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)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2016

The board of directors of Legend Holdings Corporation is pleased to announce the audited annual results of the Company and its subsidiaries for the year ended December 31, 2016 together with the comparative figures for the corresponding period of last year as follows:

FINANCIAL HIGHLIGHTS

– Combined revenue of the Company and its subsidiaries (including continuing operations and discontinued operations) was RMB307 billion, representing a decrease of 1% as compared with the corresponding period last year; among which revenue of continuing operations was RMB294.7 billion

– Net profit attributable to equity holders of the Company was RMB4,859 million, representing an increase of 4% as compared with the corresponding period last year; among which net profit from continuing operations attributable to equity holders of the Company was RMB4,852 million

– Basic earnings per share contributed by continuing operations was RMB2.06, representing an increase of 2% as compared with the corresponding period last year

– The Board recommended the payment of a final dividend of RMB0.242 per ordinary share (before tax) for the year ended December 31, 2016, representing an increase of 10% as compared with the corresponding period last year

	Year ended December 31,	
	2016	2015
	(RMB million)	*(RMB million)*
Revenue	**306,953**	309,826
Continuing operations	**294,746**	299,542
Strategic investments	**294,234**	299,133
Financial investments	**539**	418
Elimination	**(27)**	(9)
Discontinued operations	**12,207**	10,284
Net profit attributable to equity holders of the Company	**4,859**	4,659
Continuing operations	**4,852**	4,391
Strategic investments	**2,692**	(327)
Financial investments	**2,901**	5,510
Unallocated	**(741)**	(792)
Discontinued operations	**7**	268
Basic earnings per share *(RMB)*	**2.06**	2.14
Continuing operations	**2.06**	2.02
Discontinued operations	**–**	0.12
Diluted earnings per share *(RMB)*	**2.06**	2.14
Continuing operations	**2.06**	2.02
Discontinued operations	**–**	0.12

PRESIDENT'S STATEMENT

We once mentioned the word "uncertainty" at this moment in the year of 2016, but few expected that there came up so many "unexpected" events in international politics, macro-economy and financial markets in the following year of 2016. However, we are delighted to see that even though there were various changes, the overall environment still developed towards the positive direction: stabilization of China's economy, positive sentiments on domestic and overseas capital markets, and improvements on regulatory system in financial markets, which provided stable environment and solid support for the development of enterprises. Despite changes in external environment, Legend Holdings focused on strengthening of our value basis over the past year: on one hand, we made timely optimizations and adjustments to our investment portfolio in accordance with our strategies, and promoted post-investment management and value-added services; on the other hand, we positioned in China, and eyed for the world, deepened industry research, tactic optimization, and project sourcing to capture new opportunities with deliberate insight and comprehensive consideration. We believe this will accumulate solid momentum for the long-term development of Legend Holdings.

Through efforts of the team in 2016, Legend Holdings achieved continued growth. In the year of 2016, the net profit attributable to equity holders of the Company amounted to RMB4,859 million, representing an increase of 4.3% as compared with the corresponding period of last year, with earnings per share at RMB2.06; the net profit in continuing operations attributable to equity holders of the Company amounted to RMB4,852 million, representing an increase of 10.5% as compared with the corresponding period of last year. In particular, our strategic investments registered strong growth with more than RMB3 billion increase in the net profit attributable to equity holders of the Company. Despite market fluctuations, the net profit attributable to equity holders of the Company from financial investments sector still amounted to RMB2,901 million.

Our strategic investment segments recorded outstanding highlights and have achieved strategy objectives set at the beginning of 2016: IT sector turned around to profitability during the reporting period; financial services segment recorded robust revenue and profit growth; innovative consumption and services business size continued to grow; agriculture and food business was more comprehensive; new materials segment entered the profitable growth track; meanwhile, we made breakthroughs in overseas investment in financial services sector and agriculture and food sector.

We once made detail definition and explanation on our strategic investments and financial investments. What we would like to emphasize repeatedly is that the most unique business model and advantage of Legend Holdings lies in the synergies between these two wheels. Persisting and reinforcing our unique two-wheel-drive business model in the long term, we progressed along with our established strategic directions in the medium and short term, which are to deepen strategical research, to allocate resources efficiently, and to continuously optimize investment portfolio; to focus on three sectors and overseas within strategic investments, and to cultivate high quality assets and new pillar businesses; and to strengthen value-added services and capital operations, and to improve assets value and capital returns effectively. The team has achieved satisfactory results in execution in the year of 2016.

- **Business sectors were further focused, investment portfolio was timely optimized.** Our new strategic investments fully focused on three major sectors, namely financial services, innovative consumption and services and agriculture and food, with significant growth in individual project size and total investment size. Meanwhile, we actively explored cross-border investments to elevated allocation of oversea assets in the portfolio.

    1) Newly invested strategic assets focused on three major sectors: In 2016, we completed the founding of Kaola Technology (invested capital of RMB1.34 billion), and achieved the controlling position to its innovative financial business through spin-offs of Lakala; increased capital of JC Finance & Leasing (registered capital increased by RMB500 million to RMB1.5 billion); strategically invested in Shanghai Neuromedical Center (investment size of RMB237 million); capital injection of RMB3.3 billion to Joyvio Group to support its future investment and business development; made positive exploration of cross-border investments through investment in UK bulk annuity company Pension Insurance Corporation (investment size of GBP110 million) and controlling KB Seafoods, the Australian seafood enterprise (investment size of AUD203 million).

    2) In September 2016, we successfully disposed of our property development business. This decision was based on our judgements of the industry and the Company, and more important, considerations on our strategy and resource allocation, and the proceeds from the transaction will be used in adjustment of Legend Holdings' capital structure and reserve for future investments in strategically focused areas.

- **Post-investment management and services were deepened to boost the development of business fundamentals.** In the year of 2016, we further deepened management and services on corporate governance, strategic planning, operational improvement and organization scheme and other aspects, and improvements were effectively reflected in invested enterprises' performance.

    1) We improved its capital structure through debt-to-equity swap of Levima Group so as to provide a solid financial foundation for its independent development. We helped Levima to focus on new materials of fine chemicals business through assets disposal of Zhongyin Electrochemical and Guozhuang Mining. Legend Holdings will also support enrichment of Levima's product structure, development of market competitive advantage as well as introduction of high-quality strategic resources. The new materials business of Levima Group turned around as expected through continuous improvement in operation management level and the successful marketing of new products.

    2) We engaged in transforming Joyvio Group into the investment holding platform of our agriculture and food sector through professional investment and operation under independent corporate scheme. In the year of 2016, we have injected Funglian Group and others assets into Joyvio Group, and the remaining assets of the sector will be injected gradually. The relatively independent subsidiary operating structure after reconstruction will greatly promote synergies and efficiency of the sector's industrial chains in the future. During the reporting period, Joyvio Group turned around into profitability due to effective adjustment and management.

    3) We made significant adjustments to the business direction of Zeny Supply Chain to promote its focus on the integrated cold chain operations, and helped it to further explore the light asset business model. With improved revenue level of projects through fine-tuned operation during the reporting period, the losses in Zeny Supply Chain were significantly narrowed.

- **Capital operation was more emphasized to elevate explicit corporate value.** While paying attention to fundamentals of the investees, we encouraged and helped them to welcome new resources required for their developments through follow-on financing, spin-offs, public listing and other means of capital operations. It could also elevate the explicit value of our investment portfolio, which is conducive to a more comprehensible market valuation on the portfolio of Legend Holdings.

  1) On December 28, 2016, Zhengqi Financial introduced two strategic investors, with the total investment size of RMB801 million, and a post-investment valuation of RMB9.3 billion. In the future, Zhengqi Financial will consolidate diversified strategic resources to further explore layout of new business and regions, striving to become a benchmarking enterprise in SME oriented financial industry.

  2) In the year of 2016 the original Lakala Group completed spin-offs of payment business and financial business, among which the financial business named Kaola Technology became a subsidiary of Legend Holdings. With the independent development of Lakala's third-party payment business and innovative financial business on different platforms, it has greatly strengthened its focus on the development of each business unit and the overall value was expanded.

  3) The successful listing of Liquor Easy on NEEQS, and Joyvio Group becoming the effective controller of ChiNext listed company Wanfu Biotechnology, laid the foundation for business development and value growth of our agriculture and food business. Phylion Battery also completed its F-round of financing successfully with a post-investment valuation of RMB1.5 billion.

- **The financial investment platforms provided continuous cash inflow, and new funds raising was pushed forward smoothly.** Despite challenges of market volatility, the financial investments sector continued to significantly contribute to profits and cash flow of Legend Holdings during the reporting period. The net profit attributable to equity holders of the Company from financial investments sector amounted to RMB2,901 million during the reporting period. Although there will always be volatility in the fair value of financial investment platforms due to overall performance of domestic and overseas capital markets, their continuous cash inflow will always be an important capital source for Legend Holdings. In the year of 2016, the cash inflow provided by our venture capital platform Legend Capital and private equity investment platform Hony Capital totaled about RMB1.4 billion. In addition, the AUM of Legend Capital and Hony Capital was further expanded: during the year, Legend Capital newly raised two RMB funds and one USD fund, raising approximately RMB7.44 billion in total, while Hony Capital completed the raising of its eighth fund, raising USD2.2 billion in total, and its raising of the real estate fund is also smoothly underway with RMB1.75 billion raised already.

Looking back the year of 2016, Legend Holdings pushed forward execution according to our strategic targets, and has achieved certain positive outcomes in both new investment and post-investment management. However, we are fully aware that the uncertainty of the external environment still exists and will continue for a long time and we also need to evaluate the invested companies from the perspectives of value, profits, cash flow, capital structure, and investment return, etc., to optimize and elevate investment portfolio through continuously dynamic adjustments.

During 2016, the management reconsidered and adjusted strategic goals and directions in the five-year strategic period from 2016 to 2020 of Legend Holdings. Looking forward, the unique two-wheel-drive business model of Legend Holdings will continue to drive value growth. We will strengthen the synergistic interactions between strategic investments and financial investments from mechanism and execution level, further developing its strong multi-level synergy in business alignment, funding support and resource sharing, which we believe to be the key to expand our capability of value creation. In comprehensive consideration from the perspectives of capital structure, business layout and risk dispersion, we strive to develop new pillar businesses which is crucial for the stability of business development and growth of portfolio value of Legend Holdings. We will endeavor to meet this target in three major strategic sectors, namely financial services, innovative consumption and services, and agriculture and food with both home and abroad in view. Meanwhile, Legend Holdings will continuously realize value growth and more explicit value by helping invested companies to carry out various capital operations, including financing, merger and acquisition, spin-off and public listing, etc. Such moves can contribute to forming a clearer valuation on the portfolio value of Legend Holdings by capital markets. This is also, in my opinion, one of the responsibilities of Legend Holdings as a listed company to shareholders.

The further clarification of strategic goals and directions also set higher requirements to our managements and team. "People-oriented" is one of the cultures of Legend Holdings, and we believe that people, as capitals, are the important foundation of the Company's long-term development. Therefore, in 2016, the management authorized by the board of directors, awarded medium and long-term incentives to core employees of the Company with restricted shares, and will make comprehensive assessment on individual performance and potential development during the strategic period. "People-oriented" is a two-way commitment, and we believe that the implementation of the medium and long-term incentives will further stimulate the staff's sense of ownership and the long-term commitment to the Company, and will also bind personal interests with corporate interests closely for the long term, making them to devote themselves to the value creation of Legend Holdings.

Legend Holdings will, as always, pursue the value-oriented policy as our due responsibility and with clear strategic goals and directions, continue to leverage and enhance the two-wheel-drive business model and our cutting edge in value enhancement, in order to reward our shareholders with positive returns from an ever-growing business and enhanced value in the medium and long run.

Legend Holdings Corporation
ZHU Linan
Executive Director and President

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue contribution from the Group's businesses

Unit: RMB million

	2016	2015	Change in amount	Change %
Continuing operations	**294,746**	299,542	(4,796)	(2%)
Strategic investments	**294,234**	299,133	(4,899)	(2%)
IT	**282,551**	293,255	(10,704)	(4%)
Financial services	**1,583**	905	678	75%
Innovative consumption and services	**2,132**	1,495	637	43%
Agriculture and food	**3,266**	1,639	1,627	99%
New materials	**4,702**	1,839	2,863	156%
Financial investments	**539**	418	121	29%
Elimination	**(27)**	(9)	(18)	N/A
Discontinued operations	**12,207**	10,284	1,923	19%
Total	**306,953**	309,826	(2,873)	(1%)

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

Unit: RMB million

	2016	2015	Change in amount	Change %
Continuing operations	**4,852**	4,391	461	10%
Strategic investments	**2,692**	(327)	3,019	N/A
IT	**1,335**	(476)	1,811	N/A
Financial services	**1,536**	960	576	60%
Innovative consumption and services	**(390)**	(236)	(154)	N/A
Agriculture and food	**70**	138	(68)	(49%)
New materials	**141**	(713)	854	N/A
Financial investments	**2,901**	5,510	(2,609)	(47%)
Unallocated	**(741)**	(792)	51	N/A
Discontinued operations	**7**	268	(261)	(97%)
Total	**4,859**	4,659	200	4%

Asset allocation of businesses of the Group

Unit: RMB million

	2016	2015	Change in amount	Change %
Continuing operations	**322,259**	277,979	44,280	16%
Strategic investments	**242,656**	206,441	36,215	18%
IT	**180,179**	168,137	12,042	7%
Financial services	**37,127**	16,615	20,512	123%
Innovative consumption and services	**8,727**	7,657	1,070	14%
Agriculture and food	**7,815**	4,321	3,494	81%
New materials	**8,808**	9,711	(903)	(9%)
Financial investments	**70,585**	62,995	7,590	12%
Unallocated	**15,822**	20,149	(4,327)	(21%)
Elimination	**(6,804)**	(11,606)	4,802	N/A
Discontinued operations	**–**	41,071	(41,071)	(100%)
Elimination	**–**	(12,807)	12,807	N/A
Total	**322,259**	306,243	16,016	5%

Business Review

For the twelve months ended December 31, 2016, Legend Holdings realized revenue of RMB306.953 billion, representing a decrease of 1% as compared with the corresponding period of last year, net profit attributable to equity holders of the Company amounting to RMB4,859 million, representing an increase of 4% as compared with the corresponding period of last year, net profit from continuing operations attributable to equity holders of the Company amounting to RMB4,852 million, representing an increase of 10% as compared with the corresponding period of last year. The decrease in revenue was mainly due to the revenue decline in our IT segment. The main reasons for the increase in net profit attributable to equity holders of the Company include: 1) the loss incurred from the restructuring costs and one-time charges as a result of the integration of Motorola business by Lenovo during 2015 and no such expense is recorded during the reporting period; 2) portfolio companies, business of the financial services segment grew rapidly, leading to a significant increase of 60% in terms of net profit attributable to equity holders of the Company; 3) new materials segment made a provision for asset impairment of Zhongyin Electrochemical and Guozhuang Mining during 2015 and no such expense is recorded during the reporting period. With the strong growth in operating results, the new materials segment achieved a turnaround to profitability.

During the reporting period, our business segments and financial reporting segments underwent relatively significant changes: the property segment was no longer included in the strategic investments business, whereas the property development business was accounted for as a discontinued operation. Investment properties under the original property segment, namely Raycom Info Tech Park Tower A, Tower B and Tower C, a premium office building located in Beijing's Zhongguancun area, had been transferred to the financial investments segment. The comparative figures for the corresponding period in 2015 had been adjusted retrospectively.

Strategic Investment

IT

We are engaged in IT business through our subsidiary Lenovo. Lenovo is a Fortune 500 company which develops, manufactures and sells high-end technology products and provides related services to the consumers and corporate customers. As of December 31, 2016, we held 31.48% equity interests in Lenovo.

In 2016, the macro-economy and global markets remained challenging. In addition, component supply constraints across the industries where Lenovo operates impacted corporate performance. Nevertheless, Lenovo continued to deliver solid performance in its PC and Smart Device (PCSD) business, while transforming its mobile and data center businesses. Lenovo remained number one in PCs with record high market share and demonstrated strong growth in fast growing segments including gaming and detachable PC. This brought Lenovo's PCSD business a turnaround to a positive year-on-year revenue growth while maintaining a stable margin. Lenovo's mobile business was driven by key markets outside of China while transforming its China business. For the data center business, with new leadership in place, Lenovo is focused on putting the transformation into practice to build and revamp its long-term competitiveness.

During the reporting period, the revenue and net profit/(loss) of the IT segment are set out as follows:

Unit: RMB million

	2016	2015
Revenue	**282,551**	293,255
Net profit/(loss)	**4,186**	(1,330)
Net profit/(loss) attributable to equity holders of Legend Holdings	**1,335**	(476)

During the reporting period, the revenue of IT segment fell 3.7% to RMB282,551 million; benefiting from its enhanced product portfolio, the better expense control, and the one-time items including the gain on property disposal and restructuring charges during the year, the net profit significantly increased to RMB4,186 million. We recorded a loss of RMB1,330 million in our IT segment last year, which is mainly due to restructuring costs of approximately RMB3,728 million and one-time charges (including additional spending for smartphone stock clearance and inventories written off) of approximately RMB2,017 million.

PC and Smart Device Business Group (PCSD)

During 2016, despite the ongoing macro-economic and currency volatility, the global PC industry continued to see a gradually stabilizing trend, along with supply constraint in key components. Despite the market challenges, Lenovo continued to outperform the PC market through solid execution of its strategy, and focused innovation for fast growing product segments, reached record-high global market share and further consolidated its top market position.

Lenovo's market share continued to increase, and its worldwide PC market share reached another record-high level of 22.4% in the fourth quarter of 2016, an increase of 0.8% year-on-year, according to preliminary industry estimates. Lenovo commercial PC unit's market share in the worldwide commercial PC market has increased by 0.8% year-on-year to 24.7%. Lenovo consumer PC unit's market share was up 0.6% year-on-year to hit 20.0%.

Besides, Lenovo drove a double-digit growth in gaming and detachable PC segments, thus resumed positive revenue growth year-on-year for its PCSD business in the fourth quarter of 2016, as the first turnaround from the decline trend in the past seven quarters, while remaining its top position in the aggregate PC and PC plus Tablet market.

Lenovo will maintain leadership and strong profitability in the core PC business through leveraging industry integration, while driving growth by launching more innovative products, and focusing on fast growing segments and vertical markets.

Mobile Business Group (MBG)

In 2016, Lenovo conducted the strategic shift in its mobile business, showing signs of positive momentum, which was driven by solid performance in ROW (rest of the world/outside China) market, along with the transformation of its China business.

Despite the supply constraint in key components in the industry, Lenovo's mobile business in ROW continues to show solid growth, with particularly strong growth in EMEA (Europe-Middle East-Africa) and Latin America. Lenovo's innovative new products such as Moto Z, Moto Mods, and the new generation of Moto G, continued to receive encouraging customer response and the activation rates have been increasing. Lenovo will extend its foothold in the smartphone market outside China by leveraging its innovative new product portfolios, global carrier relationships, broader channel coverage and stronger consumer brand. In China, Lenovo recorded a decline in revenue as a result of adopting its strategy in focusing on higher price-band product portfolio. As part of its strategy in rebuilding the business, it will continue to enhance its product competitiveness as well as to invest in building its open market distribution channel. Lenovo's worldwide smartphone market share was 3.5 percent as of the fourth quarter of 2016, representing a decrease of 1.6% year-on-year.

Data Center Business Group (DCG)

In 2016, Lenovo was still executing its transformation plan of the data center business, the new business leader has been on board in fourth quarter while actions previously taken will take time to show effect. Nevertheless, the business has started seeing early signs of stabilization, especially in key markets outside of China. Lenovo's data center business in both North and Latin America, and EMEA demonstrated that its business model transition and sales coverage adjustments are taking effect. In China, Lenovo has also kick-started transformation exercises to refine its hyperscale business model to strike a balance between growth and profitability.

Looking ahead, Lenovo will develop new sales channel programs with more direct sales coverage and a dedicated field sales force globally. It is leveraging its excellence in the supply chain, product quality and operating efficiency to ensure successful product launches. It also will focus on increasing its attach rate in networking, storage and services to enhance its profit level. These transformation strategies may require time to be effective.

Lenovo Capital and Incubator Group (LCIG) and Others

In 2016, Lenovo Capital and Incubator Group began during the reporting period with a mission to drive innovation through investment in start-ups and exploring new technologies. Lenovo continues to invest in several new smart devices developers and obtained great recognition from the venture capital industry in 2016.

Lenovo will continue to develop new smart devices, powered by cloud and enriched with services. It is exploring smart home, smart office, smart healthcare and other areas, as well as leveraging artificial intelligence, AR, VR and other new technologies.

Looking forward, market conditions may remain challenging due to the uncertainties in the macroeconomic environment, while constraints in supplies of key components in the industry may increase costs and continue to bring challenges to the business environment, Lenovo will execute its strategies diligently to drive sustainable profitable growth over time. The efficient organization structure, coupled with the competitive cost structure across all of its businesses, together with its solid execution, will ensure the realization of Lenovo's vision and strategy. Lenovo is investing to drive long-term profitable growth that, in turn, creates better value for shareholders.

