联想控股

LEGEND HOLDINGS

BUILDING GREAT COMPANIES

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

Stock Code: 3396

2017 ANNUAL REPORT

CONTENTS

Definitions

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

"ABS"	asset-backed 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 report, all entities over which the Group has significant influence. Significant influence represents the power to participate in the financial and operational policy decision of the investees, but without control or joint control rights over these policies
"Better Education"	Better Education Group Corporation (三育教育集團股份有限公司), an exempted limited liability company incorporated under the laws of Cayman Islands, and our subsidiary
"BIL Bank"	Banque Internationale à Luxembourg S.A.
"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. (廣東拜博口腔醫療投資管理有限公司)), a limited liability company incorporated under the laws of the PRC, and our subsidiary
"Capespan"	Capespan Group Limited, incorporated in South Africa, invests in and manages a portfolio of companies, offering a range of quality products, value-added products and related services in fresh produce and logistics internationally
"CAR"	CAR Inc., an exempted limited liability company incorporated under the laws of Cayman Islands and listed on the Main Board of the Hong Kong Stock Exchange (stock code: 699), and our associate
"CAS Holdings"	Chinese Academy of Sciences Holdings Co, Ltd., (formerly known as Chinese Academy of Sciences Holdings Co., Ltd. (中國科學院國有資產經營有限責任公司)), a limited liability company incorporated under the laws of the PRC
"China Oceanwide"	China Oceanwide Holdings Group Co., Ltd. (中國泛海控股集團有限公司), a substantial Shareholder

"Company", "our Company" or "Legend Holdings"	Legend Holdings Corporation (聯想控股股份有限公司) (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 under the laws of PRC and listed on the Main Board of the Hong Kong Stock Exchange (Stock Code: 3396)
"CSRC"	China Securities Regulatory Commission
"Director(s)"	the director(s) of the Company
"DMTO"	the technique for using coal or natural gas instead of oil for production of ethylene and propene
"Domestic Shares"	domestic share(s) in the ordinary share capital of the Company with the nominal value of RMB1.00 each
"EAL"	Eastern Air Logistics Co., Ltd. (東方航空物流有限公司), a limited liability company incorporated under the laws of the PRC, and our associate
"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 under the laws of the PRC, and our associate
"EOD"	ethylene oxide derivatives
"ESG Report"	Environmental, Social and Governance Report set out in this annual report
"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 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
"H Share(s)"	overseas listed foreign share(s) in the ordinary share capital of the Company with a nominal value of RMB1.00 each, listed on the main board of the Hong Kong Stock Exchange and trade in HK dollars
"Hankou Bank"	Hankou Bank Co., Ltd. (漢口銀行股份有限公司), a joint stock limited liability company incorporated under the laws of the PRC, and our associate
"Hebei Hengshui Laobaigan"	Hebei Hengshui Laobaigan Liquor Co., Ltd (河北衡水老白干酒業股份有限公司), a joint stock limited liability company incorporated under the laws of the PRC and listed on the Shanghai Stock Exchange (A Share Stock Code: 600559)
"HKD"	Hong Kong dollar, the lawful currency of Hong Kong
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Hony Capital" or "Hony"	a series of private equity investment funds, together with their respective management companies/general partner
"Huawen Food"	Hunan Huawen Food Co., Ltd. (湖南省華文食品有限公司), a limited liability company incorporated under the laws of the PRC and our associate
"Internet"	a global network of interconnected, separately administered public and private computer networks that uses the Transmission Control Protocol/Internet Protocol for communications
"IPO"	Initial Public Offering
"IT"	information technology

"JC Finance & Leasing"	JC International Finance & Leasing Company Limited (君創國際融資租賃有限公司), a limited liability company incorporated under the laws of the PRC, and our wholly-owned subsidiary
"Joyvio Agriculture"	Joyvio Agriculture Development Co., Ltd. (佳沃農業開發股份有限公司) (formerly known as Wanfu Shengke (Hunan) Agriculture Development Co., Ltd (萬福生科(湖南)農業開發股份有限公司)) a limited liability company incorporated under the laws of the PRC, the shares of which are listed on the ChiNext board on Shenzhen Stock Exchange (A share Stock Code: 300268), and is a subsidiary of Joyvio Group
"Joyvio Group" or "Joyvio"	Joyvio Group Co., Ltd. (佳沃集團有限公司), a limited liability company incorporated under the laws of the PRC, and our 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
"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 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"	a series of angel investment funds, together with their respective management companies/partners
"Lenovo"	Lenovo Group Limited (聯想集團有限公司), a limited liability company incorporated under the laws of Hong Kong and listed on the Main Board of the Hong Kong Stock Exchange (Stock Code: 992), and our subsidiary
"Levima Group" or "Levima"	Levima Group Limited (聯泓集團有限公司), a limited liability company incorporated under the laws of the PRC, and our subsidiary
"Levima 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 and our connected subsidiary

"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 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 for the sale of existing shares or private placing of new shares by SMEs
"neurology specialist"	the collective term of the clinical discipline studying organic and functional diseases of central nervous system (brain, spinal cord). Clinically, the correspondent branch is neurosurgery and neurology depending on the types of disease and treatment methods
"Nine Masters"	Nine Masters (Shanghai) Catering Service Co., Ltd. (九橙(上海)餐飲服務有限公司), a limited liability company incorporated under the laws of the PRC and a subsidiary of Joyvio Group
"Oceanwide Group"	Oceanwide Group Co., Ltd. (泛海集團有限公司), a substantial Shareholder
"Ordinary Shares" or "Shares"	ordinary shares issued by the Company include Domestic Shares and H Shares.
"PARKnSHOP"	PARKnSHOP Supermarket HK is the largest supermarket chain group in Hong Kong and currently has over 260 stores in Hong Kong, Macau and Mainland China, over 50 of which are superstores and megastores
"PE"	private equity

"Phylion Battery"	Phylion Battery Co., Ltd. (星恒電源股份有限公司), a joint stock limited liability company incorporated 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 report, Hong Kong, Macau and Taiwan
"Prospectus"	the prospectus dated June 16, 2015 being issued in connection with first listing of the Shares on the Hong Kong Stock Exchange
"Qingdao Starfish"	Qingdao Starfish Food Co., Ltd. (青島國星食品股份有限公司), a limited liability company incorporated under the laws of the PRC, and a subsidiary of Joyvio Agriculture
"Raycom Property"	Raycom Property Investment Co., Ltd. (融科物業投資有限公司), a limited liability company incorporated under the laws of the PRC, and our 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 under the laws of the PRC, and our subsidiary
"Reporting Period"	for the twelve months ended December 31, 2017
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Shanghai Neuromedical Center"	Shanghai Neuromedical Center Co., Ltd. (上海德濟醫院有限公司), a limited liability company incorporated under the laws of the PRC, and our subsidiary
"Shanghai Stock Exchange"	Shanghai Stock Exchange
"Shareholders"	holders of the Shares
"Shenzhen Stock Exchange"	Shenzhen Stock Exchange

"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 under the laws of the PRC, and our associate
"SOE"	State-owned enterprise
"subsidiary"	has the meaning ascribed thereto under the Listing Rules
"Supervisor(s)"	the supervisor(s) of the Company
"Suzhou Trust"	Suzhou Trust Co., Ltd. (蘇州信託有限公司), a limited liability company incorporated under the laws of the PRC, and our associate
"TMT"	technology, media and telecom
"Tohigh"	Tohigh Holdings Co., Ltd. (通海控股有限公司), a substantial Shareholder
"UCAR Inc."	UCAR Inc. (神州優車股份有限公司), a joint stock limited liability company incorporated under the PRC law and listed on the NEEQS in 2016, and is held as to 6.27% 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 under the laws of the PRC, and our associate
"USA"	The United States of America
"USD"	US dollar, the lawful currency of the USA
"XYWY.COM"	an online platform to provide one-stop Internet healthcare services which is operated by Wenkang Group Co., Ltd. (聞康集團股份有限公司)
"Zeny Supply Chain"	Zeny Supply Chain Co., Ltd. (增益供應鏈有限公司), a limited liability company incorporated under the laws of the PRC, and our subsidiary
"Zhengqi Financial"	Zhengqi Anhui Financial Holdings Co., Ltd. (正奇安徽金融控股有限公司), a limited liability company incorporated under the laws of the PRC, and our subsidiary
"%"	percentage

BOARD OF DIRECTORS

Executive Directors

Mr. LIU Chuanzhi
Mr. ZHU Linan
Mr. ZHAO John Huan

Non-executive Directors

Mr. WU Lebin
Mr. WANG Jin
Mr. LU Zhiqiang

Independent Non-executive Directors

Mr. MA Weihua
Mr. ZHANG Xuebing
Ms. HAO Quan

BOARD OF SUPERVISORS

Supervisors

Mr. LI Qin *(Chairman)*
Mr. SUO Jishuan
Mr. LUO Cheng

NOMINATION COMMITTEE

Mr. LIU Chuanzhi *(Chairman)*
Mr. MA Weihua
Mr. ZHANG Xuebing

AUDIT COMMITTEE

Ms. HAO Quan *(Chairperson)*
Mr. ZHANG Xuebing
Mr. WANG Jin

REMUNERATION COMMITTEE

Mr. MA Weihua *(Chairman)*
Mr. LU Zhiqiang
Ms. HAO Quan

JOINT COMPANY SECRETARIES

Mr. NING Min
Ms. YEUNG Yee Har

H SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor
Hopewell Centre, 183 Queen's Road East
Wanchai, Hong Kong

INDEPENDENT AUDITOR

PricewaterhouseCoopers

COMPLIANCE ADVISOR

Somerley Capital Limited

REGISTERED OFFICE

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

HEAD OFFICE IN THE PRC

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

PRINCIPAL BANKS

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

27/F, One Exchange Square, Central, Hong Kong

COMPANY'S WEBSITE

www.legendholdings.com.cn

STOCK CODE

3396

Chairman's Report

Dear Shareholders of Legend Holdings,

The year 2017 witnessed the further headway of the supply-side structural reform. Positive results have been achieved in China's economic growth, industrial restructuring and financial risk control. In my opinion, "pursuing progress while ensuring stability" is both a major principle underlying the governance of our country and a keynote to be addressed in corporate development. Now that the government has created a favorable business environment for us entrepreneurs to make the most of our talents, we should always bear in mind our original aspiration and social responsibility, focus on the businesses and create value for society.

A number of opportunities will arise in the national transitioning from high-speed growth to high-quality development. One example is supporting the real economy by direct financing, which is what Legend Holdings has been doing. Upon identification of up-and-coming businesses and entrepreneurs, the strategic investments and the three fund platforms in financial investments will provide funds to boost the business development. With such practice, Legend Holdings has contributed to the real economy from multiple aspects, being revenue, profit, corporate value, or job creation and tax contribution, and brought in considerable benefits at the same time. Another opportunity is consumption. The strategic investments closely follow industries such as promising healthcare, education, and sales and circulation of mid-to-high end agricultural products. Moreover, Legend Holdings attaches special importance to breakthroughs resulted from innovative ideas, as the advancement of technology in itself may turn out revolutionary, such as artificial intelligence, biological engineering, and the Internet of Things. Therefore, the financial investment companies of Legend Holdings have devoted painstaking efforts to the business layout in these new technologies to establish a resource repository for the long-lasting development of the Company.

The Board and I commended the management for their achievements in implementing the strategies in 2017, especially for those resulted from the enhancement of the two-wheel-drive business model, with EAL and Better Education being typical representatives in this regard. Notwithstanding certain tag-along costs, Legend Holdings has accumulated abundant resources and extensive experience from this unique business model. The management are required to ensure the full play of this advantage from mechanism to implementation. Besides, the Company has made progress in building pillar assets and is gradually implementing the plans on separate listing of portfolio companies. The Board and I hope that the management will continue to advance the ongoing optimization of Legend Holdings' investment portfolio and the accomplishment of strategic goals with stronger executive force.

In this era of multi-dimensional uncertainties, Lenovo faces both opportunities and challenges, and undoubtedly, severe and acute challenges dominate over opportunities. In response, the management team of Lenovo has kept on with constant reviews and timely adjustments, and Legend Holdings, as the substantial shareholder, will take positive measures to provide multifaceted supports to help Lenovo pinpoint its orientation to leap forward.

Legend Holdings also integrates our corporate social responsibility into the strategies and proactively participates in the social benefit cause to full capacity. In 2017, the Company focused on three key areas, namely, "supporting education", "assisting start-ups", and "advocating social justice", and carried out targeted poverty alleviation in various forms to honor our corporate social responsibility.

If a company wants to achieve a sustainable development, it must think about the future and put strategies in place. As entrepreneurs, we need to consider what we can do for the growth of our company, the development of our employees, and the prospect of China. As an enterprise with glorious traditions, Legend Holdings has taken a path of innovations and moved forward with explorations, summaries, and reviews through thick and thin. It is my belief that in the near future, all these efforts will come to full fruition, and I would like to extend my gratitude to all the shareholders for your long-term trust in and support to Legend Holdings.

Legend Holdings Corporation
LIU Chuanzhi
Chairman

President's Statement

In 2017, "To Create a Better Life" has become the shared goal of the entire Chinese nation. Thanks to the upgraded financial regulations, China's overall financial risk is under control and financial market environment has been improved. Driven by ever-emerging new patterns and models of consumption, consumer spending contributed 58.8% to China's GDP growth. The Hong Kong capital market delivered satisfactory performance with Hang Seng Index leading the world's major equity markets throughout the year. Besides, with maturing connection mechanism between the mainland and Hong Kong capital markets, the money inflow through the Stock Connect Programs played an increasingly important role in the Hong Kong capital market and brought forth new driving forces and perspectives for its long-lasting development.

In such a favorable context, Legend Holdings made steady and orderly progress in business development through developing its strategic guideline of an ever-growing investment portfolio and by leveraging on its two-wheel-drive advantage. Legend Holdings and our portfolio companies captured the opportunities to boost business development and value growth via diversified means and medium-to-long-term development by new deployment and proactive adjustment.

In 2017, Legend Holdings recorded performance growth for the third consecutive year since its listing: Revenue for the year increased by 3% to RMB316.3 billion, net profit attributable to equity holders of the Company increased by 4% year-on-year to RMB5,048 million and (basic) earnings per share stood at RMB2.16. In particular, net profit attributable to equity holders of the Company for the year from our strategic investments segments amounted to RMB2,004 million; and net profit attributable to equity holders of the Company from our financial investments increased by 42% year-on-year to RMB4,128 million.

The three focused segments of our strategic investments continued to record performance growth. To be specific, revenue from the financial services segment increased by 130% year-on-year to RMB3,638 million,with net profit attributable to equity holders of the Company up by 7%; revenue from the innovative consumption and services segment increased by 32% year-on-year to RMB2,810 million, achieving a decrease in losses; and revenue from the agriculture and food segment increased by 52% year-on-year to RMB4,962 million with net profit attributable to equity holders of the Company up by 231% year-on-year. In terms of the IT segment, as Lenovo is still undergoing business realignment and recovery, Legend Holdings, the substantial shareholder of Lenovo, will make efforts to enhance the profitability and value of Lenovo. In respect of the new material segment, revenue increased by 4% to RMB4,876 million and net profit attributable to equity holders of the Company increased by 242% to RMB482 million.

- **The two-wheel-drive business model was enhanced, leading to further achievements.** In 2017, the synergic driving model based on collaborative project investments between our financial investments and strategic investments was implemented strategically. On the premise of maintaining the independence of fund management, such business model promoted cooperation to achieve win-win results and aimed at creating core assets of Legend Holdings as well as enhancing the value of the Company. Through this model, we were able to, on the one hand, expand project resources and build the investment analysis capacity for our strategic investments by capitalizing on the fund platforms of our financial investments and, on the other hand, broaden the investment spectrum, enrich the investment types and improve investment returns for financial investments by drawing on the resources of our controlling strategic investments. Thanks to the responsive efforts of the teams of our strategic investments and financial investments fund platforms, a flow of new results have been achieved.

  1) The strategic joint investment in EAL by Legend Holdings and Legend Capital. In June 2017, Legend Holdings subscribed for 25% equity interests in EAL at a consideration of RMB1,025 million, after which the valuation of EAL amounted to RMB4,100 million. Upon completion of the transaction, Legend Holdings and Legend Capital now directly hold 20.1% and 4.9% equity interests in EAL, respectively. The transaction was a success that integrated the brand, fund, management expertise of Legend Holdings and the project resources and investment analysis capacity of Legend Capital. The outstanding performance delivered by EAL in 2017 has verified that our decision was correct, and now a new member of great growth potential is included in our investment portfolio.

  2) Joint control over Better Education by Legend Holdings and Hony Capital. In July 2017, Legend Holdings, together with Hony Capital, made a strategic investment in Better Education, a leading medium-to-high-end kindergartens group with direct chain operation in China, with an investment size of approximately USD127.5 million. Upon completion of the transaction, Better Education was held as to 51% by Legend Holdings directly and 29% by Hony Capital. Legend Holdings and Hony Capital made joint investment in Better Education based on our consensus on the promising prospects of pre-school education and education consumption upgrading, which scaled up the investment size. Having integrated the brand influence and financial support of Legend Holdings and the operational capability of Hony Capital, the investment would help promote the future business development and value growth of Better Education.

- **Strategic investment portfolio was further optimised to tap value through linking portfolio companies with diversified resources.** Legend Holdings encouraged and supported its portfolio companies to gain necessary resources for corporate development through follow-on financing, spin-off, listing and other means. The strategic investments of Legend Holdings were aimed at building industry-leading companies by dint of long-term investments instead of exiting for short-term gains. A more important purpose of promoting capital operation at our portfolio companies was to realize their value, bring in resources and develop their independent financing capability, which was in line with the needs for development of the portfolio companies and the value growth of the investment portfolio of Legend Holdings. Legend Holdings regularly evaluated its investment portfolio and made corresponding dynamic adjustments to non-strategically focused segments and portfolio companies by restructuring, disposal and other operational approaches for higher portfolio value. Legend Holdings has been optimising its investment portfolio on an ongoing basis, taking into consideration such factors as the strategic direction of the Company, investment management and assessment system, performance of the portfolio companies and market opportunities.

  1) In respect of agriculture and food segment, Joyvio Agriculture was built as the first listed platform for strategic industrial development. In August 2017, Joyvio Agriculture, a domestically listed company in which we had a controlling stake, completed a material asset restructuring and obtained controlling interests in Qingdao Starfish, a leading seafood provider in China. Joyvio Agriculture, a strategic industrial development platform of Joyvio Group, will accelerate the expansion through investments and mergers and acquisitions, of its businesses relating to the purchase, processing and distribution of seafood and high-end animal proteins.

  2) Chinese Academy of Sciences made a strategic investment through CAS Holding in Levima New Materials. On May 5, 2017, CAS Holdings strategically invested RMB850 million in Levima New Materials whose overall valuation prior to the investment was approximately RMB2,460 million. The investment gave Levima New Materials the access to the profound technologies and innovation resources of Chinese Academy of Sciences and optimized its capital structure, secured resources and enhanced the business competitiveness of Levima New Materials for future development.

  3) Funglian Group was acquired by a listed company. In April 2017, Hebei Hengshui Laobaigan (stock code on Shanghai Stock Exchange: 600559), a Chinese company with its A shares listed on the main board of Shanghai Stock Exchange, announced its proposal of restructuring in relation to the acquisition of the equity interests in Funglian Group held by us. Upon completion of the transaction, Joyvio Group will receive cash consideration of RMB490 million and share consideration of RMB620 million and become the second largest shareholder of Hebei Hengshui Laobaigan. The transaction has been approved by CSRC.

  4) Legend Holdings exited from Phyhion Battery in May 2017. We disposed of all our 33.21% equity interests in Phylion Battery at a consideration of approximately RMB930 million as calculated based on the total valuation of RMB2,800 million.

- **Financial investments recorded steady growth while fund platforms entered a new development stage.** In 2017, Legend Holdings gained sound financial returns from its financial investments through the three fund platforms and entered a new development stage. The fund platforms scaled up their asset under management progressively, and a number of their portfolio companies successfully went public in capital markets; the fund platforms also ventured into new business areas by virtue of their insights into the industry and market development trends, and promoted innovation and entrepreneurship through "incubation + investment", thereby achieving win-win outcomes in terms of both public benefits and investment returns.

  1) The asset under management of Legend Capital exceeded RMB35 billion. In 2017, Legend Capital launched the second culture and sports fund and completed fundraising for its seventh USD fund and fourth RMB fund, raising a total fund of RMB3,610 million during the Reporting Period. Legend Capital continued to reinforce its investment influence on TMT, innovative consumption, intelligent manufacturing, professional services, healthcare, culture and sports as well as other sectors. In 2017, Legend Capital invested in 60 new projects and exited from 21 projects in aggregate, providing continuous cash inflow to Legend Holdings. During the Reporting Period, 8 portfolio companies were successfully listed on domestic or overseas capital markets through initial public offerings, which increased the portfolio value.

  2) The asset under management of Hony Capital exceeded RMB70 billion. While maintaining its leading position in state-owned enterprise reform and cross-border investments, Hony Capital achieved initial success in respect of its trial investment in real estate finance, replenishing its investment areas from two dimensions. During the Reporting Period, Hony Capital completed fundraising for its second real estate value-added strategic fund, and launched fundraising for its Haidian technology industry space optimisation fund and cultural industry fund, having so far raised a total of approximately RMB1,740 million. In 2017, Hony Capital contributed cash inflow of more than RMB1,470 million in total for Legend Holdings. Besides, Hony Capital obtained the license for mutual fund business in January 2018, and new opportunities are expected to arise for the future development of its product mix and asset under management.

  3) Legend Star raised fund from third-party investors for the first time and launched its third RMB fund and third USD fund during the Reporting Period, raising over RMB700 million and USD20 million, respectively. In 2017, Legend Star invested in more than 50 onshore and offshore projects, and 63 of its portfolio companies completed follow-on financing and achieved value growth. Legend Star continued to consolidate its leading position among domestic venture capital institutions. On October 9, 2017, Premier Li Keqiang recognized Legend Star's practice, as he wrote in the reply, "It is admirable that Legend Star has been consistently promoting entrepreneurship training and incubation for the public good."

Corporate culture has profound and comprehensive effects on an enterprise. A well-aligned match between culture and strategy is the prerequisite for the long-term development of an enterprise. As an investment company that views its employees as core assets, Legend Holdings regards it as of vital importance to maintain a shared philosophy and vigorous morale within the Company. In 2017, faced with numerous changes in the environment, strategies, businesses and personnel, Legend Holdings made great efforts to reshape the corporate culture and optimised the organisational structure. This was achieved by adjusting the talent recruitment and the investment management system to further cement the cultural foundation of Legend Holdings and to create an elite investment / investment management team of competitiveness.

In 2018, Legend Holdings will take effective strategies to promote the continuous optimisation of its strategic investment portfolio and to realise its strategic targets with stronger execution for more fruitful achievements. Firstly, the Company will continue to build pillar businesses: the Company will more actively participate in the management of Lenovo to improve its profitability and value. For the financial services segment, the strategic acquisition of a controlling stake in BIL Bank by the Company is steadily going through regulatory review. As a pillar asset, the investment will improve the overall value and financial stability of the Company in the future. For the innovative consumption and services segment, the Company will develop platform enterprises in healthcare, education and other areas by virtue of flexible shareholdings and market-oriented resources. The strategic deployment in agriculture and food segment has taken shape, which will boost the leading position of Joyvio Group in the sales and distribution of mid-to-high-end fruits + high-end animal protein products. Secondly, the Company will continue to improve its resource allocation capability, further optimise the existing assets of non-strategically focused segments, fully release the advantages of the "two-wheel-drive" model and promote the implementation of projects. Thirdly, the Company will further strengthen its investment management, enhance the value and improve the corporate governance mechanism and system of the portfolio companies. It will actively plan and push forward the spin-off and separate listing of the portfolio companies or lay a solid foundation for such listing. Currently, the application of Lakala Payment, a subsidiary of the Company, for listing on the ChiNext board through initial public offering is under regulatory review. We expect to see the realization of the value of more portfolio companies.

The fund platforms of our financial investments will deepen their presence in cutting-edge technology and new lifestyle areas on the basis of consolidating their current leading status. Legend Star focuses on artificial intelligence, TMT and healthcare sectors. It will increase its investment in artificial intelligence, especially those businesses related to auto-piloting, education and finance. It will upgrade its investment in healthcare sector and pay more attention to the businesses related to the R&D of new drugs, genetic testing and medical services. It will also keep an eye on emerging opportunities, such as new retails and new consumption. Legend Capital will achieve resource synergy and interaction between production and investment in TMT, intelligent manufacturing, healthcare, innovative consumption and cultural entertainment sectors through systematic deployment. For example, focusing on the theme of the "electric, intelligent and auto-piloting", it will invest in enterprises in different segments of the next-generation transport industry. It will continue to enhance its investment in innovative consumption, culture and entertainment and invest in the next-generation content-based social platforms targeted at different groups of people; and in the healthcare industry by establishing its presence focusing on diagnostic devices, biological medicine and medical services. The content of Legend Holdings' financial investments will be further expanded in the future. In addition to the existing investments made through its fund platforms, the head office of Legend Holdings will enhance the income stability and risk resistance of its financial investments through more diversified investments in special frontier funds, fixed-income products and innovative financial products.

In an ever-changing capital market, the two-wheel-drive business model provides Legend Holdings with flexibility for adaptation, whereas value enhancement through management has always been the advantage of Legend Holdings as an investor. In 2018, we look forward to continuously providing our Shareholders with better investment portfolios, more explicit overall value and sustained business growth.

Legend Holdings Corporation
ZHU Linan
Executive Director and President

Revenue contribution from the Group's businesses

Unit: RMB million

	2017	2016	Change in amount	Change %
Continuing operations	**316,263**	294,746	21,517	7%
Strategic investments	**315,649**	294,234	21,415	7%
IT	**299,363**	282,551	16,812	6%
Financial services	**3,638**	1,583	2,055	130%
Innovative consumption and services	**2,810**	2,132	678	32%
Agriculture and food	**4,962**	3,266	1,696	52%
New materials	**4,876**	4,702	174	4%
Financial investments	**653**	539	114	21%
Elimination	**(39)**	(27)	(12)	N/A
Discontinued operations	**–**	12,207	(12,207)	(100%)
Total	**316,263**	306,953	9,310	3%

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

Unit: RMB million

	2017	2016	Change in amount	Change %
Continuing operations	**5,048**	4,852	196	4%
Strategic investments	**2,004**	2,692	(688)	-26%
IT	**(246)**	1,335	(1,581)	N/A
Financial services	**1,646**	1,536	110	7%
Innovative consumption and services	**(110)**	(390)	280	N/A
Agriculture and food	**232**	70	162	231%
New materials	**482**	141	341	242%
Financial investments	**4,128**	2,901	1,227	42%
Unallocated	**(1,094)**	(741)	(353)	N/A
Elimination	**10**	–	10	N/A
Discontinued operations	**–**	7	(7)	(100%)
Total	**5,048**	4,859	189	4%

Assets allocation of businesses of the Group

Unit: RMB million

	2017	2016	Change in amount	Change %
Strategic investments	**261,297**	242,656	18,641	8%
IT	**183,440**	180,179	3,261	2%
Financial services	**49,349**	37,127	12,222	33%
Innovative consumption and services	**10,751**	8,727	2,024	23%
Agriculture and food	**9,483**	7,815	1,668	21%
New materials	**8,274**	8,808	(534)	-6%
Financial investments	**65,200**	70,585	(5,385)	-8%
Unallocated	**15,265**	15,822	(557)	-4%
Elimination	**(6,688)**	(6,804)	116	N/A
Total	**335,074**	322,259	12,815	4%

Business Review

For the twelve months ended December 31, 2017, Legend Holdings realised an revenue of RMB316.263 billion, representing an increase of 3% as compared with the corresponding period of last year; the net profit attributable to equity holders of the Company amounted to RMB5,048 million, representing an increase of 4% as compared with the corresponding period of last year and this marked a growth for three consecutive years. All the business segments recorded increase in revenue in 2017. The revenue from the three major segments (being the focus of our strategy), i.e. financial services, innovative consumption and services, and agriculture and food, in particular recorded a remarkable increase. The change in the net profit attributable to equity holders of the Company was due to the followings: 1) the net profit contribution from the financial investments segment recorded a strong growth; 2) the continuous increase in cost of components around the world and the write-off of deferred income tax assets pursuant to the Tax Cuts and Jobs Act as promulgated by the U.S. government on December 22, 2017 posed joint effects on Lenovo.

Strategic Investments

IT

We engage in IT business mainly 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, 2017, we held 29.10% equity interests in Lenovo.

In 2017, Lenovo continued to balance between the growth and profitability in its PC and Smart Device business while promoting the transformation of its Data Center and Mobile businesses, and thus laying a solid foundation for its long-term sustainable growth and development of its AI capabilities. Lenovo delivered solid results guided by its 3-wave strategy. The first wave PC business continued to deliver solid profitability and cash flow, which in turn fuelled the growth needs of the second wave Data Center and Mobile businesses. In 2017, the second wave Data Center business also demonstrated an encouraging improvement in its transformation, while the Mobile business continued to maintain its strong position in Latin America and made progress in selling channel expansion in selective mature markets. Lenovo's Capital and Incubator Group continued to actively invest in AI (Artificial Intelligence), internet of things, Big Data, and VR/AR (virtual reality/augmented reality) to support its "Device + Cloud" strategy. These innovation capabilities will help develop new businesses and consolidate existing businesses.

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

Unit: RMB million

	2017	2016
Revenue	**299,363**	282,551
Net profit/(loss)	**(670)**	4,186
Net profit/(loss) attributable to equity holders of Legend Holdings	**(246)**	1,335

During the Reporting Period, thanks to the effective execution of the 3-wave strategy and strong growth of PC and Mobile business, the revenue of our IT segment reached RMB299,363 million, up 6.0% year-on-year. However, Lenovo recorded a net loss of RMB670 million in 2017 due to the increase in costs caused by the continuous rise of components prices around the world and the write-off of deferred income tax assets pursuant to the Tax Cut and Jobs Act enacted by the US government on December 22, 2017. The net profit was RMB4,186 million of last year, benefiting from lower components cost and the one-time items including the gain from property disposal.

PC and Smart Device Business Group

In 2017, the PC market continued to show signs of stabilisation. This was due to continued replacement in commercial computers and improved consumer demand in selective regions. Lenovo has continued its 'Profit First' strategy to drive the growth in premium-to-market revenue in its PC business, thereby focusing on promoting its product mix and average selling price improvement, and minimising challenges from higher component prices.

Meanwhile, Lenovo continued to record another strong growth in Workstation and Gaming PC segments. Lenovo has also had good initial progress in shipping its new Smart Device, the AR product "Star Wars: Jedi Challenges", after its release.

At the recent Consumer Electronics Trade Show (CES) event in Las Vegas, Lenovo announced a series of innovative products across PC, Smart Home devices, and AR/VR products which demonstrated its innovation capability. Overall, Lenovo won a record 80 awards. It will continue to launch more AI enabled device to grow its ecosystem of smart devices.

In future, Lenovo will continue its ‘Profit First’ strategy to drive the growth in premium-to-market revenue in its core PC business. Lenovo will leverage industry consolidation opportunities, and drive growth in different segments such as detachables, gaming PCs and workstations. In the Smart Device segment, Lenovo has been investing in improving user experiences and building “Device + Cloud” capabilities. Its product development is now entering the go-to-the-market phase to bring more innovative ideas and products, including AR devices and smart devices, to the market and to ensure there is a sustainable and profitable growth.

Data Center Business Group

Lenovo’s implementation of its transformation plan in the Date Center business started to bring momentum to the business in 2017. The Data Center business started to deliver a stronger revenue growth and improve its overall profitability. It has recorded its highest quarterly revenue level in the last two years’ time during the 4th quarter of 2017.

In the enterprise segment, Lenovo attained 88 new world record, the greatest number in the industry, on its “ThinkSystems” and “ThinkAgile” portfolio. Lenovo also continued to maintain its worldwide number one ranking in x86 server, with reliability and customer satisfaction, according to the latest industry surveys from ITIC and TBR Study. In the High Performance Computing (“HPC”) segment, Lenovo continued its success and won projects in different regions. It remained as number 2 on the HPC Top 500 List, and number 1 in China. Shortly after the launch of Intel Purley, Lenovo showed its fast time-to-market ability as it has already begun volume shipping its next generation Intel Xeon products. Lenovo also installed the largest supercomputer with Lenovo’s 3rd generation water-cooling technology and Intel platform at Leibniz Supercomputer Center in Germany. In the Hyperscale segment, Lenovo won 6 out of the top 10 worldwide Hyperscalers thanks to its recent design wins supported by its unique in-house design and manufacturing capabilities. In the Software-defined segment, Lenovo continued to leverage different strategic partnerships bringing next-generation IT solutions to customers in growing its business rapidly.

In future, Lenovo will continue to build on its solid foundation with its strong organisational structure and product portfolio, while also enhancing its sales capabilities and channel management, and driving new business segments like software defined solutions and high performance computing with AI capabilities. Lenovo believes it now has the most compelling products in its history under the ThinkSystem and ThinkAgile brands to drive profitable growth in the future, coupled with the fast time-to-market product rollout, industry-leading product reliability and the increasingly capable sales force.

Mobile Business Group

In 2017, Lenovo’s mobile business continued its solid performance in Latin America, with 3.3% market share gained to a market share of 15.9% in the fourth quarter according to industry estimates. Shipments in North America grew rapidly by initial success in mainstream models with carrier expansion. A slower brand transition in emerging areas in Europe, the Middle East and Africa and the severe competition in Asia Pacific emerging markets had impacted the overall shipments performance. In China, Lenovo continued to refine its product strategy to fit the local market for future growth.

In the mobile business, Lenovo will leverage the "Different is Better" brand ethos to highlight the different value proposition of its higher value product portfolio. In mature markets, Lenovo will continue to expand in the carrier channel with the Moto brand to drive profitable growth. In emerging markets such as key markets in Asia Pacific and China, Lenovo will fine tune its product strategy to fit local market demand and focus on profitability; while continuing to leverage the strong brand image in Latin America and protect its solid position there. In the mid to high price smartphone segment, Lenovo needs to continue to build competitiveness to enable a breakthrough and to fully execute its strategy for profitable growth. Lenovo will continue to adopt a more nimble strategy to promote its products and drive future growth.

Lenovo Capital and Incubator Group and Others

Lenovo's Capital and Incubator Group began in 2016, with a mission to invest and build the Lenovo's innovation capability in AI (artificial intelligence), Internet of Things, Big Data and VR/AR (virtual reality/augmented reality) across various sectors such as manufacturing, healthcare and transportation. Lenovo made progress in expanding its ecosystem with LenovoID users reaching 293 million on cumulative basis.

During the Reporting Period, Lenovo closed several investment deals and continued to gain traction as a Big Data solution provider, winning orders from key customers, as well as an Internet of Things connectivity solution provider winning new partners and customers. Lenovo established an AI Lab in March 2017, and quickly ramped up the staff to build AI ecosystem capabilities, and has since set up core AI technologies in voice recognition, language understanding, machine learning, computer vision and data analytics.

Lenovo is committed to investing in AI, Internet of Things, Big Data and VR/AR with sizable investment over time to build innovation capabilities in "Device + Cloud" and "Infrastructure + Cloud" in order to capture the growth in the Personalised Computing era. Lenovo has plans to incorporate its AI core capabilities, such as voice recognition, language understanding and machine learning to strengthen its supercomputer, edge computing, and cloud computing capabilities. Just recently, Thomson Reuters has named Lenovo a Top 100 Global Tech Leader in 2018 for its outstanding performance in the areas of innovation, environmental impact and corporate social responsibility, demonstrating Lenovo's innovation capabilities and focus on sustainability.

Looking forward, market conditions remain challenging in the short term. However, Lenovo now has a stronger organisation with sharper customer focus and more compelling product portfolio across all its businesses. Coupled with strong execution, Lenovo remains confident it can build leading positions in every business Lenovo enters and drive profitable growth that, in turn, creates better value for its 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, commercial 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 or associates have obtained various financial licenses and permits. Legend Holdings will continue to 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 will promote synergic development of our financial businesses, including business alignment and consolidation, cooperation on the industrial chain, intelligence sharing, Big Data analysis, etc., for the enhancement of overall competitiveness.

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

Based on our industrial resources and technology advantages, we will on the one hand strengthen the current edge in credit-related business, and on the other hand closely follow and invest in other financial services business both at home and abroad, mainly focusing on insurance, banking, securities and fintech.

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

Unit: RMB million

	2017	2016
Revenue	**3,638**	1,583
Net profit	**1,904**	1,613
Net profit attributable to equity holders of Legend Holdings	**1,646**	1,536

During the Reporting Period, the revenue of Legend Holdings' financial services business segment was RMB3,638 million, representing an increase of approximately 130% as compared with RMB1,583 million in the corresponding period of last year. This is mainly due to greater contributions from financial leasing business, loan business and innovative financial services. The net profit of financial services business segment increased from RMB1,613 million in the corresponding period of last year to RMB1,904 million, representing a growth of 18%, mainly due to greater net profit contributions from the financial leasing business, loan business, innovative financial services and payment business.

Operating Highlights

- On September 1, 2017, an indirect wholly-owned subsidiary of the Company and Precision Capital S.A. entered into an agreement in relation to the acquisition of 89.936% share capital of BIL Bank from Precision Capital S.A. As an important strategic investment of the financial services segment, the transaction is in line with the Company's goal of building pillar assets. Upon completion, the investment will improve the Company's financial performance and provide better return to the Shareholders.

- Zhengqi Financial, a subsidiary of the Company, continued to record robust growth with net profit reaching RMB839 million, representing an increase of 16% as compared with the corresponding period of last year. Zhengqi Financial adhered to the long term strategy of investment-loan linkage and several of its invested companies accessed to the capital market by means of re-financing, listing and other channels, thus contributing sustainable market value to the equity investment portfolio of the company. After three years of practice, the investment-loan linkage business model, backed by the company's credit business competitiveness accumulated over the years, has become another profit growth point of the company.

- Our wholly-owned subsidiary JC Finance & Leasing realised a sound and rapid development since its incorporation in November 2015. Revenue and net profit amounted to RMB719 million and RMB180 million, representing a growth of 139% and 122%, respectively, as compared with the corresponding period of 2016.

- Our subsidiary Kaola Technology mainly provides innovative financial services to small and micro enterprises and individuals through the Internet. Due to the advantages in terms of Internet technology and big data mining, the number of applicants of Kaola Technology's services has exceeded 10 million. During the Reporting Period, Kaola Technology realised strong business growth and recorded revenue of RMB1,728 million and net profit of RMB457 million.

- On March 3, 2017, our associate Lakala Payment submitted to CSRC the application for the initial public offering and listing of its shares on the ChiNext board of the Shenzhen Stock Exchange.

Zhengqi Financial

Zhengqi Financial was established in 2012. As of December 31, 2017, we held 82.5% equity interests in Zhengqi Financial. Zhengqi Financial provides one-stop funding solutions to SMEs through its business lines consisting of micro finance, credit guarantees, pawn loans, financial leasing, commercial factoring, equity investments and asset management. During the Reporting Period, Zhengqi Financial achieved stable growth in the business scale and profit through intensified efforts on exploring the needs and value of its clients, optimising asset allocation and implementing the long-term strategy of investment-loan linkage. Several of its portfolio companies gained access to the capital market through refinancing, public offering and other channels, which continually contributed to the market value of the equity investment portfolio of the company. After three years of practice, the investment-loan linkage business, which is backed by the company's credit business competitiveness accumulated over the years, has become another profit growth point of the company.

Zhengqi Financial continued to expand its loan business and optimize its business mix. As of December 31, 2017, its outstanding loan balance amounted to RMB5,874 million, representing an increase of RMB466 million or 8.62% as compared to RMB5,408 million at the end of 2016. During the Reporting Period, Zhengqi Financial leveraged on its leading position in microfinance business in Anhui Province and shaped Shenzhen Chengzheng Microcredit Co., Limited (深圳市誠正小額貸款有限公司) into one of the first batch of local technology-oriented microcredit companies, thereby providing financing services to technology-based growth enterprises on an ongoing basis. As of December 31, 2017, 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 RMB3,232 million, representing an increase of RMB82 million or 2.6% as compared with RMB3,150 million at the end of 2016.

Ever since the establishment of its financial leasing business in the second half of 2013, Zhengqi Financial has developed its financial leasing services, energetically enhanced the cooperation with underlying asset providers, promoted industry focuses, and thoroughly implemented the strategic philosophy of investment-loan linkage. As a result, rapid growth has been achieved in regard of the financial leasing business. During the Reporting Period, the company obtained the financial leasing license in Tianjin and established Zhengqi Financial Leasing (Tianjin) Co., Ltd. (正奇融資租賃(天津)有限公司), setting out to expand the regional market stepwise. As of December 31, 2017, the outstanding balance of lease receivables of the financial leasing business amounted to RMB4,986 million, representing an increase of RMB1,524 million or 44.02% as compared to RMB3,462 million at the end of 2016.

As of December 31, 2017, the outstanding balance of guarantee amounted to RMB3,765 million, representing a slight increase of RMB14 million as compared to RMB3,751 million at the end of 2016, mainly due to the maintenance of the existing business scale since more risk control approaches were adopted in response to the market changes.

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. The business has an enormous market space and potential for rapid growth. During the Reporting Period, the company kept up the team building and proactively developed the underlying assets involved in the factoring business under the guidance of the risk control consciousness formed in the credit business over many years, aiming to turn the factoring business into an important contributor to the business growth of the Company. As of December 31, 2017, the outstanding balance of commercial factoring amounted to RMB1,537 million, representing an increase of RMB496 million or 47.65% as compared to RMB1,041 million at the end of 2016.

During the Reporting Period, Zhengqi Financial expanded its funding channels by developing innovative funding sources and achieved sound results especially in direct funding. In June, the third tranche of ABS of Zhengqi Leasing was issued successfully with a size of RMB604 million. In September, the "17 Zhengqi 01" corporate bonds were successfully issued on the Shanghai Stock Exchange. On November 8, the "Zhong Ying Yi Li • Guozheng Microcredit Asset-backed Project (Tranche Two)" was set up with a size of RMB500 million. On November 23, the "First Tranche of Asset-backed Special Project of Zhengqi Factoring" was set up on the Shanghai Stock Exchange with a size of RMB420 million, securing the first ABS relating to commercial factoring in Anhui Province. On December 1, the "First Tranche of Asset Special Project of Chengzheng Kedai" was listed on the Shenzhen Stock Exchange with a size of RMB500 million. 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 2017, against the severe macro-environment, Zhengqi Financial reinforced the system infrastructure of risk control and adopted and strengthened various risk management and control measures to keep risks under control. Meanwhile, the company intensified its analysis and judgment on the macro-economy 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 conduct capital markets business from the second half of 2014 to 2017, elevating its profitability through various approaches.

Zhengqi Financial will merge diversified strategic resources to further expand new businesses and regional presence. By building the differentiated core competitiveness without a break, Zhengqi Financial endeavours to become a model enterprise in the new financial industry.

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

Unit: RMB million

	2017	2016
Revenue	**1,180**	980
Net profit	**839**	721

During the Reporting Period, the revenue of Zhengqi Financial grew by 20% from RMB980 million in the corresponding period last year to RMB1,180 million, mainly due to the growth contributed by the financial leasing and factoring; and then net profit increased by 16.37% from RMB721 million in the corresponding period last year to RMB839 million, mainly attributable to the growth of leasing business and factoring business.

JC Finance & Leasing

Established in November 2015, JC Finance & Leasing is a professional company specializing in finance leasing and relevant financial businesses. Relying on Legend Holdings' brand and management expertise, JC Finance & Leasing has initiated cooperation with both domestic and international well-known equipment manufacturers, concentrates on industry and industrial chain, and commences the financial leasing business in areas that reflect new economic trends in China, such as medical services, advanced manufacturing, energy conservation and environmental protection, agri-food, electronic information, public services and transportation, in turn establishing itself as a leading enterprise in the industry. As of December 31, 2017, we held 100% equity interests in JC Finance & Leasing.

During the Reporting Period, JC Finance & Leasing achieved rapid business growth. As of December 31, 2017, the total assets of JC Finance & Leasing and the closing balance of lease receivables of its financial leasing business amounted to RMB10,761 million and RMB9,935 million, representing a year-on-year increase of 81% and 73%, respectively. The revenue and net profit attributable to the shareholders of JC Finance & Leasing in 2017 amounted to RMB719 million and RMB180 million, representing a year-on-year increase of 139% and 122%, respectively.

JC Finance & Leasing continued to reinforce its business presence and market expansion. During the Reporting Period, while maintaining significant growth in respect of the existing business segments, JC Finance & Leasing officially carried out the financial leasing for transportation and logistics and that for SMEs, both prospective to be new growth engines of the company. The company also set up the Beijing office and Zhengzhou office. As of December 31, 2017, besides the Shanghai head office, JC Finance & Leasing had 7 offices in China, with businesses covering all provinces across the country.

JC Finance & Leasing has pursued external financing actively and achieved new breakthroughs in diversified financing channels such as bank loans, asset-backed securities and bonds. In June 2017, JC Finance & Leasing successfully issued the 2017 first tranche of asset-backed securities special project with a size of RMB1,712 million. During the Reporting Period, the corporate credit rating of JC Finance & Leasing was elevated to AA and it was successfully enrolled in the Credit Reference Center of the People's Bank of China.

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

Unit: RMB million

	2017	2016
Revenue	**719**	301
Net profit	**180**	81

Kaola Technology

During the Reporting Period, Kaola Technology established its leading position in the financial technology sector and continued to provide services for various business areas relating to personal consumption, SMEs and community finance in accordance with its compliance license. Thanks to its advantages in the Internet technology and big data mining, Kaola Technology had over ten million loan applicants. Besides, it has obtained advantages in respect of risk management model and data-based crediting model and delivered the models and experience to accredited financial institutions. As of December 31, 2017, the Company held 51% equity interests in Kaola Technology.

In adherence to the "small and disperse" principle, Kaola Technology maintained its credit balance of nearly RMB7 billion as at the end of 2017 with a peak value of monthly-granted personal loans exceeding RMB1.2 billion. Meanwhile, it reduced the rate of overdue loans on a continuous basis through development and upgrading of risk control technology, thus facilitating the substantial increase in the profit margin.

While advancing the development of its credit business in virtue of new technologies, Kaola Technology will continue to bring forth profits leveraging on its own advantages. It will also deliver to financial institutions the customer acquisition technology based on data analysis and the risk control technology so as to push ahead the development of the entire industry.

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

Unit: RMB million

	2017	2016
Revenue	**1,728**	302
Net profit	**457**	45

Associates in Financial Services Segment

During the Reporting Period, total profits contributed by associates to the financial services segment were RMB448 million (RMB766 million in the corresponding period of last year). Such decrease in profits was mainly due to the relevant income of RMB433 million recorded by eloancn.com arising from the changes in fair value of the preferred shares in the corresponding period of last year. Irrespective of such a factor, the overall profit of the associates increased by RMB115 million as compared to the corresponding period last year, which was mainly attributable to better performance of Lakala Payment and Hankou Bank.

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, 2017, we held 31.38% equity interests in Lakala Payment.

During the Reporting Period, the transaction amount of the acquiring business of Lakala Payment exceeded RMB2,300 billion. Its acquiring business branched out to over 330 cities across China, covering more than 10 million merchants and over 10 million individual users.

With third-party payment services as its core business, Lakala Payment charges transaction fees for rendering the acquiring 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 has developed an integrated account system, thus fostering a payment ecosystem. Meanwhile, it joined the China Nets Union Clearing Corporation (網聯清算股份有限公司) under the China National Clearing Center, PBOC (中國人民銀行清算總中心) as an echo with the national policy.

On March 3, 2017, Lakala Payment submitted to CSRC the application for the initial public offering and listing of 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, 2017, Hankou Bank had 156 affiliated agencies in China, including the sales department of its head office, 14 branches, 16 first-tier sub-branches, two special service institutions and 123 second-tier sub-branches (including 28 community banks). The network of Hankou Bank basically covers the whole Hubei Province, and it also has branches in Chongqing.

In 2017, the business operated by Hankou Bank grew steadily, with all key indicators fulfilling the operation goals. The size of total assets registered a year-on-year growth of 33%, while equity and net profit attributable to the equity holders of the Company achieved a year-on-year growth of 7% and 12%, respectively. In the meantime, Hankou Bank successfully issued the second tranche of the tier-2 capital bonds worth of RMB3 billion. It was the first cooperative financial institution eligible to issue the third-generation of social security cards in China and its investee financial leasing joint venture was officially opened for business. Besides, it was awarded the Most Promising Small and Medium-sized Bank of the Year, the 2017 Top 10 Financial Product Innovation Award in China and the third prize of the Bank Technology Development Awards as well as other honors.

In the future, Hankou Bank will continue to enhance the corporate banking and to innovate financial market business, expand the small and micro retail business, in an effort to develop a "three-pronged" business landscape and to 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, 2017, we held 48.0% 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. Union Insurance has formed a nationwide service network at provincial, city, country, town and school levels. At present, it has 1 subsidiary, 32 branches and 110 sales departments, with 20,000 school-related risk management staff. It provides risk management and insurance brokerage services to over 150 million teachers and students from approximately 300,000 schools of all levels and kinds every year. During the Reporting Period, the insurance brokerage business of Union Insurance maintained a leading position in China's education-related insurance brokerage business.

eloancn.com

In 2017, eloancn.com continued to uphold the inclusive financial missions of "serving the three rural issues" and "small and diverse", and focused on the provision of inclusive financial services to farmers and small and micro enterprises. As of December 31, 2017, the Company held 33.33% equity interests in eloancn.com.

Eloancn.com improved its operation by continuously investing in the core competency represented by risk control, financial management and technology, introducing an array of senior management members with rich experience in the financial industry and strictly conforming to the regulatory requirements in accordance with the Measures for the Administration of the Business Activities of Internet Lending Information Intermediaries (《網路借貸信息仲介機構業務活動管理暫行辦法》) issued by the China Banking and Insurance Regulatory Commission.

As of December 31, 2017, the platform had 5,437,000 registered users, representing an increase of 17.7% compared to 2016. In 2017, eloancn.com completed 199,000 Internet lending transactions with a volume of RMB12.98 billion, representing a growth of 7% compared with the volume in 2016. Among these transactions, RMB9.4 billion or 72% was related to agriculture, rural infrastructure and farmers' livelihood.

Suzhou Trust

Suzhou Trust mainly 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, 2017, we held 10.00% 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 demand 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 RMB90,388 million with 231 ongoing trust projects, among which 87 are collective trust products with an ongoing size of RMB33,943 million and 140 are individual trust products with an ongoing size of RMB52,874 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, 2017, the number of trust accounts and ongoing accounts opened with Suzhou Trust exceeded 23,000 and 4,400, 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;
- Better Education, our subsidiary, mainly provides preschool education services;
- Zeny Supply Chain, our subsidiary, mainly provides logistics services;
- CAR, our associate, mainly provides comprehensive car rental services including car rentals, fleet rentals and financial leasing, as well as sales of used cars;
- EAL, our associate, mainly provides air logistics related services;
- 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. In addition, we creatively built the two-wheel-drive business model and continuously harvested achievements. During the Reporting Period, we made a joint investment with Hony Capital in the Better Education, a leading kindergarten group with direct operation networks of middle and high-end kindergartens in China; we also cooperated with Legend Capital in the investment in EAL, a leading air logistics company in China, as one of the first pilots for mixed ownership reform of state-owned enterprises. In the innovative consumption and services segment, Shanghai Neuromedical Center, Better Education, CAR and EAL are the fruits delivered by our two-wheel-drive business model.

Operating Highlights

- The Company set a footprint in the education sector through investment in Better Education, a leading kindergarten group with direct operation networks of middle and high-end kindergartens in China, by purchasing controlling equity interests. Better Education directly operates 91 kindergartens in Shanghai, Suzhou, Nanjing, Chongqing, Changsha with over 26,000 enrolled students and over 4,000 employees, with the size among the top tier in China.

- The Company established presence in the aviation logistics sector through strategic investment in EAL. As one of the first batch of pilot enterprises under the mixed-ownership reform program for state-owned enterprises, EAL has nine all-cargo aircrafts and exclusively operates bellyhold space of nearly 600 passenger aircrafts under Eastern Airlines series, accounting for over 20% of the domestic air cargo market share, with the air route network extending to the whole world. It also operates the cargo terminal business of Shanghai Pudong Airport (China's largest and the world's third largest cargo airport) and Hongqiao Airport.

- During the Reporting Period, the subsidiaries of the innovative consumption and services segment achieved sound development: Bybo Dental earned revenue of RMB1,434 million, representing an increase of 14% as compared with the corresponding period of last year; Shanghai Neuromedical Center gained revenue of RMB221 million, representing an increase of 317% as compared with the corresponding period of last year; Zeny Supply Chain realized revenue of RMB968 million, representing an increase of 18% as compared with the corresponding period of last year.

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

Unit: RMB million

	2017	2016
Revenue	**2,810**	2,132
Net (loss)	**(475)**	(804)
Net (loss) attributable to equity holders of Legend Holdings	**(110)**	(390)

During the Reporting Period, the revenue from innovative consumption and services segment increased by 32% to RMB2,810 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 value-added businesses during the Reporting Period. Net loss decreased to RMB475 million from RMB804 million in the corresponding period of last year, mainly due to the combined impact of the following factors: (1) a decrease of RMB188 million in net loss as compared with the corresponding period of last year resulting from the cost saved after Zeny Supply Chain closed its conventional courier business; and (2) an increase in the investment income as contributed by the associates in the segment.

Bybo Dental

Bybo Dental, our subsidiary, provides dental healthcare services. We made strategic investment in Bybo Dental in July 2014. As of December 31, 2017, we held 54.90% equity interests in Bybo Dental.

With the rapid growth of the demand for dental healthcare services in China and the continuous development of dental healthcare technologies, many chain dental institutions launched their expansion plan and new entrants were also aggressive in development in recent years. Moreover, investors favored this sector and injected capital into the chain dental institutions, which promoted the rapid development of the industry and also aggravated the industrial competition. Under this circumstance, the dental institutions were confronted with fierce competition in the market in terms of resources of patients or physicians. Meanwhile, with tightening regulations, only quality medical service providers who have always adhered to standard operating procedures can win consumers' trust in the long run and stand out from the fierce competition to achieve the long term development of enterprise.

Ever since the investment by Legend Holdings, Bybo Dental has expanded quickly. In the early period, it successively completed the preparation and opening of the nationwide hospitals and clinics through self-establishment or acquisition. In this process, Bybo Dental kept deepening its brand recognition and formed outstanding medical and management teams.

As of December 31, 2017, Bybo Dental had 212 outlets, including 53 hospitals and 159 clinics, covering 25 provinces and municipalities. The number of outlets increased by 6% from 200 at the end of 2016. The number of Bybo Dental's dental chairs rose from 2,569 at the end of 2016 to 2,816 as of December 31, 2017.

