provided to related parties and unrelated parties, approximately RMB4,935 million, RMB5,666 million and RMB5,920 million has been withdraw. The Board reviews the financial conditions of the guaranteed companies periodically and records provision when necessary. As at 31 December 2012, 2013 and 2014, no provision was recorded in relevant to the preceding guarantee.

45. COMMITMENTS

(a) Capital commitments

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

	The Group As at December 31, 2012 *RMB'000*	 2013 *RMB'000*	 2014 *RMB'000*
Property, plant and equipment	3,662,253	4,599,115	2,462,353
Intangible assets	869,809	50,635	77,444
Investments *(i)*	3,986,245	2,774,895	2,386,016
Land use right and properties under development	5,236,368	5,307,141	4,613,794
Total	13,754,675	12,731,786	9,539,607

	The Company As at December 31, 2012 *RMB'000*	 2013 *RMB'000*	 2014 *RMB'000*
Investments *(i)*	1,085,881	630,263	193,067

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

(ii) Capital expenditure authorised for at the end of the reporting period but not yet contracted is as follows:

	The Group As at December 31, 2012 *RMB'000*	 2013 *RMB'000*	 2014 *RMB'000*
Property, plant and equipment	5,665,635	3,661,616	4,908,638
Intangible assets	34,491	310,652	302,364
Total	5,700,126	3,972,268	5,211,002

(b) Operating lease commitments

The Group leases various retail outlets, offices and warehouses under non-cancellable operating lease agreements. The lease terms are between 5 and 10 years, and the majority of lease agreements are renewable at the end of the lease period at market rate.

The Group also leases various plant and machinery under cancellable operating lease agreements. The lease expenditure charged to the income statement during the year is disclosed in Note 8.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	The Group As at December 31, 2012	2013	2014
	RMB'000	RMB'000	RMB'000
No later than 1 year	402,521	430,191	804,580
Later than 1 year and not later than 5 years	950,210	1,184,929	3,167,917
Later than 5 years	501,137	908,145	2,056,035
	1,853,868	2,523,265	6,028,532

46. TRANSACTIONS WITH NON-CONTROLLING INTERESTS

(a) Acquisition of additional interests in subsidiaries

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

	Year ended December 31, 2012	2013	2014
	RMB'000	RMB'000	RMB'000
Carrying amount of non-controlling interests acquired	803,470	633,559	253,517
Consideration paid to non-controlling interests	(1,304,018)	(838,608)	(787,285)
Excess of consideration paid recognised within equity	(500,548)	(205,049)	(533,768)

In August 2012, the Company's subsidiary Funglian acquired an additional 61% equity interest of Wuling Spirits Co., Ltd. (湖南武陵酒有限公司) for a consideration of RMB307 million. The carrying amount of the non-controlling interests in Wuling Spirits Co., Ltd. on the date of acquisition was RMB166 million. The Group recognised a decrease in non-controlling interests of RMB166 million and a decrease in equity attributable to equity holders of the Company of RMB141 million consequently.

In May 2012, the Company acquired an additional 13.36% equity interest of Chengde Qianlong Zui Spirits Co., Ltd. (承德乾隆醉酒業有限公司 "Qianlong Zui Spirits") for a consideration of RMB121 million. The carrying amount of the non-controlling interest in Qianlong Zui Spirits, on the date of acquisition was RMB62 million. The Group recognised a decrease in non-controlling interests of RMB62 million and a decrease in equity attributable to equity holders of the Company of RMB59 million accordingly.

During the year of 2014, the Company, acquired an additional 77,400,000 number of shares of Lenovo from open market through a subsidiary, with a purchase consideration of RMB588 million, which resulted in an increase interest of 0.73% in Lenovo. The carrying amount of the non-controlling interests on the date of acquisition was RMB138 million. The Group recognised a decrease in non-controlling interests of RMB138 million and a decrease in equity attributable to equity holders of the company of RMB450 million.

(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,		
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
Carrying amount of non-controlling interests disposed of	(175,123)	(474,841)	(4,321,063)
Consideration received from non-controlling interests	245,601	773,327	5,567,266
Gain on disposal recognized within equity	70,478	298,486	1,246,203

In 2013, the Group sold certain shares in Lenovo at a pre-determined price to Lenovo's selected directors and key senior management pursuant to an incentive plan granted by the Group. The total consideration paid by management for purchasing the shares are RMB456 million, with a corresponding carrying amount of the non-controlling interests in Lenovo on the date of purchase of RMB212 million. The Group recognised an increase in non-controlling interests of RMB212 million and an increase in equity attributable to equity holders of the Company of RMB244 million accordingly.

In 2014, Lenovo acquired the x86 server hardware and related maintenance services business of IBM and mobile business of Motorola via issuance of 701,107,215 shares with a total market value of RMB6,386 million. Upon the completion of those transactions, the Group's interest in Lenovo decreased 2.06%, which resulted in an increase in non-controlling interest of RMB4,799 million and an increase in equity attributable to owners of the Company of RMB1,587 million. The details on the acquisition of x86 Business and Motorola Mobility are set out in note 47(c).

(c) Effects of transactions with non-controlling interests on the equity attributable to equity holders of the Company during the Relevant Periods are as follows:

	Year ended December 31,		
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
Acquisition of additional interests in subsidiaries	(500,548)	(205,049)	(533,768)
Disposal of interests in subsidiaries without loss of control	70,478	298,486	1,246,203
Net effect in equity attributable to equity holders of the Company	(430,070)	93,437	712,435

47. BUSINESS COMBINATIONS

(a) Business combination in the year ended December 31, 2012

On January 1, 2012, the Company completed the acquisition of 86.64% equity interest in Qianlong Zui Spirits, a provincial Chinese liquor company with its operation primarily in Hebei province. On July 16, 2012, the Company established Funglian to operate its Chinese Liquor business and restructured Qianlong Zui Spirits and Wuling Spirits Limited, which was acquired by the Company in 2011 to Funglian.

On October 24, 2012 and November 13, 2012, Funglian obtained control of Anhui Wenwang Spirits Co., Ltd. (安徽文王釀酒股份有限公司, "Wenwang Spirits"), which produces and sells Chinese liquor under the "Wenwang" brand in Anhui province and Qufu Confucius Family Spirits, (曲阜孔府家酒業有限公司, "Confucius Family Spirits"), a Chinese liquor company with spirits brand "Confucius Family" in Shandong province, respectively.

On May 18, 2012, the Company incorporated Joyvio to operate its agriculture business. Joyvio acquired 65% of the equity interest in Qingdao Wallen Blueberry Fruit Co., Ltd. (青島沃林藍莓果業有限公司, "Wallen Blueberry"), a company incorporated in Shandong province with its core business in blueberry propagation and planting, fruit processing and sales on October 25, 2012.

On October 10, 2012, Zhengqi Anhui was established by the Company to manage its financial services business. In November 2012, Zhengqi Anhui entered into equity transfer contracts with Hefei State-owned Assets Holding Co., Ltd. (合肥市國有資產控股有限公司) and other third parties, respectively, to acquire 100% equity interest in Hefei Innovative Financing Guarantee Co., Ltd. (合肥市創新融資擔保有限公司), 100% equity interest in Hefei Guozheng Microlending Co., Ltd. (合肥市國正小額貸款有限公司) and 95.2% equity interest in Anhui Jinfeng Pawn Co., Ltd. (安徽省金豐典當有限公司). The three companies are engaged in financing guarantee, direct loan and pawn loan business.

On November 30, 2012, the Company acquired 51% of the equity interests in Union Insurance, which provides education-related insurance brokerage and related services.

On December 26, 2012, the Group acquired 100% of the issued share capital of Stoneware, a company incorporated in the United States through Lenovo and engaged in the business of development and sale of cloud computing related software.

On December 29, 2012, Lenovo completed the formation of a strategic partnership with EMC which consists of three business components, namely server alliance, storage OEM/reseller relationship and formation of joint venture company with EMC to develop network-attached storage products. Immediately following completion, Lenovo and EMC respectively owns 51% and 49% of the issued share capital of EMC JV.

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

	For the year ended December 31, 2012					
	Union Insurance and Zhengqi Anhui	**Wallen Blueberry**	**Stoneware**	**EMC JV**	**Liquor companies and others**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Purchase consideration						
– Cash paid *(i)*	1,316,355	259,430	275,028	369,669	1,609,444	3,829,926
– Present value of contingent considerations *(ii)*	–	–	7,786	261,163	–	268,949
– Present value of deferred consideration	214,025	259,428	13,509	–	552,800	1,039,762
Total purchase consideration	1,530,380	518,858	296,323	630,832	2,162,244	5,138,637
Less: fair value of net assets acquired	(1,198,750)	(288,211)	(67,946)	(349,977)	(1,565,879)	(3,470,763)
Goodwill *(Note 18)*	331,630	230,647	228,377	280,855	596,365	1,667,874

(i) Included in the cash paid is a settlement of notes payable on behalf of the former Stoneware shareholders on the closing date, which amounted to USD13,866,000.

(ii) The contingent consideration arrangement requires the Group to pay in cash to the then respective shareholders with reference to certain performance indicators. The present value of deferred and contingent considerations is included in other non-current liabilities in the consolidated balance sheet (Note 37).

The goodwill from Union Insurance is primarily attributable to its marketing network and close business relationship with local education bureaus and schools, which have not met the criteria for recognition as intangible assets. Goodwill related to Zhengqi Anhui is mainly from its well positioned business in the financial services targeting at small-to-medium sized entities and established reputation in Anhui province.

The goodwill of Wallen blueberry is primarily attributable to its experienced workforce and the benefits from the economies of scale in blueberry plantation.

The goodwill arising from acquisition of Stoneware is attributable to the significant synergies expected to arise in connection with the Group's strategic objectives in IT segment to extend the global reach of the existing cloud computing offerings and to develop this technology beyond the current government focused and education-focused offerings into more consumer-focused offerings over time. While the goodwill from EMC acquisition is primarily attributable to the significant synergies expected to arise in connection with the Group's commitment to provide a complete range of products for the commercial customers.

The goodwill in relation to the Chinese liquor companies is primarily attributable to the significant synergies resulting from increase in market share with the Group's commitment to its core liquor business and their established reputation in local market.

(2) ***The major components of assets and liabilities arising from the business combination activities are as follows:***

	For year ended December 31, 2012					
	Union Insurance and Zhengqi Anhui	**Wallen Blueberry**	**Stoneware**	**EMC JV**	**Liquor companies and others**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cash and cash equivalents	1,303,999	59,022	18,203	62,855	215,462	1,659,541
Property, plant and equipment	70,095	248,065	264	1,050	1,212,649	1,532,123
Other non-current assets	10,304	18,158	35,475	–	129,771	193,708
Intangible assets	62,586	–	73,540	236,963	296,125	669,214
Land use right	–	7,439	–	–	398,535	405,974
Net working capital except cash and cash equivalents	305,582	152,773	(24,526)	49,109	(287,977)	194,961
Non-current liabilities	(211,220)	(42,055)	(35,010)	–	(139,766)	(428,051)
Non-controlling interests	(342,596)	(155,191)	–	–	(258,920)	(756,707)
Fair value of net assets acquired	1,198,750	288,211	67,946	349,977	1,565,879	3,470,763

Intangible assets arising from the business combination activities mainly represent customer relationships, trademarks and brand licenses. The Group has engaged external valuers to perform fair value assessments on these intangible assets in accordance with IAS 38 "Intangible Assets" and IFRS 3 (Revised) "Business Combinations".

(3) Net cash outflow from acquisitions of subsidiaries

	Year ended December 31, 2012
	RMB'000
Purchase consideration settled in cash	3,829,926
Less: cash and cash equivalents in subsidiaries acquired	(1,659,541)
Acquisition of subsidiaries, net of cash acquired	2,170,385

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

The aggregated revenue of newly acquired businesses included in the consolidated income statement since their respective dates of acquisition and up to December 31, 2012 were RMB955 million. The newly acquired businesses also contributed an aggregated profit after taxation of RMB3 million over the same period.

Had the newly acquired businesses been consolidated from January 1, 2012, the beginning of the financial year, the consolidated income statement would show revenue of RMB227,210 million and profit after taxation of RMB4,730 million.

(b) Business combination in the year ended December 31, 2013

On January 2, 2013, Lenovo acquired the entire equity interests in CCE. CCE is principally engaged in the manufacturing and marketing of personal computers and consumer electronics.

On February 1, 2013, Joyvio acquired the entire equity interest in Sichuan China New Agricultural Science & Technology Co., Ltd. (四川中新農業科技有限公司, "China New Agricultural"). China New Agricultural engages in planting and producing high-quality kiwifruit with a variety right called "yellow-flesh (金艷)". In 2013, Joyvio also completed acquisition of several farms in Chile to complement growing season and provide customers a year round supply of high quality fruit.

In 2013, through its subsidiary, Zeny, the Group further acquired several companies engaged in express delivery and other related services to expand its current supply chain business for building a nationwide delivery network.

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

	For the year ended December 31, 2013				
	CCE	China New Agricultural	Others	Measurement period adjustment *(ii)*	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Purchase consideration					
– Cash paid *(i)*	446,425	361,877	240,220	–	1,048,522
– Present value of deferred consideration	–	17,123	11,000	(112,376)	(84,253)
Total purchase consideration	446,425	379,000	251,220	(112,376)	964,269
Less: fair value of net assets acquired/(liabilities assumed)	474,179	(143,254)	(157,148)	14,365	188,142
Goodwill *(Note 18)*	920,604	235,746	94,072	(98,011)	1,152,411

(i) An initial amount of USD133,480,000 cash consideration has been paid for the business combination of CCE together with an issuance of 46,875,000 ordinary shares of Lenovo's shares based on its published share price on January 2, 2013. Pursuant to terms in the sales and purchase agreement, an amount of USD30,987,000 cash consideration as well as all the share consideration was recovered upon the completion of the acquisition.

(ii) The Group completed the final allocation of the purchase price and the assets acquired and liabilities assumed for EMC, Stoneware and Wallen Blueberry in 2013, which results in a decrease of goodwill with an amount of approximately RMB98 million.

The goodwill for acquiring CCE is primarily attributable to the significant synergies expected to arise in connection with the Group's commitment to its core personal computer business and CCE's strong market position in Brazil, and the goodwill in connection with China New Agricultural acquisition is primarily attributable to experienced workforce acquired and the benefits from the economies of scale in kiwifruit plantation.

(2) The major components of assets and liabilities arising from the business combination activities are as follows:

	For the year ended December 31, 2013				
	CCE	**China New Agricultural**	**Others**	**Measurement period adjustment**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cash and cash equivalents	148,356	4,099	71,370	–	223,825
Property, plant and equipment	60,735	232,442	131,519	–	424,696
Other non-current assets	–	23,176	(8,917)	(51,823)	(37,564)
Intangible assets	310,076	1,426	66,101	6,243	383,846
Net working capital except cash and cash equivalents	(847,224)	(8,613)	(26,158)	6,243	(875,752)
Non-current liabilities	(146,122)	(108,894)	(12,866)	24,972	(242,910)
Non-controlling interests	–	(382)	(63,901)	–	(64,283)
Fair value of net assets acquired/(liabilities assumed)	(474,179)	143,254	157,148	(14,365)	(188,142)

(3) Net cash outflow from acquisitions of subsidiaries

	Year ended December 31, 2013
	RMB'000
Purchase consideration settled in cash	1,048,522
Less: cash and cash equivalents in subsidiaries acquired	(223,825)
Acquisition of subsidiaries, net of cash acquired	824,697

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

The aggregated revenue of newly acquired businesses included in the consolidated income statement since their respective dates of acquisition and up to December 31, 2013 was RMB819 million. The newly acquired businesses also contributed an aggregated loss after taxation of RMB29 million over the same period.

Had the newly acquired businesses been consolidated from January 1, 2013, the beginning of the financial year, the consolidated income statement would show revenue of RMB243,972 million and profit after taxation of RMB7,718 million.

(c) Business combination in the year ended December 31, 2014

In July 2014, the Group acquired 51% of the equity interest in Bybo, a company engages in the provision of dental care and other medical service. The acquisition of Bybo provided the Group access to dental care service and expanded involvement in modern services business.

On October 1, 2014, Lenovo acquired certain assets and assumed certain liabilities in connection with the x86 server hardware and related maintenance services business of IBM. The acquisition provides Lenovo with end-to-end capabilities to serve enterprise customers and explore new growth segments in the enterprise hardware market. It also offers a comprehensive and competitive portfolio of server products including towers, racks, blades and converged systems, as well as associated maintenance services.

On October 30, 2014, Lenovo acquired 100% of the issued and outstanding equity interests in Motorola Mobility. Motorola Mobility is principally engaged in the business of developing, manufacturing, distributing and selling mobile devices, particularly smartphones based on the Android operating system, and their related products. The acquisition provides Lenovo with immediate access to key assets, technology and personnel to accelerate Lenovo's entry into mature geographies for smartphones, including those based on the popular Android operating system under its strong relationships with retailers and carriers.

(1) Set forth below is the calculation of goodwill*:

	For the year ended December 31, 2014				
	Motorola Mobility	**x86 Business**	**Bybo**	**Others**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Purchase consideration					
– Cash paid less cash to be refunded *(i)*	5,360,971	11,459,349	616,508	94,033	17,530,861
– Fair value of consideration shares *(ii)*	4,721,813	1,664,587	–	–	6,386,400
– Present value of deferred consideration *(iii)*	8,456,022	–	–	–	8,456,022
– Share based compensation obligation assumed	720,657	34,789	–	–	755,446
Total purchase consideration	19,259,463	13,158,725	616,508	94,033	33,128,729
Less: fair value of net assets acquired	(9,938,239)	(7,499,397)	(320,227)	(15,734)	(17,773,597)
Goodwill *(Note 18)*	9,321,224	5,659,328	296,281	78,299	15,355,132

* The calculations of goodwill for Motorola Mobility and x86 Business are preliminary.

(i) At completion date on acquisition of x86 Business, cash payment comprising cash consideration of USD2,070,000,000 net of a downward adjustment of USD204,973,937 calculated based on transferred balances of certain working capital items, was paid to IBM.

At completion date on acquisition of Motorola Mobility, USD660,000,000, representing the cash consideration, and a compensation of USD212,506,000, which primarily relates to the estimated amount of excess net cash and working capital remaining in Motorola Mobility transferrable to the Group, was paid to Google Inc., the seller, in cash.

(ii) The fair values of 182,000,000 and 519,107,215 ordinary shares of Lenovo issued as part of the purchase consideration for the business combinations of x86 Business and Motorola Mobility were based on the published share price on October 1 and October 30, 2014, respectively.

(iii) The deferred consideration represents the promissory note of USD1,500,000,000 issued to Google Inc. payable in cash on the third anniversary of the completion date. The present value of deferred consideration is included in other non-current liabilities in the consolidated balance sheet.

The goodwill for acquiring Bybo is from its well-located directly operated medical outlets and dental hospital and its high-skilled professionals, including dentists and health care staff.

The goodwill from Motorola Mobility and x86 Business is primarily attributable to the significant synergies expected to arise in connection with the development of mobile devices and x86 server businesses, respectively.

(2) ***The major components of assets and liabilities arising from the business combination activities are as follows:***

	For the year ended December 31, 2014				
	Motorola Mobility	**x86 Business**	**Bybo**	**Others**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cash and cash equivalents	2,479,093	170,960	40,149	4,258	2,694,460
Property, plant and equipment	3,022,295	758,383	188,435	11,504	3,980,617
Other non-current assets	667,078	–	–	–	667,078
Intangible assets	10,044,579	9,277,950	308,638	61,281	19,692,448
Net working capital except cash and cash equivalents	(4,552,966)	(385,815)	183,227	(37,544)	(4,793,098)
Non-current liabilities	(1,721,840)	(2,322,081)	(80,000)	(12,971)	(4,136,892)
Non-controlling interests	–	–	(320,222)	(10,794)	(331,016)
Fair value of net assets acquired	9,938,239	7,499,397	320,227	15,734	17,773,597

At December 31, 2014, the Group has not finalised the fair value assessments for net assets of Motorola Mobility and x86 Business acquired. The relevant fair values of net assets stated above are on a provisional basis.

(3) ***Net cash outflow from acquisitions of subsidiaries***

	Year ended December 31, 2014
	RMB'000
Purchase consideration settled in cash	17,530,861
Less: cash and cash equivalents in subsidiaries acquired	(2,694,460)
Acquisition of subsidiaries, net of cash acquired	14,836,401

(4) ***Impact of acquisitions on the results of the Group***

The operation results of those newly acquired business does not have significant impact on the consolidated financial information for the year ended December 31, 2014, given that less than one quarter financial information of x86 Business and Motorola Mobility has been included.

A separate set of financial information for x86 Business was not prepared before the acquisition while the historical financial information of Motorola Mobility was prepared under the accounting policies of Google Inc.. As a result, it is impracticable for the Group to prepare a set of comparable revenue and net profit conforming with the Group's accounting policies for the year ended December 31, 2014 for the acquisitions of x86 Business and Motorola Mobility that occurred during the year as if the acquisitions had been completed as of January 1, 2014. In respect of Bybo, its financial impact to the Group's revenue and net profit for the year ended December 31, 2014 would not be material had the acquisition of Bybo been completed as of January 1, 2014.

48. DISPOSAL OF SUBSIDIARIES

(a) Loss of control in CSPC Pharmaceutical Group Limited ("CSPC")

On October 29, 2012, CSPC, a subsidiary of the Group, formerly named as China Pharmaceutical Group Limited, completed the reverse acquisition of Robust Sun Holdings Limited and its related subsidiaries through the issuance of its shares and convertible bonds. Upon the completion of the acquisition, the voting right of the Group in CSPC has been diluted from 51.22% to 28.75%, which resulted in the loss of control of the Group in CSPC. The retained interest in CSPC is accounted for as associates measured at fair value through profit or loss and included in the investment in Hony Fund III, L.P.. A deemed disposal loss of RMB233 million was recognised in investment income and gains in the consolidated income statement for the year ended December 31, 2012, accordingly.

	Amount
	RMB'000
Consideration received	
– Cash and cash equivalents received	–
Less: cash and cash equivalents held by CSPC	(577,346)
Net decrease in cash and cash equivalents	(577,346)

The assets and liabilities of CSPC on the disposal date are as follows:

	Carrying Value
	RMB'000
Current assets	3,671,747
Non-current assets	4,341,046
Less: current liabilities	(3,429,113)
non-current liabilities	(496,144)
Total	4,087,536

The revenue, expenses and net loss of CSPC for the period from January 1, 2012 to the disposal date are as follows:

	Amount
	RMB'000
Revenue	4,438,750
Cost and expenses	(5,305,649)
Total loss	(866,899)
Less: income tax expense	64,299
Net loss	(802,600)

(b) Disposal of equity interests in Chongqing Guangkong

In August 2013, the Group disposed of its entire equity interests in Chongqing Guangkong to third parties. The related information on the disposal date is as follows:

	Amount
	RMB'000
Consideration received	
– Cash and cash equivalents received	368,469
Less: cash and cash equivalents held by Chongqing Guangkong	(55,095)
Net cash received	313,374

The assets and liabilities of Chongqing Guangkong on the disposal date are as follows:

	Carrying Value
	RMB'000
Current assets	84,190
Non-current assets	1,370,298
Less: current liabilities	(170,972)
non-current liabilities	(655,446)
Net assets	628,070

The revenue, expenses and profit of Chongqing Guangkong for the period from January 1, 2013 to the disposal date are as follows:

	Amount
	RMB'000
Revenue	32,457
Cost, expenses and gains	9,617
Total profit	42,074
Less: income tax expense	(13,238)
Net profit	28,836

(c) Sold of equity interests in Union Insurance

In December 2014, the Group sold 3% equity interests in Union Insurance for a consideration of RMB52 million, which resulted in de-consolidation of Union Insurance by the Group. The related information on the de-consolidation date is as follows:

	Amount
	RMB'000
Consideration received	
– Cash and cash equivalents received	–
Less: cash and cash equivalents held by Union Insurance	(608,721)
Net decrease in cash and cash equivalents	(608,721)

The assets and liabilities of Union Insurance on the disposal date are as follows:

	Carrying Value
	RMB'000
Current assets	1,010,585
Non-current assets	800,487
Less: current liabilities	(346,735)
non-current liabilities	(214,585)
Total	1,249,752

The revenue, expenses and net loss of Union Insurance for the period from January 1, 2014 to the disposal date are as follows:

	Amount
	RMB'000
Revenue	592,071
Cost, expenses and gains	(640,940)
Total loss	(48,869)
Less: income tax expense	(16,709)
Net loss	(65,578)

(d) Loss of control in Hony Capital II GP Ltd ("Hony II GP")

In December 2014, the Group disposed its entire interest in Hony II GP, a subsidiary, to Hony Capital Fund III GP Limited, an associate, at a consideration of US$1. Upon disposal of Hony II GP, the Group lost control over Hony II LP and its subsidiaries ("Hony II LP Group"). As a result, Hony II LP Group was deconsolidated from the Group. Investments retained accounted for as associates measured at fair value through profit or loss and financial assets at fair value through profit or loss were approximately RMB717 million. A net loss of approximately RMB191 million is recognised in the consolidated income statement within "Investment income and gains". The related information on the deconsolidation date is as follows:

	Amount
	RMB'000
Consideration received	
– Cash and cash equivalents received	–
Less: cash and cash equivalents deconsolidated	(1,429,689)
Net decrease in cash and cash equivalents	(1,429,689)

The assets and liabilities of deconsolidated subsidiaries on disposal date are as follows:

	Carrying value
	RMB'000
Current assets	3,635,844
Less: current liabilities	(1,442,930)
Net assets	2,192,914

49. 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) During the Relevant Periods, the principal related parties that had transactions with the Group are listed below:

	Relationship with the Group
COHG	Shareholder of the Company
Oceanwide Construction Group Co., Ltd. (泛海建設控股有限公司) *(i)*	Other related party
Legend Shenzhen Science and Technology Park Ltd. (深圳市聯想科技園有限公司) ("Shenzhen Science and Technology Park")	Associate of the Group
Beijing Hony 2010	Associate of the Group
Tianjin Junruiqi Equity Investment L.P.	Associate of the Group
Hony Investment Industry Fund I (Tianjin) L.P.	Associate of the Group
Lakala	Associate of the Group
Xineng Fenghuang (Tengzhou) Energy Co., Ltd. (新能鳳凰(滕州)能源有限公司)	Associate of the Group
Hony Capital Investment Management (Tianjin) L.P. (弘毅投資管理(天津)(有限合夥))	Associate of the Group
IGRS Engineering Lab Limited (閃聯信息技術工程中心有限公司)	Associate of the Group
Beijing Legendsoft International Technology Company Limited (北京聯想利泰軟件有限公司)	Associate of the Group
China Auto Rental (Beijing) Ltd. (北京神州汽車租賃有限公司, "China Auto Rental") *(ii)*	Associate of the Group
Lianhui Automobile (Langfang) Co., Ltd. (聯慧汽車(廊坊)有限公司)	Associate of the Group
Beijing Legend Capital Co., Ltd. (北京君聯資本管理有限公司)	Associate of the Group
Shanghai Shiyun Network Technology Limited (上海視雲網絡科技有限公司)	Associate of the Group
Legend Capital Management Ltd.	Associate of the Group
Hankou Bank	Associate of the Group
Ensencare (Changzhou) Holdings Co., Ltd. (安信頤和(常州)置業有限公司)	Associate of the Group
Union Insurance	Associate of the Group
Beijing Legend Technology Investment Co. Ltd. (北京聯想科技投資有限公司)	Associate of the Group

Note i: Oceanwide Construction Group Co., Ltd. is a subsidiary of COHG.

Note ii: China Auto Rental in a subsidiary of CAR.

The English name of the above related parties represents the best effort by management of the Company in translating their Chinese names as they do not have official English names.

(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 during the Relevant Periods.

	Year ended December 31,		
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
Purchase of goods from			
– Associates	74,440	60,635	97,019
Sales of goods to			
– Associates	–	–	2,620
Services received from			
– Associates	4,137	36,990	12,329
Rendering of services to			
– Associates	152,856	66,854	32,580
Loan provided by *(i)*			
– Associates	860,000	150,000	1,000
Loan provided to			
– Other related party	220,000	–	–
– Associates *(ii)*	410,471	266,611	286,016
Interest income from			
– Associates	77,531	20,140	12,431
Interest expenses to			
– Associates	74,632	122,075	460,223
Receive capital injection from			
– Associates *(Note 11 (v))*	–	–	204,000
Transfer equity investments to *(iii)*			
– Associates	1,811	582,405	–
Purchase of equity investments from			
– Other related party	26,059	–	5,000
Contribution from			
– A shareholder	109,444	108,049	106,401

Note i: For the year ended December 31, 2012, Shenzhen Science and Technology Park provided a 2-year-term loan to the Group, with an amount of RMB860 million, and annum interest rates from 6.53% to 7.39%.

For the year ended December 31, 2013, Shenzhen Science and Technology Park provided an amount of RMB150 million loan to the Group, with an annum interest rate of 7.39% and repayable by 2015.

For the year ended December 31, 2011, Beijing Hony 2010 provided a 3-year-term loan to the Company with an amount of RMB564 million. In 2013, both parties renewed the contract to 2016, the Company fully repaid the borrowings in advance on July 31, 2014 and the accumulated interests paid were RMB135 million.

For the year ended December 31, 2011, Tianjin Junruiqi Equity Investment L.P. provided a 3-year-term borrowing to the Company with an amount of RMB108 million. In 2013 both parties renewed the contract and extended the term for another three years. The Group fully repaid the borrowings in advance on July 31, 2014 and the accumulated interests paid were RMB28 million.

For the year ended December 31, 2009, Hony Investment Industry Fund I (Tianjin) L.P. provided a 4-year-term borrowing to the Company with an amount of RMB1 billion. In 2013, the borrowing contract was renewed and extended to 2016. The Company fully repaid the borrowings on July 31, 2014 and the accumulated interests paid were RMB385 million.

Note ii: For the year ended December 31, 2012, the Group made a loan to China Auto Rental with an amount of RMB150 million, which is repayable within one year. Meanwhile, China Auto Rental repaid an amount of RMB300 million loan to the Group upon its maturity. For the year ended December 31, 2013, China Auto Rental made a repayment of RMB570 million to the Group, and as such, no amount is due to the Group by China Auto Rental as at December 31, 2013.

For the year ended December 31, 2012 and 2013, the interest income arising from loans to CAR are RMB59 million and RMB4 million, respectively.

For the Relevant Periods, the Group provided loans of RMB215 million, RMB80 million and RMB80 million to Lakala and the interest income arising from the loans to Lakala are RMB6.4 million, RMB11 million and RMB6.8 million respectively.

Note iii: For the year ended December 31, 2013, one equity investment held by the Group through Hony II LP, Simcere Pharmaceutical Group ("Simcere"), a NYSE-listed company, went through a privatization. Upon the completion of the privatization, the Group's equity interest in Simcere was transferred to Premier Praise Limited, an associate of the Group at a consideration of RMB582 million. No gain or loss has been recognised as the transfer was at fair value. The consideration was settled in 2014.

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

	As at December 31, 2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
Trade and notes receivables			
– Associates	–	53	3,174
Prepayment, other receivables and current assets			
– Associates	1,098,669	1,121,971	1,182,178
Borrowings			
– Associates	68,000	–	–
Trade and notes payables			
– Associates	2,965	2,211	11,813
Advance from client			
– Associates	1,686	2,860	3,370
Other payables and accruals			
– Associates	1,318,930	845,117	1,241,353
Other non-current liabilities *(iv)*			
– Associates	1,734,880	2,215,380	147,500

Note iv: Other non-current liabilities includes amounts payables to the following parties:

	As at December 31, 2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
Hony Investment Industry Fund I (Tianjin) L.P.	1,000,000	1,000,000	–
Beijing Hony 2010	767,740	767,740	–
Shenzhen Science and Technology Park	859,000	543,500	147,500
Tianjin Junruiqi Equity Investment L.P.	108,140	108,140	–
Total	2,734,880	2,419,380	147,500
Less: current portion included in other payables and accruals	(1,000,000)	(204,000)	–
Non-current portion included in other non-current liabilities	1,734,880	2,215,380	147,500

(d) Key management compensation

	Year ended December 31,		
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
Fees	1,035	1,066	1,081
Salaries	48,400	49,800	52,800
Discretionary bonuses	36,000	36,800	36,000
Share option and rewards	9,803	4,375	13,388
Employer's contribution to pension schedule	3,086	151,577	2,839
Other benefits	4,481	5,089	5,116
	102,805	248,707	111,224

(e) Guarantee provided to/by related parties

	Year ended December 31,		
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
Guarantee provided to related parties			
– CAR *(i)*	2,964,125	3,693,634	3,414,733
– Others	336,890	449,612	1,005,298
	3,301,015	4,143,246	4,420,031
Guarantee provided by related parties *(ii)*	2,030,000	1,050,400	1,800,000

Note i: On July 1, 2012, the Company undertook that it will provide financial assistance to CAR in an amount no less than RMB4.6 billion (or foreign currency equivalent). The financial assistance will be in the form of loans made to CAR either directly or indirectly by the Company, or loans provided by any banks or non-banking financial institutions to CAR secured by guarantees provided by the Company.

Note ii: The guarantee has been provided by Beijing Legend Technology Investment Co. Ltd.

50. SUBSEQUENT EVENTS

(a) Since January 1, 2015, the Group have made and proposed to make a series of equity investments for the strategic investment business and the angel investment business. For the details and certain additional financial information of these investments, please refer to Section III below.

(b) On May 28, 2015, the board of directors has resolved to declare an annual dividend of RMB0.18 per share to its existing shareholders. The annual dividend, amounting to RMB366,025,000 has not been recognized as a liability as at December 31, 2014. Such dividend was paid on June 10, 2015

(c) On June 6, 2015, one of the Company's associate Lakala entered into an equity financing agreement with third party investors, pursuant to which the investors subscribed for 13.9% equity interests of Lakala for approximately RMB1,450 million.

(d) On June 10, 2015, Lenovo completed an issuance and sale of the notes in an aggregate principle amount of RMB4 billion. The notes bear an interest at 4.95% per annum and will mature on June 10, 2020.

III. ADDITIONAL FINANCIAL INFORMATION OF EQUITY INVESTMENTS MADE AND PROPOSED TO MAKE SUBSEQUENT TO DECEMBER 31, 2014

1. Strategic investment

Name	Actual/ estimated consideration	Interest acquired/to be acquired	Principal business	Note	Status (up to the date of accountant's report)
Shenzhen Bybo Dental Clinic Co., Ltd (深圳拜博口腔門診部有限公司) ("Shenzhen Bybo")	RMB1.6 million	100%	Dental Care	(a)	Transaction completed
Beijing Sheng'an Dental Clinic Co., Ltd (北京聖安口腔診所有限公司) ("Beijing Sheng'an")	RMB6.9 million	90%	Dental Care	(b)	Transaction completed
Dalian Bybo Health Management Co., Ltd (大連拜博健康管理有限公司) ("Dalian Bybo")	RMB23.3 million	60%	Dental Care	(a)	Transaction completed
Shenzhen Shengbei Medical Investment Co., Ltd (深圳市聖貝醫療投資有限公司) ("Shenzhen Shengbei")	RMB2.8 million	100%	Dental Care	(c)	Transaction completed
Dongguan Huangjiang iByer Dental Clinic Co., Ltd (東莞黃江拜爾口腔門診部) ("Dongguan Huangjiang")	RMB3.2 million	100%	Dental Care	(a)	Transaction completed
Jiaozuo Haifeng Dental Clinic Co., Ltd (焦作市海楓口腔門診部有限公司) ("Jiaozuo Haifeng")	RMB0.5 million	100%	Dental Care	(a)	Transaction completed
Xi'an Bybo 920 Dental Management Co., Ltd (西安拜博九二零口腔醫院管理有限公司) ("Xi'an Bybo")	RMB22.5 million	>50%	Dental Care	(a)	Transaction agreed but not completed
Hunan Jiayi Medical Investment Corporation (湖南佳宜醫療投資股份有限公司) ("Hunan Jiayi")	RMB20.8 million	>50%	Dental Care	(d)	Transaction agreed but not completed
Beijing Tianchen Cloud Farm Corporation (北京天辰雲農場科技股份有限公司) ("Cloud Farm")	RMB61.6 million	23%	On-line sale of agricultural materials	(e)	Transaction completed
Mosh Holding	USD58.5 million	48.23%	Social marketing service	(f)	Transaction completed
Tianjin Dongjiang Harbor Cold-chain Commodities Trade Co., Ltd (天津東疆港大冷鏈商品交易市場有限公司) ("Dongjiang Cold-chain")	RMB96.6 million	>50%	Cold-chain logistics	(g)	Transaction agreed but not completed
Century Wenkang (Beijing) Science and Technology Development Co., Ltd (世紀聞康北京科技發展有限公司) ("Century Wenkang")	USD50 million	<20%	Internet medical service	(h)	Transaction agreed but not completed
Cold-chain logistics business	RMB342.4 million	>50%	Cold-chain logistics	(i)	Transaction agreed but not completed

Name	Actual/ estimated consideration	Interest acquired/to be acquired	Principal business	Note	Status (up to the date of accountant's report)
Healthcare business	RMB3.5 million	>50%	Dental Care	(i)	Transaction proposed
Guizhou QianByer Medical Investment Management Co., Ltd. (貴州黔拜爾醫療項目投資管理有限公司)	RMB0.64 million	>50%	Dental Care	(j)	Transaction agreed but not completed
AnHua Agricultural Insurance Company Limited (安華農業保險股份有限公司)	RMB97.9 million	<20%	Insurance	(k)	Transaction agreed but not completed

(a) Shenzhen Bybo, Dalian Bybo, Dongguan Huangjiang, Jiaozuo Haifeng and Xi'an Bybo were newly established on October 22, November 25, March 28, December 9 and July 17, 2014 respectively. Each of the first four companies owned one medical license which can be used for operation purpose in certain location in their registered cities. Xi'an Bybo owned 5 medical licenses which can be used for operation purpose in 5 different locations in Xi'an City. In addition, Dalian Bybo was acquired through additional injection so the consideration was paid to it directly. These companies had not received any paid-in capital or started operation activities before December 31, 2014. Therefore there is no available historical financial information for them, including balance sheets and income statements.

(b) Beijing Sheng'an was incorporated in June 2003 in Beijing, China, principally engaged in medical project investment, business management and dental services, and owned a Medical Institution Practicing License. Beijing Sheng'an did not operate and generate any significant revenue and expense historically. The following is the balance sheets as at December 31, 2012, 2013 and 2014 of Beijing Sheng'an:

	As at December 31,		
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment	–	4,568	9,218
	–	4,568	9,218
Current assets			
Inventories	–	–	59
Prepayment	500	–	–
Cash and cash equivalents	–	–	21
	500	–	80
Total assets	500	4,568	9,298
Paid-in capital	500	500	500
Accumulated losses	–	(3)	(6)
Total equity	500	497	494
LIABILITIES			
Current liabilities			
Other payables	–	4,071	8,804
Total liabilities	–	4,071	8,804
Total equity and liabilities	500	4,568	9,298

(c) Shenzhen Shengbei was incorporated in June 2014 in Shenzhen, Guangdong Province of China, principally engaged in medical project investment, business management and dental services, and owned a Medical Institution Practicing License. Shenzhen Shengbei did not operate and generate any significant revenue and expense in 2014. The following is the balance sheets as at December 31, 2014 of Shenzhen Shengbei:

	As at December 31, 2014
	RMB'000
ASSETS	
Current assets	
Other receivables	989
Cash and cash equivalents	1
	990
Total assets	990
Paid-in capital	1,000
Accumulated losses	(26)
Total equity	974
LIABILITIES	
Current liabilities	
Other payables	16
Total liabilities	16
Total equity and liabilities	990

(d) Hunan Jiayi was incorporated in February 2012 in Changsha, Hunan Province of China, principally engaged in medical project investment, business management and dental services, and owned a Medical Institution Practicing License. The following is the balance sheets as at December 31, 2012, 2013 and 2014 and the income statements for each of the years ended of Hunan Jiayi:

	As at December 31,		
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment	6,014	10,780	9,450
Intangible assets	–	92	77
Other non-current assets	2,369	1,654	–
	8,383	12,526	9,527
Current assets			
Inventories	39	374	367
Trade and other receivables	4,972	255	205
Available for sale financial assets	4,800	–	–
Cash and cash equivalents	2,059	89	228
	11,870	718	800
Total assets	20,253	13,244	10,327
Share capital	16,500	18,340	20,000
Accumulated losses	(1,177)	(6,821)	(11,914)
Total equity	15,323	11,519	8,086
LIABILITIES			
Current liabilities			
Trade and other payables	4,930	1,725	2,241
Total liabilities	4,930	1,725	2,241
Total equity and liabilities	20,253	13,244	10,327

	Year ended December 31,		
	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
Sales of goods and services	–	908	1,385
Cost of sales	–	(180)	(400)
Gross profit	–	728	985
Selling and administrative expenses	(1,177)	(6,235)	(6,161)
Other (loss)/gains – net	–	(137)	83
Loss before income tax	(1,177)	(5,644)	(5,093)
Income tax expense	–	–	–
Loss for the year	(1,177)	(5,644)	(5,093)

(e) Cloud Farm was incorporated in December 2010 in Beijing, China, principally engaged in on-line sale of agricultural materials. The following is the balance sheets as at December 31, 2012, 2013 and 2014 and the income statements for each of the three years ended of Cloud Farm:

	As at December 31,		
	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment	–	–	870
Intangible assets	–	–	361
	–	–	1,231
Current assets			
Inventories	–	–	4,497
Trade and other receivables	70	–	4,757
Cash and cash equivalents	18	61	2,226
	88	61	11,480
Total assets	88	61	12,711

	As at December 31,		
	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
Share capital	100	100	15,200
Other reserves	–	–	8,526
Accumulated losses	(38)	(39)	(31,279)
Total equity	62	61	(7,553)
LIABILITIES			
Current liabilities			
Trade and other payables	26	–	20,264
Total liabilities	26	–	20,264
Total equity and liabilities	88	61	12,711

	Year ended December 31,		
	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
Sales of goods and services	3	19	58,527
Cost of sales	–	–	(52,788)
Gross profit	3	19	5,739
Selling and administrative expenses	(3)	(21)	(37,145)
Other gains – net	–	1	166
Loss before income tax	–	(1)	(31,240)
Income tax expense	–	–	–
Loss for the year	–	(1)	(31,240)

(f) Mosh Holding was incorporated in the Cayman Islands in April 2011, which is a supplier of social marketing system, marketing data solutions and integrated service. The following is the balance sheets as at December 31, 2012, 2013 and 2014 and the income statements for each of the three years ended of Mosh Holding:

	As at December 31,		
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment	2,435	2,594	3,574
Intangible assets	13	8	359
Other non-current assets	1,563	1,402	675
	4,011	4,004	4,608
Current assets			
Trade and other receivables	14,004	32,340	57,803
Cash and cash equivalents	33,681	42,118	19,365
Available for sale financial assets	–	17,000	–
	47,685	91,458	77,168
Total assets	51,696	95,462	81,776
Paid-in capital	2,800	2,800	2,800
Other reserves	275	3,903	921
Accumulated losses	(35,742)	(91,342)	(297,730)
Total equity	(32,667)	(84,639)	(294,009)

	As at December 31,		
	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
LIABILITIES			
Non-current liabilities			
Convertible redeemable preferred shares	75,602	151,319	350,448
	75,602	151,319	350,448
Current liabilities			
Borrowings	–	9,000	–
Trade and other payables	8,761	19,782	25,337
	8,761	28,782	25,337
Total liabilities	84,363	180,101	375,785
Total equity and liabilities	51,696	95,462	81,776

	Year December 31,		
	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
Sales of goods and services	23,540	62,434	120,776
Cost of sales	(6,480)	(16,134)	(72,520)
Gross profit	17,060	46,300	48,256
Selling and administrative expenses	(26,513)	(74,621)	(70,197)
Other gains/(loss) – net	5	(1,210)	227
Losses from fair value changes of convertible redeemable preferred shares	(12,175)	(26,069)	(184,674)
Loss before income tax	(21,623)	(55,600)	(206,388)
Income tax expense	–	–	–
Loss for the year	(21,623)	(55,600)	(206,388)

(g) Dongjiang Cold-chain was incorporated in February 2010 in Tianjin, China, principally engaged in processing, refrigeration, storage, logistics business of meat product. The following is the balance sheets as at December 31, 2012, 2013 and 2014 and the income statements for each of the three years ended of Dongjiang Cold-chain:

	As at December 31,		
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment	89,804	129,265	129,466
Intangible assets	–	19,316	18,898
Other non-current assets	–	381	15
	89,804	148,962	148,379
Current assets			
Inventories	5,190	78	3
Trade and other receivables	77,543	67,613	42,002
Cash and cash equivalents	5,386	10,615	3,582
	88,119	78,306	45,587
Total assets	177,923	227,268	193,966
Paid-in capital	88,000	88,000	88,000
Accumulated losses	(5,864)	(12,872)	(36,921)
Total equity	82,136	75,128	51,079

	As at December 31,		
	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
LIABILITIES			
Non-current liabilities			
Borrowings	42,523	80,000	75,000
Deferred income	–	20,750	19,712
	42,523	100,750	94,712
Current liabilities			
Trade and other payables	23,264	21,390	48,175
Borrowings	30,000	30,000	–
	53,264	51,390	48,175
Total liabilities	95,787	152,140	142,887
Total equity and liabilities	177,923	227,268	193,966

	Year ended December 31,		
	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
Sales of goods and services	44	8,566	5,562
Cost of sales	(39)	(7,473)	(10,659)
Gross profit (loss)	5	1,093	(5,097)
Selling and administrative expenses	(3,632)	(7,466)	(20,002)
Other loss/(gains) – net	(300)	(635)	1,050
Loss before income tax	(3,927)	(7,008)	(24,049)
Income tax expense	–	–	–
Loss for the year	(3,927)	(7,008)	(24,049)

(h) Century Wenkang was incorporated in July 2007 in Beijing, China, which is a platform of Internet medical service. The following is the balance sheets as at December 31, 2012, 2013 and 2014 and income statements for each of the three years end of Century Wenkang:

	As at December 31,		
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment	1,625	2,805	7,071
Intangible assets	104	500	2,183
Other non-current assets	–	–	2,889
	1,729	3,305	12,143
Current assets			
Trade and other receivables	5,775	6,683	13,726
Available for sale financial assets	–	–	30,000
Cash and cash equivalents	2,671	29,448	26,477
	8,446	36,131	70,203
Total assets	10,175	39,436	82,346
Paid-in capital	1,429	1,429	1,429
Capital reserves	48	48	881
Accumulated losses	(84,486)	(231,945)	(381,202)
Total equity	(83,009)	(230,468)	(378,892)
LIABILITIES			
Non-current liabilities			
Convertible redeemable preferred shares	87,674	252,403	428,000
	87,674	252,403	428,000
Current liabilities			
Trade and other payables	5,510	17,501	33,238
	5,510	17,501	33,238
Total liabilities	93,184	269,904	461,238
Total equity and liabilities	10,175	39,436	82,346

	Year ended December 31, 2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
Sales of goods and services	20,381	80,205	165,192
Cost of sales	(31,115)	(41,077)	(77,244)
Gross profit	(10,734)	39,128	87,948
Selling and administrative expenses	(15,901)	(31,853)	(56,580)
Other gains/(loss) – net	(106)	(5)	(1,943)
Losses from fair value changes	(50,201)	(154,729)	(175,597)
Loss before income tax	(76,942)	(147,459)	(146,172)
Income tax expense	(16)	–	(2,252)
Loss for the year	(76,958)	(147,459)	(148,424)

(i) The target business proposed to be acquired has not be incorporated and there is no historical financial information available for it.

(j) The target company was incorporated in early 2015. There is no historical financial information available for it.

(k) AnHua Agricultural Insurance Company Limited was incorporated in December 2004 in Changchun, Jilin province of China. For historical financial information, refer to "Appendix IB – Accountant's Report of AnHua Agricultural Insurance Company Limited".

2. Angel investment

Since January 1, 2015 and up to the date of this report, the Group has completed, agreed or proposed 26 angel investments with the total consideration around RMB96.5 million.

IV. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company and its subsidiaries in respect of any period subsequent to December 31, 2014 up to the date of this report except that Lenovo published its audited financial statements for the year ended March 31, 2015 on May 27, 2015. Save as disclosed elsewhere in this report, no dividend or distribution has been declared or made by the Company or any of its subsidiaries in respect of any period subsequent to December 31, 2014.

Yours faithfully,

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

The following is the text of a report received from the reporting accountant of AnHua Agricultural Insurance Company Limited, SHINEWING (HK) CPA Limited, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Legend Holdings Corporation and to the Joint Sponsors pursuant to the requirements of Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants.

信永中和 ShineWing

SHINEWING (HK) CPA Limited
43/F., The Lee Gardens
33 Hysan Avenue
Causeway Bay, Hong Kong

June 16, 2015

The Directors
Legend Holdings Corporation

Dear Sirs

We set out below our report on the financial information (the "Financial Information") regarding to 安華農業保險股份有限公司 (AnHua Agricultural Insurance Company Limited) (the "AnHua") for the three years ended 31 December 2012, 2013 and 2014 (the "Relevant Periods") for inclusion in the prospectus ("the Prospectus") issued by Legend Holdings Corporation dated June 16, 2015 in connection with the initial listing of the shares of the Legend Holdings Corporation on The Stock Exchange of Hong Kong Limited (the "Stock Exchange) and the proposed acquisition of the 6.8% issued share capital of AnHua (the "Acquisition").

AnHua was established in the People's Republic of China (the "PRC") with limited liability on 30 December 2004. At the date of this report, AnHua mainly provides agricultural, automobile and other insurance products in the PRC.

The financial year end date of AnHua is 31 December. The statutory financial statements of AnHua for the Relevant Periods were prepared in accordance with the relevant accounting principles and financial regulations applicable to enterprises established in the PRC (the "PRC GAAP") and were audited by Shinewing Certified Public Accountants (信永中和會計師事務所(特殊普通合夥)), certified public accountants registered in the PRC.

For the purpose of this report, the directors of AnHua have prepared the financial statements of AnHua for the Relevant Periods in accordance with significant accounting policies, as set out in note 3 to the Financial Information, which conforms with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") (the "Underlying Financial Statements"). We have undertaken an independent audit on the Underlying Financial Statements in accordance with International Standards on Auditing issued by the IASB for the Relevant Periods. We have also examined the Underlying Financial Statements in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the Hong Kong Institution of Certified Public Accountants.

The Financial Information of AnHua for the Relevant Periods set out in this report has been prepared from the Underlying Financial Statements. No adjustments were considered necessary to adjust the Underlying Financial Statements in preparing our report for inclusion in the Prospectus.

The Underlying Financial Statements are the responsibility of the directors of AnHua who approved their issue. The directors of the Legend Holdings Corporation are responsible for the contents of the Prospectus in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of AnHua as at 31 December 2012, 2013 and 2014 and of the results and cash flows of AnHua for the Relevant Periods.