Financial Services

Overview

We conduct financial services business mainly through diversified subsidiaries and associates:

- Zhengqi Financial, our subsidiary, mainly provides SMEs with comprehensive financial solutions such as direct loans, financial leasing, business factoring and equity investments;

- JC Finance & Leasing, our wholly-owned subsidiary, mainly provides financial leasing services;

- Kaola Technology, our subsidiary, mainly provides innovative financial services;
- Lakala Payment, our associate, mainly provides third-party payment and value-added services;
- Hankou Bank, our associate, mainly engages in commercial banking services;
- Union Insurance, our associate, mainly provides insurance brokerage and related services;
- Eloancn.com, our associate, mainly engages in internet financial services; and
- Suzhou Trust, our associate, mainly engages in the trust business.

Legend Holdings has established a broad presence in the financial services business. Our subsidiaries and associates have obtained various financial licenses and permits. Legend Holdings will facilitate the long-term development of our portfolio companies in the financial industry with all-round supports. Based on a large pool of our portfolio companies and customer resources, we promote synergic development of our financial businesses, including business alignment and consolidation, intelligence sharing and big data analysis etc. for the enhancement of overall competitiveness.

In the meantime, we carry out in-depth studies of the impact of China's economic restructuring on financial institutions and business presence, and pay attention to portfolio companies' risks of development strategies, credit risks, operation risks and investment risks etc. so as to help them perfect the risk management system and enhance their overall risk management capacity.

Based on our industrial resources and technology advantages, Legend Holdings will on one hand strengthen our current edge in credit loan related business, and on the other hand keep close attention and invest in other financial services business both at home and abroad, mainly focusing on insurance, banking, and Fintech, etc.

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

Unit: RMB million

	2016	2015
Revenue	**1,583**	905
Net profit	**1,613**	1,013
Net profit attributable to equity holders of Legend Holdings	**1,536**	960

During the reporting period, revenue of Legend Holdings' financial services business segment was RMB1,583 million, representing an increase of approximately 75% as compared with RMB905 million in the corresponding period of last year. This is mainly due to greater contributions from financial leasing business and loan business. The net profit of financial services business segment increased from RMB1,013 million in the corresponding period of last year to RMB1,613 million, representing a growth of 59%, mainly due to profit growth of the financial leasing business, loan business and investment business of financial services segment.

Zhengqi Financial

Zhengqi Financial was established in 2012. As of December 31, 2016, we held 90.3% equity interests in Zhengqi Financial. In 2016, Zhengqi Financial further expanded its market share and established branches in Shanghai, Beijing and Wuhan. Currently, through its nine major business lines consisting of micro finance, credit guarantees, pawn loans, financial leasing, commercial factoring, equity investments, asset management, capital markets business and P2P internet finance, Zhengqi Financial provides customized funding solutions and convenient and flexible financial services to SMEs. During the reporting period, Zhengqi Financial further expanded its business and achieved rapid growth in scale. Zhengqi Financial focuses on recognizing the needs and value of its clients, providing overall funding solutions including short and long term debts, mezzanine investments or equity investments, through active configuration of its nine major business lines. It also provides comprehensive financial services such as management consulting, financial advisory, M&A and restructuring solutions. During the reporting period, Zhengqi Financial helped various high quality clients to conduct industrial M&A, pre-IPO financial enhancement, disposal of distressed assets and other businesses through overall solutions, contributing rapid equity value gain for Zhengqi Financial. In similar cases, Zhengqi Financial also invested in other high quality existing clients sourcing from debt business which are now planning to be listed. Looking forward, this unique business model is expected to become another important source of profit aside from Zhengqi Financial's conventional loan business.

Zhengqi Financial has continued to expand its loan business and has consistently optimized its business structure. As of December 31, 2016, its loan balance amounted to RMB5,408 million, representing an increase of RMB734 million or 16% as compared to RMB4,674 million at the end of 2015. During the reporting period, Zhengqi Financial strengthened its leading position in microfinance business in Anhui Province and started to gradually expand into market outside the province. As of December 31, 2016, the aggregated outstanding balance of microcredit of Hefei Guozheng Microcredit Co., Limited (合肥市國正小額貸款有限公司) ("Guozheng Microcredit") and Shenzhen Chengzheng Microcredit Co., Limited (深圳市誠正小額貸款有限公司) amounted to RMB3,150 million, representing an increase of RMB612 million or 24% as compared to RMB2,538 million at the end of 2015.

Ever since Zhengqi Financial established its financial leasing business in the second half of 2013, by exploring and improving its capability in providing professional services, cooperation with underlying asset provider and recognition of potential clients, the financial leasing business has achieved rapid growth. As of December 31, 2016, the outstanding balance of lease receivables of the financial leasing business amounted to RMB3,462 million, representing an increase of RMB1,465 million or 73% as compared to RMB1,997 million at the end of 2015.

As of December 31, 2016, the outstanding balance of credit guarantee amounted to RMB3,751 million, representing a decrease of RMB779 million as compared to RMB4,530 million at the end of 2015, mainly due to the fact that further enhancement was made to risk control approaches in response to the change in market environment, resulting in shrinking business scale.

In June 2015, Zhengqi Financial established Anhui Weiyuan Financial Information Services Company Limited (安徽唯源金融資訊服務有限公司) that engages in operating Zhengqi Financial's internet finance strategic platform Qilerong (奇樂融). Qilerong was officially launched on October 28, 2015. As of December 31, 2016, its number of registered users was 53,000. Qilerong is dedicated to providing professional, transparent, safe and profitable internet finance services for SMEs and individual users and to becoming a top-tier internet finance services platform with market influence, creditability, innovative insight and competitiveness.

In September 2015, Zhengqi Financial established Zhengqi International Commercial Factoring Company Limited (正奇國際商業保理有限公司) which provides receivables factoring business to core enterprises and the upstream and downstream companies across their supply chain. As of December 31, 2016, the outstanding balance of commercial factoring amounted to RMB1,041 million. With great market volume and rapid growth potential, such business will have greater contribution to Zhengqi Financial's development in the future.

During the reporting period, Zhengqi Financial expanded its funding channels by developing innovative funding sources and achieved sound results. In January 2016, the issuance of Zhengqi Financial's first tranche of corporate bonds 2016 was approved by the China Securities Regulatory Commission and the issuance was completed in March 2016. In June 2016, the "second tranche of leasing asset-backed securities special project of Zhengqi Leasing" was set up on the Shanghai Stock Exchange. The issuance of ABS was guaranteed by Zhengqi Financial. Currently, Zhengqi Financial has various funding sources including banking facilities, trusts, insurance companies, asset securitization and issuance of corporate bonds. In general, Zhengqi Financial possesses comparative advantages among its peers in relation to funding capability with effective channels and low funding cost.

In 2016, against the severe macro-environment, Zhengqi Financial enhanced the system infrastructure of risk control and adopted and strengthened various risk management and control approaches in order to keep risks under control. Meanwhile, the company reinforced its analysis and judgement on the macro-economy so as to take proactive structural adjustments to the businesses through actively studying responsive actions and formulating early plans. In addition, Zhengqi Financial took the initiative to expand into capital markets business from the second half of 2014 to 2016, allowing it to elevate its profitability through various approaches.

On December 28, 2016, Zhengqi Financial introduced two strategic investors, namely Xiamen ITG Group Corp., Ltd. (廈門國貿集團股份有限公司) and Cindafund Investment Management Co., Ltd. (信達風投資管理有限公司), and obtained strategic investments amounting to RMB801 million, representing a vital step in the capital market. Relevant equity settlement procedures were officially completed in February, 2017. Zhengqi Financial will merge diversified strategic resources to further expand new businesses and regional presence. Continually building its differentiated core competitiveness, Zhengqi Financial is endeavoured to become the model enterprise in the SME oriented financial industry.

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

Unit: RMB million

	2016	2015
Revenue	**980**	893
Net profit	**721**	519

During the reporting period, the revenue grew 10% from RMB893 million in the corresponding period last year to RMB980 million, mainly due to the growth of financial leasing business; whereas the net profit increased 39% from RMB519 million in the corresponding period last year to RMB721 million, mainly attributable to the growth of leasing business and equity investments business.

JC Finance & Leasing

Established in November 2015, JC Finance & Leasing is a professional company specializing in finance leasing and relevant financial businesses. Backed by the brand of Legend Holdings and the expertise of its management team, JC Finance & Leasing has initiated cooperation with both domestic and international well-known equipment manufacturers, concentrates on industry and industrial chain, and commences financial leasing business by focusing on areas that reflect new economic trends in China, such as medical services, advanced manufacturing, energy saving and environmental protection, agri-food, cold chain logistics, electronic information, public services and transportation, in turn establishing a leading enterprise in the industry. As of December 31, 2016, we held 100% equity interests in JC Finance & Leasing.

The year 2016 was JC Finance & Leasing's first full year of operation and demonstrated a good start. As of December 31, 2016, JC Finance & Leasing's closing balance of lease receivables of the financial leasing business amounted to RMB5,736 million. Moreover, there has been strong growth in various indicators.

JC Finance & Leasing continued to reinforce its business presence and market expansion. As of December 31, 2016, apart from the headquarters in Shanghai, JC Finance & Leasing also set up offices in Jinan, Wuhan, Shenyang, Guangzhou and Chengdu to expand its business to customers nationwide.

During the reporting period, JC Finance & Leasing pursued external financing actively and achieved breakthroughs in diversified financing channels such as bank loans, syndicated loans, asset-backed securities and bonds. In November, 2016, the first tranche of asset-backed securities of JC Finance & Leasing was successfully issued, completing its first funding in the capital market with a total issue size of RMB956 million.

During the reporting period, JC Finance & Leasing constantly strengthened its risk management and control. As of December 31, 2016, the company has no default or distressed assets.

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

Unit: RMB million

	2016	2015
Revenue	**301**	12
Net profit/(loss)	**81**	(2)

Kaola Technology

During the reporting period, the original Lakala Group completed the spin-off of payment business and financial business, and the latter has become a subsidiary of Legend Holdings. The newly established Kaola Technology is China's leading platform for integrated internet financial services and is engaged in various business areas such as loans, wealth management and community finance. The big data generated daily on the integrated financial services platform, together with the well-developed credit risk identification and management models, safeguards various financial businesses (including loans), thus promoting the rapid growth of the businesses. As of December 31, 2016, we held 67% equity interests in Kaola Technology.

Kaola Technology focuses on the fast-growing field of micro finance, the balance of which amounted to nearly RMB7 billion as at the end of 2016 and the maximum single-day credit loan amount of individual loan business exceeded RMB100 million. In 2016, the business grew rapidly with the number of applicants increased by nearly 5 times as compared with the correspondence period last year.

With the independent development of Lakala's third-party payment business and innovative financial business on different platforms, it has greatly strengthened its focus on the development of each business unit. Meanwhile, the business units can be closely linked with each other when necessary to build up competitive force, delivering synergy value in the future.

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

Unit: RMB million

	For the two months period from November to December, 2016
Revenue	**302**
Net profit	**45**

Associates in Financial Services Segment

During the reporting period, total profits contributed by associates to the financial services segment were RMB766 million (RMB495 million in the corresponding period of last year). Such increase in profits was mainly due to the relevant income of RMB433 million recorded from eloancn.com by the changes in fair value of the preferred shares (Lakala recorded investment income of RMB435 million due to the introduction of strategic investors in the corresponding period of last year) and Lakala's profitability continued to grow. Besides, Union Insurance's efforts to scale down its non-core business has been materialized, leading to further reduction in loss.

Lakala Payment

Lakala Payment is a well-known third-party payment company in China, focusing on providing enterprise users with settlement services and individual users with payment services. In addition, Lakala Payment provides its customers with third-party value-added payment services leveraging its extensive experience in third-party payment operation. As of December 31, 2016, we held 31.38% equity interests in Lakala Payment.

As of September 30, 2016, Lakala Payment's settlement business covered over 3.5 million merchants in over 330 cities across China. The transaction amount of its settlement business from January to September 2016 exceeded RMB800 billion. For its individual payment business, nearly 100,000 offline payment terminals have been installed in 357 cities in China. In addition, the number of registered individual users of Lakala Payment mobile App exceeds 10 million, and its individual payment transaction amount from January to September 2016 was over RMB300 billion.

With third-party payment services as its core business, Lakala Payment charges transaction fees for rendering settlement business to merchants and charges transaction fees for payment through convenience services. With a consistent mission of inclusiveness, technological progress, innovations and integrated approach, Lakala Payment developed its account and information system that has a solid foundation, fostering a user-oriented payment ecosystem.

On March 3, 2017, Lakala Payment submitted to the China Securities Regulatory Commission the application for the initial public offering and listing its shares on the ChiNext board of the Shenzhen Stock Exchange.

Hankou Bank

Hankou Bank conducts commercial banking business including corporate banking, retail banking and financial market. It generates revenue primarily from net interest income and fee and commission income. As of December 31, 2016, Hankou Bank had 147 affiliated agencies in China, including the sales department of its head office, 12 branches, 15 first-tier sub-branches, one direct sub-branch, two special service institutions and 116 second-tier sub-branches (including 27 community banks). The network of Hankou Bank covers substantially the whole territory of Hubei Province, and it also has branches in Chongqing.

In 2016, the business operated by Hankou Bank grew steadily, with all key indicators achieved the operation goals. The size of total assets registered a year-on-year growth of 16%, while equity and net profit attributable to the equity holders of the company achieved a year-on-year growth of 6% and 2%, respectively. The non-performing loan ratio remained stable, while the capital adequacy ratio was higher than the average of the city commercial bank industry. In the meantime, Hankou Bank was qualified as the bank to launch the first batch of pilot scheme of investment-loan linkage business for technological innovation-based enterprises, and was granted the class B lead underwriter qualification. Besides, Hankou Bank participated in the establishment of financial leasing companies, and was approved to issue tier 2 capital bonds worth of RMB5 billion and the first tranche of which was successfully issued.

In the future, Hankou Bank will continue to further enhance the company's businesses and innovate financial market business, while expanding the small and micro retail business in an effort to develop the business landscape of focusing on three markets and become one of the most innovative and reliable cooperative banks among regional banks.

Union Insurance

Union Insurance is a leading professional insurance intermediary in China. As of December 31, 2016, we held 48.00% equity interests in Union Insurance.

The major clients of Union Insurance come from the educational sector. It provides risk advisory services to schools, local and provincial educational institutions and insurance products services to students. Currently, Union Insurance has set up 35 branches and 105 sales departments in China, and have developed and enhanced over 10 educational insurance products. Being engaged by the education departments from over 20 provinces and cities in China as the safety and risk advisor for schools, Union Insurance has been providing risk management and insurance brokerage services to 150 million teachers and students from 300,000 schools of all levels and kinds, collaborating with over 30 insurance companies. During the reporting period, the insurance brokerage business of Union Insurance achieved a steady growth and maintained a leading position in China's education related insurance brokerage business.

eloancn.com

In 2016, eloancn.com continued to uphold the inclusive financial missions of "serving three rural issues" and "small and diverse", and focused on the provision of inclusive financial service to farmers and small and micro enterprises. As of December 31, 2016, we held 33.33% equity interests in eloancn.com.

eloancn.com followed the regulatory requirements for the internet finance industry in accordance with the "Interim Measures for the Administration of the Business Activities of Internet Lending Information Intermediaries" (《網路借貸資訊仲介機構業務活動管理暫行辦法》) issued by the China Banking Regulatory Commission. eloancn.com enforced moderate control over the pace and scale of business development by continuously enhancing the business risk control and improving business model and products. At the same time, eloancn.com continued to expand the talent pool by introducing an array of senior management members who are experienced in the financial industry to vital fields ranging from risk management, finance and technology. Such initiative continued to heighten the management and operation level of the company.

As of December 31, 2016, eloancn.com established operation centers in approximately 200 cities across the country with a coverage of more than 1,200 counties. The platform has approximately 4.6 million registered users, representing an increase of 65% compared to 2015. In 2016, eloancn.com completed 174,000 Internet lending transactions with a volume of RMB12.13 billion, representing a growth of 23% compared to 2015, among which, RMB10.8 billion or 89% was related to agriculture, rural infrastructure and farmers' livelihood.

Suzhou Trust

Suzhou Trust engages in trust business. It acts as a trustee and manages entrusted properties and provides financial advisory and other consulting services. As of December 31, 2016, we held 10% equity interests in Suzhou Trust. Leveraging on the overall development of the trust industry and extensive wealth management needs from high-net-worth customers, Suzhou Trust 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 corporates and high-net-worth customers in the region. As at the end of the reporting period, the size of ongoing trust of Suzhou Trust amounted to RMB95,785 million with 272 ongoing trust projects, among which 115 are collective trust products with an ongoing size of RMB41,108 million and 152 are individual trust products with an ongoing size of RMB51,947 million. The wealth management department of Suzhou Trust has established outstanding direct marketing capability and serves many high-net-worth customers. As of December 31, 2016, the numbers of trust accounts and ongoing accounts opened with Suzhou Trust were over 22,000 and over 6,000, respectively.

Innovative Consumption and Services

Overview

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

- Bybo Dental, our subsidiary, mainly provides dental healthcare services through chain operations;

- Shanghai Neuromedical Center (德濟醫院), our subsidiary, mainly provides neurology specialist and other comprehensive medical healthcare services;

- Zeny Supply Chain, our subsidiary, mainly provides logistics services;

- CAR, our associate, mainly provides comprehensive car rental services including short-term rentals and long-term rentals, as well as sales of used cars;

- Social Touch, our associate, mainly provides enterprise-level digital marketing solutions; and

- XYWY.COM, our associate, mainly provides Internet healthcare services

We adhere to the development in innovative consumption and services segment. On one hand, we continue to converge and develop the existing businesses and constantly build up our core competence. On the other hand, we continue to seek new investment opportunities to expand our presence.

During the reporting period, the number of Bybo Dental's outlets amounted to 200, including 53 hospitals and 147 clinics. The aggregate number grew by 48% from 135 at the end of 2015, covering 25 provinces and municipalities, which is close to our strategical goal in its presence. Revenue realized amounted to RMB1,257 million, representing a growth of 29% year-on-year as compared with 2015.

Meanwhile, during the reporting period, we completed the strategic investment in Shanghai Neuromedical Center, achieved the further presence in healthcare services industry as another specialist area. Shanghai Neuromedical Center was founded in 2013. Equipped with about 350 beds, Shanghai Neuromedical Center is a specialist hospital built according to the scale of tertiary specialized hospital standards and excels in several comprehensive key areas, especially clinical neuroscience.

During the reporting period, Zeny Supply Chain realized sale-and-leaseback for the asset of the Bai Sha Zhou, Wuhan project and brought higher return to shareholders by further exploring the business model of light asset operation. In the meantime, derivative and innovative businesses were actively developed through the Bai Sha Zhou, Wuhan project and Tianjin Dongjiang Harbor project. Return levels of the projects increased continuously through fine operation.

Following the promulgation of Interim Administrative Measures for the Operation and Services of Taxis Subject to Online-appointment (《網絡預約計程車經營服務管理暫行辦法》), the chauffeured car services business under the collaboration between CAR and UCAR Inc. was further confirmed and supported by the policy. As such, the auto mobility service industry will be benefitted with more business opportunities in the future. CAR has completed equity restructuring. Business synergy between conventional car rental business and internet based innovative business was further strengthened and optimized. UCAR Inc., which specializes in chauffeured car services business, will provide stronger support for the future synergic development and business innovation of CAR.

As for the Internet-related business, Social Touch integrated and optimized its businesses so as to further focus on the "medium-to-large" sized customers, strengthen marketing strategies and the efforts into the expansion of service business, improve the operation efficiency, control cost and expenditure to improve the profit margin of the business. Wenkang Group continued to put emphasis on the provision of innovative healthcare service for users via the internet.

During the reporting period, the revenue and net loss of innovative consumption and services segment are set out as follows:

Unit: RMB million

	2016	2015
Revenue	**2,132**	1,495
Net (loss)	**(804)**	(430)
Net (loss) attributable to equity holders of Legend Holdings	**(390)**	(236)

During the reporting period, the revenue from innovative consumption and services segment increased by 43% to RMB2,132 million as compared with the corresponding period of last year, mainly due to further expansion of Bybo Dental's clinics and business scale as well as continuous expansion of Zeny Supply Chain's cold chain and comprehensive logistics services businesses during the reporting period. Net loss increased to RMB804 million from RMB430 million in the corresponding period of last year, mainly due to the combined impact of the following factors: (1) during the reporting period, an increase in loss of approximately RMB426 million resulting from Bybo Dental's business expansion; (2) a decrease in net loss of RMB285 million as compared with the corresponding period of last year resulting from costs saving after Zeny Supply Chain suspended its conventional courier business; and (3) a decrease in the investment income contributed by the associates in the segment as compared with the corresponding period of last year.