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

	As of December 31, 2017	As of December 31, 2016
Number of outlets	**212**	200
Area of outlets (Square meter)	**278,905**	263,935
Number of dental chairs	**2,816**	2,569
Number of dentists	**1,191**	1,129

In the past year, Bybo Dental exerted great efforts on medical technology and medical service quality, upheld the core values of "kindheartedness in medical treatment, ongoing improvement in consummation" in practice, promoted academic exchange and characteristic innovation for medical treatment in tandem, and to further consolidate its core competitiveness.

While intensifying the construction of medical teams, Bybo Dental introduced professional talents and high-quality medical teams, strengthened the teaching mechanism and held various training programs and skill competitions to constantly improve the medical treatment level of medical workers; new achievements were made in characteristic medical innovation and sophisticated technology. The IDDC (Implantation Diagnosis and Design Center) of Bybo Dental, as the base for advanced implantation training, was established at the end of July 2017. As the medical treatment and training center for difficult and complicated implantation cases of Bybo Dental, the center attracted the patients suffering from difficult implantation problems from Jiangsu, Zhejiang, Shanghai and other provinces of the country. In 5 months, the center finished over 340 implantation operations including over 40 cases involving implantation that demanded sophisticated technologies. The center has gradually become an academic and technological highlight of Bybo Dental in aspect of implantation. Meanwhile, Bybo Dental proactively explored the reform of management system and operation mechanism, improved the quality and content of its services, and beefed up and linked brand publicity and daily marketing. The construction of self-management capacity was reinforced through multiple means to support the development of dental medical treatment business.

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

Unit: RMB million

	2017	2016
Revenue	**1,434**	1,257
Net (loss)	**(793)**	(795)

During the Reporting Period, the outlets established or acquired by Bybo Dental in the earlier period have been successively open for business. The business was mainly driven by the endogenous revenue growth of its hospitals and clinics. Revenue increased from RMB1,257 million in 2016 to RMB1,434 million in 2017, representing a year-on-year growth of 14%. In 2017, Bybo Dental's operating loss was basically flat with that of last year, as the net loss decreased from RMB795 million in 2016 to RMB793 million in 2017. The main reasons for the decrease in net loss include: As the number of outlets increased at slower pace, the growth of established outlets tended to be moderate, as impacted by the industry competition, particularly the new outlets under other brands opened in same cities. In the meantime, many hospitals and clinics in the ramp-up period still suffered from losses and the head office assumed a large amount of debts in order to satisfy the capital needs for expansion in the earlier period and ramp-up of the outlets, leading to more financial expenses.

Bybo Dental will continue to improve the medical technology and quality and enrich its service content to enhance customer loyalty and seize more market share, striving to make a turnaround in respect of its financial performance.

On January 24, 2018, the existing shareholders of Bybo Dental entered into an agreement with Taikang Life Insurance Co., Ltd. ("Taikang Life Insurance") in relation to strategic introduction of Taikang Life Insurance as the controlling shareholder to support the development and optimize the capital structure of Bybo Dental. Legend Holdings will continue to underpin the future development of Bybo Dental. In addition to the funding support, Taikang Life Insurance will also bring new customer resources, assist in marketing and promotion, improve insurance payment procedures, and cooperate on dental healthcare insurance product development. The transaction has been approved by China Banking and Insurance Regulatory Commission on April 4, 2018.

Shanghai Neuromedical Center

Shanghai Neuromedical Center, our subsidiary medical institution, provides clinical neurology specialist medical service. In August 2016, we made investment in Shanghai Neuromedical Center. As of December 31, 2017, we held 58% of its equity interests through our subsidiary and 15% of equity interests through Legend Capital, our venture capital vehicle.

Founded in 2013, Shanghai Neuromedical Center is a specialist hospital built according to the scale of tertiary specialized hospital standards and excels in clinical neuroscience and other general medical services. 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 center with the support of the development of general subjects such as surgery and internal medicine.

Since Legend Holdings made strategic investment in Shanghai Neuromedical Center in 2016, Shanghai Neuromedical Center highly emphasized on the operating management, development of corporate culture, improvement of medical services and introduction of human resources. During the Reporting Period, the above efforts have taken effect. The medical technological standard of Shanghai Neuromedical Center was further enhanced as certain domestically renowned doctors joined the hospital, leading to the substantial increase in medical business statistics such as outpatient visits and discharged patients. In addition, more available beds and higher bed occupancy rate have brought potentials for the business growth.

The following table sets forth the number of available beds and key business statistics of Shanghai Neuromedical Center, respectively:

	As of December 31, 2017	As of December 31, 2016
Number of available beds	**300**	280
Outpatient visits (ten thousand persons)	**15.8**	11.3
Discharged patients (persons)	**6,593**	4,075

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

Unit: RMB million

	2017	For the 4 months period from September to December 2016
Revenue	**221**	53
Net (loss)	**(9)**	(12)

During the Reporting Period, the revenue of Shanghai Neuromedical Center substantially increased to RMB221 million, mainly due to the significant increase in outpatient visits and discharged patients. Shanghai Neuromedical Center suffered a net loss of RMB9 million in 2017. However, with the strengthened discipline construction of hospitals, enhancement of brand awareness and growing number of visits to the hospital and patients with stubborn diseases, Shanghai Neuromedical Center is expected to make profit soon.

Better Education

Better Education, our subsidiary, is a leading kindergarten group with direct operation networks of middle and high-end kindergartens in China and is mainly engaged in the preschool education for kids. We made a strategic investment of approximately USD127.5 million in Better Education in July 2017. As of December 31, 2017, we held 51% equity interests in Better Education through our subsidiary, and Hony Capital of the Company held 29% of its equity interests.

Today China is undergoing a paced-up urbanization and city clustering. Affected by the Two-child Policy, the third "echo boom", and a higher school enrollment rate required by the government, the source of new born babies in core cities will maintain an overall fresh momentum in the coming 5 to 10 years, providing a large room for the development of the pre-school education market. The current supply in the market is highly scattered. It is currently the best time for seizing market share in the industry and a lot of mergers and integrations have occurred in the market. Meanwhile, public kindergartens find it difficult to meet the rising demands in the short term, whereas medium and small kindergartens are troubled by development bottleneck, large operation pressure and other problems. Therefore, we believe that chain brands with the capacity for systematic and cross-boundary operation will have obvious advantages and are easier to acquire high-quality resources during the rapid industrial integration and be entitled to the first mover advantages.

After over a decade's operation, Better Education has established a standardized operation model, developed an operation team with rich experience in management and formed its unique merger and extension capacity. At present, its kindergartens cover 39 cities in 15 provinces in China. As of December 31, 2017, Better Education directly ran 91 kindergartens in Shanghai, Suzhou, Nanjing, Chongqing, Changsha and other cities with over 26,000 enrolled students and over 4,000 staff. It is a leading kindergarten group with direct operation networks of middle and high-end kindergartens in China and ranks among the top tier in respect of the business scale in China.

The following table sets forth the main business information of Better Education:

	As of December 31, 2017
Number of kindergartens, early learning centres and training schools	**91**
Number of enrolled students	**About 26,000**
Number of in-service teaching staff	**About 4,000**

During the Reporting Period, the revenue and net profit of Better Education are set out as follows:

Unit: RMB million

	For the 5 months period from August to December 2017
Revenue	**187**
Net profit	**25**

For Better Education, education is a mission, a responsibility and a hope. The vision of Better Education is to "become an excellent education group". Better Education will devote itself to education wholeheartedly with a service spirit, vigorously optimize the system with a pioneering mindset, and repay the society with kindheartedness, to dash ahead for the long-standing educational cause.

Zeny Supply Chain

We provided frozen foods supply chain business through Zeny Supply Chain, our subsidiary, endeavoring to develop it as a leading company engaged in frozen foods supply chain business. After the exit from the major conventional courier business and integrated logistics business, Zeny Supply Chain mainly focuses on frozen foods supply chain operations. Zeny Supply Chain developed value-added businesses relying on the 400,000 tonnes cold-chain storage infrastructure in four major cities along the Beijing-Kowloon Railway (i.e. Tianjin, Zhengzhou, Wuhan and Dongguan) and the customer bases brought about by the frozen foods wholesale market. As of December 31, 2017, we held 98.85% equity interests in Zeny Supply Chain.

Frozen foods supply chain business: during the Reporting Period, an 80,000 tonnes refrigeration storage was newly established in Baishazhou, Wuhan which is expected to achieve 100% occupancy rate at the beginning of 2018. Phase I of the cold chain project in Dongguan was completed and commenced the trial operation with an overall occupancy rate of 40% during the Reporting Period.

Comprehensive logistics and domestic courier services: as of the end of the Reporting Period, except for the courier business in Shandong, Zeny Supply Chain had closed the comprehensive logistics services and the courier business in other regions.

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

Unit: RMB million

	2017	2016
Revenue	**968**	822
Net (loss)	**(156)**	(327)

During the Reporting Period, the revenue of Zeny Supply Chain increased by RMB146 million year-on-year, mainly due to the continued development of frozen foods supply chain business and value-added business, and net loss decreased by RMB171 million year-on-year, mainly due to the optimization of the business mix.

Associates of Innovative Consumption and Service

During the Reporting Period, the aggregate net profit contributed by associates to innovative consumption and service amounted to RMB458 million (RMB308 million for the corresponding period of last year). The increase in profit was mainly due to: (1) investment income of RMB188 million brought about by strategic investors as introduced by Social Touch; (2) investment income of RMB47 million from strategic investment in EAL during the Reporting Period; and (3) a decrease in profit contributed by CAR due to its year-on-year substantial drop in net profit.

CAR

CAR, our associate, provides comprehensive car rental services including car rental, fleet rental and financial leasing, 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, 2017, we held 25.93% equity interests in CAR.

In 2017, the car rental industry further benefited from the booming leisure tourism and car sharing demands. Meanwhile, as the market penetration rate is still very low, there is an ample room for change and growth. It is expected that, when the Chinese market matures, there will be approximately 700 million driver license holders who do not own a car. At the same time, the Chinese consumer's consumption behavior is experiencing a revolutionary change, together with more aggressive mindset changes in new generation consumers. A mega-sharing mindset will emerge as the future auto lifestyle.

As of December 31, 2017, the total size of operating fleet of CAR reached 93,124 cars, increasing by 3.7% as compared with the corresponding period of last year; the total size of fleet reached 102,500 cars, increasing by 6.3% as compared with the corresponding period of last year. CAR had 898 directly operating service spots in 117 cities of China, including 373 outlets and 525 pick-up points, covering all first-tier and second-tier cities and main tourist spots in the country. In addition, the franchisee network comprised of 239 service locations in 189 third and fourth tier cities.

The table below is the key business data of CAR as of December 31, 2017 and December 31, 2016:

	As of December 31, 2017	As of December 31, 2016
Closing fleet size		
Car rental	**79,905**	62,946
Fleet rental	**13,111**	24,330
Financial leasing	**108**	2,537
Total operating fleet	**93,124**	89,813
Retired vehicles for sale	**7,568**	3,292
Vehicles held for sale	**1,808**	3,344
Total fleet	**102,500**	96,449

During the Reporting Period, despite of the slowed fleet rental business caused by the drop in demand for rental of UCAR, the car rental business still saw milestone achievements and the overall rental revenue of CAR was basically flat with the last year. Specifically, car rental days grew 64% year-on-year and revenue increased by 33% year-on-year to RMB3,792 million; fleet rental revenue decreased by 42% year-on-year to RMB1,235 million. The ride-hailing fleet size of UCAR slashed mainly due to the more efforts on the enhancement of operation efficiency and the adoption of the operation model that can achieve the optimal balance between proprietary and third-party services. The number of customers was 5.40 million, representing a year-on-year increase of 35%. The number of used cars sold stood at 36,912, up by 60% year-on-year; the ratio of cost to sales price was 101.1%, which reflected that the residual value estimation method was more prudent and the used car sales capacity was further enhanced.

In order to increase the return of the shareholders, CAR continued to carry out a series of repurchases in 2017. As of December 31, 2017, CAR repurchased 200 million shares at a consideration of HKD1,410 million.

During the Reporting Period, the revenue and net profit of CAR are set forth as below:

Unit: RMB million

	2017	2016
Revenue	**7,717**	6,454
Net profit	**881**	1,460

During the Reporting Period, the total rental revenue amounted to RMB5,048 million, representing an increase of 1% year-on-year, mainly due to the increase in the sales quantity and amount of used cars that led to an increase in total revenue. The net profit decreased by RMB579 million as compared with the corresponding period of last year, mainly attributable to the large amount of fair value gain arising from the investment in UCAR by CAR in the corresponding period of last year. During the Reporting Period, the adjusted net profit amounted to RMB613 million as compared to RMB821 million for the corresponding period of last year. The year-on-year change was mainly caused by the strong positive contribution by the car rental business, decrease in the demand of UCAR fleet, decrease in the residual value of specific vehicles, and the increase in working capital.

Looking into the next decade, CAR has upgraded its strategic vision in December 2017 to create and build a new generation of auto lifestyle platform to fulfill the constantly changing needs of the enormous size of drivers who do not own cars. CAR's new mission is to build the largest new generation of vehicle sharing platform in China. The future upgraded platform will result in a full upgrade of current car rental business, enabling CAR to offer more innovative and diversified products and services, more comprehensive selection of vehicle models and provide upgrades to customer experience, supported by fully connected and smart mega-fleet management.

With the new strategic vision, CAR will transform its operational focus from asset and product to customer and continue to extensively grow the fleet, increase the fleet utilization, enhance customer experience and drive innovations in both product and business model. CAR has announced its nationwide launch of car sharing services in the second quarter of 2018. With the unique advantage and approach of leveraging excess and idle fleet resources, the new product will offer car sharing consumers the most cost-effective urban mobility solutions to increase utilization of the car rental fleet and drive profitability.

EAL

EAL, our associate, provides aviation logistics related business. EAL, a former wholly-owned subsidiary of China Eastern Air Holding Company ("CEA"), has nine all-cargo aircrafts and exclusively operates bellyhold space of nearly 600 passenger aircrafts under Eastern Airlines series, representing over 20% of the domestic air cargo transportation market, with the air route network covering the whole world. It also operates the cargo terminal business of Shanghai Pudong Airport (China's largest and the world's third largest cargo airport) and Hongqiao Airport. This business is exclusive.

In September 2016, the Chinese government published the list of "6+1" pilot enterprises under the mixed-ownership reform program for state-owned enterprises ("mixed-ownership reform"). EAL is among the first batch of enterprises under this round of reform and the first one to implement it. On June 19, 2017, we entered into a capital increase agreement with Eastern Airlines Industry Investment Company Limited, Global Logistic Properties, Deppon Logistics, Greenland Financial and the employees' shareholding platform of EAL to subscribe for 25% equity interests in EAL at the price of RMB1.025 billion. According to the agreement on the mixed-ownership reform, we will cooperate with CEA and other shareholders engaged in the reform to jointly build the company into a high-end logistics service integrator in line with the industrial ecology of logistics with a sound corporate governance structure, complete modern enterprise system and market-oriented system and mechanism, and give the rein to the resource advantages of the shareholders to boost the company to gradually become a world first-class aviation logistics enterprise. In the second half of 2017, we transferred our 4.9% equity interests in EAL to Beijing Legend Capital Huicheng Equity Investment, L.P., our associate. As of January 2018, the industrial and commercial registration of changes had been completed.

EAL currently has presence in the fields including cross-border e-commerce, air logistics and air freight of premium fresh food, which highly tally with the innovative consumption and services that we are focused on and can generate strong synergistic effects with other enterprises in which we have made investment. The investment in EAL enables us to further expand our investment layout to relevant fields including logistics supply chain and promote the coordinated development of our existing businesses in relevant fields. Therefore, the investment in EAL is in line with our core strategy.

In 2017, the global economic recovery drove up the rapid increase in the demand for aviation logistics business. According to the information published by the International Air Transport Association (IATA), the global demand for air freight (Freight Tonne-Kilometers, FTK) increased by 9% year-on-year, the best performance ever since 2010. Meanwhile, the global air freight capacity (Available Freight Tonne-Kilometer, AFTK) went up by only 3% year-on-year, the slowest growth rate ever since 2012. The short supply of air freight capacity resulted in a substantial year-on-year increase in profit of the global aviation logistics industry.

Underpinned by the active import and export of the Asian-Pacific region, and mainly the Chinese mainland, and the rapid increase in demand for aviation logistics, EAL recorded remarkable growth in air transportation and ground freight handling businesses. In 2017, the company recorded revenue of RMB7,581 million, representing a year-on-year increase of 28.9%, and the net profit amounted to RMB750 million, representing a year-on-year increase of 75.3%. As the global economy will maintain stable growth, the air freight capacity in the short term, especially in the Asian-Pacific region, is unable to fully meet the demand posed by the increase in air freight. We are of the view that the air freight business and ground freight handling businesses will continue to maintain stable growth, giving rise to better performance in 2018.

Agriculture and Food

Overview

Joyvio Group, our subsidiary, is mainly engaged in fruit business, animal protein-related business, branded drink business, processed food products business and comprehensive food ingredients supply chain business.

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 consumption concepts and patterns, we believe that China is now in a stage of rapid upgrading in food consumption; (2) upgrading of industry: in China, the industrial chains are segmented in agricultural and food industry with not-so-reasonable profit distribution mechanisms. Through synergistic network across the industrial chains, product quality, food safety and operating efficiency will be significantly enhanced; (3) overseas resources: with remarkable advantages in resources, species and technology, the overseas market naturally complements the consumption market of China. 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 2017, in respect of the supply chain of fresh fruits, through the merger and acquisition of the Asian business of Capespan, we achieved coverage of Hong Kong, Southeast Asia, Japan and Korea markets, marking the commencement of the global presence of our fruit business channels, and we set foot in Southeast Asia to obtain resources in the place of origin through acquisition of Thai Crown of Thailand (泰國泰果冠公司); as for the seafood supply chain, domestically, we have Joyvio Agriculture, an A-share listed company in China, which invests in Qingdao Starfish, a leading enterprise engaged in seafood; overseas, we own KB Food, a leading Australian seafood supplier, based on which the expansion and integration of global seafood supply chain system will be carried out.

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. By enhancing the effectiveness of investment and operating efficiency, we have developed Joyvio Group into a 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

- For the fruit business, during the Reporting Period, Golden Wing Mau continued its overseas presence while carrying out in-depth integration of the upstream and downstream of domestic fruit business, resulting in rapid year-on-year growth of revenue and profit and further consolidating its leading position in the industry.

- On March 6, 2017, we completed the acquisition of Joyvio Agriculture (Stock Code on Shenzhen Stock Exchange: 300268), a ChiNext listed company on Shenzhen Stock Exchange of China, and became its controlling shareholder. As a strategic industrial platform under Joyvio, the company will accelerate the expansion of purchase, processing and distribution of seafood and other animal protein-related products. In August 2017, Joyvio Agriculture acquired the controlling interests of Qingdao Starfish, which enhanced our control over the upstream resources of animal protein industry chain and continuously promoted the transformation of the listed company's asset quality.

- During the Reporting Period, KB Food proactively implemented the strategy of integration of upstream resources and further consolidated its competitive advantages in Australia. On this basis, the company has planned to export more high quality seafood of Australia to international markets, in particular the Chinese market.

- The continuous optimization of Funglian Group's product mix and further maturity of diversified competition model led to a substantial increase in the overall operating efficiency and profit. During the Reporting Period, the net profit soared by 853% year-on-year.

- In September 2017, Joyvio Group completed strategic investment in acquisition of 68.58% equity interests in Nine Masters through which we expanded our strategic layout in the integrated food ingredients supply chain.

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

Unit: RMB million

	2017	2016
Revenue	**4,962**	3,266
Net profit	**288**	71
Net profit attributable to equity holders of Legend Holdings	**232**	70

During the Reporting Period, the revenue of the agriculture and food segment increased from RMB3,266 million in the corresponding period of last year to RMB4,962 million, mainly due to an addition of three months to the period of consolidation with KB Food as compared to the corresponding period of last year, the consolidation of Joyvio Agriculture in the period and the increase in the revenue of Funglian Group. Net profit increased from RMB71 million in the corresponding period of last year to RMB288 million, mainly due to (1) the increase in net profit of Funglian Group by 853% as compared with the corresponding period of last year; (2) an addition of three months to the period of consolidation with KB Food as compared to the corresponding period of last year and the marked increase in KB Food's operating profit in the year; (3) the increase in profit contributed by Golden Wing Mau as a result of the dramatic increase in its net profit as compared to the corresponding period of last year; and (4) the year-on-year increase in the net profit contributed by Huawen Food and Liquor Easy, two associates of Joyvio Group.

(1) Fruit business

Golden Wing Mau, an associate of Joyvio Group, is the industrial operation platform for the fruit business of Joyvio Group. During the Reporting Period, the blueberries planted by Golden Wing Mau reached a record-high production volume again, leading to further enhancement in the brand awareness and consolidation of Joyvio blueberry as the No.1 domestic brand. With the development of new retail industry, supermarkets exerted greater efforts to sell fresh food and quality goods, driving the rapid increase in the revenue of Golden Wing Mau with the main products of quality fruits. Meanwhile, wholesale channels registered a rapid development, realizing a more reasonable channel structure.

During the Reporting Period, Golden Wing Mau increased its control over the product resources in Southeast Asia and, through capital increase to and shareholding of Thai Crown of Thailand (泰國泰果冠公司), achieved the control over the largest durian collection, storage and processing factory in southern Thailand. With the constant enhancement of Thai durian's advantages, Golden Wing Mau launched Joyvio durian, diversifying the products under Joyvio brand. Meanwhile, we achieved controlling stake in the Asian business of Capespan by capital increase. This business has access to quality supermarkets and hypermarkets such as NTUC-Fairprice in Singapore and PARKnSHOP in Hong Kong, representing a leading position in fruit distribution in the markets of Southeast Asia, Japan, Korea and Hong Kong. Moreover, Gold Win Mau also established long-term cooperation with leading suppliers in quality fruit producing areas, including South Africa, USA and Mexico, laying a solid foundation for deploying its business across the world.

(2) Animal protein-related business

Through domestic and overseas development of animal protein-related business relying on the listed company Joyvio Agriculture and the subsidiary KB Food, respectively, Joyvio Group endeavours to build the new model featuring "global resources + consumption in China" by means of domestic and overseas linkage and coordination.

As a strategic industrial development platform of Joyvio, Joyvio Agriculture will speed up the purchase, processing and distribution of high-end animal proteins including seafood. Qingdao Starfish, a subsidiary of Joyvio Agriculture, is China's largest pandalus borealis importer and distributor, the largest pollock processor and exporter, and a retailer fully engaged in import of seafood. As of December 31, 2017, we held 29.53% equity interests in Joyvio Agriculture. On January 2, 2018, we increased our shareholding in Joyvio Agriculture by 0.37% through the centralised competitive bidding system of the Shenzhen Stock Exchange, raising our equity interests in Joyvio Agriculture to 29.90%.

The overall business growth of KB Food during the Reporting Period was in line with expectations. Specifically, 1) the capital expenditures in 2016 achieved significant effect, resulting in great improvement in the operating efficiency of fresh food processing business in Western Australia; 2) with the continuous enhancement of the capacity and standard of serving customers, KB Food became the best supplier of seafood of the year of Woolworths, a large supermarket chain operator in Australia again; 3) the integration of upstream resources further enhanced customers' confidence. In May 2017, Australian Seafood Investment Pty Ltd ("ASI"), a new wholly-owned subsidiary newly established by KB Food, completed acquisition of 100% and 40% equity interests in Carnavan No.1 Fishing Trust and Darwin Fishing Trust, being vessels for fishing shrimps in the deep sea, respectively. Currently, fishing operation has been competed for the first fishing season after completion of the aforementioned acquisition. The operation was sound and the team made a smooth transition. In the future, ASI will seek for more opportunities for integration of upstream resources.

KB Food plans to comprehensively develop the international market. In October 2017, KB Food set up an office in Hong Kong and put the team together. In November 2017, KB Food participated in the China Fisheries & Seafood Expo in Qingdao for the first time and achieved admirable results. In addition, KB Food also entered into an agreement on strategic cooperation with Joyvio Agriculture with an aim to develop the Chinese market relying on the channels and resources of Joyvio Agriculture. The ongoing tariff cut under the China-Australia Free Trade Agreement and the twice downward adjustment to the import tariff for important imported seafood in 2017 will facilitate KB Food to export its products to the Chinese market in the long run.

(3) Branded drinks business

Joyvio Group's branded drinks business includes Chinese liquor (Funglian Group), tea leaves (Longguan Company) and Liquor Easy.

Funglian Group has four regional Chinese liquor enterprises including Bancheng, Wenwang, Confucius Family and Wuling. In 2017, Funglian Group continuously strengthened mainstream products delivery and promoted differentiated marketing, leading to a steady growth of operating revenue and a significant increase in operating profit in the first half of the year. In December 2017, the proposal of restructuring of Hebei Hengshui Laobaigan (stock code on Shanghai Stock Exchange: 600559), a Chinese company with its A shares listed on the main board of Shanghai Stock Exchange, was approved at its general meeting of shareholders, pursuant to which it intended to acquire 79.71% of equity interests in Funglian Group held by us from Joyvio Group by way of non-public issuance of shares and cash payment. On January 31, 2018, the transaction was unconditionally approved by the Merger and Reorganisation Vetting Committee of CSRC. For details, please refer to the announcement of Hebei Hengshui Laobaigan.

Longguan Company's Longjing under the "Longguan" brand is the No.1 Longjing tea brand in China. Apart from the G20 Hangzhou Summit 2016, Longjing under the "Longguan" brand was selected as the appointed tea for the Belt and Road Forum for International Cooperation in 2017, hence constantly improving the company's brand recognition and market influence. During the Reporting Period, benefiting from the advantage in technological standards, brand effect as well as the continuous improvement in operation and management, the revenue and net profit of Longguan Company recorded a rapid growth as compared with the corresponding period of last year.

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 "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 and distribution sites in Henan, Beijing and Xi'an markets, thereby enhancing both its market coverage and service capability. In 2017, its revenue increased by 31% year-on-year. As of December 31, 2017, Joyvio Group held 30% equity interests in Liquor Easy.

(4) Processed food products business

Joyvio Group tapped into the field of processed food products through the investment in Huawen Food, a leading manufacturing enterprise of snack food in China that owns various 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 distribution network, the company has become a leading enterprise in the snack food industry in China. In 2017, the company exerted great efforts in optimizing the distribution and sales channels and expanding the sales channels relentlessly, with a view to expand the share of the company's products in the snack market in second, third or lower-tier cities. Along with the optimization of channels, the company actively promoted brand marketing by launching a few commercials featuring the brand spokesman Mr. Wang Han and commencing innovative marketing, with a view to enhance the company's brand awareness.

(5) Integrated food ingredients supply chain business

In September 2017, Joyvio Group completed strategic investment in Nine Masters and now it holds 68.58% equity interests in Nine Masters. With this transaction done, the integrated food ingredients supply chain was included into our strategic landscape.

Founded in 2010, Nine Masters provides integrated services in relation to food ingredients supply chain to modern industrial and commercial enterprises, public institutions, chain catering industry, fresh food e-commerce, new retail supermarkets, convenience store chains, modern households, etc. The services include central kitchen operation, research and development, processing and supply of fresh Ready-to-Cook (RtC) and Ready-to-Eat (RtE) and other Ready food, and entrusted management of institutions' canteens. The members of its core management team are from domestic and overseas excellent enterprises which run food supply chains. The company has formed 2 large production bases in eastern China and southwest China and possesses three brand product series, namely "NINE MASTERS", "FRESH FOOD" and "LOVEFOR", enabling it to provide customers with differentiated solutions covering supply chains of all food material categories.

Up to now, Nine Masters has built an excellent business model and has good capacity in terms of operation management, product research and development, and resources integration; after years of development in the modern agriculture and food, Joyvio Group has made strategic investment in domestic and overseas animal protein, fruit, retail and other fields, and strengthened its capacity to integrate domestic and overseas high quality food material resources, laying a solid foundation for the rapid development of Nine Masters in the future. We believed that Joyvio Group and Nine Masters will engage in intensive cooperation to complement each other's advantages, with a view to jointly creating a new benchmark for the food material supply chain industry in China and developing Nine Masters into a leader in the semi-finished fresh food industry in China.

New Materials

Overview

The new materials segment of Legend Holdings focuses on innovative materials with growth potential emerged from the transformation of China's chemical industry. Through Levima Group, our subsidiary, we are engaged in the production of fine chemicals and new chemical materials.

During the Reporting Period, the revenue and net profit of the new materials segment are set out as follows:

Unit: RMB million

	2017	2016
Revenue	**4,876**	4,702
Net profit	**527**	184
Net profit attributable to equity holders of Legend Holdings	**482**	141

During the Reporting Period, as a result of the optimization of Levima Group's product mix and price rise of downstream products caused by the global oil price hike, the revenue from the segment increased by 4% year-on-year. During the Reporting Period, the segment recorded a net profit of RMB527 million, representing a year-on-year increase of 186%. In particular, under the composite effects of the profit decrease of Levima New Materials caused by the production halt of DMTO integrated device for capacity expansion and the profit increase of coal business due to the turnaround of the coal market, Levima Group recorded a year-on-year increase in net profit of RMB30 million. At the same time, considering adjustments to investment portfolio, optimization of assets allocation and further promotion of strategic focus, the Company transferred all its 33.21% equity interests in Phylion Battery to a third party strategic investor during the Reporting Period at a consideration of approximately RMB930 million, with the recognition of gains on disposal after tax of RMB386 million.

Operating highlights

- CAS Holdings strategically invested RMB850 million in Levima New Materials. The investment realized the access to intensive base of accumulated technology and innovative resources of Chinese Academy of Sciences by Levima New Materials and optimised the capital structure, introduced more resources for ongoing development and enhanced the competitiveness of business.

- The market share of Levima Group in terms of thin-walled polypropylene injection molding product and EVA cable materials ranked first in the domestic market. The EVA new product successfully entered the photovoltaic application field and saw stable increase in sales. Besides, the proportion of special EOD product rose rapidly. Accordingly, the company's product mix was continuously optimised along with further enhancement of its profitability and market influence;

- The strategic divestment from Phylion Battery produced favourable return on investment.

Levima Group

During the Reporting Period, Levima New Materials, a subsidiary of Levima Group successfully introduced RMB850 million strategic investment from CAS Holdings. The investment enhanced its capital structure and at the same time, strengthened the accumulated technology in innovative research and development in the new materials and fine chemical sector and development potential of the company. Since 2016, by means such as capital injection, the shareholding of the management and introducing strategic investment from CAS holdings, we laid a solid foundation for Levima New Materials to develop independently into an outstanding enterprise in the new materials sector and have the capital market access. As of December 31, 2017, we held 60.44% of the equity interest of Levima New Materials through our wholly-owned subsidiary Levima Group.

Interior of the Central Control Room

Chinese Academy of Sciences is the most supreme academic institution in China's scientific research field, with profound technologies and a large talent pool in the fine chemical sector and the cutting edge of new materials sector. As the asset management institution of Chinese Academy of Sciences, CAS Holdings invested in Levima New Materials on behalf of Chinese Academy of Sciences. It not only introduces top-notch research and development resources and innovation ability into Levima New Materials, but also provides powerful technological support for the expansion of Levima New Materials's business into the high-end new materials sector, which would facilitate the development of Levima New Materials' own competitive advantages in the industry and speed up the realization of the strategy and vision of becoming an outstanding enterprise in the new materials sector of China.

In respect of operations, by stronger product development and sustained market channel expansion, the company's product mix was further optimised. In particular, its market share ranked first in China in terms of polypropylene, EVA, EOD and other product segments.

Benefiting from the rapid growth of domestic take-away service and fresh food e-commerce industry, Levima Group enjoyed a considerable year-on-year increase in the sales of thin-walled polypropylene injection molding product by approximately 85% to 185,000 tonnes applied to meal boxes for take-out service, fresh food package, etc., and the market share kept the first place in China in 2017, which contributed more profits to the company and gained a favourable reputation among downstream customers.

In 2017, the sales percentage of those EVA products with a high content of vinyl acetate (VA) reached 81%, 26% higher than that of 2016. The market share of cable material product with high gross profit ranked first in China and the new product FL02528 successfully broke into the photovoltaic application field with stable growth of sales, which boosted further improvement of the company's profitability.

In November 2017, the company successfully implemented the first production halt ever since its commencement of operation for overhaul, technical transformation and capacity expansion. Upon full resumption of production, the capacity of DMTO device increased by approximately 30%, contributing to substantial reduction in the unit cost of products. Despite of certain impacts on the revenue and profit of the company during the Reporting Period, the resumed DMTO device is believed to provide powerful support for the company's future profitability.

Moreover, Levima Group achieved safe production throughout the year for the coal business, which was attributable to the implementation of the national de-capacity policy, turnaround of the coal market, and year-on-year large increase in the profitability of coal business.

During the Reporting Period, the revenue and net profit of Levima Group are set out as follows:

Unit: RMB million

	2017	2016
Revenue	**4,876**	4,702
Net profit	**116**	86

Financial Investments

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

	2017	2016
Revenue	**653**	539
Investment income and gains	**4,669**	2,103
Share of profit of associates and joint ventures accounted for using the equity method	**249**	232
Net profit	**4,369**	3,158
Net profit attributable to equity holders of Legend Holdings	**4,128**	2,901

During the Reporting Period, the investment income and gains of our financial investment segment increased to RMB4,669 million from RMB2,103 million for the corresponding period of last year, the net profit attributable to equity holders of the Company increased to RMB4,128 million from RMB2,901 million for the corresponding period of last year, which was mainly due to the fact that several fund investment projects got listed through IPOs, leading to significant increase in the overall value of the funds and the distribution of income.

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 artificial intelligence.

As of 2017, Legend Star managed five funds in total, of which the size exceeded RMB2 billion with an aggregate of over 200 onshore or offshore investment projects including iDreamsky Games, Megvii Face++, AISpeech, IrisKing, Homework Box (作業盒子), Surestar, Burning Rock Dx, Kintor Pharmaceuticals, PegBio, MNCHIP, Percans Oncology and other high quality projects. During the Reporting Period, there were over 50 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, 63 projects have finished another round of financing; two projects, namely Suzhou Zhongyan Network Technology Co., Ltd (蘇州眾言網絡科技股份有限公司) (Stock Code on NEEQS: 871961) and Beijing Youxinhongke Electronic Technology Co., Ltd (北京友信宏科電子科技股份有限公司) (Stock Code on NEEQS: 871189) have successfully listed on the NEEQS while the exit of seven projects have been carried out.

In 2017, Legend Star newly launched the third RMB fund and the third USD fund, which further expanded the asset under management. During the Reporting Period, over RMB700 million was raised for the third RMB fund and USD20 million was raised for the third USD fund.

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.

Since 2014, Legend Star has been ranked as top tier of the Annual Angel Investment Institution/Early Stage Investment Institutions by the professional institutions in the industry such as 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 2017, Legend Capital totally managed seven USD funds, four RMB funds, two early-staged RMB funds, one USD fund specialised in healthcare sector, one RMB fund specialised in healthcare sector, two RMB funds specialised in culture and sports sector and one fund in red-chip return concept. In 2017, Legend Capital launched one new RMB fund, namely Suzhou JunJunde Equity Investment, L.P. (蘇州君駿德股權投資合夥企業(有限合夥)) ("2nd culture and sports fund") and also completed the final closing of one USD fund and one RMB fund, namely LC Fund VII, L.P. ("7th USD fund") 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) (together with its sub-fund, the "4th RMB fund"), respectively. As of December 31, 2017, the raised fund amounted to RMB3.61 billion, including a total of RMB1.35 billion raised for the 2nd culture and sports fund.

In 2018, Legend Capital plans to complete the fund raising of the 2nd culture and sports fund and launch the 2nd RMB fund and USD fund specialized in healthcare sector, the 5th RMB fund and the 8th USD fund. Legend Capital's newly raised funds will focus on Chinese enterprises and cross-border opportunities at the start-up stage and growing stage in TMT, innovative consumption, intelligent manufacture, specialized services, healthcare, and culture and sports sectors. In addition, in 2018, 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 60 new project investments, covering startup stage and growing stage enterprises in TMT, innovative consumption, intelligent manufacture, specialized services, healthcare, and culture and sports sectors.

During the Reporting Period, Legend Capital fully or partially exited 21 projects, contributing cash inflow of nearly RMB700 million for Legend Holdings to ensure better cash return. Among its portfolio companies, eight enterprises were listed on the domestic and overseas capital market through IPO, namely Shanghai Fullhan Microelectronics Co.,Ltd (上海富瀚微電子股份有限公司), Tanyuan Technology Co., Ltd (碳元科技股份有限公司), WuXi Biologics (Cayman) Inc. (藥明生物技術有限公司), Union Optoelectronics Technology Co., Ltd (聯合光電科技有限公司), Berry Genomics Corporation (北京貝瑞和康生物技術股份有限公司), KingMed Diagnostics Corporation (廣州金域醫學檢驗集團股份有限公司), Shanghai Putailai New Energy Technology Co., Ltd. (上海璞泰來新能源科技股份有限公司), Shanghai PPDai Financial Information Service Co. Ltd (上海拍拍貸金融信息服務有限公司). As of December 31, 2017, 47 of Legend Capital's portfolio companies have been successfully listed. As of December 31, 2017, 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, 2017:

Name of Fund	Fund Term Commencement Date	End Date	Total Commitment	Investment Sector	Interests held by Legend Holdings as a limited partner
	(month/day/year)	*(month/day/year)*			*(%)*
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)	65.70%
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	448	TMT, innovative consumption, modern services, intelligent manufacture	22.31%
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	9/18/2019	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%

Name of Fund	Fund Term Commencement Date	End Date	Total Commitment	Investment Sector	Interests held by Legend Holdings as a limited partner
	(month/day/year)	*(month/day/year)*			*(%)*
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	1,252	Culture entertainment, sports	19.97%
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	4,500	TMT, innovative consumption, modern services and intelligent manufacture	22.22%
Suzhou JunJunde Equity Investment, L.P. (蘇州君駿德股權投資合夥企業(有限合夥))	6/30/2017	6/29/2025	1,353	Culture entertainment, sports	27.71%

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) Suzhou JunJunde Equity Investment, L.P. (蘇州君駿德股權投資合夥企業(有限合夥)) has not completed the final closing during the Reporting Period.

Hony Capital

Hony Capital is one of the leading equity investment and management institutions in China. As of the end of 2017, Hony Capital managed eight equity investment funds, as well as two mezzanine funds, two property funds and one cultural industry fund in total. During the Reporting Period, Hony Capital raised the second property value-added strategic fund with a size of RMB2.56 billion. Meanwhile, two funds, namely the Haidian technology industry space optimization fund under the strategic cooperation between Hony property fund and a SOE of Beijing Haidian district as well as the cultural industry fund under the overall platform of Hony Capital with a focus on the investment opportunity in the cultural industry, commenced fund raising and completed the first round of delivery with a size of RMB1.08 billion and RMB660 million, respectively, during the Reporting Period. Currently, the fund raisings are still underway and the sizes are 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.

The cultural industry fund will focus on the integrated investment, cross-border investment and investment in relation to the early stage project investment layout in the new trend sectors in the cultural industry, prioritize the film and television industry, entertainment and sports industry, and keep close eyes on online games and new media businesses which are driven by new technology.

During the Reporting Period, Hony PE funds completed investment or additional investment in fourteen new projects or existing projects, covering start-up stage and growing stage enterprises in healthcare, consumption, services and so on. Hony mezzanine funds completed six new investments or additional investments; and Hony property funds completed investment in seven new projects. Hony cultural industry fund completed investment in two new projects.

During the Reporting Period, Hony PE funds fully or partially exited from twelve projects, while Hony mezzanine funds fully or partially exited from eight projects and Hony property funds partially exited from one project, contributing cash inflow of over RMB1.47 billion for Legend Holdings in total. Meanwhile, one of its portfolio companies was listed in Hong Kong's capital market, namely Hospital Corporation of China Limited. As of December 31, 2017, 41 of Hony's portfolio companies have been successfully listed onshore or offshore (including PIPE investment) and another three were listed on NEEQS. As of December 31, 2017, Hony Capital has fully exited from 43 companies. The median of the internal rate of return on these investments was above 16%.

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, 2017:

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	9/2/2017	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%
Tibet Dazi Hony Phase II Mezzanine Fund Partnership (Limited Partnership) (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	2,563	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.	20%
Beijing Haidian Technology Industry Space Optimization Fund, L.P. (北京海淀科技產業空間優化基金中心(有限合夥))	12/8/2016	6/30/2022	1,075		5%

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.

(4) Beijing Haidian Technology Industry Space Optimization Fund, L.P. (北京海淀科技產業空間優化基金中心(有限合夥)) has not completed the final closing during the Reporting Period.

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*. As of December 31, 2017, the average occupancy rate was about 99%. 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. Tower A, B and C are mainly used for rent as premium offices and shops, as well as self-occupied offices. As of December 31, 2017, the fair value of our investment properties amounted to RMB10.999 billion (excluding the self-use portions).

FINANCIAL REVIEW

Net interest expenses

Our net interest expenses after deducting capitalized amounts increased from RMB3,262 million in 2016 to RMB4,483 million in 2017. The increase in the net interest expenses was mainly due to the increase in the total borrowings.

Taxation

Our taxation increased from RMB476 million in 2016 to RMB2,574 million in 2017. The increase in the amount of taxation was mainly due to the write-off of deferred income tax assets brought to Lenovo pursuant to the Tax Cuts and Jobs Act enacted by the government of the United States on December 22, 2017.

Capital expenditures and capital commitments

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

As of December 31, 2017, RMB16,893 million of capital expenditures have been contracted but not yet been spent. Such capital commitments were mainly used for purchases of property, plant and equipment, and investment. Details of capital commitments are set out in Note 47 to the financial statements.

* Tower A, B and C are located at Court No. 2 Ke Xue Yuan Nanlu, Haidian District, Beijing, Postal Code: 100190. The terms of land use rights of these properties will expire in the years of 2051, 2057 and 2053 respectively.

Liquidity and financial resources

Our principal sources of funds included cash generated from operations, various short-term and long-term bank borrowings, facilities and debt financing including corporate bonds and private placement bonds. It is expected that these sources of funds will continue to satisfy our future funding needs.

Cash and cash equivalents

As of December 31, 2017, our cash and cash equivalents include RMB32,202 million of cash at bank and in hand and money market funds, among which, RMB, USD, HKD, EUR and other currencies accounted for 54%, 29%, 6%, 4% and 7%, respectively, while the amount as of December 31, 2016 was RMB30,059 million, among which, RMB, USD, HKD, EUR and other currencies accounted for 51%, 26%, 10%, 4% and 9%, 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. In the foreseeable future, we expect to continue to finance our capital expenditures with raised capital, bank loans, other loans and corporate bonds at a proper scale.

Indebtedness

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

Unit: RMB million

	As of December 31, 2017	As of December 31, 2016
Bank loans		
– Unsecured loans	**14,200**	21,032
– Guaranteed loans	**19,586**	15,663
– Collateralised loans	**3,851**	3,215
Other loans		
– Unsecured loans	**2,343**	30
– Guaranteed loans	**7,287**	7,954
– Collateralised loans	**1,843**	1,043
Corporate bonds		
– Unsecured	**37,974**	32,948
– Guaranteed	**494**	784
	87,578	82,669
Less: non-current portion	**(64,454)**	(56,516)
Current portion	**23,124**	26,153

As of December 31, 2017, among our total borrowings, 77% was denominated in RMB (December 31, 2016: 74%), 22% was denominated in USD (December 31, 2016: 25%) and 1% was denominated in other currencies (December 31, 2016: 1%). If categorised by whether the interest rates were fixed or not, the fixed interest rates borrowings accounted for 92% (December 31, 2016: 89%) and the floating interest rates borrowings accounted for 8% (December 31, 2016: 11%) of our total borrowings, respectively. The 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

	As of December 31, 2017	As of December 31, 2016
Within 1 year	**23,124**	26,153
After 1 year but within 2 years	**25,707**	15,269
After 2 years but within 5 years	**36,352**	36,307
After 5 years	**2,395**	4,940
	87,578	82,669

As of December 31, 2017, we had the following corporate bonds outstanding:

Issuer	**Type of bonds**	**Currency**	**Issuance date**	**Term**	**Principal amount**	**As of December 31, 2017**
The Company	Corporate bonds	RMB	October 31, 2011	7 years	RMB2,900 million	RMB2,896 million
The Company	Corporate bonds	RMB	November 30, 2012	10 years	RMB2,300 million	RMB2,289 million
The Company	Private placement bonds	RMB	March 21, 2014	5 years	RMB2,000 million	RMB1,992 million
The Company	Private placement bonds	RMB	March 27, 2014	5 years	RMB740 million	RMB738 million
The Company	Private placement bonds	RMB	October 29, 2015	3 years	RMB1,000 million	RMB998 million
The Company	Corporate bonds	RMB	July 6, 2016	5 years	RMB1,500 million	RMB1,496 million
The Company	Corporate bonds	RMB	July 6, 2016	10 years	RMB2,000 million	RMB1,992 million
The Company	Private placement bonds	RMB	November 28, 2016	3 years	RMB3,000 million	RMB2,994 million
The Company	Corporate bonds	RMB	July 5, 2017	5 years	RMB2,500 million	RMB2,493 million
Lenovo	Long term notes	USD	May 8, 2014	5 years	USD1,500 million	RMB9,781 million

Issuer	Type of bonds	Currency	Issuance date	Term	Principal amount	As of December 31, 2017
Lenovo	Long term notes	RMB	June 10, 2015	5 years	RMB4,000 million	RMB4,002 million
Lenovo	Long term notes	USD	March 16, 2017	5 years	USD500 million	RMB3,245 million
Zhengqi Financial	Guaranteed bonds	RMB	September 16, 2015	3 years	RMB500 million	RMB494 million
Zhengqi Financial	Corporate bonds	RMB	March 3, 2016	3 years	RMB400 million	RMB398 million
Zhengqi Financial	Corporate bonds	RMB	September 22, 2017	3 years	RMB300 million	RMB298 million
JC Finance & Leasing	Asset backed securities	RMB	November 17, 2016	2–3 years	RMB527 million	RMB531 million
JC Finance & Leasing	Private placement bonds	RMB	March 28, 2017	3 years	RMB500 million	RMB519 million
JC Finance & Leasing	Asset backed securities	RMB	June 23, 2017	3–4 years	RMB1,202 million	RMB1,212 million
JC Finance & Leasing	Private placement bonds	RMB	December 22, 2017	2 years	RMB100 million	RMB100 million

The annual interest rates of our bonds listed above as of December 31, 2017 ranged from 3.30% to 7.20%.

As of December 31, 2017, the Company had undrawn banking facilities of RMB87.4 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

	As of December 31, 2017	As of December 31, 2016
Current ratio (Times)	**1.0**	1.0
Debt to equity ratio	**70.1%**	76.3%

Current ratio

Current ratio is our current assets divided by our current liabilities at the end of each financial period. Our current ratio at the end of the Reporting Period remained stable compared with December 31, 2016.

Debt to equity ratio

Debt to equity ratio is a percentage calculated by dividing our net debt (total borrowings less cash and cash equivalents) by total equity at the end of each financial period. The decrease in the debt to equity ratio at the end of the Reporting Period as compared with that as of December 31, 2016 was mainly due to the increase in our total equity.

Pledged assets

As of December 31, 2017, we pledged the assets of RMB15 billion (December 31, 2016: RMB13 billion) for obtaining borrowings.

Contingent liabilities

Our contingent liabilities primarily comprised (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; and (ii) 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, 2017 and December 31, 2016, the provision made by us was RMB109 million and RMB108 million respectively.

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

Unit: RMB million

	As of December 31, 2017	As of December 31, 2016
Financial guarantee of guarantee business	**3,765**	3,751
Other guarantee		
– Related parties	**1,923**	2,022
– Unrelated parties	**11,857**	6,507

Guarantee provided for unrelated parties mainly represents the guarantee provided for the real estate business disposed of in historical years during the validity period of the guarantee. The guaranteed companies also provided counter-guarantee for such guarantee.

Major risks and response management

Our business operation involves certain major risks, for example:

Macro economy and market fluctuation risk

The Company's subsidiaries are engaged in information technology, financial services and other industries. The macro-economic environment and market fluctuation may affect the business and profitability of our subsidiaries, which results in risk on the fluctuation of the Company's overall operating results.

We continually monitor the changes in macro economy, regulatory policies and market environment, predict possible problems and make feasible adjustments rapidly, including requiring our subsidiaries to adjust business structures, change operation strategies and supplement capital. The Company also regularly appraises risk on overall portfolio, and optimizes and adjusts based on the appraisal results when appropriate.

Investment business risk

The Company adopts the two-wheel-drive business model under which strategic investments and financial investments serve as two wheels. Due to the wide range of investments, our judgment on the industry development trend may differ from the actual conditions, which results in risk on lower-than-expected return of investments.

After making sufficient researches on domestic and overseas industrial development trends and national industrial policies, we focus our strategic investments on information technology, financial services, innovative consumption and services, agriculture and food as well as other industries with long-term development potential. Meanwhile, we conduct long-term industry tracking to ensure that we can keep abreast of the industry trends and make timely and dynamic adjustments to investment strategies in response to the changes in conditions.

Post-investment management risk

The Company carries out strategic investments in various industries at home and abroad and conducts strategic management and control over the acquired enterprises after completion of the acquisition, which exposes the Company to risk on post-investment management and consolidation in operation and management as well as cultural integration with the portfolio companies.

The Company conducts in-depth analysis on the corporate culture and management team of the enterprises proposed to be acquired before making investments to ensure that they have common concept on development strategies and operation management with us and their cultures are able to be integrated with us. Meanwhile, we adopt various measures to strengthen our capacities in management and control over the portfolio companies as well as recognition of their cultures. In particular, we establish a professional post-investment management team to deeply understand the operation of the portfolio companies and assist them in improving operation and management efficiencies, and provide the portfolio companies with trainings on management methods and culture building through the Management Institute.

Financial risks

The Group's activities are exposed to a variety of financial risks, which consist of market risk (including foreign exchange 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 hierarchical financial control management system. We guide and supervise major aspects of the financial management of the subsidiaries and each subsidiary manages its financial risks at their own levels. We and certain of our subsidiaries use derivative financial instruments to hedge certain risk exposures.

- Foreign exchange risk

  The Group operates internationally and is exposed to foreign currency risk arising from various currency exposures, primarily with respect to USD, RMB 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 the Company and our subsidiaries. The Company and each of our subsidiaries monitor 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

  The Group is 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 three capital markets: Hong Kong, China and Japan.

- Cash flow and fair value interest rate risk

  The Group's interest rate risk arises primarily from long-term borrowings. Long-term borrowings at floating rates expose us to cash flow interest rate risk. Long-term borrowings 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, we control the credit risk through monitoring our credit ratings and setting approved credit limits that are regularly reviewed.

The Group has no significant concentration of customer credit risk. We have policies to limit the credit exposure on receivables. The Group assesses 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 the Group's overall credit risk is limited to a controllable extent.

- Liquidity risk

  Cash flow forecasting is performed by the Company and each of our subsidiaries. We monitor the 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.

Compliance risk

Compliance risk refers to the risk of the Company and each of our subsidiaries and their Directors, Supervisors, senior management and its employees being subject to legal obligations, regulatory penalties, financial or reputation losses due to operation and management or practice in violation of regulations. As our business activities and investments cover, including but not limited to, the PRC, Hong Kong, Europe, Australia and South America, we are also subject to the laws and regulatory rules of different jurisdictions. The Board of the Company will monitor our compliance policies, review the effectiveness of our internal control and risk management and seek for advice from the compliance advisor and internal and external lawyers on compliance matters from time to time. During the Reporting Period, the Group has complied with relevant regulations which have significant impacts on our business and operation in all material respects.

Events after the Reporting Period

On February 2, 2018, the issue of the corporate bonds for the year 2018 (tranche 1) of Legend Holdings Corporation to qualified investors in the PRC has been completed. The bonds are 5-year bonds with an actual issue size of RMB1 billion and a final coupon rate of 6%.

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, 2017, the Company applied RMB2 billion for the repayment of partial amount of the corporate bonds due in 2015, RMB342 million for the ordinary working capital and deposited the remaining balance with Hong Kong licensed banks.

Details about the number of employees, remuneration policy and bonus and remuneration standards for directors

As at December 31, 2017, the Company and its subsidiaries had 59,457 employees.

The Company acknowledges that a top-notch professional team with high efficiency 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 general remuneration system for core management members and employees with market competitiveness which is compatible with the business features of the Company:

1. In respect of the Company's core management members ("core management"), the overall remuneration comprises annual remuneration, mid-term to long-term incentives and benefits. Annual remuneration as well as mid-term to long-term incentives of core management of the Company is determined by the Board based on the overall performance of the Company and the duties undertaken by the core management and their performance. The Company will then determine performance results according to the Company's performance and the performance appraisal of core management. Annual remuneration comprises annual basic salaries (determined based on the duties undertaken by core management) and target bonus (calculated based on a certain proportion of the basic salaries of core management with reference to the overall performance of the Company and performance appraisal of core management). And the benefits include basic social benefits and supplemental benefits of the Company.

2. In respect of the employees of the Company, the overall remuneration consists of annual remuneration, mid-term to long-term incentives and benefits. Annual remuneration comprises basic salaries and target bonus. Basic salaries represent salaries determined based on duties undertaken by the employees, their performance and capabilities. 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. Meanwhile, in order to attract and motivate talents to create values for the sustainable development of the Company, the mid-term to long-term share incentive scheme was approved by the Board and the general meetings of the Company held in March 2016 and June 2016, respectively, and the implementation thereof was completed at the end of 2016. In addition, the Company also establishes a system of basic social benefits and supplemental benefits as a complementary with a view to enhance its benefits level.

3. The remuneration for independent non-executive directors is determined based on the time devoted, workload, duties undertaken thereby and prevailing market level. The Remuneration Committee reviews the remuneration for independent non-executive directors on a regular basis.

In accordance with the relevant regulations of China, the Company provides various statutory benefits to our employees, including basic pension insurance, basic medical insurance, employment injury insurance, unemployment insurance, maternity insurance and housing provident fund. In addition, in order to provide our employees with more comprehensive benefits, the Company also provides supplemental benefits on its own, including supplement to pension insurance, medical insurance and housing provident fund as well as physical medical examination.

Recommendation of Final Dividend

The Board has recommended a final dividend of RMB0.27 per Ordinary Share (before tax) for the year ended December 31, 2017 (2016: RMB0.242), amounting to a total of approximately RMB636 million (before tax) (2016: RMB570 million), subject to the approval of the Shareholders at the forthcoming 2017 annual general meeting (the "2017 AGM").

Closure of Register of Members

In order to determine the Shareholders entitled to attend and vote at the 2017 AGM, the register of members of the Company will be closed from Saturday, May 5, 2018 to Tuesday, June 5, 2018 (both days inclusive), during which time no transfer of the Company's H Shares will be registered. Accordingly, unregistered H Shareholders of the Company shall lodge relevant share transfer documents with the Company's H share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Friday, May 4, 2018.