A. FINANCIAL INFORMATION

Statement of Profit or Loss

		For the year ended 31 December		
		2012	**2013**	**2014**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
Gross written premiums	*6*	2,303,695	2,662,892	3,162,338
Less: Premiums ceded to reinsurers		(36,033)	(368,717)	(573,104)
Net written premiums	*6*	2,267,662	2,294,175	2,589,234
Change in unearned premium reserves		(21,112)	(186,199)	(300,879)
Net earned premiums		2,246,550	2,107,976	2,288,355
Investment income, net	*7*	97,023	94,980	275,996
Other income	*8*	12,454	7,764	15,050
Total income		2,356,027	2,210,720	2,579,401
Gross claims	*9*	(1,463,183)	(1,618,162)	(1,758,894)
Less: Reinsurers' share	*9*	4,625	265,070	320,778
Net claims	*9*	(1,458,558)	(1,353,092)	(1,438,116)
Commission expenses on insurance operations		(115,531)	(146,882)	(225,530)
Administrative expenses		(609,541)	(645,227)	(814,394)
(Provision) reversal of provision for doubtful debts		(1,859)	(39,169)	34
Foreign exchange gains (losses)		22	–	(85)
Finance costs	*10*	–	(322)	(3,200)
Other expenses		(3,877)	(3,820)	(3,477)
Total expenses		(2,189,344)	(2,188,512)	(2,484,768)
Profit before taxation	*11*	166,683	22,208	94,633
Income tax (charge) credit	*12*	(699)	5,893	(10,998)
Profit for the year		165,984	28,101	83,635

Statement of Profit or Loss and Other Comprehensive Income

		For the year ended 31 December		
		2012	**2013**	**2014**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
Profit for the year		165,984	28,101	83,635
Other comprehensive income:				
Items that may be reclassified subsequently to profit or loss:				
Available-for-sale financial assets	*16*	17,756	(211)	35,392
Income tax relating to components of other comprehensive income	*16*	(4,439)	53	(8,847)
Other comprehensive income (expense) for the year, net of tax		13,317	(158)	26,545
Total comprehensive income for the year		179,301	27,943	110,180

Statement of Financial Position

		As at 31 December		
		2012	**2013**	**2014**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
Assets				
Cash and amounts due from banks and other financial institutions	*17*	768,690	986,020	1,103,517
Statutory deposits	*18*	166,000	166,000	211,500
Fixed maturity investments	*19*	148,793	149,668	70,093
Available-for-sale financial assets	*20*	1,242,708	1,383,238	1,569,077
Securities purchased under agreements to resell	*21*	–	130,000	244,000
Premium receivables	*22*	111,911	25,980	134,030
Reinsurers' share of insurance liabilities	*23*	5,136	13,347	65,226
Property and equipment	*24*	112,623	124,728	116,672
Intangible assets	*25*	43,854	48,047	51,312
Deferred tax assets	*30*	19,394	27,856	25,908
Other assets	*26*	102,200	517,000	582,657
Total Assets		2,721,309	3,571,884	4,173,992
Equity				
Share capital	*27*	830,000	933,000	1,057,500
Reserves		31,357	34,009	68,918
Retained profits		329,263	251,554	149,144
Total equity		1,190,620	1,218,563	1,275,562
Liabilities				
Securities sold under agreements to repurchase	*28*	–	125,820	–
Income tax payable		1,164	830	–
Insurance payables		204,346	464,279	645,984
Insurance contract liabilities	*29*	981,987	1,128,891	1,539,771
Deferred tax liabilities	*30*	21,985	23,670	41,569
Other liabilities	*31*	321,207	609,831	671,106
Total liabilities		1,530,689	2,353,321	2,898,430
Total equity and liabilities		2,721,309	3,571,884	4,173,992

Statement of Changes in Equity

	For the year ended 31 December 2012					
	Share capital	**Share premium**	**Available-for-sale investment reserves**	**Surplus reserve funds** *(Note)*	**Retained profits**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2012	830,000	7,770	(18,986)	12,658	179,877	1,011,319
Profit for the year	–	–	–	–	165,984	165,984
Other comprehensive income for the year, net of tax	–	–	13,317	–	–	13,317
Total comprehensive income	–	–	13,317	–	165,984	179,301
Appropriations to surplus reserve funds	–	–	–	16,598	(16,598)	–
At 31 December 2012	830,000	7,770	(5,669)	29,256	329,263	1,190,620

		For the year ended 31 December 2013					
		Share capital	**Share premium**	**Available-for-sale investment reserves**	**Surplus reserve funds** *(Note)*	**Retained profits**	**Total**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2013		830,000	7,770	(5,669)	29,256	329,263	1,190,620
Profit for the year		–	–	–	–	28,101	28,101
Other comprehensive expense for the year, net of tax		–	–	(158)	–	–	(158)
Total comprehensive (expense) income		–	–	(158)	–	28,101	27,943
Issue of shares	*27*	103,000	–	–	–	(103,000)	–
Appropriations to surplus reserve funds		–	–	–	2,810	(2,810)	–
At 31 December 2013		933,000	7,770	(5,827)	32,066	251,554	1,218,563

		For the year ended 31 December 2014					
		Share capital	**Share premium**	**Available-for-sale investment reserve**	**Surplus reserve funds** *(Note)*	**Retained profits**	**Total**
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2014		933,000	7,770	(5,827)	32,066	251,554	1,218,563
Profit for the year		–	–	–	–	83,635	83,635
Other comprehensive income for the year, net of tax		–	–	26,545	–	–	26,545
Total comprehensive income		–	–	26,545	–	83,635	110,180
Issue of shares	*27*	124,500	–	–	–	(124,500)	–
Dividend declared	*13*	–	–	–	–	(53,181)	(53,181)
Appropriations to surplus reserve funds		–	–	–	8,364	(8,364)	–
At 31 December 2014		1,057,500	7,770	20,718	40,430	149,144	1,275,562

Note: According to the PRC Company Law and the articles of association of AnHua, AnHua is required to set aside 10% of their net profit (after offsetting the accumulated losses incurred in previous years) determined under PRC GAAP, to the surplus reserve funds until the balance reaches 50% of the respective registered capital.

Statement of Cash Flows

	Notes	2012 RMB'000	2013 RMB'000	2014 RMB'000
Net cash (used in) from operating activities	32	(280,193)	323,337	228,456
Investing activities				
Payment for purchase of available-for-sale financial assets		(3,524,560)	(4,348,997)	(6,415,860)
Proceeds from disposal of available-for-sale financial assets		2,636,107	4,236,609	6,473,348
Increase in securities purchased under agreements to resell		–	(130,000)	(114,000)
Proceeds from disposal of property and equipment and intangible assets		10,429	2,098	1,394
Interest income received		99,409	65,805	58,788
Proceeds from disposal of fixed maturity investments		–	–	80,000
Payment for purchase of property and equipment and intangible assets		(87,009)	(57,020)	(42,289)
Net cash used in investing activities		(865,624)	(231,505)	41,381
Financing activities				
Increase (decrease) in securities sold under agreements to repurchase		–	125,820	(125,820)
Interest paid		–	(322)	(3,200)
Dividend paid		–	–	(53,181)
Net cash from (used in) financing activities		–	125,498	(182,201)
Net (decrease) increase in cash and cash equivalents		(1,145,817)	217,330	87,636
Cash and cash equivalents at 1 January		1,404,507	258,690	476,020
Cash and cash equivalents at 31 December	17	258,690	476,020	563,656

NOTES TO THE FINANCIAL INFORMATION

1 CORPORATE INFORMATION

AnHua Agricultural Insurance Company Limited (the "AnHua") was registered in the People's Republic of China (the "PRC") on 30 December 2004. The addresses of the registered office and the principal place of business of AnHua are No. 1345, Pudong Street, Changchun Economic and Technological Development Zone, PRC. The business scope of AnHua includes agricultural, automobile and other insurance products in the PRC.

The Financial Information is presented in Renminbi ("RMB"), which is the same as functional currency of AnHua.

2 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

For the purpose of preparing the presenting the Financial Information for the Relevant Period, AnHua has consistently adopted all of the new and revised International Accounting Standards ("IASs"), IFRSs amendments and interpretations issued by the IASB which are effective for AnHua's financial year beginning on 1 January 2014.

AnHua has not early applied the following new and revised IFRSs, amendments and interpretations that have been issued but are not yet effective.

Amendments to IFRSs	Annual Improvements to IFRSs 2010-2012 Cycle[1]
Amendments to IFRSs	Annual Improvements to IFRSs 2011-2013 Cycle[1]
Amendments to IFRSs	Annual Improvements to IFRSs 2012-2014 Cycle[2]
Amendments to IAS 1	Disclosure Initiative[2]
Amendments to IAS 19	Defined benefit plans: Employee contributions[1]
Amendments to IAS 27	Equity Method in Separate Financial Statements[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between and Investor and its Associate or Joint Venture[2]
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the consolidation exception[2]
Amendments to IFRS 11	Accounting for Acquisitions of Interest in Joint Operations[2]
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[2]
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants[2]
IFRS 9 (2014)	Financial Instruments[4]
IFRS 14	Regulatory Deferral Accounts[2]
IFRS 15	Revenue from contracts with customers[3]

Notes:

1 Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.

2 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

3 Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

4 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

Annual Improvements to IFRSs 2010-2012 Cycle

These amendments include changes from the 2010-2012 cycle of the annual improvements project, that affect the below standards:

– ***IFRS 8 Operating Segments***

The standard is amended to require disclosure of the judgements made by management in aggregating operating segments and a reconciliation of segment assets to the entity's assets when segment assets are reported.

– ***IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets***

Both standards are amended to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model.

– ***IAS 24 Related Party Disclosures***

The reporting entity is not required to disclose the compensation paid by the management entity (as a related party) to the management entity's employee or directors, but it is required to disclose the amounts charged to the reporting entity by the management entity for services provided.

– ***IFRSs 2 Share based payment***

The amendments to IFRS 2 (i) change the definitions of 'vesting condition' and 'market condition'; and (ii) add definitions for 'performance condition' and 'service condition' which were previously included within the definition of 'vesting condition'. The amendments to IFRS 2 are effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

– ***IFRS 3 Business Combinations***

The amendments to IFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of IFRS 9 or IAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit and loss. The amendments to IFRS 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014.

– ***IFRS13 Fair Value Measurement***

The amendments to the basis for conclusions of IFRS 13 clarify that the issue of IFRS 13 and consequential amendments to IAS 39 and IFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial.

The directors do not anticipate that the application of the amendments included in the *Annual Improvements to IFRSs 2010-2012 Cycle* will have a material effect on AnHua's financial statements.

Annual Improvements to IFRSs 2011-2013 Cycle

The amendments include changes from the 2011-2013 cycle of the annual improvements project that affect 4 standards:

– ***IFRS 3 Business Combinations***

It clarifies that IFRS 3 does not apply to the accounting for the formation of any joint arrangement under IFRS 11 in the financial statements of the joint arrangement.

– ***IFRS 13 Fair Value Measurement***

It clarifies that the portfolio exception in IFRS 13, which allows an entity to measure the fair value of a Company of financial assets and financial liabilities on a net basis, applies to all contracts (including non-financial contracts) within the scope of IAS 39 or IFRS 9.

– ***IAS 40 Investment Property and IFRS 3 Business Combinations***

Preparers also need to refer to the guidance in IFRS 3 to determine whether the acquisition of an investment property is a business combination.

The directors do not anticipate that the application of the amendments included in the *Annual Improvements to IFRSs 2011-2013 Cycle* will have a material effect on AnHua's financial statements.

Annual Improvements to IFRSs 2012-2014 Cycle

The amendments include changes from the 2012-2014 cycle of the annual improvements project that affect 4 standards:

– ***IFRS 5 Non-current Assets Held for Sale and Discontinued Operations***

It clarifies that when an asset (or disposal group) is reclassified from 'held for sale' to 'held for distribution', or vice versa, this does not constitute a change to a plan of sale or distribution, and does not have to be accounted for as such. This means that the asset (or disposal group) does not need to be reinstated in the financial statements as if it had never been classified as 'held for sale' or 'held for distribution' simply because the manner of disposal has changed. It also explains that the guidance on changes in a plan of sale should be applied to an asset (or disposal group) which ceases to be held for distribution but is not classified as 'held for sale'.

– ***IFRS 7 Financial Instruments: Disclosures***

There are two amendments:

(i) Service contracts

If an entity transfers a financial asset to a third party under conditions which allow the transferor to derecognise the asset, IFRS 7 requires disclosure of all types of continuing involvement that the entity might still have in the transferred assets. It provides guidance about what is meant by continuing involvement.

There is a consequential amendment to IFRS 1 to give the same relief to first time adopters.

(ii) Interim financial statements

It clarifies the additional disclosure required by the amendments to IFRS 7, 'Disclosure – offsetting financial assets and financial liabilities' is not specifically required for all interim periods, unless required by IAS 34.

– ***IAS 19 Employee Benefits***

It clarifies when determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important, not the country where they arise. The assessment of whether there is a deep market in high-quality corporate bonds is based on corporate bonds in that currency, not corporate bonds in a particular country. Similarly, where there is no deep market in high-quality corporate bonds in that currency, government bonds in the relevant currency should be used.

– ***IAS 34 Interim Financial Reporting***

It clarifies what is meant by the reference in the standard to 'information disclosed elsewhere in the interim financial report'. It also amends IAS 34 to require a cross-reference from the interim financial statements to the location of that information.

The directors do not anticipate that the application of the amendments included in the *Annual Improvements to IFRSs 2012-2014* will have a material effect on AnHua's financial statements.

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions

This narrow scope amendment applies to contributions from employees or third parties to defined benefit plans. The amendment distinguishes between contributions that are linked to service only in the period in which they arise and those linked to service in more than one period. The amendment allows contributions that are linked to service, and do not vary with the length of employee service, to be deducted from the cost of benefits earned in the period that the service is provided. Contributions that are linked to service, and vary according to the length of employee service, must be spread over the service period using the same attribution method that is applied to the benefits.

The directors do not anticipate that the application of the Amendments to IAS 19 *Defined Benefit Plans: Employee Contributions* will have a material effect on AnHua's financial statements.

Amendments to IAS 1 Disclosure Initiative

The amendments clarify that companies should use professional judgement in determining what information as well as where and in what order information is presented in the financial statements. Specifically, an entity should decide, taking into consideration all relevant facts and circumstances, how it aggregates information in the financial statements, which include the notes. An entity does not require to provide a specific disclosure required by a IFRS if the information resulting from that disclosure is not material. This is the case even if the IFRS contain a list of specific requirements or describe them as minimum requirements.

Besides, the amendments provide some additional requirements for presenting additional line items, headings and subtotals when their presentation is relevant to an understanding of the entity's financial position and financial performance respectively. Entities, in which they have investments in associates or joint ventures, are required to present the share of other comprehensive income of associates and joint ventures accounted for using the equity method, separated into the share of items that (i) will not be reclassified subsequently to profit or loss; and (ii) will be reclassified subsequently to profit or loss when specific conditions are met.

Furthermore, the amendments clarify that:

(i) an entity should consider the effect on the understandability and comparability of its financial statements when determining the order of the notes; and

(ii) significant accounting policies are not required to be disclosed in one note, but instead can be included with related information in other notes.

The amendments will become effective for financial statements with annual periods beginning on or after 1 January 2016. Earlier application is permitted.

The directors of AnHua anticipate that the application of Amendments to IAS 1 in the future may have a material impact on the disclosures made in AnHua's consolidated financial statements.

Amendments to IAS 27 Equity Method in Separate Financial Statements

The amendment allows entities to use equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

The directors do not anticipate that the application of the Amendments to IAS 27 *Equity Method in Separate Financial Statements* will have a material effect on the Company's financial statements.

Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments clarify when a method of depreciation or amortisation based on revenue may be appropriate. The amendment to IAS 16 clarifies that depreciation of an item of property, plant and equipment based on revenue generated by using the asset is not appropriate.

The amendment to IAS 38 establishes a rebuttable presumption that amortisation of an intangible asset based on revenue generated by using the asset is inappropriate. The presumption may only be rebutted in certain limited circumstances:

– where the intangible asset is expressed as a measure of revenue; or

– where it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated

The directors do not anticipate that the application of the Amendments to IAS 16 and IAS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation* will have a material effect on AnHua's financial statements.

IFRS 9 Financial Instruments

IFRS 9 (2014) *Financial Instruments* replaces the whole of IAS 39.

IFRS 9 has three financial asset classification categories for investments in debt instruments: amortised cost, fair value through other comprehensive income ("OCI") and fair value through profit or loss. Classification is driven by the entity's business model for managing the debt instruments and their contractual cash flow characteristics. Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in OCI, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss. For financial liabilities there are two classification categories: amortised cost and fair value through profit or loss. Where non-derivative financial liabilities are designated at fair value through profit or loss, the changes in the fair value due to changes in the liability's own credit risk are recognised in OCI, unless such changes in fair value would create an accounting mismatch in profit or loss, in which case, all fair value movements are recognised in profit or loss. There is no subsequent recycling of the amounts in OCI to profit or loss. For financial liabilities held for trading (including derivative financial liabilities), all changes in fair value are presented in profit or loss.

IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model, which constitutes a change from the incurred loss model in IAS 39. IFRS 9 contains a 'three stage' approach, which is based on the change in credit quality of financial assets since initial recognition. Assets move through the three stages as credit quality changes and the stages dictate how an entity measures impairment losses and applies the effective interest rate method. The new rules mean that on initial recognition of a non-credit impaired financial asset carried at amortised cost a day-1 loss equal to the 12-month ECL is recognised in profit or loss. In the case of accounts receivables this day-1 loss will be equal to their lifetime ECL. Where there is a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL.

IFRS 9 applies to all hedging relationships, with the exception of portfolio fair value hedges of interest rate risk. The new guidance better aligns hedge accounting with the risk management activities of an entity and provides relief from the more "rule-based" approach of IAS 39.

The directors are in the progress of assessing the impact of adoption of IFRS 9 on AnHua's financial statements.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach: (1) Identify the contract(s) with customer; (2) Identify separate performance obligations in a contract; (3) Determine the transaction price; (4) Allocate transaction price to performance obligations; and (5) recognise revenue when performance obligation is satisfied. The core principle is that a company should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an 'earnings processes' to an 'asset-liability' approach based on transfer of control.

IFRS 15 provides specific guidance on capitalisation of contract cost and licence arrangements. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

IFRS 15 replaces the previous revenue standards:

– IAS 18 *Revenue*; and

– IAS 11 *Construction Contracts*,

and the related Interpretations on revenue recognition:

– IFRIC 13 *Customer Loyalty Programmes*;

– IFRIC 15 *Agreements for the Construction of Real Estate*;

– IFRIC 18 *Transfers of Assets from Customers*; and

– SIC-31 *Revenue – Barter Transactions Involving Advertising Services*

The directors do not anticipate that the application of IFRS 15 *Revenue from Contracts with Customers* will have a material effect on AnHua's financial statements.

Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate and Joint Venture

The amendments address an inconsistency between IFRS 10 and IAS 28 in the sale and contribution of assets between an investor and its associate or joint venture.

A full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if those assets are in a subsidiary.

The directors do not anticipate that the application of the Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets between an Investor and its Associate and Joint Venture* will have a material effect on AnHua's financial statements.

Except as described above, the directors anticipate that the application of the other new and revised IFRS will not have material impact on AnHua's financial performance and positions for the coming financial years and/or on the disclosures set out in these financial statements.

3 SIGNIFICANT ACCOUNTING POLICIES, CHANGES IN ACCOUNTING POLICIES AND RESTATEMENT

(a) Statement of compliance

The Financial Information has been prepared in accordance with IFRSs issued by the IASB. In addition, the Financial Information includes applicable disclosures required by the Listing Rules and by the Hong Kong Companies Ordinance, which for the Relevant Periods continue to be those of the predecessor Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance.

A summary of the significant accounting policies adopted by AnHua is set out below.

(b) Basis of preparation of the financial statements

The functional currency of AnHua is RMB, the currency of the primary economic environment in which AnHua operates and the presentation currency is also RMB.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value or measured primarily based on actuarial methods as explained in the accounting policies set out below:

Stated at fair value

Investments in debt, equity securities and investments funds and wealth management products classified as available-for-sale, other than those carried at cost less impairment.

Measured primarily based on actuarial methods

(i) Unearned premium provisions; and

(ii) Provision for outstanding claims.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, AnHua takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

– Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

– Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

– Level 3 inputs are unobservable inputs for the asset or liability.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment are discussed in Note 4.

(c) Classification of contracts

(i) Insurance contracts

Contracts under which AnHua accepts significant insurance risk from another party ("the policyholder") by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event ("the insured event") adversely affects the policyholder or other beneficiary are classified as insurance contracts. Insurance risk is risk other than financial risk that is transferred from the holder of a contract to the issuer. Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party of the contract.

Insurance risk is significant if, and only if, an insured event could cause AnHua to pay significant additional benefits. Once a contract is classified as an insurance contract it remains classified as an insurance contract until all rights and obligations are extinguished or have expired.

(ii) Investment contracts

Insurance policies that are not considered insurance contracts under IFRS 4 are classified as investment contracts, which are accounted for under IAS 39.

(d) Recognition and measurement of contracts

(i) Recognition of gross premiums written

Gross premiums written from short-term accident and health insurance contracts are recognised when written. Gross premiums written in respect of property and casualty insurance contracts are recognised as revenue when the amount is determined, which is generally when the risk commences.

Gross premiums written in respect of reinsurance contracts reflect business written during the years, and exclude any taxes or duties based on premiums. Premiums written include estimates for "pipeline" premiums and adjustments to estimates of premiums written in previous years.

(ii) Unearned premium provisions

The unearned premium reserves are provided for unexpired insurance obligations of property and casualty insurance contracts.

Unearned premium reserves are measured using the unearned premium approach. At inception of the insurance contracts, unearned premium reserves are measured based on written premiums, with deductions made for commissions, business tax, insurance guarantee fund, regulatory charges and other incremental costs. Subsequent to initial recognition, unearned premium reserves are measured on a 1/365 basis.

(iii) Provision for outstanding claims

Provision for outstanding claims comprises provision for AnHua's estimate of the ultimate cost of settling all claims incurred but unpaid at the end of the reporting period, whether reported or not, and related internal and external claims handling expenses and an appropriate prudential margin. Provision for outstanding claims is assessed by reviewing individual claims and making allowance for claims incurred but not yet reported, the effect of both internal and external foreseeable events, such as changes in claims handling procedures, inflation, judicial trends, legislative changes and past experience and trends. Adjustments to claims provisions established in prior years are reflected in the financial statements for the year in which the adjustments are made and disclosed separately if material. The methods used, and the estimates made, are reviewed regularly.

(iv) Liability adequacy test

At the end of each reporting period, liability adequacy tests are performed to determine if the life insurance contract liabilities are adequate. Current best estimates of all future contractual cash flows and related expenses, such as claims handling expenses are used in performing these tests. Any deficiency is recognised in the statement of profit or loss for the current year.

Provision is made for unexpired risks arising from property and casualty insurance contracts and reinsurance contracts where the expected value of claims and expenses attributable to the unexpired periods of policies in force at the end of the reporting period exceeds the unearned premium provisions in relation to such policies. The unexpired risk provision, which is included in provision for outstanding claims at the reporting date, is calculated by reference to classes of business which are managed together, after taking into account the future investment return on investments held to back the unearned premium provisions and the unexpired risk provision.

(v) Insurance contracts liabilities

The insurance contract liabilities of AnHua unearned premium reserves and claim reserves.

When measuring insurance contract liabilities, AnHua classifies insurance contracts whose insurance risks are of similar nature as a measurement unit. Property and casualty policies are grouped into certain measurement units by lines of business.

Insurance contract liabilities are measured based on a reasonable estimate of amount of payments when AnHua fulfils the relevant obligations under the insurance contracts, which represents the difference between expected future cash outflows and inflows under such contracts, i.e., the expected future net cash outflows.

- Expected future cash outflows represent reasonable cash outflows which are necessary for the AnHua to fulfill the obligations under the insurance contracts and mainly include:

  - Reasonable expenses necessary for policy administration and claims handling, including policy maintenance expenses, claim expenses, etc.

  - Expected future cash inflows represent cash inflows arising from assuming liabilities under the insurance contracts, including premium income and other charges.

A reasonable estimate of expected future net cash flows is determined based on information currently available as at the end of the reporting period.

When measuring insurance contract liabilities, the time value of money is considered. The related future cash flows are discounted when the impact of time value of money is significant. For short duration contracts whose duration is within one year, the cash flows are not discounted. The discount rates used in the measurement of time value of money is determined with reference to information currently available as at the end of the reporting period and is not locked.

When measuring insurance contract liabilities, the expected period of future net cash outflows is the entire insurance period.

(vi) Reinsurance

AnHua undertakes inward and outward reinsurance in the normal course of operations. All of the reinsurance business of AnHua has significant insurance risk transfer.

Outward reinsurance business

Outward reinsurance arrangements do not relieve AnHua from its obligations to policyholders. When recognising premium income from insurance contracts, AnHua calculates to determine the amount of premium ceded and reinsurers' share of expenses and recognise them through profit or loss according to reinsurance contracts. When calculating unearned premium reserves and claim reserves, AnHua estimates the reinsurance related cash flows according to the reinsurance contracts, considers the risk margin when determining the amount of insurance contract reserves to be recovered from reinsurers, and recognises reinsurers' share of insurance contract liabilities. When insurance contract liabilities are reduced for actual payment of claims and claim expenses, reinsurers' share of insurance contract liabilities are reduced accordingly. In the meantime, AnHua calculates to determine the amount of claim expenses to be recovered from the reinsurers according to the reinsurance contracts and recognises the amount through profit or loss. When there is an early termination of an insurance contract, AnHua calculates to determine the adjustment amount of premium ceded and reinsurers' share of expenses according to the reinsurance contracts and recognises the amount through profit or loss, and the balance of reinsurers' share of insurance contract liabilities is reversed accordingly.

As a cedent, AnHua presents in the statement of financial position the assets arising from reinsurance contracts and the liabilities arising from insurance contracts separately instead of offsetting the assets and liabilities. AnHua also presents in the statement of income the income derived from reinsurance contracts and the expenses incurred for insurance contracts separately instead of offsetting the income and expenses.

Inward reinsurance business

During the period of recognising reinsurance premium income, AnHua determines reinsurance expenses according to the reinsurance contracts and recognises the expenses through profit or loss. As for profit commission, AnHua recognises it as a reinsurance expense through profit or loss according to the reinsurance contracts when it is feasible to determine the amount of profit commission to be paid to the reinsurers.

Upon receipt of the statement of the reinsurance business, AnHua adjusts the reinsurance premium income and reinsurance expenses, and then recognises the adjusted amounts through profit or loss according to the ceding company statements.

(vii) Commission

Commission includes both amounts paid or payable to agents and brokers and amounts received or receivable from reinsurers. Commission expense is accounted for when paid or payable and therefore varies in line with insurance premiums written.

(viii) Claim reserves

Claim reserves are insurance contract liabilities provided for insurance claims of the property and casualty insurance contracts. Claim reserves include incurred and reported reserves, incurred but not reported ('IBNR') reserves and claim expense reserves.

Incurred and reported reserves are measured at amounts not higher than the sum insured of the insurance contracts, using the case-by-case estimate method and average claim per case method, based on a reasonable estimate of ultimate claim amounts as well as margins.

IBNR are measured according to the nature and distribution of insurance risks, claims development, experience data, etc., using the chain ladder method, the Bornhuetter-Ferguson method, the loss ratio method and the average claim per case method, based on a reasonable estimate of ultimate claim amounts as well as margins.

Claim expense reserves are measured based on a reasonable estimate of ultimate necessary claim expenses in the future by using the case-by-case estimate method and ratio allocation method as well as margins.

(e) Investments in debt and equity securities

Investments in debt and equity securities are initially measured at fair value, which is their transaction price unless fair value can be more reliably estimated using valuation techniques whose variables include only data from observable markets. Attributable transaction costs are included in the fair value, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss has two subcategories, including financial assets held-for-trading and those designated as at fair value through profit or loss on initial recognition.

A financial asset is classified as held-for-trading if:

(1) it has been acquired principally for the purpose of selling in the near future; or

(2) it is a part of an identified portfolio of financial instruments that AnHua manages together and has a recent actual pattern of short-term profit-taking; or

(3) it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held-for-trading may be designated as at fair value through profit or loss upon initial recognition if:

(1) such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

(2) the financial asset forms part of a Company of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with AnHua's documented risk management or investment strategy, and information about AnHua is provided internally on that basis; or

(3) it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

At the end of each reporting period subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in the net unrealised investment gains (losses) in the statement of profit or loss.

(ii) Held-to-maturity securities

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that AnHua's management has the positive intention and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity securities are stated in the statement of financial position at amortised cost using effective interest method less impairment losses (see Note 3(l)).

(iii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At end of each reporting period subsequent to initial recognition, loans and receivables (including cash and amounts due from banks and other financial institutions, statutory deposits, securities purchased under agreements to resell, premium receivables, reinsurer's share of insurance liabilities and other assets) are carried at amortised cost using the effective interest method, less any identified impairment losses (see Note 3(l)).

(iv) Available-for-sale securities

Investments in securities which do not fall into any of the above categories are classified as available-for-sale securities. Equity and debt securities held by AnHua that are classified as available-for-sale securities are measured at fair value at the end of each reporting period. Changes in the carrying amount of available-for-sale monetary financial assets relating to interest income calculated using the effective interest method and dividends on available-for-sale equity investments are recognised in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of fair value reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified to profit or loss (see Note 3(l)).

Investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognised in the statement of financial position at cost less impairment losses (see Note 3(l)).

All regular way purchases or sales of investments in debt and equity securities are recognised and derecognised on a trade date basis.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the Relevant Periods. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount of the financial asset on initial recognition.

(f) Sales and repurchases/purchases and resale agreements

Securities sold under repurchase agreements represent short-term financing arrangements secured by the securities sold. The securities remain on the statement of financial position and a liability is recorded in respect of the consideration received. Interest is calculated based upon the effective interest method. The "securities sold under repurchase agreements" liabilities are carried in the statement of financial position at amortised cost. Conversely, securities purchased under resale agreements represent short-term lending arrangements secured by the securities purchased. The securities purchased are not recognised as financial assets on the statement of financial position and the consideration paid is recorded as "securities purchased under resale agreements" and carried in the statement of financial position at amortised cost. Interest is calculated using the effective interest method.

(g) Derecognition of financial assets and financial liabilities

A financial asset is derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If AnHua neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, AnHua recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If AnHua retains substantially all the risks and rewards of ownership of a transferred financial asset, AnHua continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in available-for-sale investments revaluation reserve is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety, AnHua allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

A financial liability is derecognised when, and only when, AnHua's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

(h) Property and equipment

Property and equipment including buildings and leasehold land (classified as finance leases) held for use in supply of services, other than construction in progress or for administrative purposes are stated at cost less subsequent accumulated depreciation and impairment losses (see Note 3(l)).

Gains or losses arising from the retirement or disposal of an item of property and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in the statement of profit or loss on the date of retirement or disposal.

Depreciation is recognised to write off the cost of items of property and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives.

Where parts of an item of property and equipment have different useful lives, the cost or valuation of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Cost included professional fees and, for qualifying assets, borrowing costs capitalised in accordance with AnHua's accounting policy. Such properties are classified to the appropriate categories of property and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

(i) Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses.

Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Internally-generated intangible assets – research and development expenditure

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible asset is measured on the same basis as intangible assets acquired separately.

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

(j) Insurance debtors and other debtors

Insurance debtors and other debtors are initially recognised at fair value and thereafter stated at amortised cost using effective interest method less allowance for impairment (see Note 3(l)), except where the receivables are interest-free or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment.

(k) Insurance creditors

Insurance creditors are initially recognised at fair value and thereafter stated at amortised cost using effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the Relevant Periods. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liabilities, or, where appropriate, a shorter period to the net carrying amount of the liability on initial recognition.

(l) Impairment of assets

(i) Impairment of financial assets other than those at fair value through profit or loss

Financial assets other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

– significant financial difficulty of the issuer or counterparty; or

– breach of contract, such as a default or delinquency in interest or principal payments; or

– it becoming probable that the borrower will enter into bankruptcy or financial re-organisation; or

– disappearance of an active market for that financial asset because of financial difficulties.

For insurance and other debtors and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate, where the effect of discounting is material.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through the statement of profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

For available-for-sale securities, the cumulative loss that has been recognised directly in other comprehensive income and accumulated in fair value reserve is removed from fair value reserve and is recognised in the statement of profit or loss when the available-for-sale securities are disposed of or are determined to be impaired. The amount of the cumulative loss that is recognised in the statement of profit or loss is the excess of the acquisition cost (net of any principal repayment and amortisation) over the current fair value, less any impairment loss on that asset previously recognised in the statement of profit or loss.

Impairment losses recognised in the statement of profit or loss in respect of available-for-sale equity securities are not reversed through the statement of profit or loss. Any subsequent increase in the fair value of such assets is recognised directly in other comprehensive income and accumulated in fair value reserve.

Impairment losses in respect of available-for-sale debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances are recognised in the statement of profit or loss.

For financial assets carried at amortised cost, such as insurance and other debtors, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include AnHua's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of insurance and other debtors, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in statement of profit or loss. When an insurance or other debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to statement of profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired:

– property and equipment;

– reinsurers' share of insurance liabilities; and

– intangible asset.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for intangible asset, the recoverable amount is estimated annually whether or not there is any indication of impairment.

(i) Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest Company of assets that generates cash inflows independently (i.e. a cash-generating unit).

(ii) Recognition of impairment losses

An impairment loss is recognised in the statement of profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or Company of units) and then, to reduce the carrying amount of the other assets in the unit (or Company of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

(iii) Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the statement of profit or loss in the year in which the reversals are recognised.

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(n) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(o) Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the statement of profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. AnHua's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary differences arise from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interest in joint arrangements, except where AnHua is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which AnHua expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax is also recognised in other comprehensive income or directly in equity respectively.

(p) Provisions and contingent liabilities

Provisions are recognised when AnHua has a present obligation as a result of a past event, and it is probable that AnHua will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(q) Equity instruments

Equity instruments issued by AnHua are recorded at the proceeds received, net of direct issue costs.

(r) Revenue recognition

Provided it is probable that the economic benefits will flow to AnHua and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the statement of profit or loss as follows:

(i) Gross premiums written from insurance contracts

Premium income and reinsurance premium income is recognised when the insurance contracts are issued, related insurance risk is undertaken by AnHua, it is probable that related economic benefits will flow to AnHua and related income can be reliably measured.

Reinsurance premiums are recognised as revenue in accordance with the terms stated in the reinsurance contracts. Accounting policies for reinsurance contracts are described in Note 3(d).

(ii) Policy fee income

Fees from investment contracts or investment components of insurance contracts are recognised in the period in which the services are provided.

(iii) Interest income

Interest income is recognised as it accrues using the effective interest method.

(s) Translation of foreign currencies

Foreign currency transactions during the year are translated into the functional currencies of AnHua at the exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currencies of AnHua at the exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in the statement of profit or loss.

(t) Borrowing costs

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 profit or loss in the period in which they are incurred.

(u) Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

AnHua as lessee

Assets held under finance leases are recognised as assets of AnHua at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with AnHua's policy on borrowing costs (see the accounting policy above). Contingent rentals are recognised as an expense in the period in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

(v) Government grants

Government grants are not recognised until there is reasonable assurance that AnHua will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which AnHua recognises as expenses the related costs for which the grants are intended to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to AnHua with no future related costs are recognised in profit or loss in the period in which they become receivable.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

(w) Insurance Guarantee Fund

According to the 'Administrative Regulations on the Insurance Guarantee Fund' Baojianhuiling 2008 No. 2), AnHua calculates the insurance guarantee fund as follows:

- 0.8% of the premium income for non-investment type property insurance, 0.08% of the consideration received for investment type property insurance with guaranteed return, and 0.05% of the consideration received for investment type property insurance without guaranteed return;

- 0.8% of the premium income for short term health insurance, and 0.15% of the premium income for long term health insurance; and

- 0.8% of the premium income for non-investment type accident insurance; 0.08% of the consideration received for investment type accident insurance with guaranteed return, and 0.05% of the consideration received for investment type accident insurance without guaranteed return.

The revenue and premium income used in the calculation of the insurance guarantee fund is the amount agreed in the insurance policies.

No additional provision is required when the accumulated insurance guarantee fund balances of AnHua reaches 6% of its total assets. Insurance guarantee fund levy is charged to expenses as incurred.

(x) Significant Insurance Risk

For other insurance contracts issued by AnHua, tests are performed to determine if the contracts contain significant insurance risk, and contracts of similar nature are grouped together for this purpose. When performing the significant insurance risk test, AnHua makes judgments in sequence as to whether the contract transfers insurance risk, whether the contract has commercial substance, and whether the transferred insurance risk is significant.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES

AnHua makes estimates and judgments that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities in these financial statements. Estimates and judgments are continually assessed based on historical experience and other factors that are considered to be relevant. Actual results may different from these estimates.

In the process of applying AnHua's accounting policies, management has made the following judgments and accounting estimation, which have the most significant effect on the amounts recognised in the financial statements.

(a) Classification of financial assets

Management makes significant judgments on the classification of financial assets. Different classifications would affect the accounting treatment and AnHua's financial position and operating results, as described in Note 3(e).

(b) Measurement unit for insurance contracts

AnHua makes significant judgments on whether a Company of insurance contracts' insurance risks are of the same nature. Different measurement units would affect the measurement of insurance contract liabilities.

(c) Valuation of insurance contract liabilities

At the end of the reporting period, when measuring the insurance contract liabilities, AnHua needs to make a reasonable estimate of amounts of the payments which AnHua is required to make in fulfilling the obligations under the insurance contracts, based on information currently available at the end of the reporting period.

At the end of the reporting period, AnHua shall make an estimate of the assumptions used in the measurement of insurance contract liabilities. Such assumptions shall be determined based on information currently available at the end of the reporting period. To determine these assumptions, AnHua selects proper risk margins according to both uncertainties and degree of impact of expected future cash outflows.

The main assumptions used in the measurement of claims reserves and unearned premium reserves are as follows:

- For long term non-life insurance contracts where the future insurance benefits are not affected by investment return of the underlying asset portfolio, as the risk margin has no material impact on the reserve measurement, the discount rate assumption used is the benchmarking yield curve for the measurement of insurance contract liabilities published by Central Bank.

  The discount rate and investment return assumptions are affected by the future macro-economy, capital market, investment channels of insurance funds, investment strategy, etc., and therefore subject to uncertainty.

- AnHua uses reasonable estimates, based on actual experience and future development trends, in deriving lapse rate assumptions.

  The assumptions of lapse rates are determined by reference to different pricing interest rates, product categories and sales channels separately. They are affected by factors such as future macro-economy and market competition, and hence subject to uncertainty.

- AnHua uses reasonable estimates, based on an expense study and future development trends, in deriving expense assumptions. If the future expense level becomes sensitive to inflation, AnHua will consider the inflation factor as well in determining expense assumptions.

  The expense assumptions include assumptions of acquisition costs and maintenance costs. The assumption of maintenance costs also has a risk margin.

- In the measurement of unearned premium reserves for the property and casualty insurance business, AnHua applies the cost of capital approach and the insurance industry guideline ranged from 2.5% to 3% to determine risk margins.

The major assumptions needed in measuring claim reserves include the claim development factor and expected claim ratio, which can be used to forecast trends of future claims so as to estimate the ultimate claim expenses. The loss development factors and expected loss ratio of each measurement unit are based on AnHua's historical claim development experiences and claims paid, with consideration of adjustments to company policies like underwriting policies, level of premium rates, claim management and the changing trends of external environments such as macroeconomic regulations, and legislation. In the measurement of claim reserves, AnHua applies the cost of capital approach and insurance industry guideline ranged from 2.5% to 3% to determine risk margins.

AnHua's insurance liabilities are comprised of unearned premium reserves of approximately RMB485,191,000 and RMB672,885,000 and RMB1,025,388,000 and provision for outstanding claims of approximately RMB496,796,000, RMB456,006,000 and RMB514,383,000 for the years ended 31 December 2012, 2013 and 2014 respectively.

AnHua determines estimates for premiums and claims data not received from ceding companies at the date of the financial statements on the basis of historical information, actuarial analyses, financing modeling and other analytical techniques. The directors continually review the estimates and make adjustments as necessary, but actual results could differ significantly from what is envisioned when these estimates are made.

(d) Held-to-maturity investments

AnHua classifies non-derivative financial assets with fixed or determinable payments and fixed maturity and where AnHua has a positive intention and ability to hold the assets to maturity as held-to-maturity investments. In making this judgement, AnHua evaluates its intention and ability to hold such investments until maturity.

If AnHua fails to hold these investments to maturity other than for certain specific circumstances, AnHua would have to reclassify the entire portfolio of held-to-maturity investments as available-for-sale investments, as such portfolio of investments would be deemed to have been tainted. This would result in the held-to-maturity investments being measured at fair value instead of at amortised cost. As at 31 December 2012, 2013 and 2014, the carrying amount of held-to-maturity investment were approximately RMB148,793,000, RMB149,668,000 and RMB70,093,000 respectively.

(e) Impairment of available-for-sale financial assets

AnHua follows the guidance of IAS 39 when determining whether there has been a significant or prolonged decline in the fair value of an investment in available-for-sale financial assets below its cost. This determination requires significant judgement. In making this judgement, AnHua evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost. As at 31 December 2012, 2013 and 2014, the carrying amount of available-for-sale financial assets were approximately RMB1,242,708,000, RMB1,383,238,000 and RMB1,569,077,000 respectively.

(f) Deferred tax liabilities

As at 31 December 2012, 2013 and 2014, a deferred tax liability of approximately RMB21,985,000, RMB23,670,000 and RMB41,569,000, respectively, has been recognised in AnHua's statement of financial position in relation to the tax rules and regulations on the insurance contracts. In cases there is any change in the tax rules and regulations, a material reversal of deferred tax liability may arise, which would be recognised in profit or loss for the period in which such a reversal takes place.

5 SEGMENT INFORMATION

AnHua is organised primarily based on different types of businesses. The information reported to the board of directors, being the chief operating decision maker, for the purpose of resources allocation and performance assessment, are prepared and reported on such basis. Accordingly, AnHua's operating segments are detailed as follows:

– Agricultural insurance business;

– Automobile insurance business;

– Other insurance business; and

Unallocated includes investment income and other unallocated expense.

Information regarding the above segments is reported below.

Management monitors the operating results of AnHua's business units separately for the purpose of performance assessment.

The segment analysis as at 31 December 2012 and for the year then ended is as follows:

	Agricultural insurance *RMB'000*	Automobile insurance *RMB'000*	Others *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
Income					
Gross premiums written	1,376,767	829,296	97,632	–	2,303,695
Less: Premiums ceded to reinsurers	(20,238)	–	(15,795)	–	(36,033)
	1,356,529	829,296	81,837	–	2,267,662
Less: Change in unearned premium reserves	(16,676)	1,123	(5,559)	–	(21,112)
Net earned premiums and policy fees	1,339,853	830,419	76,278	–	2,246,550
Net investment income, net	–	–	–	97,023	97,023
Other income	5,051	6,965	438	–	12,454
Segment income	1,344,904	837,384	76,716	97,023	2,356,027
Claims and policyholders' benefits	(885,591)	(540,758)	(32,209)	–	(1,458,558)
Commission expenses on insurance operations	–	(88,999)	(26,532)	–	(115,531)
Administrative expenses	(385,563)	(205,250)	(8,659)	(10,069)	(609,541)
Provision for doubtful debts	(1,109)	(682)	(68)	–	(1,859)
Foreign exchange gain	8	12	2	–	22
Other expenses	(1,433)	(2,267)	(177)	–	(3,877)
Profit (loss) before taxation	71,216	(560)	9,073	86,954	166,683
Income tax charge	(408)	(261)	(30)	–	(699)
Profit (loss) attributable to owners of AnHua	70,808	(821)	9,043	86,954	165,984

	Agricultural insurance *RMB'000*	Automobile insurance *RMB'000*	Others *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
Cash and amounts due from banks and other financial institutions	–	–	–	768,690	768,690
Statutory deposits	–	–	–	166,000	166,000
Fixed maturity investments	–	–	–	148,793	148,793
Available-for-sale financial assets	–	–	–	1,242,708	1,242,708
Premium receivables	111,755	156	–	–	111,911
Reinsurers' share of insurance liabilities	2	82	5,052	–	5,136
Property and equipment	–	–	–	112,623	112,623
Intangible assets	–	–	–	43,854	43,854
Deferred tax assets	–	–	–	19,394	19,394
Other assets	–	–	–	102,200	102,200
Segment assets	111,757	238	5,052	2,604,262	2,721,309
Income tax payable	–	–	–	1,164	1,164
Insurance payables	164,263	25,295	14,788	–	204,346
Insurance contract liabilities	122,263	793,146	66,578	–	981,987
Deferred tax liabilities	–	–	–	21,985	21,985
Other liabilities	–	–	–	321,207	321,207
Segment liabilities	286,526	818,441	81,366	344,356	1,530,689

	Agricultural insurance RMB'000	Automobile insurance RMB'000	Others RMB'000	Unallocated RMB'000	Total RMB'000
Other segment information provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:					
Capital expenditure	–	–	–	45,307	45,307
Depreciation	–	–	–	28,381	28,381
Amortisation of intangible assets	–	–	–	6,177	6,177
Interest income	–	–	–	100,263	100,263

The segment analysis as at 31 December 2013 and for the year then ended is as follows:

	Agricultural insurance RMB'000	Automobile insurance RMB'000	Others RMB'000	Unallocated RMB'000	Total RMB'000
Income					
Gross premiums written	1,442,080	1,098,477	122,335	–	2,662,892
Less: Premiums ceded to reinsurers	(354,598)	–	(14,119)	–	(368,717)
	1,087,482	1,098,477	108,216	–	2,294,175
Less: Change in unearned premium reserves	(42,392)	(131,544)	(12,263)	–	(186,199)
Net earned premiums and policy fees	1,045,090	966,933	95,953	–	2,107,976
Net investment income, net	–	–	–	94,980	94,980
Other income	3,676	3,735	353	–	7,764
Segment income	1,048,766	970,668	96,306	94,980	2,210,720
Claims and policyholders' benefits	(713,652)	(589,390)	(50,050)	–	(1,353,092)
Commission expenses on insurance operations	(186)	(109,831)	(36,865)	–	(146,882)
Administrative expenses	(295,623)	(316,822)	(24,401)	(8,381)	(645,227)
Provision for doubtful debts	(33,163)	(4,668)	(1,338)	–	(39,169)
Finance costs	(125)	(181)	(16)	–	(322)
Other expenses	(1,462)	(2,216)	(142)	–	(3,820)
Profit (loss) before taxation	4,555	(52,440)	(16,506)	86,599	22,208
Income tax credit	3,440	2,198	255	–	5,893
Profit (loss) attributable to owners of AnHua	7,995	(50,242)	(16,251)	86,599	28,101

	Agricultural insurance RMB'000	Automobile insurance RMB'000	Others RMB'000	Unallocated RMB'000	Total RMB'000
Cash and amounts due from banks and other financial institutions	–	–	–	986,020	986,020
Statutory deposits	–	–	–	166,000	166,000
Fixed maturity investments	–	–	–	149,668	149,668
Available-for-sale financial assets	–	–	–	1,383,238	1,383,238
Securities purchased under agreements to resell	–	–	–	130,000	130,000
Premium receivables	25,729	104	147	–	25,980
Reinsurers' share of insurance liabilities	1,136	27	12,184	–	13,347
Property and equipment	–	–	–	124,728	124,728
Intangible assets	–	–	–	48,047	48,047
Deferred tax assets	–	–	–	517,000	517,000
Other assets	–	–	–	27,856	27,856
Segment assets	26,865	131	12,331	3,532,557	3,571,884
Securities sold under agreements to repurchase	–	–	–	125,820	125,820
Income tax payable	–	–	–	830	830
Insurance payables	419,035	26,914	18,330	–	464,279
Insurance contract liabilities	81,555	954,453	92,883	–	1,128,891
Deferred tax liabilities	–	–	–	23,670	23,670
Other liabilities	–	–	–	609,831	609,831
Segment liabilities	500,590	981,367	111,213	760,151	2,353,321

Other segment information provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:

Capital expenditure	–	–	–	34,760	34,760
Depreciation	–	–	–	30,951	30,951
Amortisation of intangible assets	–	–	–	8,701	8,701
Interest income	–	–	–	66,680	66,680

The segment analysis as at 31 December 2014 and for the year then ended is as follows:

	Agricultural insurance *RMB'000*	Automobile insurance *RMB'000*	Others *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
Income					
Gross premiums written	1,570,858	1,410,388	181,092	–	3,162,338
Less: Premiums ceded to reinsurers	(525,750)	–	(47,354)	–	(573,104)
	1,045,108	1,410,388	133,738	–	2,589,234
Less: Change in unearned premium reserves	(96,173)	(172,763)	(31,943)	–	(300,879)
Net earned premiums and policy fees	948,935	1,237,625	101,795	–	2,288,355
Net investment income, net	–	–	–	275,996	275,996
Other income	8,116	6,592	342	–	15,050
Segment income	957,051	1,244,217	102,137	275,996	2,579,401
Claims and policyholders' benefits	(633,632)	(761,279)	(43,205)	–	(1,438,116)
Commission expenses on insurance operations	(1,087)	(180,511)	(43,932)	–	(225,530)
Administrative expenses	(345,118)	(413,927)	(45,465)	(9,884)	(814,394)
Reversal of provision (provision) for doubtful debts	146	20	(132)	–	34
Foreign exchange losses	–	–	(85)	–	(85)
Finance costs	(1,487)	(1,701)	(12)	–	(3,200)
Other expenses	(1,479)	(1,779)	(219)	–	(3,477)
(Loss) profit before taxation	(25,606)	(114,960)	(30,913)	266,112	94,633
Income tax charge	(6,420)	(4,102)	(476)	–	(10,998)
(Loss) profit attributable to owners of AnHua	(32,026)	(119,062)	(31,389)	266,112	83,635

	Agricultural insurance *RMB'000*	Automobile insurance *RMB'000*	Others *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
Cash and amounts due from banks and other financial institutions	–	–	–	1,103,517	1,103,517
Statutory deposits	–	–	–	211,500	211,500
Fixed maturity investments	–	–	–	70,093	70,093
Available-for-sale financial assets	–	–	–	1,569,077	1,569,077
Securities purchased under agreements to resell	–	–	–	244,000	244,000
Premium receivables	105,062	112	28,856	–	134,030
Reinsurers' share of insurance liabilities	53,050	5	12,171	–	65,226
Property and equipment	–	–	–	116,672	116,672
Intangible assets	–	–	–	51,312	51,312
Deferred tax assets	–	–	–	25,908	25,908
Other assets	–	–	–	582,657	582,657
Segment assets	158,112	117	41,027	3,974,736	4,173,992
Income tax payable	–	–	–	–	–
Insurance payables	522,508	46,748	76,728	–	645,984
Insurance contract liabilities	229,440	1,192,490	117,841	–	1,539,771
Deferred tax liabilities	–	–	–	41,569	41,569
Other liabilities	–	–	–	671,106	671,106
Segment liabilities	751,948	1,239,238	194,569	712,675	2,898,430

	Agricultural insurance	Automobile insurance	Others	Unallocated	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Other segment information provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:					
Capital expenditure	–	–	–	16,029	16,029
Depreciation	–	–	–	35,607	35,607
Amortisation of intangible assets	–	–	–	9,912	9,912
Interest income	–	–	–	59,213	59,213

For the purposes of monitoring segment performance and allocating resources between segments:

- Premium receivables and reinsurers' share of insurance liabilities are allocated to operating segments. Assets used jointly by reportable segments and corporate are classified as unallocated assets.

- Insurance payables and insurance contract liabilities are allocated to operating segments. Liabilities used jointly by reportable segments and corporate are classified as unallocated liabilities.

Geographical distribution:

AnHua's revenue is derived from the PRC, no geographical information is presented.

Information about major customers:

There were no customers for the years ended 31 December 2012, 2013 and 2014 contributing over 10% of the total gross premiums written and policy fees of AnHua.