Bybo Dental

Bybo Dental, our subsidiary, provides dental healthcare services. We strategically invested in Bybo Dental in July 2014. As of December 31, 2016, we held 54.90% equity interests in Bybo Dental.

As of December 31, 2016, Bybo Dental had 200 outlets, including 53 hospitals and 147 clinics. The number of outlets increased by 48% from 135 at the end of 2015, covering 25 provinces and municipalities . The number of Bybo Dental's dental chairs rose from 1,567 at the end of 2015 to 2,569 as of December 31, 2016.

The major business statistics of Bybo Dental are set out as follows:

	As of December 31, 2016	As of December 31, 2015
Number of outlets	**200**	135
Area of outlets (Square meter)	**263,935**	138,838
Number of dental chairs	**2,569**	1,567
Number of dentists	**1,129**	769

Bybo Dental will further amplify its medical service quality and content, and follow the overall objectives of "Precision, Comfortability, Digitization and Humanity". While elevating the standard of medical technology, medical services and academic performance, Bybo Dental strives to strength its business presence and enhance its management. The multi-fold strategy will be adopted to enhance its marketing, chain operations management, financial management and human resources management. Customer-oriented approach will be used to build good branding effect by providing professional standard services so as to fulfill the vision of escalating from good to excellent standard, approaching the goal of being a time-honored company and a NO.1 brand of dental health.

During the reporting period, revenue and net loss of Bybo Dental are set out as follows:

Unit: RMB million

	2016	2015
Revenue	**1,257**	975
Net (loss)	**(795)**	(369)

During the reporting period, Bybo Dental further optimized the development of strategic presence throughout China. Considerable scale has been achieved in Beijing, Shanghai, Guangzhou and Shenzhen, more hospitals and clinics were opened in the cities where the teams have established influence. Business has been extended to a number of provincial capital cities and developed areas. With continuous enhancement of service quality, requirements for high technical standard and customer loyalty as well as strengthening of market share, operating revenue increased from RMB975 million in 2015 to RMB1,257 million in 2016, representing a year-on-year growth rate of 29%.

In 2016, Bybo Dental's operating loss widened, with the net loss increased from RMB369 million in 2015 to RMB795 million in 2016. The main reasons for the increase in net loss include: the majority of hospitals or clinics were either in preparation or opened for less than one year with breakeven point yet to be reached; the newly issued advertisement law has adverse impact on the revenue and profit of some outlets; and the financial cost burden increased during the ramp-up period.

Shanghai Neuromedical Center

Shanghai Neuromedical Center (德濟醫院), our subsidiary medical institution, provides neurology specialist medical service. In August 2016, we invested approximately RMB237 million in Shanghai Neuromedical Center. As of December 31, 2016, we held its 58% equity interests through our subsidiary, and Legend Capital, our venture capital vehicle, held its 15% equity interests.

The characteristics of the neuro medical specialist services in China include enormous customer base, increasing morbidity and uneven distribution of medical resources. Meanwhile, with the improvement of the Chinese residents' income, expanded coverage of the social and corporate medical insurance and enhanced accessibility of healthcare service, it is expected that the ratio of clinical visit will continue to increase.

Patients generally select hospitals which are more well-equipped and in better technological conditions. It provides potential development of private neurological hospitals in first-tier and second-tier cities in China. In addition, following the easing policy of physician multi-site practice, more doctors seek new platforms and opportunities for career development. Overall, we believe that the above factors provide vast room for the development of private medical institutions in neuro medical specialist sector.

Founded in 2013, Shanghai Neuromedical Center is a specialist hospital built according to the scale of tertiary specialized hospital standards and excels in several comprehensive key areas, especially clinical neuroscience. The key strategic development areas of Shanghai Neuromedical Center include neurosurgery, functional neurosurgery, internal neurology, epilepsy treatment center, cerebrovascular disease treatment center, cardiovascular disease treatment center, emergency intensive healthcare center, nerve electrophysiology center and neuro-rehabilitation with the support of the development of comprehensive subjects such as surgery and internal medicine. In particular, its surgery expertise is among the leading tier in China in regards of complexity and standard of operations for spinal cord tumor and brain tumor. With over 3,000 accumulated cases, the epilepsy center ranks top in China. The number of cases of ketogenic diet for the treatment of pediatric refractory epilepsy and malignant tumors currently ranks top in Shanghai. It also possesses Shanghai's largest electrophysiology center. The following table sets forth the number of operating beds and key business information of Shanghai Neuromedical Center, respectively.

	As of December 31, 2016	As of December 31, 2015
Number of operating beds	**280**	257
Outpatient visits(Ten thousand persons)	**11.3**	10.9
Discharged patient(person)	**4,075**	3,923

During the reporting period, revenue and net loss of Shanghai Neuromedical Center are set as follows:

Unit: RMB million

	For the four months period ended from September to December, 2016
Revenue	**53**
Net (loss)	**(12)**

Zeny Supply Chain

We provide logistics services through, Zeny Supply Chain our subsidiary, endeavoring to develop it as a leading provider of comprehensive supply chain services. After the exit from the conventional courier business, Zeny Supply Chain mainly focuses on comprehensive cold chain operations. During the reporting period, Zeny Supply Chain realized sale-and-leaseback for the asset of the Bai Sha Zhou, Wuhan project and brought higher return to shareholders by further exploring the commercial mode of light asset operation. In the meantime, derivatives and innovative businesses were actively developed through the Bai Sha Zhou, Wuhan project and Tianjin Dongjiang Harbor project. Return levels of the projects increased continuously through fine-tuned operation. As of December 31, 2016, we held 94.00% equity interests in Zeny Supply Chain.

Comprehensive cold chain operations: during the reporting period, we increased capital utilization by realizing asset sale-and-leaseback of the cold chain property in Bai Sha Zhou, Wuhan project, and adjusted the quasi-financial services business catering to the commercial tenants of the wholesale market. We continued to optimize the business structure of cold chain project of Tianjin Dongjiang Harbor by providing imported food inspection service, cold chain bonded storage service, declaration and inspection agent service, procurement agent and financial service of supply chain to create an imported food comprehensive supply chain service platform. The construction of phase 1 cold storage of cold chain project in southern China was almost completed. As of the end of the reporting period, the asset acquisition of cold chain business in Zhengzhou, Henan remained in process and yet to be closed.

Comprehensive logistics services: during the reporting period, we continued to optimize the business model by strategically focusing on serving corporate clients in such markets as electronic production and motor accessories. Efforts were also made to adjust and optimize the business network which covers four major regions of northern, central, eastern and southern China so as to increase the overall operating efficiency.

Domestic courier services: as of the end of the reporting period, Zeny Supply Chain had closed or transferred courier business in other regions except those in Shandong.

During the reporting period, revenue and net loss of Zeny Supply Chain are set out as follows:

Unit: RMB million

	2016	2015
Revenue	**822**	519
Net (loss)	**(327)**	(612)

During the reporting period, revenue from the logistics business increased by RMB303 million year-on-year, mainly due to the optimization of comprehensive cold chain business and comprehensive logistics services business.

Associates of Innovative Consumption and Service

CAR

CAR, our associate, provides comprehensive car rental services including short term and long-term rental, and sales of used cars services. Through its strategic partner, UCAR Inc., it provides an on-demand chauffeured car services based on mobile Internet technology and the strong brand of "UCAR". As of December 31, 2016, we held 24.10% equity interests in CAR.

As of December 31, 2016, the total size of operating fleet of CAR reached 89,813 cars, increasing by 8% as compared with the corresponding period of last year; the total size of fleet reached 96,449 cars, increasing by 6% as compared with the corresponding period of last year. CAR had 795 directly operating service spots in 93 cities of China, including 304 outlets and 491 pick-up points, covering main first-tier and second-tier cities and tourist spots in the country.

The table below is the major business statistics data of CAR:

	As of December 31, 2016	As of December 31, 2015
Fleet size		
Short-term rentals	**67,777**	56,759
Long-term rentals	**19,499**	22,252
Financial leasing	**2,537**	4,157
Total operating fleet	**89,813**	83,168
Retired vehicles for sale	**3,292**	6,837
Vehicles held for sale	**3,344**	1,174
Total fleet	**96,449**	91,179

The self-drive car rentals market in China was still in the early development stage with great growth potential. Meanwhile, new technology and business innovation were reshaping the landscape of auto mobility industry and changing consumer behavior, which has brought revolutionary changes to the value chain of auto mobility industry. CAR continued to execute its established strategies in effort to be a leading service provider of auto mobility service in China with a focus on car rental and fleet management. During the reporting period, the company continued to consolidate its leading position in the short-term rentals market and maintain stable cooperative relationship with UCAR Inc., a company providing tailored taxi business. The company established an intelligent mega fleet management platform and improved fleet efficiency through dynamic fleet sharing and re-deployment between the self-drive and UCAR fleet to balance demand during peak and non-peak periods. Besides, CAR carried out a series of repurchases throughout the year in order to enhance shareholder returns. As of December 31, 2016, the company repurchased 66,065,000 shares at a consideration of HK$501 million.

During the reporting period, UCAR Inc. listed on NEEQS on July 22, 2016 and became the first listed company in global tailored taxi service industry. As of 31 December, 2016, CAR held 7.42% equity interests in UCAR Inc..

On July 28, 2016, seven Ministries including the Ministry of Transport jointly promulgated the "Interim Administrative Measures for the Operation and Services of Taxis Subject to Online-appointment" (《網路預約計程車經營服務管理暫行辦法》). On December 21, 2016, the governments of Beijing and Shanghai promulgated the local implementing rules for the management of online car-hailing operation service, implementing relatively strict requirements on vehicle standard, place of registration, household registration of drivers and practicing qualification etc. Other key cities also promulgated local management rules with reference to the management rules of Beijing and Shanghai, thereby promoting the healthy and orderly development of online car-hailing (tailored taxis) industry in the long term. With the implementation of the policies, the price war among the online car-hailing market has been alleviated with the reduction of foam supply and demand. The market will gradually resume to the positioning of focusing on high-end customers with differentiated services. Thus, the effect of the diverted demands on car rental industry weakened, which is conducive to the gradual enhancement of growth rate of short-term rental self-drive business in the future.

During the reporting period, the revenue and net profit of CAR are set forth as below:

Unit: RMB million

	For the twelve months ended December 31, 2016	For the twelve months ended December 31, 2015
Revenue	**6,454**	5,003
Net profit	**1,460**	1,401

During the reporting period, the revenue of CAR increased by RMB1,451 million year-on-year, mainly due to the expansion of the short term rental fleet and the increase in the sales volume of used cars. The net profit increased by RMB59 million year-on-year. Except for the revenue from continuing operations, the increase in value of shares held in UCAR, the loss from foreign exchange fluctuation of USD bonds and other factors contributed some non-recurring gain and loss.

Social Touch

Social Touch is an industry-leading provider of the enterprise digital marketing solutions in the mobile social era. It helps enterprises to effectively establish and manage connections and interactions with consumers in a new mobile social environment, and endeavor to assist the enterprises in the launch of intelligent marketing. During the reporting period, Social Touch conducted consolidation and optimization for its business to focus more on medium-to-large sized customers but spin-off the business of corporate mobile marketing management software and implementation service for medium-to-small sized customers, put more efforts in the launch of marketing strategy and in expansion of the implementation service business, enhance the operating efficiency and control cost and expenditure to improve the gross margin of business; the mobile advertising procurement and placing service business continued to expand the scale of original advertising operation, focusing on the medium-to-large sized customers. As of December 31, 2016, we held 48.23% equity interests in Social Touch.

XYWY.COM

During the reporting period, Wenkang Group continued to make use of the internet to provide huge number of users with innovative healthcare services. Based on XYWY.COM, Wenkang Group has established the largest online healthcare communication platform for patients in China. As of December, 2016, XYWY.COM has a total of 96 million registered users and 628,000 registered doctors. In 2016, the monthly average number of visits to its internet healthcare consultation service was over 11 million, of which, the online visits for the engagement between doctors and patients amounted to a monthly average of 2.5 million in 2016.

To effectively solve the problem of "expensive and hard to visit doctors", Wenkang Group has continued to attempt to integrate the online and offline healthcare resources for the recent two years. It is foreseen that regional intelligent healthcare service will become the direction of the strategic business expansion of Wenkang Group in 2017.

As of December 31, 2016, we held 17.02% equity interests in Wenkang Group.

Agriculture and Food

Overview

Our subsidiaries and associates in the agriculture and food business include:

- Joyvio Group, our subsidiary, is mainly engaged in the businesses of plantation, harvest, storage, initial processing and sales of fruits and brand beverages and processed food products;

- KB Food, our subsidiary, is mainly engaged in the businesses of fishing, procurement, processing and sales of premium seafood; and

- Liquor Easy, our associate, mainly develops and operates liquor direct selling networks.

There are significant opportunities in the agriculture and food industry in China: (1) Upgrading of consumption: with China's increased per capita disposable income and consequential changes in spending concepts and patterns, we believe that China is now in a stage of upsurge in consumption. (2) Industrial integration: in China, the industrial chains are segmented in agricultural and food industry with unreasonable profits distribution mechanisms. Through synergistic network across the industrial chains, product quality, food safety and operating efficiency will be significantly enhanced. (3) Overseas resources: having remarkable advantages in resources, species and technology, overseas market has the potential synergy with the consumption market of China intrinsically. We will actively look for investment opportunities amidst the aforesaid circumstances.

With the aim of improving food qualities for Chinese consumers, we have developed two supply chains of fresh fruits and fresh seafood. In 2016. in view of the supply chain of fresh fruits, we have completed the restructuring of Golden Wing Mau, commenced our overseas market presence by means of Golden Wing Mau and made investment in T&G, the largest apple supplier in New Zealand. As for the seafood supply chain, we acquired KB Seafoods, a leading Australian seafood supplier, based on which the integration of global seafood supply chain system will be launched in the future. Through Joyvio Group, we invested in Hua Wen Food Co., Ltd. of Hunan Province (hereinafter abbreviated as "Hua Wen Food"), and initially made our presence in processed food products industry. We have become the controller of Wanfu Biotechnology, a ChiNext listed company of China (A share Stock Code: 300268) with 26.57% voting rights, facilitating a more efficient launch of our future business layout and integration with the advantage of China capital market. We look forward to providing products and services of enhanced safety and quality to Chinese consumers through the industrial integration and a global presence in the future.

To enhance the effectiveness of investment and operating efficiency, and to develop a professional industrial investment vehicle. In 2016 we has injected our agriculture and food assets including Funglian Group and Cloud Farm into Joyvio Group. Other structural adjustments are in an on-going process. We strive to develop Joyvio Group into an professional investment holding vehicle of the agricultural and food business of the Company, thereby achieving the Corporate and professional investment and operation of the agricultural and food business.

Operating highlights

- Through integration with Golden Wing Mau, the business performance of Joyvio Group was significantly enhanced with more balanced capability in different sections of the industrial chain. During the reporting period, with synergy effect, the revenue increased by 22% year-on-year and net profit increased by 211% year-on-year. It commenced its overseas presence by investment in T&G, the largest apple supplier in New Zealand, with 19.9% equity interests.

- Since its merger by Joyvio Group, Funglian Group has further improved its operating profit through optimized products portfolio and sales network. In the meantime, the Company has completed the capital injection in Funglian Group, whereby Funglian Group's capital structure was improved, bringing significant reduction in financial cost as compared with corresponding period of last year and eventually a turnaround.

- KB Food, our newly invested company, owns the largest seafood supplier in Australia. It cooperates with more than 500 suppliers in the world and provides products and services to Australia's retail and catering markets. It has successfully created the"global supply chains+ Australian consumption" business model. The post-investment integration progressed well. It has further consolidated its competitive advantage in Australia.

- With the capital injection by the Company, Joyvio Group made its presence in the sector of processed food products by strategic investment in Hua Wen Food. Hua Wen Food is a leading snack food enterprise in China as well as the top brand of fishlet snack products, laying a good foundation for our presence in the sector of processed food products.

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

Unit: RMB million

	2016	2015
Revenue	**3,266**	1,639
Net Profit	**71**	134
Net profit attributable to equity holders of Legend Holdings	**70**	138

During the reporting period, revenue of the agriculture and food segment increased from RMB1,639 million to RMB3,266 million, which was mainly attributed to the increase in revenue arising from the group consolidation of KB Food. Net profit decreased to RMB71 million from RMB134 million in the corresponding period of last year, mainly due to the fair value gain recorded from Cloud Farm in 2015. Excluding this effect, the net profit for 2016 increased significantly as compared to the corresponding period in 2015, mainly due to reasons including increase in profits of Joyvio Group subsequent to the reorganization of its fruits business and the turnaround in profits of Funglian Group.

Joyvio Group

In 2016, Joyvio Group received a capital increase from the Company and asset injection of Funglian Group and Cloud Farm in order to enhance investment and operation efficiency as well as to develop a professional investment holding platform for the agriculture and food sector. Currently, it is engaged in multiple business areas such as fruit, branded drinks, processed food products. As of December 31, 2016, we held 100% equity interests in Joyvio Group.

Fruit business

Golden Wing Mau, an associate of Joyvio Group, is the industrial operation platform for the fruit business of Joyvio Group. Currently, Golden Wing Mau has become China's largest domestic fully-integrated fruit company in the industry which exclusively owns the species right of blueberry and kiwifruit planting, leading seed culture centre and engineering and technology center, domestic and overseas plantation bases. It has 5 major storage and sorting centers in quality fruit producing areas, 6 distribution centers in China and covered domestic quality channel customers such as Walmart, Sam's Club, Vanguard, China Resources Suguo, Ole, blt, V+, Fun2, Auchan, Ito Yokado, Lego, AEON, Beijing Hualian, Wumart, Metro, Ren Ren Le and Tianhong.

During the reporting period, with the deepened synergy between Joyvio's original fruit business and Golden Wing Mau, we have further consolidated our No.1 position in the kiwifruit market and the reputation of Joyvio blueberry being the NO.1 domestic brand. These advantageous products enabled us better receive recognition from consumers, which is conducive to further enhancement of our market share in supermarkets and hypermarkets. Meanwhile, we devoted more effort in expanding e-commerce clients and wholesale channels, resulting in a more reasonable channel structure.

T&G Company, a company invested by Golden Wing Mau, has established planting bases in New Zealand, Australia, South America and Northern Hemisphere, producing a variety of fruits such as apples, kiwifruits and table grapes. JAZZ and ENVY, being famous brands under T&G Company, are popular among consumers in China. The cooperation among the parties enables T&G Company to further expand exports in China.

Branded drink business

Joyvio Group's branded drink business includes Chinese liquor (Funglian Group), tea leaves (Longguan Company) and wine.

Funglian Group has four regional Chinese liquor enterprises including Bancheng, Wenwang, Confucius Family and Wuling. Funglian Group actively executed product differentiation, strengthened mainstream products delivery and leveraged innovative distribution models in 2016. These have contributed to optimized product structure and sales system and increased product selling price and gross margin. Meanwhile, the expense ratio lowered through enhancing the effective control on various expenses. Regarding the capital structure, the Company completed the capital injection, thus resulting in a significant decrease in finance costs as compared to the same period last year and achieving profitability.

Longguan Company's Longjing under the "Longguan" brand is the No.1 Longjing tea brand in China. In 2016, benefiting from the advantage in technological standards, brand effect as well as the improvement in operation and control capability, the net profit of Longguan Company recorded a year-on-year growth of 68%. In 2016, Longguan was selected as the appointed tea for the World Internet Conference and was once again selected as the appointed supplier for the world-focused G20 Hangzhou Summit 2016. The company's brand and influence has, hence, been greatly improved.

Processed food products business

Joyvio Group tapped into the field of processed food products through the investment in Hua Wen Food, which is a leading manufacturing enterprise of snack food in China and owns various snack food brands such as Jinzai and Bo Wei Yuan. Its products involve two major series, namely marine fish snack food and dried bean curd products, and each of them enjoys the leading position in their respective market segment. Relying on the leading capability in research and development and automated production as well as the strong brand operation and distributor network, the company has become a leading enterprise in the snack food industry in China.

During the reporting period, the revenue and net profit/(loss) of Joyvio Group are set out below:

Unit: RMB million

	2016	2015
Revenue	**1,244**	1,639
Net profit/(loss)	**54**	(32)

During the reporting period, Joyvio Group's revenue decreased from RMB1,639 million to RMB1,244 million and the net profit turned from a net loss of RMB32 million in the corresponding period of last year into a net profit of RMB54 million, mainly due to: 1) the relatively significant increase in profit despite the revenue contribution from the fruit business following the restructuring was excluded; 2) the asset injection by Funglian Group improved the income level and the turn from loss to profit during the reporting period enhanced the overall profit.

KB Food

In March 2016, we formed a subsidiary, KB Food, with the management of KB Seafoods through our subsidiary and acquired 100% of the equity interests in KB Seafoods. As of December 31, 2016, we held 90% equity interests in KB Food.