In order to determine the entitlement of H Shareholders to the final dividend for 2017, the H share register of the Company will be closed from Saturday, June 9, 2018 to Thursday, June 14, 2018 (both days inclusive). H Shareholders who wish to receive the final dividend for 2017 shall deliver the share certificates accompanied by the transfer documents to the H share registrar of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, June 8, 2018.

Mr. LIU Chuanzhi *Chairman and Executive Director*

Mr. LIU Chuanzhi (柳傳志), aged 73, the Founder of Legend Holdings and was appointed as a Director and the Chairman of the Board on February 18, 2014, the date of the Company changed to a joint stock limited liability company and was appointed as the chairman of the Nomination Committee of the Company on June 29, 2015. Mr. LIU is also the founder of Lenovo and held various senior positions as the president, an executive director, a non-executive director and the chairman of the board of Lenovo from 1989 to 2011. He has substantial experiences in corporate management and holds chairmanships in various members of Legend Holdings.

Prior to joining Legend Holdings, Mr. LIU served at the Institute of Computing Technology Chinese Academy of Sciences (中國科學院計算技術研究所). Mr. LIU obtained his graduate certificate from the Radar Navigation Department of People's Liberation Army Institute of Telecommunication Engineering (中國人民解放軍軍事電信工程學院雷達導航系) (now known as Xidian University) in China in 1967.

Mr. ZHU Linan *Executive Director*

Mr. ZHU Linan (朱立南), aged 55, was appointed as a Director and the President of the Company on February 18, 2014, the date of the Company changed to a joint stock limited liability company. Mr. ZHU joined Legend Holdings since 2001 and served consecutively as a Director and Executive Vice President and Director and President. Mr. ZHU first joined the Company's subsidiary in 1989 and served as the general manager of Shenzhen Legend Computer Co., Ltd. (深圳聯想電腦有限公司). From 1997 to 2001, he joined Lenovo and served consecutively as a general manager of Business Development Department, an assistant president, an executive vice head and head of Corporate Planning Office and a senior vice president. He was a founder of Legend Investment Limited (聯想投資有限公司), the predecessor of Legend Capital Co., Ltd. (君聯資本管理股份有限公司), in 2001 and has served as a director since its establishment. In addition, Mr. ZHU holds directorships and senior management positions in various members of Legend Holdings. Mr. ZHU is currently a non-executive director of Lenovo and CAR Inc. (both listed on the Hong Kong Stock Exchange).

Mr. ZHU obtained his master's degree in Electronic Engineering from Shanghai Jiao Tong University in China in 1987.

Mr. ZHAO John Huan *Executive Director*

Mr. ZHAO John Huan (趙令歡), aged 55, was appointed as a Director and Executive Vice President of the Company on February 18, 2014, the date of the Company changed to a joint stock limited liability company. Mr. ZHAO joined Legend Holdings in 2003 when he founded Hony Capital. From 2003 to 2011, he served consecutively as executive vice president, senior vice president and a director and senior vice president of Legend Holdings Limited, the predecessor of the Company. He is currently the chairman of Hony Capital.

Mr. ZHAO has extensive experiences in corporate management and holds senior management positions at several companies in the United States and the PRC. From 2002 to 2003, Mr. ZHAO was the advisor to chief executive officer of Lenovo. Prior to joining Legend Holdings, he also served as the Research & Development Director and senior manager of Shure Brothers, Inc., vice president of US Robotics Inc. (listed on NASDAQ Stock Market), chairman of the board and president of Vadem, Inc., chairman of the board and president of Infolio Inc. and a managing partner and chief executive officer of eGarden Ventures, Ltd.

Mr. ZHAO is currently a non-executive director of Lenovo and a non-executive director of China Glass Holdings Limited, the chairman of the board, chief executive officer and executive director of Best Food Holding Company Limited and the chairman of the board and non-executive director of Hospital Corporation of China Limited (all listed on the Hong Kong Stock Exchange) and the deputy chairman and non-executive director of Shanghai Environmental Group Co., Ltd, a non-executive director of Shanghai Jin Jiang International Hotels Development Co., Ltd, (both listed on the Shanghai Stock Exchange) and a non-executive director of Zoomlion Heavy Industry Science & Technology Development Co., Ltd. (listed on the Hong Kong and Shenzhen Stock Exchanges). He previously served as the chairman of the board of China Glass Holdings Limited (listed on the Hong Kong Stock Exchange), a director of New China Life Insurance Company Ltd., Chinasoft International Limited and CSPC Pharmaceutical Group Limited (all listed on the Hong Kong Stock Exchange), the deputy chairman of Shanghai Chengtou Holding Co., Ltd. (上海城投控股股份有限公司) (listed on the Shanghai Stock Exchange) and a director of Fiat Industrial S.p.A. (listed on MTA Italian Stock Exchange).

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

Mr. WU Lebin *Non-executive Director*

Mr. WU Lebin (吳樂斌), aged 55, was appointed as a Director of the Company on September 4, 2014. He is the chairman of the board of directors of CAS Holdings, a substantial Shareholder, and the chairman of the board of directors and executive director of Biosino Bio-Technology and Science Incorporation (listed on the Hong Kong Stock Exchange). He previously served as a deputy head of the Institute of Biophysics of CAS (中國科學院生物物理研究所), the chief of Public Relations Coordination Office of CAS General Office (中國科學院辦公廳公共關係協調處), and an engineer of Strategic Vision Office of CAS Technology Policy Bureau (中國科學院科技政策局戰略遠景處).

Mr. WU obtained his bachelor's degree in medicine from Jiangxi Medical College (江西醫學院) (now known as Medical College of Nanchang University (南昌大學醫學院)) in China in 1983 and a master's degree in science from the Institute of Vertebrate Paleontology and Paleoanthropology of Chinese Academy of Sciences (中國科學院古脊椎動物與古人類研究所) in China in 1988. He also completed an EMBA study program jointly offered by the branch of University of Wisconsin-Madison in the United States and CAS in 2002.

Mr. WANG Jin *Non-executive Director*

Mr. WANG Jin (王津), aged 64, was appointed as a Director on February 18, 2014 and was appointed as a member of the Audit Committee of the Company on June 29, 2015. Mr. WANG has been a director of the board of directors of CAS Investment Management Co., Ltd (中國科技產業投資管理有限公司, "CAS Investment") which is a subsidiary of CAS Holdings, a substantial Shareholder, since 2014. He was previously appointed as an executive director and the general manager of CAS Holdings from 2009 to 2014. He was a deputy general manager of Oriental Scientific Instrument Import & Export Corp. (東方科學儀器進出口公司), the chairman of the board and president of Oriental Scientific Instrument Import & Export (Group) Corp. (東方科學儀器進出口集團公司) and the chairman of the board of CAS Investment. Mr. WANG is a member of the Twelfth National People's Congress of the PRC.

Mr. WANG obtained his bachelor's degree in engineering from Tianjin University in China in 1978 and a master's degree in business administration from Asia International Open University (Macau) in Macau in August 2001. He was a visiting scholar at Fermilab of the United States from 1992 to 1993.

Mr. LU Zhiqiang *Non-executive Director*

Mr. LU Zhiqiang (盧志強), aged 65, was appointed as a Director on February 18, 2014 and was appointed as a member of Remuneration Committee of the Company on June 29, 2015. He is the chairman of the board and president of China Oceanwide, Oceanwide Group and Tohigh, all being substantial Shareholders. He is also a chairman of the board of Oceanwide Holdings Co., Ltd. (泛海控股股份有限公司) (listed on the Shenzhen Stock Exchange) and a vice chairman and non-executive director of China Minsheng Banking Corp., Ltd. (listed on Hong Kong and Shanghai Stock Exchanges).

Mr. LU obtained his graduate certificate specializing in international economics from East China Normal University in China in 1990, and a master's degree in economics from Fudan University in China in 1995.

Mr. LU holds more than one third voting power at general meetings of Tohigh which through its wholly-owned subsidiary, Oceanwide Group, directly and indirectly holds 100% interest of the outstanding share capital of China Oceanwide. Mr. LU, Tohigh, Oceanwide Group are all deemed to be the substantial Shareholders and interested in 400,000,000 Domestic Shares held by China Oceanwide under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Mr. MA Weihua *Independent Non-executive Director*

Mr. MA Weihua (馬蔚華), aged 68, was appointed as a Director of the Company on March 15, 2015 with effect from June 29, 2015, the listing date of the Company. He was also appointed as the Chairman of Remuneration Committee and a member of Nomination Committee of the Company on June 29, 2015.

Mr. MA has been an independent non-executive director of China Eastern Airlines Corporation Limited (listed on the Hong Kong and the Shanghai Stock Exchanges), an independent non-executive director of China World Trade Center Co., Ltd. (中國國際貿易股份有限公司) (listed on the Shanghai Stock Exchange), an independent non-executive director of Postal Savings Bank of China Co., Ltd. (listed on the Hong Kong Stock Exchange), a non-executive director of RoadShow Holdings Limited (listed on the Hong Kong Stock Exchange) and the chairman of board of supervisors of Taikang Life Insurance Co., Ltd..

Mr. MA previously served as the president, chief executive officer and executive director of China Merchants Bank Co., Ltd. (listed on the Hong Kong and Shanghai Stock Exchange), an independent non-executive director of China Petroleum & Chemical Corporation (listed on the Hong Kong, Shanghai, New York and London Stock Exchanges) and an independent non-executive director of Winox Holdings Limited and China Resources Land Limited (both listed on the Hong Kong Stock Exchange). In addition, Mr. MA is a member of the Standing Council of China Society for Finance and Banking, the director-general of One Foundation (壹基金公益基金會理事長) and the director-general of Council of National Fund for Technology Transfer and Commercialization (國家科技成果轉化引導基金理事會理事長). Mr. MA is a member of the Twelfth National Committee of the Chinese People's Political Consultative Conference.

Mr. MA was awarded the doctor of philosophy degree in economics from Southwest Finance and Economics University in China in 1999.

Mr. ZHANG Xuebing *Independent Non-executive Director*

Mr. ZHANG Xuebing (張學兵), aged 52, was appointed as a Director of the Company on March 15, 2015 with effect from June 29, 2015, the listing date of the Company. He was also appointed as a member of the Audit Committee and a member of the Nomination Committee of the Company on June 29, 2015. Mr. ZHANG established Zhong Lun Law Firm in 1993 and is the managing partner to present. He is currently an external director of China Telecommunications Corporation and the Council of China University of Political Science and Law in China. In addition, Mr. ZHANG was the former Chairman of the Eighth and Ninth Beijing Lawyers Association (北京市律師協會). He has been the Vice-chairman of the All China Lawyers Association (中華全國律師協會), and an Arbitrator of the China International Economic and Trade Arbitration Commission (中國國際經濟貿易仲裁委員會).

Mr. ZHANG obtained his Bachelor of Laws degree from China University of Political Science and Law in China in 1986, Master of Laws degree from China University of Political Science and Law in China in 1991 and Master of Laws degree from Duke University in the United States in 1998. Mr. ZHANG was admitted as a PRC qualified lawyer in 1989 by Beijing Municipal Bureau of Justice (北京市司法局) and was granted the Qualification of Lawyer for Engaging in Securities Law Business by the China Securities Regulatory Commission in 1996.

Ms. HAO Quan *Independent Non-executive Director*

Ms. HAO Quan (郝荃), aged 59, was appointed as a Director of the Company on March 15, 2015 with effect from June 29, 2015, the listing date of the Company. She was also appointed as the Chairperson of the Audit Committee and a member of the Remuneration Committee of the Company on June 29, 2015. Ms. HAO previously served as a lecturer of the Renmin University of China from 1982 to 1989. She first joined KPMG (USA) in 1993 and became a partner of KPMG Huazhen (Special General Partnership) and its predecessor from 2001 to 2015. Ms. HAO is currently an independent non-executive director of BEST Inc. (listed on New York Stock Exchange).

Ms. HAO obtained her Bachelor of Economics degree from the Renmin University of China in 1982 and the Master of Business Administration degree from Temple University in the United States in 1993. Ms. HAO obtained the qualification of certified public accountant in California, the United States in 1995 and as a PRC certified public accountant in 2002.

Mr. LI Qin *Supervisor*

Mr. LI Qin (李勤), aged 77, was appointed as the Chairman of the Board of Supervisors on February 18, 2014, the date of the Company changed to a joint stock limited liability company. Mr. LI served as deputy general manager of Chinese Academy of Sciences Computer Technology Research Institute New Technology Development Company (中國科學院計算技術研究所新技術發展公司) (the predecessor of the Company) from 1985 to 1989, and as executive vice president of Lenovo from 1989 to 2001. He served at Legend Holdings Limited (the predecessor of the Company) as executive vice president from 2001 to 2009 and as chief supervisor from 2009 to 2014. Mr. LI is an independent non-executive director of Sunac China Holdings Limited (listed on the Hong Kong Stock Exchange).

Mr. LI obtained his graduate certificate specializing in auto-control from Beijing Mechanical Institute (北京機械學院) in China in 1965.

Mr. SUO Jishuan *Supervisor*

Mr. SUO Jishuan (索繼栓), aged 54, was appointed as the Supervisor on September 4, 2014. Mr. SUO is the general manager of CAS Holdings, a substantial Shareholder, and the chairman of the board of China Science Publishing & Media Group Ltd. (中國科技出版傳媒集團有限公司). He worked for Lanzhou Institute of Chemical Physics, Chinese Academy of Sciences (中國科學院蘭州化學物理研究所) ("LICP") from 1991 to 2003 and served consecutively as deputy head of the State Key Laboratory for Oxo Synthesis and Selective Oxidation (羰基合成和選擇氧化國家重點實驗室), the head of the National Engineering Research Center of Fine Petrochemical Intermediates (精細石油化工中間體國家工程研究中心), assistant to the chief of LICP, deputy chief of LICP and vice president of Lanzhou Branch of Chinese Academy of Sciences. He was the chairman of the board of directors of Chengdu Organic Chemicals Co., Ltd., Chinese Academy of Sciences (中國科學院成都有機化學有限公司) from 2003 to 2009, deputy general manager of CAS Holdings from 2009 to 2014, the chairman of the board of Software Engineering Center, Chinese Academy of Sciences (北京中科院軟件中心有限公司) from 2011 to 2014 and the chairman of the board of Shenzhen CAS IP Investment Co., Ltd. (深圳中科院知識產權投資有限公司) from 2011 to 2015.

Mr. SUO obtained his bachelor's degree in science from Inner Mongolia University in China in 1986 and a doctoral degree in science from LICP in China in 1991.

羅成先生 *Supervisor*

Mr. LUO Cheng (羅成), aged 39, was appointed as the Supervisor on January 16, 2018. He is an assistant president of China Oceanwide, a substantial Shareholder. He obtained a master degree from the University of Leeds in 2002, majoring in accounting and finance. Mr. LUO is currently a supervisor of Oceanwide Holdings Co., Ltd. (泛海控股股份有限公司) and Mingsheng Holdings Co., Ltd. (民生控股股份有限公司) (both listed on Shenzhen Stock Exchange).

Mr. CHEN Shaopeng *Senior Management*

Mr. CHEN Shaopeng (陳紹鵬), aged 48, was appointed as a Senior Vice President and a member of the Executive Committee of the Company (including its predecessor) since 2011, responsible for the investment in the agriculture and food businesses of the Company. Mr. CHEN is currently the chairman of the board of Joyvio Group and a director of Joyvio Agriculture Development Co., Ltd. (佳沃農業開發股份有限公司) (listed on Shenzhen Stock Exchange) and holds chairmanships and directorships in various members of Legend Holdings. From 1993 to 2011, Mr. CHEN served consecutively in Lenovo as a sales manager, a regional manager, a regional deputy general manager, a regional general manager, an assistant president, a vice president, a senior vice president & president of Greater China Region, a senior vice president & president of Asia-Pacific and Russia Region and a senior vice president & president of Emerging Markets Group. Prior to joining Legend Holding, he served as a system administrator of the computing center of the Planning and Design Institute of the Ministry of Light Industry from 1992 to 1993.

Mr. CHEN obtained his bachelor's degree in engineering from Beijing Institute of Light Industry (北京輕工業學院) (now known as Beijing Technology and Business University (北京工商大學)) in China in 1992 and an EMBA degree from Tsinghua University in China in 2005. He completed the Advanced Management Program at Harvard Business School in the United States in 2008.

Mr. TANG Xudong *Senior Management*

Mr. TANG Xudong (唐旭東), aged 56, was appointed as a Senior Vice President and a member of the Executive Committee of the Company (including its predecessor) since January 2012, responsible for managing the investments in Legend Star, Legend Management Institute (聯想管理學院), Human Resources Department and Administration Department. Mr. TANG is currently the chairman of the board of Beijing Legend Star Investment Management Limited and holds directorships in various members of Legend Holdings. In addition, Mr. TANG serves as a director of CAS Holdings, the substantial Shareholder, since 2011.

Mr. TANG joined Legend Holdings in 2001 and served consecutively as Vice President and Head of Corporate Planning Office, Vice President, Senior Vice President and General Manager of its Incubator Investment Division, General Manager of Human Resources Department, and Executive Dean of Legend Management Institute. From 1990 to 2001, He served consecutively in Lenovo as general manager of Human Resources Department, general manager of the Legal Department and deputy head of Corporate Planning Office. Prior to joining Legend Holdings, Mr. TANG served as an assistant engineer in CAS Policy Bureau (中國科學院政策局) from 1987 to 1990.

Mr. TANG obtained his bachelor's degree in laws from Central Institute of Nationalities (中央民族學院) (now known as Minzu University of China) in China in 1986, and got an EMBA degree from Cheung Kong Graduate School of Business in China in 2005.

Mr. NING Min *Senior Management*

Mr. NING Min (寧旻), aged 47, was appointed as a Senior Vice President, the Chief Financial Officer and the Secretary of the Board of the Company on February 18, 2014, the date of the Company changed to a joint stock limited liability company. He has been a Senior Vice President and a member of Executive Committee of the Company (including its predecessor) since 2012. He was appointed as the Joint Company Secretary of the Company on March 15, 2015. He is responsible for finance department, asset management department, securities affairs department, public relations department, and the Hong Kong office of the Company. He currently holds chairmanships and directorships in various members of Legend Holdings.

Mr. NING joined Legend Holdings in 2000 and served consecutively as a Deputy Head of the Corporate Planning Office, the secretary of the Board and the General Manager of the Asset Management Department, a Vice President and a Senior Vice President of the Company. From 1991 to 2000, Mr. NING served consecutively in Lenovo as a secretary to the president and an assistant to the chairman of the Board.

Mr. NING is currently a director of Xi'an Shaangu Power Co., Ltd. (西安陝鼓動力股份有限公司) and Beijing Electronics Zone Investment and Development Co., Ltd. (北京電子城投資開發集團股份有限公司) (both listed on the Shanghai Stock Exchange). He was previously a non-executive director of China Glass Holdings Limited (listed on the Hong Kong Stock Exchange). Mr. NING obtained his bachelor's degree in economics from Renmin University of China (中國人民大學) in 1997. Mr. NING completed courses of master of business administration offered by Graduate School of Renmin University of China (中國人民大學研究生院) in China in 2001.

Mr. LI Peng *Senior Management*

Mr. LI Peng (李蓬), aged 46, was appointed as a Senior Vice President and a member of the Executive Committee of Legend Holdings on July 15, 2015, currently responsible for strategic investment sectors of Legend Holdings including financial services investment and overseas investment. He currently holds directorships in various members of Legend Holdings. Mr. LI joined Legend Holdings in 2003 and served consecutively as Deputy Head of Corporate Planning Office and General Manager of the Investment Management Department, General Manager the Financial Assets Department, an Assistant President, a Vice President as well as a Senior Vice President and General Manager of the Strategic Investment Department.

Prior to joining Legend Holdings, Mr. LI served as a finance manager of Sinotrans Corporation (中國對外貿易運輸總公司) from 1994 to 1999. He also served as a senior financial analyst of Teradyne Connection Systems, US from June 2001 to December 2002.

Mr. LI obtained his bachelor's degree in International Finance from University of International Business & Economics (China) in China in 1994, and an MBA from the University of New Hampshire in the United States in 2001.

Principal Businesses

The principal businesses of the Company comprise strategic investment business (investment in five major sectors: IT, financial services, innovative consumption and services, agriculture and food, and new materials) and financial investment business (mainly includes angel investments, venture capital, private equity investments and other investments).

Reserve

During the Reporting Period, the changes in reserve of the Company and its subsidiaries are set out in the consolidated statement of changes in equity of the financial statements prepared in accordance with the International Financial Reporting Standards in this annual report. The changes in reserve of the Company are set out in the note 45(b) to the financial statements.

Distributable Reserve

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

As of December 31, 2017, the distributable reserve of the Company amounted to RMB2,552 million (2016: RMB2,458 million) which was calculated pursuant to the accounting policy under the China Accounting Standards for Business Enterprises.

Results and Appropriations

The results of the Company and its subsidiaries for the year are set out in the consolidated income statement on pages 147 to 148 of this annual report.

The overall financial position of the Company and its subsidiaries as at December 31, 2017 are set out in the consolidated balance sheet on pages 150 to 151 in this annual report, and the financial position of the Company as at December 31, 2017 in note 45(a) to the financial statements, respectively.

The consolidated cash flow statement of the Company and its subsidiaries for the year is set out in the consolidated cash flow statement on pages 154 to 155 in this annual report.

The Board proposed to distribute the final dividend for the year ended December 31, 2017 of RMB0.27 per Ordinary Share (before tax) (2016: RMB0.242). If the proposal is approved by the Shareholders at the 2017 AGM to be held on Tuesday, June 5, 2018, the proposed dividend will be distributed around Monday, July 16, 2018 to the Shareholders whose names appear on the register of members of the Company on Thursday, June 14, 2018. Detailed arrangements of the declaration and distribution of final dividend (including arrangements for withholding and paying income tax) will be disclosed separately in the notice of 2017 AGM by the Company. Dividends on Domestic Shares will be paid in RMB whereas dividends on H Shares will be denominated in RMB and paid in HKD (the exchange rate of RMB to HKD will be fixed at the average selling price as announced by the People's Bank of China for a calendar week immediately prior to the date of 2017 AGM).

Shares Issued

The details of changes in Shares issued of the Company during the Reporting Period are set out in note 31 to the financial statements. The Company did not issue any new Shares for the year ended December 31, 2017.

Bonds Issued

The Company completed the issue of the 2017 corporate bonds with a total issue size of RMB2.5 billion to qualified domestic investors on July 7, 2017. The 2017 corporate bonds were listed on the Shanghai Stock Exchange, for a term of 5 years and at a coupon rate of 5.05%. The proceeds from the issue of the bonds after deducting the issue expenses will be fully utilized towards repayment of interest-bearing debts.

Donations

The details of the Company's donations for charity or other purposes for the year ended December 31, 2017 are set out on pages 111 to 137 of the ESG Report.

Business Review

Under the Disclosure of Financial Information set out in Appendix 16 to the Listing Rules, the Company is required to include a business review in the Directors' Report. According to the Schedule 5 to the Company Ordinance of Hong Kong, a business review shall cover certain aspects, the details of which are as follows:

1. A fair review of the business of the Company and its subsidiaries

   "Management Discussion and Analysis" on pages 18 to 69 of this annual report.

2. A description of the principal risks and uncertainties facing the Company and its subsidiaries

   "Major Risks and Response Management" on pages 65 to 67 of this annual report.

3. Particulars of significant events affecting the Company and its subsidiaries that have occurred subsequent to the Reporting Period

   "Events after the Reporting Period" on page 67 of this annual report.

4. An estimation of the potential development in the business of the Company and its subsidiaries

   "Management Discussion and Analysis" on pages 18 to 69 of this annual report.

5. An analysis on financial key performance indicators

   "Financial Review" on pages 60 to 64 of this annual report.

6. The Company's environmental policies and performance

   Details of the environmental and social policies of Legend Holdings and its subsidiaries are set out in "Environmental, Social and Governance Report" on pages 111 to 137 of this annual report.

7. Key relationships with employees, customers, suppliers and other stakeholders

   The philosophy and principles of the Company and its subsidiaries towards its employees, customers, suppliers and other stakeholders are set out in "Environmental, Social and Governance Report" on pages 111 to 137 of this annual report.

Principal Customers and Suppliers

During the year, the sales of product and service to the top five customers from the Company and its subsidiaries were less than 11%. The principal suppliers of the Company and its subsidiaries accounted for the following percentages of the procurement amount of the Company and its subsidiaries during the year:

The largest supplier 16%
Total percentage of the top five suppliers 48%

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

Property, Plant and Equipment and Investment Properties

Details of changes in the property, plant and equipment and investment properties of the Company and its subsidiaries during the Reporting Period are set out in notes 17 and 18 to the financial statements, respectively.

Borrowings

Details of the borrowings of the Company and its subsidiaries are set out in note 38 to the financial statements.

Contingencies

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

Five-year Financial Summary

The results and summary of assets and liabilities of the Company and its subsidiaries for the year ended December 31, 2017 and in the latest four fiscal years are set out on pages 295 to 296 of this annual report.

Substantial Subsidiaries and Associates

Details of substantial subsidiaries and associates of the Company are set out in notes 12 and 13 to the financial statements.

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, 2017.

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

The Company's Compliance with the Relevant Laws and Regulations

The Company operates and invests in, among others, China, Hong Kong, Europe, Australia and South America. During the Reporting Period, the Company has complied with the relevant laws and regulations which have material impacts on Legend Holdings' business and operations in material respects.

Purchase, Sale or Redemption of the Listed Securities of the Company

During the year ended December 31, 2017, the Company entrusted a custodian to purchase a total of 3,151,300 Shares by way of trust as an incentive subject of the restricted share incentive scheme of the Company. Save for the above transactions, 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, 2017.

Sufficient Public Float

As at the date of this report, in accordance with the public information that the Company could obtain and as far as the directors are aware, the directors confirmed that the Company had been maintaining the sufficient public float provided by the Listing Rules.

Pre-emptive Rights

The Company's Articles of Association and the Company Law of PRC do not have any provisions regarding pre-emptive rights.

Tax Relief

If the Shareholders require the PRC tax authorities to claim refund of overpaid tax fees through the Company in accordance with the relevant requirements of the Administrative Measures for Non-resident Taxpayers to Benefit from the Taxation Treaties (《非居民納税人享受税收協定待遇管理辦法》) (please refer to the announcement【2015】No. 60 of State Administration of Taxation (website: http://www.chinatax.gov.cn/n810341/n810755/c1804145/content.html), they are required to submit reports and information as stipulated in section VII of the announcement【2015】No. 60 of State Administration of Taxation to the tax authorities, and supplement the conditions of enjoying the treatment of treaties.

If non-resident enterprise Shareholders satisfy the prescribed conditions and apply for enjoyment of the policy not subject to withholding income tax, they are required to submit in advance the relevant documents to the Company in accordance with the relevant requirements of the announcement【2018】No.3 of State Administration of Taxation (website: http://www.chinatax.gov.cn/n810341/n810755/c3033019/content.html) in order that the Company may seek approval from and file with the relevant tax authorities as early as possible. Upon completion of approval and filling, the Company will not withhold enterprise income tax for them.

Save as disclosed above, the Company is not aware of any details concerning tax relief arising from holding the securities of the Company. For details of profit distribution plan, dividend policy and the necessary information on taxes for Shareholders, please refer to the circular of the Company dated April 19, 2018.

Information of Directors and Supervisors

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

Mr. LIU Chuanzhi *(Chairman)*
Mr. ZHU Linan
Mr. ZHAO John Huan
Mr. WU Lebin #
Mr. WANG Jin #
Mr. LU Zhiqiang #
Mr. MA Weihua *
Mr. ZHANG Xuebing *
Ms. HAO Quan *

Non-executive directors
* *Independent Non-executive directors*

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

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

Mr. LI Qin *(Chairman of Board of Supervisors)*
Mr. SUO Jishuan
Mr. LUO Cheng *(appointed on January 16, 2018)*
Mr. QI Zixin *(resigned on January 16, 2018)*

Equity-linked Agreements

No equity-linked agreement was entered into by the Company during the year or as at the end of the year.

Permitted Indemnity Provision

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

Directors' and Supervisors' Service Contracts

For the year ended December 31, 2017, none of the Directors or Supervisors had any service contract with the Company and any member of the Company which is not determinable by the Company within one year without payment of any compensation (other than statutory compensation). None of the Directors or Supervisors standing for re-election at the annual general meeting had entered into any service contract with the Company which is not determinable by the Company within one year without payment of any compensation (other than statutory compensation).

Management Contracts

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

Directors' Interests in Acquisition of Shares or Debentures

For the year ended December 31, 2017, there was no arrangement to enable the Directors to acquire benefits by means of acquisition of Shares in, or debentures of, the Company or any of its subsidiaries.

Directors' and Supervisors' Interests in Transactions, Arrangements or Contracts

As at the end of the year or during any time of the year, the Company or any of its subsidiaries did not enter into any transactions, arrangements or contracts in relation to its business, which resulted in material interests owned, directly or indirectly, by any Director and Supervisor or their connected entities.

Directors' and Supervisors' Emoluments and Five Highest Emoluments

The Directors' and Supervisors' emoluments are determined by the Board with reference to their duties, responsibilities and performance and the results of the Company and its subsidiaries. Details of the Directors' and Supervisors' emoluments and the five highest paid individuals are set out in notes 46(a) and 10 to the financial statements, respectively.

Directors' Interests in Competing Business

During the Reporting Period, none of the directors (excluding the independent non-executive directors) of the Company had any interests in businesses which constitute competition or may constitute direct or indirect competition in the businesses of the Company and its subsidiaries.

Change of Director's and Supervisor's Information

Pursuant to Rule 13.51B(1) of the Listing Rules, the change of Director's and Supervisor's information is as follows:

Mr. MA Weihua, an Independent Non-executive Director, was appointed as a non-executive director of Roadshow Holdings Limited (listed on Hong Kong Stock Exchange, Stock Code: 888) on November 21, 2017.

Ms. HAO Quan, an Independent Non-executive Director, was appointed as an independent non-executive director of BEST Inc. (listed on New York Stock Exchange, Stock Code: BSTI) on September 19, 2017.

Mr. QI Zixin resigned as the Supervisor with effect from January 16, 2018.

Mr. LUO Cheng was appointed as the Supervisor with effect from January 16, 2018. He has been the assistant president of China Oceanwide since February 2018.

Connected Transactions, Continuing Connected Transactions and Related Party Transactions

For the year ended December 31, 2017, the Company and its subsidiaries had entered into the following transactions, which had constituted connected transactions and continuing connected transactions of the Company under the Listing Rules and shall be disclosed pursuant to Chapter 14A of the Listing Rules:

1. On November 24, 2017, Beyond Rainbow Limited ("Beyond Rainbow", an indirect wholly-owned subsidiary of the Company, as the subscriber), Goldstream Capital Master Fund I ("Goldstream Fund I", as the Fund) and Goldstream Capital Management (Cayman) Limited ("Goldstream (Cayman)", as the Fund Manager) entered into the subscription agreement, pursuant to which Beyond Rainbow has agreed to invest USD30 million (equivalent to approximately RMB199.28 million) to subscribe for the fund interest in Goldstream Fund I. Mr. ZHAO John Huan ("Mr. Zhao") is a connected person of the Company under Chapter 14A of the Listing Rules. He is a director of Goldstream Fund I and indirectly controls over 30% interests in Goldstream (Cayman). As such, Goldstream Fund I is deemed as an associate of Mr. Zhao, and the transaction contemplated under the subscription agreement constitutes a connected transaction of the Company. (Details of such connected transaction are set out in the announcement of the Company dated November 24, 2017.)

2. On September 29, 2017, Legion Elite Limited ("Legion Elite", an indirect wholly-owned subsidiary of the Company), Sureinvest Holdings Limited ("SHL") and Union Star Limited ("Union Star") entered into the contribution agreement, pursuant to which, Legion Elite agreed to contribute a maximum amount of USD160 million (equivalent to approximately HKD1,250 million) in Union Star, for the purpose of acquiring certain interest in Lenovo through Union Star. As SHL is controlled and owned as to 87.14% by Mr. YANG Yuanqing ("Mr. YANG", the chairman, the chief executive officer and an executive director of Lenovo), SHL is an associate of Mr. YANG and therefore a connected person of the Company at the subsidiary level. As a result, the entry into and the performance of the contribution agreement by Legion Elite with SHL constitute a connected transaction for the Company under Chapter 14A of the Listing Rules. (Details of such connected transaction are set out in the announcement of the Company dated September 29, 2017.)

3. On July 26, 2017, Hony Capital Fund V, L.P. ("Hony Fund V"), Remarkable Light Limited ("Remarkable Light", an indirectly wholly-owned subsidiary of the Company, as the subscriber) and Fortune Eight Cathay Limited ("Fortune Eight") entered into the subscription agreement, pursuant to which, Remarkable Light agreed to subscribe for 2,039,000 shares of Fortune Eight (representing approximately 25.3% total enlarged issued shares of Fortune Eight) at a cash consideration of USD20,390,000. Mr. ZHAO is a connected person of the Company under Chapter 14A of the Listing Rules and indirectly controls more than 30% interest in the general partner of Hony Fund V. As such, Hony Fund V is deemed as an associate of Mr. ZHAO, and the transaction contemplated under the subscription agreement constitutes a connected transactions of the Company. (Details of such connected transaction are set out in the announcement of the Company dated July 26, 2017.)

4. On May 5, 2017, Levima Group, a wholly-owned subsidiary of the Company, CAS Holdings, Levima New Materials, a subsidiary of Levima Group, and other shareholders of Levima New Materials entered into the equity transfer and capital increase agreement, pursuant to which, (i) CAS Holdings agreed to acquire the equity interest corresponding to RMB129,600,000 in the registered capital of Levima New Materials at a consideration of RMB425,580,000; (ii) CAS Holdings made additional capital injection of RMB426,890,000 in cash to Levima New Materials. The equity transfer and capital increase agreement has been completed, Levima Group and CAS Holdings held approximately 60.44% and 29.50% equity interests in Levima New Materials respectively, Levima New Materials became a connected subsidiary of the Company. As CAS Holdings is a substantial Shareholder and a connected person of the Company, CAS Holdings' strategic investment in Levima New Materials constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. (Details of such connected transaction are set out in the announcement of the Company dated May 5, 2017.)

5. On May 8, 2017, the Company and Levima New Materials entered into the continuing financial assistance framework agreement (the "Continuing Financial Assistance Framework Agreement"), pursuant to which the Company agreed to grant financial assistance to Levima New Materials not exceeding RMB5,200 million in aggregate upon the written requests made by Levima New Materials during the term of 36 months from June 16, 2017, subject to the then financial position of the Company and compliance with the Listing Rules. Levima New Materials is a connected subsidiary of the Company. The provisions of the financial assistance to Levima New Materials under the Continuing Financial Assistance Framework Agreement therefore constitutes a continuing connected transaction of the Company in accordance with Chapter 14A of the Listing Rules. (Details of such continuing connected transaction are set out in the announcement dated May 8, 2017 and the circular dated May 26, 2017 of the Company.) The Continuing Financial Assistance Framework Agreement (including the cap of the financial assistance) has been approved by independent Shareholders at the Company's annual general meeting held on June 16, 2017.

   For the year ended December 31, 2017, the actual aggregate amount of the financial assistance provided to Levima New Materials by the Company according to the Continuing Financial Assistance Framework Agreement was RMB4,272 million, not exceeding the cap stipulated in the agreement (being RMB5,200 million).

In accordance with Rule 14A.55 of the Listing Rules, the Independent Non-executive Directors had reviewed the continuing connected transactions under the Continuing Financial Assistance Framework Agreement as referred to in the paragraph (5) above, and confirmed that those transactions had been entered into (i) in the ordinary and usual course of business of Legend Holdings; (ii) on normal commercial terms or better; and (iii) according to the agreement governing them, the terms of which were fair and reasonable and in the interests of the Shareholders as a whole.

The Company has engaged an auditor to report on the continuing connected transactions of the Company and its subsidiaries in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has reviewed the continuing connected transactions referred to in the paragraph (5) above and confirmed to the Board that nothing has come to their attention that causes them to believe that they have not been approved by the Board; that they were not, in all material respects, in accordance with the pricing policies of the Company and its subsidiaries if the transactions involve the provision of goods or services by the Company and its subsidiaries; that they were not entered into, in all material respects, in accordance with the relevant agreements governing the transactions; and that they have exceeded the caps in accordance with Rule 14A.56 of the Listing Rules.

During the year ended December 31, 2017, the Company and its subsidiaries have complied with the relevant policies and guidelines issued by Hong Kong Stock Exchange when determining the price and terms of the continuing connected transactions entered into and have complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules in relation to the connected transactions entered therein.

Save for the connected transactions and continuing connected transactions as disclosed above also constitute the related party transactions, the related party transactions as set out in the note 50 to the financial statements do not constitute connected transactions under Chapter 14A of the Listing Rules.

Pension Schemes

Details of pension benefit of the Company and its subsidiaries are set out in notes 9 and 40 to the financial statements, respectively.

Independent Auditor

PricewaterhouseCoopers ("PricewaterhouseCoopers") has been appointed by the Company as the independent auditor for the year ended December 31, 2017. The consolidated financial statements for 2017 of the Company which were prepared in accordance with the International Financial Reporting Standards have been audited by PricewaterhouseCoopers. A resolution for the re-appointment of PricewaterhouseCoopers as the independent auditor of the Company will be proposed at the 2017 AGM.

Directors' Interests and Short Positions in Securities

As at December 31, 2017, the interests or short positions of the Directors, Supervisors and chief executive of the Company in the Shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as notified to our Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or as recorded in the register maintained by the Company under Section 352 of the SFO, or as notified to our Company and the Hong Kong Stock Exchange pursuant to the "Model Code for Securities Transactions by Directors of Listed Issuers" as set out in Appendix 10 to the Listing Rules, were as follows:

(i) Interests in the Shares of the Company

Name of Director	Nature of interest	Class of Shares	Number of Shares held	Approximate percentage of shareholding in the relevant class of Shares[(ii)]	Approximate percentage of shareholding in the total issued Shares[(iii)]
LIU Chuanzhi	Beneficial owner	Domestic Shares	68,000,000	3.46%	2.88%
ZHU Linan	Beneficial owner	Domestic Shares	48,000,000	2.44%	2.03%
LU Zhiqiang[(i)]	Interest in controlled corporation	Domestic Shares	400,000,000	20.36%	16.97%

Notes:

(i) Mr. LU Zhiqiang is deemed to be interested in the 400,000,000 Domestic Shares held by China Oceanwide through companies controlled by him. Please refer to the section headed "Interests of the Substantial Shareholders" on pages 88 to 91 of this annual report for details.

(ii) The calculation is based on the percentage of shareholding in Domestic Shares as at December 31, 2017.

(iii) The calculation is based on the total number of 2,356,230,900 Shares in issue as at December 31, 2017.

(ii) Interests in our associated corporations

Name of Director/ Supervisor	Name of associated corporation	Nature of interest	Number of shares and underlying shares held	Approximate percentage of shareholding in the total issued shares
LIU Chuanzhi	Lenovo	Beneficial owner	4,184,960[(a)]	0.03%
ZHU Linan	Lenovo	Beneficial owner	5,767,442[(b)]	0.04%
ZHAO John Huan	Lenovo	Beneficial owner	3,731,029[(c)]	0.03%
LI Qin	Lenovo	Beneficial owner	1,724,000	0.01%

Notes:

(a) Mr. LIU Chuanzhi owns 2,795,968 ordinary shares directly and is deemed to be interested in 690,000 ordinary shares held by his spouse through a trust. He also holds 698,992 units of share awards which are convertible into ordinary shares.

(b) Mr. ZHU Linan owns 2,886,713 ordinary shares and 2,880,729 units of share awards which are convertible into ordinary shares.

(c) Mr. ZHAO John Huan owns 442,148 ordinary shares and 3,288,881 units of share awards which are convertible into ordinary shares.

(d) The calculation is based on the total number of 12,014,791,614 shares issued by Lenovo as at December 31, 2017.

Interests of the Substantial Shareholders

As at December 31, 2017, so far as the Directors are aware, the following persons had an interest and/or a short position in the Shares or underlying Shares of the Company which are required to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, and an interest and/or a short position as recorded by the Company in the register required to be kept under section 336 of the SFO:

Name of Shareholder	Class of Shares	Nature of interest	Number of Shares held	Approximate percentage of shareholding in the relevant class of Shares[(1)]	Approximate percentage of shareholding in the total issued Shares[(2)]
CAS Holdings	Domestic Shares	Beneficial owner	684,376,910	34.83%	29.04%
Beijing Lian Chi Zhi Yuan Management Consulting Center Limited Partnership (北京聯持志遠管理諮詢中心(有限合夥)) ("Lian Chi Zhi Yuan")	Domestic Shares	Beneficial owner	480,000,000	24.43%	20.37%

Name of Shareholder	Class of Shares	Nature of interest	Number of Shares held	Approximate percentage of shareholding in the relevant class of Shares(1)	Approximate percentage of shareholding in the total issued Shares(2)
Beijing Lian Chi Zhi Tong Management Consulting Limited (北京聯持志同管理諮詢有限責任公司)(3) ("Lian Chi Zhi Tong")	Domestic Shares	Interest in controlled corporation	480,000,000	24.43%	20.37%
LU Zhiqiang(4)	Domestic Shares	Interest in controlled corporation	400,000,000	20.36%	16.97%
China Oceanwide	Domestic Shares	Beneficial owner	400,000,000	20.36%	16.97%
Oceanwide Group	Domestic Shares	Interest in controlled corporation	400,000,000	20.36%	16.97%
Tohigh(4)	Domestic Shares	Interest in controlled corporation	400,000,000	20.36%	16.97%
Beijing Lian Heng Yong Xin Investment Center Limited Partnership (北京聯恒永信投資中心(有限合夥)) ("Lian Heng Yong Xin")	Domestic Shares	Beneficial owner	178,000,000	9.06%	7.55%
Beijing Lian Heng Yong Kang Management Consulting Limited (北京聯恒永康管理諮詢有限公司)(5) ("Lian Heng Yong Kang")	Domestic Shares	Interest in controlled corporation	178,000,000	9.06%	7.55%
National Council for Social Security Fund (全國社會保障基金理事會)	H Shares – long position	Beneficial owner	35,623,090	9.09%	1.51%
Tsinghua Unigroup Co., Ltd. (紫光集團有限公司)(6) ("Tsinghua Unigroup")	H Shares – long position	Interest in controlled corporation	27,690,800	7.07%	1.17%

Name of Shareholder	Class of Shares	Nature of interest	Number of Shares held	Approximate percentage of shareholding in the relevant class of Shares[(1)]	Approximate percentage of shareholding in the total issued Shares[(2)]
Beijing Jiankun Investment Group Co., Ltd. (北京健坤投資集團有限公司)[(7)] ("Beijing Jiankun")	H Shares – long position	Interest in controlled corporation	27,690,800	7.07%	1.17%
ZHAO Weiguo[(7)]	H Shares – long position	Interest in controlled corporation	27,690,800	7.07%	1.17%
Tsinghua Holdings Co., Ltd. (清華控股有限公司)[(8)] ("Tsinghua Holdings")	H Shares – long position	Interest in controlled corporation	27,690,800	7.07%	1.17%
Tsinghua University (清華大學)[(8)]	H Shares – long position	Interest in controlled corporation	27,690,800	7.07%	1.17%

Notes:

(1) The calculation is based on the percentage of shareholding in Domestic Shares or H Shares as at December 31, 2017.

(2) The calculation is based on the total number of 2,356,230,900 Shares in issue as at December 31, 2017.

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

(4) Oceanwide Group and Tohigh are corporations controlled by Mr. LU Zhiqiang. Tohigh holds the entire equity interest in Oceanwide Group which in turn holds 98% equity interest in China Oceanwide. Accordingly, Mr. LU Zhiqiang is deemed to be interested in the 400,000,000 Domestic Shares held by China Oceanwide.

(5) Lian Heng Yong Kang is the sole general partner of Lian Heng Yong Xin and has de facto control over it. Accordingly, Lian Heng Yong Kang is deemed to be interested in the 178,000,000 Domestic Shares.

(6) Tsinghua Unigroup holds (i) 11,903,800 H Shares through Tsinghua Unigroup International Co., Ltd. (紫光集團國際有限公司), an indirectly wholly-owned company of Tsinghua Unigroup; (ii) 11,277,000 H Shares through Unis Technology Strategy Investment Limited (紫光科技戰略投資有限公司), an indirectly wholly-owned company of Tsinghua Unigroup; and (iii) 4,510,000 H Shares through Unisplendour Technology Investment (HK) Limited (紫光科技投資(香港)有限公司) which is indirectly owned as to 67.82% by Tsinghua Unigroup. Therefore, Tsinghua Unigroup is deemed to be interested in the 27,690,800 H Shares in aggregate.

(7) Mr. ZHAO Weiguo directly holds 70% equity interest in Beijing Jiankun, which in turn directly holds 49% equity interest in Tsinghua Unigroup. Therefore, Mr. ZHAO Weiguo and Beijing Jiankun are deemed to be interested in the 27,690,800 H Shares.

(8) Tsinghua University holds 51% equity interest in Tsinghua Unigroup through Tsinghua Holdings, a directly wholly-owned company of Tsinghua University. Therefore, Tsinghua University and Tsinghua Holdings are deemed to be interested in the 27,690,800 H Shares.

As at December 31, 2017, save as disclosed above, there was no other person who held interests and/or short positions in the Shares or underlying Shares which are required to be recorded in the register to be kept under section 336 of Part XV of the SFO, or was a substantial Shareholder.

By order of the Board
Legend Holdings Corporation
LIU Chuanzhi
Chairman

March 27, 2018

Supervisor's Report

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

The Board of Supervisors comprises three members. The Chairman of the Board of Supervisors is Mr. LI Qin (representative of the employees), Mr. SUO Jishuan (representative of Shareholder) and Mr. LUO Cheng (representative of Shareholder).

The appointment of Mr. LUO Cheng to replace Mr. QI Zixin as the Supervisor was approved by the Shareholders at the extraordinary general meeting held on January 16, 2018,.

The following matters were approved as resolutions at the meetings of the Board of Supervisors in 2017. The approval of such resolutions was in compliance with relevant laws, regulations and the provisions of the Company's Articles of Association:

1. On March 29, 2017, the audited consolidated financial statements of the Company for the year ended December 31, 2016, the Company's profit distribution plan for the year 2016 as well as the 2016 Supervisor's Report of the Company were considered and passed.

2. On August 29, 2017, the unaudited consolidated financial statements of the Company for the six months ended June 30, 2017 (prepared in accordance with the International Accounting Standards) , interim results announcement of the Company for the six months ended June 30, 2017, the 2017 interim report of the Company as well as the Company's unaudited consolidated financial statements for the six months ended June 30, 2017 (prepared in accordance with China Accounting Standards for Business Enterprises) were considered and passed.

3. On December 27, 2017, the nomination of Mr. LUO Cheng as a candidate for Shareholder representative Supervisor was considered and passed.

In 2017, the members of the Board of Supervisors also attended all Board meetings and meetings of the Audit Committee as well as the 2016 annual general meeting of the Company, in order to supervise the lawfulness and the compliance of review and discussion procedures in the respective meetings of the Board, the Audit Committee and the Shareholders.

The Board of Supervisors is of the opinion that in 2017, the Board and management of the Company are both operating in strict compliance with the laws, regulations and the provisions of the Articles of Association of the Company; whereas the decision-making processes were legal, the principle of good faith and due diligence was complied, and the authority was exercised in good faith in the best interests of the Shareholders.

In 2018, the Board of Supervisors will continue to strictly abide by the Articles of Association of the Company and the relevant provisions, safeguard the interests of Shareholders and properly discharge its various duties.

By order of the Board of Supervisors
Legend Holdings Corporation
LI Qin
Chairman of the Board of Supervisors

March 27, 2018

Composition of the Board

The Board currently comprises nine members, including three Executive Directors, three Non-executive Directors and three Independent Non-executive Directors. Details are as follows:

Executive Directors:

Mr. LIU Chuanzhi *(Chairman of the Board and Chairman of the Nomination Committee)*
Mr. ZHU Linan *(President)*
Mr. ZHAO John Huan *(Executive Vice President)*

Non-executive Directors:

Mr. WU Lebin
Mr. WANG Jin *(Member of the Audit Committee)*
Mr. LU Zhiqiang *(Member of the Remuneration Committee)*

Independent Non-executive Directors:

Mr. MA Weihua *(Chairman of the Remuneration Committee and member of the Nomination Committee)*
Mr. ZHANG Xuebing *(Members of the Audit Committee and the Nomination Committee)*
Ms. HAO Quan *(Chairperson of the Audit Committee and member of the Remuneration Committee)*

Biographical details of members of the Board are set out on pages 70 to 77 in the section of "Biography of Directors, Supervisors and Senior Management" of this annual report and the website of the Company. Such information will be updated on the website of the Company at any time when there is any change. To the best knowledge of the Company, there are no financial, business, family or other significant relationships among members of the Board, the Board of Supervisors or senior management.

During the Reporting Period, the Board has complied with the requirements of the Listing Rules to appoint at least three Independent Non-executive Directors, being one-third of the Board, and one of them has appropriate professional qualifications in accounting. The Company has received, from each of the Independent Non-executive Directors, an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules and considers that all of the Independent Non-executive Directors are independent as at the date of this report in accordance with the terms of the independence guidelines set out in Rule 3.13 of the Listing Rules. The respective capacity of Independent Non-executive Director is expressly identified in all corporate communications that disclose the names of the Directors.

Appointment, Re-election and Retirement of Directors

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

Board Diversity

The Board has adopted the board diversity policy, which is beneficial for enhancing the Company's comprehensive performance and operating capability and provides support to the Company in achieving strategic goals and maintaining its sustainable and balanced development. According to the board diversity policy, in respect of setting measurable objectives, in selecting Director candidates, Board diversity will be considered, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and term of service. Directors with technical, legal, financial, management and audit background will provide various extensive business experiences to the Company. Meanwhile, such factors will be considered by the Company based on its business model and specific needs and the ultimate decision will be based on merit, value and contribution that the selected candidates will bring to the Board. The Nomination Committee under the Board makes recommendations or gives advice to the Board on the appointment of new Directors based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. Board members shall possess appropriate skills and experience and make their own contributions from diversified perspectives based on the business model and specific needs of the Company.

Regarding the Board composition under diversified perspectives, the Nomination Committee under the Board reviews and evaluates the current skills, qualifications and experience of the Directors. The Nomination Committee is of the opinion that the Board maintains a balanced and sufficiently diversified composition, discharge its functions effectively and enhance the quality of its deliberations and decision-making. In guiding and managing the business of the Company, the Board members have extensive experience, professional qualifications and diversified viewpoints in management of investment business, equity investment, financial management, accounting, internal control and legal issues. They are familiar with the major topics of the economic development of China, thereby satisfying the needs of Legend Holdings. The role of the Non-executive Directors and Independent Non-executive Directors ensures that objective and independent judgement is exercised by the Board. The composition of each committee under the Board remains properly balanced and discharges its functions effectively.

Duties and Authorities of the Board and Management

Pursuant to Articles of Association of the Company, the Board is a standing decision-making body of the Company and its main duties include the following:

- Convening Shareholders' general meetings and implementing resolutions passed at such meetings;
- Deciding operating plan and investment plan, the establishment of internal management body and basic management systems;
- Formulating plans for annual financial budget, final accounts and profit distribution plan;
- Formulating plans for increasing or decreasing the registered capital of the Company and plans for issuing bonds or other securities of the Company and plans for listing;
- Formulating plans for material asset purchase and disposal;
- Preparing and monitoring the financial system and financial report of the Company;

- Engaging or dismissing senior management;
- Optimizing and improving corporate governance policies and standards of the Company; and
- Supervising policies of the Company in respect of compliance and reviewing the effectiveness of internal control and risk management of the Company.

Save for the above-mentioned matters that are required to be considered and approved by the Board, the authorization and responsibilities of daily operational management of the Company are assigned to the President and the executive committee under the President (members of the executive committee include all executive Directors and senior management). Details of main duties of the President are set out in the paragraph of "Chairman of the Board and the President". In addition, to simplify daily investment decisions and investment procedures, the Board authorizes and appoints certain representatives of the executive committee to consider and approve on behalf of the Board the investment and financing projects which are in conformity with established investment standards. However, if such investments, acquisition or disposal of assets, financing, connected transactions trigger disclosure obligations under the Listing Rules, such transactions shall be subject to the approval by the Board.

The Board also assigns certain specific responsibilities to its special committees in accordance with the corresponding terms of reference of respective committees under the Board. The Board established the Audit Committee, Remuneration Committee and Nomination Committee. Their terms of reference and the rules of procedures are stipulated in writing and published on the websites of the Hong Kong Stock Exchange and the Company.

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

Chairman of the Board and the President

The positions of the Chairman of the Board and the President of the Company are assumed by Mr. LIU Chuanzhi and Mr. ZHU Linan respectively. They are two distinctly different positions, details of which are in the Articles of Associations of the Company.

Pursuant to Article 108 of the Articles of Association of the Company, the functions of the Chairman of the Board include presiding over the Shareholders' general meeting, presiding over meetings of the Board, leading and organizing to formulate various systems for the Board's operation, coordinating the operation of the Board, hearing regular and non-regular work reports from the Company's senior management, and providing the Board with guidance opinions on the execution of Board resolutions, supervising and reviewing the implementation of the Board resolutions, ensuring the Board to act in the best interests of the Company, nominating the candidates of the President and secretaries to the Board of the Company. The Chairman of the Board actively encourages the Directors to fully participate in the Board's affairs, and contribute to the functions of the Company. It also encourages the Directors with different views to voice their concerns, and allows sufficient time for discussion to ensure that the decisions of the Board can fairly reflect the consensus of the Board. In this regard, apart from regular Board meetings, the Chairman of the Board also holds meetings with the non-executive Directors (including the Independent Non-executive Directors) in the absence of the executive Directors, respectively. Under the leadership of the Chairman of the Board, the Board has adopted sound corporate governance practices and procedures and has taken appropriate steps to keep effective communications with the Shareholders.

Pursuant to the Article 123 of the Articles of Association of the Company, the President of the Company is responsible to the Board and its functions and power include generally operating and managing the business of the Company and organizing to implement the resolutions of the Board of the Company, policies in relation to annual operation plans and investment plan of the Company, determining the projects such as investment, acquisition or disposal, financing other than decisions of the Board meetings or Shareholders' general meetings, so as to ensure the Board's full understanding of the capital needs of the Company's business and formulate the proposed plans for annual financial budget and final accounts of the Company and make recommendations to the Board. The President of the Company ensures sufficient supply of capital needs of the business with the assistance of Chief Financial Officer, while closely monitoring the operating and financial performance of the Company according to the relevant plans and budget. The President of the Company will take remedial measures and propose to convene extraordinary meeting for reporting and make recommendations to the Board in respect of significant issues.

