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

2015 Annual Report

Cover Design

"Two-Wheel-Drive Business Model"
Strategic Investments + Financial Investments

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Definitions

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

"associate(s)"	for the purpose of this annual report, all entities over which the Group has significant influence. Significant influence represents the power to participate in the financial and operational policies decision of the investees, but without control or joint control rights over these policies
"B2C"	Business-to-Customer
"Board"	board of directors of the Company
"Bybo Dental" or "Bybo"	Guangdong Bybo Dental Investment Management Co., Ltd. (廣東拜博口腔醫療投資管理有限公司), a limited liability company incorporated on June 30, 1999 under the laws of the PRC, and our subsidiary
"CAR"	CAR Inc., an exempted company incorporated in the Cayman Islands on April 25, 2014 with limited liability and listed on the Main Board of the Hong Kong Stock Exchange (Stock Code: 699), and our associate
"CAS"	Chinese Academy of Sciences (中國科學院), an organization directly under the supervision of the State Council
"Cloud Farm"	Beijing Tianchen Cloud Farm Corporation (北京天辰雲農場科技股份有限公司)
"Company", "our Company", "Legend Holdings" or "Legend"	Legend Holdings Corporation (聯想控股股份有限公司) (formerly known as "Chinese Academy of Sciences Computer Technology Research Institute New Technology Development Company" (中國科學院計算技術研究所新技術發展公司), "Beijing Legend Computer New Technology Development Company" (北京聯想計算機新技術發展公司), "Legend Group Holdings Company" (聯想集團控股公司) and "Legend Holdings Limited" (聯想控股有限公司)), a joint stock limited liability company incorporated on February 18, 2014 under the laws of PRC and listed on the Main Board of the Hong Kong Stock Exchange (Stock Code: 3396)
"DCC"	deep catalytic cracking
"DMTO"	the technique for using coal or natural gas instead of oil for production of ethylene and propene
"Domestic Shares"	ordinary shares issued by our Company, with a nominal value of RMB1.00 each, which are subscribed for or credited as paid in RMB

"eloancn.com"	Beijing Tongcheng Eloancn Network Co., Ltd. (北京同城翼龍網絡科技有限公司), a limited liability company incorporated on April 12, 2005 under the laws of the PRC, and our associate
"EOD"	EO derivatives
"EnsenCare"	Beijing EnsenCare Holdings Co., Ltd. (北京安信頤和控股有限公司), a company incorporated on August 1, 2011 under the laws of the PRC, and our wholly-owned subsidiary
"Euro" or "EUR"	Euro, the official currency of the Eurozone which consists of certain state members of the European Union
"EVA"	ethylene-vinylacetate copolymer
"Funglian Group"	Funglian Holdings Co., Ltd. (豐聯酒業控股集團有限公司), a limited liability company incorporated on July 16, 2012 under the laws of the PRC, and our subsidiary
"Group", "our Group", "our", "we" or "us"	our Company and all of its subsidiaries, or any one of them as the context may require or, where the context refers to any time prior to its incorporation, the business which its predecessors or the predecessors of its present subsidiaries, or any one of them as the context may require, were or was engaged in and which were subsequently assumed by it
"GDP"	gross domestic product
"Golden Wing Mau"	深圳市鑫榮懋農產品股份有限公司 (Golden Wing Mau Agricultural Produce Corporation)
"Guozhuang Mining"	Tengzhou Guozhuang Mining Co., Ltd. (滕州郭莊礦業有限責任公司), a subsidiary of Levima Group
"H Share(s)"	overseas listed foreign shares in our ordinary share capital with a nominal value of RMB1.00 each, which are listed on the Main Board of the Hong Kong Stock Exchange

"Hankou Bank"	Hankou Bank Co., Ltd. (漢口銀行股份有限公司), a joint stock limited liability company incorporated on December 15, 1997 under the laws of the PRC, and our associate
"Haoda Chemicals"	Shandong Haoda Chemicals Co., Ltd. (山東昊達化學有限公司), a subsidiary of Levima Group
"HKD"	HK dollar, the lawful currency of Hong Kong
"Hong Kong"	The Hong Kong Special Administration Region of the PRC
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Hony Capital"	a series of private equity investment funds, together with their respective management companies/general partners
"International Underwriters"	the group of international underwriters, led by the Joint Global Coordinators, that has entered into an international underwriting agreement
"Internet"	a global network of interconnected, separately administered public and private computer networks that uses the Transmission Control Protocol/Internet Protocol for communications
"Internet Protocol"	an agreed set of rules, procedures and formats by which information is exchanged over the Internet
"IT"	information technology
"JC Finance & Leasing"	JC International Finance & Leasing Company Limited (君創國際融資租賃有限公司), a limited liability company incorporated on November 2, 2015 under the laws of the PRC, and our wholly-owned subsidiary
"Joint Global Coordinators"	China International Capital Corporation Hong Kong Securities Limited (中國國際金融香港證券有限公司), UBS AG, Hong Kong Branch, Goldman Sachs (Asia) L.L.C. and Morgan Stanley Asia Limited
"Joyvio" or "Joyvio Group"	Joyvio Group Co., Ltd. (佳沃集團有限公司), a limited liability company incorporated on May 18, 2012 under the laws of the PRC, and our wholly-owned subsidiary
"Joyvio Golden Wing Mau"	a large fruit supply chain enterprise in China, an associate of Joyvio

"Lakala"	Lakala Payment Co., Ltd. (拉卡拉支付有限公司), a limited liability company incorporated on January 6, 2005 under the laws of the PRC, and our associate
"Legend Capital"	a series of venture capital funds, together with their respective management companies/general partners
"Legend Star"	Beijing Legend Star Investment Management Limited (北京聯想之星投資管理有限公司), a wholly-owned subsidiary of the Company who is an investment institution and manages certain angel investment funds
"Lenovo"	Lenovo Group Limited (聯想集團有限公司), a limited liability company incorporated on October 5, 1993 under the laws of Hong Kong and listed on the Main Board of the Hong Kong Stock Exchange (Stock Code: 0992), and our subsidiary
"Levima" or "Levima Group"	Levima Group Limited (聯泓集團有限公司), a limited liability company incorporated on April 12, 2012 under the laws of the PRC, and our subsidiary
"Listing Date"	June 29, 2015, the listing date of the H shares of the Company
"Listing Rules"	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange, as amended, supplemented or otherwise modified from time to time
"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"	全國中小企業股份轉讓系統 (National Equities Exchange and Quotations System), a platform established on September 20, 2012 for the sale of existing shares or private placing of new shares by small and medium-sized enterprises
"%"	percentage
"P2P"	peer-to-peer, a type of loan business

"PC"	personal computer
"Phylion Battery"	Phylion Battery Co., Ltd. (星恒電源股份有限公司), a limited liability company incorporated on December 18, 2003 under the laws of the PRC, and our associate
"PE"	private equity
"PP"	polypropylene
"PRC" or "China"	the People's Republic of China excluding, for the purpose of this annual report, Hong Kong, Macau and Taiwan
"Prospectus"	the prospectus dated June 16, 2015 being issued in connection with first listing of the shares of the Company on the Hong Kong Stock Exchange
"Qilerong"	the Internet finance strategic platform of Zhengqi Financial
"Raycom"	includes Raycom Real Estate and Raycom Property
"Raycom Property"	Raycom Property Investment Co., Ltd. (融科物業投資有限公司), a limited liability company incorporated on July 10, 2006 under the laws of the PRC, and our wholly-owned subsidiary
"Raycom Real Estate"	Raycom Real Estate Development Co., Ltd. (融科智地房地產股份有限公司), a joint stock limited liability company incorporated on June 11, 2001 under the laws of the PRC, and our subsidiary
"reporting period"	for the year ended December 31, 2015
"RMB"	Reminbi, 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
"Shareholders"	shareholders of the Company
"Shenda Chemicals"	Shandong Shenda Chemicals Co., Ltd. (山東神達化工有限公司), a subsidiary of Levima Group

"SME"	small and medium-sized enterprise
"Social Touch"	Social Touch (Beijing) Technology Development Co., Ltd. (時趣互動(北京)科技有限公司), a limited liability company incorporated on September 22, 2011 under the laws of the PRC, and our associate
"SOEs"	State-owned enterprises
"subsidiary"	has the meaning ascribed thereto under the Listing Rules
"Suzhou Trust"	Suzhou Trust Co., Ltd. (蘇州信託有限公司), a limited liability company incorporated on September 18, 2002 under the laws of the PRC, and our associate
"Tianjin Dongjiang harbor"	Tianjin Dongjiang Harbor Cold-chain Commodities Trade Co., Ltd. (天津東疆港大冷鏈商品交易市場有限公司)
"TMT"	technology, media, telecom
"Transmission Control Protocol"	an agreed set of rules, procedures and formats used along with the Internet Protocol to transmit information over the Internet
"UCAR"	UCAR Co., Ltd., a strategic partner of CAR
"Union Insurance"	Union Insurance Broker Group Co., Ltd. (聯保投資集團有限公司), a limited liability company incorporated on September 5, 2012 under the laws of the PRC, and our associate
"USA"	The United States of America
"USD"	US dollar, the lawful currency of the USA
"Wenkang Group"	the group of Century Wenkang (Beijing) Science and Technology Development Co., Ltd. (世紀聞康(北京)科技發展有限公司)
"XYWY.COM"	an online platform to provide one-stop Internet healthcare services which operated by Wenkang Group
"Zeny Supply Chain"	Zeny Supply Chain Co., Ltd. (增益供應鏈有限公司), a limited liability company incorporated on July 24, 2012 under the laws of the PRC, and our subsidiary

"Zhengqi Bond"	the corporate bond of Zhengqi Financial was publicly issued in Shanghai Stock Exchange
"Zhengqi Financial"	Zhengqi Anhui Financial Holdings Co., Ltd. (正奇安徽金融控股有限公司), a limited liability company incorporated on October 10, 2012 under the laws of the PRC, and our subsidiary
"Zhengqi Leasing"	Anhui Zhengqi Financing Leasing Co., Ltd. (安徽正奇融資租賃有限公司), a limited liability company incorporated on November 28, 2012 under the laws of the PRC, and a wholly-owned subsidiary of Zhengqi Financial
"Zhongyin Electrochemical"	Zhongyin Electrochemical Co., Ltd. (中銀電化有限公司), a subsidiary of Levima Group

Corporate Information

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. QI Zixin

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

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

Dear Shareholders of Legend Holdings,

The year 2015 was a landmark year for Legend Holdings. We achieved the listing of H Shares in June 2015. Since then, we have a broader international perspective and a closer connection to capital markets. I am grateful for your continuing trust in and support to Legend Holdings!

Looking back, the year 2015 was full of uncertainties. The Chinese and global economies advanced in the midst of trials and errors. On the one hand, the growth of Chinese economy entered into a new normal, demographic dividend declined, and structural reform entered into a critical stage; on the other hand, there are growing uncertainties in international macro-economy and increasing geopolitical risks. Against such a backdrop, a company like us is flexible and adaptable. What Legend Holdings has been emphasizing is to make timely adjustments to its strategies. Positioning in China and eyeing for the world, we proactively seek investment opportunities and consolidate our value-based portfolio amid cyclical and structural challenges with a view to creating a quality and diversified investment holding platform.

Upholding the vision of "becoming a globally respected, trusted and influential international investment holding group that builds leaders across various industries", we brought our unique two-wheel-drive business model into play to achieve steady growth of results. In 2015, the net profit attributable to equity holders of the Company amounted to RMB4,659 million, representing an increase of 12% as compared with the corresponding period last year, with earnings per share at RMB2.14. Our distinctive business model which drove and supported the growth of results was fully manifested.

In general, the two-wheel-drive business model of Legend Holdings comprises strategic investments and financial investments: The former focuses on our strategic direction substantiated through acquisition or greenfield investment. With constant adjustment and optimization, it eventually formed a portfolio of multi-pillar businesses. The latter is our financial investments consisting of various sections, namely angel investments, venture capital, private equity and minority interests. The two-wheel-drive businesses encompassing strategic investments and financial investments generate huge synergy that constitute our core advantages in enhancing portfolio value: Firstly, these two major businesses are operated on market-oriented principles and develop rapidly in their respective fields of expertise. Secondly, they concurrently cover various stages of business development which turn into investment resources with a tremendous value from their respective projects either ongoing or invested. We gained higher growth value from the development of invested enterprises by means of market-oriented approaches (for instance, joint investment, exit through transfer) and achieved returns of 1+1>2. In addition, such mix shares management experiences, research results and market information across businesses so that we can better cope with volatility and risks in markets and seize opportunities in a bid to more effectively create and dynamically adjust the portfolio. Apart from synergy between strategic investments and financial investments, each line of business also boasts enormous opportunities for cooperation. Synergy can be generated by sharing businesses and resources.

The strategic investments of Legend Holdings cover an array of industries and various stages of business development. After examining complex domestic economic environment, we are of the view that opportunities outweigh challenges in areas experiencing structural adjustments to the Chinese economy and transformation of the economic development model. While fluctuations in assets valuation is related to many reasons, we believe that a continuous improvement in the fundamentals of underlying assets constitutes the real basis for sustained value growth. Over the past year, we leveraged our experiences in strategic, operational and organizational aspects as always, and our strengths in resources including brand, capital and information, all contributed to the creation and enhancement of the value of our invested enterprises.

- Our financial service segment achieved healthy development with outstanding results primarily in the following aspects: 1) Combination between financial services and the internet: Lakala has become the leading integrated Internet financial services group in China. Leveraging its brand reputation and the capital market, it rapidly enhanced its advantages in third-party payment settlement business and extended its business to value-added financial services. 2) Business innovation and risk control in parallel: on the basis of constant increase in its business scale and regional expansion, Zhengqi Financial realized business innovation on asset and forming a rather comprehensive "quasi-financial supermarket" which provided flexible, convenient, diversified and customized financial services to SMEs; in respect of liability, by utilizing the macro environment of interest rate cuts and innovative financial instruments, Zhengqi Financial reduced cost through issuing bonds and converting assets into securities. 3) Capture of market opportunities brought by supply side reform: in 2015, the financial segment of Legend Holdings welcomed a new member, JC Finance & Leasing. Since its incorporation, it is striving to become a leading financial and leasing company in respect of domestic healthcare services, environmental protection, clean energy, advanced manufacturing, public services and transportation equipments, with a clearly-defined horizontal and vertical focus.

- Consumption accounts for an increasing proportion of the Chinese economy with an increasing contribution to the growth in GDP, resulting in a rapid development of the businesses directly facing consumers in our modern service segment: 1) CAR constantly pushed forward product innovation and value-chain extension. In 2015, it successfully positioned itself in three major platforms, namely car-sharing business, quasi-new car business and fleet management in order to access the broader automobile market. 2) Benefiting from the brand endorsement of Legend Holdings, its unique combination of "share+guarantee" capital support and management experiences in strategic operation and organization, Bybo Dental was pursuing national expansion in a rapid and organized manner. With a fast growing number of branches and in-house doctors coupled with strong brand recognition across China, it has already become the leading provider of private dental care services in the country.

- With regard to agriculture and food segment, Legend Holdings has completed merging and reorganization of its domestic fruit business with Golden Wing Mau. The leading enterprise established by a win-win combination of the advantages of Joyvio's brand and the channel of Golden Wing Mau formed a balanced value chain that goes "from farm to table". Through this transaction, our sales channel of fruit business would be improved significantly with a more balanced capability in every link of the value chain and the bargaining power with both upstream and downstream will be strengthened by a boosted scale and leading position, all of which greatly enhanced the profitability and value of the business. Joyvio Golden Wing Mau will endeavor to become a fruit business with global influence in the future.

- Aside from the existing business, Legend Holdings also pursued investment opportunities regarding the penetration and enhancement by Internet to conventional industries in 2015 and our Internet-related investment was more focused on the confirmed strategic directions. In our modern service segment, we invested in Social Touch, an industry-leading provider of enterprise digital marketing solutions in the mobile social age, and XYWY.COM, a leading platform providing one-stop Internet healthcare services in China; in the agriculture and food segment, our investment extended to fields of production upgrade and sales channel upgrade by investing in Cloud Farm, an Internet-based agriculture-related service provider which solved the implementation difficultly of agricultural e-commerce, and Liquor Easy which strived to reshape sales channels of liquor industry and combine online and offline operations.

Facing a severe external environment, we made greater efforts to overcome more challenges and uncertainties for our existing businesses. In 2015, having examined the situation, we constantly adjusted the business of invested companies in order to optimize the value of our portfolio. 1) For our IT business, the integration of Moto mobile-phone business and X86 server business was completed in 2015. Although our IT business recorded a loss for the year, the digestion of short-term pressure provided a solid runway for the take-off of its future business. Its business realignment plan is on track to achieve total savings of USD650 million in the second half of its fiscal year, and about USD1.35 billion on an annual basis. 2) Our property development business also faced market downturn and adjustments. In 2015, we managed to control the number and pace of newly started projects, actively reduce inventory pressure and increase pre-sale income; We believe that carefully chosen locations and consistent quality provide insurance for us to stay competitive and keep steady growth in the present market. 3) Our fine chemicals business began production as planned. In the future, we will rely on the advantages of leading production technologies and equipments and rely on product innovation to overcome the impact of price drop in energy products. 4) After carefully examining the market environment, we resolved to exit from the conventional express delivery business. The logistics business of Zeny Supply Chain will be more focused on comprehensive cold chain operations and comprehensive logistics services.

Strategic investments are a crucial contributor to the continuous and rapid growth of the underlining value of Legend Holdings. We leverage the advantage of value enhancement through strategic and management services and constantly build leading enterprises while optimizing our portfolio. Meanwhile, financial investments of Legend Holdings need to be more responsive to market opportunities and realize exceptional investment returns. In 2015, we captured opportunities in the capital market for our financial investment platform and actively carried out adjustment to the portfolio through project exits. The net profit generated from financial investments attributable to equity holders of the Company for the year amounted to RMB4,127 million, representing an increase of 121% as compared with the corresponding period in 2014.

- As of the end of 2015, Legend Capital managed 14 USD and RMB funds in total. Major investments include Chinese enterprises and cross-border opportunities at the start-up stage and growing stage of TMT and innovative consumption, modern services, healthcare, culture and sports sectors. In 2015, it completed 72 new project investments. For enterprises under management, three completed initial public offering in domestic and overseas capital markets. Another four were listed on NEEQS. New funds raised for the year amounted to RMB4.3 billion, showing the appeal of Legend Capital as a leading venture capital investment house in China.

- As of the end of 2015, Hony Capital managed 9 USD, RMB and mezzanine funds in total. Its main focus includes reforms of SOEs, growth of private enterprises and cross-border mergers and acquisitions. It consistently carries out investments with specific industry themes, such as consumption, services, general healthcare, advanced manufacturing and mobile Internet. In 2015, Hony Capital completed 8 new projects or follow-on investments in existing projects. For enterprises under management, three were listed in domestic and overseas capital markets, three were listed on NEEQS or granted approvals. In 2015, Hony Capital also raised a new phase of mezzanine fund with a fund size of RMB2.05 billion.

- As of the end of 2015, Legend Star manages two funds with a fund size of approximately RMB1.1 billion. Legend Holdings is the sole contributor of the fund. Since the incorporation of Legend Star in 2008, it systematically deployed in three areas, namely TMT, healthcare and intelligent machines, and became a leading angel investment institution leveraging its unique resources and brand advantages. In 2015, it completed investments in 52 projects, of which 24 projects have finished another round of financing. In addition, Legend Holdings carried out direct investments in high-quality projects in domestic and overseas primary and secondary markets. These investments are increasingly becoming one of the important sources contributing to our continuous growth in value and cash profit.

Alongside the successful listing of Legend Holdings in 2015, we are making constant practices to improve the system, objectivity and transparency of our corporate governance work. We have established a sound corporate governance structure and mechanism in order to safeguard the interests of the shareholders and return from investments. We consistently see it incumbent upon us to be responsible to the shareholders. On the one hand, we are careful and discreet in using the proceeds raised from our listing. On the other hand, we reward our shareholders with an ever-increasing amount of dividends, provided that our profits have been growing progressively. The Board recommends distributing a final dividend of RMB0.22 per ordinary share for the year ended December 31, 2015, representing an increase of 42% in the total amount of dividend distribution as compared with that of 2014.

Looking forward to 2016 and the longer future, Legend Holdings will continue to emphasize the investment themes of consumption and services for our strategic investment business, with resources concentrated in fields such as financial services, healthcare services, agriculture and food as well as Internet and consumer innovations. Facing an increasingly integrated global economy, we will create and manage our portfolios from a global perspective, and we have already invested into farming resources abroad. Regarding key strategic aspects, we believe that business opportunities pervade in both domestic and overseas markets. While continuing with our efforts in forging pillar assets in strategic investments, we will also deploy more resources to emerging and innovative industries through the financial investment platform that encompasses angel investments, venture capital investments and private equity investments. We will apply both conventional and novel strategies combining both short-term and long-term horizons. In this context, not only will we receive return from investments, but also strengthen the synergy between our two-wheel-drive businesses in a systematic manner to build a solid foundation for the sustained and robust growth in the value of underlying assets.

When it comes to value enhancement of strategic investments, we will 1) step up our management and service support to invested businesses in line with the "New Normal" trend of China. We will help them seize opportunities and grow into outstanding enterprises that enjoy rapid growth in both value and financial return; 2) help investees which are more susceptible to the external environment further unearth their potential. As for certain businesses, we leave open the option of making adjustments through optimization; 3) timely improve and fine-tune our debt structure, which effectively minimizes the cost of funding and in turn augment our profitability. As far as our financial investments are concerned, aside from continuing to allocate into emerging and innovative industries, we will also follow closely the capital markets and seize the right window to realize IPO or exits for our investees.