Headquartered in Perth, Australia and with a history of 90 years, KB Seafoods is one of the largest seafood companies in Australia. The company provides mainstream supermarkets and food companies in Australia with over 6,000 types of seafood and its ancillary products with an annual sales volume amounting to 100,000 tonnes. Its products include fish, shrimps, shellfish, lobsters and other categories, and its industry chain covers fishing, primary and deep processing, cold chain distribution, sales and services. The company entered into strategic cooperation with the world's leading seafood enterprises in Southeast Asia, Europe, America and Africa and has successfully developed the business model of "Global Resources + Australian Consumption".

Subsequent to the investment, the parties achieved smooth integration and maintained stable business and workforce. By increasing capital expenditure and introducing new generation of processing equipment, the efficiency of plant operation has been enhanced and the costs have been effectively reduced. Meanwhile, through expanding product categories such as Modified Atmosphere Packing products and active market expansion, the company recorded a revenue growth of 8% as compared to the corresponding period of last year.

KB Seafoods' financial year starts from July 1 to June 30 next year and has adjusted to the financial year starting from January 1 to December 31 since 2017. Upon the completion of our investment, the revenue and EBITDA of KB Seafoods from April to December 2016 are set forth below:

Unit: RMB million

	For the nine months period from April 1, 2016 to December 31, 2016
Revenue	**2,022**
EBITDA	**91**

Liquor Easy

Liquor Easy is a dedicated liquor retailer running chain store networks. Its business model of "physical outlets+call centre+APP+delivery in 20 minutes" combined online and offline operations, and reshaped distribution channels of the liquor industry. Its promised delivery time of "20 minutes home delivery" has become the highest benchmark of liquor delivery. During the reporting period, Liquor Easy further increased the number of chain stores in Henan and Beijing markets, thereby enhancing both its market coverage and service capability and entering the Xian market in the meantime. As of December 31, 2016, the company had a total of 206 retail outlets (including direct stores and delivery stations etc.) in Henan province, Beijing and Shaanxi province with the revenue of 2016 increased by 67% year-on-year. On August 11, 2016, Liquor Easy was successfully listed on National Equities Exchange and Quotations System (Stock Code: 838883). As of December 31, 2016, we held 30% equity interests in Liquor Easy.

New Materials

Overview

The new materials segment of Legend Holdings consists of fine chemicals and energy materials business, which focuses on innovative products with growth potential emerging during the transformation of China's chemical industry as well as the lithium-ion battery designed for new energy vehicles:

- Levima Group, our subsidiary, is engaged in the production of fine chemical and new chemical materials; and

- Phylion Battery, our associate, is engaged in the lithium-ion battery business.

During the reporting period, we executed debt-to-equity swap to our subsidiary, Levima Group, so as to optimize its capital structure, and the equity capital obtained by Levima Group was used to repay its borrowings and finance its working capital. As of December 31, 2016, we held 100% equity interests in Levima Group and held 88.2% equity interests in Levima New Materials through Levima Group. Our associate, Phylion Battery, completed a new round of financing, and the proceeds will be used for the construction of its new production lines and the technical research and development on the application of electric vehicles. As of December 31, 2016, Legend Holdings' equity interests in Phylion Battery were diluted from 44.51% to 33.21%.

During the reporting period, the revenue and net profit/(loss) of the new materials segment are set out as follows:

Unit: RMB million

	2016	2015
Revenue	**4,702**	1,839
Net profit/(loss)	**184**	(1,061)
Net profit/(loss) attributable to equity holders of Legend Holdings	**141**	(713)

During the reporting period, benefiting from the full and high-quality operation at full capacity of the integrated device of DMTO and high-end olefin in Levima Group, we recorded a significant year-on-year growth of 156% in terms of the revenue from new materials segment. The new materials business under Levima Group turned around as expected through the continual improvement in its management level of operation and the successful launch of new products. Benefiting from the rapid growth of demand for power lithium-ion battery inside and outside China, Phylion Battery seized the market opportunity and recorded a significant increase in market shares and profitability. During the reporting period, the segment showed a turn from loss to profit and recorded net profit of RMB184 million during the year.

Operating highlights

- Levima New Materials has innovated polypropylene crafts and successfully developed dystectic homepolymer polypropylene PPH-M600N, and rapidly gained more than 50% of the market share in China. Currently, Levima New Materials is the largest supplier for the product in China. The product can be widely used in disposable food containers (lunch box), daily necessities, toys, electronic parts and other products, and has better market prospect and economic benefits.

- Phylion Battery recorded significant growth in the sales volume of pure electric logistics vehicle business, representing a year-on-year growth of nearly 3 times. Phylion Battery ranked second among the domestic suppliers with the market share rose to 9%.

Levima Group

Since the putting into operation of the integrated devices of DMTO, the company has continuously innovated product crafts, optimized product structure, promoted development of new products and increased proportion of high-end products in an effort to enhance profitability. During the reporting period, the company has made craft innovations on the basis of introducing technologies and successfully developed dystectic homepolymer polypropylene PPH-M600N. The product was received positive response from the market immediately follow its launch. The company has become the largest supplier for polypropylene of such grade and accounted for more than 50% of the market share in China. In addition, the proportion of high-end products to EVA products and EO derivatives continued to rise, and received high recognition in the market.

While optimizing product structure, the company has clearly adopted the customer-oriented approach and promoted collaboration among the departments of production, sales and research and development, and continued to improve the capability of providing customized product development to customers as well as providing prompt technical services, with an aim to demonstrate differentiated competitive advantage amidst the intensifying market competition. Benefiting from that, the company's customized products has successfully applied in high-end customers from various fields such as construction, leather, textile and cable. The quality and price of some of the products were at the comparable level to international first-tier manufacturers, successfully replacing imported products.

As for production and operation, the company, through continual optimization of production and operation system, realized 24 months continuous and steady operation with the core device of DMTO, which set the longest record after putting into operation of the same class of such devices. Meanwhile, it has fully explored the capacity potential of the device through extensive effort, the capacity of DMTO device stably reached 116% of designed load. In addition, many key technical and economical indices and the overall profitability of the device are in the leading position in the industry.

During the reporting period, Levima Group disposed its chlor-alkali chemical business. In addition, driven by the implementation of the national policies of reducing capacity and stabilization of the coal market, the profitability of coal business under Levima Group has significantly improved.

During the reporting period, the revenue and net profit/(loss) of Levima Group are set out as follows:

Unit: RMB million

	2016	2015
Revenue	**4,702**	1,649
Net profit/(loss)	**86**	(1,226)

Phylion Battery

During the reporting period, benefiting from the significant growth in demand for pure electric logistic vehicles, the shipment of lithium-ion power battery of the company reached 700MWh, ranking among the forefront of domestic manufacturers.

In April 2016, Phylion Battery was successfully listed in the third batch of enterprise catalog conforming to "Specifications for Vehicle Battery Industry" (《汽車動力蓄電池行業規範條件》) issued by the Department of Equipment Industry of Ministry of Industry and Information Technology and the models powered by power batteries of Phylion Battery were also included in the National Directory of New Energy Vehicle. Benefiting from that, the pure electric logistic vehicles business of Phylion Battery grew rapidly. During the reporting period, the company established cooperation relationship with a number of well-known automobile companies in the industry such as Chongqing Ruichi, Chongqing Changan, DFSK, DFXL (東風襄旅) and Yangtze. The annual sales of power battery packs amounted to approximately 8,000 sets, representing a year-on-year growth of nearly 3 times. In particular, the shipment of power battery packs for pure electric logistic vehicles ranked second in China with the market share increased to 9%.

During the reporting period, the overseas business of Phylion Battery grew rapidly. Phylion Battery has maintained superior and reliable product quality, and the long-term cooperative and mutual-trust relationships with major clients from Europe. Those helped the company's overseas sales revenue achieve an increase by 46% as compared with the corresponding period of last year, and gross margin remained at a relatively high level. In addition, the company further seized the opportunity of domestic innovation and consumption upgrading, and established cooperation relationship with emerging internet vehicles manufacturing enterprises such as Xiaomi and NIU, and had realized sales revenue. It is expected that the demand in this field will be further unleashed in the future.

All of the 3.0 production lines invested and constructed by the company have been put in production in the second half of 2016. After the new production lines having been put in production, the undersupply of the company's power battery for pure electric logistic vehicles has effectively alleviated and the manufacturing costs of power battery packs have further lowered, which has effectively enhanced the overall profitability of the company.

During the reporting period, the operating profit of Phylion Battery registered a year-on-year growth of 190%. Taking into account the effect of diluted earnings from the new round of financing, its contribution to the Group's profit amounted to RMB98.5 million.

Financial Investment

Overview

We are a pioneer in China's alternative investment sector, seeking to capture investment opportunities at various stages of a company's development. We achieve growth by leveraging various financial investment platforms, which include angel investment, venture capital and private equity investment and other investments. In our financial investments business, we also seek synergies and share resources with our strategic investments business. Each of our investment arms has a different specialization and focus, which allows us to target a broad range of investments. 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. Through investments in our associate funds in various asset classes, we are able to build a wide network in the investment community, expand information sources, capture more investment opportunities and diversify our investment risks.

Other investments including direct financial investments also provide us with continuous growth in value. We continue to promote the realization of asset value and carry out direct investments in primary and secondary markets with high liquidity so as to create sound cash return. We also place great importance to cooperating with our associate funds and sharing information and related resources to maximize the efficiency of financial investments.

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

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

Unit: RMB million

	2016	2015
Revenue	**539**	418
Investment income and gains	**2,103**	4,049
Share of profit of associates and joint ventures accounted for using the equity method	**232**	374
Net profit	**3,158**	5,652
Net profit attributable to equity holders of Legend Holdings	**2,901**	5,510

During the reporting period, the investment income and gains of our financial investment segment decreased to RMB2,103 million from RMB4,049 million for the corresponding period of last year, the net profit attributable to equity holders of the Company decreased to RMB2,901 million from RMB5,510 million for the corresponding period of last year, which was mainly due to 1) the significant change on capital market circumstances during the reporting period as compared with the corresponding period of last year, which effected the overall value of fund portfolio and distribution of income; 2) the one-off increase in the fair value during the corresponding period of last year resulted from the change of Raycom Infotech Center Tower B to an investment property while no such fair value gain was recorded during the reporting period.

Legend Star

Founded in 2008, Legend Star is one of China's leading angel investment institutions. As the early investment of the parent company, Legend Star focuses on three major areas, namely TMT, healthcare and intelligent technologies.

As at the end of 2016, Legend Star totally managed two funds, of which the size amounted to approximately RMB1.1 billion with an aggregate of over 160 onshore or offshore investment projects. During the reporting period, there were over 40 onshore or offshore new investment projects covering frontier fields such as aerospace technology, intelligent vehicle, big data, machine learning and quantum technology. Among the projects under management, 43 projects have finished another round of financing; two projects, namely Belvedor (Stock Code: 837077) and Kintormed (Stock Code: 839419) have successfully listed on the NEEQS while the exit of three projects have been carried out.

Leveraging the unique brand advantage and resources, Legend Star has been systematically deploying its business in three major areas since its inception. It promoted the establishment of Comet Labs at the end of 2015, the artificial intelligent accelerator, with the global presence in the artificial intelligent industry. During the reporting period, there were 18 invested projects.

Between 2014 and 2016, Legend Star was ranked as top tier of the Annual Angel Investment Institution/Early Stage Investment institutions for consecutive three years by the professional institutions in the industry, namely Zero2IPO Group and China Venture Group.

Legend Capital

Legend Capital is one of the leading venture capital institutions in China. As of the end of 2016, Legend Capital managed seven USD funds, four RMB funds, two early-staged RMB funds, one USD fund specialized in healthcare sector, one RMB fund specialized in healthcare sector, one RMB fund specialized in culture and sports sector and one fund in red-chip return concept. In 2016, Legend Capital launched two new RMB funds, one new USD fund and also completed the final closing of three RMB funds and one USD fund, which further expanded the asset under management. The two newly raised RMB funds were Beijing Legend Capital Huicheng Equity Investment L.P. (北京君聯慧誠股權投資合夥企業(有限合夥)) ("4th RMB fund") and Beijing Legend Capital Yikang Equity Investment L.P. (北京君聯益康股權投資合夥企業（有限合夥）) ("RMB healthcare fund") respectively and one USD fund was LC Fund VII, L.P.("7th USD fund"). As of December 31, 2016, the raised fund amounted to RMB8.39 billion during the reporting period, including a total of RMB7.44 billion raised from the newly launched funds, including RMB3.96 billion from the 4th RMB fund (sub-fund inclusive), RMB1.62 billion from the RMB healthcare fund and USD0.27 billion from the 7th USD fund.

In 2017, Legend Capital plans to complete the fund raising of the 7th USD Fund and the 4th RMB Fund and newly launch the second fund specialized in culture and sports sector. Legend Capital's newly raised funds will still focus on Chinese enterprises and cross-border opportunities at the start-up stage and growing stage in TMT, innovative consumption, modern services, healthcare, and culture and sports sectors. In addition, in 2017, Legend Capital will continue to carry out the exit of projects under management to ensure better return for investors.

During the reporting period, Legend Capital accumulatively completed 49 new project investments, covering start-up stage and growing stage enterprises in TMT, modern services, healthcare, and culture and sports sectors.

During the reporting period, Legend Capital fully or partially exited 15 projects, contributing cash inflow of nearly RMB700 million for Legend Holdings to ensure better cash return. Among its portfolio companies, two enterprises were listed on the domestic capital market through IPO, namely Linglong Tire and YUTO Tech and six enterprises were listed on the NEEQS. As of December 31, 2016, 39 of Legend Capital's portfolio companies have been successfully listed and 11 are listed on the NEEQS. As of December 31, 2016, Legend Capital achieved an average internal rate of return for their exit projects ranging between 35% and 40%.

The following table sets forth the information of Legend Capital's funds in which Legend Holdings and its subsidiaries held direct interests in their capacity as a limited partner as of December 31, 2016:

Name of Fund	**Fund Term Commencement Date (month/day/year)**	**End Date (month/day/year)**	**Total Commitment**	**Investment Sector**	**Interests held by Legend Holdings as a limited partner (%)**
USD Funds (in USD million)					
LC Fund I	N/A	N/A	35	IT and related sectors	*Note(3)*
LC Fund II	N/A	N/A	60	IT and related sectors	63.46%
LC Fund III, L.P.	4/27/2006	N/A	170	IT and related sectors (Investment in extension period refers to non-IT sector)	49.41%
LC Fund IV, L.P.	4/15/2008	4/14/2018	350	TMT, healthcare, consumer goods, modern services, clean technology and advanced manufacture	29.77%
LC Fund V, L.P.	5/31/2011	5/30/2021	515	TMT, healthcare, consumer goods, modern services, etc.	19.42%
LC Fund VI, L.P.	1/30/2014	4/17/2024	500	TMT, healthcare, modern services, etc.	23.20%
LC Healthcare Fund I, L.P.	9/29/2015	2/4/2025	250	Healthcare	20.00%
LC Fund VII, L.P.	2/5/2016	2/4/2024	268	TMT, innovative consumption, modern services, intelligent manufacture	37.31%
RMB Funds (in RMB million)					
Beijing Legend Capital Ruizhi Venture Investment Center (Limited Partnership) (北京君聯睿智創業投資中心 (有限合夥))	9/18/2009	9/17/2017	1,000	TMT, healthcare, consumer goods, modern services, clean technology and advanced manufacture	31.00%
Tianjin Junruiqi Equity Investment L.P. (天津君睿祺股權投資合夥企業 (有限合夥))	3/31/2011	3/30/2019	3,632	TMT, healthcare, consumer goods, modern services, clean technology and advanced manufacture	31.67%
Beijing Legend Capital Maolin Equity Investment L.P. (北京君聯茂林股權投資合夥企業 (有限合夥))	9/9/2014	9/8/2022	3,204	Consumer goods, modern services, TMT, healthcare, etc.	31.21%
Shanghai Qiji Venture Investment L.P. (上海祺跡創業投資合夥企業 (有限合夥))	5/30/2015	5/29/2023	500	TMT and innovative consumer service sector	16.00%
Beijing Legend Capital Mingde Equity Investment L.P. (北京君聯名德股權投資合夥企業 (有限合夥))	7/31/2015	7/30/2021	1,272	Culture entertainment, sports	19.65%
Beijing Legend Capital Xinhai Equity Investment L.P. (北京君聯新海股權投資合夥企業 (有限合夥))	8/11/2015	8/10/2020	1,698	Return of red-chip, cross-border investment and other high-growth projects	17.67%
Beijing Legend Capital Yikang Equity Investment L.P. (北京君聯益康股權投資合夥企業 (有限合夥))	2/5/2016	2/4/2024	1,621	Healthcare	18.50%
Beijing Legend Capital Huicheng Equity Investment L.P. (北京君聯慧誠股權投資合夥企業) (有限合夥))	8/30/2016	8/29/2024	3,451	TMT, innovative consumption, modern services and advanced manufacture	28.98%

Notes:

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

(2) Total commitment represents the aggregate capital commitment by partners of limited partnerships or investors for the funds in the form of limited liability companies, if applicable, as of the final closing date.

(3) 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.

(4) LC Fund II is a limited liability company. It is our subsidiary and its financial data is consolidated in our consolidated financial statements.

(5) LC Fund VII, L.P. and Beijing Legend Capital Huicheng Equity Investment L.P.(北京君聯慧誠股權投資合夥企業)(有限合夥)) have not completed the final closing yet during the reporting period.

Hony Capital

Hony Capital is one of the leading equity investment and management institutions in China. As at the end of 2016, Hony Capital managed eight equity investment funds, as well as two mezzanine funds and one property fund in total. In the first half of 2016, Hony Capital raised the eighth equity investment fund with a size of USD2.2 billion. In the second half of 2016, the raising of Hony property fund commenced, and as of the end of 2016, it has completed settlements of two tranches with a size of RMB1.75 billion raised. Currently the fund raising is still underway and the size is expected to be further expanded.

Hony Capital's PE funds focus on SOE reforms, development of private enterprises and cross-border mergers and acquisitions. It persistently carries out investment practice with specific industry concentration in consumption, services, healthcare, advanced manufacturing and mobile Internet.

Hony Capital's mezzanine funds' risks and returns are categorized between senior bonds and equity. The investment strategies of Hony Capital's mezzanine funds mainly focuses on mergers and acquisitions financing, asset securitization financing and special opportunity financing (e.g. corporate bridge facility, secured-asset financing and asset restructuring opportunities, etc.) etc.

The property fund focuses strategically on the domain of office buildings in first-tier cities to create excess return over the market average, by applying various value-added means such as renovation, enhanced operation and functional adjustment to the office buildings in first-tier cities or other commercial buildings with potential of conversion into office buildings.

During the reporting period, Hony PE funds completed twelve new projects or additional investment on existing projects, covering start-up stage and growing stage in enterprises in healthcare, consumption, services and so on. Hony mezzanine funds completed five new investments and Hony property funds completed three new investments.

During the reporting period, Hony PE funds fully or partially exited nine projects, while Hony mezzanine funds fully or partially exited four projects, contributing cash inflow of nearly RMB700 million for Legend Holdings in total. Meanwhile, three of its portfolio companies were listed in domestic and overseas capital markets in 2016, namely Rongzhong Financial, Giant Interactive and Linglong Tire. As of December 31, 2016, 36 of Hony's portfolio companies have been successfully listed onshore or offshore (including PIPE investment) and another three are listed on NEEQS. As of December 31, 2016, Hony Capital has fully exited its investments in 34 companies. The median of the internal rate of return on these investments was above 20%.