6 GROSS PREMIUMS WRITTEN AND POLICY FEES

	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
Gross written premiums	2,303,695	2,662,892	3,162,338
Gross written premiums			
Property and casualty insurance			
Agricultural insurance	1,376,767	1,442,080	1,570,858
Automobile insurance	829,296	1,098,477	1,410,388
Other insurance	97,632	122,335	181,092
Gross written premiums	2,303,695	2,662,892	3,162,338
Net of reinsurance premiums ceded			
Property and casualty insurance			
Agricultural insurance	1,356,529	1,087,482	1,045,108
Automobile insurance	829,296	1,098,477	1,410,388
Other insurance	81,837	108,216	133,738
Net written premiums	2,267,662	2,294,175	2,589,234

7 INVESTMENT INCOME, NET

	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
Net investment income *(note (a))*	100,263	66,680	59,213
Net realised investment (losses) gains *(note (b))*	(3,240)	28,300	216,783
Total investment income	97,023	94,980	275,996
Investment income from listed investments	51,066	52,811	233,253
Investment income from unlisted investments	45,957	42,169	42,743
Total investment income	97,023	94,980	275,996

(a) Net investment income

	2012	2013	2014
Interest income from non-banking operations on fixed maturity investments			
Bonds and debt schemes			
– Held-to-maturity	9,372	9,381	7,318
– Carried at fair value through profit or loss	–	194	–
Term deposit			
– Loan and receivables	37,396	39,980	40,944
Current accounts			
– Loan and receivables	8,382	2,114	1,787
Other			
– Available-for-sale on financial assets	40,919	9,737	6,621
– Loan and receivables	179	74	12
Interest income on securities purchased under agreements to resell	4,015	5,200	2,531
	100,263	66,680	59,213

(b) Net realised investment (losses) gains on disposal

	2012	2013	2014
Available-for-sale financial assets	(3,240)	28,300	216,782

8 OTHER INCOME

	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
Income from provision of agency services	6,265	6,217	7,629
Gain on disposal of property and equipment	547	1,376	339
Government grants *(Note)*	4,879	–	7,048
Others	763	171	34
Total	12,454	7,764	15,050

Note: During the year ended 31 December 2012 and 2014, a government grant of approximately RMB4,879,000 and RMB7,048,000 were received, where AnHua had fulfilled the relevant granting criteria, in respect of its operation for writing property and casualty insurance contracts. The amounts were therefore immediately recognised as other income.

9 CLAIMS

		2012	
	Gross	Reinsurer's share	Net
	RMB'000	*RMB'000*	*RMB'000*
Claims and claim adjustment expenses for property and casualty insurance	1,463,183	(4,625)	1,458,558

		2013	
	Gross	Reinsurer's share	Net
	RMB'000	*RMB'000*	*RMB'000*
Claims and claim adjustment expenses for property and casualty insurance	1,618,162	(265,070)	1,353,092

		2014	
	Gross	Reinsurer's share	Net
	RMB'000	*RMB'000*	*RMB'000*
Claims and claim adjustment expenses for property and casualty insurance	1,758,894	(320,778)	1,438,116

10 FINANCE COSTS

	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
Interests expenses for securities sold under agreements to repurchase	–	322	3,200

11 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging (crediting):

	2012 *RMB'000*	2013 *RMB'000*	2014 *RMB'000*
(a) Staff costs (including directors' remuneration):			
Salaries, wages, bonuses and other benefits	253,459	292,458	396,770
Retirement benefits scheme contributions	47,633	59,417	75,314
Total staff cost	301,092	351,875	472,084
(b) Other items:			
Auditor's remuneration	600	500	500
Insurance guarantee fund expenses	18,887	21,779	26,103
Depreciation of property and equipment	28,381	30,951	35,607
Amortisation of intangible assets	6,177	8,701	9,912
Operating lease charges in respect of properties	39,575	50,603	58,996
Advertising expenses	16,242	39,499	58,537
Travelling expenses	11,240	13,841	15,817
Other tax	1,642	1,691	2,188
Gain on disposal of property and equipment, and intangible assets (included in other income)	(547)	(1,376)	(339)
Loss on disposal of property and equipment, and intangible assets	69	348	506

12 INCOME TAX

(a) Taxation in the statement of profit or loss represents:

	2012 *RMB'000*	2013 *RMB'000*	2014 *RMB'000*
Current tax – PRC Tax			
Provision for the year	1,164	831	–
Deferred tax *(note)*	(465)	(6,724)	10,998
Income tax charge (credit)	699	(5,893)	10,998

Note: For details of deferred tax recognised, refer to note 30.

Under the Enterprise Income Tax Law of the PRC, the enterprise income tax rate for domestic companies in the PRC is 25% for the years ended 31 December 2012, 2013 and 2014.

(b) Reconciliation between tax charge and accounting profit at applicable tax rates:

	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
Profit before taxation	166,683	22,208	94,633
Tax at the domestic income tax rate of 25%	41,671	5,552	23,658
Tax effect of non-deductible expenses	94,805	98,755	95,436
Tax effect of non-taxable income	(135,777)	(110,200)	(108,096)
Income tax charge (credit)	699	(5,893)	10,998

AnHua's tax position is subject to assessment and inspection of the tax authorities before finalisation.

13 DIVIDENDS

Interim dividend of RMB0.57 per share amounted to RMB53,181,000 have been declared and fully paid by AnHua to its then shareholder during the year ended 31 December 2014. No final dividend was proposed, approved or paid during the both years ended 31 December 2012, 2013 and 2014.

14 DIRECTORS' AND SUPERVISORS' REMUNERATION

The remuneration of every director and supervisor is set out below:

	Year ended 31 December 2012			
	Directors' fees	Salaries and other emoluments	Retirement scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors:				
Liu Zhiqiang (appointed on 17 August 2012)	–	4,268	–	4,301
Li Fushen (appointed on 17 August 2012)	–	1,926	–	1,959
	–	6,194	–	6,260
Non-executive directors:				
Lu Jianli (appointed on 17 August 2012)	131	–	–	131
Liu Lin (resigned on 17 August 2012)	131	–	–	131
Dong Jiankun (resigned on 17 August 2012)	131	–	–	131
Yuan Jiaye	131	–	–	131
Wang Xinglong	131	–	–	131
Tian Chengli	143	–	–	143
Liu Wenxin (appointed on 16 January 2012)	107	–	–	107
	905	–	–	905
Supervisors:				
Cao Ke (appointed on 17 August 2012)	–	–	–	–
Zhou Guoqing (appointed on 17 August 2012)	–	2,423	–	2,423
Wu Wei (appointed on 21 May 2012)	–	547	26	573
	–	2,970	26	2,996
	905	9,164	92	10,161

	Year ended 31 December 2013			
	Directors' fees	Salaries and other emoluments	Retirement scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors:				
Liu Zhiqiang	–	2,813	37	2,850
Li Fushen	–	1,713	37	1,750
	–	4,526	74	4,600
Non-executive directors:				
Lv Xiangyang	124	–	–	124
Lu Jianli	124	–	–	124
Tian Suozhuang (appointed on 29 May 2013)	124	–	–	124
Yuan Jiaye (resigned on 29 May 2013)	108	–	–	108
Pan Zhongyu (appointed 29 May 2013)	15	–	–	15
Tian Chengli (resigned 29 May 2013)	96	–	–	96
Liu Wenxin (appointed on 29 May 2013)	126	–	–	126
Hao Yansu (appointed on 24 March 2013)	30	–	–	30
Mao Zhihong (appointed on 29 May 2013)	30	–	–	30
	777	–	–	777
Supervisors:				
Cao Ke	95	–	–	95
Zhou Guoqing	–	2,013	–	2,013
Wu Wei	–	970	37	1,007
	95	2,983	37	3,115
	872	7,509	111	8,492

	Year ended 31 December 2014			
	Directors' fees	Salaries and other emoluments	Retirement scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors:				
Liu Zhiqiang	–	3,599	40	3,639
Li Fushen	–	2,129	40	2,169
	–	5,728	80	5,808
Non-executive directors:				
Lv Xiangyang	121	–	–	121
Lu Jianli	121	–	–	121
Tian Suozhuang	121	–	–	121
Pan Zhongyu	121	–	–	121
Liu Wenxin	121	–	–	121
Hao Yansu	121	–	–	121
Mao Zhihong	121	–	–	121
	847	–	–	847
Supervisors:				
Cao Ke	95	–	–	95
Zhou Guoqing	–	1,999	–	1,999
Wu Wei	–	1,215	40	1,255
	95	3,214	40	3,349
	942	8,942	120	10,004

There was no amount paid during the Relevant Period to the directors and supervisors in connection with their retirement from employment or compensation for loss of office with AnHua, or inducement to join AnHua. There was no arrangement under which a director or supervisor waived or agreed to waive any remuneration during the Relevant Period.

15 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two were directors of AnHua during the Relevant Periods and their emoluments are disclosed in note 14. The emoluments of the remaining three individuals for the Relevant Periods ended are as follows:

	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
Salaries and other emoluments	6,396	6,952	8,019

The emoluments of the individuals with the highest emoluments are within the following bands:

RMB	**2012 Number of individuals**	**2013 Number of individuals**	**2014 Number of Individuals**
1,000,001 – 1,500,000	1	–	1
1,500,001 – 2,000,000	2	1	–
2,500,001 – 3,000,000	–	2	1
3,000,001 – 3,500,000	–	–	1

The emoluments of the senior management are within the following bands:

RMB	**2012 Number of senior management**	**2013 Number of senior management**	**2014 Number of senior management**
0 – 500,000	8	10	8
500,001 – 1,000,000	1	2	–
1,000,001 – 1,500,000	5	–	2
1,500,001 – 2,000,000	1	4	4
2,000,001 – 2,500,000	2	2	1
2,500,001 – 3,000,000	–	2	1
3,000,001 – 3,500,000	–	–	1
3,500,001 – 4,000,000	–	–	1
4,500,001 – 5,000,000	1	–	–

16 OTHER COMPREHENSIVE INCOME (EXPENSES)

	Before tax	**Tax impact**	**After tax**
	RMB'000	*RMB'000*	*RMB'000*
2012			
Items that may be reclassified subsequently to profit or loss:			
Available-for-sale financial assets			
– Changes in fair value	14,516	(3,629)	10,887
– Reclassification to profit or loss upon disposal	3,240	(810)	2,430
	17,756	(4,439)	13,317

	Before tax	Tax impact	After tax
	RMB'000	*RMB'000*	*RMB'000*
2013			
Items that may be reclassified subsequently to profit or loss:			
Available-for-sale financial assets			
– Changes in fair value	28,088	(7,022)	21,066
– Reclassification to profit or loss upon disposal	(28,299)	7,075	(21,224)
	(211)	53	(158)
2014			
Items that may be reclassified subsequently to profit or loss:			
Available-for-sale financial assets			
– Changes in fair value	252,174	(63,042)	189,132
– Reclassification to profit or loss upon disposal	(216,782)	54,195	(162,587)
	35,392	(8,847)	26,545

17 CASH AND AMOUNTS DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
Term deposits	510,000	510,000	510,000
Due from banks and other financial institutions	258,690	476,020	593,517
	768,690	986,020	1,103,517

As at 31 December 2012, 2013 and 2014, no cash and amounts due from banks, overseas banks and other financial institutions were restricted from use.

As at 31 December 2012, 2013 and 2014, the term deposits carry effective interest rates ranged from 5.50% p.a. to 6.30% p.a. and will mature ranged from July 2016 to July 2017.

As at 31 December 2012, 2013 and 2014, the cash and amounts due from banks and other financial institutions carry at privileging market rate.

Cash and cash equivalents

	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
Cash and amounts due from banks and other financial Institutions			
– Placements with banks and other financial institutions (with 3 months of maturity)	258,690	476,020	563,656

18 STATUTORY DEPOSITS

	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
Statutory deposits for insurance operations	166,000	166,000	211,500

Statutory deposit for insurance operations can only be utilised to settle liabilities during liquidation of AnHua.

Details of statutory deposits for insurance operations are as follows:

	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
Property & Casualty	166,000	166,000	211,500

Statutory deposits for insurance operations are placed with PRC banks in accordance with the PRC Insurance Law and relevant regulations based on not less than 20% of the registered capital for the insurance company. The balances carried at average effective interest rates of 5.5% per annum for the years ended 31 December 2012, 2013 and 2014.

19 FIXED MATURITY INVESTMENTS

	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
Corporate bonds, listed in PRC	148,793	149,668	70,093

The Corporate bonds as at the Relevant Periods is effective interest rates ranged from 6.28% p.a. to 7.17% p.a. and will mature ranged from June 2016 to February 2018.

As at 31 December 2012 and 2013, the held-to-maturity investments carry effective interest rates ranged from 5.50% p.a. to 5.70% p.a. and will mature ranged from December 2016 to February 2017.

As at 31 December 2014, the held-to-maturity investments carry effective interest rates ranged from 5.10% p.a. to 5.70% p.a. and will mature ranged from December 2016 to December 2019.

20 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
Listed			
Equity investments			
– Securities	–	312,622	194,494
– Investment funds	567,606	426,694	781,284
Debt investments			
– Finance bonds	–	–	61,638
– Corporate bonds	–	133,922	40,377
	567,606	873,238	1,077,793
Unlisted			
Debt investments			
– Wealth management products	675,102	510,000	491,284
	1,242,708	1,383,238	1,569,077

The corporate bonds as at the 31 December 2013 and 2014 carried at effective interest rate 7.3% per annum and 6.5% per annum respectively. For the details of determination of fair values, please refer to note 35.

21 SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL

	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
Bonds			
Inter-bank market	–	130,000	244,000

AnHua does not sell or re-pledge the collateral underlying the securities purchased under agreements to resell. The effective interest rate of the securities purchased under agreements to resell is 6.6323% for both years ended 31 December 2013 and 2014.

22 PREMIUM RECEIVABLES

	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
Premium receivables	166,939	118,896	226,866
Less: Provision for doubtful receivables	(55,028)	(92,916)	(92,836)
Premium receivables, net			
– Property and casualty insurance	111,911	25,980	134,030

The credit terms of premium receivables granted are generally from one to six months, and non-interest bearing. AnHua does not hold any collateral over these balances.

An aging analysis of premium receivables presented based on the invoice date at the end of the reporting period is as follows:

	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
Within 3 months	2,196	10,268	79,403
Over 3 months but within 1 year	71,178	14,835	44,178
Over 1 year	93,565	93,793	103,285
	166,939	118,896	226,866

Included in AnHua's premium receivable balance are debtors with aggregate carrying amount of approximately RMB38,537,000, RMB877,000 and RMB10,449,000 as at 31 December 2012, 2013 and 2014 respectively which were past due at the end of the reporting period and for which AnHua has not provided for doubtful debt.

The aging analysis of premium receivables that were past due but not impaired based on the invoice date at the end of reporting date, which approximately the respective revenue recognition date, is as follow:

	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
Over 1 year	38,537	877	10,449

The movements in individual allowance for doubtful debts of premium receivables were as follows:

	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
1 January	54,442	55,028	92,916
Provision for doubtful debt	617	37,888	80
Reversal of provision for doubtful debt	(31)	–	(160)
31 December	55,028	92,916	92,836

23 REINSURERS' SHARE OF INSURANCE LIABILITIES

	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
Reinsurers' share of unearned premium reserves	1,676	3,171	54,795
Reinsurers' share of claim reserves	3,460	10,176	10,431
	5,136	13,347	65,226

24 PROPERTY AND EQUIPMENT

	Leasehold improvements RMB'000	Land and building RMB'000	Computer equipment RMB'000	Motor vehicles RMB'000	Other equipment RMB'000	Construction in progress RMB'000	Total RMB'000
Cost							
At 1 January 2012	7,034	23,105	65,113	75,083	5,552	–	175,887
Additions	11,232	–	9,970	19,921	1,256	15,898	58,277
Disposals	–	–	(678)	(4,226)	(27)	–	(4,931)
Transfer from construction in progress	–	–	12,775	–	–	(12,775)	–
At 31 December 2012 and 1 January 2013	18,266	23,105	87,180	90,778	6,781	3,123	229,233
Additions	8,298	1,062	6,548	19,098	1,395	7,725	44,126
Disposals	–	–	(611)	(10,055)	(274)	–	(10,940)
Transfer from construction in progress	–	–	4,616	–	–	(4,616)	–
At 31 December 2013 and 1 January 2014	26,564	24,167	97,733	99,821	7,902	6,232	262,419
Additions	7,199	–	6,649	13,025	1,219	146	28,238
Disposals	–	–	(4,493)	(2,951)	(1,088)	–	(8,532)
Transfer from construction in progress	–	–	2,255	–	–	(2,255)	–
At 31 December 2014	33,763	24,167	102,144	109,895	8,033	4,123	282,125
Accumulated depreciation:							
At 1 January 2012	–	4,848	32,570	50,975	4,103	–	92,496
Charge for the year	6,242	732	10,324	10,589	494	–	28,381
Disposals	–	–	(278)	(3,965)	(24)	–	(4,267)
At 31 December 2012 and 1 January 2013	6,242	5,580	42,616	57,599	4,573	–	116,610
Charge for the year	6,318	732	12,264	10,952	685	–	30,951
Disposals	–	–	(830)	(8,836)	(204)	–	(9,870)
At 31 December 2013 and 1 January 2014	12,560	6,312	54,050	59,715	5,054	–	137,691
Charge for the year	9,478	767	12,992	11,563	807	–	35,607
Disposals	–	–	(4,304)	(2,547)	(994)	–	(7,845)
At 31 December 2014	22,038	7,079	62,738	68,731	4,867	–	165,453
Net book values							
At 31 December 2012	12,024	17,525	44,564	33,179	2,208	3,123	112,623
At 31 December 2013	14,004	17,855	43,683	40,106	2,848	6,232	124,728
At 31 December 2014	11,725	17,088	39,406	41,164	3,166	4,123	116,672

The above items of property and equipment are depreciated on a straight-line basis at the following useful life and rates per annum:

Leasehold improvement	35%
Land and buildings	Over the shorter term of the lease, or 30 years
Computer and equipment	20%
Motor vehicles	20%
Other equipment	20%

25 INTANGIBLE ASSETS

	Garage use rights	Software	Development cost	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cost:				
At 1 January 2012	2,100	26,784	10,161	39,045
Additions	–	28,732	–	28,732
Disposal	–	–	(9,287)	(9,287)
At 31 December 2012 and 1 January 2013	2,100	55,516	874	58,490
Additions	–	12,894	–	12,894
At 31 December 2013 and 1 January 2014	2,100	68,410	874	71,384
Additions	–	14,051	–	14,051
Disposal	–	–	(874)	(874)
At 31 December 2014	2,100	82,461	–	84,561
Amortisation:				
At 1 January 2012	1,400	7,059	–	8,459
Charge for the year	210	5,967	–	6,177
At 31 December 2012 and 1 January 2013	1,610	13,026	–	14,636
Charge for the year	210	8,491	–	8,701
At 31 December 2013 and 1 January 2014	1,820	21,517	–	23,337
Charge for the year	198	9,714	–	9,912
At 31 December 2014	2,018	31,231	–	33,249
Carrying amounts				
At 31 December 2012	490	42,490	874	43,854
At 31 December 2013	280	46,893	874	48,047
At 31 December 2014	82	51,230	–	51,312

The above items of intangible assets are amortised on a straight-line basis at the following useful life and rates per annum:

Garage use rights	10 years
Software	5-10 years

26 OTHER ASSETS

	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
Prepayment	4,524	1,414	1,807
Interest receivables	26,669	46,990	44,710
Dividend receivables	846	5	2,594
Due from reinsurers	6,533	323,955	456,722
Other receivables	63,628	144,636	76,824
	102,200	517,000	582,657

The movements in individual allowance for doubtful debts of other receivables were as follows:

	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
1 January	8,106	9,379	10,660
Provision for doubtful debt	1,273	1,281	46
31 December	9,379	10,660	10,706

27 SHARE CAPITAL

	Domestic par value RMB1.00 per share
	RMB'000
As at 1 January 2012, 31 December 2012 and 1 January 2013	830,000
Issue of shares *(note 1)*	103,000
As at 31 December 2013 and 1 January 2014	933,000
Issue of shares *(note 2)*	124,500
As at 31 December 2014	1,057,500

Note 1: On 30 December 2013, pursuant to the approval obtained from China Insurance Regulatory Commission, AnHua issued 103,000,000 at par to its existing shareholders amounted to RMB103,000,000 by capitalised AnHua's retained profits of RMB103,000,000. These shares rank pari passu with the existing shares in all respects.

Note 2: On 4 November 2014, pursuant to the approval obtained from China Insurance Regulatory Commission, AnHua issued 124,500,000 at par to its existing shareholders amounted to RMB124,500,000 by capitalised AnHua's retained profits of RMB124,500,000. These shares rank pari passu with the existing shares in all respects.

28 SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE

	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
Bonds	–	125,820	–

Details of transactions are set out in note 36.

29 INSURANCE CONTRACT LIABILITIES

	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
Unearned premium reserves	485,191	672,885	1,025,388
Claim reserves	496,796	456,006	514,383
Total	981,987	1,128,891	1,539,771

	31 December 2012		
	Insurance contract liabilities	**Reinsurers' share** *(note 23)*	**Net**
	RMB'000	*RMB'000*	*RMB'000*
Property and casualty insurance contracts	981,987	(5,136)	976,851

	31 December 2013		
	Insurance contract liabilities	**Reinsurers' share** *(note 23)*	**Net**
	RMB'000	*RMB'000*	*RMB'000*
Property and casualty insurance contracts	1,128,891	(13,347)	1,115,544

	31 December 2014		
	Insurance contract liabilities	**Reinsurers' share** *(note 23)*	**Net**
	RMB'000	*RMB'000*	*RMB'000*
Property and casualty insurance contracts	1,539,771	(65,226)	1,474,545

	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
Current portion*			
Property and casualty	882,797	1,045,111	1,429,629
Non-current portion			
Property and casualty	99,190	83,780	110,142
Total	981,987	1,128,891	1,539,771

* Current portion is expected to settle within twelve months from the end of report date.

30 DEFERRED TAX ASSETS (LIABILITIES)

	2012 *RMB'000*	2013 *RMB'000*	2014 *RMB'000*
Deferred tax assets	19,394	27,856	25,908
Deferred tax liabilities	(21,985)	(23,670)	(41,569)
Net	(2,591)	4,186	(15,661)

The deferred tax assets are analysed as follows:

2012

	As at 1 January *RMB'000*	Charged to profit or loss *RMB'000*	Charged to equity *RMB'000*	As at 31 December *RMB'000*	Temporary difference as at 31 December *RMB'000*
Available-for-sale investment	6,328	–	(4,439)	1,889	7,556
Provisions on doubtful debt	17,040	465	–	17,505	70,020
	23,368	465	(4,439)	19,394	77,576

2013

	As at 1 January *RMB'000*	Charged to profit or loss *RMB'000*	Charged to equity *RMB'000*	As at 31 December *RMB'000*	Temporary difference as at 31 December *RMB'000*
Available-for-sale investment	1,889	–	53	1,942	7,768
Provisions on doubtful debt	17,505	8,409	–	25,914	103,656
	19,394	8,409	53	27,856	111,424

2014

	As at 1 January *RMB'000*	Charged to profit or loss *RMB'000*	Charged to equity *RMB'000*	As at 31 December *RMB'000*	Temporary difference as at 31 December *RMB'000*
Available-for-sale investment	1,942	–	(1,942)	–	–
Provisions on doubtful debt	25,914	(6)	–	25,908	103,632
	27,856	(6)	(1,942)	25,908	103,632

The deferred tax liabilities are analysed as follows:

2012

	As at 1 January *RMB'000*	Charged to profit or loss *RMB'000*	Charged to equity *RMB'000*	As at 31 December *RMB'000*	Temporary difference as at 31 December *RMB'000*
Insurance contract liabilities	21,985	–	–	21,985	87,940

2013

	As at 1 January *RMB'000*	Charged to profit or loss *RMB'000*	Charged to equity *RMB'000*	As at 31 December *RMB'000*	Temporary difference as at 31 December *RMB'000*
Insurance contract liabilities	21,985	1,685	–	23,670	94,680

2014

	As at 1 January *RMB'000*	Charged to profit or loss *RMB'000*	Charged to equity *RMB'000*	As at 31 December *RMB'000*	Temporary difference as at 31 December *RMB'000*
Available-for-sale investment	–	–	6,905	6,905	27,620
Insurance contract liabilities	23,670	10,994	–	34,664	138,656
	23,670	10,994	6,905	41,569	166,276

31 OTHER LIABILITIES

	2012 *RMB'000*	2013 *RMB'000*	2014 *RMB'000*
Other payables	182,716	484,518	436,897
Salaries and welfare payable	114,983	102,093	188,622
Interest payable	–	122	–
Other tax payable	23,508	23,098	45,587
	321,207	609,831	671,106

32 NOTE TO THE STATEMENT OF CASH FLOWS

	2012 *RMB'000*	**2013** *RMB'000*	**2014** *RMB'000*
Profit before tax	166,683	22,208	94,633
Adjustment for:			
Depreciation	28,381	30,951	35,607
Amortisation of intangible assets	6,177	8,701	9,912
(Gain) loss on disposal of property and equipment and intangible assets, net	(478)	(1,028)	167
Fair value change on available-for-sale financial assets (transfer from equity)	3,240	(28,300)	(216,782)
Interest income	(100,263)	(66,680)	(59,213)
Provision (reversal of provision) for doubtful debts	1,859	39,169	(34)
Finance cost	–	322	3,200
Operating cash flow before movement in working capital	105,599	5,343	(132,510)
(Increase) decrease in premium receivables	(68,964)	48,043	(107,970)
Increase in statutory deposits	–	–	(45,500)
Increase in cash and amounts due from banks and other financial institutions	(210,000)	–	(29,861)
Decrease (increase) in reinsurers' share of insurance liabilities	8,222	(8,211)	(51,879)
Decrease (increase) in other assets	272,258	(416,081)	(65,703)
Increase in insurance contract liabilities	104,099	146,904	410,880
(Decrease) increase in insurance payables	(483,850)	259,933	181,705
Increase (decrease) in other liabilities	2,794	288,624	61,275
	(269,842)	324,555	220,437
Tax (paid) refunded	(10,351)	(1,218)	8,019
Net cash (used in) from operating activities	(280,193)	323,337	228,456

33 SIGNIFICANT RELATED PARTY TRANSACTIONS

A. Recurring transaction with related parties

In addition to the transactions and balances as disclosed elsewhere in these financial statements, if any, AnHua had no material transaction with related party during the Relevant Periods.

B. Compensation of key management personnel

The remuneration of directors and other members of key management during the Relevant Periods were as follows:

	2012 *RMB'000*	**2013** *RMB'000*	**2014** *RMB'000*
Salaries and other emoluments	19,048	19,029	22,039
Retirement scheme contributions	249	278	331
Total	19,297	19,307	22,370

34 COMMITMENTS

At 31 December 2012, 2013 and 2014, AnHua had no capital commitments and commitments under operating leases.

35 RISK AND CAPITAL MANAGEMENT

(1) Insurance risk

Insurance risk refers to the risk that actual indemnity might exceed expected indemnity due to the frequency and severity of insurance accidents, as well as the possibility that insurance surrender rates are being underestimated. The principal risk AnHua faces under such contracts is that the actual claims and benefit payments exceed the carrying amount of insurance liabilities. This could occur due to any of the following factors:

Occurrence risk – the possibility that the number of insured events will differ from those expected.

Severity risk – the possibility that the cost of the events will differ from those expected.

Development risk – the possibility that changes may occur in the amount of an insurer's obligation at the end of the contract period.

The variability of risks is improved by diversification of risk of loss to a large portfolio of insurance contracts as a more diversified portfolio is less likely to be affected across the board by change in any subset of the portfolio. The variability of risks is also improved by careful selection and implementation of underwriting strategies and guidelines.

The business of AnHua mainly comprises property and casualty insurance contracts. For property and casualty insurance contracts, claims are often affected by natural disasters, calamities, terrorist attacks, etc.

These risks currently do not vary significantly in relation to the location of the risk insured by AnHua whilst undue concentration by amounts could have an impact on the severity of benefit payments on a portfolio basis.

AnHua limits its exposure to losses from insurance operations mainly through participation in reinsurance arrangements. More detailed discussion on reinsurance is disclosed in Note 35(1)(b).

Concentration of insurance risks

AnHua runs its insurance business primarily within the PRC. Hence the geographical insurance risk is concentrated primarily within the PRC.

AnHua's concentration of insurance risk is reflected by its major lines of business as analysed by insurance contract liabilities in Note 29.

(a) Property and casualty insurance business

Key assumptions

The principal assumption underlying the estimates includes assumptions in respect of average claim costs, claims handling costs, claims inflation factors and claim numbers for each accident year. Judgement is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

Other key assumptions include explicit margin, delays in settlement, etc.

Sensitivities

The property and casualty insurance claim reserves are sensitive to the above key assumptions. The sensitivity of certain variables like legislative changes, uncertainty in the estimation process, is not possible to quantify. Furthermore, because of delays that arise between occurrence of a claim and its subsequent notification and eventual settlement, the outstanding claim reserves are not known with certainty at the end of the reporting period.

Reproduced below is an exhibit that shows the development of gross claim reserves of property and casualty insurance by the accident year:

	Accident year					
	2010	**2011**	**2012**	**2013**	**2014**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Estimated cumulative claim paid as at						
End of current year	1,460,284	1,390,497	1,470,747	1,656,699	1,796,849	
One year later	1,383,904	1,298,325	1,419,419	1,540,647	–	
2 years later	1,380,286	1,273,532	1,380,740	–	–	
3 years later	1,377,857	1,265,304	–	–	–	
4 years later	1,377,539	–	–	–	–	
Estimated cumulative claims	1,377,539	1,265,304	1,380,740	1,540,647	1,796,849	7,361,079
Cumulative claims paid	(1,377,461)	(1,264,842)	(1,360,081)	(1,462,089)	(1,382,289)	(6,846,762)
Liability in respect of prior years and claim handling expenses						66
Unpaid claim expenses						514,383

Reproduced below is an exhibit that shows the development of net claim reserves of property and casualty insurance by the accident year:

	Accident year					
	2010	**2011**	**2012**	**2013**	**2014**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Estimated cumulative claim paid as at						
End of current year	1,460,284	1,185,080	1,465,164	1,381,386	1,514,902	
One year later	1,209,814	1,094,343	1,413,602	1,267,098	–	
2 years later	1,206,472	1,069,538	1,375,520	–	–	
3 years later	1,202,669	1,061,290	–	–	–	
4 years later	1,202,501	–	–	–	–	
Estimated cumulative claims	1,202,501	1,061,290	1,375,520	1,267,098	1,514,902	6,421,311
Cumulative claims paid	(1,202,428)	(1,060,860)	(1,354,886)	(1,188,763)	(1,110,521)	(5,917,458)
Liability in respect of prior years and claim handling expenses						100
Unpaid claim expenses						503,953

(b) Reinsurance business

AnHua limits its exposure to losses from insurance operations mainly through participation in reinsurance arrangements. The majority of the business ceded is placed on the quota share basis and the surplus basis with retention limits varying by product lines. Amounts recoverable from reinsurers are estimated in a manner consistent with the assumptions used for ascertaining the underlying policy benefits and are presented in the statement of financial position as reinsurers' share of insurance liabilities and due from reinsurers.

Even though AnHua may have reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit risk exposure exists with respect to reinsurance ceded, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements.

(2) Market risk

Market risk is the risk of changes in fair value of financial instruments and future cash flows from fluctuation of market prices, which includes three types of risks from volatility of foreign exchange rates (foreign currency risk), market interest rates (interest rate risk) and market prices (price risk).

(a) Foreign exchange risk

Foreign currency risk is the risk of loss resulting from changes in foreign currency exchange rates. Fluctuations in exchange rates between the RMB and other currencies in which AnHua conducts business may affect its financial position and results of operations. The foreign currency risk facing AnHua comes from movements in the USD/RMB exchange rates. AnHua seeks to limit its exposure to foreign currency risk by minimising its net foreign currency position.

AnHua operates principally in the PRC with only limited exposure to foreign exchange rate risk arising primarily from certain foreign currency bank deposits. The currency position of assets and liabilities is monitored by AnHua periodically.

The following table presents the certain foreign currency bank deposits, denominated in non-functional currencies of the respective business units of AnHua:

	2012 Increase (decrease) in profit before tax *RMB'000*	**2013 Increase (decrease) in profit before tax** *RMB'000*	**2014 Increase (decrease) in profit before tax** *RMB'000*
USD strengthen by 5%	–	–	16
USD weaken by 5%	–	–	(16)

AnHua has no significant concentration of currency risk.

(b) Price risk

AnHua has a portfolio of marketable securities, which is carried at fair value and is exposed to price risk. This risk is defined as the potential loss in market value resulting from an adverse change in prices.

AnHua manages the price risk by investing in a diverse portfolio of high quality and liquid securities.

AnHua's investments in available-for-sale financial assets were carried at a fair value of approximately RMB1,242,708,000, RMB1,383,238,000 and RMB1,569,077,000 as at 31 December 2012, 2013 and 2014 respectively.

A 10% increase/decrease in market value of the available-for-sale financial assets held by AnHua as at 31 December 2012, 2013 and 2014, with all other variables held constant, would increase/decrease AnHua's pre-tax's available-for-sale investment reserve by approximately RMB124,271,000, RMB138,323,800 and RMB156,907,700 for the years ended 31 December 2012, 2013 and 2014 respectively.

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Floating rate instruments expose AnHua to cash flow interest risk, whereas fixed interest rate instruments expose AnHua to fair value interest risk.

AnHua's interest risk policy requires it to manage interest rate risk by maintaining an appropriate match of fixed and variable rate instruments. The policy also requires it to manage the maturities of interest-bearing financial assets. Interest on floating rate instruments is repriced at intervals of less than one year. Interest on fixed rate instruments is priced at inception of the financial instruments and is fixed until maturity.

The sensitivity analyses below have been determined based on the exposure to variable interest rates at the end of the reporting period. The analysis is prepared assuming the amounts outstanding at the end of the reporting period were outstanding for the whole year. A 10 basis points increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates for the year ended 31 December 2012, 2013 and 2014.

		2012		2013		2014	
	Change in interest rate	**Increase (decrease) in profit before tax**	**Increase (decrease) in equity before tax**	**Increase (decrease) in profit before tax**	**Increase (decrease) in equity before tax**	**Increase (decrease) in profit before tax**	**Increase (decrease) in equity before tax**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cash and amounts due from banks and other financial Institutions							
– Placements with banks and other financial institutions	+10 basis point	259	259	476	476	564	564
	-10 basis point	(259)	(259)	(476)	(476)	(564)	(564)

The following table sets out AnHua's term deposits by maturity:

	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
Fixed interest rate			
2-3 years (including 3 years)	–	–	510,000
3-4 years (including 4 years)	–	510,000	–
4-5 years (including 5 years)	510,000	–	–
	510,000	510,000	510,000

The following table sets out AnHua's statutory deposit by maturity:

	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
Fixed interest rate			
2-3 years (including 3 years)	–	–	166,000
3-4 years (including 4 years)	–	166,000	–
4-5 years (including 5 years)	166,000	–	–
More than 5 years	–	–	45,500
	166,000	166,000	211,500

The following table sets out AnHua's investment in corporate bonds classified as available-for-sale investment by maturity:

	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
Fixed interest rate			
3 months to 1 year (including 1 year)	–	49,700	–
1-2 years (including 2 years)	48,892	29,742	29,955
2-3 years (including 3 years)	29,606	29,983	29,995
3-4 years (including 4 years)	29,987	30,044	10,143
4-5 years (including 5 years)	30,065	10,199	–
More than 5 years	10,243	–	–
	148,793	149,668	70,093

(3) Credit risk

Credit risk is the risk of loss incurred that the counterparty to a financial instrument will cause a financial loss to AnHua by failing to discharge an obligation.

AnHua is exposed to credit risks primarily associated with its deposit and wealth management products with banks and financial institutions, statutory deposits, fixed maturity investments, reinsurance arrangements with reinsurers, premium receivables, available-for-sales financial assets and other assets excluding prepayment.

Majority of AnHua's financial assets are bond investments which include government bonds, finance bonds and corporate bonds. The finance and corporate bonds have high domestic credit rating. Hence, the related credit risk should be regarded as relatively low.

For securities purchased under agreements to resell, there is a security pledge and the maturity period is less than one year. Hence, the related credit risk should not have significant impact on AnHua's financial statements.

AnHua mitigates credit risk including premium receivables and reinsurer's share of insurance liabilities by utilising credit control policies, undertaking credit analysis on potential investments, and imposing aggregate counterparty exposure limits. The carrying amount of financial assets included on the statement of financial position represents the maximum credit risk exposure at the reporting date without taking account of the effect of mitigation through any collateral held or other credit enhancements.

The credit risk on liquid funds and wealth management products with banks and financial institutions are limited because the counterparties with high credit ratings.

The table below summarises the ageing analysis of the financial assets of AnHua.

		Past due but not impaired					
	Not due and not impaired	**Overdue less than 30 days**	**Overdue 31 to 90 days**	**Overdue more than 90 days**	**Total past due but not impaired**	**Impaired**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2012							
Cash and amounts due from banks and other financial institutions – due from and placements with banks and other financial institution	768,690	–	–	–	–	–	768,690
Statutory deposits	166,000	–	–	–	–	–	166,000
Fixed maturity investments	148,793	–	–	–	–	–	148,793
Premium receivables*	73,374	–	–	38,537	38,537	55,028	166,939
Reinsurers' share of insurance liabilities	5,136	–	–	–	–	–	5,136
Available-for-sales financial assets	675,102	–	–	–	–	–	675,102
Other assets	80,678	–	–	–	–	16,998	97,676
	1,917,773	–	–	38,537	38,537	72,026	2,028,336

* As at 31 December 2012, the carrying amount of premium receivables was approximately RMB111,911,000.

At 31 December 2013							
Cash and amounts due from banks and other financial institutions – due from and placements with banks and other financial institution	986,020	–	–	–	–	–	986,020
Statutory deposits	166,000	–	–	–	–	–	166,000
Fixed maturity investments	149,668	–	–	–	–	–	149,668
Premium receivables*	25,103	–	–	877	877	92,916	118,896
Securities purchased under agreements to resell	130,000	–	–	–	–	–	130,000
Reinsurers' share of insurance liabilities	13,347	–	–	–	–	–	13,347
Available-for-sales financial assets	643,922	–	–	–	–	–	643,922
Other assets	504,849	–	–	–	–	10,737	515,586
	2,618,909	–	–	877	877	103,653	2,723,439

* As at 31 December 2013, the carrying amount of premium receivables was approximately RMB25,980,000.

	Not due and not impaired	Past due but not impaired: Overdue less than 30 days	Overdue 31 to 90 days	Overdue more than 90 days	Total past due but not impaired	Impaired	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2014							
Cash and amounts due from banks and other financial institutions – due from and placements with banks and other financial institution	1,103,517	–	–	–	–	–	1,103,517
Statutory deposits	211,500	–	–	–	–	–	211,500
Fixed maturity investments	70,093	–	–	–	–	–	70,093
Premium receivables*	123,581	–	–	10,449	10,449	92,836	226,866
Securities purchased under agreements to resell	244,000	–	–	–	–	–	244,000
Reinsurers' share of insurance liabilities	65,266	–	–	–	–	–	65,266
Available-for-sales financial assets	593,299	–	–	–	–	–	593,299
Other assets	570,144	–	–	–	–	10,706	580,850
	2,981,400	–	–	10,449	10,449	103,542	3,095,391

* As at 31 December 2014, the carrying amount of premium receivables was approximately RMB134,030,000.

(4) Liquidity risk

AnHua has to meet daily calls on its cash resources, notably from claims arising from its property and casualty insurance contracts and reinsurance contracts. There is, therefore, a risk that cash will not be available to settle liabilities when due.

AnHua manages this risk by formulating policies and general strategies of liquidity management to ensure that AnHua can meet its financial obligations in normal circumstances and that an adequate stock of high-quality liquid assets is maintained in order to contain the possibility of a liquidity crisis.

Apart from liquidity management and regulatory compliance, AnHua always strives to maintain a comfortable liquidity cushion as a safety net for coping with unexpected large funding requirements and to maintain a contingency plan to be enacted should there be a company specific crisis.

The following table details the remaining contractual obligations for its non-derivative financial liabilities based on the agreed repayment terms. It has been drawn up based on the undiscounted cash flows of financial liabilities by reference to the earliest date on which AnHua can be required to pay and includes both interest and principal cash flows and insurance contract liabilities of AnHua based on the estimated timing of the net cash outflows.

	1 year or less *RMB'000*	5 years or less but over 1 year *RMB'000*	Total undiscounted cash flows *RMB'000*	Carrying value at 31 December *RMB'000*
At 31 December 2012				
Insurance payables	204,346	–	204,346	204,346
Insurance contract liabilities	882,797	99,190	981,987	981,987
Other liabilities	321,207	–	321,207	321,207
	1,408,350	99,190	1,507,540	1,507,540
At 31 December 2013				
Securities sold under agreements to repurchase	129,020	–	129,020	125,820
Insurance payables	464,279	–	464,279	464,279
Insurance contract liabilities	1,045,111	83,780	1,128,891	1,128,891
Other liabilities	609,831	–	609,831	609,831
	2,248,241	83,780	2,332,021	2,328,821
At 31 December 2014				
Insurance payables	645,984	–	645,984	645,984
Insurance contract liabilities	1,429,629	110,142	1,539,771	1,539,771
Other liabilities	671,106	–	671,106	671,106
	2,746,719	110,142	2,856,861	2,856,861

(5) Operational risk

Operational risk is the risk of loss resulting from inadequate or failure of proper internal controls on business processes, employees and systems or from uncontrollable external events. AnHua is exposed to many types of operational risks in the conduct of its business from inadequate or failure to obtain proper authorisations, supporting documentation and ensuring operational and informational security procedures as well as from fraud or errors by employees. AnHua attempts to manage operational risk by establishing clear policies and requiring well documented business processes to ensure that transactions are properly authorised, supported and recorded.

(6) Capital management

AnHua's key business operations are it's agricultural insurance business, the property and casualty insurance business and the reinsurance business. AnHua manages its capital requirements by assessing shortfalls, if any, between the reported and the required capital levels on a regular basis. Adjustments to current capital levels are made in light of changes in economic conditions and risk characteristics of AnHua's activities. In order to maintain or adjust the capital structure, AnHua may adjust the amount of dividends paid, return capital to ordinary shareholders or issue capital securities.

AnHua complied with the externally imposed capital requirements as at 31 December 2012, 2013 and 2014 and no changes were made to its capital base, objectives, policies and processes from 2011.

The table below summaries the minimum regulatory capital for AnHua.

	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
Regulatory capital held	940,773	965,000	1,008,471
Minimum regulatory capital	364,826	369,068	416,277
Solvency margin ratio	258%	261%	242%

36 CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) Classification of financial instruments

The following table sets out the carrying values of AnHua's major financial instruments by classification:

	Carrying values		
	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
Financial assets			
Available-for-sale financial assets			
– Bonds	–	133,922	102,015
– Wealth management products	675,102	510,000	491,284
– Investment funds	567,606	426,694	781,284
– Equity securities	–	312,622	194,494
Held-to-maturity investments			
– Fixed maturity investments	148,793	149,668	70,093
Loans and receivables			
– Cash and amounts due from banks and other financial institutions	768,690	986,020	1,103,517
– Statutory deposits	166,000	166,000	211,500
– Securities purchased under agreements to resell	–	130,000	244,000
– Premium receivables	111,911	25,980	134,030
– Reinsurers' share of insurance liabilities	5,136	13,347	65,226
– Other assets	97,676	515,586	580,850
Total financial assets	2,540,914	3,369,839	3,978,293

	Carrying values		
	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
Financial liabilities			
Securities sold under agreement to repurchase	–	125,820	–
Insurance payables	204,346	464,279	645,984
Insurance contract liabilities	981,987	1,128,891	1,539,771
Other liabilities	321,207	609,831	671,106
Total financial liabilities	1,507,540	2,328,821	2,856,861

Fair value of financial assets and liabilities not carried at fair value

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not recorded at fair value in the financial statements, i.e., held-to-maturity and loans and receivables.

Financial assets and liabilities for which fair value approximates to carrying value

For financial assets and financial liabilities that have a short term maturity (less than one year), it is assumed that the carrying amounts approximate to their fair values. This assumption is also applied to term deposits, and savings accounts without a specific maturity. For other variable rate instruments, an adjustment is also made to reflect the change in the market rate since the instrument was first recognised.

Fixed rate financial instruments

The fair value of fixed rate financial assets and liabilities carried at amortised cost is estimated by comparing market interest rates when they were first recognised with current market rates for similar financial instruments. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing money market interest rates for financial products with similar credit risk and maturity. For those debts issued where quoted market prices are not available, a discounted cash flow model is used based on a current interest rate yield curve appropriate for the remaining term to maturity and credit spreads.

(b) Determination of fair value and fair value hierarchy

AnHua uses the following hierarchy for determining and disclosing the fair values of financial instruments by valuation techniques:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, pricing service agents, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The primary quoted market price used for financial assets held by AnHua is the current bid price. Financial instruments included in Level 1 comprise primarily equity investments, fund investments (listed and unlisted), bond investments and wealth management products traded on stock exchanges and open-ended mutual funds and financial institutions;

Level 2: other valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates;

Level 3: valuation techniques which use any inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The level of fair value calculation is determined by the lowest level input with material significant in the overall calculation. As such, the significance of the input should be considered from an overall perspective in the calculation of fair value.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	At 31 December 2012			
	Level 1	**Level 2**	**Level 3**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Available-for-sale financial assets				
Equity securities	567,606	–	–	567,606
Wealth management products	675,102	–	–	675,102
Total financial assets	1,242,708	–	–	1,242,708

	At 31 December 2013			
	Level 1	**Level 2**	**Level 3**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Available-for-sale financial assets				
Wealth management products	510,000	–	–	510,000
Bonds	133,922	–	–	133,922
Equity investment funds	426,694	–	–	426,694
Equity securities	312,622	–	–	312,622
Total financial assets	1,383,238	–	–	1,383,238

	At 31 December 2014			
	Level 1	**Level 2**	**Level 3**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Available-for-sale financial assets				
Wealth management products	491,284	–	–	491,284
Bonds	102,015	–	–	102,015
Equity investment funds	781,284	–	–	781,284
Equity securities	194,494	–	–	194,494
Total financial assets	1,569,077	–	–	1,569,077

During the years 2012, 2013 and 2014, there were no transfers among the individual level of fair value measurements.

37 TRANSFERRED FINANCIAL ASSETS

AnHua enters into transactions in the normal course of business by which it transfers recognised financial assets to third parties or to structured entities. In some cases where these transfers may give rise to full or partial derecognition of the financial assets concerned. In other cases where the transferred financial assets do not qualify for derecognition as AnHua has retained substantially all the risks and rewards of these financial assets, AnHua continued to recognise the transferred financial assets.

Transferred financial assets that do not qualify for derecognition include securitised loans and debt securities held by counterparties as collateral under repurchase agreement.

The following table analyses the carrying amount of the abovementioned financial assets transferred to third parties that did not qualify for derecognition and their associated financial liabilities:

	2012		2013		2014	
	Carrying amount assets	Carrying amount associate liabilities	Carrying amount assets	Carrying amount associate liabilities	Carrying amount assets	Carrying amount associate liabilities
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Repurchase transactions	–	–	137,000	125,820	–	–

38 CONTINGENT LIABILITIES

Other than those incurred in the normal course of AnHua's insurance businesses, there was no outstanding litigation nor any other contingent liabilities as of 31 December 2012, 2013 and 2014.

39 NON-CASH TRANSACTION

On 30 December 2013, AnHua issued 103,000,000 at par to its existing shareholders amounted to RMB103,000,000 by capitalised AnHua's retained profits of RMB103,000,000 and on 4 November 2014, AnHua issued 124,500,000 at par to its existing shareholders amounted to RMB124,500,000 by capitalised AnHua's retained profits of RMB124,500,000. Details are set out in Note 27.

B. SUBSEQUENT EVENTS

There is no subsequent events after the end of the reporting period.

C. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by AnHua in respect of any period subsequent to 31 December 2014.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Chan Wing Kit
Practising Certificate Number: P03224

Hong Kong

The information set forth in this appendix does not form part of the Accountant's Report received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, as set forth in Appendix IA to this prospectus, and is included herein for illustrative purpose only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountant's Report set forth in Appendix IA to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative statement of the unaudited pro forma adjusted consolidated net tangible assets which has been prepared in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the effect of the Global Offering as if it had taken place on December 31, 2014 and based on the consolidated net tangible assets attributable to equity holders of the Company as at December 31, 2014 as shown in the Accountant's Report, the text of which is set out in Appendix IA to this prospectus, and adjusted as described below.

This unaudited pro forma adjusted consolidated net tangible assets has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Global Offering been completed as at December 31, 2014 or at any future date.

	Audited consolidated net tangible assets attributable to equity holders of the Company as at December 31, 2014(1)	**Estimated net proceeds from the Global Offering**(2)	**Unaudited pro forma adjusted consolidated net tangible assets attributable to equity holders of the Company**	**Unaudited pro forma adjusted consolidated net tangible assets per Share**	
		(RMB'000)		*(RMB)*(3)	*(HK$)*(5)
Based on the Offer Price of HK$39.80 per Share	13,669,918	10,679,150	24,349,068	10.35	13.11
Based on the Offer Price of HK$43.00 per Share	13,669,918	11,549,953	25,219,871	10.72	13.58

Notes:

(1) The audited consolidated net tangible assets attributable to equity holders of the Company as at December 31, 2014 is extracted from the Accountant's Report set forth in Appendix IA to the prospectus, which is based on the audited consolidated net assets attributable to equity holders of the Company as at December 31, 2014 of RMB31,985.9 million with an adjustment for the intangible assets attributable to equity holders of the Company as at December 31, 2014 of RMB18,315.9 million.

(2) The estimated net proceeds from the Global Offering are based on the indicative Offer Price of HK$39.80 and HK$43.00 per Share, being the lower end to higher end of the stated offer price range, respectively, after deduction of the underwriting fees and other related expenses payable by the Company, and do not take into account of any Shares that may be issued pursuant to the Over-Allotment Option.

(3) The unaudited pro forma adjusted consolidated net tangible assets per Share are determined after the adjustments as described in note (2) above and on the basis that 2,352,944,000 Shares are in issue, assuming the Global Offering had been completed on December 31, 2014 but takes no account of any shares which may fall to be issued upon the exercise of the Over-Allotment Option. The audited consolidated net assets attributable to equity holders of the Company as at December 31, 2014 was RMB31,985.9 million. After the adjustments as described in note (2) above and on the basis that 2,352,944,000 Shares are in issue, assuming the Global Offering had been completed on December 31, 2014 but takes no account of any shares which may fall to be issued upon the exercise of the Over-Allotment Option, the unaudited pro forma adjusted consolidated net assets per Share would be RMB18.13 (equivalent to HK$22.97) and RMB18.50 (equivalent to HK$23.44) based on the Offer prices of HK$39.80 and HK$43.00, respectively.

(4) No adjustments have been made to the unaudited pro forma adjusted consolidated net tangible assets to reflect any trading results or other transactions of the Group entered into subsequent to December 31, 2014.

(5) For the purpose of this unaudited pro forma adjusted net tangible assets, the balance stated in Renminbi is converted into Hong Kong dollars at a rate of HK$1.00 to RMB0.7892. No representation is made that Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.

B. REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

pwc 羅兵咸永道

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION INCLUDED IN A PROSPECTUS

TO THE DIRECTORS OF LEGEND HOLDINGS CORPORATION

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Legend Holdings Corporation (the "Company") and its subsidiaries (collectively the "Group") by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets of the Group as at December 31, 2014, and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages II-1 to II-2 of the Company's prospectus dated June 16, 2015, in connection with the proposed initial public offering of the shares of the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described on pages II-1 to II-2 of the Company's prospectus.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the proposed initial public offering on the Group's financial position as at December 31, 2014 as if the proposed initial public offering had taken place at December 31, 2014. As part of this process, information about the Group's financial position has been extracted by the directors from the Group's financial information for the year ended December 31, 2014, on which an accountant's report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, ***www.pwchk.com***

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus", issued by the HKICPA. This standard requires that the reporting accountant complies with ethical requirements and plans and performs procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the proposed initial public offering at December 31, 2014 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and

- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

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

Our work has not been carried out in accordance with auditing standards or other standards and practices generally accepted in the United States of America or auditing standards of the Public Company Accounting Oversight Board (United States) and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, June 16, 2015

The following is the text of a letter, summary of values and valuation certificates prepared for the purpose of incorporation in this prospectus received from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer, in connection with its valuation as at 30 April 2015 of the selected property interests held by Legend Holdings Corporation.