Legend Holdings will, as always, take value creation as our due responsibility while leveraging and enhancing the two-wheel-drive business model as well as our cutting edge in value enhancement through management and strategic services. Focusing on opportunities in defined strategic fields domestic and abroad, Legend Holdings will take into account both external environment and our own situation in dynamically optimizing and adjusting the investment portfolio, thus enabling a sustained and fast growth of its value. By adhering to a business philosophy based on good faith and integrity, we will reward our shareholders with positive returns from an ever-growing business over the medium and long run.

Legend Holdings Corporation
LIU Chuanzhi
Chairman

Revenue contribution from the Group's businesses

Unit: RMB million

	2015	2014	**Change in amount**	**Change %**
Strategic investments	**309,837**	289,470	20,367	7%
IT	**293,255**	272,344	20,911	8%
Financial services	**905**	1,318	(413)	(31%)
Modern services	**1,495**	853	642	75%
Agriculture and food	**1,639**	1,532	107	7%
Property	**10,704**	11,515	(811)	(7%)
Chemicals and energy materials	**1,839**	1,908	(69)	(4%)
Financial investments	**23**	43	(20)	(46%)
Elimination	**(34)**	(37)	3	N/A
Total	**309,826**	289,476	20,350	7%

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

Unit: RMB million

	2015	2014	**Change in amount**	**Change %**
Strategic investments	**1,324**	3,412	(2,088)	(61%)
IT	**(476)**	1,700	(2,176)	(128%)
Financial services	**960**	1,096	(136)	(12%)
Modern services	**(236)**	1,180	(1,416)	(120%)
Agriculture and food	**138**	(878)	1,016	N/A
Property	**1,651**	1,001	650	65%
Chemicals and energy materials	**(713)**	(687)	(26)	N/A
Financial investments	**4,127**	1,868	2,259	121%
Unallocated	**(792)**	(1,120)	328	N/A
Total	**4,659**	4,160	499	12%

Asset allocation of the Group

Unit: RMB million

	As of December 31, 2015	As of December 31, 2014	**Change**	**Change %**
Strategic investments	**258,137**	258,367	(230)	0%
IT	**168,137**	179,524	(11,387)	(6%)
Financial services	**16,615**	11,097	5,518	50%
Modern services	**7,657**	4,993	2,664	53%
Agriculture and food	**4,321**	4,269	52	1%
Property	**51,696**	48,619	3,077	6%
Chemicals and energy materials	**9,711**	9,865	(154)	(2%)
Financial investments	**41,828**	31,717	10,111	32%
Unallocated	**19,126**	12,434	6,692	54%
Elimination	**(12,848)**	(9,695)	(3,153)	N/A
Total	**306,243**	292,823	13,420	5%

Strategic Investment

IT

We are engaged in IT business through our subsidiary Lenovo. Lenovo is a Fortune 500 company which develops, manufactures and sells high-end technology products and provides related services to the consumers and corporate customers. As of December 31, 2015, we held 30.91% equity interests in Lenovo.

In 2015, the macro-economy and global markets remained challenging along with currency fluctuations. These factors affected overall consumer demand which led to a continued decline in the PC and tablet markets and slower growth of the worldwide smartphone market. Amidst these market challenges, Lenovo managed to deliver solid profit growth from its businesses driven by well executed strategies and decisive actions for business realignment. During the reporting period, Lenovo continued to build a more balanced product portfolio to drive balanced growth.

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

Unit: RMB million

	2015	2014
Revenue	**293,255**	272,344
Net (loss)/profit	**(1,330)**	5,411
Net (loss)/profit attributable to equity holders of Legend Holdings	**(476)**	1,700

During the reporting period, revenue of our IT segment increased by 8% year-on-year to RMB293,255 million, which is mainly due to the additional revenue as a result of Lenovo's integration of System X and Motorola's business. We recorded a loss of RMB1,330 million in our IT segment, which is mainly due to restructuring costs of approximately RMB3,728 million and one-time charges (including additional spending to clear smartphone inventories and inventories write off) of approximately RMB2,017 million.

PC Business Group (PCG)

During the reporting period, the global PC industry continued to decline due to macro-economic issues and currency fluctuations. Despite the market challenges, Lenovo continued to outperform the PC market through solid execution of its strategy to reach record-high global market share and further solidified its number one position. Lenovo's market share continued to increase, and its worldwide PC market share reached another record-high level of 21.6% in the fourth quarter of 2015, according to preliminary industry estimates.

Mobile Business Group (MBG)

The business realignment plan of Lenovo in the second quarter of its fiscal year 2015/16 was on track. Lenovo's mobile business achieved its first-time operational breakeven in the fourth quarter of 2015 after its acquisition of Motorola Mobile, helped by the improved efficiency and lower cost structure resulting from its recent business realignment actions. Lenovo's market share in the worldwide smartphone market was 5.1%, maintaining its number four position worldwide in the fourth quarter of 2015, according to the preliminary industry estimates.

To address the softer demand amid fierce competition in the China smartphone market, Lenovo has refined its strategy and focused on expansion into markets outside of China. As a result, Lenovo has built a more diverse geographical mix, in which the proportion of sales from markets outside of China increased to 83%. Meanwhile, Lenovo has launched a wide range of new products, including Moto X Force that has an innovative shatterproof screen, and wearable product Moto 360 sport. These new products have received good market reviews and strong early momentum.

Lenovo's worldwide tablet market share was 4.8% in the fourth quarter of 2015, according to preliminary industry estimates.

Enterprise Business Group (EBG)

As the number three worldwide server player, Lenovo's enterprise business continued to demonstrate healthy revenue growth and remained operationally profitable. Lenovo has demonstrated good momentum in new accounts acquisitions, especially in China, in which it was successful in acquiring new hyperscale clients.

Ecosystem, Cloud Services Business Group (ECS) and Others

Lenovo continued to build a solid foundation for its ecosystem business during the reporting period, with an objective to create a new and unique user experience for Lenovo's product users. The ECS team continued to demonstrate strong achievements during the period and its monthly active user number has reached 150 million.

Looking forward, Lenovo is seeing the benefits as a result of its strategic actions. Despite the current challenging market environment, the efficient organization structure, coupled with competitive cost structure across all of its businesses, together with its solid execution, position Lenovo well to sustain its growth. Lenovo will continue to invest in areas it believes are important to its future success. Lenovo remains fully committed to its "protect and attack" strategy, supported by its well proven execution capabilities, to lead Lenovo on its ongoing journey towards building a respected global tech leadership position in every business Lenovo enters and to drive profitable growth that, in turn, creates better value for shareholders.

Financial Services

Overview

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

- Zhengqi Financial, our subsidiary, mainly provides direct loans, credit guarantees, pawn loans, financial leasing, entrusted loans and other emerging financial services;
- JC Finance & Leasing, our subsidiary, mainly provides financial leasing and operating leasing services;
- Lakala, our associate, mainly provides third-party payment and relevant value-added and financial services;
- Hankou Bank, our associate, mainly provides commercial banking services;
- Union Insurance, our associate, mainly provides insurance brokerage and related services;
- Eloancn.com, our associate, mainly provides Internet financial services; and
- Suzhou Trust, our associate, mainly engages in the trust business.

We believe that there is great potential for development in the financial industry in light of the macro environment and continuous deepening of financial reform in China. Participation of private capital in the financial industry enjoys greater opportunities than challenges. The future development in the industry is mainly fueled by: 1) tremendous and unfulfilled financing needs from small and medium enterprises and individuals, 2) demands for comprehensive financial products including insurance, investment and consumer related services, brought by an ageing population and emerging middle class in China, 3) demands for convenient financial services brought by changes in consumption habits of the younger generation, and 4) opportunities to launch new businesses driven by technology innovation in such areas as the Internet, the mobile Internet and big data through both online and offline platforms.

Based on our understandings of the above and our well-established reputation and brand, our subsidiaries and associates have obtained various financial licenses and permits since 2009 and establish a broad presence in China's financial industry. Our diverse product and service offerings enable us to quickly capture both conventional and innovative financial service opportunities. We will continuously experiment with financial innovation, and optimize the scope and efficiency of our financial services platforms in order to provide our customers with all-round, convenient and safe "one-stop" financial services. We facilitate the long-term development of our portfolio companies in the financial industry by providing them with all-round supports. We also help them rapidly achieve better financial performance in the short term, and to maintain persistent, healthy and rapid growth:

- through ways such as equity investments and loan guarantees to financial institutions, we provide funding supports for these companies, and help them develop innovative financing approaches in order to improve their financing capability;

- based on a large pool of our portfolio and customer resources, we promote synergy of our financial businesses, including business alignment and consolidation, intelligence sharing, big data analysis for the enhancement of overall risk management capability and competitiveness;

- in the meantime, we assist our portfolio companies to effectively promote their corporate governance, and improve their incentive schemes, which we believe could effectively attract and retain high quality financial professionals.

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

Unit: RMB million

	2015	2014
Revenue	**905**	1,318
Net profit	**1,013**	1,080
Net profit attributable to equity holders of Legend Holdings	**960**	1,096

During the reporting period, revenue of our financial services segment was RMB905 million, representing a decrease of 31% as compared to RMB1,318 million in the same period of last year. If excluding the accounting effect of not consolidating Union Insurance starting from this reporting period, there was an increase of 25%. Net profit of our financial services segment was RMB1,013 million, representing a decrease of 6% as compared to RMB1,080 million in the same period of last year, mainly due to a substantial decrease in non-recurring income of the segment including our equity interests disposal and equity dilution gains in associates during the reporting period. After eliminating such impacts of non-recurring income, the net profit of our financial services segment increased by approximately 15% as compared with the corresponding period last year.

Operating Highlights

- Aside from strengthening its conventional core businesses, Zhengqi Financial, our subsidiary, also rigorously cultivates new core businesses in 2015. It provides customized funding solutions and convenient and flexible financial services for small and medium enterprises. Zhengqi Financial has also developed various funding channels by issuing micro-credit asset-backed securities, financial leasing asset-backed securities and corporate bonds, established comparative advantage among its peers. During the reporting period, Zhengqi Financial has realized 23% revenue growth and 35% profit growth, which has demonstrated its forward-looking strategical insight, strong execution through adjustments, and outstanding operations;

- As of December 31, 2015, Lakala, our associate, authorized more than 2.5 million of POS terminals in more than 300 cities nationwide, covering 2.7 million merchants and 100 million individual users. It also established strategic partnership with China UnionPay and more than 50 banks. Lakala processed over RMB1.6 trillion transaction volumes for the year 2015, representing an increase of over 300% as compared to 2014, in which the transaction amount of card acceptance business was over RMB900 billion, positioning it at the forefront of the industry. Lakala has transformed from an internet-based payment company to a comprehensive financial service group, which has huge potential for future business development and value growth.

Zhengqi Financial

Zhengqi Financial was established in 2012. As of December 31, 2015, we held 92.00% equity interests in Zhengqi Financial. In 2015, Zhengqi Financial further expanded its market share and established two new subsidiaries in commercial factoring and internet finance. Currently, through its nine major business lines consisting of micro finance, credit guarantees, pawn loans, financial leasing, commercial factoring, equity investments, asset management, capital markets business and P2P internet finance, Zhengqi Financial provides customized funding solutions and convenient and flexible financial services to SMEs. During the reporting period, Zhengqi Financial further expanded its business and achieve rapid growth in scale.

Zhengqi Financial focuses on recognizing the needs and value of its clients, proving overall funding solutions including short and long term debts, mezzanine investments and equity investments, through active configuration of its nine major business lines. It also provides comprehensive financial services such as management consulting, financial advisory, M&A and restructuring solutions. During the reporting period, Zhengqi Financial helped various high quality clients to conduct industrial M&A, pre-IPO financial enhancement, disposal of distressed assets and other businesses through overall solutions. For example, after providing years of services, Zhengqi Financial has become a shareholder of Anhui Yuan He Tang Pharmaceutical Co., Ltd. (安徽源和堂藥業股份有限公司) (NEEQS: 833379), that has been listed for trading on the NEEQS, contributing rapid equity value gain for Zhengqi Financial. In similar cases, Zhengqi Financial also invested in other high quality clients planning to be listed. Looking forward, this unique business model is expected to become another important source of profit aside from Zhengqi Financial's conventional loan business.

Zhengqi Financial has continued to expand its loan business and has consistently optimized its business structure. As of December 31, 2015, its outstanding balance of direct loans and pawn loans amounted to RMB3,088 million, representing an increase of RMB328 million or 12% as compared to RMB2,760 million at the end of 2014. Its outstanding balance of entrusted loan amounted to RMB1,586 million, representing an increase of RMB173 million or 12% as compared to RMB1,413 million at the end of 2014. During the reporting period, Zhengqi Financial strengthened its leading position in microfinance business in Anhui Province and started to gradually expand into market outside the province. As of December 31, 2015, 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) and Shenzhen Chengzheng Microcredit Co., Limited (深圳市誠正小額貸款有限公司) amounted to RMB2,538 million, representing an increase of RMB366 million or 17% as compared to RMB2,172 million at the end of 2014.

Ever since Zhengqi Financial established its financial leasing business in the second half of 2013, by improving its capability in providing professional services, cooperation with underlying asset provider and recognition of potential clients, the financial leasing business of Zhengqi Financial has achieved rapid growth. As of December 31, 2015, the outstanding balance of lease receivables of the financial leasing business amounted to RMB1,997 million, representing an increase of RMB1,167 million or 141% as compared to RMB830 million at the end of 2014.

Zhengqi Financial actively developed the credit guarantee business and expanded into the litigation guarantee sector in the second half of 2015, which achieved breakthroughs within a short time. As of December 31, 2015, the outstanding balance of credit guarantee amounted to RMB4,530 million, representing an increase of RMB484 million or 12% as compared to RMB4,046 million at the end of 2014.

In June 2015, Zhengqi Financial established Anhui Weiyuan Financial Information Services Company Limited (安徽唯源金融信息服務有限公司) that engages in operating Zhengqi Financial's internet finance strategic platform Qilerong (奇樂融). Qilerong was officially launched on October 28, 2015. As of December 31, 2015, its number of registered users was 17,203. Qilerong is dedicated to providing professional, transparent, safe and profitable internet finance services for SMEs and individual users and to becoming a top-tier internet finance services platform with market influence, creditability, innovative insight and competitiveness.

In September 2015, Zhengqi Financial established Zhengqi International Commercial Factoring Company Limited (正奇國際商業保理有限公司) which provides receivables factoring business to core enterprises and the upstream and downstream companies across their supply chain. As of December 31, 2015, the outstanding balance of commercial factoring amounted to RMB163 million. With great market volume and rapid growth potential, such business will have greater contribution to Zhengqi Financial's development in the future.

During the reporting period, Zhengqi Financial expanded its funding channels and developed innovative funding methods. In March 2015, the first tranche of asset-backed securities of Guozhen Microcredit was listed on the Shanghai Stock Exchange, which was the first and the fourth asset-backed securities of microcredit in Anhui Province and in China respectively that listed on the Shanghai Stock Exchange after the new policy[1] of asset securitization by the China Securities Regulatory Commission. In June 2015, the first tranche of leasing asset-backed securities special project of Zhengqi Leasing was set up on the Shanghai Stock Exchange and was the first securitization project of leasing assets in Anhui and the fifth on the Shanghai Stock Exchange after the new policy. In September 2015, "Zhengqi Bond" of Zhengqi Financial was publicly issued in Shanghai Stock Exchange and became the first corporate bond of private financial institutions in Anhui, overtaking its domestic peers. In January 2016, the issuance of Zhengqi Financial's first tranche of corporate bonds 2016 was approved by the China Securities Regulatory Commission and the issuance was completed in March 2016. 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 2015, under a macro environment with continuing slowdown of economic growth, growing challenges for SMEs and the downward market interest rates, Zhengqi Financial enhanced the system infrastructure of risk control and adopted and strengthened various risk management approaches in order to keep overall risks under control. Meanwhile, Zhengqi Financial reinforced its analysis and judgement on the macro-economy so as to take proactive structural adjustments to the businesses. In addition, Zhengqi Financial took the initiative to expand into capital markets business since the second half of 2014 and 2015, allowing it to elevate its profitability through various approaches.

1 Securities Company and Fund Management Company Subsidiaries Assets Securitization Business Management Regulations (《證券公司及基金管理公司子公司資產證券化業務管理規定》) and its relevant rules and the Administrative Measures for the Issuance and Trading of Corporate Bonds (《公司債券發行與交易管理辦法》) promulgated by the China Securities Regulatory Commission on November 19, 2014 and in January 2015, respectively.

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

Unit: RMB million

	2015	2014
Revenue	**893**	726
Net profit	**519**	385

During the reporting period, the revenue grew 23% from RMB726 million in the corresponding period last year to RMB893 million, mainly due to the growth of financial leasing business and loan business; whereas the net profit increased 35% from RMB385 million in the corresponding period last year to RMB519 million, mainly attributable to the growth of leasing business and equity investments business.

JC Finance & Leasing

In light of our confidence in the long-term potential of China's financial leasing industry, we Incorporated JC Finance & Leasing in Shanghai on November 2, 2015. Backed by the brand of Legend Holdings and the professionalism of its management team, JC Finance & Leasing will initiate cooperation with both domestic and international equipment manufacturers, concentrate on industry and industrial chain, commence financial leasing business by focusing on areas that reflect new economic trends in China, such as medical services, environmental protection, clean energy, advanced manufacturing, public services and transportation, in turn establishing a leading enterprise in the industry. As of December 31, 2015, the outstanding balance of interest-bearing assets of JC Finance & Leasing amounted to RMB732 million.

Lakala

The core business of Lakala is to provide enterprise users and individual users with third-party payment services as well as other value-added and financial services. With a consistent mission of inclusiveness, technological progress, innovations and integrated approach, Lakala creates a symbiotic system that has a solid foundation and is user-oriented to provide personal and business users with payment (e.g. repayment for credit cards, community convenient payment services, receipt of bills by merchants), credit investigation (e.g. Lakala credit scores, merchant credit scores and Lakala occupational scores), financing (e.g. individual loans and loans for micro and small enterprises), wealth management, community finance and other services. Lakala independently develops and produces POS machines, mobile payment devices, self-service terminals, mobile POS devices, mobile apps and various other software and hardware products to satisfy diverse payment and financial needs of users. As of December 31, 2015, we held 31.38% equity interests in Lakala.

As of December 31, 2015, Lakala authorized more than 2.5 million POS terminals in more than 300 cities nationwide, covering 2.7 millions merchant and 100 million individual users. It also established strategic partnership with China UnionPay and more than 50 banks. Lakala processed over RMB1.6 trillion transaction volumes for the year 2015, representing an increase of over 300% as compared to 2014, in which the transaction amount of card acceptance business was over RMB900 billion, positioning it at the forefront of the industry.

Third-party payment services

Third-party payment services of Lakala mainly include card acceptance services and individual payment services.

Card acceptance services: As the leading professional card acceptance service provider in China, currently Lakala offers card acceptance, value-added services and industry solutions for over 2.7 million merchants in more than 300 cities nationwide. Its authorized merchants are mainly in the industries of food and beverages, retails, logistics and trading.

Individual payment services: The individual payment business of Lakala consists of convenient payment business and mobile payment business. The convenient payment business is pioneered by Lakala through Lakala terminals installed in community stores to realize convenient payment services, whereas the mobile payment business provides users with personal finance and living payment services including credit card payments, transfer of remittances, value charge and payment, bill payment and bank card balance inquiries through phone card readers. As an advocator and active practitioner of inclusive financial services in China, Lakala has currently authorized approximately 100,000 Lakala convenient payment terminals across the country. The convenient payment services of Lakala include self-service banking, convenient payment services and daily living services. Lakala persistently conducts innovation of mobile terminals products in order to satisfy the needs of individual users, such as credit card payments and living payments. Lakala has been devoted to providing safe, convenient and stylish mobile payment services, enhancing all-round experiences of users, improving transaction efficiency and building a new lifestyle of mobile payments for individual users.

Value-added financial services

Value-added financial services of Lakala mainly include credit loan business and credit investigation business.

Credit loan business: Lakala has a large pool of users based on years of payment business. In light of advanced internet technology, operating systems, a large amount of data resources and risk control model, Lakala provides enterprise users and individual users with credit loan services on the basis of the payment business. The credit loan business of Lakala consists of individual loans and small and micro enterprise credit loans, depending on types of borrowers, in which major products include Repayment-for-You (替你還), Easy Instalments (易分期) and POS Credit (POS貸).

Credit investigation business: The credit investigation business of Lakala is operated by Koala Zhengxin Service Co., Ltd. (考拉徵信服務有限公司), an associate of Lakala, which provides information inquiry, credit reports and other services by means of legitimate collection, investigation, storage, collation and evaluation of credit information of corporates and individuals to meet the needs of credit information services in the credit market. Among it, corporate credit services are to provide small and micro merchants and corporate organizations with credit services for a comprehensive understanding of operational status and profitability of the concerned merchants and corporate organizations. Products include merchant credit points, corporate credit points and reports to facilitate the merchants to swiftly obtain loan approval. Meanwhile, it is also a reference for the corporates with respect to risk control and credit management. Individual credit information services are comprehensive credit assessment on personal information, in which products include personal credit points, occupation credit points, individual and occupation reports that the individuals can enjoy better quality services in the areas of financial credit, social engagements, career recruitment, shopping, car rental, apartment rental, hotel, food and beverages and people's livelihood. While reducing the costs of recruitment and staff management, it helps improve efficiency.