The following table sets forth the information of Hony Capital's funds in which Legend Holdings and its subsidiaries held direct interests in their capacity as a limited partner as of December 31, 2016:

Name of Fund	Fund Term Commencement Date (month/day/year)	End Date (month/day/year)	Total Commitment	Investment Sector	Interests held by Legend Holdings as a limited partner (%)
USD Funds (in USD million)					
Hony International Limited	N/A	N/A	29	In view of China's economic environment and the direction of policies, Hony's equity investment funds strategically focus on the opportunities of SOE reforms, mergers and acquisitions of private enterprises and cross-border mergers and acquisitions sectors. In terms of industry selection, it focuses on industries directly benefiting from China's macro trends, including consumer industry, health industry, service industry and high-end manufacturing industry, as well as opportunities for transformation brought by the mobile Internet.	40%
Hony Capital II, L.P.	7/26/2004	8/31/2014	87		41%
Hony Capital Fund III, L.P.	9/19/2006	11/10/2016	580		34%
Hony Capital Fund 2008, L.P.	5/27/2008	6/26/2018	1,398		14%
Hony Capital Fund V, L.P.	8/10/2011	12/15/2021	2,368		11%
Hony Capital Fund VIII (Cayman), L.P.	8/18/2015	10/30/2025	1,647		16%
RMB Funds (in RMB million)					
Hony Capital RMB I, L.P. (弘毅投資產業一期基金（天津）(有限合夥))	4/24/2008	4/23/2018	5,026		30%
Hony Capital RMB Fund 2010, L.P. (北京弘毅貳零壹零股權投資中心 (有限合夥))	10/13/2010	10/12/2018	9,965		20%
Hony Capital Fund 2015, L.P. (弘毅貳零壹伍（深圳）股權投資基金中心（有限合夥）)	10/13/2015	10/12/2025	3,596		23%

Name of Fund	Fund Term Commencement Date (month/day/year)	End Date (month/day/year)	Total Commitment	Investment Sector	Interests held by Legend Holdings as a limited partner (%)
Hony Capital Mezzanine RMB Fund I, L.P. (弘毅一期(深圳)夾層投資中心(有限合夥))	5/17/2013	9/2/2016	1,040	Hony Capital's mezzanine funds focus mainly on investment opportunities of mergers and acquisitions financing, ABS financing and special opportunity investing, etc.	10%
Hony Capital Mezzanine RMB Fund II, L.P. (西藏達孜弘毅二期夾層基金合夥企業(有限合夥))	3/19/2015	10/15/2018	2,050		10%
Hony Capital Real Estate Fund 2015, L.P. 弘毅貳零壹伍(深圳)地產投資中心(有限合夥)	9/28/2016	9/27/2021	1,753	The property fund focuses strategically on the domain of office buildings in first-tier cities to create excess return over the market average, by applying various value-added means such as renovation, enhanced operation and functional adjustment to the office buildings in first-tier cities or other commercial buildings with potential of conversion into office buildings.	29%

Notes:

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

(2) Total commitment represents the aggregate capital commitment by partners of limited partnerships or investors for the funds in the form of limited liability companies, as applicable, as of the final closing date.

(3) HONY CAPITAL FUND VIII (CAYMAN), L.P. and Hony Capital Fund 2015, L.P. (弘毅貳零壹伍(深圳)股權投資基金中心(有限合夥)) were collectively named as "Hony RMB Fund VIII" in the above table.

Investment Properties

The investment properties that we hold mainly include the high-end office buildings, i.e. Raycom Info Tech Park Tower A, Tower B and Tower C in Zhongguancun, Beijing. As of December 31, 2016, the average occupancy rate was about 90%. We hold Tower A and Tower C of Raycom Info Tech Park through Raycom Property, a wholly-owned subsidiary of the Company and hold Tower B through Raycom Real Estate, a subsidiary. As of 31 December 2016, the fair value of our investment properties amounted to RMB10.032 billion (exclusive of self-use portions).

Discontinued operations

On September 16, 2016, we entered into the Asset Transfer Framework Agreement of Raycom Real Estate Development Co., Ltd. (《關於融科智地房地產股份有限公司之資產轉讓框架協議》) with Sunac Real Estate (an indirect wholly-owned subsidiary of Sunac China), whereby Sunac Real Estate agreed to acquire equity interests and debts owned by us relevant to the real estate development business. Legend Holdings and Sunac China obtained approvals from shareholder on October 26, 2016 and November 15, 2016, respectively. The conditions precedent of the transaction were fulfilled and entered into the period of assets transition. As of December 31, 2016, the target companies under the transaction has been gradually transferred and the business registration procedure continued to progress.

The adjusted total consideration receivables from Sunac Real Estate and other shareholders amounted to RMB15.851 billion. As of December 31, 2016, we received consideration of RMB2,960 million; as of March 29, 2017, we received consideration of RMB14.333 billion. According to the supplemental agreement with Sunac Real Estate, the remaining balance shall be settled in full by September 20, 2017.

During the reporting period, the net profit from discontinued operations attributable to equity holders of the Company was RMB7 million.

Financial Review

Net interest expense

Our net interest expenses after deducting capitalized amounts increased from RMB3,004 million for the year 2015 to RMB3,262 million for the year 2016. Increase in the net interest expenses was mainly due to the increase in the total borrowings.

Taxation

Our taxation increased from RMB455 million for the year 2015 to RMB476 million for the year 2016. Increase in the amount of taxation was mainly due to the combined effect of the increase in the profit before taxation and the decrease in unrecognized deferred income tax assets.

Capital expenditures and capital commitments

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

As at December 31, 2016, we had RMB7,943 million of capital expenditures contracted but not yet generated. Such capital commitments were mainly used for purchases of property, plant and equipment, and investment. Details of capital commitments are set out in Note 22 to the financial statements.

Liquidity and financial resources

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

Cash and cash equivalents

As of December 31, 2016, our cash and cash equivalents include RMB30,059 million of cash at bank and in hand and money market funds, among which, RMB, USD, HKD, EUR and other currencies accounted for 51%, 26%, 10%, 4% and 9%, respectively, while the amount as at December 31, 2015 was RMB34,803 million, among which, RMB, USD, HKD, EUR and other currencies accounted for 45%, 20%, 24%, 3% and 8%, respectively. It is our policy to place our cash in interest-bearing principal-protected demand or short-term deposits with reputable PRC and foreign banks.

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

Indebtedness

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

Unit: RMB million

	December 31, 2016	December 31, 2015
Bank loans		
– Unsecured loans	**21,032**	17,137
– Guaranteed loans	**15,663**	13,909
– Collateralized loans	**3,215**	5,714
Other loans		
– Unsecured loans	**30**	100
– Guaranteed loans	**7,954**	11,654
– Collateralized loans	**1,043**	3,182
Corporate bonds		
– Unsecured	**32,948**	24,853
– Guaranteed	**784**	708
	82,669	77,257
Less: non-current portion	**(56,516)**	(56,621)
Current portion	**26,153**	20,636

As of December 31, 2016, among our total borrowings, 74% was denominated in RMB (December 31, 2015: 73%), 25% was denominated in USD (December 31, 2015: 26%) and 1% was denominated in other currencies (December 31, 2015: 1%). If categorized by whether the interest rates were fixed or not, the fixed interest rates borrowings and the floating interest rates borrowings accounted for 89% and 11% of our total borrowings, respectively, while as at December 31, 2015 accounted for 91% and 9%, respectively. Increase in our indebtedness was mainly due to growth and expansion of our strategic investment business.

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

Unit: RMB million

	December 31, 2016	December 31, 2015
Within 1 year	**26,153**	20,636
After 1 year but within 2 years	**15,269**	15,224
After 2 years but within 5 years	**36,307**	37,935
After 5 years	**4,940**	3,462
	82,669	77,257

As of December 31, 2016, we had the following corporate bonds outstanding:

Issuer	**Type of bonds**	**Currency**	**Issuance date**	**Term**	**Principal amount**	**As of December 31, 2016**
The Company	Corporate bonds	RMB	October 31, 2011	7 years	RMB2,900 million	RMB2,892 million
The Company	Corporate bonds	RMB	November 30, 2012	10 years	RMB2,300 million	RMB2,288 million
The Company	Private placement bonds	RMB	March 21, 2014	5 years	RMB2,000 million	RMB1,985 million
The Company	Private placement bonds	RMB	March 27, 2014	5 years	RMB740 million	RMB736 million
Lenovo	Long term notes	USD	May 8, 2014	5 years	USD1,500 million	RMB10,368 million
Lenovo	Long term notes	RMB	June 10, 2015	5 years	RMB4,000 million	RMB3,977 million
Zhengqi Financial	Guaranteed bonds	RMB	September 16, 2015	3 years	RMB500 million	RMB486 million
The Company	Private placement bonds	RMB	October 29, 2015	3 years	RMB1,000 million	RMB995 million
Zhengqi Financial	Corporate bonds	RMB	March 3, 2016	3 years	RMB400 million	RMB397 million
The Company	Private placement bonds	RMB	March 17, 2016	1 year	RMB2,000 million	RMB1,999 million
Raycom Real Estate	Guaranteed bonds	RMB	May 31, 2016	3 years	RMB1,450 million	RMB298 million
The Company	Corporate bonds	RMB	July 6, 2016	5 years	RMB1,500 million	RMB1,495 million
The Company	Corporate bonds	RMB	July 6, 2016	10 years	RMB2,000 million	RMB1,991 million
JC Finance & Leasing	Asset backed securities	RMB	November 17, 2016	1-3 year	RMB830 million	RMB833 million
The Company	Private placement bonds	RMB	November 28, 2016	3 years	RMB3,000 million	RMB2,992 million

The annual interest rates of our bonds listed above as of December 31, 2016 ranged from 3.10% to 7.00%.

As of December 31, 2016, the Company had undrawn banking facilities of RMB86.3 billion. The Company has entered into formal or informal cooperation agreements with various major banks in China. According to these agreements, the banks granted the Company general banking facilities to support its capital needs. Prior approval of individual projects from banks in accordance with bank regulations of China must be obtained before the use of these banking facilities.

Current ratio and debt to equity ratio

	December 31, 2016	December 31, 2015
Current ratio (Times)	**1.0**	1.1
Debt to equity ratio	**76.3%**	65.2%

Current ratio

Current ratio is our current assets divided by our current liabilities at the end of each financial period. Our current ratio at the end of the reporting period decreased compared to December 31, 2015, mainly due to the fact that some of the long-term liabilities of the Company and its subsidiaries were reclassified as current liabilities.

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 at the end of the reporting period as compared with that as of December 31, 2015 was mainly due to the increase in the total borrowings of the Company.

Pledged Assets

As of December 31, 2016, we pledged the assets of RMB13.0 billion (December 31, 2015: RMB21.0 billion) for obtaining borrowings.

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 associates and third parties 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 SMEs for their borrowings from certain banks.

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, 2016 and December 31, 2015, the provision made by us was RMB108 million and RMB135 million respectively.

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

Unit: RMB million

	December 31, 2016	December 31, 2015
Guarantee in respect of mortgage facilities for certain purchasers	**–**	4,099
Financial guarantee of guarantee business	**3,751**	4,530
Other guarantee		
– Related parties	**2,022**	2,240
– Unrelated parties	**6,507**	1,500

Financial policies and risk management

General policies

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 financial 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.

Foreign exchange risk

We operate internationally and are exposed to foreign currency risk arising from various currency exposures, primarily with respect to RMB, USD and 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.

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 four capital markets: Hong Kong, China, US and Japan.

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.

We operate a number of customers' financing programmes mainly in our IT business. We are exposed to the risks of fluctuation of rates arising from all the currencies covered in such programmes.

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.

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 us and each of our subsidiaries. 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 institutions 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.

Events after the reporting period

On December 28, 2016, Zhengqi Financial introduced two strategic investors, namely Xiamen ITG Group Corp., Ltd (廈門國貿集團股份有限公司) and Cindafund Investment Management Co., Ltd (信達風投資管理有限公司), and obtained strategic investments amounting to RMB801 million. Relevant equity settlement procedures were officially completed in February, 2017.

On March 1, 2017, Lenovo (Beijing) Co., Ltd. (聯想（北京）有限公司), a wholly-owned subsidiary of Lenovo, which is in turn a subsidiary of the Company, entered into a share transfer agreement in relation to the disposal of 49% equity interests in Chengdu Lianchuang Rongjin Investment Limited (成都聯創融錦投資有限責任公司) ("Lianchuang Rongjin") at a consideration of approximately RMB1,617 million. Upon the disposal, the Group does not hold any equity interests in Lianchuang Rongjin. The gain before tax on disposal amounted to approximately RMB1,503 million.

On March 3, 2017, Lakala Payment, an associate of the Company, submitted the application to China Securities Regulatory Commission in relation to the initial issue of RMB ordinary A shares on ChiNext board of Shenzhen Stock Exchange.

Lenovo established the USD3,000 million medium term note programme ("Medium Term Note Programme") on November 30, 2016. Approval has been obtained from the Stock Exchange of Hong Kong Limited for the listing of, and permission to deal in, the aforesaid medium term notes by way of debt issue to professional investors only. On March 9, 2017, Lenovo entered into an agreement to carry out a drawdown under the Medium Term Note Program to propose the offering and issue of drawdown notes in an aggregate nominal amount of USD500 million, and the listing of such notes was also effected. On March 9, 2017, a subsidiary of Lenovo (as the issuer) entered into an agreement to issue USD850 million 5.375% perpetual securities in the form of cumulative preferred shares. The net proceeds from the issue of the securities will be on-lent by the issuer to Lenovo through the subscription by the issuer for the intra-group notes.

As of March 29, 2017, RMB14,333 million out of the Company's cash consideration receivables from the disposal of property development business was recovered. Under the framework agreement entered into with Sunac Real Estate, the Group undertook the provision of joint responsibility guarantee for the future financing of Sunac Real Estate amounting to approximately RMB7,497 million, of which the guarantee period of RMB5,500 million is within 1 year and the guarantee period of RMB1,997 million is within 3 years. As of December 31, 2016, the Company did not provide the guarantee; as of March 29, 2017, the Company provided a guarantee of RMB7,497 million. Meanwhile, Sunac Real Estate provided a counter-guarantee for the guarantee of RMB7,497 million.

Use of proceeds from the initial public offering

The Company's net proceeds from the initial public offering amounted to approximately HKD14.75 billion (equivalent to approximately RMB11.64 billion, including the proceeds from the partial exercise of over-allotment option), which are intended to be applied in the manner disclosed in the prospectus of the Company.

As of December 31, 2016, the Company applied RMB2 billion for the repayment of partial amount of the corporate bonds due in 2015, RMB342 million as ordinary working capital and the remaining balance has been deposited with Hong Kong licensed bank.

Details about the number of employees, remuneration policy and bonus

As at December 31, 2016, the Company and its subsidiaries had approximately 69,324 employees.

The Company truly understands that a professional team with high efficiency in the area of investment holdings companies is vital to a first-class investment holdings company for fully supporting the Company's strategic and business development. To attract and retain top-notch talents, the overall remuneration level has to be fairly competitive in the market. Therefore, the Company established a comprehensive remuneration system for senior management and employees with market competitiveness which is compatible with the business features of the Company:

1. The overall remuneration of the Company's senior management ("senior management") including the President, Executive Vice President, Senior Vice President, financial officers and the secretary of the Board of the Company comprises annual remuneration, mid-term to long-term incentives and benefits. Annual remuneration as well as mid-term to long-term incentives of senior management of the Company is determined by the Board of the based on the overall performance of the Company and duties undertaken by the senior management and their performance. The Company will then determine performance results according to the Company's performance and the performance appraisal of senior management. i) Annual remuneration comprises annual basic salaries (determined based on the duties undertaken by senior management) and target bonus (calculated based on a certain proportion of the basic salaries of senior management with reference to the overall performance of the Company and performance appraisal of senior management); and ii) benefits include basic social benefits and supplemental benefits of the Company.

2. Annual remuneration of the employees of the Company comprises basic salaries and target bonus. i) Basic salaries represent post salaries, and duties undertaken by the employees and their performance and capabilities; and ii) target bonus is determined based on a certain proportion of the employees' basic salaries and calculated based on the annual operating results of the Company and the annual performance appraisal of employees. In addition, the Company also established the basic social benefits and supplemental benefits for the employees.

3. In order to attract and motivate talents to create values for the sustainable development of the Company, thereby fostering the achievement of the Company's strategic objectives, the design framework of mid-term to long-term share incentive scheme was approved by the Board and the general meeting of the Company on March 2016 and June 2016, respectively. The Company completed the mid-term to long-term share incentive scheme at the end of 2016.

Pursuant to the relevant laws and regulations of China and other overseas jurisdictions, we provide various benefits to our employees, including pension insurance, medical insurance, employment injury insurance, unemployment insurance, maternity insurance and housing provident fund.

RECOMMENDATION OF FINAL DIVIDEND

The Board has recommended a final dividend of RMB0.242 per ordinary share (before tax) for the year ended December 31, 2016 (2015: RMB0.22), amounting to a total of approximately RMB570 million (before tax) (2015: RMB518 million), subject to the approval of the Shareholders at the forthcoming 2016 annual general meeting (the "AGM"). The Company will issue a separate announcement regarding the date of the 2016 AGM, the dates of closure of H share register of members of the Company, the record date and payment date for the dividends, etc.

FINANCIAL INFORMATION

CONSOLIDATED INCOME STATEMENT

For the year ended December 31, 2016

	Note	Year ended December 31, 2016 RMB'000	2015 (As restated) RMB'000
Continuing operations			
Sales of goods and services		**294,092,732**	298,949,570
Interest income		**879,324**	846,466
Interest expense		**(226,346)**	(254,174)
Net interest income		**652,978**	592,292
Total revenue	*3*	**294,745,710**	299,541,862
Cost of sales	*6*	**(249,641,024)**	(254,074,392)
Gross profit		**45,104,686**	45,467,470
Selling and distribution expenses	*6*	**(17,874,501)**	(16,217,870)
General and administrative expenses	*6*	**(23,580,499)**	(26,270,051)
Investment income and gains	*4*	**2,832,227**	5,230,772
Other income and gains/(losses)	*5*	**3,360,532**	(2,887,156)
Finance income	*7*	**492,208**	475,473
Finance costs	*7*	**(3,262,387)**	(3,003,570)
Share of profit of associates and joint ventures accounted for using the equity method		**1,066,493**	838,258
Profit from continuing operations before income tax		**8,138,759**	3,633,326
Income tax expense	*8*	**(476,255)**	(455,234)
Profit from continuing operations for the year		**7,662,504**	3,178,092
Discontinued operations			
Profit from discontinued operations for the year		**322,506**	597,514
Profit for the year		**7,985,010**	3,775,606
Profit attributable to:			
– Equity holders of the Company		**4,858,924**	4,659,083
– Non-controlling interests		**3,126,086**	(883,477)
		7,985,010	3,775,606
Profit attributable to the equity holders of the Company from:			
– Continuing operations		**4,851,984**	4,390,867
– Discontinued operations		**6,940**	268,216
		4,858,924	4,659,083

CONSOLIDATED INCOME STATEMENT

For the year ended December 31, 2016

		Year ended December 31,	
		2016	2015 (As restated)
Earnings per share for the profit attributable to the equity holders of the Company (expressed in RMB per share)			
Basic earnings per share	*9*		
– Continuing operations		**2.06**	2.02
– Discontinued operations		**–**	0.12
		2.06	2.14
Diluted earnings per share	*9*		
– Continuing operations		**2.06**	2.02
– Discontinued operations		**–**	0.12
		2.06	2.14

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2016

		Year ended December 31,	
		2016	2015 (As restated)
	Note	***RMB'000***	*RMB'000*
Profit for the year		**7,985,010**	3,775,606
Other comprehensive income/(loss):			
Items that will not be reclassified to income statement:			
Remeasurements of post-employment benefit obligation, net of taxes		**(271,732)**	(172,107)
Revaluation of investment properties upon reclassification from property, plant and equipment, net of taxes		**92,814**	122,722
Items that may be reclassified subsequently to income statement:			
Currency translation differences		**1,531,146**	(2,134,874)
Share of other comprehensive(loss)/income of associates using equity accounting		**(119,310)**	68,169
Change in fair value of available-for-sale financial assets, net of taxes		**(1,362,480)**	1,974,354
Fair value change on cash flow hedges, net of taxes		**224,128**	(456,935)
Other comprehensive income/(loss) for the year		**94,566**	(598,671)
Total comprehensive income for the year		**8,079,576**	3,176,935
Attributable to:			
– Equity holders of the Company		**4,744,639**	6,024,025
– Non-controlling interests		**3,334,937**	(2,847,090)
		8,079,576	3,176,935
Total comprehensive income attributable to the equity holders of the Company for the year from:			
– Continuing operations		**4,843,070**	5,777,489
– Discontinued operations		**(98,431)**	246,536
		4,744,639	6,024,025

CONSOLIDATED BALANCE SHEET

As at December 31, 2016

		As at December 31,	
		2016	2015
	Note	***RMB'000***	*RMB'000*
ASSETS			
Non-current assets			
Leasehold land and land use rights		**3,022,885**	2,234,255
Property, plant and equipment		**19,607,015**	20,732,944
Investment properties		**10,111,584**	10,219,472
Intangible assets		**59,935,496**	56,940,565
Associates and joint ventures using equity accounting		**11,931,574**	10,148,910
Associates measured at fair value through profit or loss		**15,515,436**	13,132,653
Available-for-sale financial assets		**9,848,802**	6,987,355
Financial assets at fair value through profit or loss		**1,347,003**	713,461
Loans to customers		**769,988**	–
Deferred income tax assets		**9,059,680**	6,762,026
Other non-current assets		**7,642,883**	3,362,867
		148,792,346	131,234,508
Current assets			
Inventories		**20,996,965**	18,362,352
Properties under development		**183,669**	27,296,999
Completed properties held for sale		**–**	6,214,796
Trade and notes receivables	*10*	**41,158,176**	38,288,360
Prepayments, other receivables and current assets	*11*	**52,621,172**	35,682,502
Available-for-sale financial assets		**30,000**	78,900
Loans to customers		**10,660,810**	4,569,434
Derivative financial instruments		**964,752**	412,443
Financial assets at fair value through profit or loss		**4,016,651**	2,228,771
Restricted deposits	*12*	**1,874,463**	1,410,625
Bank deposits	*12*	**10,900,422**	5,660,249
Cash and cash equivalents	*12*	**30,059,402**	34,802,953
		173,466,482	175,008,384
Total assets		**322,258,828**	306,242,892
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital	*14*	**2,356,231**	2,356,231
Reserves		**49,909,925**	46,540,284
Total equity attributable to equity holders of the Company		**52,266,156**	48,896,515
Non-controlling interests		**18,069,455**	17,513,967
Put option written on non-controlling interests	*17(iii)*	**(1,343,399)**	(1,343,399)
Total equity		**68,992,212**	65,067,083