The President and Chairman of the Board of the Company keep communications with all Directors to ensure that they fully understand business development status in all aspects of the Company. They are responsible for building and maintaining an effective executive team in order to discharge their duties, and the President of the Company is responsible for proposing to the Board for engaging or dismissing senior management; coordinating with other executive Directors and management teams of various departments, formulating the proposed plans for basic management systems and internal management structure of the Company, and formulating specific rules and regulations of the Company. The President of the Company determines other issues of the company within the scope of the Board's authorization.

Directors' and Supervisors' Professional Training and Continuous Professional Development

All Directors and Supervisors have been given reference materials such as relevant introduction and guidelines upon joining the Company to facilitate their familiarizing the history and business information of the Company and their understanding of all obligations they shall assume in accordance with the Company Law of the PRC, Listing Rules, applicable laws and other regulatory rules and under the governance policies of the Company.

The Company encouraged the Directors to participate in continuous professional development so as to update their knowledge and skills and facilitate the discharge of their duties as the Directors.

The Directors regularly receive the latest information on business of the Company and its subsidiaries, its operating rules and regulations and industrial specific environment and obligations and responsibilities of the Directors. The latest information is provided to each Director, Supervisor and senior management in the form of briefing or report or expert synopsis.

During the Reporting Period, all Directors, Supervisors and senior management had been provided learning materials for reading and learning. The learning materials cover, including but not limited to, the latest regulations and guidelines regarding corporate governance of SFC, the latest information and guidelines of the Hong Kong Stock Exchange, training on the Listing Rules, current status and trends in the international situation and development of the international community, and latest news on global risk management.

Model Code for Securities Transactions by Directors, Supervisors and Senior Management

The Company has adopted its own model code regarding securities transactions by the Directors, Supervisors and senior management of the Company (the "Model Code"), the terms of which are not less favorable than the "Model Code for Securities Transactions by Directors of Listed Issuers" contained in Appendix 10 to the Listing Rules.

The Company has made specific inquiries and has received written confirmations from all Directors and the Supervisors that they complied with the Model Code during the Reporting Period.

Accountability of Directors on the Financial Statements

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

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

The statement issued by the independent auditor on its reporting responsibilities is set out in the "Independent Auditor's Report" on pages 138 to 146 of this annual report.

Appointment and Remuneration of the External Independent Auditor

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

During the year ended December 31, 2017, the remuneration paid and payable to the Company's external independent auditor, is set out below:

Type of Services	*RMB'000*
Audit services	78,348
Non-audit services	28,461

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

Audit Committee

The Audit Committee comprises three members and the majority are Independent Non-executive Directors. The Chairman of the Audit Committee is acted by Ms. HAO Quan, an Independent Non-executive Director, and the other two members are Mr. WANG Jin, a Non-executive Director, and Mr. ZHANG Xuebing, an Independent Non-executive Director. The Chairperson of the Audit Committee possesses accounting professional qualifications and has complied with the requirements of Rule 3.21 under the Listing Rules.

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

Pursuant to the requirements of "Duties and Rules of Procedures of the Audit Committee of the Board" of the Company, the Audit Committee held four meetings during the Reporting Period. The matters that the Audit Committee has reviewed, discussed, considered and proposed for the Board's approval (if applicable) are set out as follows:

- The annual results announcement for the year ended December 31, 2016 and the 2016 annual report of the Company and its subsidiaries;

- The audit related matters for 2016 (including but not limited to scope, method of review, principal accounting policies, key accounting estimates and assumptions, discussion on material accounting matters, independent auditor's recommendation to the management);

- The audit and non-audit fee for 2016 and the letter for re-appointment of the independent auditor for 2017;

- The unaudited consolidated financial statements for the three months ended March 31, 2017 and the nine months ended September 30, 2017 of the Company and its subsidiaries (prepared in accordance with Accounting Standard for Business Enterprises in the PRC);

- The interim results announcement for the six months ended June 30, 2017 and the 2017 interim report of the Company and its subsidiaries;

- Matters related to interim review for 2017 (including but not limited to scope, method of review, principal accounting policies, key accounting estimates and assumptions, discussion of material accounting matters, the independent auditor's recommendation to the management);

- Review on "Management's Statement of 2017 Interim Financial Information of the Company and Its Subsidiaries", "Management's Statement of 2017 Annual Audit of the Company and Its Subsidiaries" and management's comment;

- Annual audit planning for the financial year ended December 31, 2017 presented by the independent auditor and audit schedule;

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

- Independence statement letter from the independent auditor;

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

- Annual work plan for internal audit and its summary to ensure the appropriateness of scope of audit and its coverage;

- The resources, qualifications and experiences for employees of the Company's accounting, internal audit and financial reporting functions, and whether their training programs and budget are sufficient;

- Confirmation on effective internal control system by management; and

- Connected transactions and continuing connected transactions.

Risk management and Internal Control

Concepts of Risk Management and Internal Control

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

Main Features of Risk Management and Internal Control System

The Company formulated the risk management and internal control framework guided by the COSO framework. The management is responsible for the design, implementation and monitoring of the risk management and internal control system, and regularly reports to the Board and/or the Audit Committee on the effectiveness of such system.

The Board is responsible for monitoring the performance of the management, assessing and determining the nature and extent of the risks it is willing to accept in achieving the Company's strategic objectives, and is responsible for establishing and maintaining an appropriate and effective risk management and internal control system to protect our business, the Shareholders, assets and capital. The Board regards risk management as an important task, and believes that effective risk management and internal control system is an important foundation for good corporate governance.

The Audit Committee of the Board, through internal audit, conducts regular and continuous review on the effectiveness of the Company's risk management and internal control system.

The Company has established an audit department to conduct individual assessment on the effectiveness of the existing risk management and internal control systems according to the annual audit plan. The features and responsibility of the audit department include:

- being independent of the operating management;

- to establish risk identification and assessment methods, align the standards and procedures of risk assessment, organize, coordinate and take the lead in establishing the risk management and internal control system of the Group;

- the audit department is fully authorized with the access to all data and operating information of the Group during the ordinary course and internal audit projects;

- to conduct risk-oriented audit work and special review on areas of concern identified by the Audit Committee and the management.

The audit department regularly reports to the Audit Committee, the President, Senior Vice President and Chief Financial Officer, develops rectification and improvement plans with each department and subsidiaries of the Company for the identified issues and deficiencies and follow up the implementation of the proposals. The rectification efforts were in line with expectations.

We pursue the core value of upholding enterprises' interests as priority, pragmatism, ambition and people-oriented to lay foundation for governing the Company's risk management and internal control with the cultural expression of accountability, professionalism, innovation and collaboration. The Company is strongly believes that good corporate governance is usually related to the overall control environment. In order to ensure that each employee in the Company is also responsible for risk management, the Company has established formal codes of professional conduct and ethics to ensure that employees at all levels adhere to the business ethics and possess the corresponding capabilities. The Company attaches great importance to prevent non-compliance risks and has developed antifraud and whistleblowing policies.

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

Procedures on Identifying, Evaluating and Managing Significant Risks

The Company's procedures on identifying, evaluating and managing significant risks are as follows:

Risk Identification and Evaluation

- Identifies risks that may potentially affect the business and operation;

- Uses the evaluation standards developed by the management to evaluate the identified risks and take into account the impact of risks on the operation and the likelihood of occurrence.

Risk Response

- Prioritizes risks by comparing the results of the risk assessment; and

- Determines the risk management strategies and internal control processes to prevent, avoid or mitigate the risks.

Risk Monitoring and Reporting

- Performs ongoing and periodic monitoring of the risk and ensures that appropriate internal control procedures are in place;

- Revises the risk management policies and internal control procedures in case of any significant change; and

- Reports the results of risk monitoring to the management and the Audit Committee of the Board regularly.

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

Procedures on and internal control of handling and disseminating inside information

In order to regulate its information disclosure, the Company strengthens the management of information disclosure and has developed the management system of information disclosure (the "System") in accordance with the principles and requirements under the laws and regulations such as the SFO and the Listing Rules as well as the Articles of Association together with the actual conditions of the Company, and implements it accordingly. The System is applicable to the Directors, Supervisors, President, secretary to the Board, senior management, responsible person of each department and subsidiary, other persons having the duty for information disclosure and staff who can access to such inside information by virtue of his/her office or capacity. The System provides detailed guidelines on the appropriate timing, content, format, internal audit process and disclosure procedures of information under different circumstances, the review and disclosure procedure of releasing results announcement, ad hoc announcement, inside information announcement, regular report and circular, duties of, confidentiality and penalty provisions for all management staff who are responsible for information disclosure. The "Code of Conduct for Employees" of the Company also explicitly requires that all staff be obliged to information confidentiality and comply with the System. In addition, the Company provides training to relevant staff on the System so as to ensure the effective implementation.

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

Control Effectiveness

The Company and the Board is of the view that, based on the review and results found by the Audit Committee, the risk management and internal control system of the Company for the Reporting Period ended December 31, 2017 was effective and sufficient and no material issues were identified. The scope of review covers the control in all significant aspects, including financial control, operational control and compliance control. Meanwhile, the review also covers the resources, qualifications and experiences of the staffs of the Company's accounting, internal audit and financial reporting functions as well as their training programs and budget for them.

The internal control system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives. In addition, it provides only a reasonable but not an absolute assurance on matters with no significant misrepresentations or loss.

Remuneration Committee

The Remuneration Committee comprises three members and the majority of them are Independent Non-executive Directors. The Chairman of the Remuneration Committee is Mr. MA Weihua, an Independent Non-executive Director, and the other two members are Mr. LU Zhiqiang, a Non-executive Director, and Ms. HAO Quan, an Independent Non-executive Director.

The main duties of the Remuneration Committee is principally responsible for studying the remuneration strategies and policies, performance appraisal and incentive mechanism and other related matters in relation to the Directors, Supervisors and senior management, and making relevant recommendations to the Board. Details of the terms of reference of the Remuneration Committee are available on the websites of the Hong Kong Stock Exchange and the Company.

In accordance with the provision of "Terms of Reference of the Remuneration Committee under the Board" of the Company, the Remuneration Committee has convened one meeting, which was convened in March 2017, for the year ended December 31, 2017. In the meeting, the committee has reviewed, discussed, considered and recommended the Board to grant approval on the following matters:

- 2016 bonus plan and 2017 management policy for senior management; and
- disclosure of the Directors', Supervisors' and senior management's remuneration in the 2016 annual report; and

For the year ended December 31, 2017, the remuneration categories of the senior management of the Company (excluding the senior management members who concurrently serve as the Directors and Supervisors) are as follows:

Remuneration categories *(HKD)*	**Number of staff**
15,000,001–15,500,000	2
19,000,001–19,500,000	1
21,500,001–22,000,000	1

The details of remuneration of the Directors and Supervisors for the year ended December 31, 2017 are set out in note 46(a) to the financial statements.

Nomination Committee

The Nomination Committee comprises three members and the majority of them are Independent Non-executive Directors. The Chairman of the Nomination Committee is Mr. LIU Chuanzhi, the Chairman of the Company, and the other two members are Mr. MA Weihua and Mr. ZHANG Xuebing, the Independent Non-executive Directors.

The main duties of the Nomination Committee is principally responsible for making recommendations on planning regarding to the appointment, reappointment and succession planning of the Directors, reviewing the structure, size, composition and policy of diversity of the Board and assessing the independence of Independent Non-executive Directors. Details of the terms of reference of the Remuneration Committee are available on the websites of the Company and the Hong Kong Stock Exchange.

In accordance with the provision of "Terms of Reference of the Nomination Committee under the Board" of the Company, the Nomination Committee has convened the meeting once during the Reporting Period. In the meeting, the committee has reviewed, assessed, considered and recommended the Board to grant approval on the following matters:

- Review and recommend the Board to adopt "Directors' Nomination Procedures and Succession Plan";
- Review and assess the current diversified composition of Board members (including but not limited to factors of gender, age, culture, academic background, professional experiences, knowledge, skills and term of service);
- Assess the independence of Independent Non-executive Directors, confirm if the structure of the Board is in compliance with the governing requirement of the Company and no existence of impacts affecting the independence of Independent Non-executive Directors;
- Review the Corporate Governance Policies and Practices, the compliance with "Corporate Governance Code" and the disclosure in "Corporate Governance Report".
- Review the policies regarding the compliance with law and regulatory requirements and its implementation; and
- Review the implementation of the professional training for Directors and Supervisors and continuing professional development program.

Corporate Governance Functions

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

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

b. reviewing and monitoring the training and continuous professional development plans of the Directors and senior management;

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

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

e. reviewing the Company's compliance with the "Corporate Governance Code" as set out in Appendix 14 to the Listing Rules, together with the information disclosure in the "Corporate Governance Report".

Board, Board Committees and General Meetings

The Board has convened meetings regularly, of which at least four times every year. The Board has convened four meetings during the Reporting Period. All decisions made by the Board are voted by the Board and circulated the resolution on written resolutions during the Board meeting. Upon signing of Directors in accordance with requirements of Articles Association of the Company, the resolution would become a Board resolution.

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

	Number of attendance/Number of meetings being convened				
	The Board	Audit Committee	Remuneration Committee	Nomination Committee	General Meeting
Executive Directors					
LIU Chuanzhi	4/4	–	–	1/1	1/1
ZHU Linan	4/4	–	–	–	1/1
ZHAO John Huan	4/4	–	–	–	1/1
Non-executive Directors					
WU Lebin	4/4	–	–	–	1/1
WANG Jin	4/4	4/4	–	–	1/1
LU Zhiqiang	1/4	–	0/1	–	0/1
Independent Non-executive Directors					
MA Weihua	3/4	–	1/1	1/1	0/1
ZHANG Xuebing	3/4	3/4	–	0/1	1/1
HAO Quan	4/4	4/4	1/1	–	1/1

Board of Supervisors

The Board of Supervisors of the Company comprises three members. The Chairman of the Board of Supervisors is Mr. LI Qin (representative of the employees), and the other two members are Mr. SUO Jishuan (representative of a shareholder) and Mr. Luo Cheng (representative of a shareholder).

Due to family reason, Mr. Qi Zixin ("Mr. Qi") ceased to be the Supervisor of the Company with effect from January 16, 2018. Mr. Qi has confirmed that he has no disagreement with the Board and the Board of Supervisors, nor is there any information in relation to his resignation that is required to be brought to the attention of the Shareholders.

Mr. Luo Cheng who was approved by the Shareholders at the Company's extraordinary general meeting of the Company held in January 16, 2018, to act as the Supervisors in place of Mr. Qi.

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

During the Reporting Period, the Board of Supervisors performed its duties and protected the legitimate interest of the Shareholders, Company and staff. For details of its work, please refer to the "Supervisor's Report" on pages 92 to 93 of this annual report.

Communication with Shareholders

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

The Company is of view that the general meetings provides a good opportunity for direct communication between the Board and the Shareholders. The Company encourages and welcomes the questions raised at the general meetings. The Company has formulated the Shareholders' Communications policy, ensuring to maintain ongoing communication between the Company and the Shareholders.

Investor Relations

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

The investor relations team of the Company is committed to connecting the Company with the capital market, disseminating the Company's value and promoting the realization of the Company's value. In 2017, the investor relations team intensified communication with investors under Stock Connect Programs. It convened the first communication meeting for domestic investors to introduce the businesses and strategies of the Company to domestic investment institutions. Meanwhile, it broadened the coverage of intermediary resources. In addition to connecting with investors through investment banks, we maintained positive communication with analysts from leading investment banks at home and abroad. We were granted the "Best IR Award" in "2017 China Financial Market Award" hosted by China Financial Market, a well-known financial magazine in Hong Kong. In 2017, the investor relations team gained positive feedback from the capital market for the activities it organized. In the future, we aim to maintain adequate and smooth communication and establish deep trust with investors through clearer strategies, more efficient implementation, more impressive operating results, more transparent information disclosure, more extensive channel coverage and more innovative contents and means.

Articles of Association

The Shareholders approved the certain amendments to the Articles of Association of the Company at the extraordinary general meeting of the Company held on January 16, 2018. Please refer to the appendix 7 set out in the circular of the Company dated November 24, 2017 for the relevant amendments. The revised Articles of Association has been published on the websites of the Hong Kong Stock Exchange and the Company.

Shareholders' Rights

Extraordinary general meeting and class meeting convened upon the Shareholders' requests

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

Written notice of general meeting stating proposed matters to be discussed and the date and venue of the general meeting shall be dispatched to all Shareholders listed in the register of members no less than 45 days prior to the date of such meeting. Shareholders who propose to attend the general meeting shall deliver a written reply on their participation in the meeting to the Company no less than 20 days prior to such meeting.

Proposing Motions at the General Meeting

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

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

Shareholders can put forward proposals, inquiries and issues of concern to the Board and/or relevant Specialized Committees of Directors (if appropriate) in writing, state contact details and deliver to the registered office of the Company in Beijing, PRC (Room 1701, 17/F, Block 1, Court No. 2, Ke Xue Yuan Nanlu, Haidian District, Beijing 100190, PRC) or the principal place of business in Hong Kong (27/F, One Exchange Square, Central, Hong Kong). The investor relations team of the Company assists the Board to handle inquiries from the Shareholders and potential investors. The Company's website also contains the contact details of the Company for the Shareholders and potential investors to put forward inquiries.

In 2018, under the continuously updating regulatory requirements, development trends of the Company and the feedback from the Shareholders, the Company will continue to focus on enhancing the Company's governance, ensuring steady development of the Company and creating values for the Shareholders.

The ESG Report aims to provide investors and other stakeholders with disclosures regarding the efforts of Legend Holdings and some of its subsidiaries on corporate culture and management, employee development, supply chain management, environmental protection, social responsibility and social welfare initiatives. The information contained herein is as of December 31, 2017. The scope of ESG Report covers the Company and its certain subsidiaries that are considered to have significant environmental and social impacts. As the concrete principles on career development and training programs of Levima New Materials are basically the same as those adopted by Legend Holdings, the details of which are therefore not included therein. Given the fact that, on January 24, 2018, Legends Holdings, Taikang Life Insurance Co., Ltd. and other existing shareholders of Bybo Dental reached an agreement, subject to the completion of the agreement, Bybo Dental will no longer be a subsidiary of Legend Holdings and is therefore no longer to be included in the ESG Report for the year. For details on corporate governance, please refer to pages 94 to 110.

The ESG report was prepared in compliance with the "comply or explain" provisions of and in accordance with the Environmental, Social and Governance Reporting Guide set out in Appendix 27 to the Listing Rules. The data disclosed in the ESG Report are extracted from the formal documents and statistics reports of the Company.

CORPORATE CULTURE AND MANAGEMENT

Legend Holdings' cultural and managerial assets represent its core competitiveness and form the key foundation that empowers Legend Holdings to achieve sustainability and build ever more outstanding enterprises.

Legend Holdings' corporate culture has evolved in the course of its development and consists of core values, methodology and specific forms. The core values and methodology of Legend Holdings are drawn from its past experiences that have been proven to be effective and generally applicable in the course of its development.

Corporate culture has profound and comprehensive effects on an enterprise. A well-aligned match between culture and strategy is the prerequisite for the long-term development of an enterprise. As an investment company that views its employees as core assets, Legend Holdings regards it of vital importance to maintain a shared philosophy and vigorous morale within the Company. In 2017, to better adapt to changes in strategies, businesses and personnel of an investment holding company, Legend Holdings put forward specific cultural forms and carried out culture reshaping activities. For example, we published a corporate culture brochure, mobilized the employees to collect corporate culture cases, and included employees' cultural competence into the annual performance assessment.

Mr. ZHU Linan, President of the Company, shared his opinions at the "2017 Annual Corporate Culture Review"

"Innovation" themed workshop on post-investment management

Specific cultural forms are specific requirements under the core values and the methodology, which are closely in line with the business characteristics of investment companies.

Accountable – be highly-committed, self-motivated and responsible.

Professional – pursue professional excellence and foster high-level professionalism.

Creative – embrace changes and work creatively.

Collaborative – have team spirit and collaborative capability.

Core values are the key beliefs upheld by Legend Holdings throughout its course of development, representing the essence of Legend Holdings' culture.

Corporate interests first – realization of corporate interests is a prerequisite for realization of other interests; whenever there is a conflict of interests, corporate interests should always be prioritized over other interests, and personal interests should be aligned with those of the team while team interests with those of the Company as a whole.

Be realistic – be practical and realistic, be honest and accountable and walk the talk.

Be aggressive – aim high, go beyond immediate interests and past experience, be imaginative and creative, surpass one's limits and strive for challenging ambitions.

People-oriented – appreciate employees' efforts, respect employees' needs, and create opportunities for employees' development.

Legend Holdings' methodology refers to the ways its people think and solve problems under the guidance of its core values.

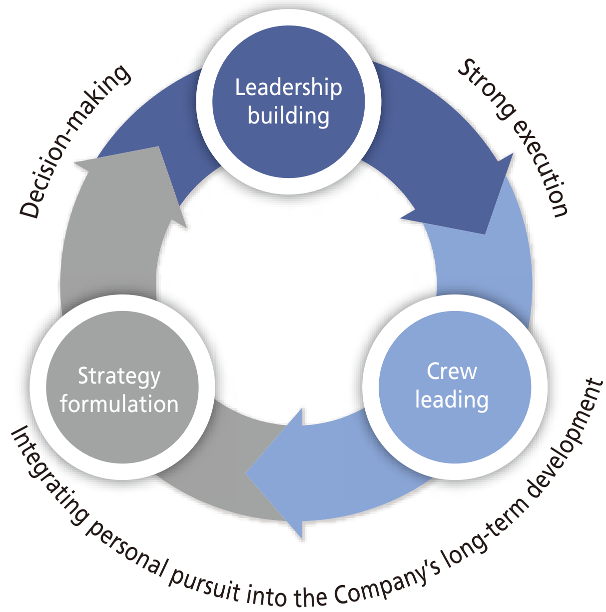
Strong sense of goals – before commencing a job, the very first thing is to figure out the goal of the job to make targeted efforts. During the process, one needs to think in big-picture terms from time to time and figure out the role each individual task plays in the attainment of the final goal without drifting off the original aspiration.

Step-by-step execution – achieving a goal is not a straightforward process, one has to prioritize, allocate resources, analyze boundaries and limits, set sub-goals and milestones and realize them step by step.

Evaluation – emphasize work review, keep examining and fine-tuning goals, analyze successes and failures and draw lessons therefrom. The essence of Legend Holdings' evaluation methodology is self-reflection embedded in its core values, which emphasizes "open-mindedness, being frank and honest, being realistic and practical, self-reflectiveness and brainstorming".

Legend Holdings' management framework is organized into two aspects: operational and fundamental. The fundamental aspect consists of mechanisms, systems, corporate culture and Legend Holdings' "Three Managerial Elements", as an important assurance for the long-term development of the Company.

"Three Managerial Elements" – Legend Holdings' management philosophy can be summed up as "leadership building, strategy formulation, crew leading".



Leadership building – to select competent and upright management officers to form a leadership team which adopts both vertical and horizontal division of work and encourages "frank" and "friendly" discussions. The team pools the wisdom and efforts of its members to ensure rational decision-making and efficient execution while forming checks and balances on chief executives, thus heightening the prestige of the leadership of the Company.

Strategies formulation – Legend Holdings follows the "seven-step" approach in developing strategies – define vision, develop strategies, set tactics, analyze methods, select leaders, adjust organizational structure and assess and incentivize.

Crew leading – "to lead a crew" is to motivate and "inspire crew members to work with passion and skills in a well-organized way", thereby ensuring strong execution of strategies.

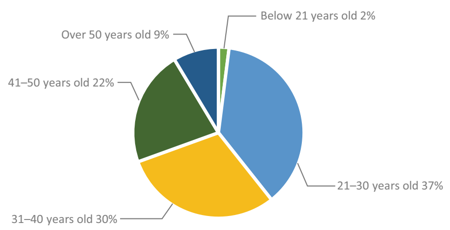
Communication with stakeholders

Legend Holdings is committed to delivering ever better returns to shareholders and protecting the interests of investors. In addition, it is always ready to listen to the demands and suggestions of customers and other stakeholders. In this way, the Group maintains its corporate image as being responsible in the capital market, and reinforces market recognition of the Group's value.

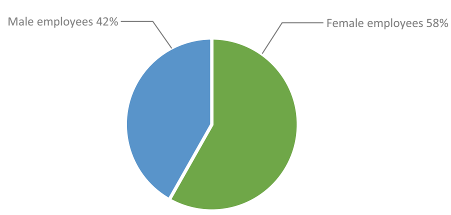
Stakeholders	Scope	Expectations	Responses
Government agencies	Ministry of Environmental Protection; Ministry of Industry and Information Technology; Ministry of Commerce; Ministry of Housing and Urban-Rural Development; Ministry of Finance; State Administration of Taxation; local governments; other government agencies in relevant countries and regions	Tax contribution; environmental protection; job creation; science and technology innovation; fair competition; compliance operation; risk prevention and control	Accepting supervision and inspection; enhancing awareness of environmental protection; responding to the government's calls and implementing regulations and policies; participating in developing industry standards and specifications; enhancing operation and management performance; supporting the development of the real economy; implementing regulatory requirements; reporting to governing agencies regularly
Investors	Shareholders	Investment returns; risk control; corporate compliance; sustainable development	Implementing development strategy; improving corporate governance; enhancing risk prevention; promoting social responsibility management
Customers	Customers of our products	Quality assurance; good services; safe and environmental friendly products	Customer satisfaction survey; customer privacy protection; interactive activities
Partners	Suppliers; Service providers	Business integrity; mutual benefits; equality and transparency	Establishing supply chain partner screening system; incorporating more green factors into the assessment of suppliers
Community and the public	Local community; households in need of poverty relief; the general public	Protecting community environment; maintaining stability; harmonious development; supporting the poor and the distressed	Donations; community activities; poverty alleviation and other public welfare activities
Employees	All employees of the Group	Compensation and benefits; occupational health; career development	Equal pay for equal work; ensuring employees' health and safety; organizing recreational activities; regular communication with employees; professional skills training; diversified promotion channels

EMPLOYEES AND EMPLOYMENT PRACTICES

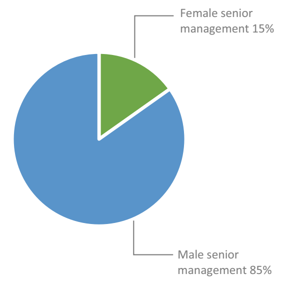
Legend Holdings strives to put into practice its core values, namely people-oriented and investing in people. The Company stresses on to have a "Mutual Commitment" with its employees, incorporating individual employee's pursuit into the Company's long term development. Through sharing the growth with its employees, the Company turns the commitment into a joint undertaking. As of December 31, 2017, Legend Holdings and its subsidiaries had in total 59,457 employees, of which 18,209 were overseas employees.



Age composition (excluding Lenovo)



Gender composition of employees (excluding Lenovo)



Gender composition of senior management (excluding Lenovo)

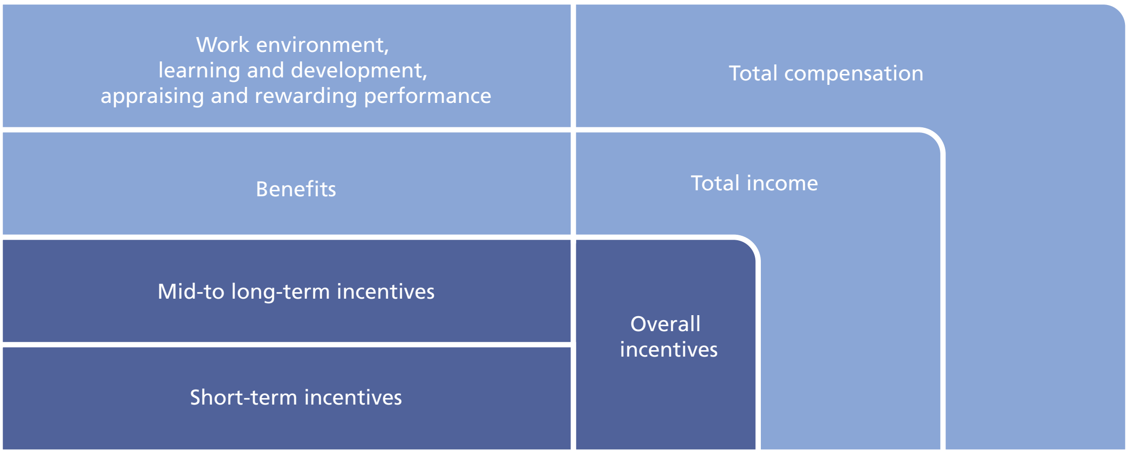
EQUAL OPPORTUNITY EMPLOYER

Adhering to open and equal employment, Legend Holdings follows an open and fair recruitment process and recruits its employees based on job specifications and requirements, regardless of the age, gender or nationality of applicants or employees. The Company strictly abides by the Labor Law of the People's Republic of China, the Labor Contract Law of the People's Republic of China and other relevant laws and regulations of the regions where it operates. The Company also has internal policies and rules in place to regulate the salaries and dismissals, recruitment and promotions, working hours, holidays, equal opportunities, diversity, anti-discrimination as well as other entitlements and benefits for all job positions. The Company strictly prohibits child and forced labor.

COMPENSATION AND BENEFITS

Diversified Incentives

Legend Holdings has an all-round diversified incentive mechanism, comprising short-term (basic salary plus target bonus) and mid-to long-term incentives (including pre-IPO equity incentives). Short-term incentives: basic salary and annual target bonus, based on the relative value of job functions. Mid-to long-term incentives: based on the accomplishment of mid-to long-term strategic goals, ensured the value creators could gain an incentive growth comparable to the overall value growth of the Company through a combination of equity incentives and mid-to long-term performance-linked bonus.



In addition to monetary incentives, Legend Holdings also motivates its employees through moral incentives. For the purpose of praising excellent performance and creating a practical and dynamic organizational atmosphere, Legend Holdings has set up grants awards, such as Legend Holdings Awards, Professional Contribution Awards, Tripartite Joint Action Awards and Excellent Subsidiary Awards, awarded to those teams and individuals with important contributions to the growth of the Company as well as those with high-level professionalism and excellent execution capability. Award winners are regarded as role models in practicing the corporate culture of the Company.

2017 Legend Holdings Awards

2017 Professional Contribution Awards

Diversified Welfare System

Legend Holdings has established a comprehensive welfare system for its employees. In addition to the basic social insurance benefits such as pension, medical insurance, housing provident fund, unemployment, work injury and maternity insurance that are mandatory under relevant laws, employees are also entitled to medical leave in case of illnesses or non-worked related injuries. Employees who suffer from work-related injuries are entitled to benefits as mandatory under relevant national or local regulations. Besides, during pregnancy, maternity leave and lactation, female employees are entitled to medical welfares and other benefits as mandatory under relevant PRC laws and regulations as well as the Company's policies formulated in accordance with relevant laws and regulations.

Apart from the statutory welfare required under relevant PRC laws and regulations, Legend Holdings constantly enriches, improves and increases its employee benefits and provides diversified and additional welfare benefits and commercial insurance for its employees based on its business performance and the actual needs of its employees. It is the Company's aim to ease the medical burden of its employees and relieve their worries about medical care. These benefits include high-end medical insurance, supplementary medical insurance, critical illness insurance, accident injury insurance, life insurance, a medical care fund, etc. In the meanwhile, Legend Holdings also sets up a competitive enterprise annuity plan for employees to ensure and enhance their basic living standard after retirement. The annuity fund is well managed to hedge against inflation and seek value appreciation.

Work-Life Balance

Comprehensive healthcare program: Legend Holdings organizes comprehensive annual physical examinations for its employees. Legend Holdings has established a health service system to provide green channels for hospital visits, health and disease prevention consultation, and organize health activities from time to time for its employees. Legend Holdings provides breastfeeding employees with breastfeeding rooms, and provides medical insurance for employees' underage children and spouses who have no medical insurance to ease their worries.

Various leave benefits: Legend Holdings' welfare benefits include various types of paid leaves, such as paid annual leave, paid sick leave and Spring Festival leave.

Colorful recreational activities: Legend Holdings encourages its employees to participate in recreational activities. Special interest activities like badminton and tennis events are organized regularly; spring and autumn fun sports day as well as family day are organized each year, and movie-watching is organized occasionally. Legend Holdings has spacious and bright tea rooms, providing afternoon tea refreshments and snack food, so that employees can gain a right balance between work and rest.

Thanks to the above measures, Legend Holdings creates a harmonious working environment for its employees and enhances their sense of wellbeing and belonging.

Legend Holdings Family

The care of Legend Holdings to its employees extend "Family Day Activity" has become a brand event embodying the Company's care for its employees. Since 2010, Legend Holdings has organized eight themed "Family Day Activities" where employees and their families gathered to enjoy a good day, like a big warm family. Through these events, employees could better communicate and exchange with each other. Meanwhile, families of employees could know more about Legend Holdings and in turn offer more understanding and support to employees. What's more, employees more fully identified themselves with the Company and their sense of belonging to the Company were enhanced. In 2017, a family feast accompanied by music performances was held as the main activity for the family day, which was welcomed by the employees and their families.

The Legend Holdings Family Tree Planting Activity, which is organized in every spring, has been continuing for 14 years since 2004. The activity aims to popularize the environmental consciousness among members of Legend Holdings Family and their folks and to promote communications with each other. Over the past 14 years, the activity made contributions to the environmental protection and afforestation in Badaling Remnant Great Wall Conservation Area, Haidian District Xishan Experimental Forestry Station Weijiacun and Haidian District Xishan National Forest Park. The influence and participation of staff and their folks has increased year by year. In 2017, the "Legend Holdings Family Tree Planting Activity" was held on the "Earth Day", and more than 100 employees and their families participated therein. Many colleagues brought along with their children to take part in the event, which further increased the environmental educational significance of the event.

EMPLOYEES' HEALTH AND SAFETY

Legend Holdings attaches great importance to employees' health and safety and strives to create a healthy and positive workplace environment. Each subsidiary, taking its business characteristics into consideration, and considering the "Criminal Law of the People's Republic of China", "Law of the People's Republic of China on Work Safety", "Law of the People's Republic of China on Prevention and Control of Occupational Diseases", "Provisions on the Supervision and Administration of Occupational Health at Work Sites" and other relevant laws and regulations, sets up a series of work procedures and safety mechanisms to safeguard the personal safety and properties of the employees.

Levima New Materials

Levima New Materials, as a manufacturer of new chemical materials, insists on the policy of "Safety First, Prevention Foremost and Comprehensive Control" for its work safety management. It formulated the "Administration Measures on Safety Education and Training" to enhance employees' awareness about work safety, increase safety publicity and introduce knowledge about safety to more employees. This creates a work-safety supporting environment and allows the idea of safe development to fully permeate into the work force.

Pursuant to the requirements of the work safety management standard system and on the basis of its hierarchical risk control and hazard identification and management system, Levima New Materials has established a number of work safety management systems, including the "Provisions on potential hazard identification and administration", "Provisions on special operation safety management" and "Contingency plans for work safety accidents". These systems establish a long-term and effective mechanism for potential hazard identification and administration in work safety, and strengthen the ability to handle emergencies, thus effectively preventing various types of incidents. Levima New Materials attaches great importance to the health of its employees. It follows the principles of "people first, prevention foremost, and a combination of prevention and control" to prevent, control and eliminate occupational hazards. With the focus on continuously improving workplace environment, Levima New Materials seeks to monitor workplace occupational hazards constantly through measures such as strengthening management, improving the system, establishing employees' personal health records, and 100% employee medical examination coverage, control and remove hazards, thus eliminating occupational diseases from the very beginning.

Lenovo

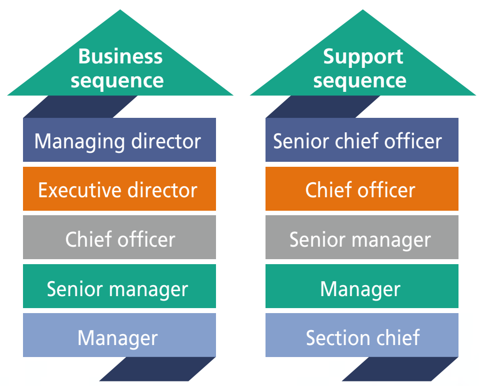
In an effort to create a healthy and safe workplace for its staff, Lenovo implemented the Responsibility for Employee Health and Safety policy to ensure staff safety and health. Detailed information can be accessed at "Lenovo 2016/2017 Sustainability Report" published on the website of the Hong Kong Stock Exchange.

CAREER DEVELOPMENT AND TRAINING

Legend Holdings recognizes the importance of personal development of its employees. It is committed to providing its employees with predictable career development paths and a sound training and development system so that employees can access to the development opportunities offered by the Company.

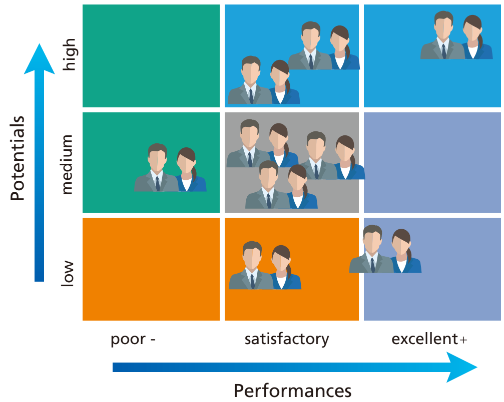
Career Development Paths

The Company encourages professional improvement and designs multiple development paths for its employees based on the characteristics of different positions. Such career development paths help employees identify their status quo and future development directions, so that they can take targeted measures to enhance their capabilities and further incorporate individual growth into the long-term development of the Company.



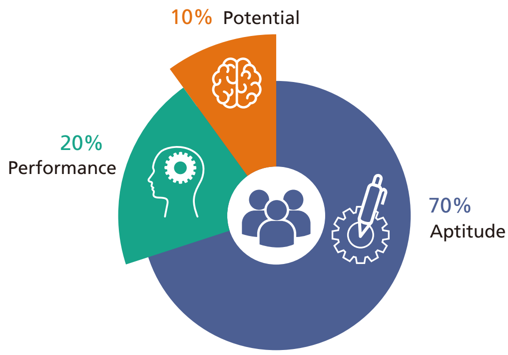
Talent Review

Through regular review on the quantity, quality and structure of employees, the Company holds discussions on key aspects of talent management and appraises the employees on the basis of their performances and potentials. The outcome of the review not only formulates the basis for talent development strategy, but also offers clear guidance on employee future development.



"7–2-1" Talent Development Tactics

Legend Holdings emphasizes on talent cultivation and adopts real-world practice, professional supervisor guidance and classroom training among other measures to facilitate talent growth. We also follow the "7–2-1"principle on employee cultivation:



70% of employee capability enhancement arises from practical work experience: Legend Holdings' strategic and business development provides its employees with broad opportunities to practice. Superintendents from each business sector and division assign challenging tasks, taking individual capabilities and characteristics into account, to the employees to drive employee growth.

20% from tutorship: Legend Holdings sets up a tutorship system, in which experienced managers or staff act as tutors, to offer customized guidance and experience sharing for employees in the course of career development.

10% from training: In response to the Company's business development and needs of staff, Legend Holdings organizes and supports its employees to attend all kinds of training programs to improve professional skills and learn professional information. In 2017, the Company emphasized case-based trainings aiming at improving mid-level managers' sense of management and skills. Other relevant training subjects included "Prospects for Medicare Market Trend", "Taxation Risk Identification", "Investment Logic of Insurance Funds", "Interpersonal Communications", "Master Negotiations", "Emotion and Pressure Management" etc.

Subsidiaries

As a professional investment holding company, Legend Holdings also attaches importance to the sharing of its corporate culture, operation philosophy and management experience with its portfolio companies. The Company has established a specialized organ, i.e., the "Legend Management Institute" for this purpose.

Legend Management Institute adopts the traditional "Modeling" training program to present the development history, business status and management culture requirements of the Company for all new recruits. More than a half of the training participants came from subsidiaries. Such program is of great significance for the employees to understand the strategic goals, business model and cultural requirements of Legend Holdings.

Year	2010	2011	2012	2013	2014	2015	2016	**2017**	Total
Number of Participants	118	127	134	133	121	107	109	**110**	959

Statistics on the "Modeling" Participants (2010–2017)

Legend Management Institute proactively introduces the management experience of the Company to corporate members and effectuates the "empowerment" concept in response to the business demands through all kinds of trainings. In 2017, over 1800 person-times from the Company's subsidiaries attended the thematic training activities of Legend Management Institute. Relevant programs were as follows: inviting core senior management staff of corporate members to attend the "L Learning Union" leadership seminar to help them improve leadership capacity based on actual management scenarios; promoting the use of OGSM management tool in the corporate strategic planning through introducing the "Evaluation" methodology and analysing specific business cases of Zeny Supply Chain, Joyvio Golden Wing Mau and other companies; passing on the management culture and experience of Legend Holdings in combination with the "tailor-made" thematic learning programs of Eloancn.com and other corporate members; bolstering up the reserve talent development programs of subsidiaries including Zhengqi Financial and Levima New Materials. The Company also established a learning and communication platform for specialized personnel in virtue of its resource advantages with a view to improving the human resource management, organizational and development capabilities of professional teams of corporate members. For example, it invited personnel responsible for human resource management and professional teams of subsidiaries to carry out discussions over professional issues concerning staffing, incentives and empowerment of employees by holding regular activities such as "HRD Roundtable" and "Passing the Torch of Wisdom" as well as "Management Case Development Competition", etc.

OPERATING PRACTICES

In respect of operating practices, ESG Report gives a focus on the IT segment of the Company's strategic investment business as the products of IT segment enjoy wide popularity and strong brand influence.

SUPPLY CHAIN MANAGEMENT

Legend Holdings has established an equal, fair and effective long-term relationship with its business partners with a sincere and responsible attitude. In virtue of concerted efforts, Legend Holdings helps improve the sustained development capabilities of its business partners, level up their abilities to discharge duties and grow abreast with them in pursuit of mutual success. Legend Holdings also ensures that all its supply chain management measures are in close compliance with the requirements of local laws and regulations.

Lenovo

Lenovo adopts a standardized global procurement management system. It has formulated the "Code of Conduct for Suppliers" so as to protect the interests of all suppliers through a fair and transparent procurement management model to the utmost. At the same time, Lenovo is committed to promoting sustained activities through internal operations and supply chain management. As an executive member of the Electronic Industry Citizenship Coalition, Lenovo is currently engaged in developing and implementing a global strategy and program, which procures the suppliers to abide by relevant laws and regulations as well as other requirements on sustained development through the terms and conditions prescribed in the procurement orders. This is to improve compliance level of suppliers in the general aspects of sustained development and social responsibility. For details, please refer to "Lenovo 2016/2017 Sustainability Report" published on the website of the Hong Kong Stock Exchange.

Product Responsibility

Legend Holdings offers a consistent guarantee, for every industrial sector it participates in, that each operating procedure of its product (covering the entire life cycle from development, production, sale, utilization and recycling) is in full compliance with the requirements of laws and regulations (including Advertising Law of the People's Republic of China and the Product Quality Law of the People's Republic of China) of the regions where it operates. Meanwhile, the Company pays special attention to the energy efficiency, materials and packaging of products and devotes durative efforts to improving the environmental performance of its products with a series of technological updates and practices, and strives to minimize the impacts of its products on the environment. In 2017, the Company did not record any event that constituted violation of any rules or free-will code concerning providing and using products and services of the Company (including but not limited to information and labeling, promotional newsletters (such as advertising, promotional sales and sponsoring), customer privacy and intellectual rights relating to the products and services) that had material impacts on the Company.

Lenovo

Thanks to the continuous efforts on the sustainability of products, Lenovo is capable of providing its customers with products that integrate application, service and best experience and cloud infrastructure, thus enabling people to enjoy a better life and work at higher efficiency. As the society is edging through an "intelligence-based reform", everything around Lenovo is geared up with internet of things, artificial intelligence, big data and the cloud and Lenovo therefore fixes its focus on intelligent connection. For details concerning the product materials, packaging, environmental certification, logistics and recycling, please refer to "Lenovo 2016/2017 Sustainability Report" published on the website of the Hong Kong Stock Exchange.

ANTI-CORRUPTION

Legend Holdings requires its management staff and all employees to strictly comply with the laws and regulations of the People's Republic of China and other countries where our portfolio companies operate as well as the "Anti-Corruption Management System", the "Code of Conduct for Employees" and other internal by-laws of the Company. This is to guarantee the law-abiding and compliance operation of the Company and guard against individual corruption activities.

At the same time, employees can directly complain and report their situations to the section head or relevant authorities in case they suffer from any infringement of rights due to the Company's fraud, immoral business practices, violation of laws and regulations and violation of professional ethics as well as other acts. The Company will handle the situation subject to the permission of laws and regulations and in compliance of effective investigation.

The Company pays consistent attention to cultural development and employee education in an attempt to prepare in advance for any possible calamity. The Company has had "conclusive requirements" in place since 1990, which set forth certain unchallengeable bottom-lines for the staff including "it is not allowed to leverage positions for personal ends". In addition, in order to enhance staff's sense of integrity, the Company requires all new recruits to attend training courses on "Code of Conduct for Employees" and conducts trainings for existing staff through case studies.

Lenovo

The special "Clean Governance Office (廉正公署)" was set up to focus investigations on non-compliance and illegal cases, thereby creating a clean and faithful working environment. In this regard, the office, which based on case investigation, teases out loopholes in the process and puts forward rectification suggestions. The office also brings forth the idea of clean governance by dint of the "Clean Governance Notification"; organizes anti-corruption presentations for the whole crew, requires signatures for the Clean Governance Commitment and establishes a system of compulsory rotation for sensitive positions.

OUR ENVIRONMENT

Following the full expansion of the strategic investments of Legend Holdings, impacts of the Company's businesses on the environment have become increasingly significant concerns for investors. Legend Holdings requests all its subsidiaries in the strategic investment segments to operate in strict compliance with Law of the People's Republic of China on Prevention and Control of Air Pollution, Law of the People's Republic of China on Prevention and Control of Water Pollution and National Ambient Air Quality Standards of the People's Republic of China as well as other relevant laws and regulations of the regions where the subsidiaries operate. Meanwhile, the subsidiaries in the strategic investment segments also, in the light of their actual situation, strictly adhere to relevant national and industrial standards such as the Standards for Pollution Control on the Storage and Disposal Site for General Industrial Solid Wastes and Measures for Management of Joint Disposal of Hazardous Wastes, etc.

In order to implement the environmental management measures and improve such measures on a continuous basis, Legend Holdings procures its subsidiaries in different strategic investment segments to establish sound environmental emergency systems. These measures are based on the subsidiaries' respective businesses so as to provide effective guarantee for the prevention and control of environmental emergencies, improve plant production process and install resource recycling system to reduce energy consumption. Meanwhile, we also attach importance to environmental management of office areas, actively cultivate staff's awareness on environmental protection as well as energy conservation in offices, actively press ahead the afforestation of factory areas and promote environmental design building rating of the office buildings. In addition, we have also formulated and earnestly implemented detailed environmental policies in allusion to the actual situations of our subsidiaries in the strategic investment segments and developed sustained environmental policies stepwise, thereby ultimately achieving a harmonious integration of economic, social and environmental benefits.

ENERGY CONSERVATION AND EMISSION REDUCTION

In the face of increasingly great impact of climate changes on the entire world, Legend Holdings acts with the attitude of being responsible for the environment and gives energetic support to the implementation of diversified and effective measures for energy conservation and emission reduction in each investment business, aiming at minimizing the carbon footprint resulting from operation of the Company. ESG Report will highlight the energy conservation and emission reduction performance of Raycom Info Tech Park (an investment property) and Levima New Materials in the strategic investment segments of Legend Holdings.

Raycom Info Tech Park

Measures for air emission reduction

Raycom Info Tech Park where the headquarters of Legend Holdings are situated is under the management of Raycom Property. In order to reduce greenhouse and exhaust emissions, Raycom Property designed and installed solar energy fittings in Tower B of Raycom Info Tech Park to supply hot water to the washrooms at the ninth and higher floors of the building. In addition, Raycom Property completed the replacement construction on the six boiler burners in Tower A of Raycom Info Tech Park in January 2016 and December 2016, thus effectuating the compliance of the concentration of nitric oxide emissions with the new standards prescribed in the Notice on Implementing Work Concerning the Low-nitrogen Combustion Technology Reform for Gas-fired Boilers. Faced with increasingly severe climate issues, Raycom Property increased the green areas of over 14,650 m^2 around the Raycom Info Tech Park, representing 6% of the total site area, to improve the air quality of the surroundings.

Measures for waste reduction

Raycom Property and Beijing Eco-island Science and Technology Co., Ltd entered into the Solid Waste Disposal Agreement, pursuant to which, the latter carried out the identification, storage, program filing and disposal of hazardous wastes for the former in accordance with the Notice on Strengthening Management of Hazardous Chemicals, Notification on Strengthening Environmental Management in respect of Used Electronic and Electrical Facilities and Administrative Measures on Prevention and Control of Environmental Pollution Caused by Used Electronic Wastes as well as relevant notices, policies and guidelines, thus guaranteeing proper and legitimate disposal of all solid wastes.

Measures for energy conservation and emission reduction

Raycom Property attaches great importance to environmental protection, energy conservation and emission reduction as well as the reasonable and efficient utilization of resources and energy. Raycom Property has formulated the "Program for Environmental Benefit and Energy Efficiency" based on Circular of the State Council on Release of Overall Work Plan on Energy Conservation and Emission Reduction for the 13th Five-Year Period, Water Law of the People's Republic of China and other relevant laws and regulations. The program sets forth major requirements including water saving trainings for employees, energy conservation appeals among lessees, timely and proper adjustment of facilities according to weather (on the premise of high quality water supply in the building), use of cooling tower and plate-typed heat exchanger to generate chilled water for air conditioners in spring, autumn and winter and immediate report on and repair of damaged water-saving devices once discovered by relevant personnel. Moreover, Raycom Property also conducts monitoring over water and electricity utilization so as to ensure the proper use of resources.

The environmental performance KPIs of Raycom Info Tech Park[1] are summarized as follows:

Category (Emission/Use of Resources)	Type	Total emission or consumption of Raycom Info Tech Park	Total emission or consumption/m^2 of Raycom Info Tech Park[2]
Emission of greenhouse gas	Scope I (Direct emission)[3]	106.323 tCO_2e	0.001 tCO_2e/m^2
	Scope II (Indirect emission)[4]	23,690.841 tCO_2e	0.264 tCO_2e/m^2
Non-hazardous waste	Construction waste	6,700.000 t	0.075 t/m^2
	Household waste	1,643.000 t	0.018 t/m^2
	Paper	600,000 pieces	6.675 pieces/m^2
Hazardous waste	Abandoned tubes with mercury	1,384 pieces	0.015 pieces/m^2
	Abandoned batteries	2,540 pieces	0.028 pieces/m^2
Use of resources[5]	Purchased power	33,675.680 MWh	0.375 MWh/m^2
	Tap water[6]	244,815.000 m^3	2.723 m^3/m^2
Emission of air pollutants[7]	Nitric oxide (NOx)	25,622.700 g	0.285 g/m^2
	Sulfur oxide (SOx)	395.429 g	0.004 g/m^2
	Carbon monoxide (CO)	142,436.370 g	1.585 g/m^2
	Dust ($PM_{2.5}$)	1,447.848 g	0.016 g/m^2
	Dust (PM_{10})	1,573.233 g	0.018 g/m^2

1 As the headquarters of Legend Holdings is located in Raycom Info Tech Park, the environmental performance KPIs of the headquarters of Legend Holdings are included in that of Raycom Info Tech Park.

2 The calculation of m^2 is based on the non-leasable area of Raycom Info Tech Park.

3 The "Calculation Method and Reporting Guidance on Greenhouse Gas Emission by Overland Transportation Enterprises (Trial)" and the "Calculation Method and Reporting Guidance on Greenhouse Gas Emission by Other Industrial Enterprises (Trial)" issued by the Ministry of Environmental Protection of the People's Republic of China; and the "Greenhouse Gas Inventory Guidance - Direct Emissions From Mobile Combustion Sources" released by USEPA. The emission of greenhouse gas and air pollutants under Scope I is from the micro, small and large passenger gasoline vehicles of Raycom Info Tech Park and the operation of backup diesel generators.

4 "2011–2012 Regional Power Grid Average CO_2 Emission Factors in China" published by the National Development and Reform Commission of the People's Republic of China. The emission of greenhouse gas under Scope II is from the outsourced power of Raycom Info Tech Park.

5 During the reporting period, there is no packaging material and thus is not disclosed therein.

6 Raycom Info Tech Park's water is sourced from the municipal pipeline, and there is no issue in sourcing water that is fit for purpose.

7 "Technical Guidance for Air Pollutant Emission Inventory for Non-road Vehicles (Trial)" and "Technical Guide for Air Pollutant Emission Inventory for Road Vehicles (Trial)" issued by the Ministry of Environmental Protection of the People's Republic of China. The emission of NOx, SOx, CO, $PM_{2.5}$ and PM_{10} is from the micro, small and large passenger gasoline vehicles of Raycom Info Tech Park and the operation of backup diesel generators.

Levima New Materials

Levima New Materials has been following the concept of "Environmental and Clean Production for Green and Sustainable Development". Levima New Materials, through innovations in production process, industrial organization, industrial layout and management mode, leads the green industries with green technology and tries its best to maintain harmony with the environment. While trying to become a leader of the industry, Levima New Materials is more dedicated to becoming a green, efficient and environmentally friendly corporate citizen and creating more valuable products and services for the society, its customers and partners.

Environmental Monitoring System

Based on the actual demands in conducting environmental protection work, Levima New Materials established an environmental protection monitoring and management agency covering the whole plant and established the Health and Safety Executive ("**HSE**") department. The department is in charge by a vice-president of Levima New Materials and all the operation divisions are manned by environmental staff responsible for the operation of environmental facilities, environmental monitoring and wastewater discharge. In order to strengthen the wastewater management, Levima New Materials established a wastewater treatment plant with a treatment capacity of $300m^3/h$. The wastewater is not directly discharged after treatment, but goes through an in-depth treatment at wastewater treatment plants in the plant park before discharge. Meanwhile, Levima New Materials established a three-level emergency prevention and control system based on the production characteristics of chemical engineering equipment and relevant requirements and also built an incident pool with 12,000 m^3 and a rainwater monitoring pool with 10,000 m^3. Levima New Materials regularly revises the "Safety and Environmental Protection Monitoring and Administration Systems", the "Appraisal Regulations on Safety and Environmental Protection Responsibility System" and other special systems, including the "Waste Gas Management Regulations", the "Radiation Safety Management Regulations", the "Solid Waste Management Regulations", the "Environmental Facilities Management Regulations", the "Environmental Monitoring Management Regulations", the "Sewage Management Regulations" and the "Potential Environmental Risks and Hazardous Scrutiny Management Regulations". Meanwhile, Levima New Materials specifies that safety and environmental engineers or professional machinery and equipment administrators are responsible for managing and controlling environmental risks and also specifies the monitoring responsibility of the staff of the HSE department. Levima New Materials established a reward and punishment system on environmental protection and improved the management of environmental archives. Meanwhile, Levima New Materials is also equipped with real-time online monitoring and various monitoring functions, including video surveillance, the Distributed Control System (DCS) centralized control system, the Laboratory Information Management System (LIMS) quality analysis and testing system, inflammables/toxics alarming monitors, online monitoring and sampling monitoring on environmental emissions as well as other routine management. Levima New Materials conducts the risk appraisal on emergency environmental events, and the preparation and annual review of comprehensive emergency plans on environmental events and field handling plans of departments in an orderly way. Filing and registration of these have been completed. At the same time, Levima New Materials has also been equipped with various emergency materials and has entered into agreements on emergency contact and supports with external rescue forces. In addition, Levima New Materials regularly conducts drills based on the actual operation of production, safety and fire prevention.