Hankou Bank

Hankou Bank conducts commercial banking business including corporate banking, retail banking and treasury operations. It generates revenue primarily from net interest income and fee and commission income. As of December 31, 2015, we held 15.33% equity interest in Hankou Bank. As of December 31, 2015, Hankou Bank had 137 affiliated agencies in China, including its head office, 11 branches, 15 first-tier sub-branches, one direct sub-branch and 109 second-tier sub-branches (including 20 community branches). The network of Hankou Bank covers substantially the whole territory of Hubei Province, and it also has branches in Chongqing.

Union Insurance

Union Insurance is a leading professional insurance intermediary in China. As of December 31, 2015, we held 48.00% equity interests in Union Insurance. The major clients of Union Insurance come from the educational sector. It provides risk advisory services to schools, local and provincial educational institutions and insurance products services to students. During the reporting period, the insurance brokerage business of Union Insurance achieved a steady growth and maintained a leading position in China's education related insurance brokerage sector. As of December 31, 2015, Union Insurance established a national service network through 33 branches and 110 sales departments, providing risk management and insurance brokerage services to 28 provinces and cities, 380,000 schools and 180 million teachers and students. Union Insurance is in cooperation with over 30 insurance companies. Union Insurance is actively expanding its product range by introducing new products and expanding to fields beyond the educational sector. During the reporting period, Union Insurance had already started to undertake risks advisory and insurance services in the fields of environmental protection and medical insurance products. At the same time, Union Insurance is also actively cooperating with domestic well-known universities in studying risk management and relevant insurance products. It also sets up an actuarial firm to develop innovative insurance products.

Eloancn.com

Eloancn.com is a leading Internet finance company in China. By introducing the model of "inter-city O2O" (同城O2O), it successfully integrates the convenience of internet with conventional financial lending. Eloancn.com focuses on providing inclusive financial service to farmers and small and micro enterprises. As of December 31, 2015, we held 33.33% equity interest in Eloancn.com.

Adhering to the principal of doing business in accordance with laws and regulations, Eloancn.com became a national financial reform pilot enterprise in 2012 and was granted the first "private lending business brokerage services" license in China. Since August 19, 2015, all borrowers data on Eloancn.com is linked to the Internet Financial Risk Information Sharing System under the Payment & Clearing Association attached to the People's Bank of China (中國人民銀行支付清算協會互聯網金融風險信息共享系統). As of December 31, 2015, Eloancn.com established operation centers in approximately 200 cities across the country with a coverage of more than 1,000 counties. Currently, the platform has approximately 2.8 million registered users, representing an increase of 1,291% compared to 2014. In 2015, Eloancn.com completed approximately 131,000 of Internet lending transactions with a volume of approximately RMB9.87 billion, representing a growth of 366% compared to 2014, among which, approximately RMB8.08 billion or 82% was related to agriculture, rural infrastructure and farmers livelihood.

Suzhou Trust

Suzhou Trust engages in trust business. It acts as a trustee and manages entrusted properties and provides financial advisory and other consulting services. As of December 31, 2015, 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 needs of a broad group of corporates and high-net-worth customers in the region. As at the end of the reporting period, the size of ongoing trust of Suzhou Trust amounted to RMB86.92 billion with 280 ongoing trust projects, among which 137 are collective trust products with an ongoing size of RMB47.99 billion and 143 are individual trust products with an ongoing size of RMB38.93 billion. The wealth management department of Suzhou Trust has established outstanding marketing capability and serves many high-net-worth customers. As of December 31, 2015, Suzhou Trust had more than 10,000 wealth management clients.

Modern Services

Overview

Our subsidiaries and associates in the modern services business include:

- Bybo Dental, our subsidiary, mainly provides dental healthcare services through chain operations;
- CAR, our associate, mainly provides comprehensive car rental services including short-term rentals and long-term rentals, as well as sales of used cars;
- Zeny Supply Chain, our subsidiary, mainly provides logistics services;
- EnsenCare, our subsidiary, mainly provides mid- to high-end senior care services;
- Social Touch, our associate, mainly provides enterprise-level digital marketing solutions; and
- XYWY.COM, our associate, mainly provides internet healthcare services.

In the context of China's economic transformation, there is a broad market to tap into for modern services that are closely related to people's livelihood and corporate upgrading. In 2015, we continued to vigorously support the rapid development of existing businesses, CAR continued to expand its businesses and strengthened its leading position after its IPO; Bybo Dental leveraged its well-run management model and growing brand influence to establish a significant presence of medical institutions across the country. Meanwhile, we actively expanded into other areas of strategic interests: benefiting from insights into opportunities arising from such new technology and business models as mobile Internet and big data, we invested in Social Touch and XYWY.COM for mobile digital marketing and Internet-based healthcare services respectively. With social media fast on the move, Social Touch further tempered its business model of precise marketing driven by big data and achieved fast growth in 2015; XYWY.COM continued to develop various business models of Internet-based healthcare services against the backdrop of deepening healthcare reform in China.

In addition, it is also one of our important strategies to actively support existing businesses to embrace the Internet. We supported CAR to develop a new business model based on the Internet and establish its on-demand chauffeured business together with UCAR. It has already become a leading brand in this industry with significant growth in scale, reputation and operational performance.

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

Unit: RMB million

	2015	2014
Revenue	**1,495**	853
Net (loss)/profit	**(430)**	1,073
Net (loss)/profit attributable to equity holders of Legend Holdings	**(236)**	1,180

During the reporting period, revenue of modern services segment increased by 75%, mainly due to the consolidation of Bybo Dental in the second half of 2014 and substantial growth of dental healthcare related businesses in 2015, as well as significant growth of business of Zeny Supply Chain. During the reporting period, modern services segment recorded a loss against a profit in 2014, mainly due to: equity dilution gains of RMB1,647 million generated from the IPO of CAR in the corresponding period of 2014; temporary operating loss of RMB369 million resulting from accelerated business expansion of Bybo Dental during the reporting period; and relatively large additional costs and expenses resulting from strategic adjustment to the courier business of Zeny Supply Chain in the second half of 2015, causing an increase of RMB350 million in loss as compared with the corresponding period of 2014.

Bybo Dental

Bybo Dental provides dental healthcare services through chain operations. As of December 31, 2015, we held 54.90% equity interests in Bybo Dental.

Along with an ageing population, urbanization, increases in people's affordable income and gradually improved basic healthcare protection system, there is great potential for growth of China's healthcare services market. Supported by state policies in recent years, private medical institutions are bracing for a more favorable policy environment. Dental health care services in China are characterized by a huge user base, relatively poor dental health conditions, high morbidity ratio and low ratio of clinical visits. Dental healthcare services in China has been mainly provided by public hospitals and individual clinics, but given the usual one-hospital-one-city model for public dental hospitals in most cities, aggravated by a limited number of doctors and dental chairs available, it is impossible to satisfy the demand of patients for convenient and comfortable medical services. In the meantime, the demand for equipment and medical technology is rapidly and continuously increasing for dental healthcare services while most individual clinics are short of sufficient funding for more investments. With further implementation of state policies encouraging the development of private medical institutions, and development of medical technology such as tooth planting and orthodontic treatment, we expect the demand for services by dental healthcare chain operations to increase even more.

Bybo Dental has accumulated extensive management experiences and developed strong brand recognition in various regions in China. It plans to make use of its first-mover advantage and strong brand recognition to expand its presence in China through both organic growth and acquisitions. As of December 31, 2015, Bybo Dental owned 27 hospitals and 108 clinics, representing an 80% increase in the number of outlets year-on-year and covering 21 provinces and municipalities. Its number of dental chairs has increased from 724 as of December 31, 2014 to 1,567 as of December 31, 2015.

As of December 31, 2015, Bybo Dental had 2,138 skilled healthcare professionals. In 2015, its number of dentists increased from 451 to 769. Bybo Dental kept its professional pool stable by providing competitive compensations and good working conditions.

Bybo Dental will work to further improve its professional services and brand recognition. It will continue to strengthen its management capability, upgrade its IT systems, carry out academic exchanges and cooperation, align physical expansion with management enhancement, thus constantly closing in on the objective of building time-honored store and the No. 1 brand of dental health in China.

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

	As of December 31, 2015	As of December 31, 2014
Number of outlets	**135**	75
Area of outlets *(Square meter)*	**138,838**	52,200
Number of dental chairs	**1,567**	724
Number of dentists	**769**	451

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

Unit: RMB million

	2015	For the six months from July 1, 2014 to December 31, 2014
Revenue	**975**	358
Net (loss)	**(369)**	(42)

During the reporting period, the revenue of Bybo Dental increased from RMB546 million of 2014 to RMB975 million of 2015. The increase in net loss was due to rapid expansion of businesses and the majority of clinics were either in preparation or opened within less than one year, with breakeven point yet to be reached.

CAR

CAR currently provides comprehensive car rental services including short-term and long-term rental, and sales of used cars services. Through its strategic partner, UCAR, it provides an on-demand chauffeured car services based on mobile Internet technology and the strong brand of "UCAR". It also launched a pilot program of its own used car direct sales and service network, focusing on strong demand in third and fourth-tier cities through a B2C platform. As of December 31, 2015, we held 23.54% equity interests in CAR.

CAR endeavors to become the leading auto mobility provider in China with continuous product innovation and value chain extension. It is marching into the broader auto market by setting up three major platforms of car-sharing, used car sale and fleet management, proceeding from its car rental business built over the years. In 2015, CAR reinforced its absolute leading position in the car rental market. Its fleet has grown from 63,522 cars as of December 31, 2014 to 91,179 as of December 31, 2015. Its total revenue has grown from RMB3,520 million for the year ended December 31, 2014 to RMB5,003 million for the year ended December 31, 2015. And its net profit has increased from RMB436 million for the year ended December 31, 2014 to RMB1,401 million for the year ended December 31, 2015.

In the meantime, CAR has made significant development in value chain extension. It initiated comprehensive collaboration with UCAR in January 2015 providing professional on-demand chauffeured car services. Different from other on-demand chauffeured car services providers in the market, UCAR only uses licensed cars and professional drivers from such car rental companies as CAR, stressing safety and quality of service for mid- to high-end users, underlining a clear profit-making model. As a latecomer to the on-demand chauffeured car services market, UCAR established its differentiated position through one year's relentless efforts, making significant breakthroughs in terms of both market share and reputation. According to report issued by Roland Berger in August 2015, UCAR secured 42% market share in the on-demand chauffeured car services market for mid- to high-end users, making it one of the largest on-demand chauffeured car services providers in China.

As an important step in its value chain extension strategy, CAR opened pilot stores in eight third-tier cities in October 2015 as part of a pilot program to build a used car direct sale and service network. The company aspires to become the No. 1 brand of used cars B2C service in China. CAR believes that its brand premium and high quality products and services will help it to realize higher vehicle residual value, better management of rental vehicles service life cycle and capture growth potential of China's used car B2C service market.

CAR has already built Asia's biggest internet-of-vehicles system, integrating advanced technologies such as big data, internet-of-vehicles, in-vehicle information collection and analysis, and machine learning, all of which effectively improves the service and management standards of both car-sharing and used car businesses. It is expected to facilitate the innovations and setting new benchmarks for the entire industry.

Looking ahead, we believe that auto-related industry is at a critical juncture of transformation. CAR has already positioned itself strategically to better capture new growth opportunities out of this transformation. CAR will continue to embrace technology innovation, endeavoring to provide more reliable, convenient and value-for-money travel solutions for its users.

Zeny Supply Chain

Zeny Supply Chain provides logistics services, mainly including comprehensive cold chain operations, comprehensive logistics services and domestic courier services. Zeny Supply Chain is committed to becoming a leading provider of comprehensive supply chain services. As of December 31, 2015, we held 94.00% equity interests in Zeny Supply Chain.

Comprehensive cold chain operations refer to the use of self-owned cold chain property to provide cold storage services, wholesale market space lease services, commodity trading services, micro loans and guarantee services to commercial tenants of the wholesale market, bonded commodity inspection and examination and logistics services. We conduct the above services through our cold chain properties in Hubei Province and Tianjin Dongjiang harbor. During the reporting period, we continued to expand the regional presence of cold chain businesses. We have signed acquisition agreements regarding equity acquisition of Tianjin Dongjiang harbor and the cold chain business in Zhengzhou, Henan. As of the end of the reporting period, we have completed equity acquisition and assets settlement of Tianjin Dongjiang harbor while assets of the cold chain business in Zhengzhou, Henan have yet to be settled.

Comprehensive logistics services refer to a newly-founded third-party logistics business model during the reporting period, providing one-stop and customized logistics services to corporate clients in such area as clothing and accessories, home and household appliances, cold chain food and motor accessories through integrated solutions and consolidated third-party capacities. Its business network mainly covers four major regions of northern, central, eastern and southern China.

Domestic courier services: includes courier and logistics services. During the reporting period, due to faster-than-expected changes in the market, we have made strategic adjustments to the courier business in the second half of 2015. As of the end of the reporting period, we have closed courier business in eastern and southern China, while such business in Shandong and Beijing was being transformed into comprehensive logistics services.

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

Unit: RMB million

	2015	2014
Revenue	**519**	362
Net (loss)	**(612)**	(262)

During the reporting period, revenue from the logistics business increased by RMB157 million year-on-year, mainly due to increased businesses in comprehensive cold chain operations and comprehensive logistics services compared with the corresponding period last year. Net loss increased by RMB350 million year-on-year, mainly due to one-off expenses from strategic adjustments to the courier business in the second half of 2015.

EnsenCare

EnsenCare mainly provides mid- to high-end senior care services. As of December 31, 2015, we held 100.00% equity interests in EnsenCare. In 2015, EnsenCare continued to create mid- to high-end senior care service products with unique features. On the one hand, it developed products in institutional senior care, senior apartments and others with Changzhou Project as a sample. On the other hand, it implemented pilot home-based senior care business, exploring new model of senior care products with Chinese characteristics. In 2016, EnsenCare will continue to strengthen efforts of promotion, operation and sale of the Changzhou Project while experimenting with new model of senior care products and fostering new sources of growth.

Social Touch

As of December 31, 2015, we held 48.23% equity interests in Social Touch at a consideration of USD58.50 million. Social Touch is an industry-leading provider of the enterprise digital marketing solutions in the mobile social era. It helps enterprises to effectively establish and manage connections and interactions with consumers in a new mobile social environment. Social Touch has four major business segments which are marketing strategies and implementation service, corporate mobile marketing management software and implementation service, corporate mobile marketing data management and analysis service, and mobile original advertising procurement and placing service. Our investments in Social Touch is an important signal to move into the mobile marketing industry under the Internet+ environment. Meanwhile, our investments will effectively help integrate the upstream and downstream resources for Social Touch and shape it into the largest comprehensive services platform of mobile marketing in China.

XYWY.COM

Wenkang Group is mainly engaged in Internet healthcare services business through operating XYWY.COM. As of December 31, 2015, we held 17.02% equity interests in Wenkang Group. Currently, XYWY.COM is the leading platform providing one-stop Internet healthcare services in China. It is also one of the earliest platforms to explore and implement Internet healthcare services in China. XYWY.COM has dynamically integrated patients, doctors, hospitals and pharmaceutical enterprises together, building a comprehensive network and a complete ecosystem of Internet healthcare services covering the entire clinical visit process from pre-treatment (online self-diagnosis, online enquiry, telephone consultation, medicine checks and purchase, specialist reservation and others) to in-treatment (ad-hoc reservation, clinical visit guide, clinical escort and others) and to post-treatment (rehabilitation, clinical follow-up, data tracking and others), providing fast and convenient services to patients. As of December 31, 2015, XYWY.COM has a total of 73.40 million registered users and 520,000 registered doctors. In December 2015, its daily average number of online visits was over 12 million.

Agriculture and Food

Overview

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

- Joyvio Group, our subsidiary, mainly provides plantation and sales of premium fruits and agricultural products business and sales of wine business;

- Funglian Group, our subsidiary, is mainly engaged in the production and sale of Chinese liquor;

- Cloud Farm, our associate, mainly provides services related to agricultural capital goods, agricultural programs and agricultural technology through an agricultural-oriented e-commerce platform; and

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

There are significant opportunities in the agriculture and food industry in China: (1) With China's increased per capita disposable income and consequential changes in consumption patterns, we believe that Chinese consumers are looking to improve their lifestyle. (2) With the continuous promotion of structural reform and technology innovation in agricultural production and operation, we believe that agricultural and food enterprises in China are experiencing constant transformation. We have been proactively exploring opportunities in and invest into niche segments that benefit the most from the upgrading of products, production services and sales channels in agriculture and food.

In 2015, we started to elevate our upgrading efforts from that of products (Joyvio Group and Funglian Group) to that of production services (Cloud Farm) and distribution channels (Liquor Easy). Through industrial integration and a global presence, we hope to provide better products to Chinese consumers, furnish more advanced services to practitioners of the agriculture and food industry, and build more efficient distribution channels that better cater to upscale consumer demand.

Operating highlights

- Joyvio Group reported a substantial increase in the sales of agricultural products including blueberries and kiwifruit through continuously improving its planting technologies and developing new sources of supply and sales channels, and turned around in the reporting period through constant improvement on its management expertise, operational efficiency and restructuring and consolidation, leading to remarkably better performance.

- On December 8, 2015, Joyvio Group acquired the newly issued shares of Golden Wing Mau with the consideration of equity interests it holds in its domestic fruit business company, therefore realizing the restructuring of the two companies' fruit businesses. Through this transaction, the channel capacity of the merged company was significantly enhanced with more balanced capability in different segments of the supply chain, leading in terms of scale in the Chinese fruit industry, with increased bargaining weight on both the upper and lower streams. A combined business and team lead to reduced sales costs and management costs which translate into improved profitability. Upon completion of transaction, Joyvio Golden Wing Mau, as an associate of Joyvio Group, will become a fruit business platform, creating a fruit industry chain platform business with global influence.

- The Company made a new strategic investment in Cloud Farm, intending to use it as a platform to enhance conventional agriculture through the Internet to create "a new agricultural eco-system". Cloud Farm is China's first Internet-based agriculture-related service provider which integrates areas such as agriculture-oriented e-commerce, customization and trading of agricultural products, agricultural program services, agricultural technology services and rural finance. Cloud Farm has been growing rapidly after our investment. And now with a new round of investment led by Chun Xiao Capital, its valuation has also gone up substantially from the point of our investment.

- We made a new strategic investment in Liquor Easy. It is a leading liquor retailer in China with a self-operated chain store network, leveraging an integrated operation model which reshapes the sales channel of the liquor industry. Liquor Easy has been growing rapidly after our investment, establishing distribution networks and brand recognition successfully in various regions including Henan Province and Beijing.

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

Unit: RMB million

	2015	2014
Revenue	**1,639**	1,532
Net profit/(loss)	**134**	(948)
Net profit/(loss) attributable to equity holders of Legend Holdings	**138**	(878)

During the reporting period, revenue of the agriculture and food segment increased from RMB1,532 million to RMB1,639 million, representing an increase of 7% year-on-year. Net profit turned from a net loss of RMB948 million in the corresponding period last year into a net profit of RMB134 million, mainly due to continuous growth of agricultural business, as well as easing out and slight growth in the liquor business under current relatively weak market environment.

Joyvio Group

Joyvio Group mainly provides quality fruit and agricultural products such as kiwifruits, blueberries, tea and imported wine. As of December 31, 2015, we held 100.00% equity interests in Joyvio Group. In 2015, the fruit industry in China registered continuous and steady growth. Joyvio Group targets customers who placed emphasis on safe and quality products. This category of customers grows rapidly alongside consumption upgrading in China. In 2015, key indicators of our agriculture business including revenue, net profit and operational cash flows were constantly improved.

On December 8, 2015, the fruit business of Joyvio Group has completed restructuring with Golden Wing Mau. Golden Wing Mau has 18 years of in-depth experience in the fruit industry. It is the largest fruit supply chain enterprise in China with services covering planting, storage, cold-chain logistics, import and export, and distribution. Upon the completion of the transaction, Golden Wing Mau was renamed as Joyvio Golden Wing Mau, and it becomes an associate of the Joyvio Group.

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

Unit: RMB million

	2015	2014
Revenue	**452**	411
Net profit/(loss)	**41**	(95)

During the reporting period, the revenue of agricultural business grew from RMB411 million to RMB452 million, representing an increase of 10%, turning loss into profit, mainly due to: 1) our continuous investment in agricultural technology, leading to constant upgrading of planting technology and expertise and enhancement in product quality production capacity; 2) further development of supply channels of agricultural products leading to broadened product range as well as the increased sales volume of our popular products; 3) continuous expansion and optimization of our sales channels: in addition to the continuing integration of conventional wholesale channels, we were also constantly improving our shares in supplying leading domestic supermarkets while experimenting with the internet to transform conventional channels; and 4) the continuous improvement of our operational efficiency, optimization of cost structure and strengthening of cost control.

Funglian Group


Funglian Group is mainly engaged in the production and distribution of Chinese liquor. It has four regional brands including Bancheng, Confucius Family, Wenwang and Wuling. As of December 31, 2015, we held 93.30% equity interests in Funglian Group.

Domestic demand of Chinese liquor still remained low during the reporting period with overcapacity persisting in overall Chinese liquor industry. Upgrading of consumer products and business model innovation will become major opportunities for the industry in the future.

During the reporting period, the revenue and net loss of Funglian Group are set out below:

Unit: RMB million

	2015	2014
Revenue	**1,187**	1,121
Net (loss)	**(73)**	(853)

During the reporting period, the revenue of liquor segment increased by 6% and net loss decreased by RMB780 million year-on-year, mainly due to:

(1) In 2014, provision for impairment of goodwill amounted to RMB621 million. There was no such provision in 2015;

(2) For business, each brand companies tried to develop new strategical market while focusing on their respective regional markets, actively executing product differentiation, strengthening mainstream products delivery, and leveraging innovative distribution models. These have led to optimized sales structure while an increase in average price improved gross margin;

(3) Increased efficiency in marketing and management further reduced overall cost.