CONSOLIDATED BALANCE SHEET

As at December 31, 2016

		As at December 31,	
		2016	2015
	Note	***RMB'000***	*RMB'000*
LIABILITIES			
Non-current liabilities			
Borrowings	*18*	**56,516,221**	56,621,152
Deferred revenue		**3,798,833**	3,694,151
Retirement benefit obligations		**2,790,929**	2,495,478
Provisions	*19*	**2,075,099**	2,101,822
Deferred income tax liabilities		**4,676,491**	4,948,916
Other non-current liabilities	*17*	**4,100,046**	15,511,161
		73,957,619	85,372,680
Current liabilities			
Trade and notes payables	*15*	**49,233,992**	45,728,181
Other payables and accruals	*16*	**87,788,354**	63,716,314
Derivative financial instruments		**367,619**	213,516
Provisions	*19*	**6,831,179**	8,721,533
Advance from customers		**2,870,695**	9,411,895
Deferred revenue		**3,894,168**	3,811,126
Current income tax liabilities		**2,169,581**	3,564,941
Borrowings	*18*	**26,153,409**	20,635,623
		179,308,997	155,803,129
Total liabilities		**253,266,616**	241,175,809
Total equity and liabilities		**322,258,828**	306,242,892
Net current assets		**(5,842,515)**	19,205,255
Total assets less current liabilities		**142,949,831**	150,439,763

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2016

	Attributable to the equity holders of the Company										Put option	
	Share capital *RMB'000*	Share premium *RMB'000*	Statutory surplus reserve *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*	written on non-controlling interests *RMB'000*	Total *RMB'000*
As January 1, 2015	2,000,000	–	–	999,333	1,118,792	213,061	(2,405,880)	5,554,018	24,503,367	22,215,587	(1,343,399)	52,854,879
Profit for the year	–	–	–	–	–	–	–	–	4,659,083	(883,477)	–	3,775,606
Other comprehensive income												
Fair value changes on available-for-sale financial assets	–	–	–	1,613,090	–	–	–	–	–	408,992	–	2,022,082
Reclassified to income statement on disposal of available-for-sale financial assets	–	–	–	(47,728)	–	–	–	–	–	–	–	(47,728)
Share of other comprehensive income of associates using equity accounting	–	–	–	68,169	–	–	–	–	–	–	–	68,169
Fair value change on forward foreign exchange contracts	–	–	–	–	–	(386,101)	–	–	–	(879,211)	–	(1,265,312)
Reclassified to income statement on forward foreign exchange contracts	–	–	–	–	–	247,242	–	–	–	561,135	–	808,377
Currency translation differences	–	–	–	–	–	–	(200,643)	–	–	(1,934,231)	–	(2,134,874)
Remeasurement of post-employment benefit obligation	–	–	–	–	–	–	–	(51,809)	–	(120,298)	–	(172,107)
Revaluation of investment properties upon reclassification from property, plant and equipment	–	–	–	122,722	–	–	–	–	–	–	–	122,722
Total comprehensive income/(loss) for the year	–	–	–	1,756,253	–	(138,859)	(200,643)	(51,809)	4,659,083	(2,847,090)	–	3,176,935
Issuance of new shares *(Note 14)*	356,231	11,724,078	–	–	–	–	–	–	–	–	–	12,080,309
Share issuance cost	–	(442,138)	–	–	–	–	–	–	–	–	–	(442,138)
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	9,582	–	9,582
Disposal of subsidiaries	–	–	–	–	–	–	–	–	–	(281,791)	–	(281,791)
Transaction with non-controlling interests	–	–	–	–	–	–	–	(642,547)	–	(564,340)	–	(1,206,887)
Contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	155,925	–	155,925
Transfer to reserve	–	–	–	–	–	–	–	29,265	(23,172)	(1,414)	–	4,679
Share of share option reserve of an associate	–	–	–	–	20,582	–	–	–	–	–	–	20,582
Share-based compensation	–	–	–	–	233,525	–	–	–	–	526,364	–	759,889
Transfer to statutory surplus reserve	–	–	191,599	–	–	–	–	–	(191,599)	–	–	–
Dividends paid	–	–	–	–	–	–	–	–	(366,025)	(1,698,856)	–	(2,064,881)
As December 31, 2015	2,356,231	11,281,940	191,599	2,755,586	1,372,899	74,202	(2,606,523)	4,888,927	28,581,654	17,513,967	(1,343,399)	65,067,083

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2016

	Attributable to the equity holders of the Company												
	Share capital *RMB'000*	Share premium *RMB'000*	Statutory surplus reserve *RMB'000*	Revaluation reserve *RMB'000*	Share-based compensation reserve *RMB'000*	Shares held for restricted share scheme *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, 2016	2,356,231	11,281,940	191,599	2,755,586	1,372,899	-	74,202	(2,606,523)	4,888,927	28,581,654	17,513,967	(1,343,399)	65,067,083
Profit for the year	-	-	-	-	-	-	-	-	-	4,858,924	3,126,086	-	7,985,010
Other comprehensive income													
Fair value changes on available-for-sale financial assets	-	-	-	(498,208)	-	-	-	-	-	-	(136,371)	-	(634,579)
Reclassified to income statement on disposal of available-for-sale financial assets	-	-	-	(512,631)	-	-	-	-	-	-	(215,270)	-	(727,901)
Share of other comprehensive loss of associates using equity accounting	-	-	-	(119,310)	-	-	-	-	-	-	-	-	(119,310)
Fair value change on forward foreign exchange contracts	-	-	-	-	-	-	65,423	-	-	-	107,120	-	172,543
Reclassified to income statement on forward foreign exchange contracts	-	-	-	-	-	-	16,034	-	-	-	35,551	-	51,585
Currency translation differences	-	-	-	-	-	-	-	925,464	-	-	605,682	-	1,531,146
Remeasurement of post-employment benefit obligation	-	-	-	-	-	-	-	-	(83,871)	-	(187,861)	-	(271,732)
Revaluation of investment properties upon reclassification from property, plant and equipment	-	-	-	92,814	-	-	-	-	-	-	-	-	92,814
Total comprehensive (loss)/income for the year	-	-	-	(1,037,335)	-	-	81,457	925,464	(83,871)	4,858,924	3,334,937	-	8,079,576
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	41,407	-	41,407
Disposal of subsidiaries	-	-	-	-	-	-	-	-	2,864	-	(1,676,948)	-	(1,674,084)
Transaction with non-controlling interests	-	-	-	-	-	-	-	-	(941,844)	-	(501,993)	-	(1,443,837)
Contribution from non-controlling interests	-	-	-	-	-	-	-	-	-	-	1,040,674	-	1,040,674
Transfer to reserve	-	-	-	-	-	-	-	-	6,074	(21,750)	3,285	-	(12,391)
Share of other reserve of associates	-	-	-	-	-	-	-	-	16,656	-	-	-	16,656
Share-based compensation	-	-	-	-	351,179	-	-	-	-	-	769,052	-	1,120,231
Purchase of restricted shares under share scheme	-	-	-	-	-	(269,831)	-	-	-	-	-	-	(269,831)
Transfer to statutory surplus reserve	-	-	120,208	-	-	-	-	-	-	(120,208)	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	-	(518,346)	(2,454,926)	-	(2,973,272)
As December 31, 2016	2,356,231	11,281,940	311,807	1,718,251	1,724,078	(269,831)	155,659	(1,681,059)	3,888,806	32,780,274	18,069,455	(1,343,399)	68,992,212

CONSOLIDATED CASH FLOW STATEMENT

For the year ended December 31, 2016

	Note	Year ended December 31, 2016 RMB'000	2015 (As restated) RMB'000
Cash flows from operating activities			
Cash generated from operations	*21*	**6,776,316**	419,989
Income tax paid		**(2,674,201)**	(1,941,882)
Net cash generated/(used) from operating activities of continuing operations		**4,102,115**	(1,521,893)
Net cash generated from operating activities of discontinued operations		**8,180,521**	2,215,676
Net cash generated from operating activities		**12,282,636**	693,783
Cash flows from investing activities			
Purchases of property, plant and equipment, and intangible assets		**(6,470,707)**	(6,943,594)
Proceeds from sale of property, plant and equipment, and intangible assets		**2,793,851**	547,654
Purchase of financial assets at fair value through profit or loss		**(1,848,291)**	(2,694,355)
Proceeds from the disposal of financial assets at fair value through profit or loss		**10,333**	1,420,786
Dividends from financial assets at fair value through profit or loss		**331,513**	553,823
Capital injection in associates measured at fair value through profit or loss		**(2,741,127)**	(1,979,840)
Distributions from associates measured at fair value through profit or loss		**1,369,808**	5,358,446
Acquisition of and capital injection in associates and joint ventures using equity accounting		**(579,780)**	(723,985)
Proceeds from partial disposal of associates using equity accounting		**33,591**	14,594
Distributions from associates using equity accounting		**194,364**	376,790
Purchase of available-for-sale financial assets		**(3,752,194)**	(1,972,616)
Proceeds from disposal of available-for-sale financial assets		**2,104,601**	620,606
Dividends from available-for-sale financial assets		**258,336**	287,599
Acquisition of subsidiaries, net of cash acquired		**(1,592,180)**	(196,521)
Disposal of subsidiaries, net of cash disposed		**288,651**	271,153
Interest received		**343,917**	548,864
Increase in bank deposits		**(4,770,526)**	(358,731)
(Prepayment to)/advanced from proposed transactions		**(1,135,226)**	112,014
Net cash used in investing activities of continuing operations		**(15,161,066)**	(4,757,313)
Net cash used in investing activities of discontinued operations		**(7,182,051)**	(66,771)
Net cash used in investing activities		**(22,343,117)**	(4,824,084)

CONSOLIDATED CASH FLOW STATEMENT
For the year ended December 31, 2016

		Year ended December 31,	
		2016	2015
			(As restated)
	Note	***RMB'000***	*RMB'000*
Cash flows from financing activities			
Proceeds from borrowings		**60,240,185**	17,476,768
Repayments of borrowings		**(54,082,718)**	(23,216,594)
Issuance of new shares		**–**	12,080,309
Payment of costs on issuance of new shares		**(244,017)**	(174,966)
Repurchase of shares		**(269,831)**	–
Capital contributions from non-controlling interests		**840,759**	157,528
Distribution to non-controlling interests		**(1,776,550)**	(1,664,356)
Transaction with non-controlling interests		**(1,561,152)**	(1,332,089)
Cash proceeds from issuance of bonds,net of issuance costs		**8,881,200**	5,757,650
Dividends paid to equity holders of the Company	*20*	**(518,371)**	(366,025)
Interest paid		**(3,178,265)**	(3,500,883)
Net cash generated from financing activities of continuing operations		**8,331,240**	5,217,342
Net cash generated from financing activities of discontinued operations		**(3,015,350)**	(2,125,665)
Net cash generated from financing activities		**5,315,890**	3,091,677
Net decrease in cash and cash equivalents of continuing operations		**(2,727,711)**	(1,061,864)
Net (decrease)/increase in cash and cash equivalents of discontinued operations		**(2,016,880)**	23,240
Net decrease in cash and cash equivalents		**(4,744,591)**	(1,038,624)
Cash and cash equivalents at beginning of year		**34,802,953**	35,772,890
Exchange gains on cash and cash equivalents		**1,040**	68,687
Cash and cash equivalents at end of year	*12*	**30,059,402**	34,802,953

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

The address of the Company's registered office is Room 1701, 17/F, Block 1, Court No. 2, Ke Xue Yuan Nanlu, Hai Dian District, Beijing 100190, PRC.

The Company operates 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 high-quality and portable technology products and services for customers and enterprises; (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) innovative consumption and services industry, which operates in modern services including dental care, logistics, car rental business, enterprise-level digital marketing solutions and internet healthcare services; (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 Chinese liquor, supplying seafood and accessory products, agriculture-oriented e-commerce platform and liquor direct sales chain; and (e) new materials industry, which includes the fine chemicals and energy materials and lithium-ion battery businesses.

The Company's subsidiaries operates in property industry, mainly in the business of development and sale of residential properties and office buildings, office rental services and property management service to projects that the Group developed. As described below, the business of development and sale of residential properties and office buildings and property management service to projects ("Real Estate Development Business") was disposed to Sunac Real Estate Group Co., Ltd. ("Sunac Real Estate") and minority shareholders of several subsidiaries (hereinafter collectively referred to as the "Purchaser") (Note 13).

The financial investments platform conducts investment in private equity and venture capital funds as a limited partner and holds interest in the general partners of certain funds. The Group also makes early stage or "angel" investments in technology start-ups and minority investments in other entities. In 2016, the subsidiaries under continuing operations operate in office rental services, which is classified into financial investments.

Sell Target Companies' Relevant equity interests and debts to Purchaser

At September 16, 2016, The Company and the Company's subsidiary Raycom Real Estate Development Co., Ltd ("Raycom Real Estate") and Sunac Real Estate entered into a framework agreement to sell the relevant equity interest and debts of 40 Target Companies ("Target Companies' Relevant equity interests and debts") to Sunac Real Estate. Several target companies' minority shareholders executed the right of pre-emption and purchased the relevant equity interests and debts. Raycom Real Estate agreed to sell and the purchasers agreed to purchase Target Companies' Relevant equity interests and debts. At November 30, 2016 and December 31, 2016 ("Transfer Dates"), Raycom Real Estate transferred the actual control over the operation and management of the 40 Target Companies and their respective subsidiaries to the purchasers ("Transfer of Management Rights") respectively.

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and requirements of the Hong Kong Companies Ordinance Cap 622 under the historical cost convention, as modified by the revaluation of 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 financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involve a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, the accounting policies and estimates adopted in the preparation of the annual financial statements for the year ended 31 December 2016 are consistent with those used in preparing the annual financial statements for the year ended 31 December 2015.

As described in Note 1, the Group sold Target Companies' Relevant equity interests and debts and finished Transfer of Management Rights to the Purchaser on Transfer Dates. The results and cash flows of the operations of the Real Estate Development Business segment of the Group have been presented as discontinued operations in the consolidated income statement and consolidated cash flow statement of the Group for the year ended December 31, 2016, and the 2015 comparative figures for the consolidated income statement and cash flow statement were also reclassified as discontinued operation accordingly. The difference between the consideration received and receivable and the book value of net assets disposed of is recorded into "profit from discontinued operations for the year" in the consolidated income statement for the year ended December 31, 2016. (Note 13)

2.1 New standards and interpretations adopted

The Group has adopted the following amendments and interpretations to standards which are mandatory for the accounting period beginning on January 1, 2016:

IAS 1 (Amendment)	The disclosure initiative
IAS 16 and IAS 38 (Amendment)	Clarification of acceptable methods of depreciation and amortisation
IFRS 10, IFRS 12 and IAS 28	Investment entities: applying the consolidation exception
IFRS 11 (Amendment)	Accounting for acquisitions of interests in joint operations
IFRS 14	Regulatory deferral accounts
Annual Improvement Project	Annual Improvements 2012-2014 Cycle

The adoption of above amendments and interpretations to standards does not have any significant financial effect on the consolidated financial statements.

2.2 New standards and interpretations not yet adopted

The following are new standards and amendments to standards that have been issued but are not yet effective for the financial year beginning on January 1, 2016 and have not been early adopted.

IAS 12 (Amendment)	Income Tax(1)
IAS 7 (Amendment)	Statement of Cash Flow(1)
IFRS 15	Revenue from Contracts with Customers(2)
IFRS 9	Financial Instruments(2)
IFRS 16	Lease(3)

(1) Effective for the accounting period beginning on January 1, 2017
(2) Effective for the accounting period beginning on January 1, 2018
(3) Effective for the accounting period beginning on January 1, 2019

The Group will apply the above new standards and amendments to standards when they become effective. The Group is in the process of making an assessment of the impact of the above new standards and amendments to standards in the consolidated financial statements of the group upon initial application.

3. SEGMENT INFORMATION

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

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

In 2016, the Company and its subsidiary Raycom Real Estate sold the Target Companies' relevant equity interests and debts. The management reassessed the segment disclosure for the year ended 31 December 2016. The comparative figures have been restated to meet this year's presentation.

The Group identifies 6 continuing operations segments and a discontinued operations segment as follows:

– **Continuing operations**

– IT segment, which is mainly engaged in the development, manufacturing and marketing high-quality and portable for technology products and services for customers and enterprises;

– 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;

– Innovative consumption and services segment, which operates mainly to provide comprehensive medical and health services, logistics, the car rental business, digital marketing solutions of enterprises and Internet healthcare services;

– Agriculture and food segment, which is mainly engaged in planting and sales of premium fruit and tea products in agriculture business, produce and sell various Chinese liquor brands, provide seafoods and accessory products, agriculture-oriented e-commerce platform and liquor direct sales chain;

– New materials segment, which includes the fine chemicals and fine new materials production services and lithium-ion battery business;

– Financial investments segment, which is engaged in investment in the private equity and venture capital funds as a limited partner and holds interest in the general partners of certain funds. It also makes early stage or "angel" investments in technology start-ups and minority investments in other entities. It also provides office rental services to consumers and businesses;

– **Discontinued operations**

– Property segment, which is primarily engaged in the business of the development and sale of residential properties and office buildings and property management services to projects that the Group developed.

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

The Board of Directors assesses the performance of the operating segments based on a measure of profit before tax.

	Continuing operations									Discontinued operations (Up to effective date of disposal)	Elimination	Total
	Strategic investment											
	IT	Financial services	Innovative consumption and services	Agriculture and food	New materials	Financial investments	Unallocated	Elimination	Sub-total	Property		
	RMB'000	*RMB'000*	*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	282,551,029	906,728	2,131,895	3,266,429	4,702,079	534,572	–	–	294,092,732	12,207,136	–	306,299,868
Net interest income	–	652,978	–	–	–	–	–	–	652,978	–	–	652,978
Inter-segment sales	–	23,487	–	–	–	4,775	–	(28,262)	–	–	–	–
Total	282,551,029	1,583,193	2,131,895	3,266,429	4,702,079	539,347	–	(28,262)	294,745,710	12,207,136	–	306,952,846
Segment results												
Profit/(loss) before income tax	4,431,608	1,849,734	(826,709)	129,251	(150,215)	3,698,085	(987,578)	(5,417)	8,138,759	1,550,571	(150,903)	9,538,427
Income tax (expense)/credit	(245,629)	(236,914)	22,800	(58,615)	334,389	(539,625)	247,339	–	(476,255)	(1,077,162)	–	(1,553,417)
Profit/(loss) for the year	4,185,979	1,612,820	(803,909)	70,636	184,174	3,158,460	(740,239)	(5,417)	7,662,504	473,409	(150,903)	7,985,010
Segment assets	180,178,870	37,126,517	8,727,463	7,815,411	8,808,065	70,585,125	15,821,770	(6,804,393)	322,258,828	–	–	322,258,828
Segment liabilities	166,090,476	23,925,051	6,229,855	2,900,051	6,905,768	10,480,369	43,539,439	(6,804,393)	253,266,616	–	–	253,266,616
Other segment information:												
Depreciation and amortisation	(4,968,807)	(7,068)	(188,804)	(80,770)	(329,651)	(16,382)	(8,633)	–	(5,600,115)	(10,511)	–	(5,610,626)
Impairment loss for non-current assets	–	–	(43,161)	(30,754)	(18,664)	–	–	–	(92,579)	–	–	(92,579)
Investment income/(loss)	77,100	1,044,319	(22,649)	36,626	(400,415)	2,102,663	–	(5,417)	2,832,227	(467,077)	–	2,365,150
Finance income	170,557	15,930	3,595	10,346	8,119	1,105	610,607	(328,051)	492,208	–	–	492,208
Finance costs	(1,474,661)	(148,115)	(233,813)	(56,893)	(254,656)	(53,512)	(1,392,275)	351,538	(3,262,387)	(415,633)	–	(3,678,020)
Share of profit of associates and joint ventures accounted for using the equity method	120,169	331,747	307,089	34,126	40,893	232,469	–	–	1,066,493	–	(150,903)	915,590
Material non-cash items other than depreciation and amortisation	(1,238,470)	–	–	–	–	–	–	–	(1,238,470)	–	–	(1,238,470)
Capital expenditure	5,166,185	10,984	894,460	130,717	39,253	33,373	44,830	–	6,319,802	4,083	–	6,323,885
Associates and joint ventures using equity accounting	483,668	5,342,943	2,974,222	1,853,253	337,846	939,642	–	–	11,931,574	–	–	11,931,574
Associates measured at fair value through profit or loss	–	–	–	–	–	15,515,436	–	–	15,515,436	–	–	15,515,436