Measures on reducing gas and wastewater emission

Through a third-party review on clean production commencing in 2016, Levima New Materials conducted the first round of clean production during the reporting period and proposed 13 technical transformation plans (with a total investment of RMB757,000) which integrated environmental concepts into its routine production and operation. The plans implemented by Levima New Materials mainly include the adoption of the "Leak Detection and Repair (LDAR) Plan" across the whole plant, the improvement of the operation plan for the nitrogen compressor with an air separation equipment as well as the enhancement of the separation of clean and polluted water for boilers. These plans are particularly for reducing water and power consumption and emission of the nitrogen compressor with an air separation equipment, boilers and other machinery. Through the adoption of various improvement measures, the power consumption of the nitrogen compressor with an air separation equipment in 2017 reduced 1.43% year on year from 2016; and the emission of oxynitride from boilers decreased 13.91% year on year from 2016.

Waste disposal

The sludge from the treatment of wastewater is categorized as general waste according to the environmental assessment. It is temporarily placed at the sludge depositary at the wastewater treatment station and is taken to boilers for incineration once a month. There is a special and temporary storage place for hazardous waste in the south of the plant with an area of approximately 400m^2. The boiler ash and desulphurization gypsum generated from Levima New Materials will be handled by qualified companies. In addition, Levima New Materials conducted the identification, storage, plan application and handling measures on hazardous waste to ensure they were all legally and appropriately handled. For household waste, they are placed at a designated place and are collected together. Local environmental authorities will clear and conduct harmless treatment in time and regularly sterilize and clear the waste storage place to prevent the breeding of bacteria and the transmission of diseases.

The environmental performance KPIs of Levima New Materials are summarized as follows:

Category (Emission/Use of Resources)	Type	Total emission or consumption of Levima New Materials	Total emission or consumption/RMB1 million revenue[1] of Levima New Materials
Emission of greenhouse gas	Scope I (Direct emission)[2]	580,908.100 t	119.136
	Scope II (Indirect emission)[3]	384,091.900 t	78.772
Non-hazardous waste	N/A	N/A[4]	N/A
General waste	Sludge from wastewater treatment	875.000 t	0.179
Hazardous waste	Used vinyl acetate, red oil, used lubrication oil, condensed oil and old packaging materials	1,401.910 t	0.288
Use of resources	Power purchased	458,356.800 MWh	94.003
	Steam/Heat purchased	900 t	0.185
	Tap water[5]	3,892,639.000 t	798.326
	Coal	87,824.570 t	18.012
	Diesel	21,004.000 l	4.308
	Gasoline	24,579.000 l	5.041
	Packaging materials	728.416 t	0.149
Emission of air pollutants[6]	Nitric oxide (NOx)	166.351 t	0.034
	Sulfur oxide (SOx)	77.555 t	0.016
	Carbon monoxide (CO)	666.148 kg	0.137
	Dust ($PM_{2.5}$)	33.257 kg	0.007
	Dust (PM_{10})	36.821 kg	0.008
	Dust (PM_{75})[7]	13.612 t	0.003
Emission of wastewater and its pollutants	Wastewater	2,094,778.000 t	429.610
	Chemical oxygen demand (COD)	394.750 t	0.081
	Ammonia nitrogen	2.202 t	0.000

1 The calculation of revenue is based on the revenue of Levima New Materials in 2017.

2 The "Calculation Method and Reporting Guidance on Greenhouse Gas Emission by Overland Transportation Enterprises (Trial)" issued by the Ministry of Environmental Protection of the People's Republic of China. The emission of greenhouse gas and air pollutants under Scope I is from the micro, small and large passenger gasoline vehicles of Levima New Materials.

3 "2011-2012 Regional Power Grid Average CO_2 Emission Factors in China" published by the National Development and Reform Commission of the People's Republic of China and the "Calculation Method and Reporting Guidance on Greenhouse Gas Emission by Other Industrial Enterprises (Trial)" issued by the Ministry of Environmental Protection of the People's Republic of China. The emission of greenhouse gas under Scope II is from the outsourced power and outsourced steam/heat of Levima New Materials.

4 During the reporting period, non-hazardous waste, as compared with the emission of other hazardous waste and pollutants, are less important and are therefore not disclosed.

5 Levima New Materials' water is sourced from the municipal pipeline, and there is no issue in sourcing water that is fit for purpose.

6 "Technical Guidance for Air Pollutant Emission Inventory for Non-road Mobile Sources (Trial)" and "Technical Guidance for Air Pollutant Emission Inventory for Road Vehicles (Trial)" issued by the Ministry of Environmental Protection of the People's Republic of China. The emission of NOx, SOx, CO, $PM_{2.5}$ and PM_{10} is from the production process of Levima New Materials and the micro, small and large passenger gasoline vehicles of Levima New Materials.

7 The KPIs scope of Levima New Materials covers the dust generated from the production process during the reporting period while $PM_{2.5}$ and PM_{10} are from roads mobile sources.

Lenovo

As a global enterprise, Lenovo attaches great importance to its environmental performance. It fully and continuously monitors the environmental management, ranging from manufacturing offices, to the design and recycling of products and to the end of product life cycle. Environmental KPIs affecting Lenovo are disclosed in its annual sustainability report. For details and KPIs, please refer to "Lenovo 2016/17 Sustainability Report" published on the website of the Hong Kong Stock Exchange.

Environment and natural resources

As Legend holdings is mainly engaged in investment business, businesses under its direct operation barely have any impact on the environment and natural resources. Nonetheless, the Company bolsters up the green and sustainable development projects tirelessly. Thanks to the endeavours of Legend Holdings on promoting the use of renewable energy, Raycom Info Tech Park was accredited with the green building certification and equipped with solar energy facilities in its operation process aiming to be less dependent on non-renewable energy and reducing impacts on the environment. Levima New Materials, in addition to improving its productivity, has also effected the sustainable development concept featuring energy conservation and emission reduction. Levima New Materials aims at sharing a win-win result through its technological innovation practice.

2015 LEED Platinum Certification

ASSUMING SOCIAL RESPONSIBILITY

Legend Holdings has assumed its social responsibility by supporting the development of innovative and entrepreneurship businesses across the country and establishing the Legend Star CEO Special Training Program.

Legend Star CEO Special Training Program

Legend Star CEO Special Training Program is a free public program co-sponsored by the Chinese Academy of Sciences and Legend Holdings in 2008. This free program is committed to bringing up technological entrepreneurial leaders and in turn promoting the industrialization of technological achievements by free training and entrepreneurship alliance. In the communication with participants of the CEO Special Training course in 2015, Premier Li Keqiang learned that all the accommodation, tuitions, books and supplies of the participants were borne by Legend Holdings for years and therefore called Legend Star a program offering "free learning with food and accommodation".

The lecturer team for entrepreneurship trainings, led by LIU Chuanzhi, the Chairman of Legend Holdings, is comprised of a group of field-specific and experienced entrepreneurs and executives. The training contents are closely related to the characteristics of startups and designed to meet the needs of the business leaders and relevant participants. The program provided free entrepreneurship trainings for 846 entrepreneurs (who were selected from over 10 thousand enterprise applicants) through 15 sessions of CEO special training courses, thus indirectly benefiting hundreds of thousands of people.

The 10th session of Legend Star CEO Special Training Program

In addition, the "entrepreneurship alliance", a platform to provide entrepreneurs with services and shared resources on an ongoing basis, has organized over 300 startup counselling activities, thus facilitating the growth and development of numerous startup enterprises.

So far, the program has brought up 6 listed companies, more than 40 NEEQS-listed enterprises and over 80 enterprises with appraised value of more than USD100 million and enterprises with a total appraised value of more than RMB240 billion. Having brought forth social financing capital of over RMB30 billion, the program has built up a continuously developing entrepreneurial ecosphere which is capable of serving as a communication and sharing platform covering various aspects and providing thorough services and products for the entrepreneurs.

Since 2008, the Legend Star Entrepreneurial Training Program has had investments of RMB89.16 million in aggregate, of which investment in 2017 amounted to RMB10.65 million (2016: RMB11.67 million).

In respect of assuming corporate social responsibility, Legend Star was accredited two public welfare awards. On December 12 and 13, 2017, the China Annual Conference on Philanthropy was held in Beijing and the results of the China 2017 (7th session) CSR Excellence Awards were presented at the same time. Legend Star CEO Special Training Program, which was a groundbreaking practice of the "entrepreneurship philanthropy" philosophy initiated by Legend Holdings and was devoted to creating the "philanthropy + ecosphere", was awarded the "Excellent Project" and the "2017 China Philanthropic Enterprise of the Year" by right of its professionalism, sustainability and innovativeness. The "CEO Special Training Program" provides professional and practical philanthropic entrepreneurship trainings for various entrepreneurs.

Contributing to Social Welfare and Participating in Targeted Poverty Alleviation

Legend Holdings has always strived to become a "trustworthy and respectable" enterprise. We integrate corporate social responsibility into the Company's strategies and proactively participate in social welfare to our full capacity through systematic planning and lasting commitment to "supporting education", "assisting start-ups" and "advocating social justice", and contribute to targeted poverty alleviation through multiples means. At the same time, Legend Holdings encourages its employees to participate in social welfare activities, thereby practically fulfilling their social responsibilities and contributing to the society.

Legend Holdings firmly believes that, through its persistent efforts, the spirit of "setting a good example for the society through upright behavior and honest work" will be carried on from generations to generations among members of Legend Holdings. Legend Holdings Charity Foundation is a private social welfare organization established by Legend Holdings on March 8, 2013 and is mainly funded by Legend Holdings and other voluntary donors such as social organizations, individuals and employees of Legend Holdings. Adhering to the tenet of "promoting social development through philanthropic practices", the Foundation carries out social welfare activities mainly in respect of supporting education, assisting start-ups and advocating social justice. In 2017, major donations of Legend Holdings Charity Foundation included:

Legend Progress Class

Legend Progress Class is a key educational public welfare project of Legend Holdings. In 2004, Legend Holdings established the "Legend Progress Education Foundation" which set up the "Legend Progress Class" in impoverished areas and aid poverty-stricken high school students with virtuous character and excellent academic performance on a long-term and consistent basis such that they can finish school and change their fate. Over the past thirteen years, Legend Holdings has set up a number of Legend Progress Classes in Guizhou, Gansu and other provinces and invested a total of more than RMB30 million in the project, benefiting more than 2,000 students. In particular, the investment in 2017 amounted to RMB2,582,300, which was mainly used for financing the tuitions and living expenses of 400 students for the year.

Apart from providing material aids, the "Legend Progress Class" also provides students with tailored "value-added services" so as to shape up the moral quality of students, level up their comprehensive competence, broaden their horizon, deliver aspirant energy and help them achieve comprehensive and sound development. In 2017, the philanthropic team of Legend Holdings invited experts in college application and career development facilitators to attend the "Legend Progress Class" in No. 2 High School of Huining and answered questions on relevant issues for the students and teachers, and to present the "creating a better life through artificial intelligence" themed lecture in No. 2 High School of Duyun.

In 2017, students of the "Legend Progress Classes" had excellent performance in the college entrance examination with 100% common university enrollment rate and 93% key university enrollment rate. In particular, two students were admitted to Tsinghua University. "We were deeply touched by your care and dedication. Students get to know from your words and deeds, from your carefully arranged annual return visits and your warm reception during our visits to Beijing, that they have to work hard to progress so as to become a productive member in the society and make contributions to the benefactor and the society", remarked Teacher Wei with No. 2 High School of Duyun.

"Legend Progress Class" is not only a glorious group but also a career with profound significance. Through attending the Legend Progress Class, numerous humble students had a prosperous turnaround in their fate through their tireless efforts and they carried forward of the "Legend Progress Class" spirit. The philanthropic team of Legend Holdings unbosomed that "we are committed to providing timely help to the needed ones instead of painting the lily. So long as we are engaged in the activity, we will carry on with it persistently. To match with the aspiration of building itself into a "longevous enterprise" of Legend Holdings, we will also devote ourselves to the philanthropic establishment with the same determination earnestly and consistently".

Pacific Ocean International Communication Foundation

Pacific Ocean International Communication Foundation is a private non-profit foundation which endeavors to promote the exchange and cooperation between China and the United States in various areas. In 2017, Legend Holdings donated RMB3 million to Pacific Ocean International Communication Foundation to support the exchange and collaboration between China and the United States in various areas, and to promote mutual understanding and friendship among people from China and the United States. The Foundation also facilitates efficient, in-depth and all-round exchanges and collaboration between China and the United States in political, economic, cultural, educational and other areas, and enhances the mutual understanding and friendship among people of the two countries as well as their common interests and strategic mutual trust.

Haidian Education Foundation of Beijing

In order to support the education development in Haidian, Legend Holdings Charity Foundation donated RMB2 million to Haidian Education Foundation of Beijing in 2017. Devoting great efforts in facilitating the development of basic education in Haidian district, Legend Holdings Charity Foundation has created an atmosphere of respecting teachers and valuing education, setting an example for more enterprises to support education development. All these contributed to the fast and sound development of education in Haidian district in a balanced manner.

Legend Capital Special Foundation for Heroes, Models and Justice-upholders

With a view to passing on the long-established Chinese tradition of honoring heroes and martyrs, upholding the spirit of self-sacrifice and dedication, and enhancing the awareness of caring for heroes, models, families of martyrs as well as justice-upholders in society, Legend Holdings Charity Foundation set up a special foundation jointly with China Women Development Foundation to offer financial aids to poverty-stricken family members and children of heroes, models, families of martyrs as well as justice-upholders. In 2017, Legend Holdings Charity Foundation donated a total of RMB1.8 million.

Beijing Leping Welfare Foundation

In 2017, Legend Holdings Charity Foundation donated RMB1 million to Beijing Leping Welfare Foundation supporting its regular welfare programs, mainly including training programs for migrant workers, innovative personnel training and education of children from low-income families. The Legend Holdings Charity Foundation also participated in board meetings of the Beijing Leping Welfare Foundation.

Donation to Xidian University Education Foundation

In 2017, Legend Holdings donated RMB0.5 million to Xidian University to finance the communication and collaboration between the university and various institutions/organizations at home and abroad. This promotes the development of the university in the areas of teaching, scientific research and high-tech development.

Beijing Dandelion Middle School

Beijing Dandelion Middle School, the first school established in Beijing for children of migrant workers as approved by the government, is a private non-profit and philanthropic school. Legend Holdings donated RMB0.4 million to the school in 2017 to finance the construction of a new campus for creating a favorable environment for children of migrant workers to study.

Enlightening Action

Ever since 2013, Legend Holdings, in the name of "Enlightening", has been making donations to people whose behaviors have extensive social influence such as righteous behaviors or selfless dedication so as to advocate righteousness, valor and dedication and create a positive social atmosphere. In 2017, five people benefited from the "Enlightening Action" with donations amounting to RMB0.11 million. This project has offered aids to 14 people in total with an aggregate of RMB0.26 million donated.

Lenovo

Lenovo's social investment objectives mainly include partnering with charitable organizations, educational institutions and civic organizations to amplify the impact of Lenovo's social investments around education, connecting employee expertise and talent with students and community members who will benefit from exposure to tech talent and providing resources to enhance education and the advancement of technology to enlighten the next generation of tech talent and community leaders. Please refer to "Lenovo 2016/2017 Sustainability Report" published on the website of the Hong Kong Stock Exchange for more details.

Appendix: Index of Environmental, Social and Governance Reporting Guide of the Hong Kong Stock Exchange

General Disclosures and Key Performance Indicators (KPI)	Description	Relevant Page No.
	Environmental	
Aspect A1: Emissions		
General Disclosure	Information on: (a) Policies; and (b) Compliance with relevant laws and regulations that have a significant impact on the issuer relating to waste gas and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste	125, 126 128, 129
KPI A1.1	The types of emissions and respective emissions data.	127, 130
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	127, 130
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	127, 130
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	127, 130
KPI A1.5	Description of measures to mitigate emissions and results achieved.	125, 126, 129
KPI A1.6	Description of how hazardous and non-hazardous waste is to be handled, reduction initiatives and results achieved.	125, 126, 128, 129
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	125, 126, 129
KPI A2.1	Direct and /or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in'000s) and intensity (e.g. per unit of production volume, per facility).	127, 130
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	127, 130
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	125, 126, 129
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	126, 127, 129, 130
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	127, 130
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources.	125, 126, 128, 129
KPI A3.1	Description of the significant impacts of business activities on the environment and natural resources and the actions having been taken to manage them.	125, 126, 128, 129, 131
	Social **Employment and Labor Practices**	
Aspect B1: Employment		
General Disclosure	Information on: (a) Policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	115–117
Aspect B2: Health and Safety		
General Disclosure	Information on: (a) Policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	119, 120
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	120–122
Aspect B4: Labor Standards		
General Disclosure	Information on: (a) Policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labor.	115
	Operating Practices	
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	123
Aspect B6: Product Responsibility		
General Disclosure	Information on: (a) Policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	123, 124
Aspect B7: Anti-Corruption		
General Disclosure	Information on: (a) Policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	124
	Community	
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	131, 133, 136

羅兵咸永道

Independent Auditor's Report
To the Shareholders of Legend Holdings Corporation
(incorporated in the People's Republic of China with limited liability)

Opinion

What we have audited

The consolidated financial statements of Legend Holdings Corporation (the "Company") and its subsidiaries (the "Group") set out on pages 147 to 294, which comprise:

- the consolidated balance sheet as at December 31, 2017;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

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

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

Independence

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

Key Audit Matters

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

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

- Impairment assessment of goodwill and other intangible assets with indefinite useful lives
- Classification of investments
- Fair value measurement using of level 3 inputs for financial assets and financial liabilities
- Recognition of deferred income tax assets

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of goodwill and other intangible assets with indefinite useful lives Refer to note 4.1(a) and note 19 to the consolidated financial statements	
As at December 31, 2017, the Group had goodwill of RMB35,692 million and other intangible assets with indefinite useful lives of RMB9,312 million, and in respect of which management is required to perform annual impairment assessment. For the purpose of assessing impairment, the management reviewed business performance of each business lines, identified the cash generating units ("CGUs") or the groups of CGUs, monitored the goodwill and other intangible assets with indefinite useful lives, and compared the recoverable amount with the carrying value of each CGUs as at December 31, 2017. The recoverable amount of CGU is determined by the higher of the fair value less disposal cost and value in use. Management has concluded that there is no impairment in respect of the goodwill and other intangible assets with indefinite useful lives, except the segment of innovative consumption and services recognising goodwill impairment of RMB67 million due to unachieved expected performance. This conclusion was based on the model of a fair value less disposal cost or the model of value in use adopted by management. Using the model of fair value less disposal cost, management made significant judgement over the active market price or the adjusted amount based on the observable data. Using the model of value-in-use calculation, management made significant assumptions and judgements, including forecast revenue growth rates, forecast operating margins and discount rates of each business line.	Our procedures included: • We obtained the management's calculation sheets of impairment assessment to assess reasonableness of the classification of CGUs or groups of CGUs by business lines and allocation of goodwill and other intangible assets with indefinite useful lives by CGUs. • In the cases of impairment assessment using the model of fair value less disposal cost, we agreed the fair value to observable unadjusted price in the active market, and agreed the input data to observable referenced data in the active market. • In the cases of impairment assessment using the model of value-in-use calculation, we challenged the appropriateness of the key assumptions including expected revenue growth rates, expected profit margins and discounted rates, with reference to the business and industry circumstances. We reconciled the input data of expected revenue growth rates and expected profit margins to the management's forecast of future profits, strategic plans and history data. We compared the discounted rate with the comparable company in the open market to assess reasonableness of the input data used. • We assessed management's sensitivity analysis around the key assumptions, to ascertain the extent to which adverse changes, both individually and in aggregate, might impact on the outcome of the impairment assessment of the goodwill and other intangible assets.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of goodwill and other intangible assets with indefinite useful lives (Continued) We focused on this area, because management made significant judgements to perform impairment assessments of goodwill and other intangible assets with indefinite useful lives under different models.	• We tested the accuracy of management's calculation sheet of impairment assessment. • We examined the adequacy of the Group's disclosure of goodwill and other intangible assets with indefinite useful lives. We found that the judgements made by management in relation to the assessment of impairment of goodwill and other intangible assets with indefinite useful lives were supported by the evidence we obtained.
Classification of investments Refer to note 4.2(a), 13, 20, 21 and 28 to the consolidated financial statements The Group holds a number of strategic and financial investments, amounting to RMB32,317 million of investment in associates and joint ventures(note13), RMB130 million of derivative financial instruments(note 20), RMB9,597 million of available-for-sale financial assets(note 21), and RMB7,265 million of financial assets at fair value through profit or loss(note 28) at December 31, 2017. The classification of an investment is based on the commercial substance of the contractual arrangement, and the fact as to whether the Group is determined to have control, joint control or significant influence. In addition, the purpose of the investment could also be influenced by the certain terms stipulated in the investment agreements which may result in complex accounting treatments. We focused on this area because the classification requires management's significant judgement.	Our procedures included: • We examined significant investment agreements using audit sampling method. We focused on the key terms and contractual arrangements such as power in the board and the governance who charged, investment exit mechanism and whether priority rights exist, such as anti-dilution rights and liquidation priority rights, etc. We assessed management's analysis and determination on the classification of the investments in line with the Group's accounting policies, together with assessment over the management's influence level and the purpose of investment. • We examined the adequacy and accuracy of the Group's disclosure in respect of the classification of investments. We found that the judgements made by the management in relation to the classification of investments were supported by the evidence we obtained.

Key Audit Matter	How our audit addressed the Key Audit Matter
Fair value measurement using of level 3 inputs for financial assets and financial liabilities Refer to note 3.3, 4.1(b) and 4.1(c) to the consolidated financial statements	
As at December 31, 2017, the Group has financial assets measured at fair value with level 3 inputs of RMB29,763 million, including associates measured at fair value through profit or loss, financial assets measured at fair value through profit or loss and available-for-sale financial assets; financial liabilities measured at fair value with level 3 inputs of RMB2,270 million, including written put option liabilities and financial liabilities measured at fair value through profit or loss. Level 3 inputs for financial assets and liabilities are not based on active market prices, nor based on observable market data. Management assessed and measured the level 3 fair value of financial assets and financial liabilities using particular valuation techniques, with assistance from external valuers, if any, by using the models of fair value less disposal cost and value-in-use calculation. The determination of the model adopted and inputs requires significant judgement or estimation. We have therefore focused on this area.	Our procedures included: • We obtained the calculation sheets of fair value estimation of financial assets and financial liabilities measured at fair value of level 3 inputs, evaluated the appropriateness of the model used and tested the accuracy of the calculation sheets. • We evaluated the independent external valuers' competence, capability and objectivity, if any. • In the cases of fair value estimation using the model of fair value less disposal cost, we assessed the appropriateness of the methodologies and key assumptions adopted by management through comparing with fair value used in the latest financing activities, etc. • In the cases of fair value estimation using the model of value-in-use calculation, we challenged the appropriateness of the key assumptions including expected revenue growth rates, expected profit margins and discounted rates. We reconciled the input data of expected revenue growth rates and expected profit margins to the management's forecast of future profits, strategic plans and history data. We compared the discounted rate with the comparable company in the open market to assess whether reasonableness of the input data used. We found that the valuations made by management in the fair value assessment using of level 3 inputs for financial assets and financial liabilities was supported by the evidence we obtained.

Key Audit Matter	How our audit addressed the Key Audit Matter
Recognition of deferred income tax assets Refer to note 4.1(d) and note 39 to the consolidated financial statements	
As at December 31, 2017, the Group had deferred income tax assets of RMB9,672 million. The recognition of the deferred income tax assets involves significant management judgement as to the likelihood of its realization that is dependent on a number of factors, including whether there will be sufficient taxable profits and reversals of taxable temporary differences in future periods. Management has performed its assessment on the recognition of these deferred income tax assets and consider that the realization of these assets is probable as at December 31, 2017. Management has applied tax rates that have been enacted or substantively enacted by the balance sheet date in determining deferred income tax assets, including new corporate tax rate in the United States which is effective from January 1, 2018. We focused on this area because of significant judgement and estimation involved in forecasting future taxable profits and the amount and period of future reversals of taxable temporary differences.	Our procedures included: • We obtained management's calculation sheets of deferred tax and tested the accuracy of the calculation sheets. • We tested and agreed available tax losses, including the respective expiry periods, to tax returns and tax correspondences for the relevant subsidiaries. • We evaluated management's assessment as to whether there will be sufficient taxable profits in future periods and tested management's reconciliations of forecasted profits to forecasted taxable profits. • We challenged the appropriateness of the input data, including the significant assumptions of expected revenue growth rates and expected profit. We reconciled the input data of expected revenue growth rates and expected profit margins to the management's forecast of future profits, strategic plan, tax plans, historic data and the industry data. • We tested the calculation of deferred income tax assets by reference to tax rates enacted or substantively enacted at the balance sheet date. We found that the forecast of taxable profits in future periods and calculation of taxable temporary differences were supported by the evidence we obtained.

Other Information

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

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

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

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

Responsibilities of Directors and Audit Committee for the Consolidated Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Leung Wai Kin.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, March 27, 2018

Consolidated Income Statement

For the year ended December 31, 2017

		Year ended December 31,	
	Note	**2017** **RMB'000**	2016 RMB'000
Continuing operations			
Sales of goods and services		**313,924,177**	294,092,732
Interest income		**2,968,438**	879,324
Interest expense		**(629,701)**	(226,346)
Net interest income		**2,338,737**	652,978
Total revenue	5	**316,262,914**	294,745,710
Cost of sales	8	**(269,706,423)**	(249,641,024)
Gross profit		**46,556,491**	45,104,686
Selling and distribution expenses	8	**(20,529,397)**	(17,874,501)
General and administrative expenses	8	**(24,020,363)**	(23,580,499)
Investment income and gains	6	**7,667,683**	2,832,227
Other income and gains	7	**335,057**	3,360,532
Finance income	11	**830,719**	492,208
Finance costs	11	**(4,482,966)**	(3,262,387)
Share of profit of associates and joint ventures accounted for using the equity method		**1,074,656**	1,066,493
Profit before income tax		**7,431,880**	8,138,759
Income tax expense	14	**(2,574,187)**	(476,255)
Profit from continuing operations for the year		**4,857,693**	7,662,504
Discontinued operations			
Profit from discontinued operations for the year		**–**	322,506
Profit for the year		**4,857,693**	7,985,010
Profit attributable to:			
– Equity holders of the Company		**5,047,826**	4,858,924
– Perpetual securities holders		**284,639**	–
– Other non-controlling interests		**(474,772)**	3,126,086
		4,857,693	7,985,010
Profit attributable to the equity holders of the Company from:			
– Continuing operations		**5,047,826**	4,851,984
– Discontinued operations		**–**	6,940
		5,047,826	4,858,924

		Year ended December 31,	
	Note	**2017** **RMB'000**	2016 *RMB'000*
Earnings per share for the profit attributable to the equity holders of the Company			
(expressed in RMB per share)			
Basic earnings per share	15		
– Continuing operations		**2.16**	2.06
– Discontinued operations		**–**	–
		2.16	2.06
Diluted earnings per share	15		
– Continuing operations		**2.14**	2.06
– Discontinued operations		**–**	–
		2.14	2.06

Consolidated Statement of Comprehensive Income

For the year ended December 31, 2017

	Note	Year ended December 31, 2017 RMB'000	2016 RMB'000
Profit for the year		**4,857,693**	7,985,010
Other comprehensive (loss)/income:			
Items that will not be reclassified to income statement:			
Remeasurements of post-employment benefit obligation, net of taxes	14,40	**262,908**	(271,732)
Revaluation of investment properties upon reclassification from property, plant and equipment, net of taxes	14,18	**91,982**	92,814
Items that may be reclassified subsequently to income statement:			
Currency translation differences	14	**(1,103,612)**	1,531,146
Share of other comprehensive income/(loss)of associates using equity accounting	14	**51,127**	(119,310)
Change in fair value of available-for-sale financial assets, net of taxes	14	**(232,546)**	(634,579)
Investment revaluation reserve reclassified to consolidated income statement on disposal of available-for-sale financial assets, net of taxes	14	**(1,636,599)**	(727,901)
Fair value change on cash flow hedges, net of taxes	14	**(509,360)**	224,128
Other comprehensive (loss)/income for the year, net of taxes		**(3,076,100)**	94,566
Total comprehensive income for the year		**1,781,593**	8,079,576
Attributable to:			
– Equity holders of the Company		**2,157,881**	4,744,639
– Perpetual securities holders		**284,639**	–
– Other non-controlling interests		**(660,927)**	3,334,937
		1,781,593	8,079,576
Total comprehensive income attributable to the equity holders of the Company for the year from:			
– Continuing operations		**2,157,881**	4,843,070
– Discontinued operations		**–**	(98,431)
		2,157,881	4,744,639

Consolidated Balance Sheet

As at December 31, 2017

		As at December 31,	
		2017	2016
	Note	***RMB'000***	*RMB'000*
ASSETS			
Non-current assets			
Leasehold land and land use rights	16	**4,158,468**	3,022,885
Property, plant and equipment	17	**19,864,687**	19,607,015
Investment properties	18	**11,107,111**	10,111,584
Intangible assets	19	**59,534,705**	59,935,496
Associates and joint ventures using equity accounting	13	**14,345,636**	11,931,574
Associates measured at fair value through profit or loss	13	**17,970,881**	15,515,436
Available-for-sale financial assets	21	**9,173,534**	9,848,802
Financial assets at fair value through profit or loss	28	**1,896,354**	1,347,003
Loans to customers	25	**1,751,857**	769,988
Deferred income tax assets	39	**9,671,997**	9,059,680
Other non-current assets	22	**12,038,312**	7,642,883
		161,513,542	148,792,346
Current assets			
Inventories	26	**27,857,888**	20,996,965
Properties under development	27	**547,053**	183,669
Trade and notes receivables	23	**46,149,326**	41,158,176
Prepayments, other receivables and other current assets	24	**42,879,069**	52,621,172
Available-for-sale financial assets	21	**423,950**	30,000
Loans to customers	25	**10,652,303**	10,660,810
Derivative financial instruments	20	**130,495**	964,752
Financial assets at fair value through profit or loss	28	**5,369,086**	4,016,651
Restricted deposits	29	**1,338,000**	1,874,463
Bank deposits	29	**6,010,552**	10,900,422
Cash and cash equivalents	29	**32,202,477**	30,059,402
		173,560,199	173,466,482
Total assets		**335,073,741**	322,258,828
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital	31	**2,356,231**	2,356,231
Reserves		**52,077,092**	49,909,925
Total equity attributable to equity holders of the Company		**54,433,323**	52,266,156
Perpetual securities	32	**6,807,157**	–
Other non-controlling interests		**19,084,567**	18,069,455
Put option written on non-controlling interests	35(iv)	**(1,343,399)**	(1,343,399)
Total equity		**78,981,648**	68,992,212

		As at December 31,	
	Note	**2017** **RMB'000**	2016 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	38	**64,454,075**	56,516,221
Deferred revenue	34	**4,165,396**	3,798,833
Retirement benefit obligations	40	**2,573,867**	2,790,929
Provisions	41	**1,899,452**	2,075,099
Financial liabilities at fair value through profit or loss	12(vi)	**801,000**	–
Deferred income tax liabilities	39	**4,809,127**	4,676,491
Other non-current liabilities	37	**3,990,979**	4,100,046
		82,693,896	73,957,619
Current liabilities			
Trade and notes payables	33	**56,730,615**	49,233,992
Other payables and accruals	35	**78,371,700**	87,788,354
Derivative financial instruments	20	**387,100**	367,619
Provisions	41	**5,808,816**	6,831,179
Advance from customers	36	**2,827,577**	2,870,695
Deferred revenue	34	**4,191,807**	3,894,168
Income tax payables		**1,957,052**	2,169,581
Borrowings	38	**23,123,530**	26,153,409
		173,398,197	179,308,997
Total liabilities		**256,092,093**	253,266,616
Total equity and liabilities		**335,073,741**	322,258,828
Net current assets		**162,002**	(5,842,515)
Total assets less current liabilities		**161,675,544**	142,949,831

The financial statements on pages 147 to 294 were approved by the Board of Directors on March 27, 2018 and were signed on its behalf.

LIU Chuanzhi
Director

ZHU Linan
Director

Consolidated Statement of Changes in Equity

For the year ended December 31, 2017

	Attributable to the equity holders of the Company													
	Share capital	Share premium	Statutory surplus reserve	Revaluation reserve	Share-based compensation reserve	Shares held for restricted share scheme	Hedging reserve	Exchange reserve	Other reserve	Retained earnings	Perpetual securities	Other non-controlling interests	Put option written on non-controlling interests	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at January 1, 2017	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
Profit/(loss) for the year	–	–	–	–	–	–	–	–	–	5,047,826	284,639	(474,772)	–	4,857,693
Other comprehensive (loss)/income														
Fair value changes on available-for-sale financial assets	–	–	–	(261,638)	–	–	–	–	–	–	–	29,092	–	(232,546)
Reclassified to income statement on disposal of available-for-sale financial assets	–	–	–	(1,526,568)	–	–	–	–	–	–	–	(110,031)	–	(1,636,599)
Share of other comprehensive income of associates using equity accounting	–	–	–	51,127	–	–	–	–	–	–	–	–	–	51,127
Fair value change on forward foreign exchange contracts	–	–	–	–	–	–	(464,195)	–	–	–	–	(985,836)	–	(1,450,031)
Reclassified to income statement on forward foreign exchange contracts	–	–	–	–	–	–	297,769	–	–	–	–	642,902	–	940,671
Currency translation differences	–	–	–	–	–	–	–	(1,161,220)	–	–	–	57,608	–	(1,103,612)
Remeasurement of post-employment benefit obligations	–	–	–	–	–	–	–	–	82,798	–	–	180,110	–	262,908
Revaluation of investment properties upon reclassification from property, plant and equipment	–	–	–	91,982	–	–	–	–	–	–	–	–	–	91,982
Total comprehensive (loss)/income for the year	–	–	–	(1,645,097)	–	–	(166,426)	(1,161,220)	82,798	5,047,826	284,639	(660,927)	–	1,781,593
Total transactions with owners, recognised directly in equity														
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	582,555	–	582,555
Disposal of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	4,555	–	4,555
Transaction with other non-controlling interests *(Note 48)*	–	–	–	–	–	–	–	–	243,607	–	–	(478,104)	–	(234,497)
Contribution from other non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	2,839,333	–	2,839,333
Issue of perpetual securities *(Note 32)*	–	–	–	–	–	–	–	–	–	–	6,701,175	–	–	6,701,175
Issue of bonus warrants	–	–	–	–	–	–	–	–	(12,587)	–	–	(30,665)	–	(43,252)
Transfer to reserve	–	–	–	–	–	–	–	–	27,239	(26,227)	–	1,332	–	2,344
Share of share option reserve of an associate	–	–	–	–	1,376	–	–	–	–	–	–	–	–	1,376
Share of other reserve of associates	–	–	–	–	–	–	–	–	(13,960)	–	–	–	–	(13,960)
Share-based compensation *(Note 30)*	–	–	–	–	350,057	68,480	–	–	–	–	–	786,195	–	1,204,732
Purchase of restricted shares under share scheme *(Note30)*	–	–	–	–	–	(58,491)	–	–	–	–	–	–	–	(58,491)
Transfer to statutory surplus reserve	–	–	73,848	–	–	–	–	–	–	(73,848)	–	–	–	–
Dividends paid *(Note 42)*	–	–	–	–	–	–	–	–	–	(570,208)	–	(2,029,162)	–	(2,599,370)
Distribution to perpetual securities holders	–	–	–	–	–	–	–	–	–	–	(178,657)	–	–	(178,657)
Total transactions with owners, recognised directly in equity	–	–	73,848	–	351,433	9,989	–	–	244,299	(670,283)	6,522,518	1,676,039	–	8,207,843
As at December 31, 2017	2,356,231	11,281,940	385,655	73,154	2,075,511	(259,842)	(10,767)	(2,842,279)	4,215,903	37,157,817	6,807,157	19,084,567	(1,343,399)	78,981,648

	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*	Other non-controlling interests *RMB'000*	Put option written on non-controlling interests *RMB'000*	Total *RMB'000*
As at 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 (loss)/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 obligations	–	–	–	–	–	–	–	–	(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
Total transactions with owners, recognised directly in equity													
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	41,407	–	41,407
Disposal of subsidiaries	–	–	–	–	–	–	–	–	2,864	–	(1,676,948)	–	(1,674,084)
Transaction with other non-controlling interests *(Note 48)*	–	–	–	–	–	–	–	–	(941,844)	–	(501,993)	–	(1,443,837)
Contribution from other 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 *(Note 30)*	–	–	–	–	351,179	–	–	–	–	–	769,052	–	1,120,231
Purchase of restricted shares under share scheme *(Note30)*	–	–	–	–	–	(269,831)	–	–	–	–	–	–	(269,831)
Transfer to statutory surplus reserve	–	–	120,208	–	–	–	–	–	–	(120,208)	–	–	–
Dividends paid *(Note 42)*	–	–	–	–	–	–	–	–	–	(518,346)	(2,454,926)	–	(2,973,272)
Total transactions with owners, recognised directly in equity	–	–	120,208	–	351,179	(269,831)	–	–	(916,250)	(660,304)	(2,779,449)	–	(4,154,447)
As at 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, 2017

	Note	Year ended December 31, 2017 RMB'000	2016 RMB'000
Cash flows from operating activities			
Cash flows from operating activities of continuing operations			
Cash generated from operations	43	**(1,795,667)**	6,776,316
Income tax paid		**(3,574,454)**	(2,674,201)
Net cash (used in)/generated from operating activities of continuing operations		**(5,370,121)**	4,102,115
Net cash generated from operating activities of discontinued operations		**–**	8,180,521
Net cash (used in)/generated from operating activities		**(5,370,121)**	12,282,636
Cash flows from investing activities			
Cash flows from investing activities of continuing operations		**–**	–
Purchases of property, plant and equipment, and intangible assets		**(6,442,351)**	(6,470,707)
Proceeds from sale of property, plant and equipment, and intangible assets		**252,639**	2,793,851
Purchase of financial assets at fair value through profit or loss		**(1,617,346)**	(1,848,291)
Proceeds from the disposal of financial assets at fair value through profit or loss		**1,198,244**	10,333
Dividends from financial assets at fair value through profit or loss		**241,495**	331,513
Capital injection in associates measured at fair value through profit or loss		**(3,330,371)**	(2,741,127)
Distributions from associates measured at fair value through profit or loss		**2,036,523**	1,369,808
Acquisition of and capital injection in associates and joint ventures using equity accounting		**(1,472,178)**	(579,780)
Proceeds from partial disposal of associates using equity accounting		**3,187,977**	33,591
Distributions from associates using equity accounting		**498,804**	194,364
Purchase of available-for-sale financial assets		**(2,797,072)**	(3,752,194)
Disposal of available-for-sale financial assets		**1,416,227**	2,104,601
Dividends from available-for-sale financial assets		**398,293**	258,336
Acquisition of subsidiaries, net of cash acquired		**(1,053,851)**	(1,592,180)
Disposal of subsidiaries, net of cash disposed		**427,441**	288,651
Loans granted to related parties and third parties		**(897,271)**	–
Repayment of contingent consideration and deferred consideration		**(11,285,235)**	–
Interest received		**248,574**	343,917
Decrease/(increase) in fixed deposits for more than 3 months		**4,669,153**	(4,770,526)
Prepayment to proposed transactions		**(354,195)**	(1,135,226)
Net cash used in investing activities of continuing operations		**(14,674,500)**	(15,161,066)
Net cash generated from (used in) investing activities of discontinued operations *(Note24(i))*		**12,878,311**	(7,182,051)
Net cash used in investing activities		**(1,796,189)**	(22,343,117)

	Note	Year ended December 31, 2017 RMB'000	2016 RMB'000
Cash flows from financing activities			
Cash flows from financing activities of continuing operations			
Proceeds from borrowings		**80,074,333**	60,240,185
Repayments of borrowings		**(81,124,828)**	(54,082,718)
Payment of costs on issuance of new shares		**–**	(244,017)
Repurchase of shares		**(58,491)**	(269,831)
Issue of perpetual securities	32	**6,701,175**	–
Issue of financial liabilities at fair value through profit or loss		**801,000**	–
Capital contributions from other non-controlling interests		**2,950,744**	840,759
Distribution to perpetual securities holders		**(178,657)**	–
Distribution to other non-controlling interests		**(2,029,162)**	(1,776,550)
Transaction with other non-controlling interests		**(234,497)**	(1,561,152)
Cash proceeds from issuance of bonds, net of issuance costs		**8,256,070**	8,881,200
Dividends paid to equity holders of the Company	42	**(570,208)**	(518,371)
Interest paid		**(4,171,439)**	(3,178,265)
		10,416,040	8,331,240
Net cash generated from financing activities of continuing operations		**–**	–
Net cash generated from financing activities of discontinued operations		**–**	(3,015,350)
Net cash generated from financing activities		**10,416,040**	5,315,890
Net decrease in cash and cash equivalents of continuing operations		**(9,628,581)**	(2,727,711)
Net increase/(decrease) in cash and cash equivalents of discontinued operations		**12,878,311**	(2,016,880)
Net increase/(decrease) in cash and cash equivalents		**3,249,730**	(4,744,591)
Cash and cash equivalents at beginning of year		**30,059,402**	34,802,953
Exchange (loss)/gains on cash and cash equivalents		**(1,106,655)**	1,040
Cash and cash equivalents at end of year	29	**32,202,477**	30,059,402

1. General information

Legend Holdings Corporation (the "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 million.

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 easy-to-use technology products and services for customers and enterprises; (b) financial services industry, which offers services including short-term financing, credit guarantees, entrusted loans, financial leasing, banking, insurance brokerage services, payment and internet finance and trusts, customised financial solutions to customers; (c) innovative consumption and services industry, which operates mainly to provide comprehensive medical and health service, logistics, car rental business, digital marketing solutions of enterprises internet healthcare services, education for kids and aviation logistic related business; (d) agriculture and food industry, which is mainly engaged in planting and sales of premium fruit and tea products in agriculture business, 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 production services.

The Company's subsidiaries operates in property industry, mainly in the office rental service, business of development and sale of residential properties and office buildings and property management services. In the second half of 2016, the business of development and sale of residential properties and office buildings and property management service to projects was sold to Sunac Real Estate Group Co., Ltd. and minority shareholders of several subsidiaries.

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.

2. Summary of significant accounting policies

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

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and requirements of the Hong Kong Companies Ordinance (Cap. 622) under the historical cost convention, as modified by the revaluation of 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 through profit or loss and investment properties.

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 involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosured in note 4.

2.1.1 New standards and interpretations adopted

The Group has adopted the following amendments and interpretations to standards which are mandatory for the accounting period beginning on January 1, 2017:

IAS 12 (Amendment)	Income Tax
IAS 7 (Amendment)	Cash flow Statement
IFRS 12 (Amendment)	Disclosure of Interest of Other Entities

The adoption of above amendments and interpretations to standards does not have any significant financial effect on the consolidated financial statements. The IAS 7 (Amendments) requires disclosure of change of liabilities from financing activities, see note 43.

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

2.1.2 New standards and interpretations not yet adopted

The following are new standards and amendments to standards that have been issued but are not yet effective for the financial year beginning on January 1, 2017 and have not been early adopted.

IFRS 9	Financial Instruments[1]
IFRS 15	Revenue from Contracts with Customers[1]
IFRS 2 (Amendment)	Share-based Payment Transaction[1]
IFRS 16	Lease[2]
IFRS 17	Insurance Contracts[3]
IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]

(1) Effective for the accounting period beginning on January 1, 2018
(2) Effective for the accounting period beginning on January 1, 2019
(3) Effective for the accounting period beginning on January 1, 2021
(4) No mandatory effective date yet determined

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

IFRS 9 "Financial Instruments"

Nature of change

IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

Impact

The group has reviewed its financial assets and liabilities and is expecting the following impact form the adoption of the new standard on January 1, 2018.

Certain equity instruments classified as available-for-sale will be reclassified to financial assets at fair value through profit or loss ("FVPL"), related fair value gains will have to be transferred from the available-for-sale financial assets reserve to retained earnings on January 1, 2018. Other equity instruments classified as available-for-sale will be reclassified to financial assets measured at fair value through other comprehensive income ("FVOCI"), related fair value gains realized on the sale of financial assets at FVOCI will no longer be transferred to profit or loss on sale.

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

2.1.2 New standards and interpretations not yet adopted (Continued)

IFRS 9 "Financial Instruments" (Continued)

Impact (Continued)

The other financial assets held by the Group include:

- Debt instruments currently classified as available-for-sale will satisfy the conditions for classification as at FVOCI and hence there will be no change to the accounting for these assets, and

- Equity investments currently measured at fair value through profit or loss which will continue to be measured on the same basis under IFRS 9, and

- Certain debt instruments currently classified as measured at amortised cost which meet the conditions for classification at amortised cost under IFRS 9, and certain trade receivables of the Group are likely to be classified as FVOCI instruments.

As the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss, there will be no changes to classification on the Group's accounting for financial liabilities, except for the recognition of changes in own credit risk in other comprehensive income for liabilities designated at fair value through profit or loss. The recognition rules have been transferred from IAS 39 "Financial Instruments: Recognition and Measurement" and have not been changed.

The new hedge accounting rules will align the accounting for hedging instruments more closely with the Group's risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. The group has confirmed that its current hedge relationships will qualify as continuing hedges upon the adoption of IFRS 9. In addition, the Group intends to designate the intrinsic value of foreign currency option contracts as hedging instruments going forward.

Changes in the fair value of foreign exchange forward contracts attributable to forward points, and in the time value of the option contracts, will in future be deferred in a new costs of hedging reserve within equity. The deferred amounts will be recognized against the related hedged transaction when it occurs.

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

2.1.2 New standards and interpretations not yet adopted (Continued)

IFRS 9 "Financial Instruments" (Continued)

Impact (Continued)

The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under IAS 39. It applies to financial assets classified at amortized cost, debt instruments measured at FVOCI, contract assets under IFRS 15 "Revenue from Contracts with Customers", lease receivables, loan commitments and certain financial guarantee contracts. Impairment provisions based on expected credit losses under the requirement of the new impairment model will be affected, and the Group need to conduct more detailed analysis to estimate the amount.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

Date of adoption by the Group

Must be applied for financial years commencing on or after January 1, 2018. The Group will apply the new rules retrospectively from January 1, 2018, with the practical expedients permitted under the standard.

IFRS 15 "Revenue from Contracts with Customers"

Nature of change

IFRS 15 establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. IFRS 15 supersedes existing revenue recognition guidance including IAS 18 "Revenue", IAS 11 "Construction Contracts" and related interpretations.

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

2.1.2 New standards and interpretations not yet adopted (Continued)

IFRS 15 "Revenue from Contracts with Customers" (Continued)

Nature of change (Continued)

IFRS 15 requires the application of a 5-step approach to revenue recognition:

(i) Identify the contract(s) with a customer;

(ii) Identify the performance obligations in the contract;

(iii) Determine the transaction price;

(iv) Allocate the transaction price to each performance obligation; and

(v) Recognise revenue when each performance obligation is satisfied.

Impact

IFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under IFRSs. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue. The standard permits either a full retrospective or a modified retrospective approach for the adoption. The Group had assessed the impact of adopting IFRS 15 on the Group's consolidated financial statements, by identifying the separate performance obligations in the contracts with customers and allocating the transactions price, and considered the new guidance does not significantly affect the timing of the Group's revenue recognition.

Date of adoption by the Group

Mandatory for financial years commencing on or after January 1, 2018. The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of January 1, 2018 and that comparatives will not be restated.

Except for IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from Contracts with Customers", the Group is in the process of making an assessment on the impact of other new standards and amendments to existing standards.

2. Summary of significant accounting policies (Continued)

2.2 Subsidiaries

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

(a) Business combination

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis at the non-controlling interest's proportionate share of the acquiree's net assets.

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

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

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in income statement or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

2. Summary of significant accounting policies (Continued)

2.2 Subsidiaries (Continued)

(a) Business combination (Continued)

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill (Note 2.10). If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the identifiable net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

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

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

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

The potential cash payments related to put options issued by the Group over the equity of a subsidiary are accounted for as financial liabilities when such options may only be settled other than by exchange of a fixed amount of cash or another financial asset for a fixed number of shares in the subsidiary. The amount that may become payable under the option on exercise is initially recognised at fair value as a written put option liability with a corresponding charge directly to equity.

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

2. Summary of significant accounting policies (Continued)

2.2 Subsidiaries (Continued)

(c) Disposal of subsidiaries

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

(d) Separate financial statements

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

2.3 Associates

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

(a) Equity method of accounting

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

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

2. Summary of significant accounting policies (Continued)

2.3 Associates (Continued)

(a) Equity method of accounting (Continued)

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

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to "share of profit of associates and joint ventures accounted for using the equity method" in the consolidated income statement.

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

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

(b) Fair value through profit or loss

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

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

2. Summary of significant accounting policies (Continued)

2.4 Joint arrangements

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

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

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

2.5 Segment reporting

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

2.6 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Consolidated financial statements are presented in RMB, which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

2. Summary of significant accounting policies (Continued)

2.6 Foreign currency translation (Continued)

(b) Transactions and balances (Continued)

Foreign exchange gains and losses that relate to monetary assets and liabilities denominated in foreign currency are presented in the consolidated income statement within "other income and gains".

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in income statement, and other changes in carrying amount are recognised in other comprehensive income.

If the profit or loss of non-monetary financial assets and liabilities, such as equities held at fair value through profit or loss, is recognised in income statement, the translation differences is recorded as part of the fair value gain or loss. If the profit or loss of on non-monetary financial assets, such as equities classified as available for sale, is recognised as part of other comprehensive income, the translation differences should be included in other comprehensive income.

(c) Group companies

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement presented are translated at annual average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognized in other comprehensive income.

(d) Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

2. Summary of significant accounting policies (Continued)

2.6 Foreign currency translation (Continued)

(e) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the equity owners of the Company are reclassified to income statement.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in income statement. For all other partial disposals (that is, reductions in the Group's ownership interest in associates or jointly controlled entities that do not result in the Group losing significant influence or joint control) the proportionate share of the accumulated exchange difference is reclassified to income statement.

2.7 Property, plant and equipment

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

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

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

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

–	Buildings and leasehold improvements	10–50 years
–	Machinery and equipment	2–8 years
–	Motor & Vehicles	5–6 years
–	Office equipment and others	3–10 years

2. Summary of significant accounting policies (Continued)

2.7 Property, plant and equipment (Continued)

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.11).

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

2.8 Construction-in-progress

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

2.9 Investment property

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

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

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

2. Summary of significant accounting policies (Continued)

2.9 Investment property (Continued)

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

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

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

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

2.10 Intangible assets

(a) Goodwill

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

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

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

2. Summary of significant accounting policies (Continued)

2.10 Intangible assets (Continued)

(b) Trademarks

Separately acquired trademarks and licences are shown at historical cost. Trademarks acquired in a business combination are recognised at fair value at the acquisition date. Trademarks with a definite useful life are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks over their estimated useful lives of up to 8 years. Trademarks with an indefinite useful life are subject to impairment testing annually.

(c) Customer relationships

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

(d) Computer software

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

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

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

2. Summary of significant accounting policies (Continued)

2.10 Intangible assets (Continued)

(d) Computer software (Continued)

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

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

(e) Patents, technology and marketing right

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

2.11 Impairment of non-financial assets

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

2.12 Financial assets

2.12.1 Classification

The Group classifies its financial assets in the following categories: (a) at fair value through profit or loss, (b) loans and receivables, and (c) available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

2. Summary of significant accounting policies (Continued)

2.12 Financial assets (Continued)

2.12.1 Classification (Continued)

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading and those designated at fair value through profit or loss at initial recognition. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled in more than 12 months from the balance sheet date. These are classified as non-current assets. The Group's loans and receivables comprise trade, notes and other receivables, deposits, loans to customers, bank deposits and cash and cash equivalents in the balance sheet (Note 2.15 and 2.16).

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months after the end of reporting period.

2.12.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date, the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the consolidated income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

2. Summary of significant accounting policies (Continued)

2.12 Financial assets (Continued)

2.12.2 Recognition and measurement (Continued)

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are transferred to the income statement as "investment income and gains".

Interest on available-for-sale securities calculated using the effective interest method is recognised in the consolidated income statement as part of "investment income and gains". Dividends on available-for-sale equity instruments are recognised in the consolidated income statement as part of "investment income and gains" when the Group's right to receive payments is established.

2.12.3 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.12.4 Impairment of financial assets

(a) *Assets carried at amortised cost*

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

2. Summary of significant accounting policies (Continued)

2.12 Financial assets (Continued)

2.12.4 Impairment of financial assets (Continued)

(a) *Assets carried at amortised cost (Continued)*

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

(b) *Assets classified as available-for-sale*

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For debt securities classified as available for sale, if any such evidence exists, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in consolidated income statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated income statement.

For equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in consolidated income statement. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement.

2. Summary of significant accounting policies (Continued)

2.13 Derivative financial instruments and hedging activities

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

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge);

- hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge);

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

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 20. Movements on the hedging reserve in shareholders' equity are shown in consolidated statements of changes in equity. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

(a) Fair value hedge

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

(b) Cash flow hedge

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

2. Summary of significant accounting policies (Continued)

2.13 Derivative financial instruments and hedging activities (Continued)

(b) Cash flow hedge (Continued)

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

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

2.14 Inventories, properties under development and completed properties held for sale

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

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

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

Completed properties held for sale are completed properties remaining unsold at year end and are stated at the lower of cost and net realisable values. Cost comprises development costs attributable to the unsold properties. Net realisable values are determined by reference to the estimated sales proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management estimates based on prevailing marketing conditions.

2. Summary of significant accounting policies (Continued)

2.15 Trade and other receivables

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

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.16 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

2.17 Share capital

Ordinary shares are classified as equity.

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

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

2.18 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2. Summary of significant accounting policies (Continued)

2.19 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.20 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in income statement in the period in which they are incurred.

2.21 Current and deferred income tax

The income tax expense for the period comprises current and deferred income tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries, joint ventures and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

2. Summary of significant accounting policies (Continued)

2.21 Current and deferred income tax (Continued)

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statement. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, joint ventures and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same tax authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2. Summary of significant accounting policies (Continued)

2.22 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation can not be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

2.23 Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of subsidiaries or associates to secure loans, overdrafts and other banking facilities.

Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee was given. The fair value of financial guarantees issued at the time of issuance is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in the income statement on initial recognition of any deferred income. Subsequent to initial recognition, the Group's liabilities under such guarantees are measured at the higher of the initial amount, less amortization of fees recognised in accordance with IAS 18, and the best estimate of the amount required to settle the guarantee. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by management's judgment. The fee income earned is recognised on a straight-line basis over the life of the guarantee. Any increase in the liability relating to guarantees is reported in the consolidated income statement within "general and administrative expenses".

2. Summary of significant accounting policies (Continued)

2.24 Employee benefits

The Group operates various post-employment schemes. The schemes are generally funded through payments to insurance companies or trustee-administrated funds, which are measured by periodic actuarial calculation. The Group has both defined benefit and defined contribution plans.

(a) Pension obligations

Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. Significant portion of the defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

The current service cost of the defined benefit plan, recognised in the income statement in employee benefit expense, except where included in the cost of an asset, reflects the increase in the defined benefit obligation results from employee service in the current year, benefit changes, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the income statement.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income/expenses in the period in which they arise.

Past service costs are recognised immediately in the income statement. Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognized immediately in the income statement as past service costs.

2. Summary of significant accounting policies (Continued)

2.24 Employee benefits (Continued)

(a) Pension obligations (Continued)

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee services in the current and prior periods. The contributions are recognised as employee benefit expense when they are due and are reduced by employer's portion of voluntary contributions forfeited by those employees who leave the scheme prior to vesting fully. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

The Group's contributions to local municipal government retirement schemes in connection with retirement benefit schemes in the Mainland of China are expensed as incurred. The local municipal governments in the Mainland of China assume the retirement benefit obligations of the qualified employees.

(b) Post-employment medical benefits

The Group operates a number of post-employment medical benefit schemes, the largest being in the United States. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using an accounting methodology similar to that for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised as other comprehensive income/expense in the period in which they arise. The obligations of these schemes in the United States are valued annually by independent qualified actuaries.

2.25 Share-based payments

The Group operates a number of equity-settled compensation plans, including the long-term incentive program and share option plan adopted by a principal subsidiary, Lenovo Group Limited ("Lenovo"), and the restricted shares granted by the Company (collectively referred to as "Incentive Awards") under which the Group receives services from employees as consideration for the Incentive Awards granted. The fair value of the employee services received in exchange for the grant of the Incentive Awards is recognised as employ benefit expense.

2. Summary of significant accounting policies (Continued)

2.25 Share-based payments (Continued)

The total amount to be expensed over the vesting period is determined by reference to the fair value of the Incentive Awards granted, including any market performance conditions (for example, an entity's share price); excluding the impact of any service and non-market performance vesting conditions (for example, profitability and sales growth targets); and including the impact of non-vesting conditions. Non-market performance and service conditions are included in assumptions about the number of Incentive Awards granted that are expected to become exercisable/vested. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

At each balance sheet date, the Group revises its estimates of the number of Incentive Awards granted that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, with a corresponding adjustment to share-based compensation reserve under equity.

2.26 Provisions

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

(a) Warranty provision

The Group records warranty liabilities at the time of sale for the estimated costs that will be incurred under its basic limited warranty. The specific warranty terms and conditions vary depending upon the product and the country in which it was sold, but generally includes technical support, repair parts and labour associated with warranty repair and service actions. The period ranges from one to three years. The Group reevaluates its estimates on a quarterly basis to assess the adequacy of its recorded warranty liabilities and adjusts the amounts as necessary.

2. Summary of significant accounting policies (Continued)

2.26 Provisions (Continued)

(b) Provision for guarantee losses

Provisions for guarantee losses are recognised when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in liabilities from guarantees in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

When determining the amounts to be recognised in respect of liabilities arising from the guarantee business, management estimates the provisions based on prior experience and default history of the business. It is possible that the prior experience and default history is not indicative of future loss on the guarantees issued. Any increase or decrease in the provisions would affect the income statement in future years.

(c) Other provisions

Provisions for environmental restoration, restructuring costs and legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring costs provision comprises lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

2.27 Discontinued Operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographic area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

When an operation is classified as discontinued, a single amount is presented in the income statement, which comprises the post-tax profit or loss of the discontinued operations and the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal groups constituting the discontinued operations.

2. Summary of significant accounting policies (Continued)

2.28 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied and service rendered, stated net of discounts, estimated returns and value added taxes. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Sales of goods

Revenue from sale of hardware, software and peripherals, mobile devices, chemicals and energy materials, agriculture products and other products is recognised, net of value-added tax, an allowance for estimated returns, rebates and discounts, when both ownership and risk of loss are effectively transferred to customer, generally when there is a persuasive evidence that a sales arrangement exists, the price is fixed or determinable, collectability is reasonably assured and delivery has occurred. The Group enters into different shipping terms with customers. Delivery is generally considered as occurred once the goods are shipped. For certain transactions, the Group defers the recognition of revenue and cost of shipped products until the goods are delivered to designated locations.

Revenue from extended warranty contracts is deferred and amortised as earned over the contract period, ranging from one to four years. Revenue associated with undelivered elements is deferred and recorded when delivery occurs.

(b) Guarantee income

Guarantee income is determined based on the total agreed fee in the guarantee contracts and is recognised in the income statement over the period of guarantee.

(c) Rental income

Revenue is recognised on a time proportion basis over the lease terms.

2. Summary of significant accounting policies (Continued)

2.28 Revenue recognition (Continued)

(d) Provision of service

Revenues from the provision of logistic services, property management services, financial leasing services, dental care services, consultancy and commission income and management fees are all recognised in the accounting period in which the services are rendered. Revenues from provision of system integration services and information technology technical services are recognised over the term of contract or when services are rendered.

(e) Interest income

Interest income is recognised using the effective interest method. When a financial asset is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired financial assets is recognised using the original effective interest rate.

2.29 Dividend income

Dividend income is recognised when the right to receive payment is established.

2.30 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised as “other income and gains” in the consolidated income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to assets are recognised in the consolidated income statement on a systematic basis over the periods in which the entity recognises as expenses the related assets for which the grants are intended to compensate.

2. Summary of significant accounting policies (Continued)

2.31 Leases

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. The respective leased assets are included in the balance sheet based on their natures.

2.32 Related party transactions

A related party transaction is a transfer of resources, services or obligations between the Group and a related party of the Group, regardless of whether a price is charged.

(a) A person, or a close member of that person's family, is related to the Group if that person:

- has control or joint control over the Group;
- has significant influence over the Group; or
- is a member of the key management personnel of the Group.

2. Summary of significant accounting policies (Continued)

2.32 Related party transactions (Continued)

(b) An entity is related to the Group if any of the following conditions applies:

- The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
- One entity is an associate or joint venture of the Group (or an associate or joint venture of a member of a group of which the other entity is a member);
- One entity with one entity of the Group are both joint ventures of the same third party;
- One entity is a joint venture of a third entity and the other entity is an associate of the third party;
- The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- The entity is controlled or jointly controlled by a person identified in (a) above;
- A person, or a close member of that person's family, who has control or joint control over the Group, has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

2.33 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

3. Financial risk management

3.1 Financial risk factors

The Group's activities expose to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group has implemented a unified and multitiered financial control management system. The Company guides and supervises major aspects of financial management of its subsidiaries and each subsidiary manages its financial risks locally. Certain subsidiaries of the Group use derivative financial instruments to hedge certain risk exposures.

(a) Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign currency risk arising from various currency exposures, primarily with respect to United States dollar, Renminbi, and Euro. Foreign currency risk arises from the future business transactions, recognised assets and liabilities and net investment in foreign operations denominated in a currency other than the functional currency of the Group's subsidiaries. Each subsidiary of the Group monitors the amount of assets and liabilities and transactions denominated in foreign currencies closely in order to minimise the foreign exchange risk and enter into forward exchange contracts to mitigate the foreign currency risk as appropriate.

3. Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(i) Foreign exchange risk (Continued)

The carrying amount in RMB equivalents of the financial assets and liabilities held by the Company and its subsidiaries denominated in the currencies other than their respective functional currencies are summarised below:

	As at December 31, 2017			
	USD *RMB'000*	**RMB** *RMB'000*	**EUR** *RMB'000*	**Total** *RMB'000*
Trade and other receivables	**1,555,979**	**135,323**	**767,137**	**2,458,439**
Bank deposits and cash and cash equivalents	**232,631**	**87,807**	**451,072**	**771,510**
Trade and other payables	**(3,101,983)**	**(188,322)**	**(259,798)**	**(3,550,103)**
Borrowings	**(681,151)**	**(4,002,165)**	**–**	**(4,683,316)**
Intercompany balances before elimination	**(15,976,250)**	**5,766,412**	**(2,348,267)**	**(12,558,105)**
Gross exposure	**(17,970,774)**	**1,799,055**	**(1,389,856)**	**(17,561,575)**
Notional amounts of forward exchange contracts used as economic hedge	**17,731,120**	**–**	**1,903,916**	**19,635,036**
Net exposure	**(239,654)**	**1,799,055**	**514,060**	**2,073,461**

3. Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(i) Foreign exchange risk (Continued)

	As at December 31, 2016			
	USD *RMB'000*	RMB *RMB'000*	EUR *RMB'000*	Total *RMB'000*
Trade and other receivables	351,056	90,882	793,961	1,235,899
Bank deposits and cash and cash equivalents	3,480,626	98,172	478,187	4,056,985
Trade and other payables	(3,867,953)	(944,153)	(413,861)	(5,225,967)
Borrowings	–	(3,977,190)	–	(3,977,190)
Intercompany balances before elimination	(14,456,410)	2,667,422	(2,253,353)	(14,042,341)
Gross exposure	(14,492,681)	(2,064,867)	(1,395,066)	(17,952,614)
Notional amounts of forward exchange contracts used as economic hedge	15,552,803	–	1,756,364	17,309,167
Net exposure	1,060,122	(2,064,867)	361,298	(643,447)

As at December 31, 2017 and 2016, if RMB had weakened/strengthened by 5% against the major currencies with all other variables held constant, the Group would generate extra exchange losses or gains of approximately RMB76 million and gains or losses of approximately RMB174 million, respectively.

The analysis above is based on the assumption that RMB weakened or strengthened against all other currencies in the same direction and magnitude, but it may not be necessarily true in reality.

3. Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(ii) Price risk

The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated balance sheets either as available-for-sale or at fair value through profit or loss. The commodity price risk the Group exposed is not material. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio.

The Group's investments in equity of other entities that are publicly traded in the following three capital markets: HK, China, and Japan.

The table below summarises the impact of increases/decreases of the three capital markets on the Group's pre-tax profit and other comprehensive income for the year. The analysis is based on the assumption that the equity indexes had increased/decreased by 5% with all other variables held constant.

	Impact on pre-tax profit Year ended December 31,	
	2017	2016
	RMB'000	*RMB'000*
Equity securities – HK	**3,720**	6,329
Equity securities – China	**58,297**	48,575
	62,017	54,904

	Impact on other comprehensive income Year ended December 31,	
	2017	2016
	RMB'000	*RMB'000*
Equity securities – HK	**15,116**	19,910
Equity securities – Japan	**5,311**	5,253
Equity securities – China	**157,673**	271,512
	178,100	296,675

3. Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(ii) Price risk (Continued)

Pre-tax profit for the year would increase/decrease as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other comprehensive income would increase/decrease as a result of gains/losses on equity securities classified as available-for-sale.

Other market price risk also arises from the Group's investments in unlisted equity securities, including VC Funds and PE Funds.

(iii) Cash flow and fair value interest rate risk

The Group's interest rate risk arises primarily from long-term borrowings. Long-term borrowings at floating rates expose the Group to cash flow interest rate risk. Long-term borrowings at fixed rates expose the Group to fair value interest rate risk. The Group's long-term borrowings with floating interest rates amounted to approximately RMB5 billion and RMB6 billion as at December 31, 2017 and 2016; long-term borrowings with fixed interest rates amounted to approximately RMB60 billion and RMB50 billion as at December 31, 2017 and 2016.

The Group operates various customer financing programs primarily in IT business. The Group is exposed to fluctuation of interest rates of all the currencies covered by those programs.

The Group manage its interest rate risk by performing regular review and monitoring its interest rate exposure and when appropriate using floating-to-fixed interest rate swaps.

If interest rates on the floating rate borrowings had risen/fallen 50 basis points while all other variables had been held constant, the Group's post-tax profit would have decreased/increased by approximately RMB25 million and RMB30 million as at December 31, 2017 and 2016.

If interest rates on customer financing programs had risen/fallen 50 basis points while all other variables had been held constant, the Group's post-tax profit would have decreased/increased by approximately RMB52 million and RMB50 million as at December 31, 2017 and 2016.

3. Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk

Credit risk is managed on a group basis. Credit risk mainly arises from cash and cash equivalents, bank deposits, restricted deposits, trade and notes receivable, loans to customers, other receivables and derivative financial instruments etc.

For the cash at bank, the Group controls its credit risk through monitoring their credit rating and setting approved credit limits that are regularly reviewed.

The Group has no significant concentration of customer credit risk. The Group has policies to limit the credit exposure on receivables. The Group assesses the credit quality of and sets credit limits on its customers, taking into account their financial position, the availability of guarantee from third parties, their credit history and other factors such as current market conditions. The credit history of the customers is regularly monitored by the Group. In respect of customers with a poor credit history, the Group will use written payment reminders, or shorten or cancel credit periods, to ensure the overall credit risk of the Group is limited to a controllable extent.

The subsidiaries of the Group has taken measures to identify credit risks arising from guarantee business. The subsidiaries of the Group manages credit risk at every stage of the risk management system, including pre-approval, review and credit approval and post-transaction monitoring processes. The subsidiaries of the Group conducts customer acceptance and due diligence by business department and risk management department during the pre-approval process. A transaction may be subject to the review and approval of credit approval officer, regional risk committee, deputy chairman and chairman depending on the transaction size. During the post-transaction monitoring process, the subsidiaries of the Group conducts on-site inspection and ongoing post-transaction reviews focusing on various aspects, including but not limited to customers' product markets, operating income, assets and liabilities, cash flows from operating activities to detect potential risks. The subsidiaries of the Group takes proactive preventive actions based on the risk analysis and design contingency plans accordingly.

The subsidiaries of the Group adopts the same pre-approval, review and credit approval risk management system for credit risk arising from loan business. During the post-transaction monitoring process, the subsidiaries of the Group conducts a visit of customers within one month after disbursement of loans, and conducts on-site inspection on a semi-annual basis. The review focuses on the use of loans, the financial and operational conditions of the borrowers or the progress of projects and status of the collateral.

3. Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

The subsidiaries of the Group adopts a loan risk classification approach to manage its loan portfolio risk. Loans are generally classified as normal, special mention, substandard, doubtful and loss according to their levels of risk. Substandard, doubtful and loss loans are considered to be impaired loans and advances. They are classified as such when one or more events demonstrate that there is objective evidence of a loss event. The impairment loss is assessed collectively or individually as appropriate.

At the same time, the subsidiaries of the Group has established relevant mechanisms to apply tiered management of credit risks, and set limits to acceptable risks for different individual or group counterparties, different industries and geographical regions. The subsidiaries of the Group monitors the risk status of these customers regularly and reviews their risk positions at least on a quarterly basis.

(c) Liquidity risk

Cash flow forecasting is performed by each subsidiary of the Group. The Group monitors its subsidiaries' rolling forecasts of short-term and long-term liquidity requirements to ensure it has sufficient cash and securities that are readily convertible to cash to meet operational needs, while maintaining sufficient headroom on its undrawn committed borrowing facilities from major financial institution so that it does not breach borrowing limits or covenants on any of its borrowing facilities to meet the short-term and long-term liquidity requirements.

3. Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

The table below set forth the financial liabilities of the Group based on the remaining period at the balance sheet date to the contractual maturity date at their contractual undiscounted cash flows:

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at December 31, 2017					
Borrowings	**25,934,692**	**32,607,577**	**31,754,904**	**2,765,349**	**93,062,522**
Trade and notes payables	**56,730,615**	**–**	**–**	**–**	**56,730,615**
Other payables and accruals	**55,376,193**	**–**	**–**	**–**	**55,376,193**
Other liabilities excluding non-financial liabilities	**25,070**	**1,719,830**	**899,777**	**–**	**2,644,677**
Derivative financial instruments settled in gross:					
Forward foreign exchange contracts					
– outflow	**39,401,991**	**–**	**–**	**–**	**39,401,991**
– inflow	**(39,237,995)**	**–**	**–**	**–**	**(39,237,995)**
Financial guarantee contracts *(Note 44)*	**17,545,901**	**–**	**–**	**–**	**17,545,901**
As at December 31, 2016					
Borrowings	29,377,590	17,864,895	39,780,533	5,609,834	92,632,852
Trade and notes payables	49,233,992	–	–	–	49,233,992
Other payables and accruals	65,608,468	–	–	–	65,608,468
Other liabilities excluding non-financial liabilities	14,199	685,095	1,280,752	84,865	2,064,911
Derivative financial instruments settled in gross:					
Forward foreign exchange contracts					
– outflow	43,369,129	–	–	–	43,369,129
– inflow	(43,987,726)	–	–	–	(43,987,726)
Financial guarantee contracts *(Note 44)*	12,278,923	–	–	–	12,278,923

3. Financial risk management (Continued)

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of debt to equity ratio. Debt to equity ratio is calculated by dividing net debt by total equity at the end of each financial period. The Group's strategy remains unchanged and debt to equity ratios and net cash position of the Group as at December 31, 2017 and 2016 are as follows:

	As at December 31,	
	2017	2016
	RMB'000	*RMB'000*
Total borrowings *(Note 38)*	**87,577,605**	82,669,630
Less: cash and cash equivalents *(Note 29)*	**(32,202,477)**	(30,059,402)
	55,375,128	52,610,228
Total equity	**78,981,648**	68,992,212
Debt to equity ratio	**70.1%**	76.3%

3.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

3. Financial risk management (Continued)

3.3 Fair value estimation (Continued)

The following table presents the Group's financial assets and liabilities that are measured at fair value at December 31, 2017 and 2016.

	As at December 31, 2017			
	Level 1 *RMB'000*	**Level 2** *RMB'000*	**Level 3** *RMB'000*	**Total** *RMB'000*
Assets				
Associates measured at fair value through profit or loss	–	–	17,970,881	17,970,881
Financial assets at fair value through profit or loss				
– Listed securities	1,240,326	–	–	1,240,326
– Unlisted securities	–	–	6,025,114	6,025,114
Derivative financial instruments *(i)*	–	130,495	–	130,495
Available-for-sale financial assets				
– Listed securities	1,904,233	1,657,755	–	3,561,988
– Unlisted securities	–	–	5,342,904	5,342,904
– Listed corporate bond	268,642	–	–	268,642
– Bank's wealth management product	–	–	423,950	423,950
	3,413,201	1,788,250	29,762,849	34,964,300
Liabilities				
Financial liabilities at fair value through profit or loss	–	–	801,000	801,000
Derivative financial instruments *(i)*	–	387,100	–	387,100
Written put option liability	–	–	1,468,973	1,468,973
	–	387,100	2,269,973	2,657,073

3. Financial risk management (Continued)

3.3 Fair value estimation (Continued)

	As at December 31, 2016			
	Level 1 *RMB'000*	Level 2 *RMB'000*	Level 3 *RMB'000*	Total *RMB'000*
Assets				
Associates measured at fair value through profit or loss	–	–	15,515,436	15,515,436
Financial assets at fair value through profit or loss				
– Listed securities	1,098,072	–	–	1,098,072
– Unlisted securities	–	–	4,046,279	4,046,279
– Listed corporate bond	219,303	–	–	219,303
Derivative financial instruments *(i)*	–	964,752	–	964,752
Available-for-sale financial assets				
– Listed securities	2,116,969	3,816,505	–	5,933,474
– Unlisted securities	–	–	3,642,459	3,642,459
– Listed corporate bond	272,869	–	–	272,869
– Bank's wealth management product	–	–	30,000	30,000
	3,707,213	4,781,257	23,234,174	31,722,644
Liabilities				
Derivative financial instruments *(i)*	–	367,619	–	367,619
Written put option liability	–	–	1,547,992	1,547,992
	–	367,619	1,547,992	1,915,611

(i) Derivatives primarily related to foreign currency forward contracts that are designated as hedges for the fair value of recognized assets or liabilities or a firm commitment, or of highly probable forecast transactions from IT business of the Group.

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

3. Financial risk management (Continued)

3.3 Fair value estimation (Continued)

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.

- The fair value of interest rate swap is calculated as the present value of estimated future cash flow based on observable yield curves.

- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.

- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

As at December 31, 2017 and 2016, associates measured at fair value through profit or loss comprise investments in VC Funds and PE Funds which are subject to the terms and conditions of the respective fund's offering documentation. The investments in VC Funds and PE Funds are primarily valued based on the latest available consolidated financial statements provided by their General Partners. The VC Funds and PE Funds are not publicly traded; prior to maturity, an exit can only be made by the Group through a sale of its investment and commitment in a fund through a secondary market. The Group's objective is to invest in VC Funds and PE Funds with the intention to recover the capital invested through distributions funded through their realisation of their private equity and venture capital investment portfolios. As a result, the carrying values of VC Funds and PE Funds may be significantly different from the values ultimately realised on an exit via a secondary market sale.

All of the VC Funds and PE Funds in the investment portfolio are managed by investment managers who are compensated by the respective funds for their services. Such compensation generally consists of a commitment/investment-based management fee and a performance based incentive fee which is accounted for at VC Funds and PE Funds level. Such compensation is reflected in the valuation of the Group's investment in each of the funds.

3. Financial risk management (Continued)

3.3 Fair value estimation (Continued)

If the Group is aware that such valuation may not be the best estimation of fair value. The Group may make adjustments to the value based on considerations such as: the underlying investments of each fund, the value date of the net asset value provided, cash flows since the latest value date, geographic and sector exposures, market movements and the basis of accounting of the underlying funds. The unobservable inputs which significantly impact the fair value are the net asset value advised by the fund's general partner. No adjustment has been made by the Group on such value.

The following table presents the changes in level 3 financial assets for the year ended December 31, 2017 and 2016, respectively.

	Associates measured at fair value through profit or loss *RMB'000*	**Financial assets measured at fair value through profit or loss** *RMB'000*	**Available-for-sale financial assets** *RMB'000*	**Total** *RMB'000*
At January 1, 2017	**15,515,436**	**4,046,279**	**3,672,459**	**23,234,174**
Additions/capital contributions	**3,524,724**	**1,052,639**	**8,892,344**	**13,469,707**
Disposals/return of capital	**(499,212)**	**(82,467)**	**(6,797,123)**	**(7,378,802)**
Exchange adjustment	**(592,938)**	**(81,832)**	**(157,341)**	**(832,111)**
Transfers (out)/in (to)/from level 1/2	**–**	**–**	**88,752**	**88,752**
Gains recognised in income statement	**22,871**	**1,090,495**	**–**	**1,113,366**
Gains recognised in other comprehensive income	**–**	**–**	**67,763**	**67,763**
At December 31, 2017	**17,970,881**	**6,025,114**	**5,766,854**	**29,762,849**
At January 1, 2016	13,132,653	2,500,976	1,479,834	17,113,463
Additions/capital contributions	3,948,900	1,438,335	2,769,813	8,157,048
Disposals/return of capital	(1,766,200)	(499,392)	(442,150)	(2,707,742)
Exchange adjustment	496,730	52,718	32,852	582,300
Transfers (out)/in (to)/from level 1/2	–	(90,466)	(37,604)	(128,070)
(Losses)/gains recognised in income statement	(296,647)	644,108	–	347,461
Losses recognised in other comprehensive income	–	–	(130,286)	(130,286)
At December 31, 2016	15,515,436	4,046,279	3,672,459	23,234,174

3. Financial risk management (Continued)

3.3 Fair value estimation (Continued)

The following table presents the changes in level 3 financial liabilities of the Group for the year ended December 31, 2017 and 2016.

	Amounts
	RMB'000
At January 1, 2017	**1,547,992**
Additions	**801,000**
Exchange adjustment	**(61,181)**
Recognised in the consolidated income statement	**(17,838)**
At December 31, 2017	**2,269,973**
At January 1, 2016	3,379,698
De-recognition	(1,994,688)
Exchange adjustment	206,757
Recognised in the consolidated income statement	(43,775)
At December 31, 2016	1,547,992

4. Critical accounting estimates and judgements

The Group continually evaluates the critical accounting estimates and key judgments applied based on historical experience and other factors, including expectations of future events that are believed to be reasonable.

4.1 Critical accounting estimates and key assumptions

The critical accounting estimates and key assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next accounting year are outlined below:

(a) Estimated impairment of non-financial assets

The Group tests at least annually whether goodwill and other intangible assets that have indefinite useful lives have suffered any impairment. Other assets are also reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount. The assets are allocated to each of CGUs, or groups of CGUs. The recoverable amounts of CGUs have been determined based on fair value less disposal cost model or value-in-use model. These calculations require the use of estimates.

4. Critical accounting estimates and judgements (Continued)

4.1 Critical accounting estimates and key assumptions (Continued)

(a) Estimated impairment of non-financial assets (Continued)

Under the fair value less disposal cost model, the management make estimates based on quoted prices of active markets or adjusted prices based on observable inputs. The value-in-use calculation primarily use cash flow projections based on financial budgets, in general covered five years, approved by management and estimated terminal values at the end of the five-year period. There are a number of assumptions and estimates involved for the preparation of cash flow projections for the period covered by the approved budget and the estimated terminal value. Key assumptions include the expected growth rate in revenue, expected gross margin and selection of discount rates, to reflect the risks involved and the earnings multiple that can be realised for the estimated terminal value.

Management prepared the financial budgets reflecting actual and prior year performance and market development expectations. Judgment is required to determine key assumptions adopted in the cash flow projections and changes to key assumptions can significantly affect these cash flow projections and therefore the results of the impairment reviews.

(b) Fair value assessment of derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at each balance sheet date. The Group has used discounted cash flow analyses for various available-for-sale financial assets and financial assets measured at fair value through profit or loss that are not traded in active markets.

(c) Fair value assessment of VC Funds and PE Funds

The fair value of investments in VC Funds and PE Funds that are not quoted in an active market is primarily valued based on the latest available consolidated financial statements provided by their general partners. The Group reviews the details of the reported information and may make adjustments to the reported net asset value based on considerations such as:

(i) the valuation of VC Funds and PE Funds' underlying investments;

(ii) the value date of the net asset value provided;

(iii) cash flows (calls/distributions) since the latest value date; and

(iv) the basis of accounting and, in instances where the basis of accounting is other than fair value, fair valuation information provided by fund's general partner.

4. Critical accounting estimates and judgements (Continued)

4.1 Critical accounting estimates and key assumptions (Continued)

(c) Fair value assessment of VC Funds and PE Funds (Continued)

The models used to determine fair values are validated and periodically reviewed by the Group. The carrying values of the VC Funds and PE Funds may be significantly different from the values ultimately realised on an exit via a secondary market sale.

(d) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The tax liabilities recognised are based on management's assessment of the likely outcome.

The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying values in the financial statements.

Deferred income tax assets are mainly recognised for temporary differences such as warranty provision, accrued sales rebates, bonus accruals, fair value change on financial assets, and other accrued expenses, and unused tax losses carried forward to the extent it is probable that future taxable profits will be available against which deductible temporary differences and the unused tax losses can be utilised, based on all available evidence. Recognition primarily involves judgment regarding the future financial performance of the particular legal entity or tax group in which the deferred income tax asset has been recognised. A variety of other factors are also evaluated in considering whether there is convincing evidence that it is probable that some portion or all of the deferred income tax assets will ultimately be realised, such as the existence of taxable temporary differences, group relief, tax planning strategies and the periods in which estimated tax losses can be utilised. The carrying amount of deferred income tax assets and related financial models and budgets are reviewed at each balance sheet date and to the extent that there is insufficient convincing evidence that sufficient taxable profits will be available within the utilization periods to allow utilization of the carry forward tax losses, the asset balance will be reduced and the difference charged to the consolidated income statement.

Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax provisions and deferred income tax assets and liabilities in the period in which such determination is made.

4. Critical accounting estimates and judgements (Continued)

4.1 Critical accounting estimates and key assumptions (Continued)

(e) Pension obligations

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate, expected return on assets and salary growth. Any changes in these assumptions will impact the carrying amount of pension obligations. The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension obligation.

The expected return on plan assets is based on market expectation for return over the life of the related assets and obligations. The salary growth assumption reflects the Group's long-term actual experience and future and near-term outlook. Actual results that differ from assumption are generally recognised in the year they occur.

(f) Fair value assessment of contingent considerations and written put option liabilities

The Group's certain business combination activities involved post-acquisition performance-based contingent considerations. The Group recognises contingent considerations and the corresponding written put option liabilities at their fair values, which is determined based on the terms of agreements and with reference to the estimated post-acquisition performance of the acquired subsidiaries/businesses. Judgment is required to determine key assumptions (such as growth rate, margins and discount rate) adopted in the estimation of post-acquisition performance of the acquired subsidiaries/businesses. Changes to key assumptions can significantly affect the amounts of considerations to be paid. Contingent considerations shall be re-measured at their fair value resulting from events or factors emerge after the acquisition date, with any resulting gain or loss recognised in the consolidated income statement.

(g) Fair value of identifiable assets and liabilities acquired through business combinations

The Group records assets acquired and liabilities assumed in business combinations at fair value on the date of acquisition. Significant judgment is used to estimate the fair value of the assets and liabilities acquired, including estimating future cash flows from the acquired business, determining appropriate discount rates, asset useful lives and other assumptions.

4. Critical accounting estimates and judgements (Continued)

4.1 Critical accounting estimates and key assumptions (Continued)

(h) Fair value assessment of investment properties

The fair value of investment properties is determined by using valuation techniques. The key assumptions used in this determination and the sensitivity of the directors' estimates of these assumptions to the carrying amount of the investment properties are set out in Note 18.

(i) Depreciation and amortisation

Leasehold land and land use rights, property, plant and equipment (excluding land and construction in progress) and intangible assets (excluding goodwill and intangible assets with indefinite useful life) are depreciated and amortised using the straight-line method during the estimated useful lives of these assets to allocate the cost of the assets to their estimated net residual values. The Group reviews the estimated useful lives and estimated residual values periodically, to ensure that method and rate of depreciation/amortisation are consistent with the pattern how such assets' economic benefits are expected to be realised.

The Group makes estimates of the useful lives and residual values of such assets, based on historical experience and with reference to estimated technical improvement. In case of significant changes in estimated useful lives and residual values, depreciation and amortisation expenses will be adjusted accordingly.

(j) Provisions for bad debts

Losses on bad debts are accounted for using allowance method. Provision for bad debts is made based on the assessment of the recoverability of receivable, which requires the judgments and estimates of the management. Any difference between actual outcome and the initial estimates will affect the carrying value of accounts receivable as well as the accrual and reversal of bad debts provision during the period when estimates are adjusted.

(k) Provision for decline in the value of inventories

The Group measures inventories according to the lower of cost and net realisable value at the balance sheet date, and the calculation of net realisable value requires assumptions and estimates. If the management revises the estimated selling price and cost and expenses to be incurred till completion, the estimates of net realisable value will be impacted, and the difference from the original estimates will affect the provision for decline in the value of inventories.

4. Critical accounting estimates and judgements (Continued)

4.1 Critical accounting estimates and key assumptions (Continued)

(l) Warranty provision

Warranty provision is provided based on the estimated cost of product warranties when revenue is recognised. Factors that affect the Group's warranty liability include the number of units sold currently under warranty, historical and anticipated rates of warranty claims on those units, and cost expected to be incurred to satisfy warranty obligation. The estimation basis is reviewed on an on-going basis and revised where appropriate. Certain of these costs are reimbursable from the suppliers in accordance with the terms of relevant arrangements with the suppliers. These amounts are recognised as a separate asset and reduce the warranty expense provision, to the extent of the amount received or receivable, when it is virtually certain that reimbursement will be received if the Group settles the obligation.

4.2 Critical judgments in applying the accounting policies

(a) Classification of investments

The classification of an investment is based on the commercial substance of the contractual arrangement, and the fact whether the Group is determined to have control, joint control or significant influence, also, the purpose of the investment and moreover, it could also be influenced by the certain terms stipulated in the investment agreement which may lead to a complex accounting treatment. Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Associates are all entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies. Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor.

The Group made its assessment on whether it has the level of power to govern the financial and operating policies of the VC Funds and PE Funds in accordance with the guidance of IFRS 10, given the significant exposure to variable returns from involvement with these funds. Pursuant to the investment agreements entered into between the Group and the general partners/management companies, the general partners/management companies have the power to direct the relevant activities of the funds and are functioning as principals. Therefore, the directors determined that the Group does not have control but only exercise significant influence over most VC Funds and PE Funds (Note 13(b)).

Investments in preferred shares of associates of the Group are designated as financial assets at fair value through profit or loss at initial recognition.

4. Critical accounting estimates and judgements (Continued)

4.2 Critical judgments in applying the accounting policies (Continued)

(a) Classification of investments (Continued)

The investments over which the Group do not have control, joint control or significant influence are recognised as financial assets. The Group classifies its financial assets in the following categories: (a) at fair value through profit or loss, (b) loans and receivables, and (c) available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(b) Revenue recognition

The Group needs to make judgments and estimates of the revenue recognition. Specifically, complex arrangements with non-standard terms and conditions may require significant contract interpretation to determine the appropriate accounting treatment, including whether the deliverables specified in a bundling arrangement should be treated as individual units for accounting treatment. Other significant judgments include determining whether the Group or a distributor is acting as the principal in a transaction and whether separate contracts are considered as part of one arrangement.

Revenue recognition of IT products

The Group's subsidiary, Lenovo sells the products to channels. Sales through channels are primarily made under agreements allowing for volume discounts, price protection, rebates and financing in marketing development, etc. Lenovo monitors the channel's inventory level with reference to historical data. Revenue recognition is also influenced by the Lenovo's assessment of estimated provision for volume discount, price protection, rebate and financing in market development. Lenovo calculates such provisions, taking into account various factors, which include reviewing specific transactions, historical experience, market and economic situations and channel's inventory level.

Revenue from sales of goods is recognized when both ownership and risk of loss are effectively transferred to customer, which are generally occurred upon shipment. For certain transactions, risk of loss associated with goods-in-transit is retained by Lenovo, the Group's subsidiary, in which Lenovo books revenue upon delivery of products and defers the amounts of revenue based on the estimated days-in-transit at the end of each month. The days-in-transit is estimated based on Lenovo's weighted average estimated time of shipment arrival. Cost of in-transit products is deferred in deposits, prepayment and other receivables in the balance sheet until revenue is recognized. The estimates of days-in-transit are reviewed semi-annually.

4. Critical accounting estimates and judgements (Continued)

4.2 Critical judgments in applying the accounting policies (Continued)

(c) Consolidation of entities in which the Group holds less than 50% voting rights

Management consider that the Group has de facto control over Lenovo even though it has less than 50% of the voting rights based on the following factors: 1) as of December 31, 2016 and 2017 the Group is the single largest shareholder of Lenovo with a 31.48% and 29.10% equity interest; 2) the Company obtained an "acting in concert" undertaking from another shareholder; and 3) the rest of the voting rights of Lenovo is dispersed and since the date of Lenovo's listing, there has been no history of any other shareholders collaborating to exercise their vote collectively or to out vote the Group.

Joyvio Group Co., Ltd ("Joyvio Group") has de facto control over Joyvio Agriculture Development Co., Ltd ("Joyvio Agriculture") even though it has less than 50% of the voting rights based on the following factors: 1) as of June 30, 2017, the Joyvio Group is the single largest shareholder of Joyvio Agriculture; 2) the rest of the voting rights of Joyvio Agriculture is dispersed and according to the recent general meetings of shareholders, there has been no history of any other shareholders collaborating to exercise their vote collectively or to out vote the Joyvio Group; 3) Joyvio Group has the rights to nominate four directors of the board of Joyvio Agriculture, which have been exercise, more than half of the board; 4) Joyvio Group has provided a significant financial support arrangement to Joyvio Agriculture.

5. Segment information

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

For management purpose, the Group is organized into business units based on their products and services. Different businesses require different technologies and marketing strategies. The Company, 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.

5. Segment information (Continued)

The Group identifies 6 segments as follows:

- IT segment, which is primarily engaged in the development, manufacturing and marketing high-quality and easy-to-use for technology products and services for customers and enterprises;

- Financial services segment, which offers services including short-term financing, credit guarantees, entrusted loans, financial leasing, banking, insurance brokerage services, third party payment, internet finance, trusts and customised financial solutions to customers;

- Innovative consumption and services segment, whose operation operates mainly to provide comprehensive medical and health service, logistics, car rental business, digital marketing solutions of enterprises, Internet healthcare services, education for kids and aviation logistic related business services;

- Agriculture and food segment, which is mainly engaged in planting and sales of premium fruit and tea products in agriculture business, producing and selling various brands of Chinese liquor, supplying seafood and accessory products, agriculture-oriented e-commerce platform and liquor direct sales chain;

- New materials segment, which includes fine chemicals and energy materials production services;

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

The unallocated amounts primarily represent corporate expenses that are not directly allocated to one of the aforementioned operating segments. The unallocated amounts also include other income statement items such as employee benefit expenses, finance income and finance costs, which cannot be directly identified to specific operating segments. Segment assets consist, primarily of 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 net profit.

5. Segment information (Continued)

Year ended December 31, 2017

	Continuing operations								
	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*	Total *RMB'000*
Segment revenue									
Sales/provide services to external customers	299,362,790	1,266,986	2,810,110	4,962,333	4,875,726	646,232	–	–	313,924,177
Net interest income	–	2,338,737	–	–	–	–	–	–	2,338,737
Inter-segment sales/provide services	–	32,768	–	–	–	6,751	–	(39,519)	–
Total	299,362,790	3,638,491	2,810,110	4,962,333	4,875,726	652,983	–	(39,519)	316,262,914
Segment results									
Profit/(loss)before income tax	889,099	2,322,464	(456,975)	344,527	724,809	5,057,931	(1,459,634)	9,659	7,431,880
Income tax (expense)/credit	(1,559,334)	(418,294)	(18,228)	(56,388)	(198,182)	(688,669)	364,908	–	(2,574,187)
(Loss)/profit for the year	(670,235)	1,904,170	(475,203)	288,139	526,627	4,369,262	(1,094,726)	9,659	4,857,693
Segment assets	183,440,314	49,349,174	10,751,120	9,482,931	8,273,675	65,199,937	15,264,623	(6,688,033)	335,073,741
Segment liabilities	162,539,167	34,456,809	5,083,277	3,989,874	5,737,847	10,860,237	40,077,574	(6,652,692)	256,092,093
Other segment information:									
Depreciation and amortisation	(4,877,583)	(24,073)	(238,206)	(168,200)	(335,412)	(48,897)	(17,852)	–	(5,710,223)
Impairment loss for non-current assets	(80,507)	–	(67,105)	(28,940)	–	–	–	–	(176,552)
Investment income and gains	1,576,236	562,176	257,912	36,117	565,873	4,669,369	–	–	7,667,683
Finance income	234,122	29,117	10,362	22,358	4,386	236,671	658,381	(364,678)	830,719
Finance costs	(1,748,762)	(236,304)	(242,145)	(68,695)	(193,088)	(538,152)	(1,853,266)	397,446	(4,482,966)
Share of (loss)/profit of associates and joint ventures accounted for using the equity method	(28,733)	449,956	275,395	91,101	28,580	248,698	–	9,659	1,074,656
Material non-cash items other than depreciation and amortisation *(Note 30(c))*	(1,282,294)	–	–	–	–	–	(68,480)	–	(1,350,774)
Capital expenditure	5,527,736	130,339	785,977	335,550	319,981	179,801	187,276	–	7,466,660
Associates and joint ventures using equity accounting	221,764	5,686,659	4,051,135	2,005,241	–	2,416,178	–	(35,341)	14,345,636
Associates measured at fair value through profit or loss	–	35,000	–	–	–	17,935,881	–	–	17,970,881

5. Segment information (Continued)

Year ended December 31, 2016

	Continuing operations									Discontinued operations	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/provide services 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/provide services	–	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 and gains	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 *(Note30(c))*	(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

5. Segment information (Continued)

(a) Revenue from external customers

	Year ended December 31,	
	2017	2016
	RMB'000	*RMB'000*
China	**90,768,519**	88,891,347
Asian-Pacific region excluding China ("AP")	**51,268,267**	47,551,895
Europe/Middle East/Africa ("EMEA")	**92,720,973**	73,254,166
Americas ("AG")	**81,505,155**	85,048,302
Total	**316,262,914**	294,745,710

(b) Non-current assets

	Year ended December 31,	
	2017	2016
	RMB'000	*RMB'000*
China	**53,693,085**	49,144,162
AP	**11,480,943**	11,935,257
EMEA	**8,639,421**	8,980,612
AG	**21,958,957**	23,519,628
Total	**95,772,406**	93,579,659

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

6. Investment income and gains

	Year ended December 31, 2017 RMB'000	2016 RMB'000
Gains on disposal/dilution of associates	**2,160,909**	503,892
Gains on disposal of available for-sale-financial assets	**2,042,265**	944,723
Gains/(losses) on disposal of subsidiaries	**63,312**	(479,055)
Dividend income from available-for-sale financial assets	**354,673**	205,469
Fair value gains and dividend income from associates measured at fair value through profit or loss	**1,642,315**	840,514
Fair value gains and dividend income from financial assets at fair value through profit or loss	**1,350,427**	751,587
Others	**53,782**	65,097
	7,667,683	2,832,227

7. Other income and gains

	Year ended December 31, 2017 RMB'000	2016 RMB'000
Government grants	**1,161,412**	1,440,682
Gains on disposal of property, plant and equipment and intangible assets	**350,126**	2,207,296
Fair value gains on investment properties *(Note 18)*	**836,122**	344,017
Net foreign exchange (losses)/gains	**(974,612)**	200,270
Severance and related costs *(Note41)*	**(513,622)**	(902,126)
Non-recourse factoring costs	**(580,958)**	(509,177)
Others	**56,589**	579,570
	335,057	3,360,532

8. Expenses by nature

	Year ended December 31,	
	2017	2016
	RMB'000	*RMB'000*
Cost of inventories sold	**252,059,163**	233,620,969
Employee benefit expense *(Note 9)*	**26,674,295**	24,382,110
Advertising costs	**7,205,345**	6,501,625
Depreciation and amortisation	**5,710,223**	5,600,115
Impairment loss for non-current assets	**176,552**	92,579
Office and administrative expense	**2,915,143**	2,860,031
Consultancy and professional fees	**1,781,045**	1,721,511
Auditors' remuneration	**106,809**	103,369
Labs and testing	**233,687**	415,273
Operating lease payments	**1,121,160**	957,588
Business tax and surcharge and other taxes	**789,120**	724,324
Transportation expense	**541,961**	571,951
Impairment loss on bad debts *(Note 43)*	**853,450**	566,239
Inventory write-down	**269,028**	158,207
Other expenses *(i)*	**13,819,202**	12,820,133
	314,256,183	291,096,024

(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. Non-base manufacturing costs are included in the calculation of gross margin but not inventoriable costs.

9. Employee benefit expense

	Year ended December 31,	
	2017	2016
	RMB'000	*RMB'000*
Wages and salaries	**20,072,112**	18,387,045
Social security costs other than pension	**1,743,872**	1,605,159
Long-term incentive awards granted *(Note 30(c))*	**1,350,774**	1,238,470
Pension costs – defined contribution plans	**1,377,875**	1,174,530
Pension costs – defined benefit plans *(Note 40)*	**115,067**	139,574
Others	**2,014,595**	1,837,332
	26,674,295	24,382,110

10. Highest paid individuals

The emoluments of the five highest paid individuals of the Group for the year ended December 31, 2017 include one director, whose emoluments are reflected in the analysis in Note 46(a) and the same goes for 2016. The emoluments paid to those remaining four individuals are as follows:

	Year ended December 31,	
	2017	2016
	RMB'000	*RMB'000*
Salaries	**40,838**	40,085
Discretionary bonuses	**36,398**	35,726
Share option and rewards	**193,452**	189,883
Retirement payment and employer's contribution to pension schedule	**13,768**	13,514
Other benefits	**5,353**	5,254
	289,809	284,462

The emoluments fell within the following bands:

	Number of individuals For the year ended December 31,	
	2017	2016
Emolument bands		
HKD43,500,001 – HKD44,000,000	**1**	1
HKD47,000,001 – HKD47,500,000	**–**	1
HKD47,500,001 – HKD48,000,000	**1**	–
HKD103,000,001 – HKD103,500,000	**1**	1
HKD138,500,001 – HKD139,000,000	**–**	1
HKD139,000,001 – HKD139,500,000	**1**	–

For the year ended December 31, 2017 and 2016, there was no emolument paid by the Group to any of the directors, supervisors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

11. Finance income and costs

	Year ended December 31,	
	2017	2016
	RMB'000	*RMB'000*
Interest expense *(i)*:		
– Bank loans and overdrafts	**1,758,783**	1,315,405
– Other loans	**650,123**	290,890
– Bonds	**1,684,034**	1,404,404
Factoring costs	**392,778**	202,408
Interest costs on contingent considerations and put option liability	**17,838**	43,775
Commitment fee	**5,597**	6,946
Total finance costs	**4,509,153**	3,263,828
Less: amounts capitalised on qualifying assets	**(26,187)**	(1,441)
Finance costs	**4,482,966**	3,262,387
Finance income *(i)*:		
– Interest income on bank deposits and money market funds	**(633,732)**	(367,232)
– Interest income on loans to related parties	**(33,297)**	(94,074)
– Interest income on loans to non-related parties	**(163,690)**	(30,902)
Finance income	**(830,719)**	(492,208)
Net finance costs	**3,652,247**	2,770,179

(i) Finance income and costs do not include income and costs from subsidiaries which are engaged in loan business. Interest income and expense generated from loan business are displayed in "interest income" and "interest expense" in the consolidated income statement.

12. Subsidiaries

The following includes the principal subsidiaries directly or indirectly held by the Company and, in the opinion of the directors, are significant to the results of the Group for the year ended December 31, 2017 and 2016 or form a substantial portion of the net assets of the Group at December 31, 2017 and 2016. The directors consider that giving details of other subsidiaries would result in particulars of excessive length.

Company name	Place of incorporation	Issued share capital/Paid-in capital *(in RMB, unless otherwise stated)*	Principal activities	Effective interest held		Statutory auditor
				2017	2016	
Lenovo Group Limited (聯想集團有限公司)	Hong Kong	12,014,791,614 shares	Develop, manufacture and market reliable, high-quality, secure and easy-to-use technology products and services.	**29.10%**	31.48%	(1)
Raycom Real Estate Development Co., Ltd. (融科智地房地產股份有限公司, "Raycom Real Estate") *(i)*	Beijing	270,000,000	Office building rental and service *(i)*	**100.00%**	93.09%	(2)
Raycom Property Investment Co., Ltd. (融科物業投資有限公司)	Beijing	60,000,000	Real estate investment and asset management	**100.00%**	100.00%	(2)
Right Lane Limited (南明有限公司, "Right Lane")	Hong Kong	HKD4	Investment and management	**100.00%**	100.00%	(3)
Legend Holdings Tianjin Limited (聯想控股(天津)有限公司, "Legend Holdings Tianjin") *(ii)*	Tianjin	800,000,000	Investment and management	**100.00%**	100.00%	(2)
Legend Capital Limited (聯想投資有限公司)	Lhasa	434,476,555	Investment and management	**92.78%**	92.78%	(2)
Xizang Dongfangqihui Investment Co., Ltd. (西藏東方企慧投資有限公司)	Lhasa	50,000,000	Investment and management	**100.00%**	100.00%	(2)
Tibet Kaola Science & Technology Development Co., Ltd. (西藏考拉科技發展有限公司) ("Kaola Technology") *(iii)*	Lhasa	2,000,000,000	Electronic technology development, transfer, service, promotion and Internet Technology service	**51.00%**	67.00%	(4)
Beijing Legendstar Venture Capital Co., Ltd. (北京聯想之星創業投資有限公司)	Beijing	150,000,000	Angel investment and start-up incubator	**100.00%**	100.00%	(2)
Tianjin Legendstar Venture Capital Co., Ltd. (天津聯想之星創業投資有限公司)	Tianjin	100,000,000	Angel investment and start-up incubator	**100.00%**	100.00%	(2)
Beijing Huaxia United Auto Network Technology Co., Ltd. (北京華夏聯合汽車網絡技術有限公司)	Beijing	369,816,970	Development of car management software and providing car services information consultant	**100.00%**	100.00%	(2)
Zeny Supply Chain Co., Ltd. (增益供應鏈有限公司) ("Zeny Supply Chain") *(iv)*	Beijing	1,041,793,341	Providing cold chain and various logistics service	**98.85%**	94.00%	(2)
Levima Group Limited (聯泓集團有限公司, "Levima Group")	Beijing	2,300,000,000	Development and production of chemicals and energy materials	**100.00%**	100.00%	(2)
Joyvio Group Co., Ltd. (佳沃集團有限公司, "Joyvio Group") *(v)*	Beijing	4,403,840,000	Agriculture and food investment and other relevant business operations	**100.00%**	100.00%	(2)
Zhengqi Anhui Financial Holding Co., Ltd. (正奇安徽金融控股有限公司, "Zhengqi Financial") *(vi)*	Hefei	2,787,089,484	Providing financial service for small-and medium-sized entities	**82.52%**	90.30%	(2)
Bybo Dental Group Co., Ltd. (拜博醫療集團有限公司, "Bybo Dental")	Zhuhai	50,815,358	Investment and operation of dental care and other medical projects	**54.90%**	54.90%	(2)
Shanghai Weimin Hospital Investment Management Co., Ltd. (上海為民醫院投資管理有限公司, "Shanghai Weimin")	Shanghai	56,969,808	Investment management and Medical consultation	**58.00%**	58.00%	(2)
JC International Finance&Leasing Co,.Ltd (君創國際融資租賃有限公司, "JC Finance & Leasing")	Shanghai	1,500,000,000	Finance lease, lease business, purchase lease assets from domestic and overseas.	**100.00%**	100.00%	(5)
KB Food International Holding (Pte.) Limited ("KB Food")	Singapore	USD87,645,588	Investment holding	**90.00%**	90.00%	(6)
Better Education Group Corporation (三育教育集團股份有限公司, "Better Education") *(vii)*	Cayman	USD3,311.58	Investment holding	**51.00%**	N/A	(5)
Joyvio Agriculture Development Co. Ltd (佳沃農業開發股份有限公司) *(viii)*	Changde	134,000,000	Domestic trading, processing and sale of seafood and other animal protein-related products	**29.53%**	N/A	(2)

12. Subsidiaries (Continued)

(1) Lenovo has adopted March 31 as its financial year end date for statutory reporting purpose. For the preparation of the consolidated financial statements, financial statements of Lenovo for the years ended December 31, 2017 and 2016 have been used and they were audited by PricewaterhouseCoopers, Certified Public Accountants, Hong Kong.

(2) The statutory financial statements of these subsidiaries for the year ended December 31, 2017 were audited by Ruihua Certified Public Accountants.

(3) The statutory financial statements of this subsidiary for the year ended December 31, 2017 were audited by PricewaterhouseCoopers, Certified Public Accountants, Hong Kong.

(4) The statutory financial statements of this subsidiary for the year ended December 31, 2017 were audited by Lixin Certified Public Accountants.

(5) The statutory financial statements of these subsidiaries for the year ended December 31, 2017 were audited by PricewaterhouseCoopers Zhong Tian LLP.

(6) The statutory financial statements of this subsidiary for the year ended December 31, 2017 were audited by PricewaterhouseCoopers LLP, Singapore.

(i) In March 2017, the Company signed a contract with approximately 40 individual shareholders to buy in 6.91% of Raycom Real Estate. After acquisition, the equity interest held by the Group increased from 93.09% to 100.00%.

(ii) In August 2017, the Company and Legend Holdings Tianjin entered into an agreement that made a capital injection of RMB4,500 million to Legend Holdings Tianjin. As at December 31, 2017, the Company have already injected RMB300 million and the paid-in capital of Legend Holdings Tianjin increased to RMB800 million.

(iii) In October 2017, the Company transferred 16% equity interest of Kaola Technology Co., Ltd. to third party and the equity interest held by the Group decreased from 67% to 51%.

(iv) In January 2017, the Group made a capital injection to Zeny Supply Chain Co., Ltd. The paid-in capital increased from RMB200 million to RMB1,042 million and the equity interest held by the Group increased from 94% to 98.85%.

(v) In 2017, the Group continuously made capital injections to Joyvio Group and the paid-in capital increased from RMB3,483 million to RMB4,404 million.

(vi) In February 2017, Zhengqi Financial, a subsidiary of the Group, introduced two strategic investors, Xiamen ITG Group Co., 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 RMB801 million strategic investments. The holders of such financial instrument have rights to return those instruments to the issuer to get cash or other financial assets. Such financial instrument is designated as financial liability at fair value through profit or loss at initial recognition.

(vii) In July 2017, a subsidiary of the Group entered into agreements with third party to acquire 51% equity interest of Better Education, see Note 49.

(viii) In March 2017, Joyvio Group, a subsidiary of the Group, acquired 26.57% equity interest of Joyvio Agriculture, see Note 49. In the second half of 2017, Joyvio Group continued to acquired equity interest of Joyvio Agriculture. As at December 31, 2017, Joyvio Group held 29.53% equity interest of Joyvio Agriculture.

12. Subsidiaries (Continued)

Subsidiaries of material non-controlling interest

As shown in the consolidated statements of comprehensive income, during the year ended December 31, 2017 and 2016, the comprehensive income attributable to perpetual securities are RMB285 million and zero, all of which are attributable to Lenovo; the comprehensive income attributable to other non-controlling interests are RMB661 million and RMB3,335 million, of which RMB702 million and RMB3360 million are the comprehensive loss/income attributable to non-controlling interest in Lenovo. As shown in the consolidated balance sheet, at December 31, 2017 and 2016, perpetual securities are RMB6,807 million and zero, all of which are attributable to Lenovo; the other non-controlling interests are RMB19,085 million and RMB18,069 million, of which RMB15,731 million and RMB15,936 million are contributed to Lenovo. The non-controlling interest in respect of other subsidiaries is not considered material by the directors. The summarised financial information of Lenovo is set out below.