Cloud Farm

Cloud Farm is the first Internet-based agriculture-related service provider in China which integrates areas such as agriculture-oriented e-commerce, customization and trading of agricultural products, rural logistics, agricultural technology services and rural finance. The official online operation of Cloud Farm began on February 8, 2014, providing agricultural capital goods, agricultural programs and agricultural technology services to farmers and farm operators as target users by leveraging the agriculture-oriented e-commerce platform. We started investing in Cloud Farm in May 2015. As of December 31, 2015, we invested an aggregate of RMB107 million in Cloud Farm and held 25.00% equity interests in it.

Cloud Farm solved the localization difficulty of agricultural e-commerce by setting up an extensive network of service centers for farm operators (ground testing and fertilizer matching) and village-based (agricultural business) Internet connection, building an Internet-based agriculture-related service provider which integrates online platform with offline terminals. Leveraging our stock of experiences and resources in the agricultural industry, Cloud Farm grew rapidly after our investment. Apart from standard products and agricultural supply, newly developed business of ground testing, fertilizer matching and agricultural programs services all grew rapidly, with regional presence going beyond Shandong province into the whole country. Currently, Cloud Farm houses more than 2,000 well-known tenants including agricultural supply enterprises, distributors and service providers, more than 300 county-level service centers and more than 30,000 village-level stations, covering markets in 18 provinces including Shandong, Jiangsu, Henan and others. Its number of registered users has surpassed one million and has developed into China's largest online shopping mall for agricultural capital goods.

Liquor Easy

Legend Holdings invested RMB226 million in Liquor Easy in November 2015, owning 30.00% of its equity interests. Luquor Easy is a dedicated liquor retailer running chain store networks. Its business model of "Internet platform+call centre+physical outlets+delivery in 20 minutes" combined online and offline operations, and reshaped distribution channels of the liquor industry. Its promised delivery time of "20 minutes home delivery" has become the benchmark of liquor delivery. As of December 31, 2015, Liquor Easy has entered various cities including Zhengzhou, Beijing, Zhumadian, Xuchang and Nanyang with a total of 124 outlets and 38 delivery stations.

Property

According to information published by the National Bureau of Statistics of China, total investment in the country's property development amounted to RMB9.6 trillion in 2015, representing a nominal increase of 1.0% year-on-year (an actual increase of 2.8% excluding the price factor); total construction area of property development enterprises amounted to 7,357 million square meters, representing an increase of 1.3% year-on-year; the area of newly-commenced projects amounted to 1,545 million square meters, representing a decrease of 14.0%; the area of new housing completed was 1 billion square meters, representing a decrease of 6.9%. As for sales, the total national sold areas of commodity housing was 1,285 million square meters, representing an increase of 6.5% year-on-year. The total value of commodity housing sold was RMB8.73 trillion, representing an increase of 14.4% year-on-year. In December 2015, the average home price of the country's 100 cities (newly-built) was RMB10,980/square meter, representing a consecutive increase of 0.74%. Since May 2015, the average home price of these 100 cities have been rising for eight consecutive months. There was a new round of market momentum in the property market.

We are mainly engaged in the property business through Raycom, our subsidiary. Raycom is specialized in the property development in China. As of December 31, 2015, we held 93.09% equity interests in Raycom Real Estate and 100.00% equity interests in Raycom Property. Raycom's property business includes the (i) development and sale of residential properties; (ii) development, sale, lease and management of office buildings and industrial parks, with the ability to develop properties tailored to the requirements of our corporate customers; and (iii) property management services provided by Raycom's joint venture, FPD Raycom Property Management Co., Ltd. ("FPD-Raycom").

As of December 31, 2015, the real estate portfolio of Raycom covered 15 Chinese cities and included 52 projects, with a total land area of approximately 6.6 million square meters and a total GFA*[2] of approximately 14.6 million square meters.

Raycom primarily focuses on first-tier cities such as Beijing and affluent second- and third-tier cities in Southeast, Southwest and Central China. For residential property development, the primary focus of Raycom is on developing projects with comfortable living environments at locations with convenient public transportation. These projects are concentrated in municipalities, provincial capital cities and other cities with market potential. For our office building business, Raycom develops (i) office buildings that Raycom retains, leases and manages for investment purposes, including Raycom Infotech Center Tower A, Tower B and Tower C; (ii) office buildings that Raycom sells such as Raycom Wangjing Property Center and Raycom Creative Center; and (iii) customized office buildings for sale or lease to identified corporate customers, such as the Sohu New Media Plaza in Beijing. Raycom develops office buildings primarily in prime locations of first- and second-tier cities in locations with attractive nearby facilities and convenient transportation. Raycom selectively holds office buildings as investment properties for long-term returns. As of December 31, 2015, Raycom had an investment property portfolio with a total GFA* of approximately 173,000 square meters. Our properties held for investment include Raycom Infotech Tower A, Tower B and Tower C, a premium office building located in Beijing's Zhongguancun area, with an average occupancy rate of over 95% as of December 31, 2015. We own Raycom Infotech Tower A and Tower C through our wholly owned subsidiary, Raycom Property, and own Raycom Infotech Tower B through our subsidiary, Raycom Real Estate.

2 The data of GFA marked with "*" set forth in this sub-section does not include the area which is not taken into consideration when calculating the plot ratio or floor area ratio, such as car parks and basement

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

Unit: RMB million

	2015	2014
Revenue	**10,704**	11,515
Net profit	**2,184**	983
Net profit attributable to equity holders of Legend Holdings	**1,651**	1,001

During the reporting period, the net profit of the property segment increased to RMB2,184 million as compared with that of RMB983 million in 2014, mainly due to an increase in the fair value of investment properties for the purpose of leasing, which are Raycom Infotech Center Tower B and Olive City located in Beijing, during the reporting period.

The table below summarizes property development projects of Raycom as of December 31, 2015 by city:

	Total GFA*			
City	**Completed** *(sq.m.)*	**Under development** *(sq.m.)*	**Future development** *(sq.m.)*	**Total** *(sq.m.)*
Beijing	1,082,778	90,568	–	1,173,346
Tianjin	682,557	132,164	309,117	1,123,838
Hangzhou	127,004	381,638	48,000	556,642
Wuhan	657,033	262,893	389,963	1,309,889
Chongqing	1,122,269	414,113	695,022	2,231,403
Changsha	1,022,855	71,692	165,021	1,259,568
Hefei	647,820	378,398	986,483	2,012,701
Wuxi	392,707	115,516	264,327	772,551
Kunming	213,740	159,971	1,089,090	1,462,801
Dalian	75,226	121,587	–	196,813
Sanya	–	78,835	177,136	255,971
Daqing	278,190	14,335	1,355,590	1,648,115
Jiangyin	95,271	4,583	–	99,854
Tangshan	197,777	–	–	197,777
Jingdezhen	46,767	46,550	169,300	262,617
Total	**6,641,994**	**2,272,843**	**5,649,049**	**14,563,886**

The table below summarizes property development projects of Raycom as of December 31, 2015 by property type:

Property type	Total GFA* Completed (sq.m.)	Under development (sq.m.)	Future development (sq.m.)	Total (sq.m.)
Residential properties	6,304,893	2,098,224	4,470,684	12,873,801
Commercial properties	337,101	174,619	1,178,365	1,690,085
– Office buildings	337,101	–	–	337,101
– Industrial parks	–	174,619	1,178,365	1,352,984
Total	**6,641,994**	**2,272,843**	**5,649,049**	**14,563,886**

Management Discussion and Analysis

The following table sets forth certain information relating to completed properties, properties under development and properties held for future development of Raycom as of December 31, 2015 including GFA* data for each project[3].

			Completed (record of completion obtained) (in GFA*)						Under development (construction work permit obtained) (in GFA*)				Held for Future Development (construction work permit pending) (in GFA*)		
Project	Location	Site Area (sq.m.)	GFA Completed (sq.m.)	GFA Sold and Delivered (sq.m.)	GFA Sold and Undelivered (sq.m.)	Saleable GFA Remaining Unsold (sq.m.)	Rentable GFA Held (sq.m.)	Actual Completion Date	GFA Under Development (sq.m.)	Saleable/ Rentable GFA (sq.m.)	GFA Pre-sold (sq.m.)	Expected Completion Date	Planned GFA with Land Use Rights obtained (sq.m.)	GFA without Land Use Rights (sq.m.)	Attributable Interest of Raycom
Raycom Skyline	Wuhan	87,366	400,700	383,860	1,046	8,979	2,728	05/2014	–	–	–		–	83,290	100.0
Raycom Luoyu Road Centre	Wuhan	15,890	66,003	63,019	2,025	959	–	07/2013	–	–	–		–	53,000	100.0
Raycom Flower Garden	Wuhan	112,860	190,330	157,054	24,201	9,075	–	12/2015	–	–	–		–	–	100.0
Raycom Celestial Heights	Wuhan	47,129	–	–	–	–	–		166,877	93,741	66,549	07/2017	–	–	35.7[(1)]
Raycom Zhi Gu	Wuhan	187,042	–	–	–	–	–		96,017	96,017	–	12/2016	253,673	–	100.0
First Sea	Changsha	215,778	573,013	512,145	18,082	18,473	–	12/2015	71,692	63,986	5,365	12/2016	3,298	–	75.0
La Villa	Changsha	111,674	282,778	277,071	369	2,669	–	12/2012	–	–	–		–	–	100.0
Xi Tang	Changsha	46,380	–	–	–	–	–		–	–	–		161,723	–	95.0
San Wan Ying Chi	Changsha	34,852	167,064	167,064	–	–	–	09/2008	–	–	–		–	–	100.0
Jiu Yu Yi Pin	Jingdezhen	152,157	46,767	31,168	2,916	2,164	–	12/2013	46,550	46,550	–	04/2017	169,300	–	100.0
Allinsun Garden	Hangzhou	70,464	127,004	47,564	12,456	65,502	–	07/2014	–	–	–		–	–	100.0
Cover life	Hangzhou	60,801	–	–	–	–	–		151,954	111,428	39,340	09/2016	–	–	100.0
Xiaoshan Dikuai	Hangzhou	107,876	–	–	–	–	–		229,684	172,369	51,882	09/2018	48,000	–	100.0
Nine Jade City	Wuxi	122,496	84,120	70,878	245	10,438	–	06/2014	–	–	–		222,080	–	95.0
Balance City	Wuxi	92,258	111,305	96,528	–	4,996	–	05/2011	115,516	45,562	62,658	08/2016	–	–	100.0
Jinhua Bay Shi Jia	Wuxi	133,298	144,370	78,206	1,418	64,922	–	08/2015	–	–	–		42,247	–	100.0
Project Yixing	Wuxi	32,556	52,913	53,170	–	–	–	12/2010	–	–	–		–	–	60.0
Wisdom Castle	Beijing	117,672	89,300	75,767	3,498	7,879	–	09/2015	90,568	80,542	10,007	11/2017	–	–	80.0
Olive City	Beijing	132,451	398,221	386,384	318	394	8,954	08/2014	–	–	–		–	–	100.0
Raycom Chuangyi Center	Beijing	19,750	78,445	65,996	–	12,450	–	01/2013	–	–	–		–	–	66.9
Blocks A and C of Raycom Info Tech Centre	Beijing	27,128	102,264	–	–	–	101,744	09/2004	–	–	–		–	–	100.0
Block B of Raycom Info Tech Centre	Beijing	15,388	60,004	–	–	–	59,922	03/2015	–	–	–		–	–	100.0
SOHU New Media Plaza	Beijing	6,443	28,517	28,517	–	–	–	03/2013	–	–	–		–	–	100.0
Parc de Vincennes	Beijing	47,824	120,633	117,951	–	4,420	–	09/2014	–	–	–		–	–	100.0
Xiang Xue Lan Xi	Beijing	81,979	205,394	205,085	–	114	–	10/2011	–	–	–		–	–	100.0
Fenghe Yuan	Tianjin	67,392	101,114	85,169	13,491	4,350	–	09/2015	–	–	–		–	–	30.6
Wu Qian Dao	Tianjin	584,786	76,005	51,991	4,796	16,511	–	11/2014	63,160	63,160	–	10/2018	253,961	–	95.0

3 The GFA* data for each project is for that project as a whole and does not reflect the amount of GFA* solely attributable to Raycom to the extent that our interest in the project is less than 100%.

(1) In addition to which 49% interests are attributable to Lenovo.

			Completed (record of completion obtained) (in GFA*)						Under development (construction work permit obtained) (in GFA*)				Held for Future Development (construction work permit pending) (in GFA*)		
Project	Location	Site Area (sq.m.)	GFA Completed (sq.m.)	GFA Sold and Delivered (sq.m.)	GFA Sold and Undelivered (sq.m.)	Saleable GFA Remaining Unsold (sq.m.)	Rentable GFA Held (sq.m.)	Actual Completion Date	GFA Under Development (sq.m.)	Saleable/ Rentable GFA (sq.m.)	GFA Pre-sold (sq.m.)	Expected Completion Date	Planned GFA with Land Use Rights obtained (sq.m.)	GFA without Land Use Rights (sq.m.)	Attributable Interest of Raycom
Taiyi Yuan	Tianjin	18,214	27,319	26,500	–	799	–	09/2014	–	–	–		–	–	30.6
Han Tang Yuan	Tianjin	64,320	–	–	–	–	–		69,004	29,970	40,656	10/2016	55,156	–	30.6
Xin Yi Wan & Yi Jin Tai	Tianjin	195,331	478,119	474,287	–	–	–	04/2013	–	–	–		–	–	54.0
Raycom Up Town	Tangshan	131,205	197,777	182,495	12,234	3,810	–	07/2013	–	–	–		–	–	42.0
Yan Qi Du	Dalian	140,289	75,226	29,933	5,451	39,841	–	11/2015	121,587	117,978	2,009	12/2016	–	–	50.0
Daqing Legend Tech City	Daqing	118,578	278,190	201,904	21,775	76,286	–	06/2013	–	–	–		113,900	–	100.0
Daqing Legend Tech City-2B	Daqing	168,329	–	–	–	–	–		–	–	–		–	437,656	100.0
Daqing Legend Tech City-3A	Daqing	199,973	–	–	–	–	–		–	–	–		–	201,972	100.0
Daqing Legend Tech City-2C	Daqing	75,929	–	–	–	–	–		–	–	–		–	174,637	100.0
Daqing Legend Tech City-2D	Daqing	103,424	–	–	–	–	–		–	–	–		–	104,458	100.0
Daqing Legend Tech City-2A-1	Daqing	42,276	–	–	–	–	–		–	–	–		101,461	–	100.0
Daqing Legend Tech City)-A-4	Daqing	24,560	–	–	–	–	–		–	–	–		–	120,345	100.0
Daqing Legend Tech City-2A-5	Daqing	22,279	–	–	–	–	–		–	–	–		–	82,434	100.0
Daqing Legend Tech City2A -3	Daqing	27,551	–	–	–	–	–		14,335	14,335	–	12/2016	18,727	–	100.0
Golden Age	Chongqing	112,876	–	–	–	–	–		223,341	154,804	65,384	12/2016	58,546	–	100.0
Diao Yu Tai	Chongqing	218,420	–	–	–	–	–		152,678	142,743	8,838	02/2017	636,476	–	100.0
Chongqing Raycom City	Chongqing	634,625	1,122,269	925,445	34,435	112,227	–	12/2015	38,094	16,470	21,545	05/2016	–	–	100.0
Kunming Legend Tech City	Kunming	93,174	213,740	185,099	4,684	20,376	–	08/2015	64,268	63,475	237	06/2016	–	–	51.0
Kunming Legend Tech City	Kunming	326,392	–	–	–	–	–		95,704	8,228	83,687	06/2016	1,089,090	–	51.0
Wu Tong Li	HeFei	69,779	125,170	80,540	19,516	25,114	–	09/2015	126,036	120,952	5,084	12/2017	–	–	60.0
Raycom Splendor Nonet	HeFei	74,916	242,795	234,845	602	7,348	–	08/2012	–	–	–		–	–	100.0
Hefei Raycom City	HeFei	401,595	279,855	253,735	1,863	24,257	–	01/2015	252,362	40,542	211,820	12/2016	830,088	156,394	61.4[2]
Private Palace In City	Jiangyin	83,824	95,271	28,443	25,007	41,821	–	12/2015	4,583	4,583	–	03/2016	–	–	100.0
Blue Lifang	Sanya	22,328	–	–	–	–	–		78,835	32,770	45,446	12/2016	–	–	60.0
Haitang Bay	Sanya	587,382	–	–	–	–	–		–	–	–		177,136	–	65.0
Total		6,689,258	6,641,995	5,577,811	210,429	586,174	173,348		2,272,843	1,520,204	720,507		4,234,861	1,414,186	

(2) In addition to this, 29.4% interests are attributable to Lenovo.

Chemicals and Energy Materials

Overview

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

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

- Phylion Battery, our associate, is engaged in the lithium-ion battery business. During the reporting period, as it ceased to be consolidated due to a decrease in shareholding, it was audited using equity method.

Chemicals and energy materials segment's revenue and net loss for the reporting period are set out as follows:

Unit: RMB million

	2015	2014
Revenue	**1,839**	1,908
Net (loss)	**(1,061)**	(769)
Net (loss) attributable to equity holders of Legend Holdings	**(713)**	(687)

During the reporting period, since Phylion Battery was no longer consolidated into the Company and instead using equity method, the revenue of chemicals and energy materials business decreased by RMB69 million year-on-year. During the reporting period, demands were sluggish in the chloro-alkali chemical market of Levima Group's subsidiary Zhongyin Electrochemical and the coal market of Guozhuang Mining, pointing to continuous recession in the industry. We made a provision of asset impairment of Zhongyin Electrochemical and Guozhuang Mining, resulting in a continuous loss in this year.

Operating Highlights

- Development of chemicals production facilities of Shenda Chemicals and Haoda Chemicals, which were built since June 2012, have been completed construction and put into production and achieved safe, stable and full-capactiy operation. It realized full-load fully-sold production and made profit in the year when production was commenced.

- With the gradual implementation of subsidies by the State and local governments to vehicles powered by lithium-ion battery, demand for electric vehicles was growing fast. Lithium-ion power battery products used for electric vehicles of Phylion Battery obtained certifications from renowned electric automobile manufacturers in terms of quality and safety. Its products were in short supply throughout the year and the sale of new energy vehicle products significantly increased.

Levima Group

As of December 31, 2015, we held 90.00% equity interests in Levima Group. Leveraging on the DMTO facilities, Levima Group focused on industries in high-end synthetic materials and special chemicals, which enjoy broad market prospects.

The DMTO facilities, the development of which started in June 2012, of Shenda Chemicals and Haoda Chemicals, subsidiaries of Levima Group, saw its last set of EVA successfully put into production on September 13, 2015. The five facilities were all successfully completed and put into production and operation. In October, all development projects were transferred into fixed assets and contributed revenue and profit. During the reporting period, the management and technical teams of Shenda Chemicals and Haoda Chemicals achieved safe, stable operation of facilities at full capacity during the trial operation period through lean production. Through continuous improvement in technology and improving operational standard, these facilities were able to lead in terms of the technical and economic indicators, operational standards and the costs of products among its peer. They were leveraging research and development capabilities of its own research institution to constantly develop high-end differentiated products, successfully producing six types of PP products, seven types of EVA products and 54 types of EOD products and introducing them to target markets within a year after commencement of operation. The application efficacy of its special products for subway and leather markets is on a par with that of world-leading enterprises. By taking advantage of technologies and services of its research institution, together with a pre-deployed sale network, such products were well-accepted by high-end downstream customers at the beginning of the production. The professional technologies and services and reliable products of Levima were broadly praised by downstream customers with a continuous increase in the proportion of direct supply. During the reporting period, Shenda Chemicals and Haoda Chemicals achieved full production and made profit in the year when production was commenced, demonstrating relatively strong competitiveness of this integrated model.

During the reporting period, the chloro-alkali chemical industry, in which Zhongyin Electro (a subsidiary of Levima Group) was operating, suffered from overcapacity while the demand from downstream remained weak, resulting in lower profitability. Facing severe situation in the industry, Zhongyin Electrochemical closely monitored the market, adjust its operating strategies in a timely manner and arrange production of products according to their marginal contributions. Meanwhile, it strengthened internal control, implemented various technical transformation programs and laid off 200 employees to reduce costs. However, there was still no clear sign of recovery in the chloro-alkali chemical market. We made a provision of RMB403 million for asset impairment of Zhongyin Electrochemical.

Guozhuang Mining, a subsidiary of Levima Group, is engaged in coal mining and related business. During the reporting period, coal market suffered from overcapacity and coal prices continued to be at a low level and profit of the enterprise slid further. Guozhuang Mining improved its coal-mining technologies through technical transformation to reduce production costs while actively exploring sales channels, lowering inventories and cutting overheads. Since the government is now implementing supply-side reforms, policies in relation to removing excessive capacity for the coal industry will be launched in the near future. Coal prices therefore are likely to bottom out. However, given considerable uncertainties over the industry's outlook, we made a provision of RMB559 million for the asset impairment of Guozhuang Mining.