	Continuing operations									Discontinued operations	Elimination	Total
	Strategic investment											
	IT RMB'000	Financial services RMB'000	Innovative consumption and services RMB'000	Agriculture and food RMB'000	New materials RMB'000	Financial investments RMB'000	Unallocated RMB'000	Elimination RMB'000	Sub-total RMB'000	Property RMB'000	RMB'000	RMB'000
Segment revenue												
Sales to external customers	293,255,377	309,730	1,494,615	1,638,511	1,838,988	412,349	–	–	298,949,570	10,284,277	–	309,233,847
Net interest income	–	592,292	–	–	–	–	–	–	592,292	–	–	592,292
Inter-segment sales	–	2,800	–	102	–	5,342	–	(8,244)	–	–	–	–
Total	293,255,377	904,822	1,494,615	1,638,613	1,838,988	417,691	–	(8,244)	299,541,862	10,284,277	–	309,826,139
Segment results												
(Loss)/profit before income tax	(2,081,053)	1,187,753	(365,370)	156,978	(1,100,870)	6,900,480	(1,056,552)	(8,040)	3,633,326	1,925,667	(120,914)	5,438,079
Income tax credit/(expense)	751,478	(175,213)	(64,193)	(22,832)	39,979	(1,248,591)	264,138	–	(455,234)	(1,207,239)	–	(1,662,473)
(Loss)/profit for the year	(1,329,575)	1,012,540	(429,563)	134,146	(1,060,891)	5,651,889	(792,414)	(8,040)	3,178,092	718,428	(120,914)	3,775,606
Segment assets	168,136,915	16,615,141	7,656,512	4,320,678	9,710,935	62,994,685	20,148,854	(11,604,865)	277,978,855	41,070,829	(12,806,792)	306,242,892
Segment liabilities	153,900,327	6,797,593	4,620,131	4,276,823	11,021,960	22,202,692	34,730,699	(11,331,239)	226,218,986	27,763,615	(12,806,792)	241,175,809
Other segment information:												
Depreciation and amortisation	(4,670,940)	(5,020)	(158,735)	(117,442)	(200,758)	(4,211)	(7,787)	–	(5,164,893)	(20,367)	–	(5,185,260)
Impairment loss for non-current assets	–	–	(36,366)	–	(946,629)	–	–	–	(982,995)	–	–	(982,995)
Investment income and gains	13,601	542,653	177,978	310,015	145,271	4,049,294	–	(8,040)	5,230,772	807	–	5,231,579
Finance income	196,414	10,214	4,243	5,580	5,320	693	779,393	(526,384)	475,473	36,674	–	512,147
Finance costs	(1,437,088)	(35,613)	(134,218)	(145,706)	(191,025)	(30,279)	(1,558,825)	529,184	(3,003,570)	(366,883)	–	(3,370,453)
Share of profit/(loss) of associates and joint ventures accounted for using the equity method	96,467	60,622	326,368	(24,740)	5,635	373,906	–	–	838,258	(5,140)	(120,914)	712,204
Material non-cash items other than depreciation and amortisation	(808,275)	–	–	–	–	–	–	–	(808,275)	–	–	(808,275)
Capital expenditure	4,838,945	11,719	947,240	209,498	1,372,079	5,365	20,227	–	7,405,073	161,025	–	7,566,098
Associates and joint ventures using equity accounting	287,842	4,831,931	2,564,949	1,300,564	275,348	960,745	–	(206,626)	10,014,753	134,157	–	10,148,910
Associates measured at fair value through profit or loss	–	–	–	–	–	13,132,653	–	–	13,132,653	–	–	13,132,653

(a) Revenue from external customers/Net interest income

	Year ended December 31, 2016 RMB'000	2015 (As restated) RMB'000
China	**88,891,347**	87,664,325
Overseas countries and regions	**205,854,363**	211,877,537
Total	**294,745,710**	299,541,862

(b) Non-current assets

	Year ended December 31, 2016 RMB'000	2015 RMB'000
China	**49,144,162**	50,328,499
Overseas countries and regions	**44,435,497**	40,881,179
Total	**93,579,659**	91,209,678

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.

4. INVESTMENT INCOME AND GAINS

	Year ended December 31, 2016 RMB'000	2015 (As restated) RMB'000
Gains on disposal/dilution of associates	**503,892**	412,088
Gains on disposal of available-for-sale financial assets	**944,723**	172,476
(Losses)/gains on disposal of subsidiaries	**(479,055)**	216,043
Dividend income from available-for-sale financial assets	**205,469**	279,584
Fair value gains and dividend income from associates measured at fair value through profit or loss	**840,514**	3,235,010
Fair value gains and dividend income from financial assets at fair value through profit or loss	**751,587**	872,137
Others	**65,097**	43,434
	2,832,227	5,230,772

5. OTHER INCOME AND GAINS/(LOSSES)

	Year ended December 31, 2016 RMB'000	2015 (As restated) RMB'000
Government grants	**1,440,682**	1,131,500
Gains/(Losses) on disposal of property, plant and equipment and intangible assets *(i)*	**2,207,296**	(1,926,650)
Fair value gains on investment properties	**344,017**	1,646,139
Net foreign exchange gains/(losses)	**200,270**	(184,515)
Severance and related costs *(i)*	**(902,126)**	(1,452,307)
Inventories write off *(i)*	**–**	(1,168,276)
Provision for lease obligations *(i)*	**–**	(378,979)
Others	**70,393**	(554,068)
	3,360,532	(2,887,156)

(i) In 2016, Lenovo announced resource actions and severance costs of RMB902 million were recognised. As at 2015, Lenovo made restructuring and one-time charges in order to drive greater efficiency across its organizations and it is primarily associated with severance costs of RMB1,452 million, loss on impairment and disposal of assets of RMB1,870 million, provision for lease obligations of RMB379 million; and smartphone inventories write off of RMB1,168 million in relation to realignment of key elements under Mobile Business Group in Lenovo.

6. EXPENSES BY NATURE

	Year ended December 31, 2016 RMB'000	2015 (As restated) RMB'000
Expenditure of inventories sold	**233,620,969**	238,462,637
Employee benefit expenses	**24,382,110**	24,603,257
Advertising costs	**6,501,625**	5,887,317
Depreciation and amortisation	**5,600,115**	5,164,893
Impairment loss for non-financial assets	**92,579**	982,995
Office and administrative expenses	**2,860,031**	3,081,770
Consultancy and professional fees	**1,721,511**	1,261,887
Auditors' remuneration	**103,369**	94,664
Labs and testing	**415,273**	527,047
Operating lease payments	**957,588**	1,244,958
Business tax and surcharge and other taxes	**724,324**	664,941
Transportation expenses	**571,951**	459,205
Inventory write-down	**158,207**	142,312
Other expenses *(i)*	**13,386,372**	13,984,430
	291,096,024	296,562,313

(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.

7. FINANCE INCOME AND COSTS

	For the year ended December 31,	
	2016	2015 (As restated)
	RMB'000	*RMB'000*
Interest expenses		
– Bank loans and overdrafts	**1,315,405**	1,362,259
– Other loans	**290,890**	221,618
– Bonds	**1,404,404**	1,304,564
Factoring costs	**202,408**	336,099
Interest costs on contingent considerations and put option liability	**43,775**	44,411
Commitment fee	**6,946**	33,703
Total finance costs	**3,263,828**	3,302,654
Less: amounts capitalised on qualifying assets	**(1,441)**	(299,084)
Finance costs	**3,262,387**	3,003,570
Finance income:		
– Interest income on bank deposits and money market funds	**(398,134)**	(421,879)
– Interest income on loans to related parties	**(94,074)**	(53,594)
Finance income	**(492,208)**	(475,473)
Net finance costs	**2,770,179**	2,528,097

8. 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.

	Year ended December 31,	
	2016	2015 (As restated)
	RMB'000	*RMB'000*
Current income tax		
Deferred income tax	**2,870,208**	2,462,511
	(2,393,953)	(2,007,277)
Income tax expense	**476,255**	455,234

9. EARNINGS PER SHARE

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

	Year ended December 31,	
	2016	2015 (As restated)
Weighted average number of issued ordinary shares *(thousands)*	**2,356,231**	2,181,369
Less shares held for restricted share scheme *(thousands)*	**(3,637)**	–
Weighted average number of issued ordinary shares for calculating basic earnings per share *(thousands)*	**2,352,594**	2,181,369
Basic earnings attributable to equity holders of the Company *(RMB'000)*		
– Continuing operations	**4,851,984**	4,390,867
– Discontinued operations	**6,940**	268,216
	4,858,924	4,659,083
Diluted impact on earnings *(RMB'000) (i)*	**(7,318)**	–
Potential dilutive effect arising from restricted shares *(thousands) (ii)*	**3,637**	–
Diluted earnings attributable to the equity holders of the Company *(RMB'000)*		
– Continuing operations	**4,844,666**	4,390,867
– Discontinued operations	**6,940**	268,216
	4,851,606	4,659,083
Weighted average number of issued ordinary shares for calculating diluted earnings per share *(thousands) (ii)*	**2,356,231**	2,181,369
Earnings per share		
– Basic *(RMB per share)*		
– Continuing operations	**2.06**	2.02
– Discontinued operations	**–**	0.12
	2.06	2.14
– Diluted *(RMB per share)*		
– Continuing operations	**2.06**	2.02
– Discontinued operations	**–**	0.12
	2.06	2.14

(i) Diluted impact on earnings is due to the effect of two categories of dilutive instruments, namely share options and long-term incentive awards.

(ii) Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue to assume conversion of all dilutive potential ordinary shares. The Company's dilutive potential ordinary shares comprise shares issued under the restricted share incentive scheme. A calculation is done to determine the number of shares that could have been converted at fair value (determined as the average market share price of the Company's shares during the year) based on the monetary value of the subscription rights attached to outstanding unvested awarded shares. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the conversion of the restricted shares, with the difference being adjusted in arriving at the weighted average number of shares for diluted earnings per share.

10. TRADE AND NOTES RECEIVABLES

At December 31, 2016 and 2015, the ageing analysis of the trade receivables based on invoice date was as follows:

	As at December 31,	
	2016	2015
	RMB'000	*RMB'000*
Up to 3 months	**34,213,481**	33,108,364
3 to 6 months	**2,218,385**	2,463,900
6 months to 1 year	**905,399**	355,990
1 to 2 years	**216,924**	320,490
2 to 3 years	**41,917**	5,353
Over 3 years	**44,731**	42,645
	37,640,837	36,296,742

As at December 31, 2016 and 2015, trade and notes receivables with a net amount of RMB1,676 million and RMB40 million was used as collateral for short-term borrowings of RMB1,383 million and RMB40 million.

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

11. PREPAYMENT, OTHER RECEIVABLES AND OTHER CURRENT ASSETS

	As at December 31,	
	2016	2015
	RMB'000	*RMB'000*
Receivables from parts subcontractors	**17,026,714**	13,404,989
Prepayments	**10,363,030**	7,684,653
Prepaid tax	**5,359,974**	5,625,298
Amounts due from related parties	**1,160,217**	3,445,025
Amount due from non-controlling shareholders of subsidiaries	**–**	1,596,654
Advance to suppliers	**1,395,915**	1,403,637
Deposits receivable	**446,047**	482,122
Advance to employees	**101,955**	261,426
Adjustment for in-transit products	**207,985**	97,513
Consideration receivable from disposal of discontinued operations *(Note 13)*	**12,891,000**	–
Others	**3,735,030**	1,730,278
	52,687,867	35,731,595
Less: provision for bad debt	**(66,695)**	(49,093)
	52,621,172	35,682,502

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

	As at December 31,	
	2016	2015
	RMB'000	*RMB'000*
Restricted deposit		
Deposits for guarantee business	**327,387**	481,708
Deposits for notes payables and borrowings	**588,803**	519,816
Other restricted deposit	**958,273**	409,101
	1,874,463	1,410,625
Current portion	**1,874,463**	1,410,625
Bank deposit		
Matured between three to twelve months	**10,900,422**	5,660,249
Cash and cash equivalents		
Cash at bank and in hand	**27,416,574**	32,681,323
Money market funds	**2,642,828**	2,121,630
	30,059,402	34,802,953
Total	**42,834,287**	41,873,827
Maximum exposure to credit risk	**42,834,287**	41,873,827
Effective annual interest rates	**0% – 13.75%**	0% – 14.25%

13. DISCONTINUED OPERATIONS

At September 16, 2016, The Company and the Company's subsidiary Raycom Real Estate and Sunac Real Estate entered into Framework Agreement to sell Target Companies' Relevant equity interests and debts to Sunac Real Estate. Several target companies' minority shareholders executed the right of pre-emption and purchased the relevant equity interests and debts. Raycom Real Estate agreed to sell and the Purchasers agreed to purchase Target Companies' Relevant equity interests and debts. At Transfer Dates, Raycom Real Estate transferred the actual control over the operation and management of the 40 Target Companies and their respective subsidiaries to the Purchasers respectively.

Net assets disposed of:	**As at Transfer Dates** *RMB'000*
Cash and cash equivalents	10,133,043
Properties under development and Completed properties held for sale	29,399,670
Investment properties	390,574
Deferred income tax assets	415,175
Other assets	6,260,874
Advance from customers	(12,708,694)
Borrowings	(7,261,500)
Deferred income tax liabilities	(66,206)
Other liabilities	(8,463,289)
Non-controlling interests	(1,706,657)
	16,392,990
Loss on disposal of Real Estate Development Business	(541,990)
Add: Transfer to gain on disposal from currency translation differences	113,537
Loss on disposal of Real Estate Development Business before tax	(428,453)
Less: Income tax expense arising from the disposal of Real Estate Development Business	(29,777)
Loss on disposal of Real Estate Development Business recognised in income statement	(458,230)
Cash consideration on the disposal of Real Estate Development Business	15,851,000
Less: Cash consideration receivable from disposal of Real Estate Development Business *(Note 11)*	(12,891,000)
Cash and cash equivalents included in disposed business	(10,133,043)
Net cash outflow	(7,173,043)

	For the period from January 1, 2016 to Transfer Dates *RMB'000*	**2015** *RMB'000*
Revenue	12,207,136	10,284,277
Expenses	(10,228,112)	(8,358,610)
Profit before income tax from discontinued operations	1,979,024	1,925,667
Income tax expenses	(1,047,385)	(1,207,239)
Profit for the period of discontinued operations	931,639	718,428
Loss on disposal of discontinued operations before tax	(428,453)	–
Income tax expenses	(29,777)	–
Loss on disposal of discontinued operations after tax	(458,230)	–
Elimination with continuing operations	(150,903)	(120,914)
Profit for the period/year from discontinued operations	322,506	597,514

	For the period from January 1, 2016 to Transfer Dates	2015
	RMB'000	*RMB'000*
Net cash inflow from operating activities	8,180,521	2,215,676
Net cash outflow from investing activities	(9,008)	(66,771)
Cash outflow from disposal of Real Estate Development Business	(7,173,043)	–
Net cash outflow from investing activities	(7,182,051)	(66,771)
Net cash outflow from financing activities	(3,015,350)	(2,125,665)
Net cash (outflow)/inflow from discontinued operations	(2,016,880)	23,240

14. SHARE CAPITAL

Ordinary shares issued and fully paid

	Share capital	
	Number of shares	**Share capital**
	'000	*RMB'000*
As at January 1, 2015	2,000,000	2,000,000
– Issuance of new shares *(i)*	356,231	356,231
As at December 31, 2015	2,356,231	2,356,231
As at December 31, 2016	**2,356,231**	**2,356,231**

(i) On June 29, 2015, the Company completed its global public offering of shares ("Global Offering") by issuing 352,944,000 new shares with nominal value of RMB1.00 each at a price of HK$42.98 per share. The Company's shares were then listed on the Main Board of the Stock Exchange of Hong Kong.

On July 17, 2015, the over-allotment option under the Company's Global Offering was partially exercised by the Joint Global Coordinators (on behalf of the International Underwriters) in respect of an aggregate of 3,286,900 shares, representing approximately 0.93% of the Offer Shares initially available under the Global Offering. On July 21, 2015, the over-allotment shares were issued and allotted by the Company at HK$42.98 per share, being the offer price per share under the Global Offering.

15. TRADE AND NOTES PAYABLES

At December 31, 2016, the ageing analyses of the trade payables based on invoice date were as follows:

	As at December 31,	
	2016	2015
	RMB'000	*RMB'000*
0-30 days	**24,303,028**	23,558,493
31-60 days	**12,169,486**	12,272,403
61-90 days	**5,444,328**	3,957,412
90 days-1 year	**1,879,918**	2,576,514
Over 1 year	**40,135**	1,411,955
	43,836,895	43,776,777

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

16. OTHER PAYABLES AND ACCRUALS

	As at December 31,	
	2016	2015
	RMB'000	*RMB'000*
Payable to parts subcontractors	**35,131,133**	25,037,780
Allowance for billing adjustment *(i)*	**11,699,646**	13,422,700
Accrued expenses	**10,230,639**	12,071,648
Payroll payable	**2,939,559**	2,872,929
Other taxes payable	**1,786,792**	1,717,506
Amounts due to related parties *(ii)*	**552,461**	423,828
Deposits payable	**477,747**	491,216
Royalty payable	**769,008**	779,330
Amount due to non-controlling shareholders of subsidiaries *(iii)*	**–**	1,297,125
Social security payable	**732,498**	850,922
Deferred considerations *(Note 17 (i))*	**10,474,978**	191,998
Contingent considerations *(Note 17 (i))*	**–**	1,944,931
Written put option liability *(Note 17 (iii))*	**1,547,992**	–
Interest payable	**605,760**	419,964
Loans from third parties	**1,109,643**	231,282
Transferred loans to be redeemed	**5,584,850**	–
Asset management program	**1,436,000**	320,000
Others	**2,709,648**	1,643,155
	87,788,354	63,716,314

(i) Allowance for billing adjustment relates primarily to allowances for future volume discounts, price protection, rebates, and customer sales returns.

(ii) As at December 31, 2016 and December 31, 2015, RMB281 million and RMB424 million of amounts due to related parties are unsecured, bearing interest rate from 6.50% to 8.00%. The remaining balance is unsecured and interest-free payables.

(iii) As at December 31, 2016, no amount due to non-controlling equity holders of subsidiaries. As at December 31, 2015, RMB1,045 million of amounts due to non-controlling equity holders of subsidiaries was unsecured, bearing interest rate from 6.53% to 8.80% and repayable on demand. The remaining balance is unsecured and interest-free payables.

17. OTHER NON-CURRENT LIABILITIES

	As at December 31,	
	2016	2015
	RMB'000	*RMB'000*
Deferred considerations *(i)*	**173,924**	8,920,010
Government incentives and grants received in advance *(ii)*	**1,164,597**	1,780,228
Written put option liability *(iii)*	**–**	1,434,767
Guaranteed dividend to non-controlling equity holders of a subsidiary *(iv)*	**–**	64,007
Loans from related parties	**–**	400,000
Unfavourable lease contracts assumed	**514,076**	585,041
Long-term payables	**1,577,309**	953,644
Government loan	**–**	656,726
Others	**670,140**	716,738
	4,100,046	15,511,161

(i) In connection with certain business combinations, the Group is required to pay in cash to the then respective shareholders/sellers contingent considerations with reference to certain performance indicators as written in the respective agreements with those then shareholders/sellers; and deferred consideration. 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, 2016 and 2015, the potential undiscounted amounts of future payments in respect of the contingent and deferred considerations that the Group could be required to make to the then respective shareholders/sellers under the arrangements are as follows:

	As at December 31,	
	2016	2015
Joint venture with NEC Corporation	**USD25 million**	Nil – USD309 million
Joint venture with EMC Corporation	**–**	USD39 – 59 million
Stoneware Inc.	**–**	Nil – USD48 million
Google Inc. *(a)*	**USD1,448 million**	USD1,448 million

(a) Since the consideration will be settled at October 30, 2017, the balance was reclassified to other payables and accruals this year.

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 USD4 million and USD30 million, USD4 million and USD30 million on December 31, 2016 and 2015, respectively with the corresponding loss/gain recognised in consolidated income statement.

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

(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 JV Co. 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 and USD4 million on December 31, 2016 and 2015, 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.

As the put options will be exercisable at any time after October 1, 2017, the entire balance has been reclassified to other payables and accruals.

(iv) Following the acquisition of Medion AG ("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 dividend 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. In September 2016, with 6 months' notice, the termination period would be after March 31 2017. As a result, Lenovo has written off the liabilities during the period.

18. BORROWINGS

	As at December 31,	
	2016	2015
	RMB'000	*RMB'000*
Bank loans		
– Unsecured loans	**21,032,644**	17,137,375
– Guaranteed loans	**15,663,020**	13,909,088
– Collateralised loans	**3,214,646**	5,713,809
Other loans		
– Unsecured loans	**30,000**	100,000
– Guaranteed loans	**7,954,505**	11,654,240
– Collateralised loans	**1,042,651**	3,182,370
Corporate bonds *(i)*		
– Unsecured	**32,948,267**	24,851,504
– Guaranteed	**783,897**	708,389
	82,669,630	77,256,775
Less: non-current portion	**(56,516,221)**	(56,621,152)
Current portion	**26,153,409**	20,635,623

As at December 31, 2016 and 2015, the carrying value of the borrowings approximates their fair value.