JLL 仲量聯行

Jones Lang LaSalle Corporate Appraisal and Advisory Limited
6/F Three Pacific Place 1 Queen's Road East Hong Kong
tel +852 2846 5000 fax +852 2169 6001
Licence No.: C-030171

June 16, 2015

The Board of Directors
Legend Holdings Corporation
10F, Tower A, Raycom Info Tech Park
2 Ke Xue Yuan Nan Road
Hai Dian District
Beijing 100190
PRC

Dear Sirs,

In accordance with your instructions to value the selected property interests held by Legend Holdings Corporation (the "**Company**") and its subsidiaries (hereinafter together referred to as the "**Group**") in the People's Republic of China (the "**PRC**"), we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion on the market values of the property interests as at 30 April 2015 (the "**valuation date**").

In accordance with Chapter 5 of the Rules Governing the Listing of Securities issued by the Stock Exchange of Hong Kong Limited (the "Listing Rules"), we classified these properties as the property interest relating to "property activities" which mean holding (directly or indirectly) and/or development of properties for letting or retention as investments, or the purchase or development of properties for subsequent sale, or for subsequent letting or retention as investments. Having considered the implications of Rule 5.01A(1) of the Listing Rules, the selected property interests we valued are those property interests relating to "property activities" except for those with a carrying amount below 1% of the Group's total assets. The total carrying amount of property interests not valued does not exceed 10% of the Group's total assets. Furthermore, we have adopted the below guidance on what constitutes a property interest:–

(a) one or more units in the same building or complex;

(b) one or more properties located at the same address or lot number;

(c) one or more properties comprising an integrated facility;

(d) one or more properties, structures or facilities comprising a property development project (even if there are different phases);

(e) (one or more properties held for investment within one complex;

(f) one or more properties, structures or facilities located contiguously to each other or located on adjoining lots and used for the same or similar operational/business purposes; or

(g) a project or phases of development presented to the public as one whole project or forming a single operating entity.

Our valuation is carried out on a market value basis. Market value is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

We have valued the properties held by the Group for sale and for future development by the comparison approach assuming sale of the property interests in their existing states with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the market. This approach rests on the wide acceptance of the market transactions as the best indicator and pre-supposes that evidence of relevant transactions in the market place can be extrapolated to similar properties, subject to allowances for variable factors.

For the purpose of our valuation, real estate developments for sale are those the Construction Work Completion and Inspection Certificate/Tables or Building Ownership Certificates/Real Estate Title Certificates thereof are issued by the relevant local authorities or are in the process of application, this also includes those property interests which have been contracted to be sold, but the formal assignment procedures of which have not yet been completed; and real estate developments for future development are those the Construction Work Commencement Permits are not issued while the State-owned Land Use Rights Certificates have been obtained, this also includes those property interests which the State-owned Land Use Rights Grant Contract have been signed, but the State-owned Land Use Rights Certificates have not been issued.

We have valued the properties held by the Group for investment by the income approach by taking into account the net rental income of the properties derived from the existing leases and/or achievable in the existing market with due allowance for the reversionary income potential of the leases, which have been then capitalized to determine the fair value at an appropriate capitalization rate. Where appropriate, reference has also been made to the comparable sales transactions as available in the relevant market.

In valuing the property interests that are currently under development, we have assumed that they will be developed and completed in accordance with the latest development proposals provided to us by the Group. In arriving at our opinion of values, we have adopted the comparison approach by making reference to comparable sales evidence as available in the relevant market and have also taken into account the accrued construction cost and professional fees relevant to the stage of construction as at the valuation date and the remainder of the cost and fees expected to be incurred for completing the development. We have relied on the accrued construction cost and professional fees information provided by the Group according to the different stages of construction of the properties as at the valuation date, and we did not find any material inconsistency from those of other similar developments.

For the purpose of our valuation, real estate developments under development are those for which the Construction Works Commencement Permit(s) has (have) been issued while the Construction Works Certified Report(s) or Certificate(s) of Completion of the building(s) have not been issued.

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interests valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their value.

In valuing the property interests, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by the Stock Exchange of Hong Kong Limited; the RICS Valuation – Professional Standards published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors, and the International Valuation Standards published by the International Valuation Standards Council.

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have been shown copies of title documents including State-owned Land Use Rights Certificates, Building Ownership Certificates, Real Estate Title Certificates and other official plans relating to the property interests and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interests in the PRC and any material encumbrance that might be attached to the property interests or any tenancy amendment. We have relied considerably on the advice given by the Company's PRC legal advisers – Jiayuan Law Offices, concerning the validity of the property interests in the PRC.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory and that no unexpected cost and delay will be incurred during construction. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the property is free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

Inspection of the properties was carried out in December 2014 and March 2015 by Ms. Kathy Hao, who is a member of Royal Institution of Chartered Surveyor and has 16 years' experience in the property valuation in the PRC and Ms. Chris Yu who is a China Certified Real Estate Appraiser and has 7 years' experience in the property valuation in the PRC.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive an informed view, and we have no reason to suspect that any material information has been withheld.

All monetary figures stated in this report are in Renminbi (RMB).

Our summary of values and valuation certificates are attached below for your attention.

Yours faithfully,
For and on behalf of
Jones Lang LaSalle Corporate Appraisal and Advisory Limited
Eddie T. W. Yiu
MRICS MHKIS RPS (GP)
Director

Note: Eddie T.W. Yiu is a Chartered Surveyor who has 21 years' experience in the valuation of properties in Hong Kong and the PRC as well as relevant experience in the Asia-Pacific region.

SUMMARY OF VALUES

Group I: Completed Properties held for sale in the PRC

Group II: Completed Properties held for investment by the Group in the PRC

Group III: Properties held under development by the Group in the PRC

Group IV: Properties held for future development by the Group in the PRC

–: Not Available or Not Applicable

No.	Property[1]	Market value in existing state as at the valuation date *RMB* **Group I:**	Market value in existing state as at the valuation date *RMB* **Group II:**	Market value in existing state as at the valuation date *RMB* **Group III:**	Market value in existing state as at the valuation date *RMB* **Group IV:**	The total market value of the property in existing state as at the valuation date *RMB*
1.	Project Wisdom Castle (千章嘉園) located at Northeast of 5th Ring Road Tongzhuang Town Tongzhou District Beijing	1,009,002,000	–	1,026,000,000	542,165,000	2,577,167,000
2.	Blocks A, B and C of Raycom Info Tech Centre (融科資訊中心) No. 2 Kexueyuan South Road Zhong Guan Cun Haidian District Beijing	–	10,583,000,000	–	–	10,583,000,000
3.	Project Hefei Raycom City (合肥融科城) located at South of Shisun Road and West of Feicui Road, Econ-Tech Development Zone Hefei City Anhui Province	455,000,000	–	1,270,000,000	No commercial value[2]	1,725,000,000[3]
	Total:	1,464,002,000	10,583,000,000	2,296,000,000	542,165,000	14,885,167,000[3]

Notes:

(1) Each property does not include the portions that have been sold out and legally transferred to purchasers before the valuation date of which the sale proceeds have already been recognized as revenue.

(2) For the three parcels of land of property no. 3 without proper title certificates, we have not attributed commercial value to them. However, for reference purpose only, we are of the opinion that the market value of these land parcels as at the valuation date would be RMB2,743,000,000 assuming their title certificates have been obtained and they can be freely transferred by the Group and there is no legal impediment and onerous cost in obtaining the title certificates.

(3) The total market value of property no. 3 does not include the market value for reference for the three parcels of land of property no. 3 (without proper title certificates) as stated in note 2.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date *RMB*
1.	Project Wisdom Castle (千章嘉園) located at Northeast of 5th Ring Road, Songzhuang Town Tongzhou District Beijing	Project Wisdom Castle is located at the junction of Tongshun Road and Yaoguan Road. It is close to Jingping Expressway and 6th Ring Road and well-served with traffic facilities. The surrounding environment is a high-rise residential area with schools, retail stores and parks. It occupies a parcel of land with a site area of approximately 117,671.646 sq.m. which will be developed into a residential development with townhouses, retail component and car parking spaces. Upon completion, Project Wisdom Castle will have a total gross floor area of approximately 236,488.73 sq.m. Phases I and II were completed in 2013 and 2014 respectively, Phase III is currently under construction and is scheduled to be completed in December 2015 and the construction of Phase IV has not commenced. As advised by the Group, the total development cost of Phase III is estimated to be approximately RMB1,062,147,000, of which RMB751,703,000 had been paid up to the valuation date. The property comprises the unsold units of Phases I and II, the whole of Phase III and Phase IV, the gross floor area of which is set out in note 6. The land use rights of the property have been granted for terms expiring on 12 September 2080 for residential use, 12 September 2060 for car parking use and 12 September 2050 for retail use.	The unsold units of Phases I and II are currently for sale, Phase III is currently under construction and Phase IV is bare land for future development.	2,577,167,000

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate – Jing Tong Guo Yong (2012 Chu) Di No. 00026 (京通國用(2012出)第00026號), the land use rights of a parcel of land with a site area of approximately

117,671.646 sq.m. have been granted to Beijing Raycom Sunshine Real Estate Development Co., Ltd. (北京融科陽光房地產開放有限公司, "**Raycom Sunshine**", an indirectly 75%-owned subsidiary of the Group) for terms expiring on 12 September 2080 for residential use, 12 September 2060 for car parking use and 12 September 2050 for retail use.

2. Pursuant to 4 Construction Work Planning Permits – 2011 Gui (Tong) Jian Zi Di No. 0131, 2013 Gui (Tong) Jian Zi Di Nos. 0060 and 0191, 2014 Gui (Tong) Jian Zi Di No. 0011 in favour of Raycom Sunshine, Project Wisdom Castle (comprising Phases I to IV) with a total gross floor area of approximately 236,488.73 sq.m. has been approved for construction.

3. Pursuant to 5 Construction Work Commencement Permits – 2011 Shi Jian Zi Nos. 0849, 2013 Shi Jian Zi Nos. 0429 and 0458, 2014 Shi Jian Zi Nos. 0111 and 0112 in favour of Raycom Sunshine, permission by the relevant local authority was given to commence the construction of Project Wisdom Castle (comprising Phases I to III) with a total gross floor area of approximately 186,214.71 sq.m.

4. Pursuant to 3 Pre-sales Permits – Jing Fang Shou Zheng Zi (2012) No. 145, Jing Fang Shou Zheng Zi (2013) No. 128 and Jing Fang Shou Zheng Zi (2014) No. 140 in favour of Raycom Sunshine, the Group is entitled to sell portions of Project Wisdom Castle (representing a total gross floor area of approximately 141,862.76 sq.m.) to purchasers.

5. Pursuant to 3 Construction Work Completion and Inspection Certificates/Tables – 1015 Tong Jun 2013 (Jian) No. 0113, 1210 Tong Jun 2014 (Jian) No. 0108 and 1210 Tong Jun 2014 (Jian) No. 0109 in favour of Raycom Sunshine, the construction of Phases I and II with a total gross floor area of approximately 115,388.11 sq.m. has been completed and passed the inspection acceptance.

6. According to the information provided by the Group, the gross floor area of the property is set out as below:

Phase	**Usage**	**Gross Floor Area** *(sq.m.)*	**Nos. of Car parking space**
Phase I	Residential	2,770.09	
(Unsold portion only)	Retail	3,401.60	
	Ancillary	568.40	
	Car parking spaces	505.31	31
	Sub-total:	**7,245.40**	**31**
Phase II	Residential	28,512.48	
(Unsold portion only)	Car parking spaces	4,204.80	292
	Sub-total:	**32,717.28**	**292**
Phase III	Residential	53,080.32	
(Planned)	Ancillary	12,555.38	
	Car parking spaces	5,190.90	363
	Sub-total:	**70,826.60**	**363**
Phase IV	Residential	37,476.00	
(Planned)	Ancillary	2,775.58	
	Car parking spaces	10,022.44	165
	Sub-total:	**50,274.02**	**165**
	Grand-total:	**161,063.30**	**851**

7. As advised by the Group, 42 residential units with a total gross floor area of approximately 14,523 sq.m. and 16 car parking spaces of Phases I and II have been pre-sold to various third parties at a total consideration of RMB414,595,318. Such portions of the property have not been legally and virtually transferred and therefore we have included the units in our valuation. In arriving at our opinion on the market value of the property, we have taken into account the contracted prices of such portions of the property.

8. The market value of Phase III as if completed as at the valuation date is estimated to be approximately RMB1,657,686,000.

9. Our valuation has been made on the following basis and analysis:

   a. we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the property. The unit price of these comparable properties ranges from RMB24,700 to RMB31,000 per sq.m. for residential units and RMB50,000 per space for car parking spaces. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the property to arrive at an assumed unit rate for the property.

   b. we have also made reference to sales prices of land within the locality which have the similar characteristics comparable to the property. The accommodation value of these comparable land sites ranges from RMB13,700 to RMB24,500 per sq.m.. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the property to arrive at our assumed unit rate.

10. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:

    a. the Group has paid the land premium in respect of the property in full and obtained the State-owned Land Use Rights Certificate; and the Group is entitled to occupy, use, lease, mortgage, transfer or otherwise dispose of the site of the property; and

    b. the Group has obtained the requisite approvals in respect of the development, construction and sale of the property from local authorities and the approvals are legal and valid.

11. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Certificate	Yes
b.	Construction Work Planning Permit	Yes
c.	Construction Work Commencement Permit	Yes
d.	Pre-sale Permit	Portion
e.	Construction Work Completion and Inspection Certificate/Table	Portion

12. The property is categorized into the following groups according to the purpose for which it is held, the market value of each group in its existing state as at the valuation date is set out as below:

Group	**Phase**	**Market value in existing state as at the valuation date** *(RMB)*
Group I – held for sale by the Group	Phases I and II	1,009,002,000
Group II – held for investment by the Group	–	–
Group III – held under development by the Group	Phase III	1,026,000,000
Group IV – held for future development by the Group	Phase IV	542,165,000
Grand-total:		**2,577,167,000**

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date *RMB*
2.	Blocks A, B and C of Raycom Info Tech Centre (融科資訊中心) located at No. 2 Kexueyuan South Road Zhong Guan Cun Haidian District Beijing	Raycom Info Tech Centre is located at the western side of Kexueyuan South Road and well-served with public transportation with a metro station on the south. The property comprises Blocks A, B and C of a composite project named Raycom Info Tech Centre occupying 3 parcels of land with a total site area of approximately 42,516.57 sq.m. Block A is a 10-storey (plus a 2-storey basement) office/retail building which was completed in 2001. Block C is a 17-storey (plus a 2-storey basement) office/retail building which was completed in 2004. Blocks A and C has a total gross floor area of approximately 133,182.51 sq.m., inclusive of the underground portions. Block B is an 18-storey (plus a 4-storey basement) office/retail building having a total gross floor area of approximately 96,983 sq.m. Block B was completed in March 2015. The land use rights of Blocks A and C have been granted for terms expiring on 20 November 2051 and 10 September 2053 respectively for office and car parking uses. The land use rights of Block B have been granted for a term expiring on 28 November 2057 for commercial and financial (including office, car parking and underground composite) uses.	Blocks A and C are leased to various tenants for office or retail purposes except for a portion which is occupied by the Group for office use. Portions of Block B are leased to various tenants for office purpose and the remaining portion is vacant for lease.	10,583,000,000

Notes:

Blocks A and C

1. Pursuant to 2 State-owned Land Use Rights Certificates – Jing Shi Hai Qi Guo Yong (2007 Chu) Di No. 10139 and Jing Shi Hai Guo Yong (2007 Zhuan) Di No. 3994, the land use rights of 2 parcels of land with a total site area of approximately 27,128.39 sq.m. have been granted to Raycom Property Investment Co., Ltd. (融科物業投資有限公司, "**Raycom Property Investment**") for terms expiring on 20 November 2051 and 10 September 2053 respectively for office and car park uses.

2. Pursuant to 2 Building Ownership Certificates – Jing Fang Quan Zheng Shi Hai Qi Zi Di No. 10188 and Jing Fang Quan Zheng Hai Qi Yi Zi Di No. 0095811, the property with a total gross floor area of approximately 133,182.51 sq.m. (inclusive of 102,264.14 sq.m. for aboveground and 30,918.37 sq.m. for underground) is owned by Raycom Property Investment.

3. Pursuant to 166 Tenancy Agreements, portions of the property with a total lettable area of approximately 110,981.21 sq.m. were leased to various tenants with the expiry date between 15 June 2015 and 31 May 2021 at a monthly rental ranging from RMB30 to RMB380 per sq.m. The total monthly rental passing as at the valuation date was approximately RMB27 million.

Block B

4. Pursuant to a State-owned Land Use Rights Certificate – Jing Shi Hai Guo Yong (2013 Chu) Di No. 00275, the land use rights of a parcel of land with a site area of approximately 15,388.18 sq.m. have been granted to Raycom Real Estate Development Co., Ltd. (北京融科智地房地產開發有限公司, "**Raycom Real Estate**") for a term expiring on 28 November 2057 for commercial and financial (including office, car parking and underground composite) uses.

5. Pursuant to a Construction Work Planning Permit – Jian Zi Di No. 110108201100195 in favour of Raycom Raycom Real Estate, Block B with a total gross floor area of approximately 96,983 sq.m. (inclusive of 58,133 sq.m. for aboveground and 38,850 sq.m. for underground) has been approved for construction.

6. Pursuant to a Construction Work Commencement Permit – 2011 Shi Hai Jian Zi No. 0180 in favour of Raycom Real Estate, permission by the relevant local authority was given to commence the construction of Block B with a total gross floor area of approximately 96,983 sq.m.

7. Pursuant to a Pre-sales Permit – Jing Fang Shou Zheng Zi (2014) No. 11 in favour of Raycom Real Estate, the Group is entitled to sell portions of Block B (representing a total gross floor area of approximately 66,719.70 sq.m.) to purchasers.

8. Pursuant to a Construction Work Completion and Inspection Certificates/Tables – No. 0233 Hai Jun 2015 (Jian) 0025 in favour of Raycom Real Estate, the Construction of Block B with a total gross floor area of approximately 96,983 sq.m. has been completed and passed the inspection acceptance. As advised by Raycom Real Estate, the Building Ownership Certificate of Block B is in the process of application.

9. Our valuation has been made on the following basis and analysis:

   a. we have considered the actual rents in the existing tenancy agreements and also compared with similar developments as the subject property for the calculation of market rent in considering (1) the reversionary rental income after the expiry of the existing leases for occupied area; and (2) the rental income of vacant area;

   b. the daily unit rents of these comparable properties range from RMB10.33 to RMB12 per sq.m. for office units and RMB5 to RMB6.5 per sq.m. for underground retail portion on lettable area basis exclusive of management fee, and the monthly rent of the comparable car parking spaces is RMB850 per lot exclusive of management fee;

c. appropriate adjustments and analysis are considered to the differences in location, decoration, maintenance condition and other characters between the comparable properties and the property to arrive at the average market unit rent. The market rents we have assumed in our valuation are RMB10.85 per sq.m. per day for office portion, RMB5.82 per sq.m. per day for underground retail portion and RMB850 per lot per month for car parking spaces; and

d. based on our research on office and retail markets in the similar area of the property, the stabilized market yield ranges from 4.5% to 7% as at the valuation date. Considering the location and other characteristics of the property, we have applied market yields of 5.5% for office and retail portions and 4% for car parks of the property as the capitalization rates in the valuation.

10. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:

a. the Group has paid the land premium in respect of the property in full and obtained the relevant State-owned Land Use Rights Certificates; and the Group is entitled to occupy, use, lease, mortgage, transfer or otherwise dispose of the site of the property; and

b. The Group has obtained the relevant Building Ownership Certificates and has the rights to occupy, use, transfer, donate, lease and mortgage the property.

11. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Certificate	Yes
b.	Building Ownership Certificate	Portion
c.	Construction Work Planning Permit	Yes
d.	Construction Work Commencement Permit	Yes
e.	Pre-sale Permit	Portion
f.	Construction Work Completion and Inspection Certificate/Table	N/A

12. The property is categorized into the following groups according to the purpose for which it is held, the market value of each group in its existing state as at the valuation date is set out as below:

Group	**Block**	**Market value in existing state as at the valuation date** *(RMB)*
Group I – held for sale by the Group	–	–
Group II – held for investment by the Group	Blocks A, B and C	10,583,000,000
Group III – held under development by the Group	–	–
Group IV – held for future development by the Group	–	–
Grand-total:		**10,583,000,000**

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date *RMB*
3.	Project Hefei Raycom City (合肥融科城) located at South of Shisun Road and West of Feicui Road Econ-Tech Development Zone Hefei City Anhui Province	Project Hefei Raycom City is located at southwest corner of Shisun Road and Feicui Road. The surrounding environment is a residential area with parks, retail stores and commercial buildings. It occupies 5 parcels of land with a total site area of approximately 401,594.59 sq.m. which will be developed into a residential and commercial development. Upon completion, Project Hefei Raycom City will have a total gross floor area of approximately 1,841,001.14 sq.m. Phase I was completed in early 2015, Phase II is currently under construction and is scheduled to be completed in October 2015 and the construction of Phases III to VI has not commenced. As advised by the Group, the total development cost of Phase II is estimated to be approximately RMB1,288,070,000, of which RMB827,340,000 had been paid up to the valuation date. The property comprises the unsold units of Phase I and the whole of Phases II to VI, the gross floor area of which is set out in note 7. The land use rights of Phases I and II have been granted for a term expiring on 31 December 2082 for residential use. The land use rights of Phases III to VI were contracted to be granted for a term of 70 years for residential use.	The unsold units of Phase I are currently for sale, Phase II is currently under construction and Phases III to VI are bare land for future development.	1,725,000,000*

Notes:

1. Pursuant to 2 State-owned Land Use Rights Grant Contracts dated 30 August 2012 and 6 Supplemental Agreements, (a) the land use rights of 3 parcels of land (comprising Phases I, II and IV to VI) with a total site area of approximately 346,533.19 sq.m. were contracted to be granted to Hefei Lianchuang Zhirong Real Estate Development Co., Ltd. ("**Hefei LCZR Real Estate**") for a term of 70 years for residential use; (b) the land use rights of a parcel of land (part of Phase III) with a site area of approximately 26,320.86 sq.m. were contracted to be granted to Hefei Lianchuang Zhirong Investment and Management Co., Ltd. ("**Hefei LCZR Investment**") for a term of 70 years for residential use; and (c) the land use rights of a parcel of land (another part of Phase III) with a site area of approximately 28,740.54 sq.m. were contracted to be granted to Hefei Lianchuang Zhidi Investment and Management Co., Ltd. ("**Hefei LCZD Investment**") for a term of 70 years for residential use. The total land premium was RMB2,864,548,750.45. As advised by the Group, the land premium has been fully paid.

2. Pursuant to 2 State-owned Land Use Rights Certificates – He Jing Kai Guo Yong (2013) Di Nos. 030 and 054, the land use rights of 2 parcels of land with a total site area of approximately 150,418.51 sq.m. have been granted to Hefei LCZR Real Estate for terms expiring on 31 December 2082 for residential use.

3. Pursuant to 39 Construction Work Planning Permits – He Gui Jing Jian Min Xu (2013) Nos. 0026 to 0034, 0052 to 0058, 0170, 0171 and He Gui Jing Jian Min Xu (2014) Nos. 021 to 029, 041, 042, 053, 062 to 069, 125 in favour of Hefei LCZR Real Estate, Phases I and II with a total gross floor area of approximately 608,498.81 sq.m. have been approved for construction.

4. Pursuant to 9 Construction Work Commencement Permits – Nos. 013113042400465, 013113042800487, 013113092601259, 013113092601260, 34013314011402S01 to 34013314011402S03, 34013314021401S04 and 34013314041102S01 in favour of Hefei LCZR Real Estate, permission by the relevant local authority was given to commence the construction of Phases I and II with a total gross floor area of approximately 608,398.14 sq.m.

5. Pursuant to 30 Pre-sales Permits – He Fang Yu Shou Zheng Di Nos. 20130308 to 20130310, 20130324, 20130410, 20130412, 20130473, 20130474, 20130516, 20130601, 20130602, 20130702, 20130703, 20130832, 20130833, 20140201 to 20140203, 20140223, 20140309, 20140310, 20140318, 20140423, 20140491, 20140570, 20140747, 20141020 and 20150258 to 20150260 in favour of Hefei LCZR Real Estate, the Group is entitled to sell portions of Phases I and II (representing a total gross floor area of approximately 483,264.36 sq.m.) to purchasers.

6. Pursuant to 18 Construction Work Completion and Inspection Certificates/Tables – Nos. 34013314101401J01 to 34013314101401J08, 34013314101401J13 to 34013314101401J15 and 3401331501120101-JX-002 to 3401331501120101-JX-008 in favour of Hefei LCZR Real Estate, the construction of Phase I with a total gross floor area of approximately 320,025.01 sq.m. has been completed and passed the inspection acceptance.

7. According to the information provided by the Group, the gross floor area of the property is set out as below:

Phase	**Usage**	**Gross Floor Area** *(sq.m.)*	**Nos. of Car parking space**
Phase I	Residential	24,668.97	
(Unsold portion only)	Retail	9,708.1	
	Car parking spaces	36,538.18	1,596
	Sub-total:	**70,915.25**	**1,596**
Phase II	Residential	243,036.60	
(Planned)	Retail	13,896.56	
	Ancillary	10,134.05	
	Car parking spaces	26,620.57	1,347
	Sub-total:	**293,687.78**	**1,347**
Phase III	Commercial	297,000.00	
(Planned)	Ancillary	40,000.00	
	Car parking spaces	47,000.00	1,040
	Sub-total:	**384,000.00**	**1,040**

Phase	Usage	Gross Floor Area *(sq.m.)*	Nos. of Car parking space
Phases IV to VI (Planned)	Residential	667,210.00	
	Retail	21,858.00	
	Ancillary	49,531.00	
	Car parking spaces	96,307.00	3,593
	Sub-total:	**834,906.00**	**3,593**
	Grand-total:	**1,583,509.03**	**7,576**

8. As advised by the Group, (i) various residential units of Phase I (comprising a total gross floor area of approximately 4,035.90 sq.m.) and various units of Phase II (comprising a total gross floor area of approximately 140,399.03 sq.m.) have been pre-sold to various third parties at a total consideration of RMB1,226,629,705. Such portions of the property have not been legally and virtually transferred and therefore we have included the units in our valuation. In arriving at our opinion on the market value of the property, we have taken into account the contracted prices of such portions of the property.

9. The market value of Phase II as if completed as at the valuation date is estimated to be approximately RMB2,376,642,000.

10. Our valuation has been made on the following basis and analysis:

    a. we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the property. The unit price of these comparable properties ranges from RMB6,900 to RMB8,800 per sq.m. for residential units, RMB14,500 to RMB19,000 per sq.m. for retail units and RMB50,000 to RMB80,000 per space for car parking spaces. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the property to arrive at an assumed unit rate for the property.

    b. we have also made reference to sales prices of land within the locality which have the similar characteristics comparable to the property. The accommodation value of these comparable land sites ranges from about RMB1,300 to RMB1,900 per sq.m. for commercial use and RMB2,800 to RMB3,700 per sq.m. for residential use. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the property to arrive at our assumed unit rate.

11. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:

    a. the Group has paid the land premium in respect of the 2 parcels of land mentioned in note 2 in full and obtained the State-owned Land Use Rights Certificates; and the Group is entitled to occupy, use, lease, mortgage, transfer or otherwise dispose of the 2 parcels of land;

    b. the Group has obtained the requisite approvals in respect of the development, construction and sale of the property from local authorities and the approvals are legal and valid; and

    c. For the remaining 3 parcels of land with a total site area of approximately 251,176.08 sq.m., the Group has signed the relevant the State-owned Land Use Rights Grant Contracts with the local authority; and the State-owned Land Use Rights Grant Contracts are legal and valid.

12. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Grant Contract	Yes
b.	State-owned Land Use Rights Certificate	Portion
c.	Construction Work Planning Permit	Portion
d.	Construction Work Commencement Permit	Portion
e.	Pre-sale Permit	Portion
f.	Construction Work Completion and Inspection Certificate/Table	Portion

13. The property is categorized into the following groups according to the purpose for which it is held, the market value of each group in its existing state as at the valuation date is set out as below:

Group	Market value in existing state as at the valuation date *(RMB)*
Group I – held for sale by the Group	455,000,000
Group II – held for investment by the Group	–
Group III – held under development by the Group	1,270,000,000
Group IV – held for future development by the Group	No commercial value*
Grand-total:	**1,725,000,000**

* In the valuation of this property, as the Group is applying the land use rights certificates to the 3 parcels of land with a total site area of approximately 251,176.08 sq.m., we have not attributed any commercial value to these land parcels. However, for reference purpose, we are of the opinion that the market value of them as at the valuation date would be RMB2,743,000,000 assuming all relevant title certificates have been obtained and they could be freely transferred and there is no legal impediment and onerous cost in obtaining the title certificates.

TAXATION

The following is a summary of certain PRC and Hong Kong tax consequences to investors purchased under the Global Offering and held as capital assets. This summary does not purport to address all material tax consequences of the ownership of H Shares, and does not take into account the specific circumstances of any particular investor, some of which may be subject to special provisions. This summary is based on the tax laws of the PRC and Hong Kong in effect as of the Latest Practicable Date, all of which are subject to change (or changes in interpretation), possibly with retroactive effect.

This section in this prospectus does not address any aspect of Hong Kong or the PRC taxation other than income tax, capital tax, stamp duty, business tax and estate duty. Prospective investors are urged to consult their tax advisors regarding the PRC, Hong Kong and other tax consequences of owning and disposing of H Shares.

PRC Taxation

The following is a discussion of certain PRC tax provisions relating to the ownership and disposal of H Shares purchased in connection with the Global Offering and held by the investors as capital assets. This summary does not purport to address all material tax consequences of the ownership of H Shares and does not take into account the specific circumstances of any particular investors. This summary is based on the PRC tax laws in effect as of the Latest Practicable Date, as well as on *the Arrangement between Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income* (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) signed on August 21, 2006 and *the Second Protocol to Arrangement between Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Prevention of Fiscal Evasion with Respect to Taxes on Income* (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排第二議定書》) signed on January 30, 2008 and *the third Protocol to Arrangement between Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Prevention of Fiscal Evasion with Respect to Taxes on Income* (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排第三議定書》) signed on May 27, 2010 (collectively, the "**Arrangements**"), all of which are subject to change (or changes in interpretation), possibly with retroactive effect.

Dividends

Individual investors

According to *the Individual Income Tax Law of the PRC* (《中華人民共和國個人所得稅法》) (the "**Individual Income Tax Law**") promulgated on September 10, 1980, as amended on October 31, 1993, August 30, 1999, October 27, 2005, June 29, 2007, December 29, 2007, June 30, 2011, and *the Provision for Implementation* of *the Individual Income Tax Law* (《中華人民共和國個人所得稅法實施條例》) (the "**Provision for Implementation**") promulgated on January 28, 1994, as amended on December 19, 2005, February 18, 2008 and July 19, 2011, dividends paid by PRC companies to individuals are ordinarily subject to a PRC withholding tax levied at a flat rate of 20%. For a foreign individual who is not a resident of the PRC, the receipt of dividends from a company in the PRC is normally subject to a withholding tax of 20% unless specifically exempted by the financial department of the State Council or reduced by an applicable tax treaty.

Pursuant to *the Notice on Matters Concerning the Levy and Administration of Individual Income Tax After the Repeal of Guo Shui Fa [1993] No. 45* (《國家稅務總局關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》) (Guo Shui Han [2011] No. 348) promulgated by the SAT on June 28, 2011, if a domestic non-foreign-invested enterprise issues its shares in Hong Kong, its non-PRC resident individual shareholders may be entitled to preferential tax treatment in accordance with the applicable tax treaties between the PRC and the countries in which they are tax residents and the applicable tax arrangements between the Mainland China and Hong Kong (Macau). In general, the distribution of dividends by a domestic non-foreign-invested enterprise whose shares are issued and listed in Hong Kong is subject to withholding at a rate of 10% and there is no need to apply to the tax authorities in the PRC to qualify for this rate. If the tax rate specified in the relevant tax treaty or arrangement is lower than 10%, an individual shareholder who receives dividends may apply for a refund of the excess amount withheld, subject to the approval of the competent tax authority. If an individual shareholder is a resident of a country which has entered into a tax treaty with the PRC and the agreed tax rate is higher than 10% but lower than 20%, his dividend will be subject to income tax at the agreed tax rate. If an individual shareholder is a resident of a country which has not entered into a tax treaty with the PRC, his dividend will be subject to income tax at a tax rate of 20%.

Enterprises

According to *the Enterprise Income Tax Law of the PRC* (《中華人民共和國企業所得稅法》) (the "**EIT Law**") and *the Provision for Implementation of Enterprise Income Tax Law of the PRC* (《中華人民共和國企業所得稅法實施條例》) (the "**Implementation Regulations**"), which both became effective on January 1, 2008, a non-resident enterprise is subject to a 10% enterprise income tax on any income sourced from the PRC provided that such non-resident enterprise does not have an establishment or place of business in the PRC, or where there is an establishment or place of business, there is no connection between the income received and such establishment or place of business. Such withholding tax may be reduced pursuant to an applicable double taxation treaty or arrangement. The aforesaid income tax payable by the non-resident enterprises shall be withheld at source, for which the payer thereof shall be the withholding agent.

According to *the Notice of the State Administration of Taxation Regarding Questions on Withholding Enterprise Income tax on the Dividends Paid by PRC Resident Enterprises to Non-resident Enterprise Shareholders of H Shares* (《國家稅務總局關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》) (Guo Shui Han [2008] No. 897), which became effective on November 6, 2008, PRC enterprises must withhold enterprise income tax at a rate of 10% when they distribute dividends to non-resident enterprise shareholders of H shares. Pursuant to that notice, we intend to withhold tax at 10% from dividends payable to non-PRC resident enterprise holders of H Shares.

Tax Treaties

Investors who are not residents of the PRC and reside in countries that have entered into treaties for the avoidance of double taxation with the PRC or reside in Hong Kong Special Administrative Region or Macau Special Administrative Region may be entitled to a reduction of tax on dividends paid by PRC companies. The PRC has entered into arrangements for the avoidance of double taxation with Hong Kong Special Administrative Region and Macau Administrative Region, and has signed treaties for the avoidance of double taxation with a number of other countries, which include but are not limited to Australia, Canada, France, Germany, Japan, Malaysia, the Netherlands, Singapore, the United Kingdom and the United States. Non-PRC enterprises that are entitled to be taxed at a reduced rate under an applicable income tax treaty or arrangement will be required to apply to the PRC tax authorities for a refund of any amount withheld in excess of the applicable tax rate, and payment of such refund will be subject to the PRC tax authorities approval.

According to *the Arrangement between the Mainland China and Hong Kong for the Avoidance of Double Taxation on Income* (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) signed on August 21, 2006, the PRC Government may impose tax on dividends payable by a PRC company to a Hong Kong resident (including specified natural person and legal entity), but such tax shall not exceed 10% of the gross amount of dividends payable, and in the case where a Hong Kong resident company holds 25% or more of equity interest in a PRC company, such tax shall not exceed 5% of the gross amount of dividends payable by such PRC company.

Furthermore, pursuant to the Circular of the State Administration of Taxation on Relevant Issues relating to the Implementation of Dividend Clauses in Tax Treaty Agreements (國家稅務總局關於執行稅收協定股息條款有關問題的通知), which was promulgated and effective from February 20, 2009, all of the following requirements must be satisfied for a non-resident enterprise shareholder to be entitled to the benefits of an applicable double taxation treaty or arrangement for dividends paid to it by a Chinese resident company: (a) such an entity must be a company as provided in the tax agreement; (b) such an entity must directly own a specified percentage of equity interest and voting shares of the Chinese resident company; and (c) the equity interests of the Chinese resident company directly owned by such an entity, at any time during the twelve months prior to the receipt of dividends, must reach a percentage specified in the tax agreement.

In addition, according to The Administrative Measures for Non-resident Enterprises to Enjoy Treatments under Tax Treaties (Trial) 《(非居民享受稅收協定待遇管理辦法(試行)》) ("**Administrative Measures**") which came into force on October 1, 2009, where a non-resident enterprise (as defined under the PRC tax laws) that receives dividends from a PRC resident enterprise wishes to enjoy the favorable tax benefits under an applicable tax treaty or arrangement, it must submit an application to the competent tax authority. Without being approved, the non-resident enterprise may not enjoy the favorable tax treatments provided in the applicable tax treaty or arrangement.

Taxes related to share transfer

Individual investors

With respect to individual holders of H Shares, *the Individual Income Tax Law* and *Provision for Implementation* generally stipulate that gains derived from the disposition of property shall be subject to income tax at a rate of 20%. In addition, the Provisions stipulate that measures for the levying of individual income tax on gains derived from the sale of equity securities shall be formulated separately by the Ministry of Finance and shall be implemented following approval of the State Council. Under *the Circular Declaring that individual Income Tax Continues to Be Exempted over Individual Income from Transfer of Shares* (《財政部、國家稅務總局關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) (Cai Shui Zi [1998] No. 61) issued by the MOF and the SAT on March 30, 1998, from January 1, 1997, income of individuals from the transfer of shares of listed enterprises was exempted from individual income tax. After the latest amendment to *the Individual Income Tax Law* on June 30, 2011 and *the Provision for Implementation* amended on July 19, 2011 and implemented on September 1, 2011, the SAT has not explicitly stated whether it will continue to exempt individual income tax on income derived by individuals from the transfer of listed shares. However, on December 31, 2009, the MOF, the SAT and the SCRC jointly issued *the Circular on Relevant Issues Concerning the Collection of Individually Income Tax over the Income Received by Individuals from Transfer of Listed Shares Subject to Sales Limitation* (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的通知》) (Cai Shui [2009] No. 167), providing that individuals' income from transferring listed shares on certain domestic exchanges generally will be exempted from the individual income tax, except for the shares of certain specified companies which are subject to sales limitations (as defined in the supplementary notice of such Circular issued on November 10, 2010). As of the Latest Practicable Date, the aforesaid provision has not expressly provided that the above exemption applies to non-PRC resident individuals on the sale of shares of PRC resident enterprises listed on overseas stock exchanges. To our knowledge, in practice, the PRC tax authorities have not sought to collect income tax on non-PRC resident individuals on gains from the sale of listed shares of PRC resident enterprises on overseas stock exchanges. However, there is no assurance that the PRC tax authorities will not change these practices which could result in levying income tax on non-PRC resident individuals on gains from the sale of our H Share. Such tax may be reduced or eliminated pursuant to an applicable tax treaty.

Enterprises

According to the *EIT Law* and *the Implementation Regulations*, a non-resident enterprises shall be subject to 10% enterprise tax for income sourced from the PRC provided that the non-resident enterprises do not have an establishment or place of business in the PRC, or where there is an establishment or place of business, there is no connection between the gains received and such establishment or place of business. Such income tax may be reduced or eliminated pursuant to an applicable double taxation treaty.

PRC stamp duty

PRC stamp duty imposed on the transfer of shares of PRC publicly traded companies should not apply to the acquisition and disposal by non-PRC investors of H Shares outside of the PRC by virtue of *the Provisional Regulations of the PRC Concerning Stamp Duty* (《中華人民共和國印花稅暫行條例》) and *the Rules for Implementation of Provisional Regulations of the PRC Concerning Stamp Duty* (《中華人民共和國印花稅暫行條例施行細則》), which became effective on October 1, 1988 and which provide that PRC stamp duty is imposed only on documents, executed or received within the PRC that are legally binding in the PRC and are protected under PRC law.

Estate duty

No estate duty is imposed by the PRC government.

Certain Taxes Applicable to the Company

Enterprise income tax

In accordance with the Enterprise Income Tax Law of the People's Republic of China ("**EIT Law**") (《中華人民共和國企業所得稅法》) promulgated on March 16, 2007 and the Regulations for the Implementation of the Enterprise Income Tax Law (《企業所得稅法實施條例》) promulgated on December 6, 2007, domestic enterprises and foreign-invested enterprises are subject to enterprise income tax at a uniform rate of 25%. In accordance with pertinent taxation laws and administrative regulations, the EIT Law and its implementation regulations provides for a five-year transition period in respect of enterprises incorporated prior to March 16, 2007 and entitled to concessions in enterprise income tax, so that the applicable tax rates for such enterprises would gradually be standardized at 25%. Enterprises entitled to fixed tax holiday or fixed tax reduction/exemption may continue to enjoy such concessions in the same manner as stipulated by the State Council until the expiration of the tax holiday or the concession period. For enterprises who have not benefited from such concession due to the absence of profit, the concession period started from the effective date of the EIT Law, January 1, 2008.

Business tax

According to *the PRC Provisional Regulations on Business Tax* (《中華人民共和國營業稅暫行條例》) amended on November 10, 2008 and implemented on January 1, 2009 and *the Detailed Implementation Rules on the PRC Provisional Regulations on Business Tax* (《中華人民共和國營業稅暫行條例實施細則》) issued on December 15, 2008, enterprises and individuals that provide labor services, transfer intangible assets or sell real estate within the territory of the PRC as specified by such regulations are subject to a 5% business tax unless they are otherwise exempt. For entities or individuals without a domestic business establishment who provide labour services, transfer intangible assets or sell real estate in the PRC, business taxes must be withheld and paid by their domestic agents on their behalf. For entities or individuals who have not appointed any domestic agents, business taxes must be withheld and paid by the transferees or buyers on their behalf.

Value Added Tax ("VAT")

Pursuant to *the Provisional Regulations on Value-added Tax of the PRC* (《中華人民共和國增值稅暫行條例》) (the "**VAT Regulations**"), which was amended by the State Council on November 5, 2008 and became effective on January 1, 2009, and its implementation rules (《中華人民共和國增值稅暫行條例實施細則》), which was amended by the MOF on October 28, 2011, entities or individuals engaging in sale of goods, provision of processing services, repairs and replacement services or importation of goods within the territory of the PRC must pay value-added tax. Unless provided otherwise, a tax rate of 17% shall be levied on most of general taxpayers selling or importing various goods. The rate applicable to the export of goods by taxpayers is nil, unless otherwise stipulated.

Pursuant to *the Pilot Scheme for the Conversion of Business Tax to VAT* (《營業稅改徵增值稅試點方案》) (Cai Shui [2011] No. 110) promulgated by the MOF and the SAT on November 16, 2011, since January 1, 2012 the State started to introduce taxation reform in certain service industries (namely transportation and certain modern service industries) which are subject to business tax in a gradual manner, whereby the collection of VAT in lieu of business tax items was implemented on a trial basis in certain regions including Shanghai and Beijing. The MOF and the SAT further notified that the aforesaid pilot scheme for the conversion of business tax to VAT will be implemented nationwide beginning August 1, 2013. As of the Latest Practicable Date, the financial and insurance industry, real estate industry, social service industry and other industries are included into the pilot industries for the conversion of business tax to VAT.

Stamp Duty

According to the Provisional Regulations of the People's Republic of China on Stamp Duty (《中華人民共和國印花稅暫行條例》) enacted on August 6, 1988 and summarily revised on January 8, 2011 and the Detailed Rules for Implementation of the Provisional Regulations of the People's Republic of China on Stamp Tax (《中華人民共和國印花稅暫行條例施行細則》) enacted on September 29, 1988, all entities and individuals executing or receiving taxable documents within the PRC must pay stamp duty. The list of taxable documents includes purchase and sale contracts, processing contracts, construction project contracts, property lease contracts, cargo freight contracts, warehousing and storage contracts, loan contracts, property insurance contracts, technical contracts, other documents in the nature of contracts, title transfer deeds, business account books, certificates of rights, licenses and other documents confirmed to be taxable by the Ministry of Finance.

FOREIGN EXCHANGE CONTROLS OF THE PRC

Foreign exchange are strictly controlled in the PRC, but trend to deregulate in recent years. There are hundreds of regulations and rules about foreign exchange control in China, and the general one is *Regulations of the People's Republic of China on Foreign Exchange Control* (《中華人民共和國外匯管理條例》) which was promulgated by the State Council on January 29, 1996, as amended on January 14, 1997 and April 5, 2008. These Regulations are formulated for the purpose of strengthening foreign exchange control, facilitating equilibrium in the balance of international payments, and promoting the healthy development of the national economy. The foreign exchange control department of the State Council (State Administration of Foreign Exchange, SAFE) is the competent authority performs the functions of foreign exchange control and undertakes responsibilities.

These Regulations is applicable to all the receipts and payments of foreign exchange or foreign exchange operation activities of domestic institutions or individuals and the receipts and payments of foreign exchange or foreign exchange operation activities in China of overseas institutions or individuals. A financial institution engaged in foreign exchange business shall report to the relevant foreign exchange control organs in accordance with the law on its client's foreign exchange receipts and payments and the changes to the client's foreign exchange account.

Foreign exchange control in the PRC covered almost all the economic activities involving foreign exchange, it includes foreign exchange control for current account transactions, foreign exchange control for capital account transactions, control of foreign exchange operations of financial institutions, and administration of Renminbi exchange rate and the foreign exchange market. For its complexity, any person wishing to have detailed information on the PRC foreign exchange control is recommended to seek independent and professional advice.

TAXATION IN HONG KONG

Tax on Dividends

Under the current practice of the Hong Kong Inland Revenue Department, no tax is payable in Hong Kong in respect of dividends paid by our Company.

Taxation on Capital Gains and Profits

No tax is imposed in Hong Kong in respect of capital gains from the sale of property such as the H Shares. However, trading gains from the sale of H Shares by persons carrying on a trade, profession or business in Hong Kong where such gains are derived from or arise in Hong Kong from such trade, profession or business will be chargeable to Hong Kong profits tax, which is currently imposed at the rate of 16.5% on corporations and at a maximum rate on unincorporated business of 15.0%. Certain categories of taxpayers are likely to be regarded as deriving trading gains rather than capital gains (for example, financial institutions, insurance companies and securities dealers) unless these taxpayers can prove that the investment securities are held for long-term investment. Trading gains from sales of H Shares effected on the Hong Kong Stock Exchange will be considered to be derived from or arising in Hong Kong. Liability for Hong Kong profits tax would thus arise in respect of trading gains from sales of H Shares effected on the Hong Kong Stock Exchange realized by persons carrying on a business of trading or dealing in securities in Hong Kong.

Stamp Duty

Hong Kong stamp duty, currently charged at the ad valorem rate of 0.1% on the greater of the consideration for, or the market value of, the H Shares transferred on each of the seller and purchaser, will be payable by the purchaser on every purchase and by the seller on every sale of H Shares (in other words, a total of 0.2% is currently payable on a typical sale and purchase transaction involving H Shares). In addition, a fixed duty of HK$5 is currently payable on each instrument of transfer of H Shares (if required). Where one of the parties to a transfer is resident outside Hong Kong and any stamp duty payable on the instrument of transfer is not paid, the relevant instrument of transfer (if any) shall be chargeable with such duty, together with the duty otherwise chargeable thereon, and the transferee shall be liable to pay such duty.

Estate Duty

The Revenue (Abolition of Estate Duty) Ordinance 2005 came into effect on February 11, 2006 in Hong Kong, pursuant to which no Hong Kong estate duty is payable and no estate duty clearance papers are needed for an application of a grant of representation in respect of holders of H Shares whose deaths occur on or after February 11, 2006.

This Appendix contains a summary of PRC company and securities laws and regulations, certain material differences between the PRC Company Law and the Companies Ordinance and additional regulatory provisions introduced by the Hong Kong Stock Exchange in relation to PRC joint stock limited companies. The principal objective of this summary is to provide potential investors with an overview of the principal legal and regulatory provisions applicable to us. As the information contained below is in a summary form, it does not contain all the information that may be important to potential investors. If you wish to obtain detailed information on PRC law or the laws of any other jurisdiction, you should seek independent professional advice.

THE PRC LEGAL SYSTEM

The PRC legal system is based on *the PRC Constitution* (《中華人民共和國憲法》) and is made up of written laws, administrative regulations, local regulations, autonomy regulations, separate regulations, rules and regulations of State Council departments, rules and regulations of local governments and international treaties of which the PRC government is a signatory. Decided court cases do not constitute binding precedents, although they may be used for the purposes of judicial reference and guidance.

The NPC and the SCNPC are empowered to exercise the legislative power of the State. The NPC has the power to formulate and amend basic laws governing State organs, civil and criminal matters and other matters. The SCNPC is empowered to formulate and amend laws other than those required to be enacted by the NPC and to supplement and amend any parts of laws enacted by the NPC during the adjournment of the NPC, provided such supplements and amendments are not in conflict with the basic principles of such laws.

The State Council is the highest organ of the PRC administration and has the power to formulate administrative regulations based on the constitution and laws.

The people's congresses of provinces, autonomous regions and municipalities and their respective standing committees may formulate local regulations based on the specific circumstances and actual requirements of their own respective administrative areas, subject to the constitution, laws and administrative regulations. The people's congresses of larger cities and their respective standing committees may formulate local regulations based on the specific circumstances and actual requirements of such cities, subject to the constitution, laws, administrative regulations and local regulations of their respective provinces or autonomous regions and take the same effect after submitting to the standing committee of the people's congresses of provinces or autonomous regions for approval. The standing committee of the people's congresses of provinces or autonomous regions shall examine the legality of local regulations submitted for approval, and such approval should be granted within four months if they are not in conflict with the constitution, laws, administrative regulations and local regulations of the province or autonomous region concerned. Where conflicts with the rules of the People's Government of the province or autonomous region concerned are identified in the examination of local regulations of larger cities by the standing committee of the people's congresses of provinces or autonomous regions, a decision should be made to deal with the matter. “Larger cities” refer to cities where the people’s governments of provinces or autonomous regions are located, cities where special economic zones are located and larger cities as approved by the State Council.

People’s congresses of national autonomous areas have the power to enact autonomy regulations and separate regulations in the light of the political, economic and cultural characteristics of the nationality (nationalities) in the areas concerned. The autonomy regulations and separate regulations of autonomous regions shall be submitted to the SCNPC for approval before taking effect. The autonomous regulations and separate regulations of the autonomous prefectures or counties shall be submitted to the standing committees of the people’s congresses of the relevant provinces, autonomous regions or municipalities. Based on the characteristics of the local nationality (nationalities), adaptations to the provisions of laws and administrative regulations may be introduced to the autonomy regulations and separate regulations so long as they do not contravene the basic principles of the laws or administrative regulations, provided that no adaptations shall be made to specific provisions on national autonomous areas contained in the constitution, autonomy law of national areas and other relevant laws and administrative regulations.

The component departments of the State Council (including ministries, commissions, People’s Bank of China, National Audit Office) and the institutions with administrative functions directly under the State Council may formulate department rules within the authorisation of their respective departments based on the laws and the administrative regulations, decisions and rulings of the State Council. Matters governed by the departmental rules and regulations should be those for the enforcement of the laws and administrative regulations, decisions and rulings of the State Council. The people’s governments of provinces, autonomous regions, municipalities and larger cities may formulate rules and regulations based on the laws, administrative regulations and local regulations of such provinces and autonomous regions and municipalities.

According to the *PRC Constitution*, the power to interpret laws is vested in the SCNPC. According to the *Decision of the Standing Committee of the NPC Regarding the Strengthening of Interpretation of Laws* passed on June 10, 1981, the Supreme People’s Court has the power to give general interpretation on questions involving the specific application of laws and decrees in court trials. The State Council and its ministries and commissions are also vested with the power to give interpretation of the administrative regulations and department rules which they have promulgated. At the regional level, the power to give interpretations of the local laws and regulations is vested in the regional legislative and administrative organs which promulgate such laws, regulations and rules.

THE PRC JUDICIAL SYSTEM

Under *the PRC Constitution* and the *Law of Organization of the People's Courts of the PRC* (《中華人民共和國法院組織法》), the PRC judicial system is made up of the Supreme People's Court, the local people's courts, military courts and other special people's courts. The local people's courts are divided into three levels, namely, the primary people's courts, the intermediate people's courts and the high people's courts. The primary people's courts may set up civil, criminal and administrative divisions. The intermediate people's courts have divisions similar to those of the primary people's courts and other special divisions (such as the intellectual property division). These two levels of people's courts are subject to supervision of the high people's courts. The people's procuratorates also have the right to exercise legal supervision over the civil proceedings of people's courts of the same level and lower levels. The Supreme People's Court is the highest trial organ of the PRC. It supervises the administration of justice by the people's courts at all levels.