Levima Group's revenue and net loss for the reporting period are set out as follows:

Unit: RMB million

	2015	2014
Revenue	**1,649**	1,608
Net (loss)	**(1,226)**	(780)

Phylion Battery

For better development, Phylion Battery introduced new strategic investors in June 2015, which resulted in Legend Holdings' equity interests in Phylion Battery being diluted from 50.77% to 44.51% and Phylion Battery thus becoming an associate from a subsidiary. During the reporting period, Phylion Battery expanded the market shares of first-tier clients at home and abroad and achieved a substantial increase in sales and higher gross by virtue of a broad customer base and good reputation over the years; in addition, Phylion Battery obtained the certification to supply downstream comprehensive automobile enterprise with battery products for domestic new energy vehicles. Nine types of car models under five auto brands installed with Phylion Battery's batteries were passed throughout the year and over 3,000 new energy vehicles were put in the market, contributing greatly to the results of the Company.

Phylion Battery maintained relatively high gross margin against the backdrop of increasing raw material prices and intensifying industrial competition through continuous improvement in materials, technical design, as well as operating efficiency of its production lines. The net profit of Phylion Battery increased significantly year-on-year. During the reporting period, income from disposal of subsidiaries amounted to RMB139 million as Phylion Battery was no longer consolidated into the Company.

Financial investments

Overview

Our financial investments business is positioned as pursuing financial returns while providing our strategic investments with cash flows, market information and other resources.

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 our financial investment platforms, which include angel investment, VC (Venture Capital) and PE (Private Equity) funds, 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 risk.

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 attach great importance to cooperation with our associate funds to share intelligence and related resources and maximize the efficiency of financial investments.

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

Unit: RMB million

	2015	2014
Revenue	**23**	43
Investment income and gains	**4,049**	2,491
Share of profit of associates and joint ventures accounted for using the equity method	**378**	417
Net profit	**4,187**	2,113
Net profit attributable to equity holders of Legend Holdings	**4,127**	1,868

During the reporting period, the investment income and gains of our financial investments amounted to RMB4,049 million, representing an increase of 63% compared with RMB2,491 million in 2014, the net profit amounted to RMB4,187 million, representing an increase of 98% compared with RMB2,113 million in 2014. It is mainly due to our timely judgements and adjustments towards capital market fluctuations in 2015, which help increase our gains from associate funds investment and minority shareholding investment, including the change in fair value of investees under associate funds and minority shareholding investments and exit gains.

Legend Star

Founded in 2008, Legend Star is one of China's leading angel investment institutions. At the end of 2015, Legend Star managed two funds with a scale of approximately RMB1.1 billion. Legend Holdings is the sole LP of the funds. Legend Star was ranked by Zero2IPO (an integrated service provider in China's venture capital and private equity investment industry) as top five of the Annual Angel Investment Institution ("年度天使投資機構") for two consecutive years of 2014 and 2015.

Legend Star is committed to becoming the leading angel investment institution in China. Its key strategy is professional investments+resourceful platforms: by systematically deploying in three major areas, namely TMT, healthcare and intelligent machines, recruiting investment teams of professional elites, and leveraging its unique resources and brand advantages, Legend Star aims to strengthen its presence in the long run.

Legend Star has accumulatively invested in over 120 projects. In 2015, it invested in 52 projects, of which 24 projects have finished another round of financing. Significant projects include:

– Face++: is a developer of core technology for visual machines and currently has the world-leading position in areas such as dynamic facial recognition. Face++ has provided 59,119 customers globally including dozens of large financial institutions and government authorities with 146 billion times cloud services for facial recognition so far. Legend Star invested in the company in 2011. In 2015, Face++ successfully completed B round financing at a higher valuation;

– Zhubaijia: is a leading domestic enterprise in shared economy model and provides customers with overseas boutique lodging services, covering millions of suite rooms in nearly 60 popular tourism cities across Asia, Europe, America and Australia. Legend Star invested in the company in 2014. In 2015, Zhubaijia introduced in various cornerstone investors and completed B round financing;

– Burning Rock Dx: Burning Rock Dx engages in tumor precision medical solutions and provide cancer patient with services such as proposals and advices for treatment and post-surgery monitoring based on genetic test data. Legend Star invested in the company in June 2014. In August 2015, Burning Rock Dx completed a new round of financing.

Legend Capital

Legend Capital is one of the leading venture capital institutions in China. As of the end of 2015, Legend Capital managed six comprehensive USD funds, three comprehensive RMB funds, two early-stage RMB funds , one USD fund in healthcare sector, one RMB fund in culture and sports sector and one fund in red-chip return concept. In 2015, Legend Capital raised three new RMB funds and one USD fund, which helped expand the asset size under management. Three RMB funds are Beijing Legend Capital Xinhai Equity Investments Partnership

Enterprise (Limited Partnership) (the "Xinhai Fund"), Beijing Legend Capital Mingde Investments Partnership Enterprise (Limited Partnership) (the "Mingde fund"), Shanghai Qiji Venture Capital Partnership Enterprise (Limited Partnership) (the "Qiji fund"), respectively. One USD fund is LC Healthcare Fund I, L.P. (the "USD healthcare fund"). As of December 31, 2015, the size of new funds amounted to approximately RMB4.32 billion, including RMB1.42 billion from Xinhai Fund (inclusive of the total amount of RMB1.57 billion of Xinhai Parallel Fund), RMB1.03 billion from Mingde Fund, RMB420 million from Qiji Fund and USD200 million from USD healthcare fund.

In 2016, Legend Capital plans to launch comprehensive USD Fund VII, comprehensive RMB Fund IV and first RMB fund in healthcare sector. 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, modern services, healthcare, and culture and sports sectors. In addition, in 2016, Legend Capital will continue to carry out the exit of projects under management for better cash return for LPs.

During the reporting period, Legend Capital completed 72 new investments, covering start-up stage and growing stage enterprises in TMT, modern services, healthcare, and culture and sports sectors.

During the reporting period, Legend Capital fully or partial exited 22 projects, contributing cash inflow of over RMB1.2 billion for Legend Holdings, achieving sound cash returns. Three of its portfolio companies conducted IPO in domestic and overseas capital markets, namely Wuxi Lead Intelligent Equipment (無錫先導), Yingjia Distillery (迎駕貢酒) and Dexter Studio, respectively. Another four enterprises were listed on the NEEQS. As of December 31, 2015, 37 of Legend Capital's portfolio companies have been successfully listed and another six are listed on the NEEQS.

Hony Capital

As of the end of 2015, Hony Capital managed five USD funds, two RMB funds and two mezzanine funds. In 2015, Hony Capital raised new RMB mezzanine fund II (Tibet Dazi Hony Phase II Mezzanine Fund Partnership (Limited Partnership)) with a size of RMB2.05 billion.

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 focuses 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 Captail's mezzanine funds are mainly in mergers and acquisitions financing, asset securitization financing and special opportunity financing (e.g. corporate bridge facility, asset-backed financing and asset restructuring opportunities, etc.) etc.

In 2015, Hony PE funds completed five new projects or additional investment on existing projects, covering start-up stage and developing stage in enterprises in healthcare, consumption and services. Hony mezzanine funds completed three investments.

During the reporting period, Hony PE funds fully or partially exited 12 projects, and Hony mezzanine funds completed two projects exits, contributing cash inflow of over RMB4.2 billion for Legend Holdings. Meanwhile, three of its portfolio companies conducted IPO in domestic and international capital markets in 2015, namely Happigo (快樂購), Yingjia Distillery (迎駕貢酒) and Holly Futures (弘業期貨). Another three enterprises were listed or approved to be listed on NEEQS, namely Coagent (好幫手), Lessin (力誠百貨) and Commercial Capital (商之都). As of December 31, 2015, 33 of Hony's portfolio companies have been successfully listed onshore or offshore (including PIPE investment [4]) and another three are listed on NEEQS.

We also conducted other investments including direct financial investments through our headquarter and other domestic and overseas investment platforms. These investments provide us with continuous growth in value. We continue to promote the realization of asset value and carry out direct investments in primary or secondary markets with high liquidity so as to create sound cash return. We also attach great importance to cooperation with our associate funds to share intelligence and related resources and maximize the efficiency of financial investments.

FINANCIAL REVIEW

Net interest expense

Our net interest expenses after deducting capitalized amounts increased from RMB3,186 million for the year 2014 to RMB3,370 million for the year 2015. Increase in the net interest expenses was mainly due to increase in the total borrowings.

Taxation

Our taxation decreased from RMB3,738 million for the year 2014 to RMB1,662 million for the year 2015. Decrease in the amount of taxation was mainly due to decrease in the profit before taxation as compared with the corresponding period of last year.

Capital expenditures and capital commitments

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

As at December 31, 2015, we had RMB10,836 million of capital commitments contracted. Such capital commitments were mainly used for purchases of property, plant and equipment, property development, and investment. Details of capital commitments of all business segments are set out in Note 47 to the financial statement.

Liquidity and financial resources

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

[4] PIPE investment means private investment in public equity

Cash and cash equivalents

As of December 31, 2015, our cash and cash equivalents include RMB34,803 million of cash at bank and in hand and money market funds, among which, RMB, US dollar, HK dollar, EUR and other currencies accounted for 45%, 20%, 24%, 3% and 8%, respectively, while the amount as at December 31, 2014 was RMB35,773 million, among which, RMB, US dollar, HK dollar, EUR and other currencies accounted for 46%, 43%, 1%, 3% and 7%, respectively. It is our policy to place our cash in interest-bearing principal-protected demand or short-term deposits with reputable PRC and foreign banks.

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

Indebtedness

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

Unit: RMB million

	December 31, 2015	December 31, 2014
Bank loans		
– Unsecured loans	**17,137**	20,677
– Guaranteed loans	**13,909**	14,469
– Collateralized loans	**5,714**	7,156
Other loans		
– Unsecured loans	**100**	15
– Guaranteed loans	**11,654**	10,905
– Collateralized loans	**3,182**	1,678
Corporate bonds		
– Unsecured	**24,853**	20,991
– Guaranteed	**708**	230
	77,257	76,121
Less: non-current portion	**(56,621)**	(56,550)
Current portion	**20,636**	19,571

As of December 31, 2015, among our total borrowings, 73% was dominated in RMB (December 31, 2014: 70%), 26% was dominated in US dollar (December 31, 2014: 29%) and 1% was dominated in other currencies (December 31, 2014: 1%). If categorized by whether the interest rates were fixed or not, the fixed interest rates borrowings and the floating interest rates borrowings accounted for 91% and 9% of our total borrowings, respectively, while as at December 31, 2014 accounted for 88% and 12%, respectively. Increase in our indebtedness was mainly due to growth and expansion of our strategic investment business.

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

Unit: RMB million

	December 31, 2015	December 31, 2014
Within 1 year	**20,636**	19,571
After 1 year but within 2 years	**15,224**	16,523
After 2 years but within 5 years	**37,935**	36,962
After 5 years	**3,462**	3,065
	77,257	76,121

As of December 31, 2015, we had the following corporate bonds outstanding:

Unit: RMB million

Issuer	Type of bonds	Currency	Issuance date	Term	Principal amount	As of December 31, 2015
The Company	Corporate bonds	RMB	October 31, 2011	7 years	RMB2,900 million	RMB2,888 million
The Company	Corporate bonds	RMB	November 30, 2012	10 years	RMB2,300 million	RMB2,286 million
The Company	Private placement bonds	RMB	March 6, 2013	3 years	RMB2,000 million	RMB2,000 million
Brave Rise Investments Limited, a subsidiary of Joyvio Group	Guaranteed bonds	RMB	May 24, 2013	3 years	RMB230 million	RMB230 million
The Company	Private placement bonds	RMB	March 21, 2014	5 years	RMB2,000 million	RMB1,979 million
The Company	Private placement bonds	RMB	March 27, 2014	5 years	RMB740 million	RMB735 million
Lenovo	Long term notes	USD	May 8, 2014	5 years	USD1,500 million	RMB9,691 million
Lenovo	Long term notes	RMB	June 10, 2015	5 years	RMB4,000 million	RMB3,981 million
The Company	Private placement bonds	RMB	August 20, 2015	1 year	RMB300 million	RMB300 million
Zhengqi Financial	Guaranteed bonds	RMB	September 16, 2015	3 years	RMB500 million	RMB478 million
The Company	Private placement bonds	RMB	October 29, 2015	3 years	RMB1,000 million	RMB992 million

The annual interest rates of our bonds listed above as of December 31, 2015 ranged from 3.95% to 7.00%.

As of December 31, 2015, the Company had undrawn banking facilities of RMB78.9 billion. The Company has entered into formal or informal cooperation agreements with various major banks in China. According to these agreements, the banks granted the Company general banking facilities to support its capital needs. Prior approval of individual projects from banks in accordance with bank regulations of China must be obtained before the use of these banking facilities.

Current ratio and debt to equity ratio

	December 31, 2015	December 31, 2014
Current ratio *(Times)*	**1.1**	1.1
Debt to equity ratio	**65.2%**	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 to December 31, 2014.

Debt to equity ratio

Debt to equity ratio is calculated by dividing our net debt (total borrowings less cash and cash equivalents) as a percentage of total equity at the end of each financial period. The decrease in the debt to equity ratio at the end of the reporting period as compared with that as of December 31, 2014 was mainly due to the substantial increase in equity as a result of the listing on June 29, 2015.

Pledged Assets

As of December 31, 2015, we pledged the assets of RMB21 billion (December 31, 2014: RMB20.7 billion) for obtaining borrowings.

Contingent Liabilities

Our contingent liabilities primarily comprise (i) shareholder's guarantees we provided in respect of the borrowings provided by commercial banks and other financial institutions to associates and third parties for their business expansion, (ii) the guarantees we provided regarding the mortgage facilities granted by commercial banks to the purchasers of our properties in connection with our property business, and (iii) financial guarantees provided by our subsidiaries in the financial services business to small and medium-sized entities 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, 2015 and December 31, 2014, the provision made by us was RMB135 million and RMB146 million respectively.

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

Unit: RMB million

	December 31, 2015	December 31, 2014
Guarantee in respect of mortgage facilities for certain purchaser	**4,099**	3,309
Financial guarantee of guarantee business	**4,530**	4,046
Other guarantee		
– Related parties	**2,240**	4,420
– Unrelated parties	**1,500**	1,500

Financial policies and risk management

General policies

Our activities expose us to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. Our overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on our financial performance. We have implemented a unified and multilevel financial control management system. We guide and supervise major aspects of the financial management of our subsidiaries and each subsidiary manages its financial risks locally. Certain of our subsidiaries use derivative financial instruments to hedge certain risk exposures.

Foreign exchange risk

We operate internationally and are exposed to foreign currency risk arising from various currency exposures, primarily with respect to Renminbi, USD and Euro. Foreign currency risks arise from the future business transactions, recognised assets and liabilities and net investment in foreign operations denominated in a currency other than the functional currency of our subsidiaries. Each of our subsidiaries monitors the amount of assets and liabilities and transactions denominated in foreign currencies closely in order to minimize the foreign exchange risk and enter into forward exchange contracts to mitigate the foreign currency risk as appropriate.

Price risk

We are exposed to equity securities price risk because of investments held by us and classified on our consolidated balance sheets either as available-for-sale or at fair value through profit or loss. The commodity price risk to which we are exposed is not material. To manage our price risk arising from investments in equity securities, we diversify our portfolio.

Our investments in equity of other entities include companies that are publicly traded in the following four capital markets: Hong Kong, China, US and Japan.

Cash flow and fair value interest rate risk

Our interest rate risk arises primarily from long-term borrowings and loans from related parties. Long-term borrowings at floating rates expose us to cash flow interest rate risk. Long-term borrowings and loans from related parties at fixed rates expose us to fair value interest rate risk.

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

We manage the interest rate risk by performing regular reviews and monitoring our interest rate exposure and, when appropriate, using floating-to-fixed interest rate swaps.

Credit risk

Credit risk is managed on a group basis. Credit risk mainly arises from cash and cash equivalents, bank deposits, restricted deposits, trade and notes receivable, loans to customers, other receivables and derivative financial instruments, etc.

For the cash in bank deposits, we control our credit risk through monitoring our credit ratings and setting approved credit limits that are regularly reviewed.

We have no significant concentration of customer credit risk. We have policies to limit the credit exposure on receivables. We assess the credit quality of and set credit limits on our customers, taking into account their financial position, the availability of guarantee from third parties, their credit history and other factors such as current market conditions. The credit history of our customers is regularly monitored by us. In respect of customers with a poor credit history, we use written payment reminders, or shorten or cancel credit periods, to ensure our overall credit risk is limited to a controllable extent.

Liquidity risk

Cash flow forecasting is performed by us and each of our subsidiaries. We monitor our subsidiaries' rolling forecasts of their short-term and long-term liquidity requirements to ensure they have sufficient cash and securities that are readily convertible to cash to meet operational needs, while maintaining sufficient headroom on their undrawn committed borrowing facilities from major financial institutions so that they do not breach borrowing limits or covenants on any of their borrowing facilities to meet the short-term and long-term liquidity requirements.

Events after the reporting period

(a) Reorganisation of Lakala

On February 4, 2016, the Company and Tibet Tourism Co., Ltd. ("Tibet Tourism"), a company established under the laws of the PRC with limited liability, the shares of which are listed on the Shanghai Stock Exchange ("A Shares"), entered into an agreement, pursuant to which Tibet Tourism will issue to the Company (as one of the shareholders of Lakala) a total of 185,100,804 A Shares of Tibet Tourism at RMB18.65 per share (the "Issue Price Per A Share"), equivalent to a total of RMB3,452 million, for the consideration of acquiring the 112,978,800 shares of Lakala held by the Company, representing 31.38% of Lakala's issued share capital.

In addition, the Company and its indirect subsidiary, Tibet Zhidao Investment Co., Ltd. ("Tibet Zhidao"), each as one of the subscribers of the private placement of A Shares of Tibet Tourism, entered into a share subscription agreement with Tibet Tourism respectively, pursuant to which the Company will subscribe for and Tibet Tourism will issue 32,171,581 A Shares to the Company at the Issue Price Per A Share (equivalent to a total of RMB600 million), and Tibet Zhidao will subscribe for and Tibet Tourism will issue 1,072,386 A Shares to Tibet Zhidao at the Issue Price Per A Share (equivalent to a total of RMB20 million).

Upon completion of the reorganisation, we will hold a total of 218,344,771 A Shares, representing 23.23% of the enlarged issued share capital of Tibet Tourism. Since the Company has no control over Lakala, nor is it acting in concert with any other shareholder of Lakala in order to expand its voting rights of the shares in Tibet Tourism under its control, the consolidated financial statements of Tibet Tourism will not be consolidated into our financial statements but it will be treated as an associate of the Company. Due to the reorganisation, the Company may record gains or losses as a result of the dilution of its interest in its associate.

Besides, the Company and certain shareholders of Lakala entered into a profit compensation agreement with Tibet Tourism on February 4, 2016 to provide a guarantee that Lakala's net profit attributable to the shareholders of its parent company for 2016, 2017 and 2018 (net of extraordinary gain or loss and proceeds from subscription) will not be less than RMB450 million, RMB860 million and RMB1,450 million, respectively. If any of the actual figures turns out to be less than the aforesaid amounts, the Company's compensation obligation arise and it is expected to undertake 34.61% of the compensation amount calculated in accordance with the terms.

Up to the date of this report, the reorganisation is not completed due to the related conditions haven't all been satisfied. The detail of the conditions has been set out in the announcement published by the Company on the website of Hong Kong Stock Exchange (www.hkexnews.hk) on February 5, 2016.

(b) Proposed Issue of Corporate Bonds by Raycom Real Estate

On February 16, 2016, Raycom Real Estate intends to make an application to China Securities Regulatory Commission to issue i) corporate bonds with an aggregate par value of no more than RMB2,500 million to qualified investors ("Raycom Real Estate 2016 Corporate Bonds") and maturity of no more than 10 years; and ii) non-public corporate bonds with an aggregate par value of no more than RMB5,000 million to qualified investors. The Company provides irrevocable joint and several liability guarantee for the full amount of Raycom Real Estate 2016 Corporate Bonds. As of the date of this announcement, the issuance of bonds is in progress.

(c) Issue of Corporate Bonds by Zhengqi Financial

On March 3, 2016, Zhengqi Financial issued Zhengqi Financial 2016 Corporate Bonds (First Tranche) bearing a coupon rate of 5.70% with a total issue amount of RMB400 million for a term of 3 years.

Details about the number of employees, remuneration policy and bonus

As at December 31, 2015, the Group had approximately 75,000 employees. Adhering to the talent retention ideas of "investing in valuable people (投資於有價值的人)", we attached great importance to internal talent cultivation, while actively introducing excellent talents from the outside; the Group continued to improve and work towards short- middle- and long-term incentive systems that are both competitive and fair, optimize employee benefits and create a career platform and working environment that is full of learning and development opportunities. Meanwhile, the Group enhanced efforts in performance appraisal and talent review to further optimize the talent structure, which allowed the Group to maintain a professional talent team that is full of passion and provided the first-class HR guarantee for fulfilling the Group's strategies.

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

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

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

3. The Company currently carries out research on the design of mid-term to long-term incentives of the Company after listing in order to attract and encourage talents to create values for improvement of sustainable development of the Company, thereby fostering the achievement of the Company's strategic objectives.

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

USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING

The net proceeds from the Company's initial public offering amounted to approximately HKD14.75 billion (equivalent to approximately RMB11.64 billion, including the proceeds received pursuant to the partial exercise of the over-allotment option), which is intended to be used as disclosed in the Prospectus of the Company.

As of December 31, 2015, the Company has used RMB2 billion for repayment of part of the corporate bonds due in 2015, and all the remaining amount had been deposited into licensed banks in Hong Kong.