(i) The information about corporate bonds issued as of December 31, 2016 is as below:

Issuer	Type of bonds	Currency	Issuance date	Term	Principal amount '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 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
Lenovo	Long term notes	RMB	June 10, 2015	5 years	4,000,000
Zhengqi Financial	Guaranteed bonds *(i)*	RMB	September 16, 2015	3 years	500,000
The Company	Private placement bonds	RMB	October 29, 2015	3 years	1,000,000
Zhengqi Financial	Corporate bonds	RMB	March 3, 2016	3 years	400,000
The Company	Private placement bonds	RMB	March 17, 2016	1 year	2,000,000
Raycom Real Estate	Guaranteed bonds *(i)*	RMB	May 31, 2016	3 years	1,450,000
The Company	Corporate bonds	RMB	July 6, 2016	5 years	1,500,000
The Company	Corporate bonds	RMB	July 6, 2016	10 years	2,000,000
JC Finance & Leasing	Asset backed securities	RMB	November 17, 2016	1-3 years	830,000
The Company	Private placement bonds	RMB	November 28, 2016	3 years	3,000,000

(i) The guaranteed bonds issued by Zhengqi Financial and Raycom Real Estate are both secured by the Company.

The annual interest rates of the above bonds are from 3.10% to 7.00%.

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

	As at December 31, 2016	2015
Bank loans	**1.28%-8.50%**	1.35%-10.20%
Other loans	**5.48%-9.50%**	0.37%-10.80%

(b) Borrowings are repayable as follows:

	As at December 31,	
	2016	2015
	RMB'000	*RMB'000*
Within 1 year	**26,153,409**	20,635,623
After 1 year but within 2 years	**15,269,157**	15,223,597
After 2 years but within 5 years	**36,306,545**	37,935,019
After 5 years	**4,940,519**	3,462,536
	82,669,630	77,256,775

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

	As at December 31,	
	2016	2015
	RMB'000	*RMB'000*
RMB	**61,784,874**	57,202,845
USD	**20,743,052**	19,934,802
HKD	**116,625**	96,066
EUR	**–**	12,344
Others	**25,079**	10,718
	82,669,630	77,256,775

19. PROVISIONS

	Warranties	Environmental restoration	Restructuring	Provision on guarantee	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of the year	**9,429,065**	**54,968**	**1,204,764**	**134,558**	**10,823,355**
Provision made	**4,968,250**	**64,611**	**902,126**	**–**	**5,934,987**
Unused amounts reversed	**–**	**(292)**	**–**	**(15,795)**	**(16,087)**
Amount utilised	**(6,990,500)**	**(65,621)**	**(1,325,527)**	**(10,301)**	**(8,391,949)**
Exchange adjustment	**471,724**	**3,682**	**80,566**	**–**	**555,972**
At end of the year	**7,878,539**	**57,348**	**861,929**	**108,462**	**8,906,278**
Non-current portion	**(2,036,800)**	**(38,299)**	**–**	**–**	**(2,075,099)**
As at December 31, 2016	**5,841,739**	**19,049**	**861,929**	**108,462**	**6,831,179**
At beginning of the year	9,899,690	139,384	–	145,990	10,185,064
Provision made	6,695,788	40,627	2,192,854	–	8,929,269
Unused amounts reversed	(22,221)	(76,891)	–	(11,432)	(110,544)
Amount utilised	(7,309,574)	(48,626)	(1,034,717)	–	(8,392,917)
Exchange adjustment	165,382	474	46,627	–	212,483
At end of the year	9,429,065	54,968	1,204,764	134,558	10,823,355
Non-current portion	(2,064,400)	(37,422)	–	–	(2,101,822)
As at December 31, 2015	7,364,665	17,546	1,204,764	134,558	8,721,533

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

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

Restructuring costs provision mainly comprises lease termination obligation and employee termination payments, arising from a series of restructuring actions to reduce costs and enhance operational efficiency. The Group records its restructuring costs provision when it has a present legal or constructive obligation as a result of restructuring actions.

20. DIVIDENDS

The dividends paid in 2016 and 2015 were RMB518 million (RMB0.22 per share) and RMB366 million (RMB0.183 per share) respectively. A dividend in respect of the year ended 31 December 2016 of RMB0.242 per share, amounting to a total dividend of RMB570 million, is to be proposed at the forthcoming 2016 annual general meeting. These financial statements do not reflect this dividend payable.

21. CASH GENERATED FROM OPERATIONS

	Year ended December 31,	
	2016	2015 (As restated)
	RMB'000	*RMB'000*
Profit before income tax from continuing operations:	**8,138,759**	3,633,326
Adjustments for:		
Impairment loss	**817,025**	1,928,241
Inventories write off *(Note 5)*	**–**	1,168,276
Provision for lease obligations *(Note 5)*	**–**	378,979
Depreciation of property, plant and equipment	**2,380,015**	2,086,845
Amortisation	**3,220,100**	3,078,048
(Gains)/losses on disposal of property, plant and equipment and Intangible assets *(Note 5)*	**(2,207,296)**	1,926,650
Fair value gains on investment properties *(Note 5)*	**(344,017)**	(1,646,139)
Fair value gains and dividend income from financial assets at fair value through profit or loss *(Note 4)*	**(751,587)**	(872,137)
Fair value gains and dividend income from associates measures at fair value through profit or loss *(Note 4)*	**(840,514)**	(3,235,010)
Finance costs – net *(Note 7)*	**2,770,179**	2,528,097
Gains on disposal/dilution of associates *(Note 4)*	**(503,892)**	(412,088)
Gains on disposal of available-for-sale financial assets *(Note 4)*	**(944,723)**	(172,476)
Losses/(gains) on disposal of subsidiary *(Note 4)*	**479,055**	(216,043)
Dividend income from available-for-sale financial assets *(Note 4)*	**(205,469)**	(279,584)
Share-based payment	**1,238,470**	808,275
Share of profit of associates and joint ventures accounted for using the equity method	**(1,066,493)**	(838,258)
Net foreign exchange (gains)/losses	**(200,270)**	184,515
Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation):		
Inventories, properties under development and completed properties held for sale	**(1,715,050)**	2,068,222
Trade and other receivables	**(9,106,830)**	308,431
Trade and other payables	**5,618,854**	(12,006,181)
Cash generated from operating activities of continuing operations	**6,776,316**	419,989

22. COMMITMENTS

(a) Capital commitments

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

	As at December 31,	
	2016	2015
	RMB'000	*RMB'000*
Property, plant and equipment	**2,606,562**	2,815,808
Intangible assets	**11,465**	280
Investments *(i)*	**5,325,437**	3,796,440
Land use rights and properties under development	**–**	4,223,761
Total	**7,943,464**	10,836,289

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

(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 6.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	As at December 31,	
	2016	2015
	RMB'000	*RMB'000*
No later than 1 year	**631,830**	802,347
Later than 1 year and not later than 5 years	**2,714,675**	3,761,078
Later than 5 years	**3,897,754**	1,934,999
	7,244,259	6,498,424

23. BUSINESS COMBINATIONS

In 2016, the major business combination activities are as follows:

On March 31, 2016, the Group acquired the entire equity interests in KB Seafoods. KB Seafoods is engaged in supplying seafoods and accessory products for the retails and catering markets in Australia and New Zealand, and at the same time exporting premium seafoods.

In September and October, 2016, the Group acquired the 100% equity interests in Beijing Lakala Microcredit Co., Ltd., Guangzhou Lakala Network Microcredit Co., Ltd., Beijing Kaola Crowdfunding Investment Management Co., Ltd., Lakala Technology Development Co., Ltd., Shenzhen Zhongying Weirong Technology Co., Ltd., Guangzhou Zhongying Weirong Intelligence Technology Co., Ltd., Lakala Network Technology Co., Ltd., and the 70%, 90% and 99% equity interests in Lakala Pictures Co., Ltd., Beijing Zhongbeilian Credit Evaluation Co., Ltd. and Kunlun Tiandi Science and Technology Development Co., Ltd. ("Lakala Finance"). The abovementioned acquisitions' principal businesses are value-added financial services. The acquisition provides the Group with immediate access to all assets and personnel to accelerate the Group's entry into mature geographies for financial services.

(a) Set forth below is the calculation of goodwill:

	For the year ended December 31, 2016		
	KB Seafoods	**Lakala Finance**	**Total**
	RMB'000	***RMB'000***	***RMB'000***
Purchase consideration			
– Cash paid less cash to be refunded	**949,926**	**1,079,040**	**2,028,966**
– Present value of deferred consideration	**57,339**	**364,970**	**422,309**
Total purchase consideration	**1,007,265**	**1,444,010**	**2,451,275**
Less: Fair value of net assets acquired	**(620,244)**	**(1,444,010)**	**(2,064,254)**
Goodwill	**387,021**	**–**	**387,021**

(b) The major components of assets and liabilities arising from the business combination activities are as follows:

	For the year ended December 31, 2016		
	KB Seafoods	**Lakala Finance**	**Total**
	RMB'000	***RMB'000***	***RMB'000***
Cash and cash equivalents	**56,297**	**673,995**	**730,292**
Property, plant and equipment	**123,347**	**5,289**	**128,636**
Other non-current assets	**7,882**	**5,655,865**	**5,663,747**
Intangible assets	**187,627**	**86**	**187,713**
Net working capital, except cash and cash equivalents	**276,301**	**(4,875,971)**	**(4,599,669)**
Non-current liabilities	**(31,211)**	**–**	**(31,211)**
Non-controlling interests	**–**	**(15,254)**	**(15,254)**
Fair value of net assets acquired	**620,244**	**1,444,010**	**2,064,254**

(c) Net cash outflow from acquisition of subsidiaries

	Year ended December 31, 2016		
	KB Seafoods	**Lakala Finance**	**Total**
	RMB'000	***RMB'000***	***RMB'000***
Purchase consideration settled in cash	**949,926**	**1,079,040**	**2,028,966**
Less: cash and cash equivalents of subsidiaries acquired	**(56,297)**	**(673,995)**	**(730,292)**
Acquisition of subsidiaries, net of cash acquired	**893,629**	**405,045**	**1,298,674**

(d) Impact of acquisitions on the results of the Group

The aggregated revenue of newly acquired businesses mentioned above included in the consolidated income statement since their respective dates of acquisition and up to December 31, 2016 was RMB2,324 million. The newly acquired businesses mentioned above also contributed an aggregated profit after taxation of RMB94 million over the same period. Had the newly acquired businesses mentioned above been consolidated from January 1, 2016, the beginning of the financial year, the consolidated income statement would show revenue of RMB3,972 million and profit after taxation of RMB199 million.

The operation results of other newly acquired business do not have significant impact on the consolidated financial information for the year ended December 31, 2016.

CORPORATE GOVERNANCE CODE

The Company is committed to maintaining high standards of corporate governance in order to safeguard interests of our shareholders and enhance the corporate value and accountability. The Company has complied with all the applicable code provisions of the Corporate Governance Code contained in Appendix 14 of the Listing Rules during the year ended December 31, 2016.

SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted the Model Code for Securities Transactions by Directors and Supervisors (the "Model Code"), which is no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules. Specific enquiry has been made of all the Directors and Supervisors, and all the Directors and Supervisors have confirmed that they had complied with the Model Code during the year ended December 31, 2016.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

During the year ended December 31, 2016, the Company entrusted a custodian to purchase a total of 16,048,700 shares of the Company by way of trust as an incentive subject of the restricted share incentive scheme of the Company (please refer to the Company's circular dated April 15, 2016 for details). Save for the above transaction, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended December 31, 2016.

AUDIT COMMITTEE

The Audit Committee of the Company comprises three members, namely, Ms. HAO Quan (Chairperson), Mr. ZHANG Xuebing and Mr. WANG Jin.

The Audit Committee has reviewed the results of the Group for the year ended December 31, 2016 and has discussed with the management the accounting policies and practices adopted by the Group, and its internal controls and financial reporting matters.

AUDITORS

PricewaterhouseCoopers ("PwC") was appointed as the Company's auditor for the year ended December 31, 2016. The 2016 consolidated financial statements of the Company prepared in accordance with International Financial Reporting Standards have been audited by PwC.

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

This announcement was published on the website of Hong Kong Stock Exchange (www.hkexnews.hk) and on the website of the Company (www.legendholdings.com.cn). The annual report for the year ended December 31, 2016 will be dispatched to Shareholders and published on the websites of Hong Kong Stock Exchange and the Company in due course.

DEFINITIONS

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

"ABS"	asset securitization, a kind of tradable security based on basic assets (specific asset portfolio or cash flows), which is issued in the form of similar bonds
"associate(s)"	for the purpose of this announcement, all entities over which the Company and it subsidiaries has significant influence. Significant influence represents the power to participate in the financial and operational policy decision of the investees, but without control or joint control rights over these policies
"Board"	board of directors of the Company
"Bybo Dental"	Bybo Dental Group Co., Ltd. (拜博醫療集團有限公司) (formerly known as Guangdong Bybo Dental Investment Management Co., Ltd. (廣州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

"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 our associate
"Cloud Farm"	Beijing Tianchen Cloud Farm Corporation (北京天辰雲農場科技股份有限公司), an associate of Joyvio Group
"Company", "our Company" or "Legend Holdings"	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 and listed on the Main Board of the Hong Kong Stock Exchange (Stock Code: 3396)
"DMTO"	the technique for using coal or natural gas instead of oil for production of ethylene and propene
"eloancn.com"	Beijing Tongcheng Eloancn Network Co., Ltd. (北京同城翼龍網絡科技有限公司), a limited liability company incorporated on April 12, 2005 under the laws of the PRC, and our associate
"EUR"	Euro, the official currency of the Eurozone which consists of certain state members of the European Union
"EVA"	ethylene-vinylacetate copolymer
"Funglian Group"	Funglian Holdings Co., Ltd. (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
"Golden Wing Mau"	Golden Wing Mau Agricultural Produce Corporation (深圳市鑫榮懋農產品股份有限公司), a large fruit supply chain enterprise in China, an associate of Joyvio Group
"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
"Guozhuang Mining"	Tengzhou Guozhuang Mining Co., Ltd. (滕州郭莊礦業有限責任公司), a subsidiary of Levima Group

"H Share(s)"	overseas listed foreign shares in our ordinary share capital with a nominal value of RMB1.00 each, which are listed on the Main Board of the Hong Kong Stock Exchange
"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 our associate
"HKD"	Hong Kong dollar, the lawful currency of Hong Kong
"Hong Kong"	The Hong Kong Special Administration Region of the PRC
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Hony Capital" or "Hony"	a series of private equity investment funds, together with their respective management companies/general partner
"International Underwriters"	the group of international underwriters, led by the Joint Global Coordinators, that has entered into an international underwriting agreement
"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
"JC Finance & Leasing"	JC International Finance & Leasing Company Limited (君創國際融資租賃有限公司), a limited liability company incorporated on November 2, 2015 under the laws of the PRC, and our wholly-owned subsidiary
"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
"Joyvio Group" or "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

"Kaola Technology"	Tibet Kaola Science & Technology Development Co., Ltd. (西藏考拉科技發展有限公司), a limited liability company incorporated under the laws of the PRC, and our subsidiary
"KB Food"	KB Food International Holding (Pte.) Limited, a limited liability company established under the laws of Singapore, and our subsidiary
"KB Seafoods"	KB Seafoods Pty Ltd (formerly known as Emgekay Investments Pty Ltd), a limited liability company incorporated under the laws of Australia, and a wholly-owned subsidiary of KB Food
"Lakala Payment"	Lakala Payment Corporation (拉卡拉支付股份有限公司) (formerly known as Lakala Payment Co., Ltd. (拉卡拉支付有限公司)), a limited liability company incorporated on January 6, 2005 under the laws of the PRC, and our associate
"Legend Capital"	a series of venture capital funds, together with their respective management companies/partners
"Legend Star"	Beijing Legend Star Investment Management Limited (北京聯想之星投資管理有限公司), a wholly-owned subsidiary of the Company which is an investment institution and manages certain angel investment funds
"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: 992), and our subsidiary
"Levima Group" or "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
"Levima New Materials"	Levima New Materials Limited (聯泓新材料有限公司) (formerly known as Shandong Shenda Chemicals Co., Ltd. (山東神達化工有限公司)), a subsidiary of Levima Group
"Liquor Easy"	Henan Liquor Easy Commercial Corporation (河南酒便利商業股份有限公司), a limited liability company incorporated on April 2, 2010 under the laws of the PRC, and our associate

"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
"Longguan Company"	Hangzhou Longguan Industrial Co., Ltd. (杭州龍冠實業有限公司), a limited liability company incorporated under the laws of the PRC, and a subsidiary of Joyvio Group
"Motorola"	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
"N/A"	not applicable
"NEEQS"	National Equities Exchange and Quotations System (全國中小企業股份轉讓系統), a platform established on September 20, 2012 for the sale of existing shares or private placing of new shares by SMEs
"neurology specialist"	the collective term of the clinical discipline studying organic and functional diseases of central nervous system (brain, spinal cord). Clinically, the correspondent branch is neurosurgery and neurology depending on the types of disease and treatment methods
"P2P"	peer-to-peer, a type of loan business
"PE"	private equity
"Phylion Battery"	Phylion Battery Co., Ltd. (星恒電源股份有限公司), a limited liability company incorporated on December 18, 2003 under the laws of the PRC, and our associate
"PIPE"	Private Investment in Public Equity
"PRC" or "China"	the People's Republic of China excluding, for the purpose of this announcement, Hong Kong, Macau and Taiwan
"Qilerong"	the Internet finance strategic platform of Zhengqi Financial

"Raycom Property"	Raycom Property Investment Co., Ltd. (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
"reporting period"	for the year ended December 31, 2016
"RMB"	Renminbi, the lawful currency of the PRC
"Shanghai Neuromedical Center"	Shanghai Neuromedical Center Co., Ltd. (上海德濟醫院有限公司), a limited liability company incorporated on May 15, 2012 under the laws of the PRC, and our subsidiary
"Shareholders"	holders of the shares of the Company
"SME(s)"	small and medium-sized enterprise(s)
"Social Touch"	Social Touch (Beijing) Technology Development Co., Ltd. (時趣互動(北京)科技有限公司), a limited liability company incorporated on September 22, 2011 under the laws of the PRC, and our associate
"SOE"	State-owned enterprise
"subsidiary"	has the meaning ascribed thereto under the Listing Rules
"Sunac China"	Sunac China Holdings Limited, a limited liability company incorporated under the laws of Cayman Islands and the shares of which are listed on the Main Board of the Hong Kong Stock Exchange (Stock Code: 1918)
"Sunac Real Estate"	Sunac Real Estate Group Co., Ltd. (融創房地產集團有限公司), a limited liability company established in the PRC, and an indirect wholly-owned subsidiary of Sunac China

"Suzhou Trust"	Suzhou Trust Co., 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 our associate
"Target Company(ies)"	the target company(ies) referred in the circular dated November 1, 2016 of the Company
"TMT"	technology, media, telecom
"Transmission Control Protocol"	an agreed set of rules, procedures and formats used along with the Internet Protocol to transmit information over the Internet
"UCAR Inc."	UCAR Inc. (神州優車股份有限公司), a company incorporated under the PRC law with limited liability and listed on the NEEQS in 2016, and is held as to 7.42% equity interests by CAR
"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 our associate
"USA"	The United States of America
"USD"	US dollar, the lawful currency of the USA
"Wanfu Biotechnology"	Wanfu Shengke (Hunan) Agriculture Development Company Limited (萬福生科(湖南)農業開發股份有限公司) a limited liability company incorporated under the laws of the PRC, the shares of which are listed on Shenzhen's ChiNext board (A share Stock Code: 300268), and is held as to 26.57% equity interests by Joyvio Group
"Wenkang Group"	Wenkang Group Co., Ltd. (聞康集團股份有限公司), and our associate
"XYWY.COM"	an online platform to provide one-stop Internet healthcare services which is operated by Wenkang Group
"Zeny Supply Chain"	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
"Zhengqi Financial"	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

"Zhongyin Electrochemical"	Jining Zhongyin Electrochemical Co., Ltd. (濟寧中銀電化有限公司), a subsidiary of Levima Group
"%"	percentage

By order of the Board
Legend Holdings Corporation
ZHU Linan
Executive Director and President

Hong Kong, March 29, 2017

As at the date of this announcement, the Executive Directors of the Company are Mr. LIU Chuanzhi, Mr. ZHU Linan and Mr. ZHAO John Huan; the Non-executive Directors of the Company are Mr. WU Lebin, Mr. WANG Jin and Mr. LU Zhiqiang; and the Independent Non-executive Directors of the Company are Mr. MA Weihua, Mr. ZHANG Xuebing and Ms. HAO Quan.

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