The people's court shall apply the system whereby the second instance is final, i.e., the judgment or ruling of the second instance at a people's court is final. A party to the case concerned may appeal to the people's court at the next higher level against the judgment or ruling of the first instance. The people's procuratorate may appeal to the people's court at the next higher level in accordance with procedures stipulated by the laws. In the absence of any appeal by any parties to the case and any appeal by the people's procuratorate within the stipulated period, the judgment or ruling of the people's court shall be the final judgment or ruling. Judgments or rulings of the second instance of the intermediate people's courts, the higher people's courts and the Supreme People's Court are final. Judgments or rulings of the first instance of the Supreme People's Court are also final. If, however, the Supreme People's Court or a people's court at a higher level finds an error in a final and binding judgment which has taken effect in any people's court at a lower level, or the president of a people's court finds an error in a final and binding judgment which has taken effect in the court over which he presides, a retrial of the case may be conducted according to the adjudication supervision procedures.

The Civil Procedure Law of the PRC (the "**Civil Procedure Law**") (《中華人民共和國民事訴訟法》) adopted on April 9, 1991 and amended on August 31, 2012 prescribes the provisions for instituting a civil action, the jurisdiction of the people's courts, the procedures to be followed for conducting a civil action, and the procedures for enforcement of a civil judgment or ruling. All parties to a civil action conducted within the PRC must comply with the *Civil Procedure Law*. A civil case is generally heard by a court located in the defendant's place of domicile. The competent court may also be selected by express agreement amongst the parties to a contract provided that the court selected is located at the plaintiff's or the defendant's place of domicile, the place of performing the contract or the place of executing the contract or the object of the action, provided that the provisions of this Law regarding the level of jurisdiction and exclusive jurisdiction shall not be violated.

A foreign national or foreign enterprise is generally given the same litigation rights and obligations as a citizen or legal person of the PRC. Should a juridical system of a foreign country limit the litigation rights of PRC citizens and enterprises, subject to the principle of reciprocity, the PRC courts may apply the same limitations to the citizens and enterprises (in China) of that foreign country. If any party to a civil action refuses to comply with a judgment or ruling made by a people's court or an award made by an arbitration tribunal in the PRC, the other party may apply to the people's court for the enforcement of the same within a stipulated period. Should anyone be unable to execute the judgment of the people's court within a stipulated period, as a result of any party's application, the people's court shall enforce such a judgment in accordance with the law.

A party seeking to enforce a judgment or ruling of a people's court against a party who is not personally or whose property is not within the PRC may apply to a foreign court with jurisdiction over the case for recognition and enforcement of such judgment or ruling. Similarly, if the PRC has entered into a treaty relating to judicial enforcement with the relevant foreign country or a relevant international treaty, a foreign judgment or ruling may also be recognized and enforced according to PRC enforcement procedures by a PRC court based on the equity principle unless the people's court considers that the recognition or enforcement of a judgment or ruling will violate the basic legal principles of the PRC or its sovereignty or national security, or social and public interest.

THE PRC COMPANY LAW, SPECIAL REGULATIONS AND MANDATORY PROVISIONS

The PRC Company Law was adopted by the Standing Committee of the Eighth NPC at its Fifth Meeting on December 29, 1993 and came into effect on July 1, 1994. It was amended on December 25, 1999 and on August 28, 2004 and revised on October 27, 2005 and on December 29, 2013. The latest revised PRC Company Law came into effect on March 1, 2014.

The Special Provisions of the State Council Concerning Issuing and Listing of Shares Overseas by Joint Stock Limited Liability Company (the "**Special Regulations**") were passed at the 22nd Standing Committee Meeting of the State Council on July 4, 1994 and promulgated and implemented on August 4, 1994. *The Special Regulations* are formulated in respect of the overseas share subscription and listing of joint stock limited companies. *The Mandatory Provisions of the Articles of Association of Companies Seeking Overseas Listing* (the "**Mandatory Provisions**") promulgated by Securities Commission and the State Restructuring Commission on August 27, 1994 prescribe provisions which must be incorporated in the articles of association of joint stock limited companies to be listed on overseas stock exchanges. Accordingly, *the Mandatory Provisions* have been incorporated in the Articles of Association.

Set out below is a summary of the major provisions of *the PRC Company Law*, *the Special Regulations* and *the Mandatory Provisions*.

General

A "company" is a corporate legal person incorporated within PRC under *the PRC Company Law* with independent legal person properties and entitlements to such legal person properties. The liability of the company is limited to the full amount of its assets and the liability of its shareholders is limited to the extent of the capital contributions subscribed or the shares subscribed respectively by them. Companies can be divided into two different categories: limited liability companies and joint stock limited companies.

Incorporation

A joint stock limited liability company may be incorporated by promotion or subscription. A joint stock limited liability company may be incorporated by a minimum of two but not more than two hundred promoters. At least half of the promoters must have residence within the PRC.

Joint stock limited companies incorporated by promotion are companies the entire registered capital of which is subscribed for by the promoters. Shares in the company shall not be offered to other persons unless the registered capital has been paid up. For joint stock limited companies incorporated by public subscription, the registered capital is the amount of its total paid up capital as registered with the registration authorities. There is no limitation on the minimum registered capital of a joint stock limited liability company provided that required by the laws or administrative regulation.

For joint stock limited companies incorporated by way of promotion, the promoters shall subscribe in full in writing for shares required to be subscribed by them by the articles of association, and the capital contribution shall be paid according to the articles of association. Procedures relating to the transfer of title for non-monetary assets shall be duly completed if such assets are to be contributed as capital. Promoters who fail to pay up their capital contributions in accordance with the foregoing provision shall be liable for breach of contract in accordance with the covenants laid down in the promoters' agreement. After the promoters have completed the capital contribution according to the articles of association, a board of directors and a supervisory committee shall be elected and the board of directors shall apply for registration of incorporation by filing the articles of association with the company registration authorities, together with other documents required by the law or administrative regulations.

Where joint stock limited companies are incorporated by subscription, not less than 35% of their total shares must be subscribed for by the promoters and the remainder can be subscribed for by the public or particular persons, unless otherwise provided for by the law or administrative regulations. A promoter who offers shares to the public must publish a prospectus and draft a share subscription form to be signed and sealed by subscribers, specifying the number and amount of shares to be subscribed for and their addresses. The subscribers shall pay up the amounts for the number of shares they have subscribed for. Where a promoter is offering shares to the public, such offer shall be underwritten by securities firms established by law, in relation to which underwriting agreements shall be signed. A promoter offering shares to the public shall also sign an agreement with a bank in relation to the receipt of subscription amounts. The receiving bank shall receive and keep in custody the subscription amounts, issue receipts to subscribers who have paid the subscription amounts and furnish evidence of receipt of subscription amounts to the relevant authorities. After the subscription amounts for the share issuance have been paid in full, a capital verification institution established by law must be engaged to conduct capital verification and furnish a report thereon. The promoters shall convene an inauguration meeting within thirty days from the date the shares were fully paid up, and notify each subscriber of or publicly announce the date of the inaugural meeting no less than fifteen days in advance of the meeting. The inauguration meeting shall be held only if the promoters and subscribers representing more than half of the total shares issued are present. Where shares issued remain undersubscribed by the cut-off date stipulated in the share offering prospectus, or where the promoter fails to convene an inauguration meeting within thirty days after subscription amounts for the shares issued have been fully paid up, the subscribers may demand the promoter return the subscription amounts so paid up together with interest at bank rates payable for a deposit of an equivalent amount for the same term. Within thirty days after the conclusion of the inaugural meeting, the board of directors shall apply to the registration authority for registration of the establishment of the company.

A joint stock limited liability company is formally established and has the status of a legal person after the approval of registration has been given by the relevant administration bureau for industry and commerce and a business license has been issued.

A joint stock limited liability company's promoter shall bear the following liabilities:

- Where the company cannot be incorporated, they shall bear the joint and several liability for all the debts and expenses incurred in the act of incorporation;

- Where the company cannot be incorporated, they shall bear the joint and several liability for refunding the subscription moneys paid by the subscribers, plus their bank deposit interest calculated for the same period of time; and

- Where the interests of the company are impaired due to the fault committed by the promoters in the process of the incorporation of the company, they shall bear the liability to pay compensation to the company.

According to the *Provisional Regulations Concerning the Issue and Trading of Shares* promulgated by the State Council on April 22, 1993 (which is only applicable to issue and trading of shares in the PRC and their related activities), if a company is established by means of subscription, the promoters of such company are required to assume joint responsibility for the accuracy of the contents of the prospectus and to ensure that the prospectus does not contain any misleading statement or omit any material information.

Share capital

The promoter of a joint stock limited liability company may make capital contribution in currencies, in kind or by way of intellectual property rights, land-use rights or other lawfully transferable non-monetary assets based on their appraised monetary value, save for assets prohibited to be contributed as capital by the law or administrative regulations. If a capital contribution is made other than in cash, a valuation and verification of the asset contributed must be carried out without any overvaluation or under-valuation. The provisions on the valuation of such property as prescribed by laws or administrative regulations shall prevail.

A joint stock limited liability company may issue registered or bearer share certificates. *The Special Regulations* and *the Mandatory Provisions* provide that shares issued to foreign investors and listed overseas be issued in registered form and shall be denominated in Renminbi and subscribed for in foreign currency. Shares issued to foreign investors and investors from the territories of Hong Kong, Macau and China Taiwan and listed in Hong Kong are classified as H shares, and those shares issued to investors within the PRC other than the territories specified above are known as domestic shares. Under *the Special Regulations*, upon approval of the CSRC, a company may agree, in the underwriting agreement in respect of an issue of H shares, to retain not more than 15% of the aggregate number of H shares proposed to be issued besides the amount of underwritten shares. The share offering price may be equal to or greater than the par value, but may not be less than the par value.

Increase in share capital

According to *the PRC Company Law*, the issuance of shares shall be conducted in a fair and equitable manner. Shares in the same class shall rank *pari passu* with one another. Shares of the same class in the same offer shall be issued on the same conditions and at the same price.

The same price per share shall be paid by any units or individuals subscribing for shares.

When a joint stock limited liability company is issuing new shares, resolutions shall be passed by a shareholders' general meeting, approving the class and number of the new shares, the issue price of the new shares, the commencement and end of the new share issue and the class and amount of new shares to be issued to existing shareholders. When a joint stock limited liability company launches a public issue of new shares with the approval of the securities regulatory authorities under the State Council, a new share offering prospectus and financial accounting report must be published and a subscription form must be prepared. After the new share issuance of the Company has been paid up, the change must be registered with the company registration authorities and an announcement must be made. Where a joint stock limited liability company is issuing new shares to increase its registered capital, the subscription of new shares by shareholders shall be conducted in accordance with provisions on the payment of subscription amounts in relation to the incorporation of the company.

Reduction of share capital

A joint stock limited liability company may reduce its registered capital in accordance with the following procedures prescribed by *the PRC Company Law*:

(i) the joint stock limited liability company shall prepare a balance sheet and a property list;

(ii) the reduction of registered capital must be approved by shareholders in a shareholders' general meeting;

(iii) the joint stock limited liability company shall inform its creditors of the reduction in capital within ten days and publish an announcement of the reduction in the newspaper within thirty days after the resolution approving the reduction has been passed;

(iv) the creditors of the company may within the statutory prescribed time limit require the company to pay its debts or provide guarantees covering the debts; and

(v) the company must apply to the relevant administration bureau for industry and commence the registration of the reduction in registered capital.

Repurchase of shares

A joint stock limited liability company may not purchase its own shares other than for one of the following purposes:

(i) to reduce its registered share capital;

(ii) to merge with another company that holds its shares;

(iii) to grant shares to its employees as incentives; and

(iv) the shareholders requesting the company to purchase their shares due to disagreement on the resolutions on the merger or separation of the Company passed at the general meeting.

The company's acquisition of its own shares on the grounds set out in (i) to (iii) above shall require approval by way of a resolution passed by a shareholders' general meeting. Following the company's acquisition of its shares in accordance with the foregoing, such shares shall be cancelled within ten days from the date of acquisition in the case of (i) and transferred or cancelled within six months in the case of (ii) or (iv).

Shares acquired by the company in accordance with (iii) under paragraph one of this section shall not exceed 5% of the total number of issued shares of the company. Such acquisition shall be financed by funds appropriated from the company's profit after taxation, and the shares so acquired shall be transferred to the employees of the company within one year.

Transfer of shares

Shares held by shareholders may be transferred in accordance with the relevant laws and regulations. A shareholder may only effect a transfer of its shares on a stock exchange established in accordance with law or by other ways as required by the State Council. Registered shares may be transferred after the shareholders endorse their signatures on the back of the share certificates or in any other manner specified by the law or administrative regulations. Following the transfer, the company shall enter the name of the transferee and its address into the share register. The transfer of bearer's share certificate shall become effective upon the delivery of such share certificate to the transferee by the shareholder. Subject to *the Mandatory Provisions*, the shareholders' register may not be modified within the thirty days preceding the shareholder's general meeting or within the five days preceding any ex-dividend date fixed by the company.

Shares held by a promoter may not be transferred within one year after the company's establishment. Shares of the company issued prior to the public issue of shares shall not be transferred within one year from the date of the company's listing on a stock exchange. Directors, supervisors and the senior management of a company shall declare to the company their shareholdings in the company and any changes in such shareholdings. During each year of their term of office, they shall transfer no more than 25% of the shares they hold in the company. They shall not transfer the shares they hold within one year from the date of the company's listing on a stock exchange, nor within six months after they have resigned from their positions with the company. The articles of association may lay down other restrictive provisions in respect of the transfer of shares in the company held by the Directors, supervisors and the senior management of the company.

Shareholders

A shareholder's rights and duties are all stipulated in the company's articles of association, which is binding on all shareholders.

Under *the PRC Company Law* and *the Mandatory Provisions*, the rights of a shareholder include:

- to attend shareholders' general meetings and exercise the voting rights on the basis of the number of the shares held by such shareholder personally or appoint an agent to attend such meetings and exercise the rights referred to hereinabove;

- to transfer the shares held by such shareholder subject to the applicable laws, regulations and the company's articles of association;

- to bring an action in the people's court to rescind the resolution subject to the applicable laws, regulations and the company's articles of association;

- to inspect the articles of association, share register, counterfoil of company debentures, minutes of shareholders' general meetings, board resolutions, resolutions of the supervisory committee and financial and accounting reports and to make proposals or enquiries in respect of the company's operations;

- to receive dividends in respect of the number of shares held;
- to receive residual properties of the company in proportion to their shareholdings upon the liquidation of the company; and
- any other shareholders' rights provided for in the articles of association.

The obligations of a shareholder include the obligation to abide by the company's articles of association, to pay the subscription moneys in respect of the shares subscribed for, to be liable for the company's debts and liabilities to the extent of the amount of subscription moneys agreed to be paid in respect of the shares taken up by him and any other shareholders' obligation specified in the company's articles of association.

Shareholders' general meetings

The shareholders' general meeting is the organ of authority of the company, which exercises its powers in accordance with *the PRC Company Law*.

The shareholders' general meeting exercises the following principal powers:

- to decide on the company's operational policies and investment plans;
- to elect or remove the directors and supervisors (that are not staff representatives) and to decide on matters relating to the remuneration of directors and supervisors;
- to examine and approve reports of the board of directors;
- to examine and approve reports of the supervisory committee or supervisor;
- to examine and approve the company's proposed annual financial budget and final accounts;
- to examine and approve the company's proposals for profit distribution plans and recovery of losses;
- to decide on any increase or reduction of the company's registered capital;
- to decide on the issue of bonds by the company;
- to decide on issues such as merger, division, dissolution and liquidation of the company or the conversion of the corporate form;
- to amend the company's articles of association; and
- other powers as provided for in the articles of association.

The general meeting of a company shall hold an annual meeting once every year. An extraordinary shareholders' general meeting is required to be held within two months after the occurrence of any of the following:

- the number of directors is less than the number stipulated by the law or less than two-thirds of the number specified in the articles of association;
- the aggregate losses of the company which are not recovered reach one third of the company's total paid-in share capital;
- when shareholders alone or in aggregate holding 10% or more of the company's shares request the convening of an extraordinary general meeting;
- whenever the board of directors deems necessary;
- when the supervisory committee so requests; or
- other circumstances as provided for in the articles of associations.

Shareholders' general meetings shall be convened by the board of directors, and presided over by the chairman of the board of directors. In the event that the chairman is incapable of performing or not performing his duties, the meeting shall be presided over by the vice chairman. In the event that the vice chairman is incapable of performing or not performing his duties, a director nominated by more than half of directors shall preside over the meeting. Where the board of directors is incapable of performing or not performing its duties of convening the shareholders' general meeting, the supervisory committee shall convene and preside over such meeting in a timely manner. In case the supervisory committee fails to convene and preside over such meeting, shareholders alone or in aggregate holding more than 10% of the company's shares for ninety days consecutively may unilaterally convene and preside over such meeting.

Subject to *the PRC Company Law*, notice of the shareholders' annual general meeting stating the time and venue of and matters to be considered at the meeting shall be given to all shareholders twenty days before the meeting. Notice of extraordinary general meetings shall be given to all shareholders fifteen days prior to the meeting. Notice of the issuance of bearer shares shall be announced thirty days before the meeting. Subject to *the Special Regulations* and *the Mandatory Provisions*, such notice shall be delivered to all the shareholders forty-five days in advance, and the matters to be considered at the meeting shall be specified. Subject to *the Special Regulations* and *the Mandatory Provisions*, the confirmation letter of the shareholders planning to attend the meeting shall be delivered to the company twenty days in advance of the meeting. Moreover, subject to *the PRC Company Law*, shareholders alone or in aggregate holding more than 3% of the company's shares may put forward a new proposal in writing to the board of directors ten days before the general meeting is held. The board of directors shall, within two days upon receipt of the proposal, notify the other shareholders, and submit the said proposal to the general meeting for deliberation. Shareholders present at a shareholders' general meeting have one vote for each share they hold, save that shares held by the company are not entitled to any voting rights. Resolutions of the shareholders' general meeting must be adopted by more than half of the voting rights held by shareholders present at the meeting, with the exception of matters relating to merger, division, dissolution of a company, conversion of the corporate form, amendments to the articles of association or increase or reduction of the registered capital, which must be adopted by more than two-thirds of the voting rights held by the shareholders present at the meeting. Where *the PRC Company Law* and the articles of association provide that the transfer or acquisition of significant assets or the provision of external guarantees by a company must be approved by way of resolution of the shareholders' general meeting, the directors shall convene a shareholders' general meeting promptly to vote on the above matters. The accumulative voting system may be adopted pursuant to the provisions of the articles of association or a resolution of the shareholders' general meeting for the election of directors and supervisors at the shareholders' general meeting. Under the accumulative voting system, each share shall be entitled to votes equivalent to the number of directors or supervisors to be elected at the shareholders' general meeting and shareholders may consolidate their voting rights when casting a vote.

Minutes shall be prepared in respect of matters considered at the shareholders' general meeting and the president of the meeting and directors attending the meeting shall sign to endorse such minutes. The minutes shall be kept together with the shareholders' attendance register and the proxy forms.

According to *the Mandatory Provisions*, the increase or reduction of share capital, the issue of shares of any class, warrants or other similar securities, and bonds or debentures, the merger, division, dissolution or liquidation of the company, amendments to the articles of association and any other matters in respect of which the shareholders by ordinary resolution so decide, must be approved through special resolutions by more than two-thirds of the voting rights held by shareholders present at the meeting.

There is no specific provision in *the PRC Company Law* regarding the number of shareholders constituting a quorum in a shareholders' general meeting, although *the Special Regulations* and *the Mandatory Provisions* provide that a company's general meeting may be convened when replies to the notice of that meeting from shareholders holding shares representing 50% of the voting rights in the company have been received twenty days before the proposed date, or if that 50% level is not achieved, the company shall within five days of the last day for receipt of the replies notify shareholders again by public announcement of the matters to be considered at the meeting and the date and place of the meeting and the general meeting may be held thereafter. *The Mandatory Provisions* require class meetings to be held in the event of a variation or derogation of the class rights of a class.

Directors

A joint stock limited liability company shall have a board of directors, which shall consist of 5 to 19 members. Members of the board of directors may include staff representatives of the company, who shall be democratically elected by the company's staff at the staff representative assembly, general staff meeting or otherwise. The term of a director shall be stipulated in the articles of association, provided that no term of office shall last for more than three years. A director may serve consecutive terms if re-elected. A director shall continue to perform his duties in accordance with the laws, administrative regulations and articles of association until a re-elected director takes office, if re-election is not conducted in a timely manner upon the expiry of his term of office or if the resignation of directors results in the number of directors being less than the quorum.

Under *the PRC Company Law*, the board of directors exercises the following powers:

- to convene the shareholders' general meetings and report on its work to the shareholders' general meetings;
- to implement the resolutions passed in shareholders' general meetings;
- to decide on the company's business plans and investment proposals;
- to formulate the company's proposed annual financial budget and final accounts;
- to formulate the company's profit distribution proposals and for recovery of losses;
- to formulate proposals for the increase or reduction of the company's registered capital and the issuance of corporate bonds;
- to prepare plans for the merger, division or dissolution of the company, or conversion of the corporate form;
- to decide on the company's internal management structure;
- to appoint or dismiss the company's manager and matters relating to the remuneration thereof, and based on the manager's nomination, to appoint or dismiss the deputy managers and financial officers of the company and to decide on their remuneration;
- to formulate the company's basic management system; and
- to exercise any other power under the articles of association.

Meetings of the board of directors shall be convened at least twice a year. Notice of meeting shall be given to all directors and supervisors ten days before the meeting. Interim board meetings may be convened by shareholders representing more than 10% of voting rights, more than one third of the directors or the supervisory committee. The chairman of the board of directors shall convene and preside over such meeting within ten days after receiving such proposal. The board of directors may provide for a different method of giving notice and notice period for convening an extraordinary meeting of the board of directors. Meetings of the board of directors shall be held only if half or more of the directors are present. Resolutions of the board of directors require the approval of more than half of all directors. Each director shall have one vote for resolutions to be approved by the board of directors. Directors shall attend board meetings in person. If a director is unable to attend a board meeting, he may appoint another director by a written power of attorney specifying the scope of the authorization to attend the meeting on his behalf.

If a resolution of the board of directors violates the law, administrative regulations, the company's articles of association or the resolution of its shareholders' general meeting, and as a result of which the company sustains serious losses, the directors participating in adopting the resolution are liable to compensate the company. However, if it can be proved that a director expressly objected to the resolution when the resolution was voted on, and that such objections were recorded in the minutes of the meeting, such director may be relieved from that liability.

Under *the PRC Company Law*, the following persons may not serve as a director of a company:

- persons without civil capacity or with restricted civil capacity;

- persons who have committed the offence of corruption, bribery, taking of property, misappropriation of property or destruction of the social economic order, and have been sentenced to criminal punishment, where less than five years have elapsed since the date of completion of the sentence; or persons who have been deprived of their political rights due to criminal offence, where less than five years have elapsed since the date of the completion of implementation of this deprivation;

- persons who were former directors, factory managers or managers of a company or enterprise which has become bankrupt and been liquidated and who are personally liable for the bankruptcy of such company or enterprise, where less than three years have elapsed since the date of the completion of the bankruptcy and liquidation of the company or enterprise;

- persons who were legal representatives of a company or enterprise which had its business license revoked due to violation of the law and who are personally liable, where less than three years have elapsed since the date of the revocation of the business license; and

- persons who have a relatively large amount of debts due and outstanding.

The election, appointment or engagement of directors elected or appointed by the company in violation of the aforesaid provisions shall be null and void. If one of these restrictions becomes applicable to a director during his term of office, such director shall be released of his duties by the company.

Other circumstances under which a person is disqualified from acting as a director of a company are set out in *the Mandatory Provisions*.

The board of directors shall appoint a chairman and may appoint one or more vice chairmen. The chairman and the vice chairman are elected with approval of more than half of all the directors. The chairman shall convene and preside over board meetings and examine the implementation of board resolutions. The vice chairman shall assist in the work of the chairman. In the event that the chairman is not performing his duties, the duties shall be performed by the vice chairman. In the event that the vice chairman is incapable of performing or not performing his duties, a director nominated by more than half of directors shall perform his duties.

Supervisors

A joint stock limited liability company shall have a supervisory committee composed of not less than three members. The supervisory committee is made up of representatives of the shareholders and an appropriate proportion of representatives of the company's staff. The actual proportion shall be stipulated in the articles of association, provided that the proportion of representatives of the company's staff shall not be less than one-third of the supervisors. Directors and officers may not act concurrently as supervisors. Representatives of the company's staff and workers at the supervisory committee shall be democratically elected at the staff representative assembly, general staff meeting or otherwise. The supervisory committee shall appoint a chairman and may appoint one or more vice chairmen. The chairman and the vice chairman of the supervisory committee are elected with approval of more than half of all the supervisors. The chairman of the supervisory committee shall convene and preside over supervisory committee meetings. In the event that the chairman of the supervisory committee is incapable of performing or not performing his duties, the vice chairman of the supervisory committee shall convene and preside over supervisory committee meetings. In the event that the vice chairman of the supervisory committee is incapable of performing or not performing his duties, a supervisor nominated by more than half of supervisors shall convene and preside over supervisory committee meetings.

Each term of office of a supervisor is three years and he or she may serve consecutive terms if reelected. A supervisor shall continue to perform his duties in accordance with the laws, administrative regulations and articles of association until a duly re-elected supervisor takes office, if re-election is not conducted in a timely manner upon the expiry of his term of office or if the resignation of supervisors results in the number of supervisor being less than the quorum.

The supervisory committee exercises the following powers:

- to review the company's financial position;
- to supervise the directors and officers in their performance of their duties and to propose the removal of directors and officers who have violated laws, regulations, the articles of association or the resolution of its shareholders' general meeting;
- when the acts of directors and officers are harmful to the company's interests, to require correction of these acts;
- to propose the convening of extraordinary shareholders' general meetings and to convene and preside over shareholders' general meetings when the board of directors fails to perform the duty of convening and presiding over shareholders' general meeting under this law;
- make proposals to shareholders' general meeting;
- to initiate proceedings against directors and officers subject to *the PRC Company Law*; and
- other powers specified in the articles of association.

Supervisors may be in attendance at board meetings and make enquiries or proposals in respect of board resolutions. The supervisory committee of a company may initiate investigations into any irregularities identified in the operation of the company and, where necessary, may engage an accountant to assist in their work at the company's expense.

Managers and officers

A company shall have a manager who shall be appointed or removed by the board of directors. The manager shall report to the board of directors and may exercise the following powers:

- supervise the production, business and administration of the company and arrange for the implementation of resolutions of the board of directors;
- arrange for the implementation of the company's annual business and investment plans;
- formulate plans for the establishment of the company's internal management structure;
- formulate the basic administration system of the company;

- formulate the company's internal rules;
- recommend the appointment and dismissal of deputy managers and any financial controller;
- appoint or dismiss other administration officers (other than those required to be appointed or dismissed by the board of directors); and
- other powers conferred by the board of directors or the articles of association.

The manager shall be in attendance at board meetings.

According to *the PRC Company Law*, officers shall mean the manager, deputy manager(s), financial controller, board secretaries (in case of a listed company) of a company and other personnel as stipulated in the articles of association.

Duties of the directors, supervisors, managers and other officers

Directors, supervisors, managers and officers of a company are required under *the PRC Company Law* to comply with the relevant laws, administrative regulations and the articles of association, and carry out their duties honestly and diligently. Directors, supervisors, managers and officers are prohibited from abusing their powers to accept bribes or other unlawful income and from misappropriating the company's properties. Directors and officers are prohibited from:

- misappropriation of company funds;
- deposit of company funds into accounts under his own name or the name of other individuals;
- loaning company funds to others or providing guarantees in favor of others supported by the company properties in violation of the articles of association or without prior approval of the shareholders' general meeting or board of directors;
- entering into contracts or deals with the company in violation of the articles of association or without prior approval of the shareholders' general meeting or board of directors;
- using their position and powers to procure business opportunities for themselves or others that should have otherwise been available to the company or operating for their own benefit or managing on behalf of others businesses similar to that of the company without prior approval of the shareholders' general meeting;

- accepting for their own benefit commissions from a third party dealing with the company;
- unauthorized divulgence of confidential business information of the company; or
- other acts in violation of their duty of loyalty to the company.

Income generated by directors or officers in violation of the foregoing provisions shall revert to the company.

A director, supervisor or officer who contravenes any law, administrative regulation or the company's articles of association in the performance of his duties resulting in any loss to the company shall be liable for compensation.

Where the attendance of a director, supervisor or officer is requested by the shareholders' general meeting, such director, supervisor or officer shall attend the meeting as requested and answer enquiries of shareholders.

Directors and officers should furnish with all truthfulness facts and information to the supervisory committee without obstructing the discharge of duties by the supervisory committee.

The Special Regulations and *the Mandatory Provisions* provide that a company's directors, supervisors, managers and other officers shall have duty of loyalty towards the company. They are required to faithfully perform their duties, protect the interests of the company and not use their positions for their own benefit. *The Mandatory Provisions* contain detailed stipulations on these duties.

Finance and accounting

A company shall establish its financial and accounting systems according to laws, administrative regulations and the regulations of the responsible financial department of the State Council and at the end of each financial year prepare a financial and accounting report which shall be audited by an accountant as provided by law. The financial and accounting report shall be prepared in accordance with provisions of the laws, administrative regulations and the regulations of the financial department of the State Council.

A joint stock limited liability company shall deposit its financial and accounting report at the company for inspection by the shareholders at least twenty days before the convening of an annual general meeting of shareholders. A joint stock limited liability company issuing its shares in public must publish its financial and accounting report.

When distributing each year's after-tax profits, the company shall set aside 10% of its after-tax profits for the company's statutory surplus common reserve fund (except where the fund has reached 50% of the company's registered capital). When the company's statutory common reserve fund is not sufficient to make up for the company's losses of the previous year, current year profits shall be used to make good the losses before allocating such profits. After the company has made appropriations to the statutory common reserve fund from its after-tax profit, it may, with the approval of the shareholders' general meeting by way of resolution, make further appropriations from its after-tax profit to the discretionary common reserve fund. After the company has made good its losses and made allocations to its common reserve fund, the remaining profits are distributed in proportion to the number of shares held by the shareholders, or in other manner as specified in its articles of associations. Profit distributed to shareholders by the shareholders' general meeting or the board of directors before losses has been made good and appropriations have been made to the statutory commons reserve fund in violation of the foregoing provisions must be returned to the company. Company shares held by the company shall not be entitled to any distribution of profit.

The premium over the nominal value of the shares of the company on issue and other amounts required by the relevant governmental authority to be treated as the capital common reserve fund shall be accounted for as capital common reserve fund. The common reserve fund of a company shall be applied to make up the company's losses, expand the business operations of the company or increase the company's capital. The capital common reserve fund shall not be used to make good the company's losses. Upon the conversion of statutory common reserve fund into capital, the balance of the statutory common reserve fund shall not be less than 25% of the registered capital of the company before such conversion.

The company shall have no other accounting books except the statutory accounting books. The company's assets shall not be deposited in any accounts opened in the name of any individual.

Appointment and retirement of auditors

Pursuant to *the PRC Company Law*, the appointment or dismissal of accountants responsible for the company's auditing shall be determined by the shareholders' general meeting or the board of directors in accordance with the articles of association. The accountant should be allowed to make representations when the shareholders' general meeting or board of directors is going to conduct a vote on the dismissal of the accountant. The company should provide true and complete accounting evidences, books, financial and accounting reports and other accounting data to the accountant it hires without any refusal, withholding and false information.

The Special Regulations require a company to employ an independent qualified firm of accountants to audit the company's annual report and review and check other financial reports. The accountant's term of office shall commerce from the end of the annual shareholders' general meeting of the company and it shall expire on the end of the next shareholders' annual general meeting of the company.

Distribution of profits

The Special Regulations provide that the dividends and other distributions to be paid to holders of H shares shall be declared and calculated in Renminbi and paid in foreign currency. Under *the Mandatory Provisions*, the payment of foreign currency to shareholders shall be made through a receiving agent.

Amendment of articles of association

Any amendments to the articles of association must be made in accordance with the procedures set forth in applicable laws, administrative regulations and the articles of association. The amendment of articles of association involving content of *the Mandatory Provisions* will only be effective after approval by the company's approval department authorized by the State Council and the CSRC. Any changes of any registered item caused by such amendments shall be filed with the State Administration of Industry and Commerce or any of its local bureaus for registration. If the amendment to the articles of association falls to be registered and filed and has been adopted, the company must process registration of changes in accordance with applicable laws and regulations.

Dissolve and liquidation

According to *the PRC Company Law*, a company shall be dissolved by reason of the following:

(i) the term of its operations set down in the company's articles of association has expired or other events of dissolution specified in the company's articles of association have occurred;

(ii) the shareholders' general meeting have resolved to dissolve the company;

(iii) the company is dissolved by reason of its merger or demerger;

(iv) the business license is invalidated; the operation is suspended, or the company is dissolved as ordered; or

(v) the company is dissolved by the people's court in response to the request of shareholders holding shares that represent more than 10% of the voting rights of all shareholders of the company, on the grounds that the operation of the company experiences serious difficulties that cannot be resolved through other means, rendering ongoing existence of the company a source of significant losses for shareholders.

In the event of (i) above, the company may carry on its existence by amending its articles of association. The amendment of the articles of association in accordance with provisions set out in the previous paragraph shall require approval of shareholders holding more than two-thirds of voting rights of shareholders attending a shareholders' general meeting in the case of a joint stock limited liability company.

Where the company is dissolved in the circumstances described in (i), (ii), (iv) or (v) above, a liquidation committee shall be established and liquidation within fifteen days after the occurrence of an event of dissolution.

Members of the liquidation committee of a joint stock limited liability company shall be composed of its directors or the person appointed by the shareholders' general meeting. If a liquidation committee is not established within the stipulated period, the company's creditors can apply to the people's court, requesting the court to appoint relevant personnel to form the liquidation committee. The people's court should accept such application and form a liquidation committee to conduct a liquidation in a timely manner.

The liquidation committee shall exercise the following powers during the liquidation period:

- to handle the company's assets and to prepare a balance sheet and an inventory of the assets;
- to notify creditors or issue public notices;
- to deal with the company's outstanding businesses related to liquidation;
- to pay any tax overdue as well as tax amounts arising from the process of liquidation;
- claiming credits and paying off debts;
- to handle the surplus assets of the company after its debts have been paid off; and
- to represent the company in civil lawsuits.

The liquidation committee shall notify the company's creditors within ten days after its establishment, and issue public notices in the newspapers within sixty days. A creditor shall lodge his claim with the liquidation committee within thirty days after receiving notification, or within forty-five days of the public notice if he did not receive any notification. A creditor shall state all matters relevant to his creditor rights in making his claim and furnish evidence. The liquidation committee shall register such creditor rights. The liquidation committee shall not make any debt settlement to creditors during the period of claim.

Upon liquidation of the company's properties and the preparation of the balance sheet and inventory of assets, the liquidation committee shall draw up a liquidation plan to be submitted to the shareholders' general meeting or people's court for endorsement.

The remaining assets of the company after payment of liquidation expenses, wages, social insurance expenses and statutory compensation, outstanding taxes and the company's debt shall be distributed to shareholders according to shareholding proportion in the case of joint stock limited companies. The company shall continue to exist during the liquidation period, although it can only engage in any operating activities that are related to the liquidation. The company's properties shall not be distributed to the shareholders before repayment are made in accordance to the foregoing provisions.

Upon liquidation of the company's properties and the preparation of the balance sheet and inventory of assets, if the liquidation committee becomes aware that the company does not have sufficient assets to meet its liabilities, it must immediately apply to the people's court for a declaration for bankruptcy.

Following such declaration, the liquidation committee shall hand over all affairs of the liquidation to the people's court.

Upon completion of the liquidation, the liquidation committee shall submit a liquidation report to the shareholders' general meeting or the people's court for verification. Thereafter, the report shall be submitted to the company's registration authority in order to cancel the company's registration, and a public notice of its termination shall be issued. Members of the liquidation committee are required to discharge their duties honestly and in compliance with the relevant laws. Members of the liquidation committee shall be prohibited from making of their powers to accept bribes or other unlawful income and from appropriating the company's properties.

A member of the liquidation committee is liable to indemnify the company and its creditors in respect of any loss arising from his willful or material default.

Overseas Listing

The shares of a company shall only be listed overseas after obtaining approval from the securities regulatory authority of the State Council and the listing must be arranged in accordance with procedures specified by the State Council.

According to *the Special Regulations*, a company's plan to issue H shares and domestic invested shares which has been approved by the CSRC may be implemented respectively by the board of directors of a company, within 15 months after approval is obtained from the CSRC.

Loss of share certificates

A shareholder may apply, in accordance with the public notice procedures set out in *the PRC Civil Procedure Law*, to a people's court in the event that share certificates in registered form are either stolen, lost or destroyed, for a declaration that such certificates will no longer be valid. After such a declaration has been obtained, the shareholder may apply to the company for the issuance of replacement certificates.

The Mandatory Provisions have additional provisions on loss of share certificates and H share certificates of shareholders of overseas listed foreign shares, which are set out in the Articles of Association.

Suspension and Termination of Listing

According to *the PRC Securities Law* (《中華人民共和國證券法》), the trading of shares of a company on a stock exchange may be suspended if so decided by the relevant stock exchange under one of the following circumstances:

- the company no longer meets the condition for listing due to the changes in the total share capital, shareholding distribution, etc. of the company;
- the company fails to follow the rules to disclose its financial position, or makes false entries in its financial statements, which may mislead investors;
- the company has committed a major breach of the law;
- the company has incurred losses for three (3) consecutive years; or
- other circumstances as required by the listing rules of the relevant stock exchange(s).

Under *the PRC Securities Law*, where a listed company is under any one of the following circumstances, the stock exchange shall decide to terminate the listing for trading of its shares:

- it no longer meets the conditions for listing due to the changes in the total share capital, shareholding distribution, etc. of the company and has failed to meet such conditions within the specified time limit set by the stock exchange;
- it fails to follow the rules to disclose its financial position, or makes false entries in its financial statements and refuses to make corrections thereto;

- it has suffered continuous losses for the most recent three years, and has failed to generate profit in the year thereafter;

- it has been dissolved or declared bankrupt; and

- such other circumstances as may be so prescribed in the listing rules of the stock exchange.

Merger and demerger

Merger of companies may either be merger by consolidation or merger by incorporation. Merger by consolidation means that the company absorbs other companies while the absorbed companies shall be dissolved. Merger by incorporation means that two or more companies merger into a newly incorporated company while all the merged parties shall be dissolved.

SECURITIES LAW AND OTHER RELEVANT REGULATIONS

The PRC has promulgated a number of regulations that relate to the issue and trading of Shares and disclosure of information by the Company. The CSRC is the supervisory and regulatory institution for securities in the PRC. It is responsible for the formulation of the policies relating to securities, the drafting of securities laws and regulations, the supervision of the securities markets, market intermediaries and participants, the supervision and regulation of the domestic and overseas public offering of securities by Chinese companies, as well as the supervision and regulation of securities transactions.

On April 22, 1993, the State Council promulgated *the Provisional Regulations Concerning the Issue and Trading of Shares* (《股票發行與交易管理暫行條例》) (the "**Securities Provisional Regulations**"). These regulations deal with the application and approval procedures for public offerings of equity securities, trading in equity securities, the acquisition of listed companies, deposit, settlement, clearing and transfer of listed equity securities, the disclosure of information with respect to a listed company, investigation and penalties and dispute settlement. According to these regulations, a company must obtain the approval of the Securities Committee (being current CSRC) to directly or indirectly offer its shares outside the PRC.

On December 25, 1995, the State Council promulgated the *Regulations of the State Council Concerning Domestic Listed Foreign Shares of Joint Stock Limited Liability Companies*. These regulations deal mainly with the issue, subscription, trading and declaration of dividends and other distributions of domestic listed foreign shares and disclosure of information related to joint stock limited liability companies with domestically listed foreign shares.

The PRC Securities Law took effect on July 1, 1999 and was revised for the first time as of August 28, 2004, for the second time on October 27, 2005, for the third time on June 29, 2013 and for the fourth time on August 31, 2014. This is the first national securities law in the PRC, and it is divided into 12 chapters and 240 articles regulating, among other things, the issue and trading of securities, takeovers by listed companies, securities exchanges, securities companies and the duties and responsibilities of the State Council's securities regulatory authorities. *The PRC Securities Law* comprehensively regulates activities in the PRC securities market. Article 238 of *the PRC Securities Law* provides that a company must obtain prior approval from the State Council's regulatory authorities to list shares outside the PRC. Article 239 of *the PRC Securities Law* provides that specific measures with respect to shares of companies in the PRC that are to be subscribed and traded in foreign currencies shall be separately formulated by the State Council. Currently, the issue and trading of foreign issued shares (including H shares) are still mainly governed by the rules and regulations promulgated by the State Council and the CSRC.

ARBITRATION AND ENFORCEMENT OF ARBITRAL AWARDS

The Arbitration Law of the People's Republic of China (《中華人民共和國仲裁法》) (the "**Arbitration Law**") was passed by the SCNPC on August 31, 1994 and became effective on September 1, 1995 and was amended on August 27, 2009. It is applicable to contract disputes and other property disputes between natural person, legal person and other organizations where the parties have entered into a written agreement to refer the matter to arbitration before an arbitration committee constituted in accordance with the Arbitration Law. Under the Arbitration Law, an arbitration committee may, before the promulgation by the PRC Arbitration Association of arbitration regulations, formulate interim arbitration rules in accordance with *the Arbitration Law* and *the PRC Civil Procedure Law*. Where the parties have by agreement provided arbitration as the method for dispute resolution, the people's court will refuse to handle the case unless the arbitration agreement is null and void.

Under *the Mandatory Provisions* and the Articles of Association, a claimant may select the China International Economic and Trade Arbitration Commission to conduct arbitration in accordance with its arbitration rules or the Hong Kong International Arbitration Center to conduct arbitration in accordance with its securities arbitration rules.

If the claimant elects for arbitration to be carried out at the Hong Kong International Arbitration Center, any party to the dispute or claim may apply for a hearing to take place in Shenzhen in accordance with *the Securities Arbitration* Rules of the Hong Kong International Arbitration Center. In accordance with *the Arbitration Regulations of China International Economic and Trade Arbitration Commission* (《中國國際經濟貿易仲裁委員會仲裁規則》) amended on February 3, 2012 and implemented on May 1, 2012, the China International Economic and Trade Arbitration Commission shall deal with economic and trading disputes over contractual or non-contractual transactions, including disputes involving Hong Kong based on the agreement of the parties. The arbitration commission is established in Beijing and its branches and centers have been set up in Shenzhen, Shanghai, Tianjin and Chongqing.

Under *the Arbitration Law* and *the PRC Civil Procedure Law*, an arbitral award is final and binding on the parties. If a party fails to comply with an award, the other party to the award may apply to the people's court for enforcement. A people's court may refuse to enforce an arbitral award made by an arbitration commission if there is any procedural or membership irregularity specified by law or the award exceeds the scope of the arbitration agreement or is outside the jurisdiction of the arbitration commission.

A party seeking to enforce an arbitral award by a PRC arbitration panel against a party who, or whose property, is not within the PRC, may apply to a foreign court with jurisdiction over the case for enforcement.

Similarly, an arbitral award made by a foreign arbitration body may be recognized and enforced by the PRC courts in accordance with the principles of reciprocity or any international treaty concluded or acceded to by the PRC.

The PRC acceded to *the Convention on the Recognition and Enforcement of Foreign Arbitral Awards* (the "**New York Convention**") (《關於承認及執行國外仲裁裁決之紐約公約》) adopted on June 10, 1958 pursuant to a resolution of the Standing Committee passed on December 2, 1986. *The New York Convention* provides that all arbitral awards made in a state which is a party to *the New York Convention* shall be recognized and enforced by other parties to *the New York Convention*, subject to their right to refuse enforcement under certain circumstances, including where the enforcement of the arbitral award is against the public policy of the state to which the request for enforcement is made.

It was declared by the Standing Committee simultaneously with the accession of the PRC that (i) the PRC will only recognize and enforce foreign arbitral awards on the principle of reciprocity and (ii) the PRC will only apply *the New York Convention* in disputes considered under PRC laws to arise from contractual and non-contractual mercantile legal relations. On June 18, 1999, an arrangement was made between Hong Kong Special Administrative Region of the PRC and the Supreme People's Court of the PRC for the mutual enforcement of arbitral awards. This new arrangement was approved by the Supreme People's Court of the PRC and the Hong Kong Legislative Council, and became effective on February 1, 2000. The arrangement is made in accordance with the spirit *of the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards 1958*. Under the arrangement, the Courts of the Hong Kong Special Administrative Region of the PRC agree to enforce the awards made pursuant to the Arbitration Law of the PRC by the arbitral authorities in the Mainland. The list of the arbitral authorities in the Mainland is to be supplied by the Legislative Affairs Office of the State Council (國務院法制辦公室) through the Hong Kong and Macau Affairs Office of the State Council (國務院港澳事務辦公室). The People's Court of the Mainland agree to enforce the awards made in Hong Kong Special Administrative Region of the PRC pursuant to the Arbitration Ordinance of Hong Kong.

SUMMARY OF MATERIAL DIFFERENCES BETWEEN HONG KONG AND PRC COMPANY LAW

The Hong Kong law applicable to a company incorporated in Hong Kong is based on Companies Ordinance and supplemented by common law and the rules of equity that apply to Hong Kong. As a joint stock limited liability company established in the PRC that is seeking a listing of H Shares on the Stock Exchange, we are governed by *the PRC Company Law* and all the rules and regulations promulgated pursuant to *the PRC Company Law*.

In the following sections, we summarize certain material differences between Hong Kong company law applicable to a company incorporated in Hong Kong and *the PRC Company Law* applicable to a joint stock limited liability company incorporated and existing under *the PRC Company Law*. This summary is, however, not intended to be an exhaustive comparison.

Corporate Existence

Under Hong Kong company law, a company having share capital is incorporated by the Registrar of Companies in Hong Kong and upon its incorporation, the company will acquire an independent corporate existence. A company may be incorporated as a public company or a private company. Pursuant to Companies Ordinance, the articles of association of a private company incorporated in Hong Kong shall contain certain preemptive provisions. The articles of association of a public company do not contain such pre-emptive provisions.

Under *the PRC Company Law*, a joint stock limited liability company may be incorporated by promotion or public subscription. The amended *PRC Company Law* which came into effect on March 1, 2014 has no provision on the minimum registered capital of joint stock limited liability company, except that laws, administrative regulations and State Council decisions have separate provisions on paid-in registered capital and the minimum registered capital, in which case the company should follow such provisions.

Hong Kong law does not prescribe any minimum capital requirement for a Hong Kong company.

Share Capital

Under Hong Kong law, a company may state in its articles of association the maximum number of shares that it may issue. If a maximum number of shares is stated, the company is not bound to issue the entire amount, and therefore the maximum number of shares it may issue may be larger than its issued share capital. In this case, the directors of a Hong Kong company may, with the prior approval of the shareholders if required, cause the company to issue new shares. *The PRC Company Law* does not provide for a maximum number of shares to be issued. Our registered capital is the amount of our issued share capital. Any increase in our registered capital must be approved by our shareholders' general meeting and must be in compliance with provisions stipulated by the relevant PRC governmental and regulatory authorities.

Under *the PRC Securities Law*, a company which is authorized by the relevant securities administration authority to list its shares on a stock exchange must have a registered capital of not less than RMB30 million. Hong Kong law does not prescribe any minimum capital requirements for companies incorporated in Hong Kong.

Under *the PRC Company Law*, the shares may be subscribed for in the form of money or non-monetary assets (other than assets not entitled to be used as capital contributions under relevant laws and administrative regulations). For non-monetary assets to be used as capital contributions, appraisals and verification must be carried out to ensure no over-valuation or under-valuation of the assets. There is no such restriction on a Hong Kong company under Hong Kong law.

Restrictions on Shareholding and Transfer of Shares

Our Domestic Shares, which are denominated and subscribed for in Renminbi, may be subscribed for or traded by the State, PRC legal persons, natural persons and other entities as stipulated by PRC laws and regulations. Our overseas listed H Shares, which are denominated in Renminbi and subscribed for in a currency other than Renminbi, may only be subscribed for, and traded by, investors from Hong Kong, Macau and Taiwan or any country and territory outside the PRC, or qualified domestic institutional investors.

Under *the PRC Company Law*, a promoter of a joint stock limited liability company is not allowed to transfer the shares it holds for a period of one year after the date of establishment of the company. Shares in issue prior to our public offering cannot be transferred within one year from the listing date of the shares on a stock exchange. Shares in a joint stock limited liability company held by its directors, supervisors and managers and transferred each year during their term of office shall not exceed 25% of the total shares they held in the company, and the shares they held in the company cannot be transferred within one year from the listing date of the shares, and also cannot be transferred within half a year after the said personnel has left office. The articles of association may set other restrictive requirements on the transfer of the company's shares held by its directors, supervisors and officers. There are no such restrictions on shareholdings and transfers of shares under Hong Kong law, apart from the six-month lockup on the company's issue of shares and the 12-month lockup on controlling shareholders' disposal of shares.

Financial Assistance for Acquisition of Shares

Although *the PRC Company Law* does not prohibit or restrict us or our subsidiaries from providing financial assistance for the purpose of an acquisition of our Shares, *the Mandatory Provisions* contain restrictions on a company and its subsidiaries from providing such financial assistance similar to those under the Hong Kong company law.

Variation of Class Rights

The PRC Company Law makes no special provision relating to variation of class rights. However, *the PRC Company Law* states that the State Council can promulgate regulations relating to other kinds of shares. *The Mandatory Provisions* contain elaborate provisions relating to the circumstances which are deemed to be variations of class rights and the approval procedures required to be followed in respect thereof. These provisions have been incorporated in the Articles of Association, which are summarized in Appendix VI.

Under Companies Ordinance, rights attached to any class of shares can be varied only (i) with the consent in writing of the holders representing at least 75% of the total voting rights of holders of shares in that class, (ii) with the approval by special resolution passed at a separate general meeting of holders of shares in the class or (iii) if there are provisions in the articles of association for the variation of those rights, then in accordance with those provisions.

We (as required by *the Listing Rules* and *the Mandatory Provisions*) have adopted in the Articles of Association provisions protecting class rights in a similar manner to those found in Hong Kong law. Holders of overseas listed foreign invested shares and domestic invested shares are defined in the Articles of Association as different classes, however, the special voting procedures for shareholders of different classes shall not apply in the following circumstances:

- the Company issues and allots, in any 12-month period, pursuant to a shareholders' special resolution, not more than 20% of each of the issued overseas listed foreign invested shares and the issued domestic invested shares existing as at the date of the shareholders' special resolution;

- the plan for the issue of domestic invested shares and listed foreign invested shares upon its establishment is implemented within 15 months following the date of approval by the CSRC; or

- upon the listing and trading of domestic shares on an overseas stock exchange, provided that the listing and trading of such transferred shares shall have obtained the approval of the authorized securities approval authorities of the State Council, including the CSRC.

Directors

The PRC Company Law, unlike Hong Kong company law, does not contain any requirements relating to the declaration of directors' interests in material contracts, restrictions on companies providing certain benefits to directors and guarantees in respect of directors' liability and prohibitions against compensation for loss of office without shareholders' approval. *The Mandatory Provisions*, however, contain certain restrictions on major dispositions and specify the circumstances under which a director may receive compensation for loss of office, all of which provisions have been incorporated in the Articles of Association, a summary of which is set out in Appendix VI.