RECOMMENDATION OF FINAL DIVIDEND

The Board has recommended a final dividend of RMB0.22 per ordinary share (before tax) for the year ended December 31, 2015 (2014: RMB0.183), amounting to a total of approximately RMB518 million (before tax) (2014: RMB366 million), subject to the approval of the shareholders of the Company at the forthcoming 2015 annual general meeting (the "AGM"). The Company will issue a separate announcement regarding the date of the 2015 AGM, the dates of closure of H share register of members of the Company, the record date and payment date for the dividends, etc..

Mr. LIU Chuanzhi *Executive Director*

Mr. LIU Chuanzhi (柳傳志), aged 71, 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 during 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 53, 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). During 1997 to 2001, he joined Lenovo and served consecutively as a General Manager of Business Development Department, a Vice President and an Executive Vice Head and Head of Corporate Planning Office and a Senior Vice President. He was a founder of Legend Capital Co., Ltd. (君聯資本管理股份有限公司) (the predecessor of Beijing Legend Capital Co., Limited (北京君聯資本管理有限公司) and has been its director since 2003. 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). He previously served as a non-executive director of Peak Sport Products Co., Limited (listed on the Hong Kong Stock Exchange); and a director of Foshan Saturday Shoes Co., Ltd. (佛山星期六鞋業股份有限公司) (listed on the Shenzhen 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 53, 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. During 2003 to 2011, he served consecutively as 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 and CEO 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. During 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, the Chairman of the board of China Glass Holdings Limited (both listed on the Hong Kong Stock Exchange) and Deputy Chairman of Shanghai Chengtou Holding Co., Ltd. (上海城投控股股份有限公司) and Non-executive Director of Shanghai Jin Jiang International Hotels Development Co., Ltd, (both listed on the Shanghai Stock Exchange), a Non-Executive Director of Zoomlion Heavy Industry Science & Technology Development Co., Ltd. (listed on the Hong Kong and Shenzhen Stock Exchanges) since June 2015. He previously served as a director of Wumart Stores, Inc., New China Life Insurance Company Ltd., Chinasoft International Limited, CSPC Pharmaceutical Group Limited (all listed on the Hong Kong Stock Exchange) and 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 management 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 53, was appointed as a Director of the Company on September 4, 2014. He has been the Chairman of the board of directors of Chinese Academy of Sciences Holdings Co., Ltd. (中國科學院國有資產經營有限責任公司) ("CAS Holdings"), a substantial shareholder of the Company, 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 62, 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 the Chairman of the board of directors of CAS Investment Management Co., Ltd (中國科技產業投資管理有限公司) which is a subsidiary of Chinese Academy of Sciences Holdings Co., Ltd. (中國科學院國有資產經營有限責任公司) ("CAS Holdings"), substantial shareholder of the Company, from 2010. 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) and 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). 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 64, 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 Holdings Group Co., Ltd. (中國泛海控股集團有限公司) ("China Oceanwide") and Oceanwide Group Co., Ltd. (泛海集團有限公司) ("Oceanwide Group"), substantial shareholders of the Company. He is also a Chairman of the board of Oceanwide Holdings Co., Ltd. (泛海控股股份有限公司) ("Oceanwide Holdings") (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 Holdings Co., Ltd. (通海控股有限公司) ("Tohigh") which through its wholly-owned subsidiary, Oceanwide Group, holds indirectly 97.43% interest in the issued share capital of China Oceanwide. Mr. LU, Tohigh, Oceanwide Group are all deemed to be the substantial shareholders of the Company and interested in 400,000,000 domestic shares of the Company 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 67, 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 Resources Land Limited (listed on the Hong Kong Stock Exchange), 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. and the Chairman of board of supervisor 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 Exchanges), 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 (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 50, 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 independent director of Huafa Industrial Co., Ltd. Zhuhai (珠海華發實業股份有限公司) (listed on the Shanghai Stock Exchange). 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 57, 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 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 75, 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 former name 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 has been 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 52, was appointed as a Supervisor of the Company on September 4, 2014. Mr. Suo is the General Manager of Chinese Academy of Sciences Holdings Co., Ltd. (中國科學院國有資產經營有限責任公司) ("CAS Holdings"), a substantial shareholder of the Company, 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 CAS. He was the Chairman of the board of directors of Chengdu Organic Chemicals Co., Ltd., Chinese Academy 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 Sciences (北京中科院軟件中心有限公司) from 2011 to 2014, 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, and the chairman of the board of Shanghai Bi Ke Clean Energy Technology Co., Ltd. (上海碧科清潔能源技術有限公司) from 2014 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.

Mr. QI Zixin *Supervisor*

Mr. QI Zixin (齊子鑫), aged 40, was appointed as a Supervisor of the Company on February 18, 2014. Mr. Qi is a Director of China Oceanwide Holdings Group Co., Ltd. (中國泛海控股集團有限公司) ("China Oceanwide"), a substantial shareholder of the Company, the Vice Chairman of Oceanwide Energy Investment Holdings Co., Ltd. (泛海能源控股股份有限公司) ("Oceanwide Energy") and the Vice Chairman of Minsheng Securities Co., Ltd. (民生證券股份有限公司), a Director of Guangxi Beibu Gulf Bank Co., Ltd. (廣西北部灣銀行股份有限公司), a Non-executive Director of China Oceanwide Holdings Limited (中泛控股有限公司) (listed on the Hong Kong Stock Exchange); the Vice Chairman of the board of Minsheng Holdings Co., Ltd. (民生控股股份有限公司) (listed on the Shenzhen Stock Exchange) and a Director and the Vice President of Oceanwide Holdings Co., Ltd. (泛海控股股份有限公司). He previously served as the Vice President of China Oceanwide, the President of Oceanwide Energy and a Director of China Minsheng Trust Co., Ltd (中國民生信託有限公司).

Mr. Qi obtained his bachelor of laws degree and a bachelor's degree in economics from Peking University in China in 1998 and a master of laws degree from Peking University in China in 2001.

Please refer to the biography of Mr. LIU Chuanzhi, Mr. ZHU Linan and Mr. ZHAO John Huan, executive directors of the Company, who are also the members of senior management of the Company.

Mr. CHEN Shaopeng *Senior Management*

Mr. CHEN Shaopeng (陳紹鵬), aged 46, 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 management and investment in the agriculture and food businesses 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. He currently holds chairmanships and directorships in various members of Legend Holdings.

Prior to joining Legend Holdings, 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) 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 54, 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 Legend Star, Legend Management Institute (聯想管理學院), overseeing the Human Resources Department, administrative affairs and the Party Office of Legend Holdings.

Mr. Tang joined Legend Holdings in 2001 and served consecutively as Vice President and Head of Corporate Planning Office, General Manager of its Incubator Investment Division, General Manager of Human Resources Department, Executive Dean of Legend Management Institute and Vice President. From 1990 to 2001, Mr. Tang served consecutively in Lenovo as General Manager of Human Resources Department, General Manager of the Legal Department and Deputy Head of Corporate Planning Office. In addition, Mr. Tang serves as a Director of 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 substantial shareholder of the Company, since 2011. He currently holds directorships in various members of Legend Holdings.

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 46, 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.

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. He is responsible for asset management, overseeing public affairs and external communications, investor relationships, financial management of the Company and matters in relation to capital markets, and the Hong Kong office 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 of directors. He currently hold chairmanships and directorships in various members of Legend Holdings.

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) (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 in China 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 45, was appointed as a Senior Vice President and a member of the Executive Committee of Legend Holdings on July 15, 2015, responsible for strategic investment sectors of Legend Holdings including financial services investment, overseas investment and healthcare investment. Mr. Li joined Legend Holdings in 2003 and served consecutively as a Deputy Director of the Planning Office and General Manager of the Investment Management Department, an Assistant to President, Vice President, and a Senior Vice President. He currently holds directorships in various members of Legend Holdings.

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 six major sectors: IT, financial services, modern services, agriculture and food, property and chemicals and energy materials) and financial investment business (mainly includes angel investments, venture capital and private equity investments).

Reserve

During the reporting period, the changes in reserve of the Group are set out in the consolidated statement of changes in equity of the financial statements prepared in accordance with International Financial Reporting Standards in this annual report. The changes in reserve of the Company are set out in the changes in reserve of the Company of 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, 2015, the distributable reserve of the Company amounted to RMB1,894 million (2014: RMB532 million) which was calculated pursuant to the accounting policy under China Accounting Standards for Business Enterprises.

Results and Appropriations

The results of the Group for the year are set out in the consolidated income statement on page 98 of this annual report.

The overall financial positions of the Group as at December 31, 2015 are set out in the consolidated balance sheet on page 100 to page 101 in this annual report, and the financial position of the Company as at December 31, 2015 in note 45(a) to the financial statement of the Company's balance sheet, respectively.

The consolidated cash flow statement of the Group for the year is set out in the consolidated cash flow statement on pages 104 to 105 in this annual report.

The Board proposed to distribute the final dividend for the year ended December 31, 2015 of RMB0.22 per share (before tax) (2014: RMB0.183). If the proposal is approved by the shareholders at the annual general meeting ("AGM") to be held on Thursday, June 2, 2016, the proposed dividend will be distributed around Friday, July 29, 2016 to the shareholders whose names appear on the register of members of the Company on Monday, June 13, 2016. Dividends on Domestic Shares will be paid in Renminbi whereas dividends on H Shares will be paid in Hong Kong dollars (the exchange rate of Renminbi to Hong Kong dollars will be exchanged at the average exchange rate as announced by the People's Bank of China for a week prior to the date of AGM).

According to the Law on Enterprise Income Tax of the PRC and its implementing rules which came into effect on January 1, 2008 and other relevant rules, the Company is required to withhold enterprise income tax at the rate of 10% before distributing the final dividend to non-resident enterprise shareholders as appearing on the register of members for H shares of the Company. Any H shares registered in the name of non-individual registered shareholders, including HKSCC Nominees Limited, other nominees, trustees or other groups or organizations will be treated as being held by non-resident enterprise shareholders and therefore shall be subject to the withholding of the enterprise income tax.

According to regulations by the State Administration of Taxation (Guo Shui Han [2011] No. 348) and relevant laws and regulations, if the individual holders of H Shares are residents of Hong Kong or Macau or those countries which have entered into a tax treaty with the PRC stipulating a dividend tax rate of 10%, the Company will withhold and pay individual income tax at the rate of 10% on behalf of these Shareholders. If the individual holders of H Shares are residents of those countries which have entered into a tax treaty with the PRC stipulating a dividend tax rate of less than 10%, the Company will withhold and pay individual income tax at the rate of 10% on behalf of these Shareholders. If these Shareholders require the PRC tax authorities to claim refund of overpaid tax fees through the Company in accordance with the relevant requirements of the announcement [2015] No. 60 of State Administration of Taxation, they shall submit reports and information as stipulated in section VII of the announcement [2015] No. 60 of State Administration of Taxation, and supplement the condition of enjoying the treatment of treaties. If the individual holders of H Shares are residents of those countries which have entered into a tax treaty with the PRC stipulating a dividend tax rate of more than 10% but less than 20%, the Company will withhold and pay individual income tax at the actual tax rate stipulated in the relevant tax treaty. If the individual holders of H Shares are residents of those countries which have entered into a tax treaty with the PRC stipulating a dividend tax rate of 20%, or those countries which have not entered into any tax treaties with the PRC, or under any other circumstances, the Company will withhold and pay individual income tax at the rate of 20% on behalf of these Shareholders.

Pursuant to the Notice on the Tax Policies Related to the Pilot Program of the Shanghai-Hong Kong Stock Connect (關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知) (Cai Shui [2014] No. 81), for dividends received by domestic investors from investing in H shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect, the company of such H shares shall withhold and pay individual income tax at the rate of 20% on behalf of the investors. For dividends received by domestic securities investment funds from investing in H shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect, the tax payable shall be the same as that for individual investors. The company of such H shares will not withhold and pay the income tax of dividends for domestic enterprise investors and those domestic enterprise investors shall report and pay the relevant tax themselves.

Closure of Register of Members

In order to determine the entitlement of H Shareholders to the final dividend for 2015, the H share register of members of the Company will be closed from Wednesday, June 8, 2016 to Monday, June 13, 2016 (both days inclusive). H Shareholders who wish to receive the final dividend for 2015 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 no later than 4:30 p.m. on Tuesday, June 7, 2016.

The abovementioned proposal will be considered and approved at the 2015 AGM. Detailed arrangements of the declaration and distribution of final dividend (including arrangements for withholding and paying income tax) will be disclosed in the notice of 2015 AGM by the Company.

Shares Issued

The details of changes in shares issued of the Company during the Reporting Period are set out in note 32 to the financial statements.

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, a business review shall cover certain aspects, the details of which are as follows:

1. A fair review of the Group's business

   "Management Discussion and Analysis" section on page 16 to 58 of this annual report.

2. A description of the principal risks and uncertainties facing the Group.

   "Financial Policies and Risk Management" section on page 54 to 55 of this annual report.

3. Particulars of important events affecting the Group that have occurred since the end of the financial year

   "Events after the reporting period" on page 56 to 57 of this annual report.

4. An indication of likely development in the Group's business

   Various sections of "Management Discussion and Analysis" on page 16 to 58 of this report.

5. An analysis using financial key performance indicators

   "Financial Review" section on page 50 to 54 of this annual report.

6. The Group's environmental policies and performance

   Page 95 of this annual report.

7. Key relationships with employees, customers, suppliers and others

   The Company is not aware of any key relationships between itself and its employees, customers, suppliers and others that have a significant impact on the Company and on which the Company's success depends.

Principal Customers and Suppliers

During the year, the sales of product and service to the top five customers from the Group were less than 15%. The principal suppliers of the Group accounted for the following percentages of the procurement amount of the Group during the year:

The largest supplier 17%
Total percentage of the top five suppliers 34%

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

Property, Plant and Equipment and Investment Property

Details of changes in the property, plant and equipment and investment property of the Group during the reporting period are set out in notes 17 and 18 to the financial statements, respectively.

Borrowings

Details of the borrowings of the Group are set out in note 38 to the financial statements.

Contingent Liability

Details of the contingent liability of the Group are set out in note 44 to the financial statements.

Four-year Financial Summary

The results and summary of assets and liabilities of the Group for the year ended December 31, 2015 and in the last three fiscal year are set out on page 236 of this annual report.

Use of Proceeds from the Initial Public Offering

The net proceeds from the Company's initial public offering amounted to approximately HKD14.75 billion (equivalent to approximately RMB11.64 billion, including the proceeds received pursuant to the partial exercise of the Over-allotment Option), which are intended to be used as disclosed in the Prospectus of the Company.

As of December 31, 2015, the Company has used RMB2 billion for repayment of part of the corporate bonds due in 2015 and all the remaining proceeds had been deposited into licensed banks in Hong Kong.

Substantial Subsidiaries and Associated companies

Details of substantial subsidiaries and associated companies of the Company are set out in notes 12 and 13 to the Financial Statements.

Corporate Governance Code and the Company's Compliance with the Relevant Laws and Regulations

The Company, from the Listing Date up to the date of this report, has been complying with the applicable provisions of the Corporate Governance Code ("CG Code") set out in Appendix 14 of the Listing Rules, and when applicable, has been complying with the best recommended practices in the CG Code. The Company will continue to review and improve the corporate governance practices in order to ensure the compliance of the Company with the CG Code. The Company has complied with the relevant laws and regulations which have material impacts on it.

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

During the reporting period, the Company or any of its subsidiaries did not purchase, redeem or dispose the listed securities of the Company.

Sufficient Public Float

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 Ordinance in the PRC do not have any provisions regarding pre-emptive rights.

Information of Directors and Supervisors

During the year and as at the date of this report, the Company's 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 in the view that such directors are independent of the Company.

During the year and as at the date of this report, the Company's supervisors are as follows:

Mr. LI Qin *(Chairman of Board of Supervisors)*
Mr. SUO Jishuan
Mr. QI Zixin

Directors' and Supervisors' service contracts

The Company has entered into service contract with each of directors and supervisors on June 6, 2015. For the year ended December 31, 2015, none of the directors or supervisors of the Company had any existing or proposed service contract with any member of the Company which does not expire or is not determinable by the Company with one year without payment of compensation (other than statutory compensation).

Directors' and Supervisors' interests in contracts

There are no loans, quasi-loans or other dealings in favour of directors or supervisors, their controlled bodies corporate and connected entities provided by the Company (2014: nil).

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 businesses to which the Group was or is a party (2014: nil).

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 Group. 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' and Supervisors' interests in Competing Business

For the period from the Listing Date to December 31, 2015, none of the directors or supervisors of the Company had any interests in businesses which constitute competition or may constitute competition in the businesses of the Group.

Transactions with Connected Persons

For the period from the Listing Date to December 31, 2015, the Company did not conduct any connected transactions (as defined in Chapter 14A of the Listing Rules). The related party transactions set out in note 51 to the Financial Statements did not constitute connected transactions under Chapter 14A of the Listing Rules.

Pension Schemes

Details of pension benefit of the Group are set out in notes 9 and 40 to the financial statements respectively.

Auditors

PricewaterhouseCoopers ("PricewaterhouseCoopers") has been appointed by the Company as auditors for the year ended December 31, 2015. The Consolidated Financial Statements in 2015 of the Company which was prepared in accordance with the International Financial Reporting Standards has been audited by PricewaterhouseCoopers. A resolution for the re-appointment of PricewaterhouseCoopers as auditors of the Company will be proposed at the 2015 AGM.

Directors' Interests and Short Positions in Securities

As at December 31, 2015, 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	Approximate percentage of shareholding in the total issued shares
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*	Interest in controlled corporation	Domestic Shares	400,000,000	20.36%	16.97%

Note:

* Mr. LU Zhiqiang is deemed to have interest in the 400,000,000 Domestic Shares held by China Oceanwide Holdings Group Co., Ltd. through companies controlled by him. Please refer to the section headed "Interests of the Substantial Shareholders" for details.

(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	3,887,198 [(b)]	0.03%
ZHAO John Huan	Lenovo	Beneficial owner	1,850,785 [(c)]	0.02%
LI Qin	Lenovo	Beneficial owner	1,724,000	0.01%

Notes:

a. Mr. LIU Chuanzhi owns 1,397,984 ordinary shares directly and he is deemed to be interested in 690,000 ordinary shares held by his spouse through a trust. He also holds 2,096,976 units of share awards which are convertible into ordinary shares.

b. Mr. ZHU Linan owns 2,691,879 ordinary shares and 1,195,319 units of share awards which are convertible into ordinary shares.

c. Mr. ZHAO John Huan owns 247,314 ordinary shares and 1,603,471 units of share awards which are convertible into ordinary shares.

Interests of the Substantial Shareholders

As at December 31, 2015, so far as our directors are aware, the following persons had an interest and/or a short position in the shares or underlying shares of the Company which will be required to be disclosed to our Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, 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)]
Chinese Academy of Sciences Holdings Co., Ltd.	Domestic Shares	Beneficial owner	684,376,910	34.83%	29.04%
Beijing Lian Chi Zhi Yuan Management Consulting Center Limited Partnership	Domestic Shares	Beneficial owner	480,000,000	24.43%	20.37%
Beijing Lian Chi Zhi Tong Management Consulting Limited [(3)]	Domestic Shares	Interest in controlled corporation	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)]
LU Zhiqiang [(4)]	Domestic Shares	Interest in controlled corporation	400,000,000	20.36%	16.97%
China Oceanwide Holdings Group Co., Ltd.	Domestic Shares	Beneficial owner	400,000,000	20.36%	16.97%
Oceanwide Group Co., Ltd. [(4)]	Domestic Shares	Interest in controlled corporation	400,000,000	20.36%	16.97%
Tohigh Holdings Co., Ltd. (通海控股有限公司) [(4)]	Domestic Shares	Interest in controlled corporation	400,000,000	20.36%	16.97%
Beijing Lian Heng Yong Xin Investment Center Limited Partnership	Domestic Shares	Beneficial owner	178,000,000	9.06%	7.55%
Beijing Lian Heng Yong Kang Management Consulting Limited [(5)]	Domestic Shares	Interest in controlled corporation	178,000,000	9.06%	7.55%
全國社會保障基金理事會	H Shares – long position	Beneficial owner	35,623,090	9.09%	1.51%

Notes:

(1) The calculation is based on the percentage of shareholding in Domestic Shares or H Shares of our Company as at December 31, 2015.

(2) The calculation is based on the total number of 2,356,230,900 shares in issue as at December 31, 2015.

(3) Beijing Lian Chi Zhi Tong Management Consulting Limited is the sole general partner of Beijing Lian Chi Zhi Yuan Management Consulting Center Limited Partnership and has de facto control on it. Accordingly, Beijing Lian Chi Zhi Tong Management Consulting Limited is deemed to have interest in the 480,000,000 Domestic Shares.

(4) Oceanwide Group Co., Ltd. and Tohigh Holdings Co., Ltd. (通海控股有限公司) are corporations controlled by Mr. LU Zhiqiang. Tohigh Holdings Co., Ltd. (通海控股有限公司) holds the entire equity interest in Oceanwide Group Co., Ltd. which in turn holds 97.43% equity interest in China Oceanwide Holdings Group Co., Ltd.. Accordingly, Mr. LU Zhiqiang is deemed to have interest in the 400,000,000 Domestic Shares held by China Oceanwide Holdings Group Co., Ltd..

(5) Beijing Lian Heng Yong Kang Management Consulting Limited is the sole general partner of Beijing Lian Heng Yong Xin Investment Center Limited Partnership and has de facto control on it. Accordingly, Beijing Lian Heng Yong Kang Management Consulting Limited is deemed to have interest in the 178,000,000 Domestic Shares.

As at December 31, 2015, save as disclosed above, there was no other person who held interests and/or short positions in the shares or underlying shares of the Company 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 of the Company.