Summarised Balance Sheet of Lenovo	**As at December 31,**	
	2017	2016
	RMB'000	*RMB'000*
Current		
Assets	**110,973,633**	106,926,335
Liabilities	**(134,532,645)**	(137,685,320)
Net current liabilities	**(23,559,012)**	(30,758,985)
Non-current		
Assets	**81,781,444**	81,973,398
Liabilities	**(29,628,696)**	(29,976,331)
Net non-current assets	**52,152,748**	51,997,067
Net assets	**28,593,736**	21,238,082

12. Subsidiaries (Continued)

Subsidiaries of material non-controlling interest (Continued)

Summarised Income Statement of Lenovo	Year ended December 31,	
	2017	2016
	RMB'000	*RMB'000*
Revenue	**299,362,790**	282,551,029
Profit before income tax	**889,099**	4,431,608
Income tax expense	**(1,559,334)**	(245,629)
Net (loss)/profit	**(670,235)**	4,185,979
– Attributable to equity holders of Lenovo	**(965,304)**	4,222,223
– Attributable to perpetual securities holders	**284,639**	–
– Attributable to other non-controlling interests	**10,430**	(36,244)
Other comprehensive income	**906**	739,444
Total comprehensive (loss)/income	**(669,329)**	4,925,423
– Attributable to equity holders of Lenovo	**(964,398)**	4,961,667
– Attributable to perpetual securities holders	**284,639**	–
– Attributable to other non-controlling interests	**10,430**	(36,244)
Dividends paid to non-controlling interests	**(33,370)**	–

12. Subsidiaries (Continued)

Subsidiaries of material non-controlling interest (Continued)

Summarised Cash Flow Statement of Lenovo	Year ended December 31,	
	2017	2016
	RMB'000	*RMB'000*
Cash flows from operating activities		
Cash generated from operations	**5,947,526**	12,504,800
Income tax paid	**(3,018,664)**	(2,315,071)
Net cash generated from operating activities	**2,928,862**	10,189,729
Net cash used in investing activities	**(15,302,064)**	(2,984,310)
Net cash generated/(used) in financing activities	**6,081,723**	(5,979,428)
Net (decrease)/increase in cash and cash equivalents	**(6,291,479)**	1,225,991
Cash and cash equivalents at beginning of the year	**17,502,273**	16,567,394
Exchange losses on cash and cash equivalents	**(361,748)**	(291,112)
Cash and cash equivalents at end of the year	**10,849,046**	17,502,273

13. Investments in associates and joint ventures

	As at December 31,	
	2017	2016
	RMB'000	*RMB'000*
Investments in associates and joint ventures:		
– using equity accounting *(a)*	**14,345,636**	11,931,574
– measured at fair value through profit or loss *(b)*	**17,970,881**	15,515,436
	32,316,517	27,447,010

13. Investments in associates and joint ventures (Continued)

(a) Associates and joint ventures using equity accounting

Set out below are the associates of the Group as at December 31, 2017 and 2016, which, in the opinion of the directors, are material to the Group, and the intention of the Group to hold these associates is for strategic investment purpose, not only for capital appreciation.

Name	Place of incorporation/ principal place of operations	Principal activities	Effective interest held	
			2017	2016
CAR Inc. ("CAR") *(i)*	Cayman Islands/ China	Offering comprehensive car rental services including short-term rentals, long-term rentals, finance lease and sales of used rental vehicles	**25.93%**	24.10%
Hankou Bank Co., Ltd. (漢口銀行股份有限公司, "Hankou Bank") *(ii)*	Wuhan	Commercial banking business	**15.33%**	15.33%
Suzhou Trust Co., Ltd. (蘇州信託有限公司, "Suzhou Trust") *(ii)*	Suzhou	Trust business	**10.00%**	10.00%
Lakala Payment Corporation (拉卡拉支付股份有限公司, "Lakala Payment")	Beijing	Provision of terminal-based payment and various internet financial services	**31.38%**	31.38%
Union Insurance Broker Group Co., Ltd. (聯保投資集團有限公司, "Union Insurance")	Beijing	Insurance brokerage	**48.00%**	48.00%
Wenkang Group Co., Ltd. (聞康集團股份有限公司, "Wenkang Group") *(ii)*	Beijing	Internet medical and health care services	**17.02%**	17.02%
Phylion Battery Co., Ltd. (星恒電源股份有限公司, "Phylion Battery") *(iii)*	Suzhou	Manufacturing and sales of lithium-ion battery products and related research and development	**N/A**	33.21%
Golden Wing Mau Agricultural Produce Corporation (深圳市鑫榮懋農產品股份有限公司, "Golden Wing Mau") *(iv)*	Shenzhen	Providing fruit supply chain service	**35.38%**	41.82%
Eastern Air Logistics Co., Ltd. (東方航空物流有限公司, "EAL") *(v)*	Shanghai	Transportation, warehousing and postal services	**20.10%**	N/A
Nsfocus Information Technology Co., Ltd. (北京神州綠盟信息安全科技股份有限公司, "Nsfocus") *(ii)*	Beijing	Development, production, selling of Information security products and service	**10.86%**	N/A

13. Investments in associates and joint ventures (Continued)

(a) Associates and joint ventures using equity accounting (Continued)

(i) As at December 31, 2017, the fair value of the Group's interest in CAR, which is listed on the Hong Kong Stock Exchange, was RMB3,227 million (2016: RMB3,811 million) and the carrying amount of the Group's interest was RMB2,634 million (2016: RMB2,429 million).

(ii) The directors determine the Group has significant influence over Hankou Bank, Suzhou Trust, Wenkang Group and Nsfocus by way of representation on the Board of Directors and participation in the policy-making process, although the Group's equity interests in these four companies are lower than 20%.

(iii) On May 23, 2017, the Group disposed all the equity interest of Phylion Battery.

(iv) In December 2017, Golden Wing Mau issued new shares to third party investments and also issued share option to its employee. After issuance, the Group's equity interest in Golden Wing Mau decreased to 35.38%.

(v) In June, 2017, the Company acquired 25% equity interest of EAL. In the second half year of 2017, the Company transferred EAL's equity interest to the Group's associate. After the transfer, the equity interest of EAL held by the Group decreased to 20.1%.

The English names of the above associates represent the best efforts by management of the Group in translating their Chinese names as they do not have official English names.

Set out below is the summarized consolidated financial statements of the significant associates of the Group accounted for using equity method. The directors consider that giving details on the consolidated financial statements of other associates would result in particulars of excessive length.

CAR

Summarised balance sheet

	As at December 31,	
	2017	2016
	RMB'000	*RMB'000*
Total assets	**20,639,895**	21,189,219
Total liabilities	**(12,765,984)**	(12,970,613)
Net assets	**7,873,911**	8,218,606

13. Investments in associates and joint ventures (Continued)

(a) Associates and joint ventures using equity accounting (Continued)

CAR (Continued)

Summarised statement of comprehensive income

	Year ended December 31,	
	2017	2016
	RMB'000	*RMB'000*
Operating income	**7,717,338**	6,453,958
Operating expenses	**(6,542,032)**	(4,694,213)
Income tax expense	**(294,195)**	(300,154)
Net profit	**881,111**	1,459,591
Total comprehensive income attribute to equity holders of CAR	**881,111**	1,459,591

Reconciliation of summarised consolidated financial statements

	Year ended December 31,	
	2017	2016
	RMB'000	*RMB'000*
Share of net assets at January 1	**1,980,684**	1,671,180
Share of profit for the year	**239,572**	347,613
Other decrease	**(178,551)**	(38,109)
Share of net assets at December 31	**2,041,705**	1,980,684
Goodwill	**592,669**	448,625
Carrying value of investment in associates	**2,634,374**	2,429,309

13. Investments in associates and joint ventures (Continued)

(a) Associates and joint ventures using equity accounting (Continued)

Hankou Bank

Summarised balance sheet

	As at December 31,	
	2017	2016
	RMB'000	*RMB'000*
Total assets	**281,077,036**	211,666,540
Total liabilities	**(263,070,054)**	(194,801,635)
Net assets	**18,006,982**	16,864,905

Summarised statement of comprehensive income

	Year ended December 31,	
	2017	2016
	RMB'000	*RMB'000*
Operating income	**5,796,778**	5,007,391
Operating expenses	**(3,944,826)**	(3,254,300)
Non-operation profit	**4,642**	126,914
Income tax expense	**(162,585)**	(358,764)
Net profit	**1,694,009**	1,521,241
Total comprehensive income attribute to equity holders of Hankou Bank	**1,473,041**	1,360,429

13. Investments in associates and joint ventures (Continued)

(a) Associates and joint ventures using equity accounting (Continued)

Hankou Bank (Continued)

Reconciliation of summarised consolidated financial statements

	Year ended December 31,	
	2017	2016
	RMB'000	*RMB'000*
Share of net assets at January 1	**2,565,109**	2,413,536
Share of profit for the year	**260,151**	233,102
Share of other comprehensive loss	**(36,161)**	(24,559)
Share of distribution of profit	**(50,640)**	(56,970)
Share of net assets at December 31	**2,738,459**	2,565,109
Goodwill	**675,857**	675,857
Carrying value of investment in associates	**3,414,316**	3,240,966

For the year ended December 31,2017 and 2016, except for CAR and Hankou Bank, the Group's share of the other associates' profits are RMB575 million and RMB486 million respectively.

For the year ended December 31, 2017 and 2016, except for CAR and Hankou Bank, share of the other associates' other comprehensive income are RMB86 million and loss RMB95 million respectively.

For the year ended December 31, 2017 and 2016, except for CAR and Hankou Bank, share of the other associates' total comprehensive income are RMB661 million and RMB391 million respectively.

As at December 31, 2017 and 2016, except for CAR and Hankou Bank, the aggregate carrying amount of the Group's investments in the other associates are RMB8,297 million and RMB6,261 million respectively.

13. Investments in associates and joint ventures (Continued)

(b) Associates measured at fair value through profit or loss

Company Name	Place of incorporation/ registration	Type	2017 Fair value RMB'000	2017 Effective interest held	2016 Fair value RMB'000	2016 Effective interest held
– Hony Capital Fund V, L.P. *(i)*	Cayman Islands	USD Funds	**2,099,428**	**10.98%**	2,418,115	10.98%
– Beijing Junlian Maolin Equity Investment L.P. (北京君聯茂林股權投資合夥企業(有限合夥))	Beijing	RMB Funds	**1,927,737**	**31.21%**	1,498,468	31.21%
– Tianjin Junruiqi Equity Investment L.P. (天津君睿祺股權投資合夥企業(有限合夥))	Tianjin	RMB Funds	**1,848,133**	**31.67%**	1,474,888	31.67%
– 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))	Beijing	RMB Funds	**1,195,097**	**20.07%**	1,340,485	20.07%
– LC Fund VI, L.P.	Cayman Islands	USD Funds	**1,059,033**	**23.20%**	1,114,630	23.20%
– LC Fund IV, L.P.	Cayman Islands	USD Funds	**715,707**	**29.77%**	1,031,213	29.77%
– Hony Capital Fund 2008, L.P. *(i)*	Cayman Islands	USD Funds	**595,020**	**14.31%**	998,177	14.31%
– LC Fund V, L.P. *(i)*	Cayman Islands	USD Funds	**866,916**	**19.42%**	728,890	19.42%
– Hony Capital Fund III, L.P.	Cayman Islands	USD Funds	**184,004**	**34.48%**	601,627	34.48%
– Hony Capital Fund VIII (Cayman), L.P. *(i)*	Cayman Islands	USD Funds	**1,582,328**	**16.40%**	536,455	16.40%
– LC Fund III, L.P.	Cayman Islands	USD Funds	**1,078,785**	**65.70%**	525,339	49.41%
– Beijing Junlian Ruizhi Venture Capital Center L.P. (北京君聯睿智創業投資中心(有限合夥))	Beijing	RMB Funds	**273,934**	**31.00%**	497,928	31.00%
– Beijing Junlian Huicheng Equity Investment L.P. (北京君聯慧誠股權投資合夥企業(有限合夥))	Beijing	RMB Funds	**709,403**	**22.22%**	465,876	28.98%
– Beijing Junlian Xinhai Equity Investment L.P. (北京君聯新海股權投資合夥企業(有限合夥)) *(i)*	Beijing	RMB Funds	**516,580**	**17.67%**	380,545	17.67%
– Hony Capital RMB I, L.P. (弘毅投資產業一期基金(天津)(有限合夥))	Tianjin	RMB Funds	**109,386**	**29.84%**	321,831	29.84%
– 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)	Shenzhen	RMB Funds	**571,151**	**22.81%**	214,939	22.81%
– Hony Capital Real Estate Fund 2015, L.P. ("Hony Shenzhen 2015") 弘毅貳零壹伍(深圳)地產投資中心(有限合夥) *(i)*	Shenzhen	RMB Funds	**455,181**	**19.51%**	214,740	28.52%
– Hongchuang Lianchi Assets Management, L.P. 弘創聯持(深圳)資產管理(有限合夥) *(i)*	Shenzhen	RMB Funds	**254,984**	**12.40%**	199,999	12.40%
– LC Healthcare Fund I, L.P.	Cayman Islands	USD Funds	**219,130**	**20.00%**	116,737	20.00%
– Beijing Junlian Mingde Equity Investment L.P. (北京君聯名德股權投資合夥企業(有限合夥)) *(i)*	Beijing	RMB Funds	**297,263**	**19.97%**	113,913	19.65%
– Hony International Limited	Hong Kong	USD Funds	**68,445**	**40.00%**	65,431	40.00%
– Hony Capital II, L.P. ("Hony II")	Cayman Islands	USD Funds	**10,349**	**41.38%**	14,059	41.38%
– LC Fund VII, L.P.	Cayman Islands	USD Funds	**327,792**	**22.31%**	59,600	37.31%
– Goldstream Capital Master Fund I	Cayman Islands	USD Funds	**195,588**	**29.51%**	N/A	N/A
– Others	–	RMB/USD Funds	**809,507**	**N/A**	581,551	N/A
			17,970,881		15,515,436	

The principal activities of the above associates are investment holding as venture capital funds and private equity funds.

13. Investments in associates and joint ventures (Continued)

(b) Associates measured at fair value through profit or loss (Continued)

(i) The directors determined that the Group has significant influence on Hony Capital Fund V, L.P., Hony Capital Fund 2008, L.P., LC Fund V, L.P., Hony Capital Fund VIII (Cayman), L.P., Beijing Junlianxinhai Equity Investment, L.P., Hony Shenzhen 2015, Hongchuang Lianchi Assets management, L.P. and Beijing Junlian Mingde Equity Investment, L.P., even though the capital contribution percentage in these funds are below 20% by virtue of its significant influence on the general partner and/or management company of these funds. Consequently, these investments have been classified as associates.

Set out below is the summarised consolidated financial statements of associates measured at fair value through profit or loss aggregated by RMB funds and USD funds based on the underlying GAAP applied when prepare their statutory accounts. The consolidated financial statements on RMB funds is prepared in accordance with IFRS while the consolidated financial statements on USD funds is prepared in accordance with the General Accepted Accounting Principles in USA.

	Year ended December 31, 2017	
	Profit for the year *RMB'000*	**Total comprehensive income** *RMB'000*
RMB funds	**3,740,560**	**3,740,560**
USD funds	**(446,885)**	**(446,885)**
Total	**3,293,675**	**3,293,675**

	Year ended December 31, 2016	
	Profit for the year *RMB'000*	Total comprehensive income *RMB'000*
RMB funds	3,512,803	3,512,803
USD funds	170,852	170,852
Total	3,683,655	3,683,655

14. Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% while the income tax provision for group entities operating in Chinese Mainland is based on a statutory rate of 25%. Income tax of other group entities operating in overseas countries and regions are calculated at the rates applicable in the respective jurisdictions.

	Year ended December 31,	
	2017	2016
	RMB'000	*RMB'000*
Current income tax	**3,062,977**	2,870,208
Deferred income tax	**(488,790)**	(2,393,953)
Income tax expense	**2,574,187**	476,255

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

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

	Year ended December 31,	
	2017	2016
	RMB'000	*RMB'000*
Profit before tax	**7,431,880**	8,138,759
Tax effects of:		
Tax calculated at domestic rates applicable in countries concerned	**4,000,466**	1,961,788
Income not subject to tax	**(3,722,223)**	(3,341,761)
Expenses not deductible for tax purposes	**1,224,096**	1,698,773
Recognition/utilisation of previously unrecognised tax losses *(i)*	**(1,002,211)**	(452,201)
Deferred income tax assets not recognised	**210,625**	462,717
Effect on opening deferred income tax assets due to change in tax rate *(ii)*	**2,010,314**	–
Others	**(146,880)**	146,939
Income tax expense	**2,574,187**	476,255

14. Income tax expense (Continued)

(i) Certain subsidiaries of the Group have improved their performance from cumulative lose to profit, which will generate enough taxable profits. The Group recognised the deductible losses and other temporary differences in current year, which was not recognised in previous years under the limited of the amount of the current and future taxable profit.

(ii) Pursuant to the Tax Cuts and Jobs Act enacted by the government of the United States ("US") on December 22, 2017, the US corporate tax rate is reduced for tax years beginning after December 31, 2017. This rate change leads to a write-off of US deferred income tax assets and the Lenovo Group make a one-off deductions.

The tax credit/(charge) relating to components of other comprehensive income is as follows:

	Year ended December 31,					
	2017			2016		
	Before tax *RMB'000*	**Tax credit/ (charge)** *RMB'000*	**After tax** *RMB'000*	Before tax *RMB'000*	Tax credit/ (charge) *RMB'000*	After tax *RMB'000*
Fair value changes on available-for-sale financial assets	**(260,920)**	**28,374**	**(232,546)**	(706,426)	71,847	(634,579)
Investment revaluation reserve reclassified to consolidated income statement on disposal of an available-for-sale financial assets	**(1,988,423)**	**351,824**	**(1,636,599)**	(928,594)	200,693	(727,901)
Share of other comprehensive income/(loss) of associates	**51,127**	**–**	**51,127**	(119,310)	–	(119,310)
Actuarial income/(loss) on retirement benefit obligations	**265,531**	**(2,623)**	**262,908**	(271,732)	–	(271,732)
Fair value changes on cash flow hedges	**(526,379)**	**17,019**	**(509,360)**	251,934	(27,806)	224,128
Currency translation differences	**(1,103,612)**	**–**	**(1,103,612)**	1,531,146	–	1,531,146
Revaluation of investment properties upon reclassification from property, plant and equipment	**122,642**	**(30,660)**	**91,982**	123,752	(30,938)	92,814
Other comprehensive (loss)/ income	**(3,440,034)**	**363,934**	**(3,076,100)**	(119,230)	213,796	94,566
Current tax		**–**			–	
Deferred tax *(Note 39)*		**363,934**			213,796	
		363,934			213,796	

15. 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 (Note 30).

	Year ended December 31,	
	2017	2016
Weighted average number of issued ordinary shares *(thousands)*	**2,356,231**	2,356,231
Less shares held for restricted share scheme *(thousands)* *(Note 30)*	**(18,611)**	(3,637)
Weighted average number of issued ordinary shares for calculating basic earnings per share *(thousands)*	**2,337,620**	2,352,594
Basic earnings attributable to equity holders of the Company *(RMB'000)*		
– Continuing operations	**5,047,826**	4,851,984
– Discontinued operations	**–**	6,940
	5,047,826	4,858,924
Diluted impact on earnings *(RMB'000) (i)*	**(2,818)**	(7,318)
Potential dilutive effect arising from restricted shares *(thousands) (ii) (Note 30)*	**18,611**	3,637
Diluted earnings attributable to the equity holders of the Company *(RMB'000)*		
– Continuing operations	**5,045,008**	4,844,666
– Discontinued operations	**–**	6,940
	5,045,008	4,851,606
Weighted average number of issued ordinary shares for calculating diluted earnings per share *(thousands) (ii)*	**2,356,231**	2,356,231
Earnings per share		
– Basic *(RMB per share)*		
– Continuing operations	**2.16**	2.06
– Discontinued operations	**–**	–
	2.16	2.06
– Diluted *(RMB per share)*		
– Continuing operations	**2.14**	2.06
– Discontinued operations	**–**	–
	2.14	2.06

15. Earnings per share (Continued)

(i) Diluted impact on earnings is due to the effect of two categories of dilutive instruments, namely share options and long-term incentive awards. Diluted earnings per share is calculated by adjusting earning attributable to the equity holders of the company.

(ii) Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue to assume conversion of all dilutive potential ordinary shares. The Company's dilutive potential ordinary shares comprise shares issued under the 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.

16. Leasehold land and land use rights

The Group's interests in leasehold land and land use rights represent prepaid operating lease payments and their net book value is analysed as follows:

	Year ended December 31,	
	2017	2016
	RMB'000	*RMB'000*
At beginning of the year	**3,022,885**	2,234,255
Additions	**1,531,056**	1,908,529
Acquisition of subsidiaries	**27,381**	–
Disposals	**(371,799)**	(622,845)
Amortisation	**(48,814)**	(49,450)
Disposal of subsidiaries	**(2,241)**	(440,055)
Disposal of discontinued operations	**–**	(7,549)
At end of the year	**4,158,468**	3,022,885

As at December 31, 2017 and 2016, the land use rights with a carry amount of RMB90 million and RMB89 million were pledged as collateral for RMB122 million and RMB124 million borrowings, respectively.

17. Property, plant and equipment

	Land and buildings RMB'000	Vehicles RMB'000	Machinery RMB'000	Furniture RMB'000	Equipment RMB'000	Construction in Progress RMB'000	Bearer plants RMB'000	Total RMB'000
As at January 1, 2016								
Cost	10,413,935	207,622	11,416,377	3,884,209	113,359	2,572,954	86,301	28,694,757
Accumulated depreciation	(2,080,563)	(111,582)	(2,756,276)	(2,122,259)	(48,233)	–	(9,646)	(7,128,559)
Accumulated impairment	(124,813)	(2,844)	(660,753)	–	–	(44,844)	–	(833,254)
Net book amount	8,208,559	93,196	7,999,348	1,761,950	65,126	2,528,110	76,655	20,732,944
For the year ended December 31, 2016								
Opening net book amount	8,208,559	93,196	7,999,348	1,761,950	65,126	2,528,110	76,655	20,732,944
Exchange adjustment	352,633	1,066	70,755	44,081	(52)	48,695	–	517,178
Acquisition of subsidiaries	69,828	9,833	44,168	214	5,960	–	–	130,003
Additions	762,434	26,962	644,985	466,497	34,676	2,491,582	–	4,427,136
Transfers to intangible assets	–	–	–	–	–	(679,621)	–	(679,621)
Transfers from construction in progress	652,721	1,557	171,504	43,098	83	(868,963)	–	–
Disposals/transfer to investment property	(461,406)	(6,769)	(56,641)	(63,062)	(4,692)	(986,039)	–	(1,578,609)
Depreciation charge	(609,207)	(28,622)	(1,054,001)	(677,840)	(20,455)	–	–	(2,390,125)
Disposal of subsidiaries	(895,870)	(3,597)	(379,067)	(1,468)	(4,277)	(58,295)	(76,655)	(1,419,229)
Impairment charge	(26,557)	(150)	(1,095)	(62)	(475)	–	–	(28,339)
Disposal of discontinued operations	(60,836)	(11,344)	(3,813)	(4,747)	(17,869)	(5,714)	–	(104,323)
Closing net book amount	7,992,299	82,132	7,436,143	1,568,661	58,025	2,469,755	–	19,607,015
As at December 31, 2016								
Cost	10,054,069	199,774	11,007,825	4,374,563	109,772	2,469,755	–	28,215,758
Accumulated depreciation	(2,033,227)	(117,572)	(3,536,801)	(2,805,871)	(51,747)	–	–	(8,545,218)
Accumulated impairment	(28,543)	(70)	(34,881)	(31)	–	–	–	(63,525)
Net book amount	7,992,299	82,132	7,436,143	1,568,661	58,025	2,469,755	–	19,607,015
For the year ended December 31, 2017								
Opening net book amount	**7,992,299**	**82,132**	**7,436,143**	**1,568,661**	**58,025**	**2,469,755**	**–**	**19,607,015**
Exchange adjustment	**(172,305)**	**(1,434)**	**(22,855)**	**(35,367)**	**(949)**	**1,872**	**–**	**(231,038)**
Acquisition of subsidiaries	**188,884**	**13,486**	**101,184**	**18,226**	**4,984**	**–**	**–**	**326,764**
Additions	**1,062,489**	**43,929**	**612,398**	**479,414**	**40,726**	**2,543,787**	**–**	**4,782,743**
Transfers to intangible assets	**–**	**–**	**–**	**–**	**–**	**(941,110)**	**–**	**(941,110)**
Transfers from construction in progress	**419,829**	**7,128**	**91,041**	**23,427**	**5,075**	**(546,500)**	**–**	**–**
Disposals/Transfers to investment property	**(341,130)**	**(1,847)**	**(78,463)**	**(37,289)**	**(4,085)**	**(501,431)**	**–**	**(964,245)**
Depreciation charge	**(682,258)**	**(41,923)**	**(1,059,031)**	**(646,055)**	**(33,310)**	**–**	**–**	**(2,462,577)**
Disposal of subsidiaries	**(79,833)**	**(6,429)**	**(51,123)**	**(2,310)**	**(5,291)**	**–**	**–**	**(144,986)**
Impairment charge	**(65,294)**	**–**	**(17,481)**	**(25,104)**	**–**	**–**	**–**	**(107,879)**
Closing net book amount	**8,322,681**	**95,042**	**7,011,813**	**1,343,603**	**65,175**	**3,026,373**	**–**	**19,864,687**
As at December 31, 2017								
Cost	**10,893,668**	**234,295**	**11,394,886**	**4,503,076**	**130,521**	**3,026,373**	**–**	**30,182,819**
Accumulated depreciation	**(2,542,284)**	**(139,183)**	**(4,330,711)**	**(3,159,388)**	**(65,161)**	**–**	**–**	**(10,236,727)**
Accumulated impairment	**(28,703)**	**(70)**	**(52,362)**	**(85)**	**(185)**	**–**	**–**	**(81,405)**
Net book amount	**8,322,681**	**95,042**	**7,011,813**	**1,343,603**	**65,175**	**3,026,373**	**–**	**19,864,687**

17. Property, plant and equipment (Continued)

Depreciation expense of RMB1,397 million and RMB1,266 million has been charged in "cost of sales", RMB137 million and RMB129 million in "selling and marketing costs", RMB929 million and RMB985 million in "general and administrative expenses" and nil and RMB10 million in "discontinued operation" for the year ended December 31, 2017 and 2016.

The property, plant and equipment with a carrying amount of RMB117 million and RMB155 million were pledged as collateral for the borrowings of RMB133 million and RMB150 million as at December 31, 2017 and 2016, respectively. See note 18(c) for owner-occupied investment properties pledged.

The construction in progress with a carrying amount of RMB188 million and RMB90 million were pledged as collateral for the borrowings of RMB135 million and RMB20 million as at December 31, 2017 and 2016, respectively.

18. Investment properties

	Year ended December 31,	
	2017	2016
	RMB'000	*RMB'000*
At beginning of the year	**10,111,584**	10,219,472
Additions	**28,368**	14,921
Fair value gains	**836,122**	336,089
– Continuing operations	**836,122**	344,017
– Discontinued operations	**–**	(7,928)
Disposal of discontinued operations	**–**	(390,574)
Transfer to Property, plant and equipment	**–**	(201,783)
Transfer from owner-occupied property	**131,037**	133,459
At end of the year	**11,107,111**	10,111,584

The Group's investment properties are all situated in the Chinese Mainland. All the investment properties are rented out under operating leases. All signed lease contracts are less than 50 years.

18. Investment properties (Continued)

(a) Amounts recognised in income statement for investment properties

	Year ended December 31,	
	2017	2016
	RMB'000	*RMB'000*
Rental income	**548,885**	502,473
Direct operating expenses from properties that generated rental income	**(90,046)**	(118,671)
	458,839	383,802

The direct operating expenses from properties that did not generate rental income is immaterial to the Group during the year ended December 31, 2017 and 2016.

(b) Valuation basis

Investment properties held by the Group were revalued at the end of 2017 and 2016 based on valuations performed by independent qualified valuers, Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("JLL"). JLL is an industry specialist in investment property valuation, who has appropriate qualification and recent experience in the valuation of similar properties in the relevant locations.

The valuations are derived using the income capitalisation method. There were no changes to the valuation techniques.

As at December 31, 2017 and 2016, all of the Group's investment properties were within level 3 of the fair value hierarchy as the valuation were arrived at by reference to certain significant unobservable inputs.

The fair value gains are recognised in other income and gains of consolidated income statement.

As at December 31, 2017 and 2016, the directors:

- verifies all major inputs to the independent valuation reports;
- assesses property valuation movements when compared to the prior year valuation reports;
- holds discussion with the independent valuer.

18. Investment properties (Continued)

(b) Valuation basis (Continued)

The key assumptions used by the directors in determining fair value for the year ended December 31, 2017 and 2016 were in the following ranges:

	Year ended December 31,	
	2017	2016
Capitalisation rate	**4.0%-5.3%**	4.0%-5.3%
Expected vacancy rate		
– Office	**5.00%**	5.00%
– Retail	**5.00%**	10.00%-15.00%
– Car park	**5.00%**	5.00%
Prevailing market rents		
– Office (per sq.m. per month)	**RMB330-RMB450**	RMB330-RMB420
– Retail (per sq.m. per month)	**RMB150-RMB560**	RMB150-RMB480
– Car park (per spot per month)	**RMB850-RMB900**	RMB850-RMB900

The following tables show the sensitivity of the fair value of the investment properties to the key assumptions had the director's estimates to increase or decrease by 10%.

	Year ended December 31, 2017	
	Favourable change by 10% ***RMB'000***	**Unfavourable change by 10%** ***RMB'000***
Capitalisation rate	**782,814**	**(704,623)**
Expected vacancy rate	**51,874**	**(51,874)**

	Year ended December 31, 2016	
	Favourable change by 10% RMB'000	Unfavourable change by 10% RMB'000
Capitalisation rate	728,181	(652,655)
Expected vacancy rate	52,246	(52,246)

18. Investment properties (Continued)

(c) Investment properties pledged as security

As at December 31, 2017, the investment properties with a fair value of RMB10,999 million and a net value of RMB362 million of owner-occupied part were pledged as collateral for the borrowings of RMB1,398 million. As at December 31, 2016, the investment properties with a fair value of RMB10,032 million and a net value of RMB379 of owner-occupied part were pledged as collateral for the borrowings of RMB1,576 million.

(d) Leasing arrangements

Minimum lease payments under non-cancellable operating leases of investment properties not recognised in the financial statements are receivables as follows:

	Year ended December 31,	
	2017	2016
	RMB'000	*RMB'000*
Within one year	**507,140**	504,047
Later than one year but no later than 5 years	**667,615**	622,500
Later than 5 years	**33,007**	119,617
	1,207,762	1,246,164

19. Intangible assets

	Mining rights RMB'000	Trademarks RMB'000	Softwares RMB'000	Goodwill RMB'000	Patent and technology RMB'000	Customer relationships RMB'000	Others RMB'000	Total RMB'000
As at January 1, 2016								
Cost	644,522	9,930,350	4,859,243	32,406,498	10,423,144	9,073,527	60,294	67,397,578
Accumulated amortisation and impairment	(644,522)	(1,075,888)	(3,703,620)	(746,107)	(3,017,547)	(1,266,837)	(2,492)	(10,457,013)
Net book amount	–	8,854,462	1,155,623	31,660,391	7,405,597	7,806,690	57,802	56,940,565
For the year ended December 31, 2016								
Opening net book amount	–	8,854,462	1,155,623	31,660,391	7,405,597	7,806,690	57,802	56,940,565
Additions	–	21	1,157,865	–	676,290	–	128	1,834,304
Acquisition of subsidiaries	–	40,674	–	672,476	–	91,972	90,854	895,976
Exchange adjustment	–	553,095	50,124	2,112,709	441,487	453,659	2,269	3,613,343
Disposals	–	–	(6,848)	–	(2,169)	–	(42,451)	(51,468)
Disposal of subsidiaries	–	–	(861)	(58,854)	(1,900)	–	–	(61,615)
Amortisation charge	–	(15,762)	(804,861)	–	(1,526,805)	(808,301)	(15,322)	(3,171,051)
Impairment loss	–	(30,754)	–	(33,486)	–	–	–	(64,240)
Disposal of discontinued operations	–	–	(318)	–	–	–	–	(318)
Closing net book amount	–	9,401,736	1,550,724	34,353,236	6,992,500	7,544,020	93,280	59,935,496
As at December 31, 2016								
Cost	597,736	9,699,544	6,233,181	35,101,830	11,798,587	9,610,097	110,428	73,151,403
Accumulated amortisation and impairment	(597,736)	(297,808)	(4,682,457)	(748,594)	(4,806,087)	(2,066,077)	(17,148)	(13,215,907)
Net book amount	–	9,401,736	1,550,724	34,353,236	6,992,500	7,544,020	93,280	59,935,496
For the year ended December 31, 2017								
Opening net book amount	**–**	**9,401,736**	**1,550,724**	**34,353,236**	**6,992,500**	**7,544,020**	**93,280**	**59,935,496**
Additions	**–**	**42**	**1,286,707**	**–**	**760,653**	**–**	**26,554**	**2,073,956**
Acquisition of subsidiaries	**–**	**373,661**	**2,136**	**1,912,654**	**1,000**	**40,571**	**1,185**	**2,331,207**
Exchange adjustment	**–**	**(465,778)**	**(38,631)**	**(506,456)**	**(336,719)**	**(182,626)**	**(3,222)**	**(1,533,432)**
Disposals	**–**	**–**	**(4,823)**	**–**	**(194)**	**–**	**–**	**(5,017)**
Amortisation charge	**–**	**(10,018)**	**(738,048)**	**–**	**(1,564,086)**	**(863,749)**	**(22,931)**	**(3,198,832)**
Impairment loss	**–**	**–**	**–**	**(67,105)**	**(1,568)**	**–**	**–**	**(68,673)**
Closing net book amount	**–**	**9,299,643**	**2,058,065**	**35,692,329**	**5,851,586**	**6,538,216**	**94,866**	**59,534,705**
As at December 31, 2017								
Cost	**597,736**	**9,591,656**	**7,075,089**	**36,508,029**	**12,061,150**	**9,398,773**	**134,223**	**75,366,656**
Accumulated amortisation and impairment	**(597,736)**	**(292,013)**	**(5,017,024)**	**(815,700)**	**(6,209,564)**	**(2,860,557)**	**(39,357)**	**(15,831,951)**
Net book amount	**–**	**9,299,643**	**2,058,065**	**35,692,329**	**5,851,586**	**6,538,216**	**94,866**	**59,534,705**

Amortisation of RMB307 million and RMB293 million are included in the "cost of sales"; RMB72 million and RMB69 million in "selling and distribution expenses"; and RMB2,820 million and RMB2,809 million in "general and administrative expenses" in the consolidated income statement for the year ended December 31, 2017 and 2016.

19. Intangible assets (Continued)

Impairment tests for goodwill and intangible assets with indefinite useful life

Management reviews the business performance based on type of business and monitor goodwill and intangible assets with indefinite useful lives at cash generating unit or a group of cash generating units.

The carrying amount of goodwill and intangible assets with indefinite useful lives, less accumulated impairment charged, are presented below:

CGUs	**As at December 31, 2017**		As at December 31,2016	
	Goodwill *RMB'000*	**Intangible assets with indefinite useful life** *RMB'000*	Goodwill *RMB'000*	Intangible assets with indefinite useful life *RMB'000*
IT				
– PC and intellectual device business				
– China	**7,064,138**	**1,365,648**	7,091,011	1,442,896
– EMEA	**1,555,391**	**705,694**	1,430,854	700,637
– AG	**2,182,638**	**437,791**	2,316,585	471,716
– AP	**3,607,173**	**385,518**	3,669,925	409,283
– Mobility business				
– China	**–**	**–**	–	–
– EMEA	**2,469,928**	**679,557**	2,566,690	721,448
– AG	**6,344,708**	**1,738,097**	6,555,465	1,845,242
– AP	**2,143,218**	**588,078**	2,219,840	624,330
– Data center business				
– China	**3,188,690**	**1,058,540**	3,204,894	1,123,794
– EMEA	**607,681**	**202,560**	610,456	215,047
– AG	**2,417,654**	**803,707**	2,427,950	853,251
– AP	**1,071,609**	**352,847**	1,075,235	374,598
Agriculture and food				
– Animal protein business *(i)*	**1,119,342**	**–**	–	–
– Semi-finished fresh business	**165,579**	**–**	–	–
– Chinese liquor business	**–**	**264,238**	–	264,238
– Sea food business	**401,381**	**93,686**	391,760	93,686
Innovative consumption and services				
– Education Service Business *(ii)*	**590,950**	**329,667**	–	–
– Comprehensive medical service business	**713,813**	**306,781**	677,396	306,781
All others	**48,436**	**–**	115,175	–
	35,692,329	**9,312,409**	34,353,236	9,446,947

(i) The increase in goodwill by RMB1,119 million is caused by the acquisition of Joyvio Agriculture by Joyvio Group and Qingdao Starfish Food Co., Ltd. by Joyvio Agriculture in Animal protein sector.

(ii) The increase in goodwill by RMB591 million is caused by the acquisition of Better Education by Right Lane Limited in educational sector.

19. Intangible assets (Continued)

Impairment tests for goodwill and intangible assets with indefinite useful life (Continued)

The Group completed its annual impairment test on goodwill and intangible assets with indefinite useful life for its various CGUs by comparing their recoverable amounts to the carrying amounts, as at December 31, 2017. The recoverable amount of all CGUs is determined based on value-in-use calculations or fair value less disposal cost. Fair value reflects the assumptions market participants would use when pricing the asset. These calculations of value-in-use use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period with a terminal value related to the future cash flow of the CGU extrapolated using constant projections of cash flows beyond the five-year period. The estimated revenue growth rate used by the Group is consistent with those estimated in the industrial report and not exceeding the long-term average growth rate in the industry each CGU operates.

The revenue growth rate and discount rate used for value-in-use calculations under the five-year financial budget period for CGUs with significant goodwill and intangible assets with indefinite useful lives are as follows:

	Goodwill			
CGUs	**Year ended December 31, 2017** *RMB'000*		Year ended December 31, 2016 *RMB'000*	
	Growth rate	**Discount rate**	Growth rate	Discount rate
IT				
– PC and intellectual device business				
– China	**-1.4%**	**9.0%**	0.3%	9.0%
– EMEA	**-0.3%**	**9.0%**	-2.0%	9.0%
– AG	**-1.8%**	**9.0%**	-1.2%	9.0%
– AP	**-0.5%**	**9.0%**	-0.4%	9.0%
– Mobility business				
– China	**N/A**	**11.0%**	N/A	11.0%
– EMEA	**26.6%**	**11.0%**	20.7%	11.0%
– AG	**7.4%**	**11.0%**	12.2%	11.0%
– AP	**21.2%**	**11.0%**	28.9%	11.0%
– Data center business				
– China	**13.6%**	**10.0%**	7.5%	10.0%
– EMEA	**3.5%**	**10.0%**	3.1%	10.0%
– AG	**14.2%**	**10.0%**	15.9%	10.0%
– AP	**3.0%**	**10.0%**	3.8%	10.0%
Agriculture and food				
– Sea food business	**3.0%**	**9.6%**	2.5%	9.6%
– Well-known beverages	**N/A**	**N/A**	11.0%	13.0%
Innovative consumption and services				
– Comprehensive medical service business	**17.9%**	**12.2%**	11.0%	13.0%

19. Intangible assets (Continued)

Impairment tests for goodwill and intangible assets with indefinite useful life (Continued)

Management determines budgeted gross margin based on past performance and its expectations for market development. The budgeted revenue growth rates are based on the management expectations, and where appropriate, with adjustments made with reference to industry reports which are more conservative for the purpose of goodwill impairment test. The discount rate used by management are pre-tax and reflect the risks relating to relevant segments.

As at December 31, 2017, the directors are of the view that there was no evidence of impairment of goodwill and trademarks except Tianjin Dongjiang Harbor Cold-chain Commodities Trade Co.,Ltd whose main business is processing, refrigerations, storage and logistics business of meat product and the impairment loss for goodwill of which was 67 million.

The Group has performed a sensitivity analysis on key assumptions used for the annual impairment test for goodwill. A reasonably possible change in key assumptions used in the impairment test for goodwill would not cause any CGU's carrying amount to exceed its respective recoverable amount.

20. Financial instruments by category

	Loans and receivables *RMB'000*	Assets at fair value through profit or loss *RMB'000*	Derivatives used for hedging *RMB'000*	Available-for-sale financial assets *RMB'000*	Total *RMB'000*
As at December 31, 2017					
Assets					
Available-for-sale financial assets	–	–	–	9,597,484	9,597,484
Derivative financial instruments	–	87,030	43,465	–	130,495
Trade and notes receivables	46,149,326	–	–	–	46,149,326
Loans to customers	12,404,160	–	–	–	12,404,160
Other receivables and other current assets	30,886,061	–	–	–	30,886,061
Other non-current assets	10,930,877	–	–	–	10,930,877
Financial assets at fair value through profit or loss	–	7,265,440	–	–	7,265,440
Associates measured at fair value through profit or loss	–	17,970,881	–	–	17,970,881
Restricted deposits	1,338,000	–	–	–	1,338,000
Bank deposits	6,010,552	–	–	–	6,010,552
Cash and cash equivalents	32,202,477	–	–	–	32,202,477
	139,921,453	25,323,351	43,465	9,597,484	174,885,753

20. Financial instruments by category (Continued)

	Liabilities at fair value through profit or loss *RMB'000*	Derivatives used for hedging *RMB'000*	Other financial liabilities at amortised cost *RMB'000*	Total *RMB'000*
Liabilities				
Borrowings	**–**	**–**	**87,577,605**	**87,577,605**
Derivative financial instruments	**234,252**	**152,848**	**–**	**387,100**
Trade and notes payables	**–**	**–**	**56,730,615**	**56,730,615**
Other payables	**1,468,973**	**–**	**60,783,442**	**62,252,415**
Other non-current liabilities	**–**	**–**	**1,546,396**	**1,546,396**
Financial liabilities at fair value through profit or loss	**801,000**	**–**	**–**	**801,000**
	2,504,225	**152,848**	**206,638,058**	**209,295,131**

	Loans and receivables *RMB'000*	Assets at fair value through profit or loss *RMB'000*	Derivatives used for hedging *RMB'000*	Available-for-sale financial assets *RMB'000*	Total *RMB'000*
As at December 31, 2016					
Assets					
Available-for-sale financial assets	–	–	–	9,878,802	9,878,802
Derivative financial instruments	–	482,406	482,346	–	964,752
Trade and notes receivables	41,158,176	–	–	–	41,158,176
Loans to customers	11,430,798	–	–	–	11,430,798
Other receivables and other current assets	44,925,362	–	–	–	44,925,362
Other non-current assets	6,254,200	–	–	–	6,254,200
Financial assets at fair value through profit or loss	–	5,363,654	–	–	5,363,654
Associates measured at fair value through profit or loss	–	15,515,436	–	–	15,515,436
Restricted deposits	1,874,463	–	–	–	1,874,463
Bank deposits	10,900,422	–	–	–	10,900,422
Cash and cash equivalents	30,059,402	–	–	–	30,059,402
	146,602,823	21,361,496	482,346	9,878,802	178,325,467

20. Financial instruments by category (Continued)

	Liabilities at fair value through profit or loss *RMB'000*	Derivatives used for hedging *RMB'000*	Other financial liabilities at amortised cost *RMB'000*	Total *RMB'000*
Liabilities				
Borrowings	–	–	82,669,630	82,669,630
Derivative financial instruments	309,716	57,903	–	367,619
Trade and notes payables	–	–	49,233,992	49,233,992
Other payables	1,547,992	–	70,558,801	72,106,793
Other non-current liabilities	–	–	1,088,854	1,088,854
	1,857,708	57,903	203,551,277	205,466,888

21. Available-for-sale financial assets

Available-for-sale financial assets of the Group include the following:

	As at December 31,	
	2017 *RMB'000*	2016 *RMB'000*
Listed securities:		
Equity securities – HK	**302,314**	398,190
Equity securities – China	**3,153,454**	5,430,230
Equity securities – Japan	**106,220**	105,054
Subtotal	**3,561,988**	5,933,474
Listed corporate bonds:	**268,642**	272,869
Unlisted securities:		
Unlisted equity instruments	**5,342,904**	3,642,459
Bank's wealth management product	**423,950**	30,000
Subtotal	**5,766,854**	3,672,459
Total	**9,597,484**	9,878,802
Less: Current portion	**(423,950)**	(30,000)
Non-current portion	**9,173,534**	9,848,802

22. Other non-current assets

Other non-current assets primarily include long-term receivable arising from finance lease in Financial Service segment and loans to third-parties.

As at December 31, 2017 and 2016, no other non-current assets were used as collateral for borrowings.

23. Trade and notes receivables

	As at December 31,	
	2017	2016
	RMB'000	*RMB'000*
Trade receivables	**41,290,664**	37,640,837
Notes receivables	**462,443**	1,383,867
Receivables arising from finance leases	**5,192,963**	2,863,537
Less: provision for bad debt	**(796,744)**	(730,065)
Trade and notes receivables – net	**46,149,326**	41,158,176

As at December 31, 2017 and 2016, the ageing analyses of the trade receivables based on invoice date were as follows:

	As at December 31,	
	2017	2016
	RMB'000	*RMB'000*
Up to 3 months	**35,640,738**	34,213,481
3 to 6 months	**3,922,739**	2,218,385
6 months to 1 year	**1,040,524**	905,399
1 to 2 years	**472,845**	216,924
2 to 3 years	**141,425**	41,917
Over 3 years	**72,393**	44,731
	41,290,664	37,640,837

As at December 31, 2017 and 2016, trade and notes receivables with a net amount of RMB2,423 million and RMB1,676 million were used as collateral for borrowings of RMB1,929 million and RMB1,383 million.

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

23. Trade and notes receivables (Continued)

Movements on the provision for bad debts of trade receivables are as follows:

	Year ended December 31,	
	2017	2016
	RMB'000	*RMB'000*
At beginning of the year	**(730,065)**	(630,669)
Exchange adjustment	**4,602**	(60,320)
Provision made	**(393,542)**	(294,127)
Uncollectible receivable written off	**139,789**	27,847
Unused amounts reversed	**182,472**	226,762
Disposal of discontinued operations	**–**	442
At end of the year	**(796,744)**	(730,065)

Trade receivables of RMB8,292 million and RMB5,788 million at December 31, 2017 and 2016 were past due but made no provision. The ageing of these receivables, based on due date, is as follows:

	Year ended December 31,	
	2017	2016
	RMB'000	*RMB'000*
Within 3 months	**6,837,188**	5,045,001
3 to 6 months	**717,293**	420,938
Over 6 months	**737,639**	322,421
	8,292,120	5,788,360

The carrying amounts of trade and notes receivables approximate their fair values. The maximum exposure to credit risk at the balance sheet date is the fair value of each class of receivables mentioned above.

Credit terms of Lenovo granted to the customers is around 0–120 days while other segments do not have specific credit terms.

24. Prepayment, other receivables and other current assets

	As at December 31,	
	2017	2016
	RMB'000	*RMB'000*
Receivables from parts subcontractors	**14,393,698**	17,026,714
Prepayments	**15,148,495**	10,363,030
Prepaid tax	**7,074,077**	5,359,974
Amounts due from related parties *(Note 50)*	**1,514,486**	1,160,217
Advance to suppliers	**1,498,242**	1,395,915
Deposits receivable	**350,020**	446,047
Advance to employees	**90,073**	101,955
Adjustment for in-transit products	**241,870**	207,985
Consideration receivable from disposal of discontinued operations *(i)*	**12,689**	12,891,000
Others	**2,641,913**	3,735,030
	42,965,563	52,687,867
Less: provision for bad debt	**(86,494)**	(66,695)
	42,879,069	52,621,172

(i) As described in Note 1, the business of development and sale of residential properties and office buildings and property management service to projects was sold to Susac Real Estate Group Co., Ltd and minority shareholders of several subsidiaries in the second half year of 2016. Most of related receivables has been recovered for the year ended December 31, 2017.

25. Loans to customers

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

(a) Analysed by nature

	As at December 31,	
	2017	2016
	RMB'000	*RMB'000*
Direct loans and pawn loans to customers	**11,258,383**	10,167,805
Entrusted loans to customers	**1,656,042**	1,641,054
Gross loans to customers	**12,914,425**	11,808,859
Less: allowances for impairment loss		
– Individually assessed	**(30,603)**	(51,283)
– Collectively assessed	**(479,662)**	(326,778)
Total allowances for impairment loss	**(510,265)**	(378,061)
Net loans to customers	**12,404,160**	11,430,798
Less: non-current portion	**(1,751,857)**	(769,988)
Current portion	**10,652,303**	10,660,810

25. Loans to customers (Continued)

(b) Movement of allowances for impairment losses

	Allowance for loans which are individually assessed	Allowance for loans which are collectively assessed	Total
As at January 1, 2016	(38,072)	(66,550)	(104,622)
Provision made	(45,679)	(286,374)	(332,053)
Write-offs	32,468	26,146	58,614
As at December 31, 2016	(51,283)	(326,778)	(378,061)
Provision made	**(6,830)**	**(629,500)**	**(636,330)**
Write-offs	**27,510**	**476,616**	**504,126**
As at December 31, 2017	**(30,603)**	**(479,662)**	**(510,265)**

26. Inventories

	As at December 31,	
	2017	2016
	RMB'000	*RMB'000*
Raw materials	**14,884,664**	8,811,009
Work in progress	**526,211**	500,746
Finished goods	**8,732,339**	8,231,504
Service parts	**3,662,974**	3,417,409
Others	**51,700**	36,297
	27,857,888	20,996,965

27. Properties under development

	As at December 31,	
	2017	2016
	RMB'000	*RMB'000*
At beginning of the year	**183,669**	27,296,999
Additions	**363,384**	9,139,013
Transfer to completed properties held for sale	**–**	(9,083,622)
Disposal of discontinued operations	**–**	(27,168,721)
At end of the year	**547,053**	183,669
Properties under development comprise:		
Land use rights	**102,759**	102,759
Construction costs and capitalised expenditure	**424,560**	80,652
Interest capitalised	**19,734**	258
	547,053	183,669

As at December 31, 2017 and 2016, no properties under development were pledged as collateral for borrowings.

28. Financial assets at fair value through profit or loss

	As at December 31,	
	2017	2016
	RMB'000	*RMB'000*
Listed securities:		
Equity securities – HK	**74,395**	126,579
Equity securities – China	**1,165,931**	971,493
Market value of listed securities	**1,240,326**	1,098,072
Listed corporate bond	**–**	219,303
Unlisted equity instruments	**6,025,114**	4,046,279
	7,265,440	5,363,654
Less: non-current portion	**(1,896,354)**	(1,347,003)
Current portion	**5,369,086**	4,016,651

The fair value of listed securities is based on their current bid prices in an active market while the fair value of unlisted equity instruments is estimated by management using valuation techniques where applicable.

Changes in fair values of financial assets at fair value through profit or loss are recorded in "investment income and gains" in the consolidated income statement.

29. Restricted deposits, bank deposits, cash and cash equivalents

	As at December 31,	
	2017	2016
	RMB'000	*RMB'000*
Restricted deposits		
Deposits for guarantee business	**367,085**	327,387
Deposits for notes payables and borrowings	**268,941**	588,803
Other restricted deposits	**701,974**	958,273
Current portion	**1,338,000**	1,874,463
Bank deposits		
Matured between three to twelve months	**6,010,552**	10,900,422
Cash and cash equivalents		
Cash at bank and in hand	**31,510,244**	27,416,574
Money market funds	**692,233**	2,642,828
	32,202,477	30,059,402
Total	**39,551,029**	42,834,287
Maximum exposure to credit risk	**39,551,029**	42,834,287
Effective annual interest rates	**0%–7%**	0%–13.75%

30. Share-based payments

The Group operates several share-based payment schemes, including the long-term incentive program and share option plan administrated at Lenovo and the share award plan operated by the Company in exchange of services rendered by employees.

(a) Share-based payment plans of Lenovo

(i) Long-term incentive program

A performance-related long-term incentive program was approved by Lenovo on May 26, 2005 for the purpose of rewarding and motivating directors, executives and top-performing employees of Lenovo and its subsidiaries (the "Participants").

The long-term incentive program is designed to enable Lenovo to attract and retain the best available personnel, and encourage and motivate Participants to work towards enhancing the value of Lenovo and its shares by aligning their interests with those of the shareholders of Lenovo.

Under the long-term incentive program, Lenovo may grant awards, at its discretion, using any of the two types of equity-based compensation: (i) share appreciation rights and (ii) restricted share units, which are described below:

(i) Share Appreciation Rights ("SARs")

An SAR entitles the holder to receive the appreciation in value of Lenovo's share price above a predetermined level.

(ii) Restricted Share Units ("RSUs")

An RSU equals to the value of one ordinary share of Lenovo. Once vested, an RSU is converted to an ordinary share.

Under the two types of compensation, Lenovo reserves the right, at its discretion, to pay the award in cash or ordinary shares of Lenovo.

Lenovo has launched an employee share purchase plan ("Plan") in October 2016. The purpose of the Plan is to facilitate and encourage Lenovo share ownership by the general employee population. Under the Plan, eligible employees will be awarded one matching restricted share unit for every four ordinary shares of Lenovo purchased through qualified employee contributions. The matching restricted share unit are subject to a vesting schedule of up to two years. Executive and non-executive directors and senior management of the Lenovo are not eligible to participate in the Plan.

30. Share-based payments (Continued)

(a) Share-based payment plans of Lenovo (Continued)

(i) Long-term incentive program (Continued)

Movements in the number of units of awards granted for the year ended December 31, 2016 and 2017 and their related weighted average fair values are as follows:

	Number of units	
	SARs	RSUs
Outstanding as at January 1, 2016	315,491,000	254,142,000
Granted during the year	454,624,265	294,628,528
Vested during the year	(103,963,836)	(117,622,903)
Lapsed/cancelled during the year	(56,418,507)	(53,647,872)
Outstanding as at December 31, 2016	609,732,922	377,499,753
Granted during the year	**470,561,676**	**299,399,413**
Vested during the year	**(244,859,998)**	**(139,543,561)**
Lapsed/cancelled during the year	**(100,338,865)**	**(62,821,732)**
Outstanding as at December 31, 2017	**735,095,735**	**474,533,873**
Average fair value per unit (HKD)		
At December 31, 2017	**1.07**	**5.54**
At December 31, 2016	1.40	6.60

The fair values of the SARs awarded under the long-term incentive program were calculated by applying a Black-Scholes pricing model. For the year ended December 31, 2017 and 2016, the model inputs were the fair value (i.e. market value) of the Lenovo's shares at the grant date, taking into account the expected volatility of 34.04% and 37.06%, expected dividends rate during the vesting periods of 5.59% and 2.74%, contractual life of 4.5 years and 4.5 years, and a risk-free interest rate of 0.94% and 0.70%.

As at December 31, 2017 and 2016, the average remaining vesting period of the awards granted under the above long-term incentive plans for Lenovo is 1.95 years and 2.16 years.

30. Share-based payments (Continued)

(b) Share incentive plan of the Company

(i) Share incentive plan in 2011

The Company approved and implemented a share-based payment plan in 2011, under which the Company's shareholder China Oceanwide Holdings Group Co., Ltd, (中國泛海控股集團有限公司)(the "China Oceanwide") would transfer certain shares in the Company to the Company's employees in 2011, representing 18.50% of the total issued and outstanding shares at February 18, 2014 upon conversion of the Company into a joint stock limited company, as if such shares had been outstanding for all periods. The related consideration for purchasing the shares will be paid to China Oceanwide by the employees within three years as an interest free loan.