Board of Supervisors

Under *the PRC Company Law*, a company's directors and managers are subject to the supervision of a Board of Supervisors. There is no mandatory requirement for the establishment of a board of supervisors for a company incorporated in Hong Kong. *The Mandatory Provisions* provide that each supervisor owes a duty, in the exercise of his powers, to act in good faith and honestly in what he considers to be our best interests and to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

Derivative Action by Minority Shareholders

Hong Kong law permits minority shareholders to start a derivative action on behalf of a company against directors who have committed a breach of their fiduciary duties to the company, if such directors control a majority of votes at a general meeting, thereby effectively preventing a company from suing the directors in breach of their duties in its own name. *The PRC Company Law* gives our shareholders the right to initiate proceedings in the people's court to restrain the implementation of any resolution passed by our shareholders in a general meeting, or by the Board, that violates any law, administrative rules or articles of association or if the directors, supervisors or senior managers violate laws, administrative rules or articles of association when performing their duties and cause losses to the company. *The Mandatory Provisions*, however, provide us with certain remedies against the Directors, Supervisors and officers who breach their duties to us. In addition, as a condition to the listing of our H Shares on the Stock Exchange and in accordance with our Articles of Association, each of our Directors and Supervisors is required to give an undertaking in favor of us acting as agent for each of our shareholders. This undertaking allows minority shareholders to take action against our Directors and Supervisors when they fail to perform their respective duties.

Protection of Minorities

Under Hong Kong law, a shareholder who complains that the affairs of a company incorporated in Hong Kong are conducted in a manner unfairly prejudicial to his interests may petition to the court to either wind up the company or make an appropriate order regulating the affairs of the company. In addition, on the application of a specified number of members, the Financial Secretary may appoint inspectors who are given extensive statutory powers to investigate the affairs of a company incorporated in Hong Kong. *The PRC Company Law* provides that if any company encounters any serious difficulty in its operations or management to the extent that the interests of its shareholders would be seriously harmed if the company continues to exist, and such difficulty cannot be resolved by any other means, the shareholders holding ten percent or more of the voting rights of the issued shares of the company may petition the people's court to dissolve the company. *The Mandatory Provisions* contain provisions to the effect that a controlling shareholder may not exercise its voting rights (i) to relieve a director or supervisor of his duty to act honestly in the best interests of the company, (ii) to approve the expropriation by a director or supervisor of the company's assets, or (iii) to approve the deprivation by a director or supervisor of specific rights of other shareholders, in each case prejudicial to the interests of the shareholders generally or part of the shareholders of a company.

Notice of Shareholders' General Meetings

Under *the PRC Company Law*, notice of a shareholders' annual general meeting must be given not less than 20 days before the meeting. Under *the Special Regulations* and *the Mandatory Provisions*, 45 days' written notice must be given to all our shareholders and shareholders who wish to attend the meeting must reply in writing no less than 20 days before the date of the meeting. For a limited company incorporated in Hong Kong, the minimum period of notice is 21 days for annual general meetings and 14 days for other general meetings.

Quorum for Shareholder' General Meetings

Under Hong Kong law, the quorum for a meeting of a company must be at least two members unless the articles of association of the company otherwise provide. For companies with one member, one member shall constitute a quorum. *The PRC Company Law* does not specify any quorum requirement for a shareholders' general meeting, but *the Special Regulations* and *the Mandatory Provisions* provide that our general meeting may only be convened when replies to the notice of that meeting have been received from shareholders whose Shares represent at least 50% of the voting rights at least 20 days before the proposed date of the meeting, or if that 50% level is not achieved, we must within five days notify our shareholders again by way of a public announcement and we may hold the shareholders' general meeting thereafter.

Voting

Under Hong Kong law, an ordinary resolution is passed by a simple majority of votes cast by members present in person or by proxy at a general meeting and a special resolution is passed by a majority of at least 75% of votes cast by members present in person or by proxy at a general meeting. Under *the PRC Company Law*, the passing of any resolution requires affirmative votes of our shareholders representing more than half of the voting rights represented by the shareholders who attend the general meeting except in cases of proposed amendments to our Articles of Association, increase or decrease of registered capital, merger, division or dissolution, or change of corporation form, which require affirmative votes of our shareholders representing more than two thirds of the voting rights represented by the shareholders who attend the general meeting.

Financial Disclosure

We are required under *the PRC Company Law* to make available at our company for inspection by shareholders our annual financial statements (including but not limited to balance sheet, income statement and other relevant documents) 20 days before our shareholders' annual general meeting. In addition, we must publish our financial statements and our financial statements must be verified by registered accountants. The Companies Ordinance requires a company incorporated in Hong Kong to send to every shareholder a copy of its financial statements, directors' report and auditor's report, which are to be laid before the company in its annual general meeting, at least 21 days before such meeting.

We are required under PRC law to prepare our financial statements in accordance with PRC accounting standards. *The Mandatory Provisions* require that we must, in addition to preparing our accounts according to PRC standards, have our accounts prepared and audited in accordance with international or Hong Kong accounting standards and our financial statements must also contain a statement of the financial effect of the material differences (if any) from the financial statements prepared in accordance with the PRC accounting standards. The Company is required to publish its interim and annual accounts within 60 days from the end of the first six months of a financial year and within 120 days from the end of a financial year, respectively.

The Special Regulations require that there should not be any inconsistency between the information disclosed within and outside the PRC and that, to the extent that there are differences in the information disclosed in accordance with the relevant PRC and overseas laws, regulations and requirements of the relevant stock exchanges, such information should also be disclosed simultaneously.

Information on Directors and Shareholders

The PRC Company Law gives our shareholders the right to inspect our Articles of Association, minutes of the shareholders' general meetings and financial and accounting reports. Under the Articles of Association, shareholders have the right to inspect and copy (at reasonable charges) certain information on shareholders and on directors similar to that available to shareholders of Hong Kong companies under Hong Kong law.

Receiving Agent

Under *the PRC Company Law* and Hong Kong law, dividends once declared are debts payable to shareholders. The limitation period for debt recovery action under Hong Kong law is six years, while under the PRC law this limitation period is two years. *The Mandatory Provisions* require us to appoint a trust company registered under *the Hong Kong Trustee Ordinance* (Chapter 29 of the Laws of Hong Kong) as a receiving agent to receive on behalf of holders of H Shares dividends declared and all other monies owed by us in respect of our Shares.

Corporate Reorganization

Corporate reorganizations involving a company incorporated in Hong Kong may be effected in a number of ways, such as a transfer of the whole or part of the business or property of the company in the course of being wound up voluntarily to another company pursuant to Section 237 of *the Hong Kong Companies (Winding Up and Miscellaneous Provisions) Ordinance* or a compromise or arrangement between the company and its creditors or between the company and its members pursuant to Sections 673 and 674 of the Companies Ordinance, which requires the sanction of the court. Under *the PRC Company Law*, the merger, demerger, dissolution or change to the status of a joint stock limited liability company has to be approved by shareholders' general meeting of the company.

Dispute Arbitration

In Hong Kong, disputes between shareholders on the one hand, and a company incorporated in Hong Kong or its directors on the other, may be resolved through the courts. *The Mandatory Provisions* provide that such disputes should be submitted to arbitration at either the Hong Kong International Arbitration Centre (the "**HKIAC**") or the China International Economic and Trade Arbitration Commission (the "**CIETAC**"), at the claimant's choice.

Mandatory Deductions

Under *the PRC Company Law*, after-tax profits of a company are subject to deductions of the statutory surplus common reserve fund of a company before they can be distributed to shareholders. There are prescribed limits under *the PRC Company Law* for such deductions. There are no corresponding provisions under the Companies Ordinance.

Remedies of the Company

Under *the PRC Company Law*, if a director, supervisor or senior manager in carrying out his duties infringes any law, administrative regulation or the articles of association of a company, which results in damage to the company, that director, supervisor or senior manager should be responsible to the company for such damages. In addition, in compliance with *the Listing Rules*, remedies of the Company similar to those available under the Hong Kong law (including rescission of the relevant contract and recovery of profits made by a Director, Supervisor or officer) have been set out in the Articles of Association.

Dividends

Under PRC law, the Company is required to withhold, and pay to the relevant tax authorities, any tax payable under PRC law on any dividends or other distributions payable to a shareholder in certain circumstances. Under Hong Kong law, the limitation period for an action to recover a debt (including the recovery of dividends) is six years, whereas under PRC laws, the relevant limitation period is two years. The Company shall not exercise its powers to forfeit any unclaimed dividend in respect of H Shares until after the expiry of the applicable limitation period.

Fiduciary Duties

In Hong Kong, there is the common law concept of the fiduciary duty of directors. Under *the PRC Company Law* and *the Special Regulations*, directors, supervisors, officers owe a fiduciary duty towards their company and are not permitted to engage in any activities which damage the interests of their company or engage in any business similar with their company.

Closure of Register of Shareholders

The Companies Ordinance requires that the register of shareholders of a company must not generally be closed for the registration of transfers of shares for more than 30 days (extendable to 60 days in certain circumstances) in a year, whereas, as required by *the Mandatory Provisions*, share transfers may not be registered within 30 days before the date of a shareholders' general meeting or within five days before the record date set for the purpose of distribution of dividends.

LISTING RULES

The Listing Rules provide additional requirements which apply to us as an issuer incorporated in the PRC as a joint stock limited liability company and seeking a primary listing or whose primary listing is on the Stock Exchange. Set out below is a summary of the principal provisions containing the additional requirements which apply to us.

Compliance adviser

We are required to appoint a compliance adviser acceptable to the Stock Exchange for the period commencing on the Listing Date and ending on the date of publication of our financial results for the first full financial year commencing after the Listing Date, to provide us with professional advice on continuous compliance with *the Hong Kong Listing Rules*, and to act at all times, in addition to our two authorized representatives, as our principal channel of communication with the Stock Exchange. The appointment of the compliance adviser may not be terminated until a replacement acceptable to the Stock Exchange has been appointed.

If the Stock Exchange is not satisfied that the compliance adviser is fulfilling its responsibilities adequately, it may require us to terminate the compliance adviser's appointment and appoint a replacement.

The compliance adviser must keep the Company informed on a timely basis of changes in the Listing Rules and any new or amended law, regulation or code in Hong Kong applicable to the Company. It must act as the Company's principal channel of communication with the Stock Exchange if the authorized representatives of the Company are expected to be frequently outside Hong Kong.

Accountant's Report

An accountant's report will not normally be regarded as acceptable by the Stock Exchange unless the relevant accounts have been audited to a standard comparable to that required in Hong Kong or under International Standards on Auditing or China Auditing Standards. Such report will normally be required to conform to Hong Kong or international accounting standards or China Accounting Standards for Business Enterprises.

Process Agent

We are required to appoint and maintain a person authorized to accept service of process and notices on our behalf in Hong Kong throughout the period during which our securities are listed on the Stock Exchange and must notify the Stock Exchange of his, her or its appointment, the termination of his, her or its appointment and his, her or its contact particulars.

Public Shareholding

If at any time there are existing issued securities of a PRC issuer other than foreign shares ("**foreign shares**") which are listed on the Stock Exchange, the Listing Rules require that the aggregate amount of the H shares and other securities held by the public must constitute not less than 25% of the Company's total issued share capital and that the class of securities for which listing is sought must not be less than 15% of the Company's total issued share capital if the company has an expected market capitalization at the time of listing of not less than HK$50,000,000. The Hong Kong Stock Exchange may, at its discretion, accept a lower percentage of between 15% and 25% if the Company has an expected market capitalization at the time of listing of more than HK$10,000,000,000.

Independent Directors and Supervisors

Independent Directors are required to demonstrate an acceptable standard of competence and adequate commercial or professional expertise to ensure that the interests of our general body of shareholders will be adequately represented. Supervisors must have the character, expertise and integrity and be able to demonstrate a standard of competence commensurate with their position as Supervisors.

Restrictions on Purchase of our Own Securities

Subject to governmental approvals and the Articles of Association, we may repurchase our own H Shares on the Stock Exchange in accordance with the provisions of *the Listing Rules*. Approval by way of special resolution of the holders of our Domestic Shares and the holders of H Shares at separate class meetings conducted in accordance with the Articles of Association is required for share repurchases. In seeking approvals, we are required to provide information on any proposed or actual purchases of all or any of our equity securities, whether or not listed or traded on the Stock Exchange. We must also state the consequences of any purchases which will arise under either or both of the Hong Kong Takeovers Code and any similar PRC law of which Directors are aware, if any. Any general mandate given to Directors to repurchase H Shares must not exceed 10% of the total number of our issued H Shares.

Redeemable Shares

We must not issue any redeemable shares unless the Stock Exchange is satisfied that the relative rights of the holders of our H Shares are adequately protected.

Pre-emptive Rights

Except in the circumstances mentioned below, Directors are required to obtain the approval by a special resolution of shareholders in general meeting, and the approvals by special resolutions of the holders of our Domestic Shares and H Shares (each being otherwise entitled to vote at general meetings) at separate class meetings conducted in accordance with the Articles of Association, prior to authorizing, allotting, issuing or granting Shares or securities convertible into Shares, options, warrants or similar rights to subscribe for any Shares or such convertible securities.

No such approval will be required to the extent that our existing shareholders have by special resolution in general meeting given a mandate to Directors, either unconditionally or subject to such terms and conditions as may be specified in the resolution, to authorize, allot or issue, either separately or concurrently once every 12 months, not more than 20% of each of the existing issued Domestic Shares and H Shares as of the date of the passing of the relevant special resolution, or such Shares are issued as part of our plan at the time of our establishment to issue Domestic Shares and H Shares and which plan is implemented within 15 months from the date of approval by the State Council Securities Policy Committee.

Supervisors

The Company is required to adopt rules governing dealings by its supervisors in securities of the Company in terms no less exacting than those of the model code (set out in Appendix 10 to *the Listing Rules*) issued by the Stock Exchange.

The Company is required to obtain the prior approval of its shareholders at a general meeting (at which the relevant supervisor and his associates shall not vote on the matter) prior to the Company or any of its subsidiaries entering into a service contract of the following nature with a supervisor or proposed supervisor of the Company or its subsidiary: (1) the duration of the service contract may exceed three years; or (2) in order to entitle our Company or any of its subsidiaries to terminate the contract, the service contract expressly requires the Company or any of its subsidiaries to give more than one year's notice or to pay compensation or make other payments equivalent to more than one year's emoluments of the relevant supervisor or proposed supervisor.

The remuneration committee of the Company or an independent board committee must form a view in respect of service contracts that require shareholders' approval and advise shareholders (other than shareholders with a material interest in the service contracts and their associates) as to whether the terms are fair and reasonable, advise whether such contracts are in the interests of the Company and its shareholders as a whole and advise shareholders on how to vote.

Amendment to Articles of Association

We may not permit or cause any amendment to our Articles of Association which would cause them to cease to comply with *the PRC Company Law*, *the Mandatory Provisions* or *the Listing Rules*.

Documents for Inspection

We are required to make available at a place in Hong Kong for inspection by the public and our shareholders free of charge, and for copying by our shareholders at reasonable charges the following:

- complete duplicate register of shareholders;
- report showing the state of our issued share capital;
- our latest audited financial statements and the reports of the Directors, auditors and (if any) Supervisors, if any, thereon;
- special resolutions;
- reports showing the number and nominal value of securities repurchased by us since the end of the last financial year, the aggregate amount paid for such securities and the maximum and minimum prices paid in respect of each class of securities repurchased (with a breakdown between Domestic Shares and H Shares);
- copy of the latest annual return filed with the PRC State Administration for Industry and Commerce or other competent PRC authority; and
- for shareholders only, copies of minutes of meetings of shareholders.

Receiving Agents

Under Hong Kong law, we are required to appoint one or more receiving agents in Hong Kong and pay to such agents dividends declared and other monies owed in respect of the H Shares to be held, pending payment, in trust for the holders of such H Shares.

Statements in Share Certificates

We are required to ensure that all our listing documents and share certificates include the statements stipulated below and to instruct and cause each of our share registrars not to register the subscription, purchase or transfer of any of our Shares in the name of any particular holder unless and until such holder delivers to the share registrar a signed form in respect of those Shares bearing statements to the following effect, that the acquirer of Shares:

- agrees with us and each shareholder, and we agree with each shareholder, to observe and comply with *the PRC Company Law*, *the Special Regulations* and the Articles of Association;

- agrees with us, each shareholder, Director, Supervisor, manager and other officer and we acting both for the company and for each Director, Supervisor, manager and other officer, agree with each shareholder to refer all differences and claims arising from the Articles of Association or any rights or obligations conferred or imposed by *the PRC Company Law*, *the Special Regulations* or other relevant laws and administrative regulations concerning our affairs to arbitration in accordance with the Articles of Association. Any reference to arbitration will be deemed to authorize the arbitration tribunal to conduct its hearing in open session and to publish its award. Such arbitration will be final and conclusive;

- agrees with us and each shareholder that Shares are freely transferable by the holder thereof; and

- authorizes us to enter into a contract on his behalf with each Director and officer whereby such Directors and officers undertake to observe and comply with their obligations to shareholders as stipulated in the Articles of Association.

Compliance with the PRC Company Law, the Special Regulations and the Articles of Association

We are required to observe and comply with *the PRC Company Law*, *the Special Regulations* and the Articles of Association.

Contract between Us and Directors, Supervisors and other Senior Managers

We are required to enter into a contract in writing with every Director, Supervisor and other senior manager containing at least the following provisions:

- an undertaking by the Director, Supervisor or other senior manager to us to observe and comply with *the PRC Company Law*, *the Special Regulations*, the Articles of Association, the Hong Kong Takeovers Code and an agreement that we shall have the remedies provided in the Articles of Association and that neither the contract nor his office is capable of assignment;

- an undertaking by the Director, Supervisor or other senior manager to us acting as agent for each shareholder to observe and comply with his obligations to our shareholders as stipulated in the Articles of Association; and

- an arbitration clause which provides that whenever any differences or claims arise from the contract, our Articles of Association or any rights or obligations conferred or imposed by *the PRC Company Law*, *the Special Regulations* or other relevant laws and administrative regulations concerning affairs between us and our Directors, Supervisors or other senior managers and between a holder of H Shares and a Director, Supervisor or other senior manager, such differences or claims will be referred to arbitration at either the CIETAC in accordance with its rules or the HKIAC in accordance with its Securities Arbitration Rules, at the election of the claimant and that once a claimant refers a dispute or claim to arbitration, the other party must submit to the arbitral body elected by the claimant. Such arbitration will be final and conclusive.

We are also required to enter into a contract in writing with every Supervisor containing terms substantially similar to those for Directors. If the party seeking arbitration elects to arbitrate the dispute or claim at HKIAC, then either party may apply to have such arbitration conducted in Shenzhen, according to *the Securities Arbitration Rules of HKIAC*. PRC laws shall govern the arbitration of disputes or claims referred to above, unless otherwise provided by law or administrative regulations. The award of the arbitral body is final and shall be binding on the parties thereto. Disputes over who is a shareholder and over the share register do not have to be resolved through arbitration.

Subsequent Listing

We must not apply for the listing of our H Shares on a PRC stock exchange unless the Stock Exchange is satisfied that the relative rights of the holders of our H Shares are adequately protected.

English translation

All notices or other documents required under *the Listing Rules* to be sent by the Company to the Stock Exchange or to holders of H Shares are required to be in the English language, or accompanied by a certified English translation.

GENERAL

If any change in the PRC law or market practices materially alters the validity or accuracy of any basis upon which the additional requirements have been prepared, the Stock Exchange may impose additional requirements or make listing of our H Shares subject to special conditions as the Stock Exchange may consider appropriate. Whether or not any such changes in the PRC law or market practices occur, the Stock Exchange retains its general power under *the Listing Rules* to impose additional requirements and make special conditions in respect of our listing. Upon our listing on the Stock Exchange, the provisions of *the Hong Kong Securities and Futures Ordinance*, *the Hong Kong Takeovers Code* and such other relevant ordinances and regulations as may be applicable to companies listed on the Stock Exchange will apply to us.

Other Legal and Regulatory Provisions

Upon the Company's listing, the provisions of *the Securities and Futures Ordinance*, *the Codes on Takeovers and Mergers and Share Repurchases* and such other relevant ordinances and regulations as may be applicable to companies listed on the Stock Exchange will apply to the Company.

Securities Arbitration Rules

The Articles of Association provide that certain claims arising from the Articles of Association or *the PRC Company Law* shall be arbitrated at either the CIETAC or the HKIAC in accordance with their respective rules. *The Securities Arbitration Rules* of the HKIAC contain provisions allowing, upon application by any party, an arbitral tribunal to conduct a hearing in Shenzhen for cases involving the affairs of companies incorporated in the PRC and listed on the Stock Exchange so that PRC parties and witnesses may attend. Where any party applies for a hearing to take place in Shenzhen, the tribunal shall, where satisfied that such application is based on bona fide grounds, order the hearing to take place in Shenzhen conditional upon all parties, including witnesses and the arbitrators, being permitted to enter Shenzhen for the purpose of the hearing. Where a party, other than a PRC party or any of its witnesses or any arbitrator, is not permitted to enter Shenzhen, then the tribunal shall order that the hearing be conducted in any practicable manner, including the use of electronic media. For the purpose of *the Securities Arbitration Rules*, a PRC party means a party domiciled in the PRC other than the territories of Hong Kong, Macau and Taiwan.

PRC Legal Matters

Any person wishing to have detailed advice on PRC law or the laws of any jurisdiction is recommended to seek independent legal advice.

Set out below is a summary of certain provisions of the Articles of Association of the Company.

The Company was incorporated in the PRC as a joint stock limited liability company on February 18, 2014 under the PRC Company Law. The Articles of Association comprises its constitution.

This Appendix contains a summary of the principal provisions of the Articles of Association, which was adopted on March 15, 2015 and will become effective on the Listing Date. The principal objective of this Appendix is to provide potential investors with an overview of the Articles of Association. As the information contained below is a summary form, it does not contain all the information that may be important to potential investors. A copy of the full Chinese text of the Articles of Association is available for inspection as mentioned in the section headed "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix VIII to this prospectus.

1. DIRECTORS AND BOARD OF DIRECTORS

(a) Power to allot and issue Shares

In order to allot or issue shares, the Board shall prepare a proposal for approval by Shareholders in general meeting by way of special resolution. Any such allotment or issue must be conducted in accordance with the procedures stipulated by relevant laws and administrative regulations.

(b) Power to dispose of the Company's or any of its subsidiaries' assets

The Board shall not, without the approval of Shareholders in general meeting, dispose or agree to dispose of any fixed assets of the Company where the aggregate of: (i) the expected value of the fixed assets of the Company proposed to be disposed of; and (ii) where any fixed assets of the Company have been disposed of in the period of four months immediately preceding the proposed disposition, the amount or value of the consideration for any such disposition, exceeds 33% of the value of the Company's fixed assets as shown in the last balance sheet tabled before the Shareholders in general meeting. For the purposes of this provision, disposition includes an act involving a transfer of an interest in property other than providing security by fixed assets.

The validity of a transaction for the disposition of fixed assets by the Company shall not be affected by a breach of the above-mentioned restriction contained in the Articles of Association.

(c) Compensation or payments for loss of office

In the contract for emoluments entered into by the Company with a Director or Supervisor: when the Company is being acquired, provisions shall be made for the right of the Director or Supervisor to receive, after obtaining the prior consent of Shareholders in general meeting, payments or other amounts by way of compensation for loss of office or for his retirement from office. A takeover of the Company means:

(i) an offer made to all shareholders of the Company; or

(ii) an offer is made such that the offeror will become the controlling shareholder of the Company (as defined in the Articles of Association).

If the relevant Director or Supervisor does not comply with the above provisions, any sum received by the Director or Supervisor on account of the payment shall belong to those persons who have sold their Shares as a result of accepting the offer, and the expenses incurred by the Director or Supervisor in distributing that sum pro rata among those persons shall be borne by him and shall not be deducted from the sum distributed.

(d) Loans to Directors, Supervisors and other officers

The Company is prohibited from directly or indirectly making any loan or guarantee for a loan to its Directors, Supervisors, the president, or other senior officers or the Directors, Supervisors, the president, or other senior officers of its holding company. The Company is also prohibited from, providing any loan or guarantee for a loan in connection with a loan made by any related party to such a Director, Supervisor, the president, or other senior officer.

A loan made by the Company in breach of the prohibition described above shall be forthwith repayable by the recipient of the loan regardless of the terms of the loan. A guarantee for a loan provided by the Company in breach of the prohibition referred to above shall be unenforceable against the Company unless:

(i) the guarantee was provided in connection with a loan to a related party to a Director, Supervisor, the president, or other senior officer of the Company or its holding company and at the time the loan was advanced the lender did not know of the relevant circumstances, or

(ii) the collateral provided by the Company has been lawfully disposed of by the lender to a bona fide purchaser.

The following transactions are not subject to the foregoing prohibition:

(i) the provision of a loan or a guarantee for a loan by the Company to a company which is a subsidiary of the Company;

(ii) the provision in accordance with the terms of an employment contract approved by the Shareholders at general meetings of a loan or a guarantee for a loan or any other funds by the Company to any of its Directors, Supervisors, the president, or other senior officer to meet expenditure incurred by him for the purposes of the Company or for the purpose of enabling him to perform properly his duties; and

(iii) the Company may make a loan to or provide a guarantee for a loan to its relevant Directors, Supervisors, the president, or other senior officers or other related parties where the ordinary course of its business is expanded to include the making of loans or the giving of guarantees for loans and provided that the making of such loans or the giving of such guarantees is on normal commercial terms.

For these purposes, guarantee includes an act of undertaking or property provided to secure the performance of obligations by the obligor.

(e) Giving of financial assistance to purchase the Shares of the Company

Subject to certain exceptions in the Articles of Association:

(i) neither the Company nor any of its subsidiaries shall at any time and in any manner provide financial assistance to a person who acquires or is proposing to acquire the Shares. The said person includes any person who has directly or indirectly incurred a liability as a result of the acquisition of the Shares; and

(ii) neither the Company nor any of its subsidiaries shall at any time and in any manner provide financial assistance to the person mentioned in the foregoing paragraph for the purposes of reducing or discharging his liabilities.

For these purposes, "financial assistance" includes, without limitation to:

(i) assistance given by way of gift;

(ii) assistance given by way of guarantee (including the provision of any undertaking or property to secure the performance of obligations by the obligor) or indemnity (other than an indemnity in respect of the Company's own default), or by way of release or waiver;

(iii) assistance given by way of a loan; or entering into an agreement under which the Company needs to perform its obligations ahead of the other contracting parties; or a change in the parties to, or the assignment of rights arising under such loan or such agreement; or

(iv) assistance given by the Company in any other manner when the Company is insolvent or has no net assets or where its net assets would thereby be reduced to a material extent; and

"incurring a liability" includes incurring a liability by making an agreement or arrangement (whether enforceable or unenforceable, and whether made on one's own account or with any other person) or by changing one's financial position by any other means.

The following transactions are not prohibited:

(i) the provision of financial assistance where the Company's principal purpose for giving that assistance is genuinely for the Company's interests and not for the purpose of acquiring the Shares, or the provision of such assistance is incidental to some broader objective of the Company;

(ii) a lawful distribution of the Company's asset as dividend;

(iii) a distribution of dividends by way of Shares;

(iv) a reduction of registered share capital, repurchase of the Shares or a reorganization of the share capital effected in compliance with the Articles of Association;

(v) the provision of loans by the Company within its scope of business and in the ordinary course of its business, provided that the Company's net assets are not thereby reduced or, to the extent that those assets are reduced, the assistance is provided out of distributable profits; and

(vi) the Company's contribution to employees' share schemes provided that the Company's net assets are not thereby reduced or, to the extent that those assets are thereby reduced, the assistance is provided out of distributable profits.

(f) Disclosure of interests in and voting on contracts with the Company or any its subsidiaries

Where a Director, Supervisor, the president, or other senior officer is in any way, directly or indirectly, materially interested in a contract, transaction or arrangement or proposed contract, transaction or arrangement with the Company, he shall declare the nature and extent of his interest to the Board at the earliest opportunity, whether or not the contract, transaction or arrangement or proposal is otherwise subject to the approval of the Board.

Unless the interested Director, Supervisor, president or other senior officer has disclosed his interest in accordance with the preceding paragraph and the contract, transaction or arrangement has been approved by the Board at a meeting in which the interested Director is not counted in the quorum and has refrained from voting, the contract, transaction or arrangement in which a Director, Supervisor, the president or other senior officer is materially interested is voidable at the instance of the Company except as against a bona fide party thereto acting without notice of the breach of duty by the Director, Supervisor, the president or other senior officer concerned. A Director, Supervisor, the president and other senior officer of the Company is deemed to be interested in a contract, transaction or arrangement in which his related parties have interest.

Where a Director, Supervisor, the president, or other senior officer of the Company gives the Board a general notice in writing stating that, by reason of the facts stated in the notice, he is interested in contracts, transactions or arrangements of any description which may subsequently be entered into by the Company, then he shall be deemed to have made a disclosure for the purposes of the relevant provisions in the Articles of Association so far as the content stated in such notice is concerned, if such notice shall have been given to the Board before the date on which the question of entering into the relevant contract, transaction or arrangement is first taken into consideration by the Company.

(g) Remuneration

The Company shall, with the prior approval of Shareholders in general meeting, enter into a contract in writing with each Director or Supervisor for emoluments in respect of their services. The Directors or Supervisors have no power under the Articles of Association to determine the remuneration of themselves.

(h) Retirement, appointment and removal

The following persons may not serve as a Director, Supervisor, the president, or other senior officer of the Company:

(i) an individual who has no civil capacity or has restricted civil capacity;

(ii) persons who have committed the offences of corruption, bribery, trespass of property, misappropriation of property or damaging the social economic order, and have been penalized due to the above offences, where less than five years have elapsed since the date of the completion of implementation of the penalty or persons who have committed crimes and have been deprived of their political rights due to such crimes, where less than five years have elapsed since the date of the completion of the implementation of such deprivation;

(iii) persons who were former directors, factory chiefs or managers of a company or enterprise which has become insolvent and has been liquidated and were personally liable for the insolvency of such company or enterprise, where less than three years have elapsed since the date of the completion of the insolvency and liquidation of such company or enterprise;

(iv) persons who were legal representatives of a company or enterprise, which had its business license revoked due to a violation of the law and were ordered to close down, and who were personally liable for the revocation of business license of such company or enterprise, where less than three years have elapsed since the date of the revocation of business license of such company or enterprise;

(v) persons with a comparatively large amount of personal debts due and unsettled;

(vi) persons who have committed criminal offences and are still under investigation by law administration authorities;

(vii) persons who were not allowed to be heads of enterprises as stipulated by laws and administrative regulations;

(viii) persons who are not natural persons;

(ix) persons who have been convicted of offences of violating provisions of the relevant securities laws and regulations or offences of fraud or acting in bad faith by the relevant authorities, where less than five years have lapsed since the date of conviction; and

(x) other persons stipulated by the laws and regulations of where the Shares are listed.

The validity of the conduct of Directors, the president, or other senior officers who have acted on behalf of the Company with respect to third parties who have acted in good faith shall not be affected due to any irregularity in the employment, election or qualification of such Directors, president, or other senior officers.

The Board shall consist of nine Directors. A Director is not required to hold any Shares. The chairman of the Board shall be elected or removed by more than one half of all of the Directors. A Director may be removed by ordinary resolution at a Shareholders' general meeting.

The term of office of the chairman shall be three years and is renewable upon re-election.

The minimum length of the period for giving written notice of the intention to nominate a person for election as a Director and of his willingness to be elected shall be at least seven days. Such seven-day period shall commence no earlier than the second day after the issue of the notice of the meeting at which the election shall be conducted and no later than seven days prior to the Shareholders' general meeting.

The list of Directors' and Supervisors' candidates shall be proposed in form of a motion to the Shareholders' general meeting for resolution.

(i) Borrowing power

The Articles of Association do not contain any special provision in respect of the manner in which borrowing powers may be exercised by the Directors nor do they contain any special provision in respect of the manner in which such power may be raised, other than: (a) provisions which give the Board the power to formulate proposals for the issuance of debentures by the Company; and (b) provisions which provide that the issuance of debentures must be approved by the Shareholders in general meeting by way of a special resolution.

(j) Liability

The Directors, Supervisors, the president, and other senior officers of the Company owe fiduciary duties and duties of diligence to the Company. In addition to any rights and remedies provided for in relevant laws and administrative regulations, the Company is entitled to adopt the following measures where a Director, Supervisor, the president, or other senior officer is in breach of his duties owed to the Company:

(i) to claim against such a Director, Supervisor, the president or other senior officer for losses incurred by the Company as a result of his breach;

(ii) to rescind any contract or transaction entered into between the Company and the Director, Supervisor, the president or other senior officer, or between the Company and a third party where such third party has knowledge or should have had knowledge of the breach of duty;

(iii) to account for the profits made by the Director, Supervisor, the president or other senior officer as a result of his breach;

(iv) to recover any monies received by the Director, Supervisor, the president or other senior officer which should have been received by the Company, including, without limitation, commissions;

(v) to demand the return of the interest earned or which may have been earned on any monies referred to in (iv) above by the Director, Supervisor, the president or other senior officer which should have been received by the Company; and

(vi) to execute legal procedures judgment that the interest of a Director, Supervisor, the president or other senior officer obtained through his breach of duty should belong to the Company.

The Board shall carry out its duties in compliance with the laws and administrative regulations, the Articles of Association and resolutions passed at general meetings. Each Director, Supervisor, the president, and other senior officer of the Company should abide by his fiduciary principles in the discharge of his duties, and not to place himself in a position where his duty and his own interests may conflict. Such principles include (but are not limited to) the performance of the following:

(i) to act honestly in what he considers to be in the best interest of the Company;

(ii) to exercise his powers within the scope specified and not to act ultra vires;

(iii) to exercise the discretion vested in him personally and not allow himself to act under the direction of another; unless and to the extent permitted by law, administrative regulations or by the Shareholders, having been informed of the relevant facts, at a general meeting, not to delegate the exercise of his discretion;

(iv) to treat Shareholders of the same class equally and to treat Shareholders of different classes fairly;

(v) except in accordance with the Articles of Association or with the informed consent of Shareholders in general meeting, not to enter into any contract, transaction or arrangement with the Company;

(vi) not without the approval of the Shareholders, having been informed of the relevant facts, at general meeting, to use the Company's assets for his personal benefit in any manner;

(vii) not to use his position to accept bribes or other illegal income and not to misappropriate the Company's fund or expropriate the Company's assets in any manner, including (without limitation) opportunities beneficial to the Company;

(viii) not without the informed consent of Shareholders in general meeting, to accept commissions in connection with the Company's transactions;

(ix) to abide by the Articles of Association, faithfully perform his duties and protect the interests of the Company, and not to use his position and powers in the Company to seek personal gain;

(x) not to compete with the Company in any way except with the informed consent of Shareholders given in general meeting;

(xi) not to misappropriate the Company's funds, not to open any bank account in his own name or other name for the deposit of the Company's assets or funds, and not to violate the provision of the Articles of Association to lend the Company's funds to others or provide security of the Company's assets for debts of Shareholders or other individuals without the approval of Shareholders' general meeting or the Board; and

(xii) without the informed consent of Shareholders in general meeting, not to disclose confidential information of the Company acquired while in office and not to use such information other than in furtherance of the interests of the Company, save and except that disclosure of information to a court or a relevant governmental authority is permitted where (i) the disclosure is made under compulsion of law; (ii) there is a duty to the public to disclose; or (iii) the personal interests of the Director, Supervisor, the president or other senior officer require disclosure.

A Director, Supervisor, the president, or other senior officer of the Company shall not direct parties related to him to do what he is not permitted to do. A party is related to a Director, Supervisor, the president, or other senior officer if he is:

(i) the spouse or minor child of such a Director, Supervisor, the president, or other senior officer;

(ii) a trustee for such a Director, Supervisor, the president, or other senior officer or any person referred to in (i) above;

(iii) a partner of such a Director, Supervisor, the president, or other senior officer or of any person referred to in (i) and (ii);

(iv) a company in which that a Director, Supervisor, the president, or other senior officer, alone or jointly with one or more persons referred to in above (i), (ii) and (iii) or with any of other Directors, Supervisors, the president, or other senior officers of the Company, have de facto control; or

(v) a Director, Supervisor, the president, or other senior officer of a company referred to in (iv) above.

The fiduciary duties of a Director, Supervisor, the president, and other senior officer of the Company do not necessarily cease with the termination of his tenure. The duty of confidentiality in relation to trade secrets of the Company survives the termination of his term of office. Other duties may continue for such period as fairness may require depending on the time lapse between the termination of his term of office and the occurrence of the matter in question and the circumstances and the terms under which the relationships between him and the Company are terminated.

Except in circumstances referred to in the Articles of Association, liabilities of a Director, Supervisor, the president, or other senior officer arising from the violation of a specified duty may be released by informed Shareholders in general meeting.

In addition to obligations imposed by relevant laws, administrative regulations or the listing rules of the securities exchange on which the Shares are listed, Directors, Supervisors, the president, and other senior officers in the exercise of their powers and the discharge of their duties shall owe the following obligations to the Shareholders:

(i) not to cause the Company to go beyond the business scope specified in its business license;

(ii) to act honestly in what they consider to be the best interest of the Company;

(iii) not to deprive in any way the Company of its assets, including (but not limited to) opportunities beneficial to the Company; and

(iv) not to deprive Shareholders of their personal rights and interests, including (but not limited to) rights to distributions and to vote, except in a Company reorganization submitted in accordance with the provisions of the Articles of Association and adopted at a Shareholders' general meeting.

Each of the Directors, Supervisors, the president, and other senior officers of the Company owes a duty, in the exercise of his powers and discharge of his duties, to exercise the care, diligence and skill that a reasonably prudent person would exercise under the similar circumstances.

2. ALTERATIONS TO CONSTITUTIONAL DOCUMENTS

The Company may, in accordance with provisions contained in relevant laws, administrative regulations and the Articles of Association, amend its Articles of Association.

The amendments to the Articles of Association involving the contents of the Mandatory Provisions shall become effective upon approvals by the approval authorities of the State Council and the securities regulatory authority of the State Council. If there is any change relating to the registered particulars of the Company, application shall be made for registration of the changes in accordance with law.

3. VARIATION OF RIGHTS OF EXISTING SHARES OR CLASSES OF SHARES

The Company may not vary or abrogate rights attached to any class of Shares unless approved by a special resolution of Shareholders in general meeting and by holders of Shares of that class at a separate meeting conducted in accordance with the provisions of the Articles of Association. The following circumstances shall be deemed to be a variation or abrogation of the class rights of a class:

(i) to increase or decrease the number of Shares of such class, or increase or decrease the number of Shares of a class having voting or distribution rights or other privileges equal or superior to the Shares of such class;

(ii) to effect an exchange of all or part of the Shares of such class into those of another class or to affect an exchange or create a right of exchange of all or part of the Shares of another class into the Shares of such class;

(iii) to remove or reduce rights to accrued dividends or rights to cumulative dividends of such class;

(iv) to reduce or remove a dividend preference or a liquidation preference attached to Shares of such class;

(v) to add, remove or reduce conversion, options, voting, transfer or pre-emptive rights or rights to acquire securities of the Company of such class;

(vi) to remove or reduce rights of such class of Shares to receive payments from the Company in any particular currency;

(vii) to create a new class of Shares having voting or distribution rights or privileges equal or superior to the Shares of such class;

(viii) to restrict the transfer or ownership of the Shares of such class or to increase any such restrictions;

(ix) to issue rights to subscribe for, or convert into, Shares in the Company of such class or another class;

(x) to increase the rights or privileges of another class;

(xi) to restructure the Company where the proposed restructuring will result in different classes of Shareholders bearing a disproportionate burden of such restructuring; and

(xii) to vary or abrogate the provisions in the Articles of Association.

Shareholders of the affected class, whether or not having the right to vote at general meetings, shall nevertheless have the right to vote at class meetings in respect of matters concerning paragraphs (ii) to (viii), (xi) and (xii) above, but Interested Shareholder(s) (as defined below) shall not be entitled to vote at class meetings.

Resolutions of a class of Shareholders shall require the approval of Shareholders present representing more than two thirds of the voting rights of that class voting in favor of such resolutions.

Written notice of a class meeting shall be given by the Company 45 days prior to the date of the meeting to notify all the registered Shareholders holding Shares of that class of the matters to be considered at the meeting and the date and place of the meeting. A Shareholder who intends to attend the meeting shall deliver a written reply confirming his attendance at the class meeting to the Company 20 days prior to the date of the meeting.

The Company can convene a class Shareholders' meeting, if the number of Shares of the class carrying voting rights represented by Shareholders intending to attend represents more than half of the total number of such Shares of the Company. If not, the Company shall make an announcement, within five days, once again notifying the Shareholders of the matters proposed to be considered and the date and place of the meeting. Once an announcement has been so made, the Company may convene the class Shareholders' meeting.

Notice of class meetings need only be served on Shareholders entitled to vote thereat.

Meetings of any class of Shareholders shall be conducted in a similar way as closely as possible to the provisions for general meetings of Shareholders set out in the Articles of Association. The provisions of the Articles of Association relating to the conduct of any general meeting of Shareholders shall apply to any class meeting.

In addition to holders of other class of Shares, holders of Domestic Shares and overseas listed foreign Shares are deemed to be Shareholders of different classes. Voting by holders of different classes of Shares is not applicable in the following situations:

(i) where the Company issues, upon the approval by special resolution of its Shareholders in general meeting, either separately or concurrently once every twelve months, not more than 20% of each of its existing issued Domestic Shares or overseas listed foreign Shares;

(ii) where the Company completes, within 15 months from the date on which approval is given by the securities regulatory authorities of the State Council, its plan (made at the time of its establishment) to issue Domestic Shares and overseas listed foreign Shares; and

(iii) where Shares of our Company registered on domestic share register are transferred to overseas investors, and such transferred Shares are listed or traded on an overseas stock exchange, upon the approval by the securities regulatory authorities of the State Council.

For the purposes of the class rights provisions of the Articles of Association, an "Interested Shareholder" is:

(i) in the case of a repurchase of Shares by offers to all Shareholders in the same proportion or public dealing on the Hong Kong Stock Exchange, a controlling Shareholder within the meaning of the Articles of Association;

(ii) in the case of a repurchase of Shares by an off-market contract other than on Hong Kong Stock Exchange under the Articles of Association, a Shareholder to whom the proposed contract is related;

(iii) in the proposal of a restructure of the Company, a Shareholder within a class who bears less than a proportionate amount of obligations imposed on the Shareholders of that class or who has an interest different from the interest of the other Shareholders of that class.

4. SPECIAL RESOLUTIONS – MAJORITY REQUIRED

Resolutions of general meetings are divided into ordinary resolutions and special resolutions.

To adopt an ordinary resolution, more than one half of the votes represented by Shareholders (including proxies) present at the Shareholders' general meeting must be exercised in favor of the resolution.

To adopt a special resolution, more than two thirds of the votes represented by the Shareholders (including proxies) present at the Shareholders' general meeting must be exercised in favor of the resolution.

5. VOTING RIGHTS (GENERALLY ON A POLL AND RIGHT TO DEMAND A POLL)

The Shareholders have the right to attend or appoint a proxy to attend Shareholders' general meetings and to vote thereat. Shareholders (including proxies) when voting at a Shareholders' general meeting may exercise voting rights in accordance with the number of Shares carrying the right to vote and each Share shall have one vote.

At any Shareholders' meeting, voting shall be on a poll (except where the chairman decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands). On a poll taken at a meeting, a Shareholder (including his proxy) entitled to two or more votes needs not cast all his votes in the same way.

In the case of an equality of votes, the chairman of the meeting shall be entitled to an additional vote.

6. REQUIREMENTS FOR ANNUAL GENERAL MEETINGS

A Shareholders' general meeting shall either be an annual general meeting or an extraordinary general meeting. Annual general meetings are held once every year within six months after the financial year end.

7. ACCOUNT AND AUDIT

(a) Financial and accounting system

The Company shall establish its financial and accounting systems in accordance with the laws, administrative regulations and rules formulated by relevant state authorities.

The Board of the Company shall place before the Shareholders at every annual general meeting such financial reports as are required by laws, administrative regulations or directives promulgated by local governments and supervisory authorities.

The financial statements of the Company shall, in addition to being prepared in accordance with the PRC accounting standards and regulations, be prepared in accordance with either international accounting standards or accounting standards of the place outside China where the Shares are listed. For the purposes of distribution of the Company's after-tax profits in a financial year, the lower of the after-tax profits as shown in the different sets of financial statements shall be adopted.

The financial reports of the Company shall be made available at the Company for inspection by Shareholders 20 days before the annual general meeting. Every Shareholder of the Company is entitled to a copy of the financial reports.

A copy of the above financial report shall, at least 21 days before the date of the general meeting, be delivered or sent by pre-paid post to the registered address of every holders of overseas listed foreign Shares as shown on the register of Shareholders.

The Company shall disclose its financial reports prepared in accordance with either international accounting standards or accounting standards of the place outside China where the Shares are listed two times in each financial year, that is, its interim financial reports within 3 months of the end of the first six months of a financial year and its annual financial reports within 4 months of its financial year end.

The Company shall not keep any other books of accounts other than those provided by law.

(b) Appointment and removal of auditor

The Company shall appoint an independent accounting firm which is qualified under the relevant regulations of the State to audit the Company's annual financial statements and review the Company's other financial reports.

The first accounting firm of the Company may be appointed by the inaugural meeting prior to the first annual general meeting and the accounting firm so appointed shall hold office until the conclusion of the first annual general meeting.

The accounting firm appointed by the Company shall hold office from the conclusion of the annual general meeting of Shareholder until the conclusion of the next annual general meeting of Shareholders.

The Shareholders in general meeting may by ordinary resolution remove an accounting firm before the expiry of its term of office, notwithstanding the stipulations in the contract between the Company and the firm, but without prejudice to the firm's right to claim, if any, for damages in respect of such removal.

The remuneration of an accounting firm or the manner in which such remuneration is determined shall be decided by the Shareholders in general meeting.

The Company's appointment of, removal of and non-renewal of an accounting firm shall be resolved upon by the Shareholders in general meeting. The remuneration of the accounting firm appointed by the Board shall be confirmed by the Board.

Prior to the removal or the non-renewal of the appointment of the accounting firm, an advance notice of such removal or non-renewal shall be given to the accounting firm and such firm shall have the right to attend and to make representation to the Shareholders' general meeting.

Where the accounting firm resigns its post, it shall make clear to the Shareholders' general meeting whether there is any impropriety on the part of the Company.

The accounting firm may resign its office by depositing at the Company's legal address a resignation notice which shall become effective on the date of such deposit or on such later date as may be stipulated in such notice. Such notice shall include the following:

(i) a statement to the effect that there are no circumstances connected with its resignation which it considers should be brought to the notice of the Shareholders or creditors of the Company; or

(ii) a statement of any such circumstances.

Where a notice is deposited under the preceding paragraph, the Company shall within fourteen days send a copy of the notice to the relevant governing authority. If the notice contains a statement under circumstance (ii) of the preceding paragraph, a copy of such statement shall be placed at the Company for Shareholders' inspection. The Company shall also send a copy of such statement by prepaid mail to every holder of overseas listed foreign Shares at the address registered in the register of Shareholders.

Where the accounting firm's notice of resignation contains a statement of any circumstance which should be brought to the notice of the Shareholders or creditors of the Company, it may require the Board to convene an extraordinary general meeting for the purpose of giving an explanation of the circumstances connected with its resignation.

8. NOTICE OF MEETING AND BUSINESS TO BE CONDUCTED THEREAT

The Shareholders' general meeting is the organ of authority of the Company and shall exercise its functions and powers in accordance with law.

The Company shall not enter into any contract with any person other than a Director, Supervisor, the president, or other senior officer whereby such person is entrusted with the management of the whole or a material part of any business of the Company without the prior approval of Shareholders in general meeting.

Under any of the following circumstances, the Board shall convene an extraordinary general meeting within two months of the occurrence of any one of the following events:

(i) when the number of Directors is less than the number of Directors required by the PRC Company Law or two-thirds of the number of Directors specified in the Articles of Association;

(ii) when the unaccounted losses of the Company amount to one third of the total amount of its paid-in share capital;

(iii) when Shareholder(s) individually or collectively holding 10% or more of the Shares request(s) in writing the convening of an extraordinary general meeting;

(iv) when the Board considers necessary or upon the request of the Board of Supervisors;

(v) when two or more independent Directors so request; and

(vi) other situations stipulated by laws, administrative regulations, departmental rules, the listing rules of the stock exchange on which the Shares are listed or the Articles of Association.

To convene a general meeting, the Company shall give written notices 45 days before the date of the meeting, informing all registered Shareholders of the matters proposed to be considered at the meeting and the date and place of the meeting. Shareholders who will attend the meeting shall return the written replies of attendance to the Company 20 days before the date of the meeting.

At least 10 days before the Company is to convene a general meeting, Shareholders individually or collectively holding 3% or more of Shares carrying voting rights shall have the right to put forward new resolutions in writing to the Company.

The Company shall calculate, according to the written replies received 20 days before the date of the meeting, the number of Shares carrying voting rights that the Shareholders attending the meeting represent. The Company can convene a Shareholders' general meeting if the number of Shares carrying voting rights represented by Shareholders intending to attend attain more than one half of total number of Shares carrying voting rights. If not, the Company shall make an announcement, within five days, once again notifying the Shareholders of the matters proposed to be considered and the date and place of the meeting. Once an announcement has been so made, the Company may convene the general meeting. An extraordinary general meeting may not decide on matters not specified in the notice.

A notice of meeting of Shareholders shall:

(i) be in writing;

(ii) specify the time, place, the date of the meeting;

(iii) state the matters and proposals to be discussed at the meeting;

(iv) provide such information and explanation as are necessary for the Shareholders to exercise an informed judgment on the proposals before them, including (but not limited to) where a proposal is made to amalgamate the Company with another company, to repurchase the Shares, to reorganize the share capital or to restructure the Company in any other way, the terms of the proposed transaction must be provided in detail together with copies of the proposed agreement, if any, and the reasons for and consequences of such proposal must be properly explained;

(v) contain a disclosure of the nature and extent, if any, of material interests of any Director, Supervisor, the president, or other senior officer in the matter proposed and the effect of the proposed matter on them in their capacity as Shareholders in so far as it is different from the effect on the interests of other Shareholders of the same class;

(vi) contain the full text of any special resolution proposed to be passed at the meeting;

(vii) contain conspicuously a statement that a Shareholder entitled to attend and vote is entitled to appoint one or more proxies to attend and vote on behalf of him and that a proxy needs not be a Shareholder; and

(viii) specify the time and place for lodging proxy forms for the relevant meeting.

Public announcement of notices of Shareholders' general meetings shall be published in one or more than one newspaper designated by the security authorities of the State Council during 45 days to 50 days prior to the date of the meeting. Upon the publication of announcement, all holders of Domestic Shares shall be deemed to have received notice of the relevant Shareholders' meeting. The accidental omission to give notice of a meeting to, or the non receipt of notice of a meeting by, any person entitled to receive notice shall not invalidate the proceedings at that meeting.

Shareholders requisitioning an extraordinary general meeting of Shareholders or class meeting shall abide by the following procedures:

(i) Shareholder(s) individually or collectively holding more than 10% of the Shares carrying voting rights at the meeting to be convened may, by signing one or more counterpart written requisition(s) stating the object of the meeting, require the Board to convene an extraordinary general meeting or a class Shareholders' meeting. The Board shall as soon as possible after receipt of such written requisition(s) proceed to so convene the extraordinary general meeting or class Shareholders' meeting. The shareholdings referred to above shall be calculated as at the date of the delivery of the written requisition(s).

(ii) Where the Board fails to issue notice of convening meeting within 30 days upon receipt of the above written request, Shareholder(s) individually or collectively holding more than 10% of the Shares carrying voting rights at the meeting to be convened may request by written requisition(s) the Board of Supervisors to convene the extraordinary general meeting or class Shareholders' meeting.

(iii) Where the Board of Supervisors fails to issue notice of convening meeting within 30 days upon receipt of the above written request, Shareholder(s), for more than 90 consecutive days, individually or collectively holding more than 10% of the Shares carrying voting rights at the meeting to be convened may convene the meeting on their own accord within four months upon the Board having received such request. The convening procedures shall, to the extent possible, be identical to procedures according to which general meetings are to be convened by the Board.

The matters which require the sanction of an ordinary resolution at a Shareholders' general meeting shall include:

(i) work reports of the Board and the Board of Supervisors;

(ii) plans for the distribution of profits and for making up losses proposed by the Board;

(iii) the election and removal of the members of the Board and Supervisors (except for staff representative Supervisors), their remuneration and method of payment;

(iv) the annual budget and final account report, balance sheet, profit and loss statement and other financial statement of the Company; and

(v) all other matters except those required to be adopted by special resolution as required by the laws and regulations or the Articles of Association.