By order of the Board
Legend Holdings Corporation
LIU Chuanzhi
Chairman

March 30, 2016

The Board of Supervisors of Legend Holdings Corporation (the "Board of Supervisors") complies with the regulations of the "Company Law of the PRC", "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 developing work with reasonable care, diligence and initiative.

The Board of Supervisors of the Company comprises three members. The Chairman of Board of Supervisors is Mr. LI Qin (representative of the employees), Mr. SUO Jishuan (representative of a shareholder) and Mr. QI Zixin (representative of a shareholder)

In the year of 2015, the Board of Supervisors held two meetings. Such meetings were convened in line with relevant laws, regulations and the provisions of the Company's Articles of Association, the details are as follows:

1. The first meeting was convened on May 26, 2015. All the supervisors attended the meeting to receive an update progress report of the listing of the Company, the 2014 consolidated financial position and the dividend plan report, and to discuss the duties of the Board of Supervisors after listing.

2. The second meeting was convened on August 27, 2015. All the supervisors attended the meeting to review the Interim Results Announcement of the Company for the six months ended June 30, 2015, the 2015 Interim Report of the Company as well as the Company's unaudited consolidated financial statements of the first quarter of 2015 and the six months ended June 30, 2015 (complied according to China Accounting Standards for Business Enterprises).

In 2015, the members of the Board of Supervisors also attended four board meetings and two meetings of the Audit Committee, in order to supervise the legality and compliance of review and discussion procedures in the respective meetings of the Board and the Audit Committee.

The Board of Supervisors is of the opinion that in 2015, the Board and Management are both operating in strict accordance 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 was complied, the work, at the foremost, was carried out with assiduity and due diligence, and the authority was exercised in good faith of the best interests of the shareholders.

In 2016, the Board of Supervisors of the Company will continue to strictly abide by the relevant provisions of the Articles of Association of the Company, safeguard the interests of shareholders and fulfill its various duties.

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

March 30, 2016

Corporate Governance Report

The Company is committed to establishing sound corporate governance practices and procedures and intends to realize and maintain high standards of corporate governance level so as to safeguard interests of the shareholders and other stakeholders.

The Company has complied with the principles and provisions as set out in the Corporate Governance Code in Appendix 14 of the Listing Rules (the "CG Code") from the Listing Date to December 31, 2015.

Composition of the Board

Pursuant to the Articles of Association of the Company, 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 59 to 66 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 related relationships among members of the Board, the Board of Supervisors or senior management.

For the period from the Listing Date to December 31, 2015, 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 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. They are expressly identified as such in all corporate communications that disclose the names of the directors of the Company.

Appointment, Re-election and Retirement of Directors

Each of the members of directors of the Company is elected or changed by the shareholders' general meeting for a term of three years. The term of office of directors shall commence from the date of appointment up to the expiry of the term of the directors, renewable upon re-election. The Nomination Committee of the Board is responsible for evaluating the appointment of new 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 meeting.

The Board has extensive qualifications, and diversified viewpoints in guiding and managing the investment business of the Company. It is familiar with the main topics of the economic development of China. The role of the non-executive directors and independent non-executive directors at the Board ensures that objective and independent judgment is exercised by the Board and enables their views to carry weight.

In designing the Board's composition, the Company ensures that members of the Board have experiences in investment business, finance and laws matters. There is proper balance while having sufficient diversity in various aspects, including but not limited to gender, age, cultural and educational background, race, profession, technical experience, knowledge and length of service, in order to discharge its functions effectively and to enhance the quality of its deliberations and decision-making. No single individual or group of individuals is able to dominate the decision-making procedures.

The policy relating to Board diversity adopted by the Board on March 30, 2016 sets out the Company's approach to achieve diversity on the Board in order to ensure the Board has the required skills, experience and diversified viewpoints and perspectives, including but not limited to gender, age, cultural and education background or professional experience. The composition of the Board and its committees is regularly reviewed by the full Board to ensure that the balance is maintained and that the Board can retain its effectiveness at all times. Directors' appointments are evaluated against the existing balance of Board skills to ensure balance and mix of diversity.

Duties and Authorization 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 planning 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.

Saved for the above-mentioned matters that are required to be considered and approved by the Board meeting, 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 as 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 the executive committee to consider and approve on behalf of the Board the investment and financing projects which are conformed to establish 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. As at the Listing Date, 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 its directors, which provide protection to 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 of 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 steering comments on the implementation 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 Board actively encourages directors to fully participate in the Board's affairs, and contribute to the functions of the Company. It also encourages 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 non-executive directors (including independent non-executive directors) when in absence of executive directors, respectively. Under the leadership of the Chairman of the Board, the Board of the Company has adopted sound corporate governance practices and procedures and will take 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 overall 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, 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 advise 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 plans and budget. The President of the Company will take remedial measures and propose to convene extraordinary meeting for reporting and advising 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 all business development of the Company. They are responsible for building and maintaining an effective executive team in order to fulfill their duties, and the President is responsible for proposing to the Board for engaging or dismissing senior management; coordinating with other executive directors and management teams of various business 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' Induction Training and Continuous Professional Development

All directors and supervisors of the Company have been given reference materials such as relevant introduction and guidelines prior to the Listing Date to facilitate their familiarizing the history and business information of the Group and their understanding in all obligations they assumed 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 directors to participate in continuous professional development so as to update their knowledge and skills and facilitate their fulfillment of duties as the Company's directors.

Directors regularly receive the latest information on business of the Group, its operating rules and regulations and industrial specific environment and obligations and responsibilities of directors (if applicable). The latest information is provided to the Board, senior management or external consultants in the form of written briefing or report.

For the period from the Listing Date to December 31, 2015, all directors and supervisors had been given the latest and revised materials of the Listing Rules for their reading and learning.

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

Prior to the Listing Date, the Company has adopted its own model code regarding securities transactions by directors, supervisors and senior management of the Company (hereinafter referred to as 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 set out in Appendix 10 to the Listing Rules from the Listing Date up to December 31, 2015.

Accountability of Directors on the Financial Statements

Directors are responsible for preparing financial statements for every financial year of the Company with the support by 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 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 major relevant matters to enable the Board to make an informed assessment on the performance of the Group, position and prospects.

The statement issued by the auditor on its reporting responsibilities is set out in the Independent Auditor's Report on pages 96 to 97 of this annual report.

Appointment and Remuneration of External Auditor

The external auditor currently appointed by the Company is PricewaterhouseCoopers. The work which the external auditor is engaged to perform must produce measurable benefits and added-values to the Company and should not cause adverse effects on the independence or independent standing of its audit function.

During the year ended December 31, 2015, the remuneration paid and payable to the Company's external auditor, is set out below:

Type of Services	*RMB'000*
Audit services	65,315
Non-audit services	32,367

The above remuneration includes the charges paid for the provision of relevant services provided by the auditor to the Company and its subsidiaries whereas non-audit services are primarily 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 has 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, the effectiveness of risk management and internal control systems and the effectiveness of internal audit functions, monitoring the engagement of external auditor and its qualification, evaluation of the 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 is available on the websites of the Company and the Hong Kong Stock Exchange.

Pursuant to the requirements of Duties and Rules of Procedures of the Audit Committee of the Board of the Company, the Audit Committee held two meetings in the period from the Listing Date to December 31, 2015. The matters reviewed, discussed, considered and proposed for the Board's approval (if applicable) are set out as follows:

- The interim results announcement for the six months ended June 30, 2015 and the 2015 interim report of the Group;

- The unaudited consolidated financial statements for the six months ended June 30, 2015 and the nine months ended September 30, 2015 of the Group (prepared in accordance with Accounting Standard for Business Enterprises in the PRC) and the relevant announcements;

- Significant review issues of 2015 interim review;

- Review of Management's Statement of 2015 Interim Financial Information of the Group prepared by independent auditor and management's comment;

- Audit planning for the financial year ended December 31, 2015 presented by independent auditor and audit schedule;

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

- Independence statement letter from auditor;

- Risk management and internal control structure;

- Internal audit, risk management and internal control related systems;

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

- Annual work plan for risk management and internal control and its results;

- Review the resources of internal audit function, employees' qualification and experience of the Company and whether the training course and the relevant budget for the employees are sufficient; and

- Confirmation on effective internal control system by management.

Internal Control

The Company adheres to risk-oriented internal control and its internal control structure is formulated in accordance with COSO internal control framework. The Board is responsible for maintaining sound and effective internal control system as a whole to ensure due, stable and effective internal control system and safeguard shareholders' interests and the safety and completeness of the assets of the Company. The management is responsible for designing, implementing and monitoring internal control system and provide confirmation of effectiveness to the Board. The Board is responsible for supervising the management's performance. The Board carries out regular and continuous review to the effectiveness of the Company's internal control system through the Audit Committee of the Company.

We possess core value of enterprises' interests as priority, pragmatism, ambition and people-oriented to lay management foundation for the Company's risk management and internal control. To guide the employees' compliance with the model code of professional conduct, the Company formulates the Employees' Code of Professional Conduct under the guidance of the Board.

In order to standardize the internal management, the Company formulates corresponding 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 optimize and improve the management standards of systems.

The Company has established an internal control function with continuous improvement of independent and professional internal audit system. It functions as an independent oversight of audit with the implementation of independent internal audit work.

The Company will continue to improve the internal control system in order to safeguard shareholders' interests and the safety and completeness of the assets of the Company and to facilitate the long-term development of the Company. We will also continue to monitor the implementation and progress of corrective action formulated for various types of risk.

The Board is of the view that, based on the review and results found by the Audit Committee, the internal control system of the Company for the year ended December 31, 2015 was sound and effective and no major issues were found. The scope of review covers the resources, qualifications and experiences, as well as their training programs and budget for the staffs of the Company's accounting, internal audit and financial reporting functions.

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 are independent non-executive directors. The Chairman of the Remuneration Committee is acted by 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 matters for directors, supervisors and senior management, and making relevant recommendations to the Board. Details of the terms of reference of the Remuneration Committee is available on the websites of the Company and the Hong Kong Stock Exchange.

In accordance with the provision of "Terms of Reference of the Remuneration Committee under the Board" of the Company, the Remuneration Committee has convened the meeting once in the period from the Listing Date to December 31, 2015. In the meeting, the committee has reviewed, discussed, considered and recommended the Board to grant an approval on the following matters:

- The supplemental amendments to "Management System for the Remuneration of Senior Management of Legend Holdings"; and

- remuneration planning for senior management whom are newly appointed.

For the year ended December 31, 2015, the remuneration categories of the senior management of the Company (excluding directors and supervisors) are as follows:

Remuneration categories *(RMB)*	**Number of staff**
6,022,501 – 6,424,000	1
12,446,501 – 12,848,000	1
14,855,501 – 15,257,000	1
17,264,501 – 17,666,000	1

The remuneration details of directors and supervisors of the Company for the year ended December 31, 2015 are set out in note 46 to the financial statements.

Nomination Committee

The Nomination Committee comprises three members and the majority are independent non-executive directors. The Chairman of the Nomination Committee is acted by Mr. LIU Chuanzhi, the Chairman of the Company, and the other two members are Mr. MA Weihua, an independent non-executive director, and Mr. ZHANG Xuebing, an independent non-executive director.

The main duties of the Nomination Committee is principally responsible for making recommendations on planning regarding to the appointment, reappointment and succession planning of 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 is 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 on March 30, 2016. In the meeting, the committee has reviewed, assessed, considered and recommended the Board to grant an approval on the following matters:

- The structure, size, composition of the Board (including but not limited to factors of gender, age, culture, academic background, professional experiences, knowledge, skills and service term);
- The independence of independent non-executive directors: to be confirmed as the structure of the Board which is in comply with the governing requirement of the Company, and no existence of impacts affecting its independence of independent non-executive directors;
- Corporate Governance Policies and Practices;
- Monitoring the policies and practices regarding the compliance with law and supervision provision of the Company;
- Training for directors and continuing professional development program;
- Monitoring the Code of Conduct and Compliance Handbook of directors and employees; and
- The compliance with "Corporate Governance Code" and the disclosure in "Corporate Governance Report".

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.

The Meeting of the Board and Committee

The Board has convened meetings regularly, of which at least four times every year. The Board has convened two meetings in the period from the Listing Date to December 31, 2015. All decisions made by the Board are voted by the Board and circulated the resolution on written resolutions in between the Board meeting. In view of having signatures of directors in accordance with requirements of Articles Association of the Company, the resolution would become a Board resolution.

The attendance regarding to the Board meeting and the meeting of the Board Committee for each director in the period from the Listing Date to December 31, 2015 is as follows:

	Number of attendance/Number of meetings being convened*			
	The Board	Audit Committee	Remuneration Committee	Nomination Committee#
Executive Directors				
LIU Chuanzhi	2/2	N/A	N/A	1/1
ZHU Linan	2/2	N/A	N/A	N/A
ZHAO John Huan	2/2	N/A	N/A	N/A
Non-executive Directors				
WU Lebin	2/2	N/A	N/A	N/A
WANG Jin	2/2	2/2	N/A	N/A
LU Zhiqiang	2/2	N/A	1/1	N/A
Independent Non-executive Directors				
MA Weihua **	2/2	N/A	1/1	1/1
ZHANG Xuebing **	1/2	1/2	N/A	0/1
HAO Quan **	2/2	2/2	1/1	N/A

* Number of meetings convened from the Listing Date to December 31, 2015

** The person who was appointed as director on March 15, 2015, with effect from the Listing Date

The meeting which was convened on March 30, 2016

Board of Supervisors

The Board of Supervisors of the Company comprises three members. The Chairman of the Board of Supervisors is acted by Mr. LI Qin (employee representative), and the other two members are Mr. SUO Jishuan (a shareholder representative) and Mr. QI Zixin (a shareholder representative).

In accordance with the Articles of Association of the Company, the Board of Supervisors is responsible for the general meeting, which is principally responsible for conducting supervision on compliance regarding 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 planning submitted to the general meeting and requiring for amendments when the behaviors acted by directors and senior management is hurting the interest of the Company, and recommending to convene extraordinary board meeting and general meeting.

The Board of Supervisors has convened the meeting once in the period from the Listing Date to December 31, 2015. It 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" in the annual report.

The attendance of the meetings of the supervisors is as follows:

Supervisors	Number of attendance/ Number of meetings being convened
Mr. LI Qin	1/1
Mr. SUO Jishuan	1/1
Mr. QI Zixin	1/1

Communications with Shareholders

The Board is fully aware of the significance of maintaining clear, timely and effective communications with the Shareholders and potential investors of the Company. With the publication of annual reports and 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 shareholders through publication on the Company's website.

The Company is of view that the annual general meeting provides a good opportunity for direct communication between the Board and the Shareholders. The Company encourages and welcomes the questions raised at the annual general meeting. The Company sets up the Shareholders' Communications policy, ensuring to maintain continuous communication between the Company and the Shareholders.

Investor Relations

The Board is fully aware that effective communication with the Shareholders is the key to gaining the Shareholder's trusts and attracting new investors. The Company maintains regular dialogue with institutional investors, financial analysts and financial media from time to time to keep them abreast of the latest strategies, operation, management and plans of the Group. The Company proactively arranges various briefings for investors after the interim and annual results of the Company are announced, facilitating investor relations and the two-way communication. The investor relations team of the Company answers requests of retrieving information and inquiries from investors.

Amendments to the Articles of Association

The Articles of Association of the Company was amended by way of a special resolution at the extraordinary general meeting held in March 2015 so as to comply with the regulations and requirements under the Listing Rules and Hong Kong Companies Ordinance upon the listing of the Company. The amended Articles of Association is published on the websites of the Company and the Hong Kong Stock Exchange.

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 listed Shareholders 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 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 proposal shall fall into the authority of the general meeting, have clear topics and concrete issues for resolution and shall comply with relevant provisions of laws, regulations and the Articles of Association of the Company.

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

Shareholders can put forward suggestions, inquiries and issues of concern to the Board and/or relevant Specialized Committees of Directors (if appropriate) in writing, and state contact details, delivering 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 2016, 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 increasing values on the Shareholders.

Social Welfare

Legend Holdings, as promoter, set up Beijing Legend Holdings Charity Foundation (北京聯想控股公益基金會), a non-public charitable fund in March 2013, with a mission to develop charitable activities including starting new businesses, creating job opportunities, poverty alleviation, education supports, disaster rescue, environmental protection, voluntary services and charity projects supports. The targets of the major contributions of such foundation for the year 2015 includes:

Legend Progress Classes

Legend Progress Classes are key public interest projects in the education aspect. In 2004, Legend Holdings established "Legend Progress Education Foundation" especially for opening Legend Progress Classes in deprived areas for a long-term and continuous aid to help the outstanding students coming from underprivileged families to finish their schooling and change their fates. Over a decade, a total of 26 sessions of Legend Progress Classes have been held in Guizhou and Gansu, for example, with over 1,500 students benefitting from more than RMB17 million contributions in aggregate among which RMB2.5595 million was contributed in 2015 mainly for supporting the education and living expenses for 390 students during the year.

By setting up of Legend Progress Classes, we do not only provide the students with material supports, but also help them mentally at different growth stages. For instance, in 2012, we invited Zou Shiming, an international boxing world champion, to give a speech of "A Story of Combat" for the students with an aim to broaden their horizons, deliver positive energy and facilitate their healthy growth. In 2015, we also invited institutes which serve training to the Company's staff to enable the attendees of Legend Progress Classes to experience an outward bound session featuring the management philosophy of Legend Holdings.

After the college entrance examination in 2015, another group of teenagers from poor households changed their destinies by seizing the opportunities offered by the platform of Legend Progress Classes, in which the results of all students outperformed the criteria for undergraduate admission. There were five students from Huining County No. 2 Secondary School admitted to Tsinghua University and Peking University with flying colors. It coincides with what the attendees of Legend Progress Classes expressed: "In the near future, when we embark

on a new journey in life and look back, these three years will be our hidden treasure for our lifetime. Even though we may not achieve a brilliant success tomorrow, we will make our best efforts to return to our parents, our families, our schools, Legend Holdings, all caring people, and this warm world."

In the future, Legend Holdings will continue to contribute Legend Progress Classes to help more young generations from impoverished families to finish their education, and in turn, change their lives.

Special Funds for Capital Hero of Legend cum Samaritan

Inheriting the fine tradition of the Chinese nation as respecting heroes and martyrs, carrying forward the spirit of self-sacrifice and dedication, and enhancing the awareness of caring for the gallantry and bravery and the families of fallen heroes and martyrs in society as a whole, Beijing Legend Holdings Foundation donates to China Women's Development Foundation every year. The Special Funds for Legend Capital Hero cum Samaritan was set up for the needy families and their children. In 2015, a sum of RMB1.80 million was donated and approximately a hundred of excellent frontline police officers in the political and legal system in Beijing and dozens of the Samaritan with disability or family difficulties were consoled with consolation money.

Relief Project of "Blessed Smiles" for Children Suffering Cleft Lip and Cleft Palate in Underprivileged Families

A relief project of "Blessed Smiles" for children who suffer cleft lip and cleft palate in underprivileged families was initiated by China Population Welfare Foundation in 2002 to provide treatments and aids to those in need so as to promote their healthy growth physically and psychologically and to boost the happiness index of the families concerned. A cleft lip and palate treatment center for children in line with international standards was established, which offers comprehensive sequential treatments such as phoniatrics and psychological counseling. Meanwhile, international medical exchange activities were launched to provide primary care paramedic with training. For the purposes of supporting children in poverty in deprived areas for a cure for cleft lip and cleft palate, Beijing Legend Holdings Foundation contributed RMB1 million in 2015 for the treatments under the project of "Blessed Smiles" of China Population Welfare Foundation by means of providing surgery drugs and post-rehabilitation treatments for young children who suffer cleft lip.

Beijing Leping Welfare Foundation

The missions of Beijing Leping Welfare Foundation are to create development opportunities, benefit the deprived and create equal development opportunities through long term supports to community enterprises and entrepreneurs. Beijing Legend Holdings Foundation contributed RMB1 million to Beijing Leping Welfare Foundation for the use of contributions in daily operations and commencement of charity projects. There are three major areas for development, namely community investment propaganda and promotion, incubation and cultivation of social enterprises, and cultivation of community entrepreneurs/innovation talents in the society.

Other Social Welfare

Alxa SEE Ecological Association

Alxa SEE Ecological Association is currently the largest and most influential organization in China. It was initiated and established by entrepreneurs committed to ecological environmental protection. Mr. Liu Chuanzhi, the Chairman of the board of directors of Legend Holdings, is a permanent member of Alxa SEE Ecological Association. In 2015, we took part in a new session of election of the council.

Talent Cultivation and Development

Quality, professional and career-oriented talents are core competitiveness of Legend Holdings and the "people-orientated" principle is one of the core value of the Company. Since its foundation, the Company is committed to focusing on fostering and developing talents and creating a comprehensive environment of integrating employees' personal pursuits into the long-term development of the enterprise.

The Company adheres to the talent development philosophy of 70-20-10 and values the ability growth of and long-term performance and contributions from the employees to establish a talent development system in line with the characteristics of the business and knowledge employees, emphasis the guidance and supports from the organization and self-motivation of employees to achieve the growth through working practices.

In 2015, the Company continued to strengthen the talent pool and select potential talents and provide more challenging tasks and trainings to talents throughout their works; it stuck to guidance system and continued to improve the abilities and standards of individuals. The Company vigorously promoted various special studies related to practical works and knowledge sharing activities to provide employees various kinds of training and learning opportunities.

These training activities include seminars and courses focusing on improvement of leadership skills and professional quality of core business personnel, lectures and sharing activities regarding the in-depth to know the Company's strategic business and the understanding of the trend in the industry; and special learning and cultivation programmes for senior management etc.