A portion representing 17.14% of the total issued and outstanding shares of the Company was granted to certain qualified employees in 2011, at a price of RMB6.23 per share while the rest of 1.36% of the total issued and outstanding shares were granted to employees in 2013 at a price of RMB9.25 per share.

A part of awards granted to eligible employees were vested immediately upon the grant, a part of awards will be vested on the date of Initial Public Offering, and the others are conditional on the employees completing requisite service period.

These awards are classified as equity-settled share-based payment.

Movements in the number of shares granted for the year ended December 31, 2017 and 2016 are as follows:

	Number of shares
Outstanding as at January 1, 2016	14,574,000
Granted during the year	–
Exercised during the year	(5,111,000)
Forfeited during the year	–
Outstanding as at December 31, 2016	9,463,000
Granted during the year	**–**
Exercised during the year	**(5,111,000)**
Forfeited during the year	**–**
Outstanding as at December 31, 2017	**4,352,000**

The remaining service period of the awards granted under the Company's above incentive plan as at December 31, 2017 and 2016 is 1.67 years and 1.80 years, respectively.

30. Share-based payments (Continued)

(b) Share incentive plan of the Company (Continued)

(ii) Share options plan in 2016

In order to establish and enhance the restricted mechanism for incentive scheme in the medium and long run, fully motivate elite and employees of the Company and attract and retain core value creators (the "Plan Participants"), annual general meeting of the Company voted and approved the restricted stock incentive plan(the "Plan") by special resolution on June 2, 2016. According to the Plan, the Company will entrust the custodian to purchase no more than 20 million H shares of the Company in the market as an incentive target, which is valid for 5 years.

The Plan Participants do not required to make any cash contribution when the shares are granted. The ownership will be attributed to the Plan Participants after the company's strategic moments (2018 and 2020) respectively.

For the year ended December 31, 2017 and 2016, the Company entrusted the custodian to purchase 3,151,300 shares and 16,048,700 shares of the Company from the market at a total consideration of approximately RMB58 million and RMB270 million, which would be deducted from "shares held for restricted share scheme" under Reserves. The shares are held by a trust.

Movement in the number of shares granted for the year ended December 31, 2017 and 2016 are as follows:

	Number of shares
Outstanding as at January 1, 2016	–
Granted during the year	8,722,000
Exercised during the year	–
Forfeited during the year	–
Outstanding as at December 31, 2016	8,722,000
Granted during the year	**3,259,000**
Exercised during the year	**–**
Forfeited during the year	**–**
Outstanding as at December 31, 2017	**11,981,000**

The remaining service period of the awards granted under the Company's above incentive plan as at December 31, 2017 and 2016 is 1.87 years and 2.84 years, respectively.

30. Share-based payments (Continued)

(c) For the year ended December 31, 2017 and 2016, the share-based payment expenses of RMB1,351 million and RMB1,238 million were recognised in the consolidated income statement.

31. Share Capital

Ordinary shares issued and fully paid

	2017		2016	
	Number of shares	**Share capital**	Number of shares	Share capital
	'000	***RMB'000***	*'000*	*RMB'000*
At the beginning and end of the year	**2,356,231**	**2,356,231**	2,356,231	2,356,231

32. Perpetual Securities

During the year, Lenovo issued a total of US$1,000 million perpetual securities through its wholly owned subsidiary, Lenovo Perpetual Securities Limited ("the issuer"). The net proceed amounted to approximately US$991 million. The securities are perpetual, non-callable in the first 5 years and entitle the holders to receive distributions at a distribution rate of 5.375% per annum in the first 5 years, floating thereafter and with a fixed step up margin, payable semi-annually in arrears, cumulative and compounding. The distributions are at the Lenovo's discretion, if the issuer and Lenovo as guarantor of the securities, do not (a) declare or pay dividends to their shareholders or (b) cancel or reduce their share capital within each distribution payment period. As the perpetual securities do not contain any contractual obligation to pay cash or other financial assets, they are classified as equity and for accounting purpose regarded as part of non-controlling interests.

33. Trade and notes payables

	As at December 31,	
	2017	2016
	RMB'000	*RMB'000*
Trade payables	**50,156,698**	43,836,895
Notes payables	**6,573,917**	5,397,097
	56,730,615	49,233,992

At December 31, 2017 and 2016, the ageing analyses of the trade payables based on invoice date were as follows:

	As at December 31,	
	2017	2016
	RMB'000	*RMB'000*
0–30 days	**29,309,811**	24,303,028
31–60 days	**11,547,934**	12,169,486
61–90 days	**7,342,832**	5,444,328
91 days–1 year	**1,866,736**	1,879,918
Over 1 year	**89,385**	40,135
	50,156,698	43,836,895

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

34. Deferred revenue

Deferred revenue are advance received for extend warranty from our customers in IT segment.

35. Other payables and accruals

	As at December 31,	
	2017	2016
	RMB'000	*RMB'000*
Payable to parts subcontractors	**34,041,397**	35,131,133
Allowance for billing adjustment *(i)*	**12,014,584**	11,699,646
Accrued expenses	**10,390,253**	10,230,639
Payroll payable	**3,066,244**	2,939,559
Other taxes payable	**2,344,168**	1,786,792
Amounts due to related parties *(ii)*	**376,136**	552,461
Deposits payable	**873,689**	477,747
Royalty payable	**702,400**	769,008
Social security payable	**632,321**	732,498
Deferred consideration *(iii)*	**507,442**	10,474,978
Written put option liability *(iv)*	**1,470,855**	1,547,992
Interest payable	**643,850**	605,760
Loans from third parties	**1,297,407**	1,109,643
Transferred loans to be redeemed	**5,131,208**	5,584,850
Asset management program	**1,705,423**	1,436,000
Others	**3,174,323**	2,709,648
	78,371,700	87,788,354

(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, 2017, the amounts due to related parties are unsecured and uninterested. As at December 31, 2016, RMB281 million of amounts due to related parties was unsecured, bearing interest rate from 6.50% to 8.00%. The remaining balance is unsecured and interest-free payables.

(iii) Pursuant with the completion of business combinations, the Group is required to pay in cash to the respective sellers deferred consideration. Accordingly, current and non-current liabilities in respect of the present values of deferred considerations have been recognised as current and non-current liabilities. The deferred consideration to Google. Inc has been settled in this period.

(iv) 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 put and call 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 maximum exercise price for the call and put options is approximately USD750 million.

The financial liability that may become payable under the put option is initially recognized 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 recognized in the condensed consolidated income statement. In the event that the put option lapses unexercised, the liability will be derecognized with a corresponding adjustment to equity.

36. Advances from customers

Advances from customers represent amounts received from sale of inventories, where the risks and rewards of the inventories sold had not yet been transferred as at year-end.

37. Other non-current liabilities

	As at December 31,	
	2017	2016
	RMB'000	*RMB'000*
Deferred considerations *(i)*	**163,825**	173,924
Government incentives and grants received in advance *(ii)*	**807,789**	1,164,597
Unfavourable lease contracts assumed	**445,532**	514,076
Long-term payables	**1,948,834**	1,577,309
Others	**624,999**	670,140
	3,990,979	4,100,046

(i) In connection with certain business combinations, the Group is required to pay in cash to the respective shareholders/sellers deferred considerations with reference to certain performance indicators as written in the respective agreements with those then shareholders/sellers. Accordingly, non-current liabilities in respect of the present values of deferred considerations have been recognized. Deferred consideration is subsequently measured at amortised cost.

As at December 31, 2017 and 2016, the potential undiscounted amounts of future payments in respect of the deferred considerations that the Group could be required to make to the respective shareholders/sellers under the arrangements are as follows:

	As at December 31,	
	2017	2016
Joint venture with NEC Corporation	**USD25 million**	USD25 million

(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.

38. Borrowings

	As at December 31,	
	2017	2016
	RMB'000	*RMB'000*
Bank loans		
– Unsecured loans	**14,200,259**	21,032,644
– Guaranteed loans	**19,586,428**	15,663,020
– Collateralised loans	**3,850,572**	3,214,646
Other loans		
– Unsecured loans	**2,343,215**	30,000
– Guaranteed loans	**7,286,570**	7,954,505
– Collateralised loans	**1,843,145**	1,042,651
Corporate bonds *(i)*		
– Unsecured	**37,973,286**	32,948,267
– Guaranteed	**494,130**	783,897
	87,577,605	82,669,630
Less: current portion	**(23,123,530)**	(26,153,409)
Non-current portion	**64,454,075**	56,516,221

As at December 31, 2017 and 2016, the carrying value of the borrowings approximates their fair value.

38. Borrowings (Continued)

(i) The information about corporate bonds issued as of December 31, 2017 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
The Company	Private placement bonds	RMB	October 29, 2015	3 years	1,000,000
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
The Company	Private placement bonds	RMB	November 28, 2016	3 years	3,000,000
The Company	Corporate bonds	RMB	July 5, 2017	5 years	2,500,000
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
Lenovo	Long term notes	USD	March 16, 2017	5 years	500,000
Zhengqi Financial	Guaranteed bonds *(i)*	RMB	September 16, 2015	3 years	500,000
Zhengqi Financial	Corporate bonds	RMB	March 3, 2016	3 years	400,000
Zhengqi Financial	Corporate bonds	RMB	September 22, 2017	3 years	300,000
JC Finance & Leasing	Asset backed securities *(ii)*	RMB	November 17, 2016	2–3 years	527,472
JC Finance & Leasing	Private placement bonds	RMB	March 28, 2017	3 years	500,000
JC Finance & Leasing	Asset backed securities *(ii)*	RMB	June 23, 2017	3–4 years	1,202,437
JC Finance & Leasing	Private placement bonds	RMB	December 22, 2017	2 years	100,000

(i) The guaranteed bonds issued by Zhengqi Financial are secured by the Company.

(ii) The asset backed securities packages issued by JC Financial & Leasing in 2017 ("2017 package") and 2016 ("2016 package") included multiple bonds. The principle amounts of the two packages on issuance dates amounted to RMB1,488 million and RMB830 million respectively. RMB286 million of 2017 package and RMB303 million of 2016 package were paid in 2017.

The annual interest rates of the above bonds are from 3.3% to 7.2%.

38. Borrowings (Continued)

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

	As at December 31,	
	2017	2016
Bank loans	**1.66%–9.00%**	1.28%–8.50%
Other loans	**5.48%–9.50%**	5.48%–9.50%

(b) Borrowings are repayable as follows:

	As at December 31,	
	2017	2016
	RMB'000	*RMB'000*
Within 1 year	**23,123,530**	26,153,409
After 1 year but within 2 years	**25,707,032**	15,269,157
After 2 years but within 5 years	**36,351,512**	36,306,545
After 5 years	**2,395,531**	4,940,519
	87,577,605	82,669,630

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

	As at December 31,	
	2017	2016
	RMB'000	*RMB'000*
RMB	**67,652,871**	61,784,874
USD	**19,619,100**	20,743,052
HKD	**264,892**	116,625
Others	**40,742**	25,079
	87,577,605	82,669,630

39. Deferred income tax

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	As at December 31,	
	2017	2016
	RMB'000	*RMB'000*
Deferred tax assets:		
Recovered after 12 months	**6,016,959**	5,492,853
Recovered within 12 months	**3,655,038**	3,566,827
	9,671,997	9,059,680
Deferred tax liabilities:		
Recovered after 12 months	**(4,809,127)**	(4,676,491)
Deferred tax assets-net	**4,862,870**	4,383,189

The net amount of the deferred income tax account is as follows:

	As at December 31,	
	2017	2016
	RMB'000	*RMB'000*
At beginning of the year	**4,383,189**	1,813,110
Acquisition of subsidiaries	**(9,299)**	119,362
Credited to the income statement	**488,790**	2,324,280
– Continuing operations	**488,790**	2,393,953
– Discontinued operations	**–**	(69,673)
Credited to other comprehensive income	**363,934**	213,796
Disposal of subsidiaries	**4,819**	(49,558)
Disposal of discontinued operations	**–**	(348,969)
Exchange adjustment	**(368,563)**	311,168
At end of the year	**4,862,870**	4,383,189

39. Deferred Income tax (Continued)

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax liabilities	Fair value gains-investment properties	Fair value gains-financial assets	Fair value gains-associates	Temporary differences related to undistributed earnings of subsidiaries	Assets valuation *(i)*	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2016	1,889,968	850,597	485,217	477,097	1,229,578	531,475	5,463,932
Acquisition of subsidiaries	–	–	–	–	10,500	–	10,500
Charged/(credited) to the income statement	107,201	77,655	(18,741)	52,514	(131,423)	(41,870)	45,336
Charged/(credited) to other comprehensive income	30,938	(272,540)	–	–	–	27,806	(213,796)
Disposal of subsidiaries	–	–	–	–	–	(10,094)	(10,094)
Disposal of discontinued operations	(66,144)	–	–	–	–	(62)	(66,206)
Exchange adjustment	–	(54,066)	–	(10,581)	44,378	110,497	90,228
At December 31, 2016	1,961,963	601,646	466,476	519,030	1,153,033	617,752	5,319,900
Acquisition of subsidiaries	**–**	**300**	**–**	**–**	**8,999**	**–**	**9,299**
Charged/(credited) to the income statement	**231,479**	**139,623**	**130,657**	**194,487**	**(15,957)**	**22,032**	**702,321**
Charged/(credited) to other comprehensive income	**30,660**	**(380,198)**	**–**	**–**	**–**	**(17,019)**	**(366,557)**
Disposal of subsidiaries	**–**	**–**	**–**	**–**	**(4,819)**	**–**	**(4,819)**
Exchange adjustment	**–**	**(5,067)**	**–**	**(30,542)**	**(67,464)**	**(165,666)**	**(268,739)**
At December 31, 2017	**2,224,102**	**356,304**	**597,133**	**682,975**	**1,073,792**	**457,099**	**5,391,405**

(i) Assets valuation included valuation gain on property, plant and equipment, land use rights and intangible assets arising from initial recognition in business combination.

39. Deferred income tax (Continued)

Deferred tax assets	Provision and accruals RMB'000	Tax losses RMB'000	Deferred revenue RMB'000	Others RMB'000	Total RMB'000
At January 1, 2016	3,060,614	3,241,501	711,077	263,850	7,277,042
Acquisition of subsidiaries	129,862	–	–	–	129,862
(Charged)/credited to the income statement	(597,954)	2,851,340	133,640	(17,410)	2,369,616
Disposal of subsidiaries	(157)	(59,495)	–	–	(59,652)
Disposal of discontinued operations	(280,085)	(127,518)	–	(7,572)	(415,175)
Exchange adjustment	52,747	228,052	81,420	39,177	401,396
At December 31, 2016	2,365,027	6,133,880	926,137	278,045	9,703,089
Credited/(charged) to the income statement	**1,598,523**	**107,565**	**(489,620)**	**(25,357)**	**1,191,111**
Charged to other comprehensive income	**(2,623)**	**–**	**–**	**–**	**(2,623)**
Exchange adjustment	**(580,687)**	**(1,971)**	**45,246**	**(99,890)**	**(637,302)**
At December 31, 2017	**3,380,240**	**6,239,474**	**481,763**	**152,798**	**10,254,275**

Deferred income tax assets are recognised for deductible temporary differences and tax losses carried forward to the extent that realization of the related tax benefit through the future taxable profits is probable.

At December 31, 2017 and 2016, the Group did not recognise deferred income tax assets in respect of deductible temporary differences of approximately RMB8,359 million and RMB13,396 million and tax losses of approximately RMB19,644 million and RMB18,845 million that can be carried forward against future taxable income, of which tax losses of RMB11,298 million and RMB13,353 million can be carried forward indefinitely. The balances of tax losses will expire as follows:

	Year ended December 31,	
	2017 *RMB'000*	2016 *RMB'000*
Expiring in		
– within 1 year	**326,108**	37,210
– 1 to 2 years	**463,866**	1,368,767
– 2 to 3 years	**870,257**	778,790
– 3 to 4 years	**3,116,531**	834,523
– Over 4 years	**14,866,853**	15,825,211
	19,643,615	18,844,501

40. Retirement benefit obligations

The Group's retirement benefit obligations are related to IT operating segment.

	As at December 31,	
	2017	2016
	RMB'000	*RMB'000*
Pension obligation included in non-current liabilities		
Pension benefits *(a)*	**2,403,298**	2,621,020
Post-employment medical benefits *(b)*	**170,569**	169,909
	2,573,867	2,790,929
Expensed in income statement		
Pension benefits *(Note 9)*	**108,538**	129,472
Post-employment medical benefits *(Note 9)*	**6,529**	10,102
	115,067	139,574
Remeasurements for		
Defined pension benefits	**264,320**	(269,443)
Post-employment medical benefits	**(1,412)**	(2,289)
	262,908	(271,732)

The Group operates a sectionalized plan that has both defined contribution and defined benefit features in Germany, including benefits based on a final pay formula. This plan is closed to new entrants. Following the acquisition of Motorola and System X in 2014, the Group assumed approximately RMB1,087 million of defined benefit obligations in Germany. The defined benefit plan for Motorola's employees in Germany contains less than 20 active employees but a large number of retirees and former employees with benefits which have vested, but where payment will be deferred until they retire. The Group's largest pension liabilities are now in Germany.

The Group continues to maintain significant pension liabilities in Japan where a cash balance benefit is provided for substantially all employees.

In the United States, the defined benefit plan is closed to new entrants, and now covers only 2% of employees. There is also a supplemental defined benefit plan that covers certain executives.

The Group also operates final salary defined benefit plans in a number of countries as a result of past acquisition. The Group's major plans are valued by qualified actuaries annually using the projected unit credit method.

40. Retirement benefit obligations (Continued)

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income in the period they arise.

(a) Pension benefits

The amounts recognised in the consolidated balance sheet are determined as follows:

	As at December 31,	
	2017	2016
	RMB'000	*RMB'000*
Present value of funded obligations	**3,562,485**	3,753,870
Fair value of plan assets	**(2,094,218)**	(1,830,647)
Deficit of funded plans	**1,468,267**	1,923,223
Present value of unfunded obligations	**935,031**	697,797
Liability in the balance sheet	**2,403,298**	2,621,020
Representing:		
Pension benefits obligation	**2,403,298**	2,621,020

The principal actuarial assumptions used were as follows:

	As at December 31,	
	2017	2016
Discount rate	**0.75%–3.00%**	0.5%–3.25%
Future salary increases	**0%–3.1%**	0%–3%
Future pension increases	**0%–2%**	0%–2%
Life expectancy for male aged 60	**27**	27
Life expectancy for female aged 60	**28**	29

40. Retirement benefit obligations (Continued)

(a) Pension benefits (Continued)

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions are as below:

	Year ended December 31, 2017 Impact on defined benefit obligation		
	Change in assumption	**Increase in assumption**	**Decrease in assumption**
Discount rate	**0.5%**	**Decrease by 10.46%**	**Increase by 12.17%**
Salary growth rate	**0.5%**	**Increase by 1.16%**	**Decrease by 1.11%**
Pension growth rate	**0.5%**	**Increase by 7.92%**	**Decrease by 7.71%**
		Increase by 1 year in assumption	**Decrease by 1 year in assumption**
Life expectancy		**Increase by 3.8%**	**Decrease by 3.39%**

	Year ended December 31, 2016 Impact on defined benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.5%	Decrease by 10.8%	Increase by 12.7%
Salary growth rate	0.5%	Increase by 2.0%	Decrease by 2.0%
Pension growth rate	0.5%	Increase by 7.4%	Decrease by 6.7%
		Increase by 1 year in assumption	Decrease by 1 year in assumption
Life expectancy		Increase by 3.9%	Decrease by 4.0%

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change for the year ended December 31, 2017 and 2016.

40. Retirement benefit obligations (Continued)

(b) Post-employment medical benefits

The Group operates a number of post-employment medical benefit schemes, principally in the US. The method of accounting, assumptions and the frequency of valuations are similar to those used for defined benefit pension schemes.

The US plan (Lenovo Future Health Account and Retiree Life Insurance Program) is currently funded by a trust that qualifies for tax exemption under US tax law, out of which benefits to eligible retirees and dependents will be made.

As post-employment medical benefits plan made no agreements on future benefit level changes, the changes in future medical cost trend rates have no effect on the liabilities for post-employment medical benefits.

The amounts recognised in the consolidated balance sheet are determined as follows:

	As at December 31,	
	2017	2016
	RMB'000	*RMB'000*
Present value of funded obligations	**185,349**	189,604
Fair value of plan assets	**(24,411)**	(29,978)
Deficit of funded plans	**160,938**	159,626
Present value of unfunded obligations	**9,631**	10,283
Liability in the balance sheet	**170,569**	169,909

40. Retirement benefit obligations (Continued)

(c) Additional information on post-employment benefits (pension and medical)

Percentage of fair value of the plan assets are analysed below:

	2017			2016		
	Quoted	**Unquoted**	**Total**	Quoted	Unquoted	Total
Pension						
Equity instruments						
– Information technology	**0.25%**	**–**	**0.10%**	1.51%	–	0.66%
– Energy	**0.01%**	**–**	**0.00%**	0.28%	–	0.12%
– Manufacturing	**0.24%**	**–**	**0.10%**	2.96%	–	1.30%
– Others	**10.89%**	**–**	**4.35%**	3.70%	–	1.61%
	11.39%	**–**	**4.55%**	8.45%	–	3.69%
Debt instruments						
– Government	**36.55%**	**–**	**14.63%**	38.85%	–	17.04%
– Corporate bonds (investment grade)	**30.24%**	**–**	**12.11%**	35.84%	–	15.72%
– Corporate bonds (non-investment grade)	**9.76%**	**–**	**3.91%**	1.06%	–	0.47%
	76.55%	**–**	**30.65%**	75.75%	–	33.23%
Property	**–**	**0.25%**	**0.15%**	–	9.03%	5.07%
Qualifying insurance policies	**–**	**20.87%**	**12.52%**	–	35.57%	19.97%
Cash and cash equivalents	**12.06%**	**–**	**4.84%**	15.80%	–	6.94%
Investment funds	**–**	**14.37%**	**8.61%**	–	21.50%	12.07%
Others	**–**	**64.51%**	**38.68%**	–	33.90%	19.03%
	12.06%	**100.00%**	**64.80%**	15.80%	100.00%	63.08%
	100.00%	**100.00%**	**100.00%**	100.00%	100.00%	100.00%
Medical Plan						
– Cash and cash equivalents	**100.00%**	**–**	**100.00%**	100.00%	–	100.00%

The long-term strategic asset allocations of the plans are set and reviewed from time to time by the plans' trustees taking into account the membership and liability profile, the liquidity requirements of the plans.

40. Retirement benefit obligations (Continued)

(c) Additional information on post-employment benefits (pension and medical) (Continued)

For the year ended December 31, 2017 and 2016, the weighted average duration of the defined benefit obligation is 12 years and 15 years respectively.

Pension and medical plan assets do not include any of the Company's ordinary shares or US real estate occupied by the Group for the year ended December 31, 2017 and 2016.

Reconciliation of fair value of plan assets of the Group:

	As at December 31,	
Pension	**2017**	2016
	RMB'000	*RMB'000*
Opening fair value	**1,830,647**	1,760,257
Exchange adjustment	**268,148**	93,833
Interest income	**35,323**	40,678
Actuarial losses	**(38,927)**	(38,619)
Contributions by the employer	**133,641**	113,913
Contributions by plan participants	**3,839**	4,080
Benefits paid	**(138,453)**	(143,495)
Closing fair value	**2,094,218**	1,830,647
Actual return on plan assets	**(3,604)**	2,059

	As at December 31,	
Medical	**2017**	2016
	RMB'000	*RMB'000*
Opening fair value	**29,978**	37,660
Exchange adjustment	**(1,471)**	233
Interest income	**635**	577
Actuarial losses	**(1,757)**	(836)
Contributions by the employer	**277**	139
Benefits paid	**(3,251)**	(7,795)
Closing fair value	**24,411**	29,978
Actual return on plan assets	**(1,122)**	(259)

Contribution of RMB53.20 million are estimated to be made for the year ending December 31, 2018.

40. Retirement benefit obligations (Continued)

(c) Additional information on post-employment benefits (pension and medical) (Continued)

Reconciliation of movements in present value of defined benefit obligations of the Group:

Pension	As at December 31, 2017 RMB'000	2016 RMB'000
Opening defined benefit obligation	**4,451,667**	4,096,468
Exchange adjustment	**345,088**	95,850
Current service cost	**96,114**	114,143
Past service cost	**(11,497)**	(13,082)
Interest cost	**61,204**	74,517
Actuarial (gains)/losses	**(303,247)**	230,824
Contributions by plan participants	**3,839**	4,080
Benefits paid	**(143,692)**	(145,705)
Curtailments	**(1,960)**	(5,428)
Closing defined benefit obligation	**4,497,516**	4,451,667

Medical	As at December 31, 2017 RMB'000	2016 RMB'000
Opening defined benefit obligation	**199,887**	196,927
Exchange adjustment	**(8,421)**	(1,330)
Current service cost	**2,481**	4,098
Interest cost	**4,758**	6,812
Actuarial (gains)/losses	**(345)**	1,453
Benefits paid	**(3,305)**	(7,842)
Curtailments	**(75)**	(231)
Closing defined benefit obligation	**194,980**	199,887

For the year ended December 31, 2017 and 2016, benefit of RMB5.2 million and RMB5.3 million were paid directly by the Group.

40. Retirement benefit obligations (Continued)

(c) Additional information on post-employment benefits (pension and medical) (Continued)

The amounts recognised in the consolidated income statement were as follows:

	As at December 31,	
Pension	**2017**	2016
	RMB'000	*RMB'000*
Current service cost	**96,114**	114,143
Past service cost	**(11,497)**	(13,082)
Interest cost	**61,204**	74,517
Interest income	**(35,323)**	(40,678)
Curtailment gains	**(1,960)**	(5,428)
Total expense recognised in the consolidated income statement	**108,538**	129,472

	As at December 31,	
Medical	**2017**	2016
	RMB'000	*RMB'000*
Current service cost	**2,481**	4,098
Interest cost	**4,758**	6,812
Interest income	**(635)**	(577)
Curtailment gains	**(75)**	(231)
Total expense recognized in the consolidated income statement	**6,529**	10,102

40. Retirement benefit obligations (Continued)

(c) Additional information on post-employment benefits (pension and medical) (Continued)

Summary of pensions and post-retirement medical benefits of the Group:

	Year ended December 31, 2017 RMB'000	2016 RMB'000
Present value of defined benefit obligations	**4,692,496**	4,651,554
Fair value of plan assets	**(2,118,629)**	(1,860,625)
Deficit	**2,573,867**	2,790,929
Actuarial losses arising on plan assets	**(40,684)**	(39,455)
Actuarial gains/(losses) arising on plan liabilities	**303,592**	(232,277)
	262,908	(271,732)

41. Provisions

	Warranties RMB'000	Environmental restoration RMB'000	Restructuring RMB'000	Financial guarantee RMB'000	Total RMB'000
As at January 1, 2017	**7,878,539**	**57,348**	**861,929**	**108,462**	**8,906,278**
Provision made	**5,728,297**	**64,144**	**513,622**	**10,573**	**6,316,636**
Amount utilised	**(6,223,063)**	**(64,029)**	**(906,814)**	**(10,186)**	**(7,204,092)**
Exchange adjustment	**(289,036)**	**2,920**	**(24,438)**	**–**	**(310,554)**
At end of the year	**7,094,737**	**60,383**	**444,299**	**108,849**	**7,708,268**
Non-current portion	**(1,855,928)**	**(43,524)**	**–**	**–**	**(1,899,452)**
As at December 31, 2017	**5,238,809**	**16,859**	**444,299**	**108,849**	**5,808,816**
As at January 1, 2016	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

41. Provisions (Continued)

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. Lenovo records its restructuring costs provision when it has a present legal or constructive obligation as a result of restructuring actions.

42. Dividends

The dividends paid in 2017 and 2016 were RMB570 million (RMB0.242 per share) and RMB518 million (RMB0.22 per share) respectively. A dividend in respect of the year ended 31 December 2017 of RMB0.27 per share, amounting to a total dividend of RMB636 million, is to be proposed at the forthcoming 2017 annual general meeting. These financial statements do not reflect this dividend payable.

43. Cash generated from operations

(a) Cash generated from operations

	Year ended December 31,	
	2017	2016
	RMB'000	*RMB'000*
Profit before income tax from continuing operations	**7,431,880**	8,138,759
Adjustments for:		
Impairment loss for non-current assets *(Note 8)*	**176,552**	92,579
Impairment loss on bad debts *(Note 8)*	**853,450**	566,239
Inventory write-down *(Note 8)*	**269,028**	158,207
Depreciation of property, plant and equipment *(Note 17)*	**2,462,577**	2,380,015
Amortisation	**3,247,646**	3,220,100
Gains on disposal of property, plant and equipment and intangible assets *(Note 7)*	**(350,126)**	(2,207,296)
Fair value gains on investment properties *(Note 7)*	**(836,122)**	(344,017)
Fair value gains and dividend income from financial assets at fair value through profit or loss *(Note 6)*	**(1,350,427)**	(751,587)
Fair value gains and dividend income from associates measured at fair value through profit or loss *(Note 6)*	**(1,642,315)**	(840,514)
Finance costs – net *(Note 11)*	**3,652,247**	2,770,179
Gains on disposal/dilution of associates *(Note 6)*	**(2,160,909)**	(503,892)
Gains on disposal of available-for-sale financial assets *(Note 6)*	**(2,042,265)**	(944,723)
(Gains)/Losses on disposal of subsidiary *(Note 6)*	**(63,312)**	479,055
Dividend income from available-for-sale financial assets *(Note 6)*	**(354,673)**	(205,469)
Share-based payments *(Note 30(c))*	**1,350,774**	1,238,470
Share of profit of associates and joint ventures using equity accounting	**(1,074,656)**	(1,066,493)
Net foreign exchange losses/(gains)	**974,612**	(200,270)
Changes in working capital (excluding the effects of acquisition, disposal of discontinued operations and exchange differences on consolidation):		
Inventories and properties under development	**(8,009,784)**	(1,715,050)
Trade and other receivables	**(8,733,738)**	(9,106,830)
Trade and other payables	**4,403,894**	5,618,854
Cash generated from operating activities of continuing operations	**(1,795,667)**	6,776,316

43. Cash generated from operations (Continued)

(b) Net debt reconciliation

	As at December 31,	
	2017	2016
	RMB'000	*RMB'000*
Cash and cash equivalents	**32,202,477**	30,059,402
Borrowings – repayable within one year	**(23,123,530)**	(26,153,409)
Borrowings – repayable after one year	**(64,454,075)**	(56,516,221)
Net debt	**(55,375,128)**	(52,610,228)
Cash and cash equivalents	**32,202,477**	30,059,402
Gross debt – fixed interest rates	**(80,834,330)**	(73,403,781)
Gross debt – variable interest rates	**(6,743,275)**	(9,265,849)
Net debt	**(55,375,128)**	(52,610,228)

	Cash and cash equivalents	Borrowings due within 1 year	Borrowing due after 1 year	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Net debt as at 31 December 2016	30,059,402	(26,153,409)	(56,516,221)	(52,610,228)
Cash flows	**3,249,730**	**16,675,608**	**(23,881,184)**	**(3,955,846)**
Foreign exchange (losses)/gains	**(1,106,655)**	**573,118**	**1,724,483**	**1,190,946**
Other non-cash movements	**–**	**(14,218,847)**	**14,218,847**	**–**
Net debt as at 31 December 2017	**32,202,477**	**(23,123,530)**	**(64,454,075)**	**(55,375,128)**

44. Contingencies

	As at December 31,	
	2017	2016
	RMB'000	*RMB'000*
Financial guarantee of guarantee business *(a)*	**3,765,033**	3,750,843
Other guarantee *(b)*		
– Related parties *(Note 50(e))*	**1,923,420**	2,021,580
– Unrelated parties	**11,857,448**	6,506,500
	17,545,901	12,278,923

(a) Financial guarantee of guarantee business

Subsidiaries in financial service segment of the Group provide financial guarantees to small and medium-sized entities for their borrowings from certain banks and charge them guarantee fees accordingly. As at December 31, 2017 and 2016, the outstanding guarantee balance was RMB3,765 million and RMB3,751 million respectively. The Directors evaluate the financial position of the guaranteed entities and make provision accordingly. As at December 31, 2017 and 2016, the provision made by the Group was RMB109 million and RMB108 million respectively, which were included in "Provision" in the consolidated balance sheet.

(b) Other guarantee

As at December 31, 2017 and 2016, of the total guarantee balances provided to related parties and unrelated parties, approximately RMB13,781 million and RMB8,528 million had been withdrawn. The guarantee balances to unrelated parties are mainly related to real estate business, which was disposed in historic period, and the guaranteed companies provided counter guarantee correspondingly. The Board reviews the financial conditions of the guaranteed companies periodically and records provision when necessary. As at December 31, 2017 and 2016, no provision was recorded in relevant to the preceding guarantee.

45. Balance sheet and reserve movement of the Company

(a) Balance sheet of the Company

	As at December 31,	
	2017	2016
	RMB'000	*RMB'000*
ASSETS		
Non-current assets		
Property, plant and equipment	**41,859**	48,590
Intangible assets	**2,540**	2,031
Investments in subsidiaries	**25,224,153**	14,768,690
Associates using equity accounting	**6,214,333**	5,458,277
Associates measured at fair value through profit or loss	**404,940**	866,831
Deferred income tax assets	**31,874**	–
Available-for-sale financial assets	**319,189**	1,045,563
Other non-current assets	**1,148,141**	148,035
	33,387,029	22,338,017
Current assets		
Amounts due from subsidiaries	**9,129,063**	15,396,304
Amounts due from related parties	**922,071**	288,470
Prepayment, other receivables and other current assets	**466,875**	1,448,807
Financial assets at fair value through profit or loss	**334,910**	269,518
Bank deposit	**1,000,000**	5,705,995
Cash and cash equivalents	**10,298,515**	6,663,458
	22,151,434	29,772,552
Total assets	**55,538,463**	52,110,569
Share capital	**2,356,231**	2,356,231
Other reserves *(Note 45(b))*	**15,410,185**	15,508,826
Total equity	**17,766,416**	17,865,057

45. Balance sheet and reserve movement of the Company (Continued)

(a) Balance sheet of the Company (Continued)

	As at December 31,	
	2017	2016
	RMB'000	*RMB'000*
LIABILITIES		
Non-current liabilities		
Borrowings	**23,390,646**	19,356,074
Deferred income tax liabilities	**–**	219,702
Other non-current liabilities	**17,704**	22,525
	23,408,350	19,598,301
Current liabilities		
Amounts due to subsidiaries	**6,646,467**	1,348,201
Amounts due to related parties	**61,664**	19,364
Other payables and accruals	**464,387**	458,785
Current income tax liabilities	**32,648**	24,694
Borrowings	**7,158,531**	12,796,167
	14,363,697	14,647,211
Total liabilities	**37,772,047**	34,245,512
Total equity and liabilities	**55,538,463**	52,110,569
Net current assets	**7,787,737**	15,125,341
Total assets less current liabilities	**41,174,766**	37,463,358

The balance sheet of the Company was approved by the Board of Directors on March 27, 2018 and was signed on its behalf.

LIU Chuanzhi
Director

ZHU Linan
Director

45. Balance sheet and reserve movement of the Company (Continued)

(b) Movement of reserves of the Company

The changes in the reserves of the Company during the year ended December 31, 2017 and 2016 are as follows:

	The Company						
	Statutory surplus reserve *RMB'000*	Investment revaluation reserve *RMB'000*	Share-based compensation reserve *RMB'000*	Shares held for restricted share scheme *RMB'000*	Other reserve *RMB'000*	Retained earnings *RMB'000*	Total *RMB'000*
As at January 1, 2016	191,599	330,798	231,971	–	11,971,488	2,430,223	15,156,079
Profit for the year	–	–	–	–	–	1,253,437	1,253,437
Fair value changes on available-for-sale financial assets	–	(105,907)	–	–	–	–	(105,907)
Share of other comprehensive income of associates	–	(20,006)	–	–	–	–	(20,006)
Share of other reserve of associates	–	–	–	–	13,400	–	13,400
Purchase of restricted shares under share scheme *(Note30)*	–	–	–	(269,831)	–	–	(269,831)
Transfer to statutory surplus reserve	120,208	–	–	–	–	(120,208)	–
Dividends paid	–	–	–	–	–	(518,346)	(518,346)
As at December 31, 2016	311,807	204,885	231,971	(269,831)	11,984,888	3,045,106	15,508,826
Profit for the year	**-**	**-**	**-**	**-**	**-**	**687,121**	**687,121**
Fair value changes on available-for-sale financial assets	**-**	**25,427**	**-**	**-**	**-**	**-**	**25,427**
Reclassified to income statement on disposal of available-for-sale financial assets	**-**	**(195,520)**	**-**	**-**	**-**	**-**	**(195,520)**
Share of other comprehensive income of associates	**-**	**(41,988)**	**-**	**-**	**-**	**-**	**(41,988)**
Share of other reserve of associates	**-**	**-**	**-**	**-**	**(13,462)**	**-**	**(13,462)**
Share-based compensation *(Note30)*	**-**	**-**	**-**	**68,480**	**-**	**-**	**68,480**
Purchase of restricted shares under share scheme *(Note30)*	**-**	**-**	**-**	**(58,491)**	**-**	**-**	**(58,491)**
Transfer to statutory surplus reserve	**73,848**	**-**	**-**	**-**	**-**	**(73,848)**	**-**
Dividends paid	**-**	**-**	**-**	**-**	**-**	**(570,208)**	**(570,208)**
As at December 31, 2017	**385,655**	**(7,196)**	**231,971**	**(259,842)**	**11,971,426**	**3,088,171**	**15,410,185**

46. Benefits and interests of directors

(a) Directors', supervisors' and chief executive's emoluments

The remuneration of each director, supervisor, and the chief executive for the year ended December 31, 2017 is set out below:

Name	Fees *RMB'000*	Salaries *RMB'000*	Discretionary bonuses *RMB'000*	Share option and rewards *RMB'000*	Retirement payment and employer's contribution to pension schedule *RMB'000*	Other benefits *RMB'000*	Total *RMB'000*
Executive Director							
Mr. LIU Chuanzhi (柳傳志)	–	16,000	14,400	4,700	–	1,635	36,735
Mr. ZHU Linan (朱立南) *(Chief Executive)*	629	13,800	12,420	1,283	1,159	1,516	30,807
Mr. ZHAO John Huan (趙令歡)	629	–	–	1,283	–	–	1,912
Non-executive Director	–	–	–	–	–	–	–
Mr. WU Lebin (吳樂斌)	–	–	–	–	–	–	–
Mr. WANG Jin (王津)	–	–	–	–	–	–	–
Mr. LU Zhiqiang (盧志強)	–	–	–	–	–	–	–
Independent Non-executive Directors							
Mr. MA Weihua (馬蔚華)	300	–	–	–	–	–	300
Mr. ZHANG Xuebing (張學兵)	250	–	–	–	–	–	250
Ms. HAO Quan (郝荃)	300	–	–	–	–	–	300
Supervisors							
Mr. LI Qin (李勤)	–	–	–	–	–	–	–
Mr. SUO Jishuan (索繼栓)	–	–	–	–	–	–	–
Mr. QI Zixin (齊子鑫)	–	–	–	–	–	–	–
	2,108	29,800	26,820	7,266	1,159	3,151	70,304

46. Benefits and interests of directors (Continued)

(a) Directors', supervisors' and chief executive's emoluments (Continued)

The remuneration of each director, supervisor, and the chief executive for the year ended December 31, 2016 is set out below:

Name	Fees	Salaries	Discretionary bonuses	Share option and rewards	Retirement payment and employer's contribution to pension schedule	Other benefits	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive Director							
Mr. LIU Chuanzhi (柳傳志)	–	16,000	16,000	4,613	–	1,548	38,161
Mr. ZHU Linan (朱立南) *(Chief Executive)*	617	13,800	13,800	1,259	1,159	1,421	32,056
Mr. ZHAO John Huan (趙令歡)	617	–	–	1,259	–	–	1,876
Non-executive Director							
Mr. WU Lebin (吳樂斌)	–	–	–	–	–	–	–
Mr. WANG Jin (王津)	–	–	–	–	–	–	–
Mr. LU Zhiqiang (盧志強)	–	–	–	–	–	–	–
Independent Non-Executive Director							
Mr. Ma Weihua (馬蔚華)	300	–	–	–	–	–	300
Mr. Zhang Xuebing (張學兵)	250	–	–	–	–	–	250
Ms. Hao Quan (郝荃)	300	–	–	–	–	–	300
Supervisors							
Mr. LI Qin (李勤)	–	–	–	–	–	–	–
Mr. SUO Jishuan (索繼栓)	–	–	–	–	–	–	–
Mr. QI Zixin (齊子鑫)	–	–	–	–	–	–	–
	2,084	29,800	29,800	7,131	1,159	2,969	72,943

(b) Interest of Directors and Supervisors

During the year 2017 and 2016, Right Lane, a wholly-owned subsidiary of the Company and as the guarantor, entered into a facility agreement relating to a term loan facility with a maximum amount of USD100,000,000 with Well Faith Management Limited ("Well Faith"), an associate of the Company's director Mr. Zhao John Huan, and as the borrower, and the lenders, to provide a continuing corporate guarantee to secure the whole amount of such term loan in favour of the Banks. As a return, Well Faith has paid a guarantee fee to Right Lane. Other than the aforesaid, there are no loans, quasi-loans or other dealings in favor of directors or supervisors, their controlled bodies corporate and connected entities.

During the year and at the year end, no director or supervisor of the Company had or has a material interest, directly or indirectly, in any significant transactions, arrangements and contracts in relation to the Group's business to which the Group was or is a party (2016: nil).

47. 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,	
	2017	2016
	RMB'000	*RMB'000*
Property, plant and equipment	**1,504,011**	2,606,562
Intangible assets	**11,644**	11,465
Investments *(i)*	**15,376,901**	5,325,437
Total	**16,892,556**	7,943,464

(i) The Group commitments in respect of investments in certain funds. Investment commitments represent the portion of committed capital not yet called for payment. Besides, on September 1, 2017,Beyond Leap Limited (a wholly-owned subsidiary of the Company) (as the Purchaser), Precision Capital S.A. (as the Seller), Right Lane Limited (a wholly-owned subsidiary of the Company) (as the Guarantor) and the Company entered into the sale and purchase Agreement pursuant to which the Purchaser has conditionally agreed to purchase and the Seller has conditionally agreed to sell the 89.936% issued share capital of the Banque Internationale à Luxembourg S.A., for the consideration which shall be payable in cash; plus adjustment related to the profit and asset levels of the Bank.

(b) Operating lease commitments

The Group leases various retail outlets, offices and warehouses under non-cancellable operating lease agreements. The lease terms are between 5 and 10 years, and the majority of lease agreements are renewable at the end of the lease period at market rate.

The Group also leases various plant and machinery under cancellable operating lease agreements. The lease expenditure charged to the income statement during the year is disclosed in Note 8.

47. Commitments (Continued)

(b) Operating lease commitments (Continued)

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

	As at December 31,	
	2017	2016
	RMB'000	*RMB'000*
No later than 1 year	**434,134**	631,830
Later than 1 year and not later than 5 years	**2,417,583**	2,714,675
Later than 5 years	**4,041,904**	3,897,754
	6,893,621	7,244,259

48. Transactions with other non-controlling interests

(a) Acquisition of additional interests in subsidiaries

The effect of acquisition of additional interests in subsidiaries is summarised as follows:

	Year ended December 31,	
	2017	2016
	RMB'000	*RMB'000*
Carrying amount of non-controlling interests acquired	**623,189**	729,797
Consideration paid to non-controlling interests	**(1,003,765)**	(1,672,365)
Excess of consideration paid recognised within equity	**(380,576)**	(942,568)

During the year of 2017, the Company acquired all the issued shares from individual shareholders of Raycom Real Estate, and Joyvio Group, wholly-owned subsidiary of the Group increase its holdings of Joyvio Corporation. The excess of consideration paid is recognised within equity.

48. Transactions with other non-controlling interests (Continued)

(b) Disposal of interest in subsidiaries without loss of control

The effect of disposal of interests in subsidiaries is summarised as follows:

	Year ended December 31,	
	2017	2016
	RMB'000	*RMB'000*
Carrying amount of non-controlling interests disposed	**(145,085)**	(227,804)
Consideration received from non-controlling interests	**769,268**	228,528
Gain on disposal within equity	**624,183**	724

Effects of transactions with non-controlling interests on the equity attributable to owners of the Company for the year ended December 31, 2017 are as follows:

	Year ended December 31,	
	2017	2016
	RMB'000	*RMB'000*
Acquisition of additional interests in subsidiaries	**(380,576)**	(942,568)
Disposal of interests in subsidiaries without loss of control	**624,183**	724
Net effect in equity attributable to equity holders of the Company	**243,607**	(941,844)

49. Business combinations

In 2017, the major business combination activities are as follows:

On March 16, 2017, Joyvio Group, wholly-owned subsidiary of the Group, acquired 26.57% equity interests of Joyvio Agriculture. Joyvio Agriculture is engaged in domestic trading, processing and sale of seafood and other animal protein-related products.

On July 31, 2017, Right Lane Limited, a subsidiary of the company, acquired 51% equity interests of the Better Education. Better Education is engaged in kindergartens, early education, training center, publishing and teacher training.

49. Business combinations (Continued)

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

	Year ended December 31, 2017		
	Joyvio Agriculture *RMB'000*	Better Education *RMB'000*	Total *RMB'000*
Purchase consideration			
– Cash advances in previous years	1,100,000	–	1,100,000
– Cash paid	–	636,315	636,315
– Present value of deferred consideration	33,470	211,245	244,715
Total purchase consideration	1,133,470	847,560	1,981,030
Less: Fair value of net assets acquired	(55,843)	(256,610)	(312,453)
Goodwill	1,077,627	590,950	1,668,577

The goodwill is attributable to the expansibility and the high profitability of the acquired business. It will not be deductible for tax purposes.

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

	Year ended December 31, 2017		
	Joyvio Agriculture *RMB'000*	Better Education *RMB'000*	Total *RMB'000*
Cash and cash equivalents	46,413	61,829	108,242
Property, plant and equipment	138,506	97,701	236,207
Other non-current assets	31,835	3,749	35,584
Intangible assets *(i)*	16,389	453,806	470,195
Net working capital, except cash and cash equivalents	(6,491)	(98,741)	(105,232)
Non-current liabilities	(16,480)	(12,842)	(29,322)
Non-controlling interests	(154,329)	(248,892)	(403,221)
Fair value of net assets acquired	55,843	256,610	312,453

(i) The intangible assets are mainly composed of brand name, student base and favourable rent contracts.

49. Business combinations (Continued)

(c) Net cash outflow from acquisition of subsidiaries

	Year ended December 31, 2017		
	Joyvio Agriculture *RMB'000*	Better Education *RMB'000*	Total *RMB'000*
Purchase consideration settled in cash	–	636,315	636,315
Less: cash and cash equivalents in subsidiaries acquired	(46,413)	(61,829)	(108,242)
Acquisition of subsidiaries, net of cash (acquired)/paid	(46,413)	574,486	528,073

(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, 2017 was RMB777 million. The newly acquired businesses mentioned above also contributed an aggregated profit after taxation of RMB42 million over the same period. Had the newly acquired businesses mentioned above been consolidated from January 1, 2017, the beginning of the financial year, the consolidated income statement would not have significant impact on the income and profit after taxation of consolidated income statement.

The operation results of other newly acquired business does not have significant impact on the consolidated financial information for the year ended December 31, 2017.

50. Related party transactions

The Company does not have any ultimate controlling party. The general information and other related information of the subsidiaries is set out in Note 12.

(a) For the year ended December 31, 2017 and 2016, the principal related parties that had transactions with the Group are listed below:

	Relationship with the Group
Legend Shenzhen Science and Technology Park Limited (深圳市聯想科技園有限公司) ("Shenzhen Science and Technology Park")	Associate of the Group
Lakala Payment	Associate of the Group
Xinneng Fenghuang (Tengzhou) Energy Co., Ltd. (新能鳳凰(滕州)能源有限公司)	Associate of the Group
Hony Capital Investment Management (Tianjin) L.P. (弘毅投資管理(天津)(有限合夥))	Associate of the Group
IGRS Engineering Lab Limited (閃聯信息技術工程中心有限公司)	Associate of the Group
China Auto Rental (Beijing) Limited (北京神州汽車租賃有限公司) ("China Auto Rental") *(i)*	Associate of the Group
Legend Capital Co., Ltd. (君聯資本管理股份有限公司)	Associate of the Group
Shanghai Shiyun Network Technology Limited (上海視雲網絡科技有限公司)	Associate of the Group
Legend Capital Management Limited	Associate of the Group
Hankou Bank	Associate of the Group
Well Faith	Associate of the Group
Hony Capital Management Limited	Associate of the Group
Union Insurance	Associate of the Group
Golden Wing Mau	Associate of the Group
Social Touch (Beijing) Technology Development Co., Ltd. (時趣互動(北京)科技有限公司) ("Social Touch")	Associate of the Group
City Magic Investments Limited	Associate of the Group
Hony Shenzhen 2015	Associate of the Group
Hefei Zhiran Real Estate Company (合肥質然房地產開發有限公司) ("Hefei Zhiran")	Associate of the Group

(i) China Auto Rental is a subsidiary of CAR.

50. Related party transactions (Continued)

(b) Significant related party transactions

The following is a summary of significant related party transactions entered into in the ordinary course of business between the Group and its related parties for the year ended December 31, 2017 and 2016:

	Year ended December 31,	
	2017	2016
	RMB'000	*RMB'000*
Purchase of goods from		
– Associates	**1,169,369**	1,056,381
Sale of goods to		
– Associates	**–**	2,412
Services received from		
– Associates	**7,192**	38,883
Rendering of services to		
– Associates	**54,738**	46,709
Loan provided by		
– Associates	**165,093**	80,405
Loan provided to *(ii)*		
– Associates	**2,941,741**	1,286,267
Interest income from		
– Associates	**92,225**	94,074
Interest expenses to		
– Associates	**16,374**	23,386
Sale of equity investment to		
– Associates	**963,776**	–
Purchase of equity investment from		
– Associates	**–**	1,444,010

(ii) For the year ended December 31, 2017, the Group made a loan to Hefei Zhiran with an amount of RMB1,970 million, and annum interest rate is 7%. RMB1,760 million of the loan has been repaid in 2017.

50. Related party transactions (Continued)

(c) Year-end balances due from/to related party

	As at December 31,	
	2017	2016
	RMB'000	*RMB'000*
Trade and notes receivables		
– Associates	**35**	–
Prepayment, other receivables and other current assets *(iii)*		
– Associates	**1,514,486**	1,160,217
Borrowings		
– Associates	**34,318**	173,692
Current portion of non-current liabilities		
– Associates	**151,104**	99,275
Trade and notes payables		
– Associates	**601**	–
Advance from client		
– Associates	**941**	960
Other payables and accruals		
– Associates	**376,136**	552,461
Other non-current liabilities		
– Associates	**303,698**	–

(iii) Prepayment, other receivables and other current assets includes amounts receivables from the following parties:

	As at December 31,	
	2017	2016
	RMB'000	*RMB'000*
Shenzhen Science and Technology Park	**839,664**	156,247
Union Insurance	**132,393**	131,135
Hefei Zhiran	**274,138**	–
City Magic Investments Limited	**9,962**	244,584
Hony Shenzhen 2015	**–**	262,631
Others	**258,329**	365,620
Total	**1,514,486**	1,160,217

50. Related party transactions (Continued)

(d) Key management compensation

	Year ended December 31,	
	2017	2016
	RMB'000	*RMB'000*
Fees	**2,108**	2,084
Salaries	**53,800**	53,300
Discretionary bonuses	**49,620**	53,050
Share option and rewards	**17,696**	7,131
Employer's contribution to pension schedule	**3,207**	3,207
Other benefits	**6,171**	5,668
	132,602	124,440

(e) Guarantee provided to related parties

	Year ended December 31,	
	2017	2016
	RMB'000	*RMB'000*
– Well Faith	**653,420**	693,700
– Golden Wing Mau	**620,000**	739,500
– Union Insurance	**470,000**	345,000
– Social Touch	**90,000**	220,000
– Others	**90,000**	23,380
	1,923,420	2,021,580

51. Subsequent events

On February 2, 2018, the company completed the issuance of corporate bonds (first tranche) of Legend Holdings Corporation to qualified investors in PRC for a term of 5 years. The actual issuance size is 1 billion with 6% coupon rate.

Condensed Consolidated Income Statement

	Year ended December 31,				
	2017	2016	2015	2014	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Continuing operations					
Revenue	**316,262,914**	294,745,710	299,541,862	278,227,878	235,064,597
Profit before income tax	**7,431,880**	8,138,759	3,633,326	8,812,426	7,683,046
Income tax expense	**(2,574,187)**	(476,255)	(455,234)	(1,636,566)	(1,181,110)
Profit from continuing operations for the year	**4,857,693**	7,662,504	3,178,092	7,175,860	6,501,936
Discontinued operations					
Profit from discontinued operations for the year	**–**	322,506	597,514	646,311	1,211,538
Profit for the year	**4,857,693**	7,985,010	3,775,606	7,822,171	7,713,474
Profit attributable to:					
– Equity holders of the Company	**5,047,826**	4,858,924	4,659,083	4,160,389	4,837,590
– Perpetual securities holders	**284,639**	–	–	–	–
– Other Non-controlling interests	**(474,772)**	3,126,086	(883,477)	3,661,782	2,875,884
	4,857,693	7,985,010	3,775,606	7,822,171	7,713,474
Earnings per share for the profit attributable to the equity holders of the Company (expressed in RMB per share)					
Basic earnings per share					
– Continuing operations	**2.16**	2.06	2.02	1.75	1.97
– Discontinued operations	**–**	–	0.12	0.33	0.46
	2.16	2.06	2.14	2.08	2.43
Diluted earnings per share					
– Continuing operations	**2.14**	2.06	2.02	1.74	1.96
– Discontinued operations	**–**	–	0.12	0.33	0.46
	2.14	2.06	2.14	2.07	2.42

Condensed Consolidated Balance Sheet

	As at December 31,				
	2017	2016	2015	2014	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets	**161,513,542**	148,792,346	131,234,508	116,857,811	66,459,336
Current assets	**173,560,199**	173,466,482	175,008,384	175,964,775	150,992,415
Total assets	**335,073,741**	322,258,828	306,242,892	292,822,586	217,451,751
Non-current liabilities	**82,693,896**	73,957,619	85,372,680	84,947,038	48,212,551
Current liabilities	**173,398,197**	179,308,997	155,803,129	155,020,669	125,262,036
Total liabilities	**256,092,093**	253,266,616	241,175,809	239,967,707	173,474,587
Net assets	**78,981,648**	68,992,212	65,067,083	52,854,879	43,977,164

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

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