The matters which require the sanction of a special resolution at a Shareholders' general meeting include:

(i) the increase in or reduction of share capital, issue of any class of Shares, warrants and other similar securities of the Company;

(ii) the issue of corporate debentures;

(iii) the division, merger, dissolution or liquidation of the Company;

(iv) the change of the form of the Company;

(v) the matters where the amount of the Company's purchasing or selling of material asset(s), or warranting in one year exceeds 30% of the recently audited total assets;

(vi) amendments to the Articles of Association;

(vii) consider and implement equity incentive plan;

(viii) other matters which were required by the laws, administrative regulations or by the Articles of Association, or matters adopted by passing ordinary resolutions at general meetings as having material impact on the Company that are required to be adopted by special resolutions; and

(ix) other matters required by the Listing Rules to be adopted by special resolution.

9. TRANSFER OF SHARES

Subject to the approval of the securities regulatory authorities of the State Council, holders of our Domestic Shares may transfer their Shares to overseas investors, and such transferred Shares may be listed or traded on an overseas stock exchange. Any listing or trading of the transferred Shares on an overseas stock exchange shall also comply with the regulatory procedures, rules and requirements of such overseas stock exchange.

Shares of the Company held by the Promoters are not transferable within one year commencing from the date of establishment of the Company.

The Directors, Supervisors and senior officers of the Company shall report to the Company the number of Shares held by them in the Company and the subsequent changes in their shareholdings. The number of Shares which a Director, Supervisor or senior officer may transfer every year during his term of office shall not exceed 25% of the total number of the Shares in his or her possession. Such personnel shall not transfer the Shares in their possession within six months after they have terminated their employment with the Company.

No changes in the Shareholders' register due to the transfer of Shares may be made within 30 days before the date of a general meeting or within five days before the record date for the Company's distribution of dividends.

10. POWER OF THE COMPANY TO PURCHASE ITS OWN SHARES

The Company may, according to provisions of laws, administrative regulations, Listing Rules, departmental rules and the Articles of Association and subject to the approval of the relevant governing authority of the State, repurchase its Shares under the following circumstances:

(i) cancellation of its Shares for the purpose of reducing its registered share capital;

(ii) merging with another company which holds the Shares;

(iii) granting the Shares as incentive compensation to the staff of the Company;

(iv) acquiring the Shares upon request by Shareholders who vote against any resolution adopted at the Shareholders' general meeting on the merger or division of the Company; or

(v) other circumstances permitted by the laws and administrative regulations and approved by the governing authority.

If the Company repurchases its own Shares due to items (i) through (iii) of the preceding paragraph or by an off-market agreement outside a stock exchange, resolutions related thereto shall be adopted at a general meeting of Shareholders in accordance with the Articles of Association. Where Shares are repurchased lawfully pursuant to item (i) of the preceding paragraph, such Shares shall be cancelled within 10 days from the date of repurchase; in case of repurchase pursuant to item (ii) and (iv) of the preceding paragraph, such Shares shall be transferred or cancelled within six months thereafter; in case of repurchase pursuant to item (iii) of the preceding paragraph, such Shares shall not be more than 5% of the total issued share capital of the Company; repurchased Shares shall be transferred to the employees within one year.

After cancelling the repurchased Shares lawfully, the Company shall apply to the original companies registration authority for registration of the change of its registered capital and issue a relevant announcement.

The Company may, upon the approval of the relevant state governing authorities, repurchase its Shares in one of the following ways:

(i) making a pro rata general offer of repurchase to all the Shareholders;

(ii) repurchasing Shares through public dealing on a stock exchange;

(iii) repurchasing by an off-market agreement outside a stock exchange; and

(iv) other circumstances permitted by the laws and administrative regulations and approved by the governing authority.

The Company may, with the prior approval of Shareholders obtained at a Shareholder's meeting in accordance with the Articles of Association, repurchase its Shares by an off-market contract but the Company may rescind or vary such contract or waive any of its rights under a contract so entered into by the Company with the prior approval of Shareholders obtained at a Shareholder's meeting in the same manner. A contract to repurchase Shares as mentioned above includes but is not limited to an agreement to become obliged to repurchase and acquire rights to repurchase Shares.

The Company shall not assign a contract to repurchase its Shares or any of its rights thereunder. Unless the Company is in the course of liquidation, it shall comply with the following provisions in relation to repurchase of its issued Shares:

(i) where the Company repurchases its Shares at par value, payment shall be made out of the book surplus distributable profits of the Company and out of the proceeds from any issue of new Shares made for the purpose of the repurchase;

(ii) where the Company repurchases its Shares at a premium to the par value, payment up to their par value may be made out of the book surplus distributable profits of the Company and the proceeds from any issue of new Shares made for the purpose of the repurchase. Payment of the portion in excess of the par value shall be effected as follows:

  (a) if the Shares being repurchased were issued at par value, payment shall be made out of the book surplus distributable profits of the Company;

  (b) if the Shares being repurchased were issued at a premium to the par value, payment shall be made out of the book surplus distributable profits of the Company and the proceeds from any issue of new Shares made for the purpose of the repurchase, provided that the amount paid out of such proceeds shall neither exceed the aggregate of the premiums received by the Company on the issue of the Shares repurchased nor the current amount of the share premium account or the capital reserve fund account of the Company (including the premiums on the new issues) at the time of the repurchase;

(iii) payment by the Company for the following purposes shall be made out of the Company's distributable profits:

  (a) acquisition of rights to repurchase Shares;

  (b) variation of any contract to repurchase Shares;

  (c) release of the Company's obligations under a contract to repurchase Shares; and

(iv) After the Company's registered capital has been reduced by the aggregate par value of the cancelled Shares in accordance with the relevant regulations, the amount deducted from the distributable profits for paying up the par value portion of the repurchased Shares shall be transferred to the Company's share premium account (or capital reserve fund account).

Where the Company has the power to repurchase a redeemable Share:

(i) the repurchase not made through the market or by tender shall be limited to a certain maximum price; and

(ii) if the repurchase are by tender, tenders shall be available to all Shareholders on equal conditions.

11. POWER OF ANY SUBSIDIARY OF THE COMPANY TO OWN SHARES IN ITS PARENT COMPANY

The Articles of Association contains no restrictions preventing any subsidiary of the Company from holding Shares.

12. DIVIDENDS AND OTHER METHODS OF DISTRIBUTION

The Company may distribute dividends by way of cash and/or Shares.

Any amount paid up in advance of calls on any Share may carry interest but shall not entitle the holder of the Share to participate in respect thereof in a dividend subsequently declared.

The Company shall appoint on behalf of holders of overseas listed foreign Shares receiving agents to receive on behalf of such Shareholders dividends and other monies payable by the Company in respect of their Shares.

The receiving agent appointed by the Company on behalf of holders of overseas listed foreign Shares listed on the Hong Kong Stock Exchange shall be a registered trust company under the Hong Kong Trustee Ordinance.

13. PROXIES

Any Shareholder entitled to attend and vote at a Shareholders' general meeting shall be entitled to appoint one or more persons (whether or not a Shareholder) as his proxy to attend and vote on his behalf. A proxy so appointed shall be entitled to exercise the following rights in accordance with the authorization from that Shareholder:

(i) the Shareholder's right to speak at the meeting;

(ii) the right to demand, whether on his own or together with others, a poll; and

(iii) the right to vote on a poll.

The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorized in writing, or if the appointor is a legal person either under seal or under the hand of a director or attorney duly authorized. The instrument appointing a voting proxy shall be deposited at the Company's domicile or at such other place as is specified in the notice convening the meeting not less than 24 hours prior to the time for holding the meeting at which the proxy proposes to vote. If such instrument is signed by another person under a power of attorney or other authorization documents given by the appointor, such power of attorney or other authorization documents shall be notarized. The notarized power of attorney or other authorization documents shall, together with the instrument appointing the voting proxy, be deposited at the Company's domicile or at such other place as is specified in the notice convening the meeting.

If the appointor is a legal person, its legal representative or any person authorized by resolutions of its board of directors or other governing body shall attend the Shareholders' general meeting as the appointor's representative.

Any form issued to a Shareholder by the Board for the purpose of appointing a proxy shall be in such form which enables the Shareholder, according to his free will, to instruct his proxy to vote in favor of or against the motions proposed and in respect of each individual matters to be voted on at the meeting. Such a form shall contain a statement that in the absence of instructions from the appointor, the proxy may vote as he thinks fit.

A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the previous death or loss of capacity of the appointor or revocation of the proxy or of the authority under which the proxy was executed, or the transfer of the Share in respect of which the proxy is given, provided that no notice in writing of such death, loss of capacity, revocation or transfer as aforesaid shall have been received by the Company before the commencement of the meeting at which the proxy is used.

14. CALLS ON SHARES AND FORFEITURE OF SHARES

Any amount paid up in advance of calls on any Share may carry interest but shall not entitle the relevant Shareholder to participate in respect thereof in a dividend subsequently declared.

Subject to compliance with the relevant laws and administrative regulations of the PRC, the Company may exercise its right to confiscate the dividends which are not claimed by anyone but such right can only be exercised after the expiry of the relevant time frame.

15. INSPECTION OF REGISTER OF SHAREHOLDERS AND OTHER RIGHTS OF SHAREHOLDERS'

The Company shall keep a register of Shareholders.

The Company may, in accordance with the understanding or agreements between the securities regulatory authority of the State Council and the overseas securities regulatory organizations, keep its original register of holders of overseas listed foreign Shares overseas and appoint overseas agent(s) to manage such share register.

Duplicates of the share register for holders of overseas listed foreign Shares shall be maintained at the Company's place of domicile. The appointed overseas agent(s) shall ensure the consistency between the original and the duplicate of the share register. The original register of overseas listed foreign Shares listed in Hong Kong shall be maintained in Hong Kong.

If there is any inconsistency between the original and the duplicate of share register for holders of foreign Shares, the original shall prevail.

The Company shall keep a complete register of Shareholders.

The register of Shareholders shall comprise of the following parts:

(i) register(s) of Shareholders other than those specified in items (ii) and (iii) below kept at the domicile of the Company;

(ii) register(s) of holders of the Company's overseas listed foreign Shares kept in the place of the stock exchange(s) where those foreign Shares are traded; and

(iii) register(s) of Shareholders kept at other places as the Board thinks necessary for the purpose of listing.

Different parts of the register of Shareholders shall not overlap. No transfer of Shares registered in any part of the register shall, during the continuance of that registration, be registered in any other part of the register.

The alteration or rectification of any part of the register of Shareholders shall be carried out in accordance with the laws of the place where such part of the register is maintained.

No changes which are required by reason of a transfer of Shares may be made to the register of Shareholders within 30 days prior to the date of a Shareholders' general meeting or five days prior to the record date for the Company's distribution of dividends.

When the Company decides to convene a Shareholders' general meeting, distribute dividends, liquidate or carry out other activities which require the determination of shareholdings, the Board shall fix a record date for the purpose of determining the shareholding. A person who is registered in the register as a Shareholder at the end of the record date shall be a Shareholder.

Any person who objects to the register of Shareholders and requests to register his name on, or delete his name from the register may apply to the court with jurisdiction to amend the register.

The right of the Shareholders to information includes, but without limitation, the following:

(i) the right to a copy of the Articles of Association after payment of a reasonable fee;

(ii) the right to inspect and, subject to payment of a reasonable fee, copy:

(a) all parts of the register of members;

(b) personal particulars of each of the Company's Directors, Supervisors, the president, and other senior officers;

(iii) status of the Company's issued share capital;

(iv) the latest audited financial statements, report of Board, report of auditors and report of Board of Supervisors;

(v) special resolutions of the Company;

(vi) reports showing the aggregate par value, quantity, highest and lowest price paid in respect of each class of Shares repurchased by the Company since the end of the last accounting year and the aggregate amount paid by the Company for this purpose;

(vii) Minutes of Shareholders' general meeting (which only Shareholders are entitled to inspect); and

(viii) bonds stub of the Company.

16. QUORUM FOR SHAREHOLDERS MEETINGS

The Company can convene a Shareholders' meeting if the number of Shares carrying voting rights represented by Shareholders intending to attend represents more than half of the total number of Shares carrying voting rights. If not, the Company shall within five days notify the Shareholders, again by announcement, of the matters proposed to be considered, the date and the place for the meeting. The Company may then hold the Shareholders' meeting after publication of such announcement.

The Company can convene a class Shareholders' meeting, if the number of Shares of the class carrying voting rights represented by Shareholders intending to attend represents more than half of the total number of such Shares of the Company. If not, the Company shall within five days notify the Shareholders, again by announcement, of the matters proposed to be considered, the date and the place for the class meeting. The Company may then hold the class Shareholders' meeting after publication of such announcement.

17. RIGHTS OF MINORITY SHAREHOLDERS IN RELATION TO FRAUD OR OPPRESSION

In addition to the obligations imposed by laws and administrative regulations or the listing rules of the stock exchange on which the Shares are listed, a controlling Shareholder, when exercising his rights as a Shareholder, shall not exercise his voting rights to make a decision which is prejudicial to the interests of the Shareholders generally or of some of the Shareholders in respect of the following matters:

(i) to relieve a Director or Supervisor of his duty to act honestly in the best interests of the Company;

(ii) to approve the expropriation by a Director or Supervisor (for his own benefit or for the benefit of another person), in any guise, of the Company's assets, including (without limitation) opportunities beneficial to the Company; or

(iii) to approve the expropriation by a Director or Supervisor (for his own benefit or for the benefit of another person) of the individual rights of other Shareholders, including (without limitation) rights to distributions and voting rights, but not including a restructuring of the Company submitted to and approved by Shareholders' general meeting in accordance with the Articles of Association.

18. PROCEDURE ON DISSOLUTION AND LIQUIDATION

The Company shall be dissolved in accordance with law upon occurrence of any of the following events:

(i) special resolution on dissolution is passed by Shareholders at a general meeting;

(ii) dissolution is necessary due to a merger or division of the Company;

(iii) the Company's business license is revoked or it is ordered to close down or it is cancelled according to law;

(iv) the Company is ordered to close down according to laws due to its violation of the laws and administrative regulations;

(v) where the Company's operations and management encounter serious difficulty, and its continuation will cause substantial loss to the interests of the Shareholders and no solution can be found through any other channel, Shareholders holding more than 10% of the voting rights of the Company may make requisition to the people's court to dissolve the Company.

Where the Company is dissolved by virtue of the reasons set out in items (i), (iii) and (v) in the preceding paragraph, the Company shall establish a liquidation committee within 15 days, and the members of the liquidation committee shall be selected by Directors or decided at Shareholders' general meeting.

Where the Board proposes to liquidate the Company due to causes other than where the Company has declared that it is insolvent, the Board shall include a statement in its notice convening the Shareholders' general meeting to consider the proposal to the effect that, after making full inquiry into the affairs of the Company, the Board is of the opinion that the Company will be able to pay all its debts in full within 12 months from the commencement of the liquidation.

Upon the passing of the resolution by the Shareholders in general meeting for the liquidation of the Company, all functions and powers of the Board shall cease.

The liquidation committee shall act in accordance with the instructions of the Shareholders' general meeting to make a report at least once every year to the Shareholders' general meeting on the committee's receipts and payments, the business of the Company and the progress of the liquidation, and to present a final report to the Shareholders' general meeting on completion of the liquidation.

The liquidation committee shall within 10 days of its establishment send a notice to creditors, and within 60 days of its establishment make a public announcement on a newspaper.

The liquidation committee shall register creditors' claims so reported.

During the liquidation period, the liquidation committee shall exercise the following functions and powers:

(i) to sort out the Company's assets and prepare a balance sheet and an inventory of assets respectively;

(ii) to notify all creditors by notice or public announcements;

(iii) to dispose of and liquidate any relevant unfinished business matters of the Company;

(iv) to pay all outstanding taxes and taxes incurred during the liquidation process;

(v) to settle claims and debts;

(vi) to deal with remaining assets after the Company's debts having been paid in full; and

(vii) to represent the Company in any civil proceedings.

The liquidation committee shall, after examining the Company's assets, preparing the balance sheets and an inventory of assets, formulate a liquidation plan and present it to the Shareholders' general meeting or the relevant governing authority for confirmation.

If the liquidation committee, having thoroughly examined the Company's assets and having prepared a balance sheet and assets list, discovers that the Company's assets are insufficient to pay its debts in full, it shall immediately apply to the people's court for a declaration of insolvency. After the people's court has declared the Company insolvent, the company's liquidation committee shall turn over any matters regarding the liquidation to the people's court.

Following the completion of liquidation, the liquidation committee shall prepare a report on liquidation and a statement of the receipts and payments and financial books during the period of liquidation, which shall be examined and verified by the PRC certified public accountants and submitted to the Shareholders' general meeting or the people's court for confirmation. The liquidation committee shall also within 30 days after such confirmation, submit the preceding documents to the company registration authority and apply for cancellation of registration of the Company, and publish an announcement relating to the termination of the Company.

19. OTHER PROVISIONS MATERIAL TO THE COMPANY OR ITS SHAREHOLDERS

(a) General provisions

The Company is a joint stock limited liability company of perpetual existence.

The Company may invest in other limited liability companies, joint stock limited companies and other entities, unless otherwise stipulated by the law, the Company making such investment shall not bear joint and several liability for the debts of the enterprise in which the company invests.

The Article of Association constitute a legal binding document against the Company, its Shareholders, Directors, Supervisors and other senior officers. Pursuant to the Articles of Association, Shareholders may institute legal proceedings against the Company; the Company may institute legal proceedings against Shareholders; Shareholders may institute legal proceedings against Shareholders; and Shareholders may institute legal proceedings against Directors, Supervisors and senior management members of the Company. For the purposes of the Articles of Association, actions include court proceedings and arbitration proceedings.

(b) Shares and transfers

Overseas investors referred to in the Articles of Association mean those investors of foreign countries and regions of Hong Kong, Macau and Taiwan who subscribe for Shares issued by the Company; domestic investors referred to in the Articles of Association mean those investors within the territory of the PRC (excluding investors of the regions referred to in the preceding sentence) who subscribe for Shares issued by the Company.

The Company may increase its capital in the following ways:

(i) offering new Shares to non-designated investors for subscription;

(ii) placing new Shares to its existing Shareholders;

(iii) allotting bonus Shares to its existing Shareholders;

(iv) issuing new Shares to designated investors;

(v) conversion of capital reserve into capital; and

(vi) any other means permitted by laws, administrative regulations and relevant regulatory authorities.

The Company's increase of capital by issuing new Shares shall, after being approved in accordance with the provisions of the Articles of Association, be conducted in accordance with the procedures stipulated by the relevant laws and administrative regulations of the State.

The Company may reduce its registered capital in accordance with the procedures stipulated by the PRC Company Law and other regulations and the provisions of the Articles of Association.

When the Company reduces its registered capital, it shall prepare a balance sheet and an inventory of assets.

(c) Independent Directors

The number of independent Directors shall be no less than three at any time.

(d) Secretary of the Board of Directors

The secretary of the Board shall be a natural person who has the requisite professional knowledge and experience, and shall be appointed by the Board.

(e) Board of Supervisors

The Company shall have a Board of Supervisors.

The Board of Supervisors shall be composed of three members, one of whom shall be the chairman of the Board of Supervisors.

The election or removal of the chairman of the Board of Supervisors shall be decided by two-thirds or more of the Supervisors. Decisions of the Board of Supervisors shall be made by the affirmative vote of two-thirds or more of the Supervisors.

The terms of office of Supervisors shall be three years, renewable upon re-election.

The Directors and the senior officers of the Company shall not act concurrently as Supervisors. The Board of Supervisors shall be accountable to the Shareholders' general meeting and exercise the following functions and powers in accordance with law:

(i) to supervise the Directors, the president and senior officers in their performance of duties and to propose the removal of Directors and senior officers who have contravened any law, administrative regulations, the Articles of Association or Shareholders' resolutions;

(ii) to demand any Director and other senior officer of the Company who acts in a manner which is harmful to the Company's interests to rectify such behavior;

(iii) to examine the Company's financial affairs;

(iv) to review the financial reports, operation reports and profit distribution schemes to be submitted by the Board to the Shareholders' general meetings; if there is any doubt, to engage certified public accountants and practicing auditors in the name of the Company to assist their review;

(v) to propose to convene a Shareholders' extraordinary general meeting; and to convene and chair general meeting in case the Board fails to fulfill the obligations of the PRC Company Law to convene and chair the general meeting;

(vi) to propose resolutions at a Shareholders' general meeting;

(vii) to propose to convene an extraordinary meeting of the Board;

(viii) to institute a suit to the Directors or senior officers of the Company according to article 151 of the PRC Company Law; and

(ix) other functions and powers conferred by laws and regulations and the Articles of Association.

Supervisors shall be present at meetings of the Board.

(f) The president

The Company shall have one president. The president shall be accountable to the Board and exercise the following functions and powers:

(i) to be in charge of the Company's production, operation and management and report to the Board;

(ii) to organize the implementation of the resolutions of the Board, the Company's annual business plans and investment plans;

(iii) to draft the Company's annual financial budget plans and final accounts, and to put forward the proposal to the Board;

(iv) to draft the Company's basic management system and the plan for establishment of the Company's internal management organization;

(v) to formulate the specific rules and regulations of the Company;

(vi) to propose the employment and dismissal of the general vice president, senior vice president, chief financial officer and other senior officers;

(vii) to employ and dismiss the responsible management personnel and general employees other than those to be employed and dismissed by the Board;

(viii) to propose to convene extraordinary board meetings;

(ix) to decide the Company's other issues within the scope of the Board's authority;

(x) to decide on projects such as investment, acquisition or disposal and financing which do not need to be decided by the Board or the Shareholders' general meeting; and

(xi) other functions and powers granted by the Company's Articles of Association and the Board.

(g) Common reserve fund

When distributing the after-tax profits of the current year, the Company shall allocate 10% of its profits into its statutory common reserve fund. When the cumulated amount of the statutory common reserve fund of the Company has reached 50% or more of its registered capital, no further allocations is required.

Where the statutory common reserve fund of the Company is insufficient to make up for the losses of the Company incurred during the previous years, before making allocation to the statutory common reserve fund in accordance with the preceding paragraph, the profits generated during the current year shall be used to make up for such losses.

After making allocation to the statutory common reserve fund of the Company from its after-tax profits, the Company may, subject to resolutions adopted at a general meeting, also allocate funds from the after-tax profits to the discretionary common reserve fund.

After making up for the losses and making contributions to the common reserve fund, any remaining profits shall be distributed by the Company to the Shareholders in proportion to their respective shareholdings according to the resolutions adopted at general meeting.

If the Shareholders' general meeting has, in violation of the provisions of the preceding paragraphs, distributed profits to the Shareholders before the Company has made up for its losses and made allocations to the statutory common reserve fund, the Shareholders must return the profits distributed in violation of the provision to the company.

No profits shall be distributed in respect of the Shares held by the Company.

(h) Settlement of disputes

The Company shall act according to the following principles to settle disputes:

(i) For any disputes or claims between Shareholders of overseas listed foreign Shares and the Company; between Shareholders of overseas listed foreign Shares and the Directors, Supervisors, the president or other senior management officers of the Company; between Shareholders of overseas listed foreign Shares and Shareholders of domestic invested Shares, that arise based on the rights and obligations stipulated in the Articles of Association, the PRC Company Law and the relevant laws and administrative regulations, any such disputes or claims relevant to the Company shall be referred by the relevant parties to arbitration. Where the abovementioned dispute or claim is referred to arbitration, it shall be the entire claim or dispute, and all persons (being the Company or Shareholders, Directors, Supervisors, the president or other senior management officers of the Company), who have a cause of action based on the same facts giving rise to the dispute or claim or whose participation is necessary for the resolution of such dispute or claim, shall abide by arbitration.

Disputes regarding definition of Shareholders and registration of members may be resolved other than by way of arbitration.

(ii) The claimant may refer the arbitration to either the China International Economic Centre in accordance with its arbitration rules, and may also refer the arbitration to the Hong Kong International Arbitration Centre in accordance with its securities arbitration rules. Once a claimant refers a dispute or claim to arbitration, the other party must submit to the arbitral body elected by the claimant.

If the claimant refers the arbitration to the Hong Kong International Arbitration Centre, either party may request the arbitration to be conducted in Shenzhen in accordance with the securities arbitration rules of the Hong Kong International Arbitration Centre.

(iii) Unless otherwise provided in the laws and administrative regulations, any disputes or claims arising out of item (i) above shall be resolved in accordance with the laws of the PRC.

(iv) The decision made by the arbitral body shall be final and conclusive, and shall be binding on the parties.

A. FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation of Our Company

Our Company was incorporated as a joint stock limited liability company under the PRC Company Law on February 18, 2014. Our current registered address is at 10/F, Tower A, Raycom InfoTech Park, No. 2 Ke Xue Yuan Nan Lu, Haidian District, Beijing, the PRC. We have established a place of business in Hong Kong at 27/F, One Exchange Square, Central, Hong Kong and have been registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance (Chapter 622 of the laws of Hong Kong) under the same address on April 2, 2015. Ms. Yeung Yee Har has been appointed as the authorized representative of our Company for the acceptance of service of process and notices in Hong Kong.

As we were incorporated in the PRC, our corporate structure and Articles of Association are subject to the relevant laws and regulations of the PRC. A summary of certain aspects of the relevant laws and regulations of the PRC, and a summary of certain provisions of our Articles of Associations are set out in Appendices V and VI to this prospectus, respectively.

2. Changes in the Share Capital of Our Company

Our predecessor, 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), was incorporated on November 9, 1984 with a registered capital of RMB1,300,000, which has been fully paid up. The registered capital of Chinese Academy of Sciences Computer Technology Research Institute New Technology Development Company was subsequently reduced to RMB1,000,000 in 1990.

On August 18, 1998, Beijing Legend Computer New Technology Development Company (北京聯想計算機新技術發展公司) (previously known as 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)) converted RMB99,000,000 from our capital reserve to our registered capital. As a result, our registered capital was increased to RMB100,000,000.

On June 22, 2001, Legend Holdings Limited (聯想控股有限公司) (previously known as Beijing Legend Computer New Technology Development Company (北京聯想計算機新技術發展公司)) converted RMB560,860,399.40 from our capital reserve to our registered capital. As a result, our registered capital was increased to RMB660,860,399.40.

At the time of our incorporation as the joint stock limited liability company, our initial registered capital was RMB2,000,000,000, divided into 2,000,000,000 Domestic Shares of nominal value of RMB1.00 each, all of which were fully paid up.

Immediately following the completion of the Global Offering but without taking into account any H Shares which may be issued upon the exercise of the Over-allotment Option, our registered capital will increase to RMB2,352,944,000, comprising 1,964,705,600 Domestic Shares and 388,238,400 H Shares fully paid up or credited as fully paid up, representing approximately 83.50% and 16.50% of our registered capital, respectively.

Save as disclosed above and in this prospectus, there has been no alteration in the share capital of our Company since our incorporation as of the Latest Practicable Date.

3. The Shareholder Resolutions of Our Company

At an extraordinary general meeting of our Company held on March 15, 2015 and June 6, 2015, among other things, the following resolutions were passed by the shareholders of our Company:

(a) the Global Offering has been approved and the Board has been authorized to apply for the listing of H Shares on the Hong Kong Stock Exchange as well as to approve matters in relation to the Global Offering;

(b) the issue by our Company of the H Shares of nominal value of RMB1.00 each and such H Shares to be listed on the Hong Kong Stock Exchange;

(c) subject to completion of the Global Offering, the Articles of Association has been approved and adopted, which shall only become effective on the Listing Date and the Board has been authorized to amend the Articles of Association in accordance with any comments from the Hong Kong Stock Exchange and the relevant PRC regulatory authorities;

(d) subject to completion of the Global Offering, and subject to compliance with the applicable PRC laws, the Articles of Association, the requirements under Listing Rules and the approvals by CSRC and the Hong Kong Stock Exchange (if applicable), a general unconditional mandate was given to our Directors to exercise all the powers of our Company to allot, issue and deal with Shares and to make or grant offers, agreements or options which might require Shares to be allotted, issued or dealt with at any time subject to the requirement that the aggregate nominal value of the Shares so allotted and issued or agreed conditionally or unconditionally to be allotted or issued, shall not exceed 20% of the aggregate nominal value of the Shares in issue immediately following completion of the Global Offering, such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required to be held by the Articles or any applicable laws, or until revoked or varied by an ordinary resolution of Shareholders in general meeting, whichever is the earliest; and

(e) authorisation to our Board to handle all matters that are necessary for the issuing and listing of our H Shares.

4. Changes in the Share Capital of Our Principal Subsidiaries

Our principal subsidiaries and associates as of December 31, 2014 are listed out in the Accountant's Report, the text of which is set out in Appendix IA to this prospectus.

The following alterations in the registered capital of our principal subsidiaries took place within the two years immediately preceding the date of this prospectus:

(1) Lenovo

Lenovo is a company listed on the Hong Kong Stock Exchange since 1994. Please refer to the announcements of Lenovo on the website of the Hong Kong Stock Exchange for the changes of its issued share capital.

Within the two years preceding the date of this prospectus, it had (i) repurchased ordinary shares on several occasions and (ii) allotted and issued ordinary shares from time to time under its new share option scheme adopted on March 25, 2002, all of which has been disclosed on the website of the Hong Kong Stock Exchange. It had also allotted and issued 182,000,000 ordinary shares on October 1, 2014 to IBM in satisfaction of part of the consideration in respect of the acquisition of the x86 Business and allotted and issued 519,107,215 ordinary shares on October 30, 2014 to Google in satisfaction of part of the consideration in respect of the Motorola Acquisition.

(2) Legend Investment

On August 6, 2014, the registered capital of Legend Investment was increased from RMB256,538,500 to RMB404,992,662.

On February 15, 2015, the registered capital of Legend Investment was increased from RMB404,992,662 to RMB429,476,555.

(3) Zhengqi

On July 7, 2014, the registered capital of Zhengqi was increased from RMB1,500,000,000 to RMB2,000,000,000.

(4) Bybo

On July 24, 2014, the registered capital of Bybo was increased from RMB19,086,480 to RMB23,097,890.

On September 19, 2014, the registered capital of Bybo was increased from RMB23,097,890 to RMB50,815,358.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of Material Contracts

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by our Company or its subsidiaries within the two years preceding the date of this prospectus and are or may be material:

(a) 24 cornerstone investment agreements dated June 12, 2015, entered into between, among other parties, the Company and each of the following Cornerstone Investors with respect to the subscription of our H Shares in the amount of the Hong Kong dollar equivalent of US$950 million in aggregate:

(i) Beijing Tourism Group (HK) Holdings Company Limited;

(ii) C&D (Hong Kong) Corporation Limited;

(iii) China Life Franklin Asset Management Co., Limited;

(iv) China Re Asset Management (Hong Kong) Company Limited;

(v) China National Building Material Company Limited;

(vi) CNIGC Investment Management Co., Ltd.;

(vii) E Fund Management (Hong Kong) Co., Limited;

(viii) Easy Smart Limited;

(ix) Fidelidade – Companhia de Seguros, S.A.;

(x) Fortune Class Investments Limited;

(xi) Fubon Life Insurance Co., Ltd.;

(xii) Greenland Financial Overseas Investment Group Co., Ltd.;

(xiii) Guangzhou Xinhua Urban Development Industry Investment Enterprise (Limited Partnership);

(xiv) Guo Kai Jin Tai Capital Co., Ltd.;

(xv) Heywin Investments Limited;

(xvi) ICBC Asset Management Scheme Nominee;

(xvii) Invest Highway Corporation;

(xviii) Lead Connection Investments Limited;

(xix) Ping An of China Asset Management (Hong Kong) Company Limited;

(xx) Prudence Investment Management (Hong Kong) Limited;

(xxi) Shanghai Guohe Modern Service Industry Investment Management Company Limited;

(xxii) Suning International Limited;

(xxiii) Suzhou Kunyu Jinming Investment LLP; and

(xxiv) Value Partners Hong Kong Limited; and

(b) the Hong Kong Underwriting Agreement.

2. Our Intellectual Property Rights

As of the Latest Practicable Date, we have registered the following intellectual property rights which we consider to be material in relation to our business.

(a) Trademarks

As of the Latest Practicable Date, our material registered trademarks were as follows:

No.	Trademark	Place of Registration	Name of Registered Owner	Registration Number	Class	Expiry Date
1.	THINK PAD	Hong Kong	Lenovo (Singapore) Pte. Ltd.	199400780	9	June 29, 2021
2.	THINKPAD	Hong Kong	Lenovo (Singapore) Pte. Ltd.	199704528	18	November 25, 2015
3.	THINKPAD	Hong Kong	Lenovo (Singapore) Pte. Ltd.	200212574	16	January 29, 2019
4.	lenovo	Hong Kong	Lenovo (Beijing) Limited	200314298	37	February 21, 2020
5.	lenovo	Hong Kong	Lenovo (Beijing) Limited	200314299	42	February 21, 2020
6.	lenovo	Hong Kong	Lenovo (Beijing) Limited	200500642	9	February 21, 2020
7.	ThinkPad	Hong Kong	Lenovo (Singapore) Pte. Ltd.	300218637	9	May 19, 2024
8.	lenovo联想	Hong Kong	Lenovo (Beijing) Limited	300474534	7, 9, 11, 16, 28, 35, 37, 38, 39, 40, 41, 42	August 10, 2015

No.	Trademark	Place of Registration	Name of Registered Owner	Registration Number	Class	Expiry Date
9.	YOGA	Hong Kong	Lenovo (Beijing) Limited	302389988	9	September 25, 2022
10.	IdeaCentre	United States	Lenovo (Beijing) Limited	3472654	9, 16	July 22, 2018
11.	IdeaPad	United States	Lenovo (Beijing) Limited	3462721	9, 16	July 8, 2018
12.	IdeaPhone	United States	Lenovo (Beijing) Limited	4381681	9	August 13, 2023
13.	lenovo	United States	Lenovo (Beijing) Limited	3226026	7, 41	April 3, 2017
14.	lenovo	United States	Lenovo (Beijing) Limited	3271488	16, 35	July 31, 2017
15.	lenovo	United States	Lenovo (Beijing) Limited	3149377	9, 37, 42	September 26, 2016
16.	THINKPAD	United States	Lenovo (Singapore) Pte. Ltd.	2194267	25	May 11, 2019
17.	THINKPAD	United States	Lenovo (Singapore) Pte. Ltd.	1977221	9, 18	February 24, 2017
18.	THINKPAD	United States	Lenovo (Singapore) Pte. Ltd.	1738861	9, 16	June 13, 2023
19.	FOR THOSE WHO DO.	PRC	Lenovo (Beijing) Limited	10001556	9	November 20, 2022
20.	ideapad yoga	PRC	Lenovo (Beijing) Limited	10447049	9	March 27, 2023
21.	IdeaTV	PRC	Lenovo (Beijing) Limited	10615552	9	July 6, 2023
22.	IdeaPhone	PRC	Lenovo (Beijing) Limited	10615554	9	August 20, 2023
23.	联想	PRC	Lenovo (Beijing) Limited	11532906	9	March 20, 2024
24.	lenovo	PRC	Lenovo (Beijing) Limited	11532907	9	February 27, 2024

No.	Trademark	Place of Registration	Name of Registered Owner	Registration Number	Class	Expiry Date
25.	联想	PRC	Lenovo (Beijing) Limited	12064764	5	July 6, 2024
26.	联想	PRC	Lenovo (Beijing) Limited	1970777	1	February 13, 2023
27.	联想	PRC	Lenovo (Beijing) Limited	1971809	3	February 6, 2023
28.	联想	PRC	Lenovo (Beijing) Limited	1972179	2	February 13, 2023
29.	联想	PRC	Lenovo (Beijing) Limited	1973443	4	October 6, 2022
30.	联想	PRC	Lenovo (Beijing) Limited	1974794	6	December 13, 2022
31.	联想	PRC	Lenovo (Beijing) Limited	1974995	5	November 27, 2022
32.	联想	PRC	Lenovo (Beijing) Limited	1976774	7	March 27, 2024
33.	联想	PRC	Lenovo (Beijing) Limited	1978984	11	April 13, 2023
34.	联想	PRC	Lenovo (Beijing) Limited	1979228	19	March 20, 2023
35.	联想	PRC	Lenovo (Beijing) Limited	1986292	26	December 13, 2022
36.	联想	PRC	Lenovo (Beijing) Limited	1990918	34	January 6, 2023
37.	联想	PRC	Lenovo (Beijing) Limited	1991512	32	January 6, 2023
38.	联想	PRC	Lenovo (Beijing) Limited	1993077	24	January 13, 2023
39.	联想	PRC	Lenovo (Beijing) Limited	1993240	22	December 13, 2022

No.	Trademark	Place of Registration	Name of Registered Owner	Registration Number	Class	Expiry Date
40.	联想	PRC	Lenovo (Beijing) Limited	1993908	16	February 13, 2023
41.	联想	PRC	Lenovo (Beijing) Limited	1994418	23	January 6, 2023
42.	联想	PRC	Lenovo (Beijing) Limited	1995662	27	December 20, 2022
43.	联想	PRC	Lenovo (Beijing) Limited	1996400	21	January 13, 2023
44.	联想	PRC	Lenovo (Beijing) Limited	1996516	20	January 13, 2023
45.	联想	PRC	Lenovo (Beijing) Limited	1996655	28	February 13, 2023
46.	联想	PRC	Lenovo (Beijing) Limited	1998578	10	December 13, 2022
47.	联想	PRC	Lenovo (Beijing) Limited	1999287	29	March 6, 2019
48.	联想	PRC	Lenovo (Beijing) Limited	2002644	18	November 27, 2022
49.	联想	PRC	Lenovo (Beijing) Limited	2002831	25	September 20, 2021
50.	联想	PRC	Lenovo (Beijing) Limited	2008843	17	November 6, 2022
51.	联想	PRC	Lenovo (Beijing) Limited	2008883	12	January 20, 2023
52.	联想	PRC	Lenovo (Beijing) Limited	2010374	14	December 6, 2022
53.	联想	PRC	Lenovo (Beijing) Limited	2010388	30	February 20, 2023
54.	联想	PRC	Lenovo (Beijing) Limited	2012082	15	October 20, 2022
55.	联想	PRC	Lenovo (Beijing) Limited	2012227	13	December 13, 2022

No.	Trademark	Place of Registration	Name of Registered Owner	Registration Number	Class	Expiry Date
56.	联想	PRC	Lenovo (Beijing) Limited	2014248	31	October 13, 2022
57.	LENOVO	PRC	Lenovo (Beijing) Limited	3368145	42	August 13, 2024
58.	LENOVO	PRC	Lenovo (Beijing) Limited	3368146	37	September 13, 2024
59.	LENOVO	PRC	Lenovo (Beijing) Limited	3368147	9	March 13, 2024
60.	lenovo	PRC	Lenovo (Beijing) Limited	3462584	42	December 27, 2024
61.	lenovo	PRC	Lenovo (Beijing) Limited	3462585	37	January 27, 2025
62.	lenovo	PRC	Lenovo (Beijing) Limited	3462586	9	July 13, 2024
63.	lenovo联想	PRC	Lenovo (Beijing) Limited	3462587	42	December 27, 2024
64.	lenovo联想	PRC	Lenovo (Beijing) Limited	3462588	37	January 27, 2025
65.	lenovo联想	PRC	Lenovo (Beijing) Limited	3462589	9	July 13, 2024
66.	lenovo	PRC	Lenovo (Beijing) Limited	3510799	45	April 13, 2025
67.	lenovo	PRC	Lenovo (Beijing) Limited	3510800	44	April 13, 2025
68.	lenovo	PRC	Lenovo (Beijing) Limited	3510817	30	September 13, 2024
69.	lenovo	PRC	Lenovo (Beijing) Limited	3510818	29	September 6, 2024
70.	lenovo	PRC	Lenovo (Beijing) Limited	3510819	28	April 27, 2025
71.	lenovo	PRC	Lenovo (Beijing) Limited	3510820	27	January 6, 2025

No.	Trademark	Place of Registration	Name of Registered Owner	Registration Number	Class	Expiry Date
72.	lenovo	PRC	Lenovo (Beijing) Limited	3510821	26	August 20, 2015
73.	lenovo	PRC	Lenovo (Beijing) Limited	3510822	25	May 13, 2025
74.	lenovo	PRC	Lenovo (Beijing) Limited	3510823	24	April 27, 2025
75.	lenovo	PRC	Lenovo (Beijing) Limited	3510824	33	October 6, 2024
76.	lenovo	PRC	Lenovo (Beijing) Limited	3510825	32	August 6, 2024
77.	lenovo	PRC	Lenovo (Beijing) Limited	3510826	31	August 6, 2024
78.	lenovo	PRC	Lenovo (Beijing) Limited	3510827	20	January 6, 2025
79.	lenovo	PRC	Lenovo (Beijing) Limited	3510828	19	April 6, 2025
80.	lenovo	PRC	Lenovo (Beijing) Limited	3510829	18	April 27, 2025
81.	lenovo	PRC	Lenovo (Beijing) Limited	3510830	17	January 6, 2025
82.	lenovo	PRC	Lenovo (Beijing) Limited	3510831	16	February 13, 2025
83.	lenovo	PRC	Lenovo (Beijing) Limited	3510832	15	January 27, 2025
84.	lenovo	PRC	Lenovo (Beijing) Limited	3510833	14	October 27, 2024
85.	lenovo	PRC	Lenovo (Beijing) Limited	3510834	23	February 13, 2025
86.	lenovo	PRC	Lenovo (Beijing) Limited	3510835	22	February 13, 2025
87.	lenovo	PRC	Lenovo (Beijing) Limited	3510836	21	February 20, 2025

No.	Trademark	Place of Registration	Name of Registered Owner	Registration Number	Class	Expiry Date
88.	lenovo	PRC	Lenovo (Beijing) Limited	3510837	10	November 13, 2024
89.	lenovo	PRC	Lenovo (Beijing) Limited	3510838	9	September 13, 2024
90.	lenovo	PRC	Lenovo (Beijing) Limited	3510839	8	October 6, 2024
91.	lenovo	PRC	Lenovo (Beijing) Limited	3510840	7	September 13, 2024
92.	lenovo	PRC	Lenovo (Beijing) Limited	3510841	6	September 13, 2024
93.	lenovo	PRC	Lenovo (Beijing) Limited	3510842	5	January 13, 2025
94.	lenovo	PRC	Lenovo (Beijing) Limited	3510843	4	December 6, 2024
95.	lenovo	PRC	Lenovo (Beijing) Limited	3510844	13	September 6, 2024
96.	lenovo	PRC	Lenovo (Beijing) Limited	3510845	12	October 6, 2024
97.	lenovo	PRC	Lenovo (Beijing) Limited	3510846	11	November 27, 2024
98.	lenovo	PRC	Lenovo (Beijing) Limited	3510864	3	May 20, 2025
99.	lenovo	PRC	Lenovo (Beijing) Limited	3510865	2	January 6, 2025
100.	lenovo	PRC	Lenovo (Beijing) Limited	3510866	1	February 13, 2025
101.	lenovo	PRC	Lenovo (Beijing) Limited	3510907	40	November 6, 2024
102.	lenovo	PRC	Lenovo (Beijing) Limited	3510908	39	January 6, 2025
103.	lenovo	PRC	Lenovo (Beijing) Limited	3510909	38	January 6, 2025

No.	Trademark	Place of Registration	Name of Registered Owner	Registration Number	Class	Expiry Date
104.	lenovo	PRC	Lenovo (Beijing) Limited	3510910	37	April 13, 2025
105.	lenovo	PRC	Lenovo (Beijing) Limited	3510911	36	April 27, 2025
106.	lenovo	PRC	Lenovo (Beijing) Limited	3510912	35	November 6, 2024
107.	lenovo	PRC	Lenovo (Beijing) Limited	3510913	34	August 6, 2024
108.	lenovo	PRC	Lenovo (Beijing) Limited	3510914	43	February 13, 2025
109.	lenovo	PRC	Lenovo (Beijing) Limited	3510915	42	March 27, 2025
110.	lenovo	PRC	Lenovo (Beijing) Limited	3510916	41	September 6, 2024
111.	IdeaPad	PRC	Lenovo (Beijing) Limited	6016212	9	January 13, 2020
112.	IdeaCenter	PRC	Lenovo (Beijing) Limited	6016213	9	January 13, 2020
113.	IdeaCenter	PRC	Lenovo (Beijing) Limited	6016214	9	January 13, 2020
114.	IdeaPad	PRC	Lenovo (Beijing) Limited	6042602	16	January 13, 2020
115.	IdeaCenter	PRC	Lenovo (Beijing) Limited	6042603	16	January 13, 2020
116.	联想	PRC	Lenovo (Beijing) Limited	7700059	5	January 27, 2021
117.	联想	PRC	Lenovo (Beijing) Limited	7700092	16	January 6, 2021
118.	联想	PRC	Lenovo (Beijing) Limited	7700116	25	April 20, 2021
119.	联想	PRC	Lenovo (Beijing) Limited	7700172	30	November 27, 2020

No.	Trademark	Place of Registration	Name of Registered Owner	Registration Number	Class	Expiry Date
120.	联想	PRC	Lenovo (Beijing) Limited	7700181	32	December 6, 2023
121.	联想	PRC	Lenovo (Beijing) Limited	7700212	34	March 13, 2021
122.	联想	PRC	Lenovo (Beijing) Limited	7700222	44	April 20, 2021
123.	联想	PRC	Lenovo (Beijing) Limited	772127	36	November 20, 2024
124.	联想	PRC	Lenovo (Beijing) Limited	775247	40	January 6, 2025
125.	联想	PRC	Lenovo (Beijing) Limited	776096	35	January 20, 2025
126.	联想	PRC	Lenovo (Beijing) Limited	776496	42	January 20, 2025
127.	联想	PRC	Lenovo (Beijing) Limited	777232	38	February 6, 2025
128.	联想	PRC	Lenovo (Beijing) Limited	778188	41	February 20, 2025
129.	联想	PRC	Lenovo (Beijing) Limited	778334	37	February 20, 2025
130.	ideapad	PRC	Lenovo (Beijing) Limited	9052849	5	January 20, 2022
131.	ideapad	PRC	Lenovo (Beijing) Limited	9052881	6	January 20, 2022
132.	ideapad	PRC	Lenovo (Beijing) Limited	9052899	8	January 20, 2022
133.	ideapad	PRC	Lenovo (Beijing) Limited	9052946	30	January 20, 2022
134.	ideapad	PRC	Lenovo (Beijing) Limited	9054187	44	March 27, 2022
135.	ideapad	PRC	Lenovo (Beijing) Limited	9054188	38	January 13, 2023

No.	Trademark	Place of Registration	Name of Registered Owner	Registration Number	Class	Expiry Date
136.	ideapad	PRC	Lenovo (Beijing) Limited	9054189	35	January 6, 2024
137.	ideapad	PRC	Lenovo (Beijing) Limited	9054190	33	January 20, 2022
138.	ideapad	PRC	Lenovo (Beijing) Limited	9054191	32	January 20, 2022
139.	ideapad	PRC	Lenovo (Beijing) Limited	9054192	18	January 13, 2024
140.	ideapad	PRC	Lenovo (Beijing) Limited	9054193	10	January 20, 2022
141.	ideapad	PRC	Lenovo (Beijing) Limited	9054194	3	January 20, 2022
142.	ideapad	PRC	Lenovo (Beijing) Limited	9056560	7	January 20, 2022
143.	ideapad	PRC	Lenovo (Beijing) Limited	9056614	11	January 20, 2022
144.	ideapad	PRC	Lenovo (Beijing) Limited	9056656	20	January 20, 2022
145.	ideapad	PRC	Lenovo (Beijing) Limited	9056689	21	January 20, 2022
146.	ideapad	PRC	Lenovo (Beijing) Limited	9056739	24	August 6, 2022
147.	ideapad	PRC	Lenovo (Beijing) Limited	9062749	28	January 27, 2022
148.	ideapad	PRC	Lenovo (Beijing) Limited	9062792	29	June 13, 2022
149.	ideapad	PRC	Lenovo (Beijing) Limited	9062835	37	January 27, 2022
150.	ideapad	PRC	Lenovo (Beijing) Limited	9062868	41	January 27, 2022
151.	ideapad	PRC	Lenovo (Beijing) Limited	9062894	42	January 27, 2022

No.	Trademark	Place of Registration	Name of Registered Owner	Registration Number	Class	Expiry Date
152.		PRC	Legend Holdings Limited	1984031	9	February 13, 2023
153.		PRC	Legend Holdings Limited	2002641	18	December 27, 2022
154.		PRC	Legend Holdings Limited	1986294	26	December 23, 2022
155.		PRC	Legend Holdings Limited	1993241	22	December 23, 2022
156.		PRC	Legend Holdings Limited	2008886	12	January 20, 2023
157.	LEGEND	PRC	Legend Holdings Limited	2012085	15	January 6, 2023
158.	LEGEND	PRC	Legend Holdings Limited	1996753	28	February 6, 2024
159.		PRC	Legend Holdings Limited	1976290	8	November 20, 2022
160.		PRC	Legend Holdings Limited	1972567	2	March 27, 2023

No.	Trademark	Place of Registration	Name of Registered Owner	Registration Number	Class	Expiry Date
161.	LEGEND	PRC	Legend Holdings Limited	1396532	9	May 13, 2020
162.	LEGEND	PRC	Legend Holdings Limited	778308	39	February 20, 2025
163.		PRC	Legend Holdings Limited	778276	37	February 20, 2025
164.		PRC	Legend Holdings Limited	777024	35	February 6, 2025
165.	LEGEND STAR	PRC	Legend Holdings Limited	7960294	41	February 27, 2021
166.	LEGEND	PRC	Legend Holdings Limited	1974395	6	February 27, 2023
167.	LEGEND	PRC	Legend Holdings Limited	2010384	30	February 20, 2023
168.	LEGEND	PRC	Legend Holdings Limited	1995659	27	December 20, 2022
169.		PRC	Legend Holdings Limited	1973445	4	December 13, 2022
170.	LEGEND	PRC	Legend Holdings Limited	2002913	25	February 20, 2024
171.	LEGEND	PRC	Legend Holdings Limited	1986297	26	December 13, 2022
172.		PRC	Legend Holdings Limited	1975025	5	November 27, 2022
173.		PRC	Legend Holdings Limited	1972574	2	March 27, 2023

No.	Trademark	Place of Registration	Name of Registered Owner	Registration Number	Class	Expiry Date
174.		PRC	Legend Holdings Limited	776495	42	January 20, 2025
175.		PRC	Legend Holdings Limited	1996403	21	January 13, 2023
176.		PRC	Legend Holdings Limited	1977479	7	April 20, 2023
177.	LEGEND	PRC	Legend Holdings Limited	1991509	32	December 13, 2022
178.		PRC	Legend Holdings Limited	1993078	24	February 6, 2023
179.		PRC	Legend Holdings Limited	2012225	13	December 13, 2022
180.	LEGEND	PRC	Legend Holdings Limited	2012226	13	December 13, 2022
181.	LEGEND	PRC	Legend Holdings Limited	1976293	8	December 6, 2022
182.		PRC	Legend Holdings Limited	1996520	20	May 6, 2023

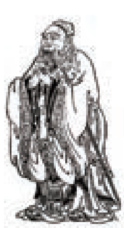
No.	Trademark	Place of Registration	Name of Registered Owner	Registration Number	Class	Expiry Date
183.		PRC	Legend Holdings Limited	1971843	3	October 20, 2023
184.	LEGEND	PRC	Legend Holdings Limited	1971828	3	April 6, 2023
185.	LEGEND	PRC	Legend Holdings Limited	1397717	42	May 13, 2020
186.	爱谷	PRC	Legend Holdings Limited	10729191	30	June 13, 2023
187.	LEGEND STAR	PRC	Legend Holdings Limited	7957916	45	February 28, 2021
188.		PRC	Legend Holdings Limited	1996756	28	February 20, 2023
189.	LEGEND	PRC	Legend Holdings Limited	1993079	24	January 13, 2023
190.		PRC	Legend Holdings Limited	1990920	34	January 6, 2023
191.	LEGEND	PRC	Legend Holdings Limited	1976930	7	April 13, 2023
192.	LEGEND	PRC	Legend Holdings Limited	2002643	18	November 27, 2022
193.	爱谷	PRC	Legend Holdings Limited	10732536	43	June 13, 2023
194.	爱谷	PRC	Legend Holdings Limited	10729270	31	October 13, 2023
195.		PRC	Legend Holdings Limited	1979248	11	March 13, 2023
196.		PRC	Legend Holdings Limited	1999290	29	January 6, 2023

No.	Trademark	Place of Registration	Name of Registered Owner	Registration Number	Class	Expiry Date
197.	LEGEND	PRC	Legend Holdings Limited	1999291	29	November 6, 2022
198.		PRC	Legend Holdings Limited	2010386	30	February 20, 2023
199.	LEGEND	PRC	Legend Holdings Limited	1996406	21	July 13, 2023
200.		PRC	Legend Holdings Limited	2012086	15	October 20, 2022
201.	LEGEND	PRC	Legend Holdings Limited	1993907	16	March 6, 2024
202.	LEGEND	PRC	Legend Holdings Limited	1973444	4	October 6, 2022
203.		PRC	Legend Holdings Limited	778321	39	February 20, 2025
204.	LEGEND	PRC	Legend Holdings Limited	778187	41	February 20, 2025
205.		PRC	Legend Holdings Limited	777233	38	February 6, 2025
206.	LEGEND STAR	PRC	Legend Holdings Limited	7960341	35	March 6, 2021
207.	LEGEND STAR	PRC	Legend Holdings Limited	7960312	42	February 27, 2021
208.	LEGEND	PRC	Legend Holdings Limited	1979019	19	March 20, 2023
209.	LEGEND	PRC	Legend Holdings Limited	1993242	22	December 13, 2022
210.		PRC	Legend Holdings Limited	1994417	23	January 6, 2023

No.	Trademark	Place of Registration	Name of Registered Owner	Registration Number	Class	Expiry Date
211.	LEGEND	PRC	Legend Holdings Limited	2014239	31	October 13, 2022
212.		PRC	Legend Holdings Limited	1991510	32	December 13, 2022
213.		PRC	Legend Holdings Limited	1993904	16	February 13, 2023
214.		PRC	Legend Holdings Limited	1970455	1	February 13, 2023
215.	LEGEND STAR	PRC	Legend Holdings Limited	7960332	36	March 20, 2023
216.		PRC	Legend Holdings Limited	1998580	10	December 13, 2022
217.		PRC	Legend Holdings Limited	2010401	14	December 6, 2022
218.	LEGEND	PRC	Legend Holdings Limited	1996667	20	June 13, 2023
219.	LEGEND	PRC	Legend Holdings Limited	772129	36	November 20, 2024
220.		PRC	Legend Holdings Limited	778186	41	February 20, 2025

No.	Trademark	Place of Registration	Name of Registered Owner	Registration Number	Class	Expiry Date
221.		PRC	Legend Holdings Limited	775623	40	January 13, 2025
222.	LEGEND	PRC	Legend Holdings Limited	1984012	9	February 13, 2023
223.	LEGEND	PRC	Legend Holdings Limited	2008845	17	November 6, 2022
224.	LEGEND	PRC	Legend Holdings Limited	1998581	10	December 13, 2022
225.		PRC	Legend Holdings Limited	1995661	27	December 20, 2022
226.	LEGEND	PRC	Legend Holdings Limited	2010378	14	December 6, 2022
227.	LEGEND	PRC	Legend Holdings Limited	1978365	11	January 27, 2024
228.	LEGEND	PRC	Legend Holdings Limited	776497	42	January 20, 2025
229.	LEGEND	PRC	Legend Holdings Limited	775624	40	January 13, 2025
230.	LEGEND	PRC	Legend Holdings Limited	777050	35	February 6, 2025
231.		PRC	Raycom Real Estate	3981702	35	January 20, 2017
232.		PRC	Raycom Real Estate	3981711	42	January 20, 2017
233.	融科智地	PRC	Raycom Real Estate	3981715	42	March 6, 2019
234.	融科	PRC	Raycom Real Estate	3981719	43	January 20, 2017
235.	RAYCOM	PRC	Raycom Real Estate	3981704	36	January 27, 2019

No.	Trademark	Place of Registration	Name of Registered Owner	Registration Number	Class	Expiry Date
236.		PRC	Raycom Real Estate	3981721	37	January 20, 2017
237.		PRC	Raycom Real Estate	3981720	36	January 20, 2017
238.	RAYCOM	PRC	Raycom Real Estate	3981705	37	January 27, 2019
239.	融科	PRC	Raycom Real Estate	3981716	35	January 20, 2017
240.	融科	PRC	Raycom Real Estate	3981717	36	January 20, 2017
241.	RAYCOM	PRC	Raycom Real Estate	3981703	42	January 20, 2017
242.	融科	PRC	Raycom Real Estate	3981718	37	January 20, 2017
243.		PRC	Qufu Confucius Family Liquor Brewing Co., Ltd. (曲阜孔府家酒釀造有限公司)	1659048	33	October 27, 2021
244.		PRC	Qufu Confucius Family Liquor Brewing Co., Ltd. (曲阜孔府家酒釀造有限公司)	1319502	33	September 27, 2019
245.		PRC	Qufu Confucius Family Liquor Brewing Co., Ltd. (曲阜孔府家酒釀造有限公司)	1184961	33	June 20, 2018
246.		PRC	Qufu Confucius Family Liquor Brewing Co., Ltd. (曲阜孔府家酒釀造有限公司)	8900590	33	December 13, 2021

No.	Trademark	Place of Registration	Name of Registered Owner	Registration Number	Class	Expiry Date
247.	府藏孔府家	PRC	Qufu Confucius Family Liquor Brewing Co., Ltd. (曲阜孔府家酒釀造有限公司)	8811812	33	November 20, 2021
248.		PRC	Qufu Confucius Family Liquor Brewing Co., Ltd. (曲阜孔府家酒釀造有限公司)	9161444	33	March 20, 2022
249.	孔府家	PRC	Qufu Confucius Family Liquor Brewing Co., Ltd. (曲阜孔府家酒釀造有限公司)	1703340	33	January 20, 2022
250.	孔府	PRC	Qufu Confucius Family Liquor Brewing Co., Ltd. (曲阜孔府家酒釀造有限公司)	289375	33	June 9, 2017
251.	孔府家	PRC	Qufu Confucius Family Liquor Brewing Co., Ltd. (曲阜孔府家酒釀造有限公司)	358475	33	August 19, 2019
252.		PRC	Qufu Confucius Family Liquor Brewing Co., Ltd. (曲阜孔府家酒釀造有限公司)	11038278	33	August 13, 2024
253.		PRC	Funglian	1546768	33	September 27, 2021
254.	板城和顺	PRC	Funglian	7089948	33	June 20, 2020

No.	Trademark	Place of Registration	Name of Registered Owner	Registration Number	Class	Expiry Date
255.	板城燒鍋	PRC	Funglian	1727153	33	March 6, 2022
256.	板城	PRC	Funglian	802867	33	December 27, 2015
257.	紫塞明珠	PRC	Funglian	3672965	33	April 6, 2025
258.	板城	PRC	Funglian	1658932	33	October 27, 2021
259.	板城龙印 banchenglongyin	PRC	Funglian	5210518	33	March 27, 2019
260.	庆元亨	PRC	Funglian	802884	33	December 27, 2015
261.	武陵上酱	PRC	Funglian	5918345	33	November 27, 2019
262.	武陵少酱	PRC	Funglian	5918134	33	November 27, 2019
263.	武陵名酱	PRC	Funglian	11010287	33	October 6, 2023

No.	Trademark	Place of Registration	Name of Registered Owner	Registration Number	Class	Expiry Date
264.		PRC	Funglian	1968270	33	August 27, 2022
265.	武陵小酱	PRC	Funglian	8654977	33	September 27, 2021
266.		PRC	Funglian	146745	33	February 28, 2023
267.	芙蓉国色	PRC	Funglian	10361036	33	March 6, 2023
268.	武陵元帅	PRC	Funglian	8671995	33	September 27, 2021
269.	武陵中酱	PRC	Funglian	5918347	33	November 27, 2019
270.		PRC	Funglian	7478115	33	October 6, 2020
271.	文王国	PRC	Funglian	6200007	33	January 13, 2020
272.		PRC	Funglian	4588973	33	November 13, 2017
273.	文王地利	PRC	Funglian	6375116	33	February 13, 2020

No.	Trademark	Place of Registration	Name of Registered Owner	Registration Number	Class	Expiry Date
274.	正一品	PRC	Funglian	1723103	33	February 27, 2022
275.	文王貢	PRC	Funglian	1723115	33	February 27, 2022
276.		PRC	Funglian	663006	33	October 27, 2023
277.	文王人和	PRC	Funglian	6375117	33	February 13, 2020
278.	文王天时	PRC	Funglian	6375114	33	February 13, 2020
279.	佳沃	PRC	Joyvio	10729183	30	November 20, 2023
280.	佳沃	PRC	Joyvio	12311745	5	August 27, 2024
281.	佳沃	PRC	Joyvio Limited (佳沃有限公司)	12457621	35	September 27, 2024
282.	佳沃	PRC	Joyvio Limited (佳沃有限公司)	12341102	40	September 6, 2024
283.	佳沃	PRC	Joyvio Limited (佳沃有限公司)	12312238	31	August 27, 2024
284.	佳沃	PRC	Joyvio Limited (佳沃有限公司)	11960188	35	June 13, 2024
285.	joyvio	PRC	Joyvio Limited (佳沃有限公司)	11204316	5	December 6, 2023
286.	joyvio	PRC	Joyvio Limited (佳沃有限公司)	11265918	5	December 20, 2023
287.	joyvio	PRC	Joyvio Limited (佳沃有限公司)	11204311	29	December 6, 2023
288.	joyvio	PRC	Joyvio Limited (佳沃有限公司)	11265915	29	December 20, 2023
289.	joyvio	PRC	Joyvio Limited (佳沃有限公司)	11204313	30	December 6, 2023
290.	joyvio	PRC	Joyvio Limited (佳沃有限公司)	11265916	30	December 20, 2023
291.	joyvio	PRC	Joyvio Limited (佳沃有限公司)	11204312	31	December 6, 2023

No.	Trademark	Place of Registration	Name of Registered Owner	Registration Number	Class	Expiry Date
292.	joyvio	PRC	Joyvio Limited (佳沃有限公司)	11265917	31	December 20, 2023
293.	joyvio	PRC	Joyvio Limited (佳沃有限公司)	11204317	32	December 6, 2023
294.	joyvio	PRC	Joyvio Limited (佳沃有限公司)	11204314	33	December 6, 2023
295.	joyvio	PRC	Joyvio Limited (佳沃有限公司)	11204315	43	December 6, 2023
296.	joyvio	PRC	Joyvio Limited (佳沃有限公司)	12340629	40	September 6, 2024
297.	Joyvio	PRC	Joyvio Limited (佳沃有限公司)	12341245	44	September 6, 2024
298.		PRC	Joyvio Limited (佳沃有限公司)	11590396	29	March 13, 2024
299.		PRC	Joyvio Limited (佳沃有限公司)	11590492	30	March 27, 2024
300.		PRC	Joyvio Limited (佳沃有限公司)	11590553	31	March 27, 2024
301.		PRC	Joyvio Limited (佳沃有限公司)	11590605	32	March 13, 2024
302.		PRC	Joyvio Limited (佳沃有限公司)	11590716	43	May 20, 2024
303.		PRC	Joyvio Limited (佳沃有限公司)	11590653	33	March 13, 2024
304.		PRC	Joyvio Limited (佳沃有限公司)	12340555	40	September 6, 2024

No.	Trademark	Place of Registration	Name of Registered Owner	Registration Number	Class	Expiry Date
305.		PRC	Joyvio Limited (佳沃有限公司)	11590321	5	June 20, 2024
306.		PRC	Joyvio Limited (佳沃有限公司)	12346082	31	September 6, 2024
307.	金艳 TINGO SUNNY HEALTHY ENERGY BEAUTY	PRC	Sichuan China New Agricultural Science & Technology Co., Ltd	7532414	32	February 6, 2021
308.	TINGO GOLD 7118	PRC	Sichuan China New Agricultural Science & Technology Co., Ltd	9120630	31	February 13, 2022
309.	金艳 TINGO SUNNY HEALTHY ENERGY BEAUTY	PRC	Sichuan China New Agricultural Science & Technology Co., Ltd	7532440	39	January 27, 2021
310.	TINGO	PRC	Sichuan China New Agricultural Science & Technology Co., Ltd	11455145	31	February 13, 2024
311.	AGRICULTURE KIWIFRUIT	PRC	Sichuan China New Agricultural Science & Technology Co., Ltd	5955031	31	August 20, 2021
312.	TINGO	PRC	Sichuan China New Agricultural Science & Technology Co., Ltd	6327284	31	October 8, 2019
313.	金艳 TINGO SUNNY HEALTHY ENERGY BEAUTY	PRC	Sichuan China New Agricultural Science & Technology Co., Ltd	7532330	29	April 6, 2021
314.	TINGO	PRC	Sichuan China New Agricultural Science & Technology Co., Ltd	11455157	31	February 6, 2024
315.	金艳 SUNNY HEALTHY ENERGY BEAUTY TINGO	PRC	Sichuan China New Agricultural Science & Technology Co., Ltd	7532371	30	February 6, 2021
316.	西湖龙冠	PRC	Hangzhou Longguan Industrial Co., Ltd. (杭州龍冠實業有限公司)	7011359	44	July 27, 2020

No.	Trademark	Place of Registration	Name of Registered Owner	Registration Number	Class	Expiry Date
317.	龙冠香	PRC	Hangzhou Longguan Industrial Co., Ltd. (杭州龍冠實業有限公司)	7011366	40	July 7, 2020
318.	西湖龙冠	PRC	Hangzhou Longguan Industrial Co., Ltd. (杭州龍冠實業有限公司	5221688	30	March 27, 2019
319.	钱塘龙冠	PRC	Hangzhou Longguan Industrial Co., Ltd. (杭州龍冠實業有限公司)	7011360	44	July 27, 2020
320.	千岛龙冠	PRC	Hangzhou Longguan Industrial Co., Ltd. (杭州龍冠實業有限公司)	7058380	40	July 27, 2020
321.	西湖龙冠	PRC	Hangzhou Longguan Industrial Co., Ltd. (杭州龍冠實業有限公司)	7011364	40	July 27, 2020
322.	龙冠春晓	PRC	Hangzhou Longguan Industrial Co., Ltd. (杭州龍冠實業有限公司)	11367177	40	January 23, 2024
323.	裕隆	PRC	Hangzhou Longguan Industrial Co., Ltd. (杭州龍冠實業有限公司)	1153501	30	February 20, 2018
324.	七佛龙冠	PRC	Hangzhou Longguan Industrial Co., Ltd. (杭州龍冠實業有限公司)	3844667	30	January 20, 2016
325.	龙冠龙井	PRC	Hangzhou Longguan Industrial Co., Ltd. (杭州龍冠實業有限公司)	11367205	40	January 20, 2024
326.	西湖龙冠	PRC	Hangzhou Longguan Industrial Co., Ltd. (杭州龍冠實業有限公司)	4995515	30	September 13, 2018
327.	龙冠春晓	PRC	Hangzhou Longguan Industrial Co., Ltd. (杭州龍冠實業有限公司)	11367138	30	January 20, 2024
328.	钱塘龙冠	PRC	Hangzhou Longguan Industrial Co., Ltd. (杭州龍冠實業有限公司)	4995516	30	September 13, 2018

No.	Trademark	Place of Registration	Name of Registered Owner	Registration Number	Class	Expiry Date
329.	钱塘龙冠	PRC	Hangzhou Longguan Industrial Co., Ltd. (杭州龍冠實業有限公司)	7011365	40	July 6, 2020
330.	千岛龙冠	PRC	Hangzhou Longguan Industrial Co., Ltd. (杭州龍冠實業有限公司)	7058379	44	August 6, 2020
331.	美人韵君子香	PRC	Hangzhou Longguan Industrial Co., Ltd. (杭州龍冠實業有限公司)	9132783	30	February 27, 2022
332.	龙冠香	PRC	Hangzhou Longguan Industrial Co., Ltd. (杭州龍冠實業有限公司)	4995517	30	September 13, 2018
333.	龙冠	PRC	Hangzhou Longguan Industrial Co., Ltd. (杭州龍冠實業有限公司)	7011363	40	July 6, 2020
334.	龙冠香	PRC	Hangzhou Longguan Industrial Co., Ltd. (杭州龍冠實業有限公司)	7011361	44	July 27, 2020
335.	联泓	PRC	Levima	10929736	1	August 20, 2023
336.	LEVIMA	PRC	Levima	10930454	1	August 27, 2023
337.	联泓 LEVIMA	PRC	Levima	11130931	4	November 13, 2023
338.	LEVIMA	PRC	Levima	10930282	35	August 27, 2023
339.	LEVIMA	PRC	Levima	10930503	4	September 6, 2023
340.	联泓 LEVIMA	PRC	Levima	11130898	1	November 13, 2023
341.	LEVIMA	PRC	Levima	10930584	17	August 20, 2023
342.	LEVIMA	PRC	Levima	11130961	17	November 13, 2023
343.	LEVIMA	PRC	Levima	10930026	37	September 6, 2023
344.	LEVIMA	PRC	Levima	11131021	37	November 13, 2023
345.	联泓 LEVIMA	PRC	Levima	11131029	37	November 13, 2023
346.	联泓	PRC	Levima	10929410	4	August 20, 2023
347.	LEVIMA	PRC	Levima	10929904	36	September 6, 2023

No.	Trademark	Place of Registration	Name of Registered Owner	Registration Number	Class	Expiry Date
348.	聯泓 LEVIMA	PRC	Levima	11130975	17	November 13, 2023
349.	LEVIMA	PRC	Levima	11137231	35	November 13, 2023
350.	LEVIMA	PRC	Levima	11137273	42	November 13, 2023
351.	LEVIMA	PRC	Levima	10930116	42	August 20, 2023
352.	LEVIMA	PRC	Levima	11130939	4	November 13, 2023
353.	LEVIMA	PRC	Levima	11131007	36	November 13, 2023
354.	LEVIMA	PRC	Levima	11130885	1	November 13, 2023
355.	联泓 LEVIMA	PRC	Levima	11130991	36	November 13, 2023
356.	联泓 LEVIMA	PRC	Levima	11137290	42	November 13, 2023
357.	zeny	PRC	Zeny	11462229	35	February 13, 2024
358.	zeny	PRC	Zeny	11458215	39	February 13, 2024
359.	增益供应链	PRC	Zeny	11457746	35	February 13, 2024
360.	zeny	PRC	Zeny	11462438	37	October 6, 2024
361.	增益供应链	PRC	Zeny	11458025	37	February 13, 2024
362.		PRC	Zeny	11462414	37	February 13, 2024
363.	zeny	PRC	Zeny	11457900	36	February 13, 2024
364.		PRC	Zeny	11462294	36	February 13, 2024
365.	zeny	PRC	Zeny	11462279	36	February 13, 2024

No.	Trademark	Place of Registration	Name of Registered Owner	Registration Number	Class	Expiry Date
366.	增益供应链	PRC	Zeny	11458320	42	February 13, 2024
367.	zeny	PRC	Zeny	11458041	37	February 13, 2024
368.	增益供应链	PRC	Zeny	11457915	36	February 13, 2024
369.		PRC	Zeny	11462219	35	February 13, 2024
370.	zeny	PRC	Zeny	11457797	35	February 13, 2024
371.	安信颐和 EnsenCare	PRC	EnsenCare	10469366	36	March 27, 2023
372.	安信颐和 EnsenCare	PRC	EnsenCare	10469390	41	March 27, 2023
373.	安信颐和 EnsenCare	PRC	EnsenCare	10469418	43	March 27, 2023
374.	安信颐和 EnsenCare	PRC	EnsenCare	10469430	44	March 27, 2023
375.	安信颐和 EnsenCare	PRC	EnsenCare	10469447	45	March 27, 2023
376.		PRC	Phylion Battery	1481789	9	November 27, 2020
377.	PHYLION	PRC	Phylion Battery	1351158	9	January 6, 2020
378.	鋰小龍	PRC	Phylion Battery	9888033	9	October 27, 2022

No.	Trademark	Place of Registration	Name of Registered Owner	Registration Number	Class	Expiry Date
379.	星恒	PRC	Phylion Battery	5980577	9	February 6, 2020
380.	六和拜尔齿科连锁	PRC	Zhuhai Liuhe Dental Care Investment Management Co., Ltd. (珠海六和口腔醫療投資管理有限公司)[Note 1]	6920512	44	June 13, 2020
381.	DENTAL CLINIC LIUHE BYER	PRC	Zhuhai Liuhe Dental Care Investment Management Co., Ltd. (珠海六和口腔醫療投資管理有限公司)	8058580	44	April 20, 2020
382.	达尔	PRC	Zhuhai Liuhe Dental Care Investment Management Co., Ltd. (珠海六和口腔醫療投資管理有限公司)	12163657	44	July 27, 2024
383.	DENTAL CLINIC BYER 1960	PRC	Zhuhai Liuhe Dental Care Investment Management Co., Ltd. (珠海六和口腔醫療投資管理有限公司)	6590806	44	September 13, 2020
384.	六 和 LIU HE	PRC	Zhuhai Liuhe Dental Care Investment Management Co., Ltd. (珠海六和口腔醫療投資管理有限公司)	3934459	10	May 27, 2025

Note:

1 "珠海六和口腔醫療投資管理有限公司" is the former enterprise name of Bybo.

No.	Trademark	Place of Registration	Name of Registered Owner	Registration Number	Class	Expiry Date
385.		PRC	Zhuhai Liuhe Dental Care Investment Management Co., Ltd. (珠海六和口腔醫療投資管理有限公司)	6983726	35	November 6, 2020
386.		PRC	Zhuhai Liuhe Dental Care Investment Management Co., Ltd. (珠海六和口腔醫療投資管理有限公司)	6983727	44	July 20, 2020
387.	吉尔	PRC	Zhuhai Liuhe Dental Care Investment Management Co., Ltd. (珠海六和口腔醫療投資管理有限公司)	12163649	44	July 27, 2024
388.	龙尔	PRC	Zhuhai Liuhe Dental Care Investment Management Co., Ltd. (珠海六和口腔醫療投資管理有限公司)	12163666	44	July 27, 2024
389.	柏尔	PRC	Zhuhai Liuhe Dental Care Investment Management Co., Ltd. (珠海六和口腔醫療投資管理有限公司)	12163667	44	July 27, 2024
390.	旺尔	PRC	Zhuhai Liuhe Dental Care Investment Management Co., Ltd. (珠海六和口腔醫療投資管理有限公司)	12163678	44	July 27, 2024
391.	铂尔	PRC	Zhuhai Liuhe Dental Care Investment Management Co., Ltd. (珠海六和口腔醫療投資管理有限公司)	12163637	44	July 27, 2024

No.	Trademark	Place of Registration	Name of Registered Owner	Registration Number	Class	Expiry Date
392.	乐尔	PRC	Zhuhai Liuhe Dental Care Investment Management Co., Ltd. (珠海六和口腔醫療投資管理有限公司)	12163638	44	July 27, 2024
393.	拜和	PRC	Zhuhai Liuhe Dental Care Investment Management Co., Ltd. (珠海六和口腔醫療投資管理有限公司)	12163682	44	July 27, 2024
394.	拜博	PRC	Zhuhai Liuhe Dental Care Investment Management Co., Ltd. (珠海六和口腔醫療投資管理有限公司)	12178156	44	August 6, 2024

(b) Domain Names

As of the Latest Practicable Date, our material domain names were as follows:

No.	Domain Name	Registrant	Date of Registration	Expiry Date
1.	legendholdings.com.cn	Legend Holdings Corporation	April 21, 2000	April 21, 2016
2.	lenovo.cn	Lenovo (Beijing) Limited	March 17, 2003	March 17, 2016
3.	lenovo.com	Lenovo (Beijing) Limited	September 6, 2002	September 6, 2016
4.	lenovo.com.cn	Lenovo (Beijing) Limited	December 27, 2002	December 27, 2016

(c) Patents

As of the Latest Practicable Date, our material registered patents were as follows:

No.	Patent	Place of Registration	Patent Holder	Patent Number	Date of Registration
1.	Roller anti-wearing sealing wheel	PRC	Funglian	ZL201320720353.X	June 18, 2014
2.	Breakable anti-counterfeiting bottle cap	PRC	Funglian	ZL201320722429.2	June 18, 2014
3.	Standard measurement adjuster for liquid surface	PRC	Funglian	ZL201320721881.7	June 18, 2014

No.	Patent	Place of Registration	Patent Holder	Patent Number	Date of Registration
4.	Breakable anti-counterfeiting Packaging box for Spirits bottles	PRC	Funglian	ZL201320721936.4	August 27, 2014
5.	Integrated Spirits bottle flusher	PRC	Funglian	ZL201320721937.9	July 16, 2014
6.	Spirits bottle (Rice Kung Fu)	PRC	Funglian	ZL201430036383.9	October 8, 2014
7.	Packaging box (Wenwang Series 2 Expert Class 12 Years)	PRC	Funglian	ZL201330522819.0	August 27, 2014
8.	Spirits bottle (Wenwang Series 11 Yuzun Bottle)	PRC	Funglian	ZL201330522800.6	August 6, 2014
9.	Spirits bottle (Wenwang Series 13 Expert Class 8 Years)	PRC	Funglian	ZL201330522804.4	August 6, 2014
10.	Spirits bottle (Wenwang Series 9 Lucky 52)	PRC	Funglian	ZL201330522805.9	August 6, 2014
11.	Spirits bottle (Wenwang Series 7 Willow Leaf Bottle)	PRC	Funglian	ZL201330522806.3	August 6, 2014
12.	Spirits bottle (Wenwang Series 3 Classic Wenwang Renhe)	PRC	Funglian	ZL201330522810.X	August 6, 2014
13.	Packaging box (Wenwang Series 6 Classic Wenwang Renhe)	PRC	Funglian	ZL201330522816.7	August 6, 2014
14.	Packaging box (Wenwang Series 4 Wenwang Guojiao Aromatic Spirits)	PRC	Funglian	ZL201330522817.1	August 6, 2014
15.	Packaging box (Wuling Mingjiang)	PRC	Funglian	ZL201430011273.7	July 16, 2014
16.	Spirits bottle (Wuling Mingjiang)	PRC	Funglian	ZL201430011178.7	July 2, 2014
17.	Spirits bottle (Palace Banquet)	PRC	Funglian	ZL201430011185.7	July 2, 2014
18.	Spirits bottle (Wuling • Shaojiang)	PRC	Funglian	ZL201330629449.0	June 25, 2014
19.	Spirits bottle (Wuling • Zhongjiang)	PRC	Funglian	ZL201330629484.2	June 25, 2014
20.	Spirits bottle (Wuling • Shangjiang)	PRC	Funglian	ZL201330629521.X	June 25, 2014
21.	Packaging box (Wuling • Zhongjiang)	PRC	Funglian	ZL201330629443.3	June 25, 2014
22.	Packaging box (Wuling • Shaojiang)	PRC	Funglian	ZL201330629448.6	June 25, 2014
23.	Packaging box (Wuling • Shangjiang)	PRC	Funglian	ZL201330629454.1	June 25, 2014
24.	Spirits bottle (Silver Prize Milky White)	PRC	Funglian	ZL201330468554.0	April 30, 2014
25.	Packaging box (Silver Prize Milky White)	PRC	Funglian	ZL201330458202.7	February 26, 2014
26.	Spirits bottle (Silver Prize Large Pottery)	PRC	Funglian	ZL201330458252.5	February 19, 2014

No.	Patent	Place of Registration	Patent Holder	Patent Number	Date of Registration
27.	Packaging box (Three Star Zhengyiping)	PRC	Funglian	ZL201330458251.0	February 19, 2014
28.	Spirits Packaging box (Confucius Family Liquor Mansion-stored 8 Years)	PRC	Qufu Confucius Family Liquor Brewing Co., Ltd. (曲阜孔府家酒釀造有限公司)	ZL200830013140.8	April 8, 2009
29.	Packaging box (3)	PRC	Qufu Confucius Family Liquor Brewing Co., Ltd. (曲阜孔府家酒釀造有限公司)	ZL201230262807.4	November 21, 2012
30.	Packaging bottle (1)	PRC	Qufu Confucius Family Liquor Brewing Co., Ltd. (曲阜孔府家酒釀造有限公司)	ZL201230262740.4	August 7, 2013
31.	Packaging bottle (3)	PRC	Qufu Confucius Family Liquor Brewing Co., Ltd. (曲阜孔府家酒釀造有限公司)	ZL201230262775.8	March 13, 2013
32.	Spirits bottle (1)	PRC	Qufu Confucius Family Liquor Brewing Co., Ltd. (曲阜孔府家酒釀造有限公司)	ZL201330209385.9	November 6, 2013
33.	Spirits bottle (Confucius Family Liquor Mansion-stored 8 Years)	PRC	Qufu Confucius Family Liquor Brewing Co., Ltd. (曲阜孔府家酒釀造有限公司)	ZL200830013007.2	March 25, 2009
34.	Packaging box (Large Pottery)	PRC	Qufu Confucius Family Liquor Brewing Co., Ltd. (曲阜孔府家酒釀造有限公司)	ZL200930015096.9	April 21, 2010
35.	Spirits bottle (Large Pottery)	PRC	Qufu Confucius Family Liquor Brewing Co., Ltd. (曲阜孔府家酒釀造有限公司)	ZL200930015099.2	February 24, 2010
36.	Packaging box (1)	PRC	Qufu Confucius Family Liquor Brewing Co., Ltd. (曲阜孔府家酒釀造有限公司)	ZL201230261990.6	February 13, 2013
37.	Spirits bottle (3)	PRC	Qufu Confucius Family Liquor Brewing Co., Ltd. (曲阜孔府家酒釀造有限公司)	ZL201330209383.X	December 11, 2013
38.	Packaging box (Mansion-stored Honored Guest)	PRC	Qufu Confucius Family Liquor Brewing Co., Ltd. (曲阜孔府家酒釀造有限公司)	ZL201030298700.6	June 8, 2011
39.	Packaging box (Mansion-stored Little Gift Box)	PRC	Qufu Confucius Family Liquor Brewing Co., Ltd. (曲阜孔府家酒釀造有限公司)	ZL201230372021.8	March 6, 2013
40.	A miniature minus-pressure pre-cooling device	PRC	Joyvio	ZL201420321183.2	October 29, 2014

No.	Patent	Place of Registration	Patent Holder	Patent Number	Date of Registration
41.	A simple berry picking rack	PRC	Joyvio	ZL201420319775.0	October 29, 2014
42.	A ventilation device for aerobic composting of farm and forest wastes	PRC	Qingdao Wallen Blueberry Fruits Co., Ltd. (青島沃林藍莓果業有限公司)	ZL201220724569.9	June 12, 2013
43.	A liquidized fertilizer spray gun for container-grown plants	PRC	Qingdao Wallen Blueberry Fruits Co., Ltd. (青島沃林藍莓果業有限公司)	ZL201220284653.3	January 23, 2013
44.	Packaging carton (I)	PRC	Sichuan China New Agricultural Science & Technology Co., Ltd	ZL201230441600.3	March 6, 2013
45.	Packaging carton (II)	PRC	Sichuan China New Agricultural Science & Technology Co., Ltd	ZL201230441594.1	March 6, 2013
46.	Packaging carton (III)	PRC	Sichuan China New Agricultural Science & Technology Co., Ltd	ZL201230441630.4	March 6, 2013
47.	A multi-functional tea box	PRC	Hangzhou Longguan Industrial Co., Ltd. (杭州龍冠實業有限公司)	ZL201020693690.0	July 27, 2011
48.	A tea exhibition stand	PRC	Hangzhou Longguan Industrial Co., Ltd. (杭州龍冠實業有限公司)	ZL201020690305.7	August 3, 2011
49.	Exhibition rack	PRC	Hangzhou Longguan Industrial Co., Ltd. (杭州龍冠實業有限公司)	ZL201130016969.5	November 30, 2011
50.	Tea cup	PRC	Hangzhou Longguan Industrial Co., Ltd. (杭州龍冠實業有限公司)	ZL201130016445.6	July 6, 2011
51.	Tea Box	PRC	Hangzhou Longguan Industrial Co., Ltd. (杭州龍冠實業有限公司)	ZL201130016576.4	July 6, 2011
52.	A battery installing structure and electric vehicle using the battery installing structure	PRC	Phylion Battery	ZL201420464527.5	January 14, 2015
53.	A method of composing rechargeable lithium-ion power batteries	PRC	Phylion Battery	ZL201010018161.5	July 4, 2012
54.	Electrodes of an electrochemical device with non-aqueous solvent and its production method	PRC	Phylion Battery	ZL200610039387.7	November 29, 2006

No.	Patent	Place of Registration	Patent Holder	Patent Number	Date of Registration
55.	Equalization circuit in a battery	PRC	Phylion Battery	ZL200510038762.1	September 14, 2005
56.	A resistance calibration method for the equalization circuit in a rechargeable lithium-ion battery	PRC	Phylion Battery	ZL200510038583.8	October 26, 2005
57.	A lithium-ion battery with aluminum casing	PRC	Phylion Battery	ZL200810124637.6	January 14, 2009
58.	A square electrode lug connection structure for lithium-ion power battery and its connection method	PRC	Phylion Battery	ZL201110273510.2	February 1, 2012
59.	A method of protecting a lithium-ion battery with series connection and its circuit	PRC	Phylion Battery	ZL200510040851.X	June 28, 2008
60.	Battery box (SF-03)	PRC	Phylion Battery	ZL201330025742.6	July 31, 2013
61.	Battery box	PRC	Phylion Battery	ZL200530130108.4	August 2, 2006
62.	Power controller (24V Standard Rear Rack Type)	PRC	Phylion Battery	ZL200830350182.0	January 13, 2010
63.	Battery box (24V Standard Rear Rack Type)	PRC	Phylion Battery	ZL200830350187.3	December 9, 2009
64.	Battery box	PRC	Phylion Battery	ZL200630084678.9	April 11, 2007
65.	Battery box (SF-01)	PRC	Phylion Battery	ZL201230547094.6	September 25, 2013
66.	Battery box (SF-02)	PRC	Phylion Battery	ZL201230546806.2	November 13, 2013
67.	A correction device for lithium battery's anode lug slicer	PRC	Phylion Battery	ZL201020140256.X	November 10, 2010
68.	An automatic electrode lug slicer for lithium battery	PRC	Phylion Battery	ZL201020140246.6	December 22, 2010
69.	An output device for lithium battery's electrode lug slicer	PRC	Phylion Battery	ZL201020140237.7	December 22, 2010
70.	A correction device for lithium battery's cathode lug slicer	PRC	Phylion Battery	ZL201020140215.0	November 10, 2010
71.	A pad for lithium-ion battery	PRC	Phylion Battery	ZL201220074197.X	October 24, 2012
72.	A pad and lug lead-out structure for lithium-ion battery	PRC	Phylion Battery	ZL201220074196.5	October 24, 2012
73.	A coating machine for lithium batteries	PRC	Phylion Battery	ZL200520075843.4	October 11, 2006
74.	A sorting device for rechargeable lithium-ion batteries	PRC	Phylion Battery	ZL201120250722.4	March 21, 2012

No.	Patent	Place of Registration	Patent Holder	Patent Number	Date of Registration
75.	A testing device for lithium battery's safety valve for air-tightness	PRC	Phylion Battery	ZL201120146769.6	November 30, 2011
76.	A reel-changing device for the electrode coating system for lithium batteries	PRC	Phylion Battery	ZL201220446738.7	March 20, 2013
77.	A electrolyte injection device for lithium batteries	PRC	Phylion Battery	ZL200820185285.0	May 20, 2009
78.	A battery-powered joystick	PRC	Phylion Battery	ZL201120107957.8	November 2, 2011
79.	Lithium battery's electrode lead-out structure	PRC	Phylion Battery	ZL201120345989.1	June 6, 2012
80.	A square lithium battery component	PRC	Phylion Battery	ZL200820040167.0	April 8, 2009
81.	A clipping device for controlling the cell size of a square lithium-ion battery	PRC	Phylion Battery	ZL201120146890.9	November 9, 2011
82.	A conductive plastic pad for lithium battery	PRC	Phylion Battery	ZL201120308573.2	May 2, 2012
83.	A probe for testing the lithium battery	PRC	Phylion Battery	ZL201120443384.6	July 25, 2012
84.	A combined casing for an electric bike's battery and controller	PRC	Phylion Battery	ZL200620072635.3	August 8, 2007
85.	A power meter and calibration device for electric bikes	PRC	Phylion Battery	ZL201220135866.X	April 24, 2013
86.	A safe and explosion-proof lithium battery	PRC	Phylion Battery	ZL200820032283.8	December 3, 2008
87.	A safety valve for lithium-ion battery	PRC	Phylion Battery	ZL200820032290.8	November 26, 2008
88.	A sealing structure for battery's electrode lead-out	PRC	Phylion Battery	ZL200820031646.6	November 12, 2008
89.	Electric bike's handle structure with lithium battery	PRC	Phylion Battery	ZL201120443383.1	July 25, 2012
90.	A battery installing structure for a lithium battery module	PRC	Phylion Battery	ZL201420102905.5	June 13, 2014
91.	Battery box used in a lithium battery module	PRC	Phylion Battery	ZL201420102904.0	June 5, 2014
92.	A battery box for a lithium-ion battery module	PRC	Phylion Battery	ZL201420102903.6	June 16, 2014
93.	A battery box with trouble-shooting interface used in a lithium battery module	PRC	Phylion Battery	ZL201420102902.1	June 16, 2014

C. FURTHER INFORMATION ABOUT OUR DIRECTORS, OUR SUPERVISORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of Interests

(a) Interests of the Directors, Supervisors and the Chief Executive of Our Company

Immediately following the completion of the Global Offering and without taking into account any H Shares which may be issued pursuant to the exercise of the Over-allotment Option, so far as our Directors are aware, the interests or short positions of the Directors, Supervisors and chief executive of our Company in the Shares, underlying Shares and debentures of our Company and its associated corporations (within the meaning of Part XV of the SFO) which will be required to be 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 which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to in that section, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to our Company and the Hong Kong Stock Exchange, in each case once our H Shares are listed, will be as follows:

(i) Interests in the Shares

				Immediately after the Global Offering (assuming the Over-allotment Option is not exercised)[1]	
Name	**Nature of interest**	**Class**	**Number of Securities**	**Approximate percentage of interest in our Company**	**Approximate percentage of the relevant class of Shares of our Company**
Liu Chuanzhi	Beneficial owner	Domestic shares	68,000,000	2.89%	3.40%
Zhu Linan	Beneficial owner	Domestic shares	48,000,000	2.04%	2.40%
Lu Zhiqiang[2]	Interests of controlled corporation	Domestic shares	400,000,000	17.00%	20.00%

Notes:

(1) The calculation is based on the total number of 2,352,944,000 Shares in issue immediately following the completion of the Global Offering (assuming that the Over-allotment Option is not exercised).

(2) Mr. Lu Zhiqiang is deemed to have interest in the 400,000,000 Shares held by China Oceanwide through companies controlled by him. Please refer to the section headed "Substantial Shareholders" for details.

(ii) Interests in our associated corporations

Name of Director/ Supervisor	Name of Associated Corporation	Capacity/Nature of Interests	Number of Shares and Underlying Shares Interested	Approximate % of Interest
Liu Chuanzhi	Lenovo	Beneficial owner	4,184,960[Note 1]	0.04%
Zhu Linan	Lenovo	Beneficial owner	3,379,731[Note 2]	0.03%
Zhao John Huan	Lenovo	Beneficial owner	1,343,318[Note 3]	0.01%
Li Qin	Lenovo	Beneficial owner	1,724,000	0.02%

Notes:

1. As at the Latest Practicable Date, Mr. Liu Chuanzhi owns 698,992 ordinary shares directly and he is deemed to be interested in 690,000 ordinary shares held by his spouse through a trust. He also holds 2,795,968 units of share awards which are convertible into ordinary shares.

2. As at the Latest Practicable Date, Mr. Zhu Linan owns 2,599,999 ordinary shares and 779,732 units of share awards which are convertible into ordinary shares.

3. As at the Latest Practicable Date, Mr. Zhao John Huan owns 155,434 ordinary shares and 1,187,884 units of share awards which are convertible into ordinary shares.

(b) Interests of the Substantial Shareholders

Save as disclosed in the section headed "Substantial Shareholders" in this prospectus, our Directors or chief executive are not aware of any other person, not being a Director, Supervisor or chief executive of our Company, who has an interest or short position in the Shares or the underlying Shares which, once the H Shares are listed, would fall to be disclosed to our Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company.

(c) Interests in Other Members of our Group as referred to in the Accountant's Report

So far as our Directors are aware, as at the date of this prospectus, the following persons (excluding us) are directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of our Group:

Name of Subsidiary	Name of Shareholder	Capacity/Nature of Interests	Approximate % of Interest
Phylion Battery	Suzhou Paoze Enterprise Investment Management Center (Limited Partnership) (蘇州袍澤企業投資管理中心(有限合夥))	beneficial owner	22.17%
Phylion Battery	Huizhou Bestgrand Holdings Co., Ltd. (惠州市百利宏控股有限公司)	beneficial owner	11.78%
Bybo	Mr. Li Changren	beneficial owner	18.34%

2. Service Contracts

Pursuant to Rules 19A.54 and 19A.55 of the Listing Rules, each of our Directors and Supervisors has entered into a service contract with our Company for a term not exceeding three years in respect of, among others, compliance of relevant laws, regulations, the Articles of Association and applicable provision on arbitration.

Save as disclosed above, none of our Directors or Supervisors has entered, or has proposed to enter into a service contract with any member of our Group (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

3. Directors' and Supervisors' Remuneration

The aggregate remuneration (including fees, salaries, discretionary bonuses, share option and rewards, retirement payment and employer's contribution to pension schedule and other benefits) paid to our Directors and Supervisors for the years ended December 31, 2012, 2013 and 2014 was approximately RMB60,730,000, RMB204,086,000 and RMB67,385,000, respectively, which included the aggregate retirement payment and employer's contributions we paid to pension schedule for our Directors and Supervisors in respect of the years ended December 31, 2012, 2013 and 2014 of approximately RMB1,821,000, RMB149,897,000 and RMB1,159,000, respectively.

Save as disclosed in this prospectus, no other amounts have been paid or are payable by any member of our Group to our Directors or Supervisors for the years ended December 31, 2012, 2013 and 2014.

4. Directors' Competing Interest

Save as disclosed in this prospectus, none of our Directors are interested in any business apart from our Group's business which competes or is likely to compete, directly or indirectly, with the business of our Group.

5. Personal guarantees

The Directors and Supervisors have not provided personal guarantees in favor of lenders in connection with banking facilities granted to us.

6. Agency fees or commissions received

Save in connection with the Underwriting Agreements, none of our Directors, Supervisors, Promoters nor any of the parties listed in the paragraph headed "Qualification of Experts" in this Appendix had received any commissions, discounts, agency fees or other special terms in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries within the two years preceding the date of this prospectus.

7. Related party transactions

During the two years preceding the date of this prospectus, we have engaged in certain material related party transactions as described in Note 49 to the financial information in the Accountant's Report set out in Appendix IA to this prospectus.

8. Disclaimers

Save as disclosed in this prospectus:

(a) none of our Directors, Supervisors or chief executive of our Company has any interests or short positions in the shares, underlying shares and debentures of our Company or any of our associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Model Code for Securities Transactions by Directors and Listed Companies to be notified to our Company and the Hong Kong Stock Exchange, in each case once our H Shares are listed on the Hong Kong Stock Exchange. For this purpose, the relevant provisions of the SFO will be interpreted as if they applied to the Supervisors;

(b) so far as is known to any Director or chief executive of our Company, no person has an interest or short position in the Shares and underlying Shares which would fall to be disclosed to our Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group, once our H Shares are listed on the Hong Kong Stock Exchange;

(c) none of our Directors or Supervisors nor any of the parties listed in the section headed "D. Other Information – 6. Qualification of Experts" of this Appendix is interested in our promotion, or in any assets which have, within the two years immediately preceding the issue of this prospectus, been acquired or disposed of by or leased to our Company, or are proposed to be acquired or disposed of by or leased to our Company;

(d) save as disclosed in this prospectus or in connection with the Underwriting Agreements, none of our Directors or Supervisors nor any of the parties listed in section headed "D. Other Information – 6. Qualification of Experts" of this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group;

(e) save in connection with the Underwriting Agreements, none of the parties listed in the section headed "D. Other Information – 6. Qualification of Experts" of this Appendix: (i) is interested legally or beneficially in any of our Shares or any shares in any of our subsidiaries; or (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group; and

(f) none of our Directors or Supervisors or their respective associates (as defined under the Listing Rules) or any Shareholders of our Company (who to the knowledge of the Directors owns more than 5% of our issued share capital) has any interest in our five largest suppliers or our five largest customers.

D. OTHER INFORMATION

1. Estate duty

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

2. Litigation

During the Track Record Period and up to the Latest Practicable Date, save as disclosed in the section headed "Business – Legal Proceedings" in this prospectus, no member of our Group was engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance was known to our Directors to be pending or threatened by or against our Group, that would have a material adverse effect on its business, financial condition or results of operations.

3. Joint Sponsors

The Joint Sponsors have made an application on behalf of our Company to the Listing Committee of the Hong Kong Stock Exchange for the listing of, and permission to deal in, (i) our H Shares, including any additional H Shares which may be issued pursuant to the exercise of the Over-allotment Option; and (ii) the H Shares which will be converted from state-owned Domestic Shares and to be held by the NSSF pursuant to the relevant PRC regulations relating to reduction of state-owned shares. All necessary arrangements have been made to enable the H Shares to be admitted into CCASS.

The Joint Sponsors have declared their respective independence pursuant to Rule 3A.07 of the Listing Rules.

We have entered into an engagement agreement with the Joint Sponsors, pursuant to which we agreed to pay a total of US$2 million to the Joint Sponsors to act as the sponsors to our Company in the Global Offering.

4. Compliance Adviser

We have appointed Somerley Capital Limited as our compliance adviser in compliance with Rule 3A.19 of the Listing Rules.

5. Preliminary Expenses

Our estimated preliminary expenses are approximately HK$140,000 and are payable by our Company.

6. Qualification of Experts

The following are the qualifications of the experts (as defined under the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the laws of Hong Kong)) who have given opinions or advice which are contained in this prospectus:

Name	Qualification
China International Capital Corporation Hong Kong Securities Limited (中國國際金融香港證券有限公司)	Licensed corporation under the SFO to conduct type 1 (dealing in securities), type 2 (dealing in future contracts), type 3 (leveraged foreign exchange trading), type 4 (advising on securities), type 5 (advising on future contracts) and type 6 (advising on corporate finance) regulated activities as defined under the SFO
UBS Securities Hong Kong Limited	Licensed corporation under the SFO to conduct type 1 (dealing in securities), type 6 (advising on corporate finance) and type 7 (providing automated trading services) regulated activities as defined under the SFO
PricewaterhouseCoopers	Certified public accountants
SHINEWING (HK) CPA Limited	Certified public accountants
Jia Yuan Law Offices	PRC legal advisors
Jones Lang LaSalle Corporate Appraisal and Advisory Limited	Independent property valuer

7. Consents of Experts

Each of the experts as referred to in the section headed "D. Other Information – 6. Qualification of Experts" in this Appendix has given and has not withdrawn their respective written consents to the issue of this prospectus with the inclusion of their reports and/or letters and/or valuation certificates and/or legal opinion (as the case may be) and references to their names included in the form and context in which it respectively appears.

None of the experts named above has any shareholding interests in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any of our subsidiaries.

8. Promoters

The Promoters are CAS Holdings, Lian Chi Zhi Yuan, China Oceanwide, Lian Heng Yong Xin, Mr. Liu Chuanzhi, Mr. Zhu Linan, Mr. Ning Min, Mr. Huang Shaokang, Mr. Chen Shaopeng and Mr. Tang Xudong. Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to the Promoters named above in connection with the Global Offering and the related transactions described in this prospectus.

9. Binding Effect

This prospectus shall have the effect, if an application is made in pursuance of this prospectus, of rendering all persons concerned bound by all of the applicable provisions (other than the penal provisions) of Sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the laws of Hong Kong).

10. No Material Adverse Change

Our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since December 31, 2014 (being the date to which the latest audited consolidated financial statements of our Group were prepared).

11. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

12. Restrictions on Share Repurchases

Please refer to "Appendix V – Summary of Principal Legal and Regulatory Provisions – The PRC Company Law, Special Regulations and Mandatory Provisions – Repurchase of shares" in this prospectus for details.

13. Miscellaneous

(a) Save as disclosed in this prospectus:

(i) within the two years immediately preceding the date of this prospectus, neither we nor any of our subsidiaries has issued or agreed to issue any share or loan capital fully or partly paid up either for cash or for a consideration other than cash;

(ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(iii) within the two years immediately preceding the date of this prospectus, no commission has been paid or payable (except commission to the Underwriters) to any persons for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any shares of our Company or any of our subsidiaries;

(iv) no founder, management or deferred shares of our Company or any of our subsidiaries have been issued or agreed to be issued;

(v) our Company has no outstanding convertible debt securities or debentures; and

(vi) there is no arrangement under which future dividends are waived or agreed to be waived.

(b) Our Directors confirm that there has not been any interruption in the business of our Company which may have or have had a material adverse effect on the financial position of our Company in the 12 months immediately preceding the date of this prospectus.

(c) None of the equity and debt securities of our Company, if any, is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought by the Company.

(d) We currently do not intend to apply for the status of a sino-foreign investment joint stock limited liability company and do not expect to be subject to the PRC Sino-foreign Joint Venture Law.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached a copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were (i) copies of the **WHITE**, **YELLOW** and **GREEN** Application Forms, (ii) the written consents referred to in the paragraph entitled "D. Other Information – 6. Consents of Experts" in Appendix VII "Statutory and General Information" to this prospectus, and (iii) copies of each of the material contracts referred to in the paragraph entitled "B. Further Information about Our Business – 1. Summary of Material Contracts" in Appendix VII "Statutory and General Information" to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Cleary Gottlieb Steen & Hamilton (Hong Kong) at 37th Floor, Hysan Place, 500 Hennessy Road, Causeway Bay, Hong Kong during normal business hours (from 9:00 am to 5:00 pm) up to and including the date which is 14 days from the date of this prospectus:

1. our Articles of Association;

2. the Accountant's Report prepared by PricewaterhouseCoopers, the text of which is set out in Appendix IA to this prospectus;

3. the accountant's report of AnHua Agricultural Insurance Company Limited prepared by SHINEWING (HK) CPA Limited, the text of which is set out in Appendix IB to this prospectus;

4. the report from PricewaterhouseCoopers in respect of the unaudited pro forma financial information of our Group, the text of which is set forth in Appendix II to this prospectus;

5. the letter with valuation certificates relating to certain of our PRC properties prepared by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, the text of which is set forth in Appendix III to this prospectus;

6. the material contracts referred to in the paragraph entitled "B. Further Information about Our Business – 1. Summary of Material Contracts" in Appendix VII "Statutory and General Information" to this prospectus;

7. the service contracts referred to in the paragraph entitled "Service Contracts" in Appendix VII "Statutory and General Information" to this prospectus;

8. the written consents referred to in the paragraph entitled "D. Other Information – 6. Consents of Experts" in Appendix VII "Statutory and General Information" to this prospectus;

9. the legal opinions prepared by Jia Yuan Law Offices, our legal advisor as to the PRC law, in respect of certain aspects of our Group and the property interests;

10. copies of the following PRC laws, together with unofficial English translations thereof:

    (i) the PRC Company Law;

    (ii) the PRC Securities Law;

    (iii) the Mandatory Provisions; and

    (iv) the Special Regulations.

联想控股
LEGEND HOLDINGS
BUILDING GREAT COMPANIES