For subsidiaries and associates, the Company continuously promotes culture of Legend and management experience with Legend characteristics by using Legend Management Institute as a platform such as corporate core value, work methodology represented by "review" and management experience of "three management factors" as the core, enhance the capability of the senior management, plans and organizes learning activities to interact with CEO and senior management of Legend, and develops sharing platform and learning opportunities for business synergies between subsidiaries and associates.

Environmental Protection Policy

The Group struggles for environmental protection, energy conservation, reduction of emission as well as reasonable and effective usage of resources and energy for daily operating activities. Apart from compliance with applicable laws and regulations, we endeavor to constantly improve the practices and measures of environment protections management, and educate our employees to continuously advocate prevention and maintenance of pollution, waste reductions, enhancement of recycle rates and reduction of the usage of natural resources. The Group will continue to stringently comply with the relevant requirements of environmental protections, develop sustainable policies and designs, and strive to achieve full efficiencies of economic returns, social welfare and environmental protections.

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

We have audited the consolidated financial statements of Legend Holdings Corporation ("the Company") and its subsidiaries set out on pages 98 to 235, which comprise the consolidated balance sheet as at December 31, 2015, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at December 31, 2015, and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

OTHER MATTERS

This report, including the opinion, has been prepared for and only for 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.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, March 30, 2016

Consolidated Income Statement

For the year ended December 31, 2015

		Year ended December 31,	
		2015	2014
	Note	***RMB'000***	*RMB'000*
Sales of goods and services		**309,233,847**	288,955,525
Interest income		**846,466**	706,306
Interest expense		**(254,174)**	(185,999)
Net interest income		**592,292**	520,307
Total revenue	5	**309,826,139**	289,475,832
Cost of sales	8	**(261,797,199)**	(246,333,803)
Gross profit		**48,028,940**	43,142,029
Selling and distribution expenses	8	**(16,595,173)**	(13,972,291)
General and administrative expenses	8	**(26,530,019)**	(20,044,101)
Investment income and gains	6	**5,231,579**	4,806,134
Other income and gains/(losses)	7	**(2,551,146)**	(68,702)
Finance income	11	**512,147**	591,023
Finance costs	11	**(3,370,453)**	(3,185,529)
Share of profit of associates and joint ventures accounted for using the equity method		**712,204**	291,689
Profit before income tax		**5,438,079**	11,560,252
Income tax expense	14	**(1,662,473)**	(3,738,081)
Profit for the year		**3,775,606**	7,822,171
Profit attributable to:			
– Equity holders of the Company		**4,659,083**	4,160,389
– Non-controlling interests		**(883,477)**	3,661,782
		3,775,606	7,822,171
Earnings per share for the profit attributable to the equity holders of the Company (expressed in RMB per share)			
Basic earnings per share	15	**2.14**	2.08
Diluted earnings per share	15	**2.14**	2.07

Consolidated Statement of Comprehensive Income

For the year ended December 31, 2015

	Note	Year ended December 31, 2015 RMB'000	2014 RMB'000
Profit for the year		**3,775,606**	7,822,171
Other comprehensive loss:			
Items that will not be reclassified to income statement:			
Remeasurements of post-employment benefit obligation, net of taxes	14,40	**(172,107)**	(108,836)
Revaluation of investment properties upon reclassification from property, plant and equipment, net of taxes	14,18	**122,722**	–
Items that may be reclassified subsequently to income statement:			
Currency translation differences		**(2,134,874)**	(2,165,787)
Share of other comprehensive income of associates using equity accounting		**68,169**	81,985
Change in fair value of available-for-sale financial assets, net of taxes	14	**1,974,354**	406,881
Fair value change on cash flow hedges, net of taxes	14	**(456,935)**	448,233
Other comprehensive loss for the year		**(598,671)**	(1,337,524)
Total comprehensive income for the year		**3,176,935**	6,484,647
Attributable to:			
– Equity holders of the Company		**6,024,025**	4,187,706
– Non-controlling interests		**(2,847,090)**	2,296,941
		3,176,935	6,484,647

Consolidated Balance Sheet

As at December 31, 2015

	Note	As at December 31, 2015 RMB'000	2014 RMB'000
ASSETS			
Non-current assets			
Leasehold land and land use rights	16	**2,234,255**	1,512,285
Property, plant and equipment	17	**20,732,944**	20,681,559
Investment properties	18	**10,219,472**	6,023,298
Intangible assets	19	**56,940,565**	59,654,828
Associates and joint ventures using equity accounting	13	**10,148,910**	6,990,086
Associates measured at fair value through profit or loss	13	**13,132,653**	12,676,928
Available-for-sale financial assets	21	**6,987,355**	3,549,532
Loans to customers	25	**–**	118,800
Financial assets at fair value through profit or loss	29	**713,461**	–
Deferred income tax assets	39	**6,762,026**	3,665,626
Other non-current assets	22	**3,362,867**	1,984,869
		131,234,508	116,857,811
Current assets			
Inventories	26	**18,362,352**	19,750,338
Properties under development	27	**27,296,999**	28,569,482
Completed properties held for sale	28	**6,214,796**	6,001,854
Trade and notes receivables	23	**38,288,360**	39,352,687
Prepayments, other receivables and current assets	24	**35,682,502**	33,785,807
Available-for-sale financial assets	21	**78,900**	114,100
Loans to customers	25	**4,569,434**	3,965,794
Derivative financial instruments	20	**412,443**	1,293,703
Financial assets at fair value through profit or loss	29	**2,228,771**	1,147,797
Restricted deposits	30	**1,410,625**	1,378,512
Bank deposits	30	**5,660,249**	4,831,811
Cash and cash equivalents	30	**34,802,953**	35,772,890
		175,008,384	175,964,775
Total assets		**306,242,892**	292,822,586
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital	32	**2,356,231**	2,000,000
Reserves		**46,540,284**	29,982,691
Total equity attributable to equity holders of the Company		**48,896,515**	31,982,691
Non-controlling interests		**17,513,967**	22,215,587
Put option written on non-controlling interests	37 (iii)	**(1,343,399)**	(1,343,399)
Total equity		**65,067,083**	52,854,879

	Note	As at December 31, 2015 RMB'000	2014 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	38	**56,621,152**	56,550,145
Deferred revenue	34	**3,694,151**	3,405,273
Retirement benefit obligations	40	**2,495,478**	2,249,295
Provisions	41	**2,101,822**	2,495,527
Deferred income tax liabilities	39	**4,948,916**	3,899,579
Other non-current liabilities	37	**15,511,161**	16,347,219
		85,372,680	84,947,038
Current liabilities			
Trade and notes payables	33	**45,728,181**	49,746,129
Other payables and accruals	35	**63,716,314**	61,403,987
Derivative financial instruments		**213,516**	572,641
Provisions	41	**8,721,533**	7,689,537
Advance from customers	36	**9,411,895**	7,873,102
Deferred revenue	34	**3,811,126**	4,646,376
Current income tax liabilities		**3,564,941**	3,518,362
Borrowings	38	**20,635,623**	19,570,535
		155,803,129	155,020,669
Total liabilities		**241,175,809**	239,967,707
Total equity and liabilities		**306,242,892**	292,822,586
Net current assets		**19,205,255**	20,944,106
Total assets less current liabilities		**150,439,763**	137,801,917

The financial statements on pages 98 to 235 were approved by the Board of Directors on March 30, 2016 and were signed on its behalf.

LIU Chuanzhi
Director

ZHU Linan
Director

Consolidated Statement of Changes in Equity

For the year ended December 31, 2015

	Attributable to the equity holders of the Company										Put option written on non-controlling interests	
	Paid-in capital/ Share capital	Statutory surplus reserve	Treasury stock	Revaluation reserve	Share-based compensation reserve	Hedging reserve	Exchange reserve	Other reserve	Retained earnings	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*
As January 1, 2014	660,860	330,430	–	880,343	733,284	68,734	(1,865,885)	6,020,892	20,206,766	18,285,139	(1,343,399)	43,977,164
Profit for the year	–	–	–	–	–	–	–	–	4,160,389	3,661,782	–	7,822,171
Other comprehensive income												
Fair value changes on available-for-sale financial assets	–	–	–	534,977	–	–	–	–	–	33,013	–	567,990
Reclassified to income statement on disposal of available-for-sale financial assets	–	–	–	(161,109)	–	–	–	–	–	–	–	(161,109)
Share of other comprehensive income of associates using equity accounting	–	–	–	81,985	–	–	–	–	–	–	–	81,985
Fair value change on forward foreign exchange contracts	–	–	–	–	–	(54,966)	–	–	–	(155,951)	–	(210,917)
Reclassified to income statement on forward foreign exchange contracts	–	–	–	–	–	199,293	–	–	–	459,857	–	659,150
Currency translation differences	–	–	–	–	–	–	(539,995)	–	–	(1,625,792)	–	(2,165,787)
Remeasurements of post-employment benefit obligations	–	–	–	–	–	–	–	(32,868)	–	(75,968)	–	(108,836)
Total comprehensive income/ (loss) for the year	–	–	–	455,853	–	144,327	(539,995)	(32,868)	4,160,389	2,296,941	–	6,484,647
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	331,016	–	331,016
Disposal of subsidiaries	–	–	–	–	–	–	–	–	–	(1,978,538)	–	(1,978,538)
Transaction with non-controlling interests *(Note 48)*	–	–	–	–	–	–	–	712,435	–	4,067,546	–	4,779,981
Contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	375,060	–	375,060
Transfer to reserve	–	–	–	–	–	–	–	19,912	(21,538)	(704)	–	(2,330)
Share of share option reserve of an associate	–	–	–	–	43,256	–	–	–	–	–	–	43,256
Share-based compensation	–	–	–	–	342,252	–	–	–	–	767,744	–	1,109,996
Contribution from a shareholder	–	–	–	–	–	–	–	106,401	–	–	–	106,401
Release of escrow shares for settlement of acquisition consideration	–	–	–	–	–	–	–	10,077	–	20,915	–	30,992
Reclassified share of reserve in associate to income statement upon dilution	–	–	–	–	–	–	–	(120,484)	–	–	–	(120,484)
Dividends paid	–	–	–	–	–	–	–	–	(332,750)	(1,949,532)	–	(2,282,282)
Conversion into a joint stock limited liability company	1,339,140	(330,430)	–	(336,863)	–	–	–	(1,162,347)	490,500	–	–	–
As December 31, 2014	2,000,000	–	–	999,333	1,118,792	213,061	(2,405,880)	5,554,018	24,503,367	22,215,587	(1,343,399)	52,854,879

	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*	Hedging reserve *RMB'000*	Exchange reserve *RMB'000*	Other reserve *RMB'000*	Retained earnings *RMB'000*	Non-controlling interests *RMB'000*	Put option written on non-controlling interests *RMB'000*	Total *RMB'000*
As January 1, 2015	2,000,000	–	–	999,333	1,118,792	213,061	(2,405,880)	5,554,018	24,503,367	22,215,587	(1,343,399)	52,854,879
Profit for the year	–	–	–	–	–	–	–	–	4,659,083	(883,477)	–	3,775,606
Other comprehensive income												
Fair value changes on available-for-sale financial assets	–	–	–	1,613,090	–	–	–	–	–	408,992	–	2,022,082
Reclassified to income statement on disposal of available-for-sale financial assets	–	–	–	(47,728)	–	–	–	–	–	–	–	(47,728)
Share of other comprehensive income of associates using equity accounting	–	–	–	68,169	–	–	–	–	–	–	–	68,169
Fair value change on forward foreign exchange contracts	–	–	–	–	–	(386,101)	–	–	–	(879,211)	–	(1,265,312)
Reclassified to income statement on forward foreign exchange contracts	–	–	–	–	–	247,242	–	–	–	561,135	–	808,377
Currency translation differences	–	–	–	–	–	–	(200,643)	–	–	(1,934,231)	–	(2,134,874)
Remeasurement of post-employment benefit obligation	–	–	–	–	–	–	–	(51,809)	–	(120,298)	–	(172,107)
Revaluation of investment properties upon reclassification from property, plant and equipment	–	–	–	122,722	–	–	–	–	–	–	–	122,722
Total comprehensive income/(loss) for the year	–	–	–	1,756,253	–	(138,859)	(200,643)	(51,809)	4,659,083	(2,847,090)	–	3,176,935
Issuance of new shares *(Note 32)*	356,231	11,724,078	–	–	–	–	–	–	–	–	–	12,080,309
Share issuance cost	–	(442,138)	–	–	–	–	–	–	–	–	–	(442,138)
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	9,582	–	9,582
Disposal of subsidiaries	–	–	–	–	–	–	–	–	–	(281,791)	–	(281,791)
Transaction with non-controlling interests *(Note 48)*	–	–	–	–	–	–	–	(642,547)	–	(564,340)	–	(1,206,887)
Contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	155,925	–	155,925
Transfer to reserve	–	–	–	–	–	–	–	29,265	(23,172)	(1,414)	–	4,679
Share of share option reserve of an associate	–	–	–	–	20,582	–	–	–	–	–	–	20,582
Share-based compensation	–	–	–	–	233,525	–	–	–	–	526,364	–	759,889
Transfer to statutory surplus reserve	–	–	191,599	–	–	–	–	–	(191,599)	–	–	–
Dividends paid	–	–	–	–	–	–	–	–	(366,025)	(1,698,856)	–	(2,064,881)
As December 31, 2015	2,356,231	11,281,940	191,599	2,755,586	1,372,899	74,202	(2,606,523)	4,888,927	28,581,654	17,513,967	(1,343,399)	65,067,083

Consolidated Cash Flow Statement

For the year ended December 31, 2015

	Note	Year ended December 31, 2015 RMB'000	2014 RMB'000
Cash flows from operating activities			
Cash generated from operations	43	**4,427,793**	4,172,100
Income tax paid		**(3,734,010)**	(2,736,795)
Net cash generated from operating activities		**693,783**	1,435,305
Cash flows from investing activities			
Purchases of property, plant and equipment, and intangible assets		**(6,949,455)**	(9,087,844)
Proceeds from sale of property, plant and equipment, and intangible assets		**547,677**	108,977
Purchase of financial assets at fair value through profit or loss		**(2,694,355)**	(665,064)
Proceeds from disposal of financial assets at fair value through profit or loss		**1,420,786**	1,984,766
Dividends from financial assets at fair value through profit or loss		**553,823**	185,141
Capital injection in associates measured at fair value through profit or loss		**(1,979,840)**	(2,163,613)
Distributions from associates measured at fair value through profit or loss		**5,358,446**	3,745,411
Acquisition of and capital injection in associates and joint ventures using equity accounting		**(785,985)**	(315,725)
Proceeds from partial disposal of associates using equity accounting		**14,594**	741,019
Distributions from associates using equity accounting		**377,857**	415,282
Purchase of available-for-sale financial assets		**(1,972,616)**	(626,743)
Proceeds from disposal of available-for-sale financial assets		**620,606**	186,193
Dividends from available-for-sale financial assets		**287,599**	13,154
Acquisition of subsidiaries, net of cash acquired		**(196,521)**	(14,815,107)
Disposal of subsidiaries, net of cash disposed		**271,153**	(2,015,654)
Decrease in restricted deposits		**–**	799,328
Interest received		**548,864**	549,649
Increase in bank deposits		**(358,731)**	(2,763,794)
Advanced from proposed transactions		**112,014**	–
Net cash used in investing activities		**(4,824,084)**	(23,724,624)

	Note	Year ended December 31, 2015 RMB'000	2014 RMB'000
Cash flows from financing activities			
Proceeds from borrowings		**23,363,058**	39,114,885
Repayments of borrowings		**(29,987,841)**	(19,698,835)
Issuance of new shares		**12,080,309**	–
Payment of costs on issuance of new shares		**(174,966)**	–
Capital contributions from non-controlling interests		**157,528**	375,060
Distribution to non-controlling interests		**(1,698,856)**	(1,891,125)
Transaction with non-controlling interests		**(1,332,089)**	(1,693,619)
Cash proceeds from issuance of bonds,net of issuance costs		**5,757,650**	11,851,395
Dividends paid to equity holders of the Company	42	**(366,025)**	(332,750)
Interest paid		**(4,707,091)**	(4,617,940)
Net cash generated from financing activities		**3,091,677**	23,107,071
Net (decrease)/increase in cash and cash equivalents		**(1,038,624)**	817,752
Cash and cash equivalents at beginning of year		**35,772,890**	35,461,855
Exchange gains/(losses) on cash and cash equivalents		**68,687**	(506,717)
Cash and cash equivalents at end of year	30	**34,802,953**	35,772,890

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 with a registered capital of RMB2 billion. The Company's shares have been listed on the Main Board of the Hong Kong Stock Exchange since June 29, 2015.

The address of the Company's registered office changes from 10F, Tower A, Raycom Info Tech Park, No. 2 Kexueyuan South Road, Haidian District, Beijing 100190, PRC to Room 1701, 17/F, Block 1, Court No. 2, Ke Xue Yuan Nanlu, Haidian District, Beijing 100190, PRC with effect from January 25, 2016.

The Company and its subsidiaries (together, the "Group") 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 consumers and enterprises; (b) financial services industry, which offers services including short-term financing, credit guarantees, entrusted loans, finance lease, banking, insurance brokerage services, payment and internet finance and trusts, customised financial solutions to customers; (c) modern services industry, which operates in consumer services including dental care, logistics, senior care business, car rental business, digital marketing solutions of enterprises and Internet healthcare services; (d) agriculture and food industry, which is mainly engaged in planting and sales of premium fruit and tea products in agriculture business, produce and sell various Chinese liquor brands, agriculture-oriented e-commerce platform and liquor direct sales chain; (e) property industry, which is engaged in the business of the development and sale of residential properties and office buildings, office rental services and property management services to projects that the Group developed; and (f) chemicals and energy materials industry, which includes the fine chemicals and energy materials and lithium-ion battery businesses. 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") under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss, associates measured at fair value, investment properties and biological assets other than bearer plants, which are carried at fair value.

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

During the year, the Group has finalized the fair value assessments for the net assets acquired from the business combination activities in respect of Motorola Mobility Group ("Motorola") and X86 server hardware and related maintenance services business of IBM ("System X"). On completion of the fair value assessments, adjustments made to the provisional calculation of identifiable assets and liabilities amounted to US$581 million. The comparative consolidated balance sheet as at December 31, 2014 has been retrospectively reclassified to reflect the final allocation of fair values of the net assets acquired.

2.1.1 New amendments early adopted by the Group

Amendments to IAS 16 and IAS 41 on "Agriculture: bearer plants" change the reporting for bearer plants, such as grape vines, rubber trees and oil palms. Bearer plants should be accounted for in the same way as property, plant and equipment because their operation is similar to that of manufacturing. The amendments include bearer plants in the scope of IAS 16 rather than IAS 41. The amendments are effective for annual periods beginning on or after January 1, 2016, with earlier application permitted.

Amendment to IAS 27 on "equity method in separate financial statements" allows entities to use equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The amendment is effective for annual period beginning on or after January 1, 2016, with earlier application permitted.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.1 Basis of preparation *(CONTINUED)*

2.1.1 New amendments early adopted by the Group *(CONTINUED)*

As at December 31, 2014, the Group has early adopted amendments to IAS 16 and IAS 41 with retrospective application. Consequently, the Group accounted for bearer plants as property, plants and equipment. With the early adoption and retrospective application of IAS 27, the Company accounted for investment in associates and joint ventures using equity accounting whereas investments in subsidiaries are still accounted for at cost in the Group's separate financial statements. Early adoption of those relevant standards is to be consistent with the financial information prepared for statutory report under Accounting Standards for Business Enterprises of the PRC.

2.1.2 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 July 1, 2014:

Annual Improvement Project	Annual improvements 2010-2012 Cycle and 2011-2013 Cycle
IAS 19 (Amendment)	Employee benefits

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

2.1.3 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, 2015 and have not been early adopted.

IAS 1 (Amendment)	The Disclosure Initiative (1)
IAS 16 and IAS 38 (Amendment)	Clarification of Acceptable Methods of Depreciation and Amortisation (1)
IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception (1)
IFRS 11 (Amendment)	Accounting for Acquisitions of Interests in Joint Operation (1)
IFRS 14	Regulatory Deferral Accounts (1)
Annual Improvement Project	Annual Improvements 2012-2014 Cycle (1)
IFRS 15	Revenue from Contracts with Customers (2)
IFRS 9	Financial Instruments (2)
IFRS 16	Lease (3)

(1) Effective for the accounting period beginning on January 1, 2016
(2) Effective for the accounting period beginning on January 1, 2018
(3) Effective for the accounting period beginning on January 1, 2019

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.1 Basis of preparation *(CONTINUED)*

2.1.4 New Hong Kong Companies Ordinance (Cap. 622)

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) came into operation during the current financial year, as a result, there are changes to presentation and disclosure of certain information in the consolidated financial statements.

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 either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.2 Subsidiaries *(CONTINUED)*

(a) Business combination *(CONTINUED)*

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

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

Inter-company transactions, balances and unrealised gains/losses on transactions between group companies are eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group. The financial statements of the parent and its subsidiaries used in the preparation of the 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 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 upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 Associates

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

(a) Equity method of accounting

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

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.6 Foreign currency translation *(CONTINUED)*

(b) Transactions and balances

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

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

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

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

(c) Group companies

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.6 Foreign currency translation *(CONTINUED)*

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

(e) Disposal of foreign operation and partial disposal

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

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

2.7 Property, plant and equipment

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.7 Property, plant and equipment *(CONTINUED)*

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

–	Buildings and leasehold improvements	10-50 years
–	Machinery and equipment	2-8 years
–	Motor & Vehicles	5-6 years
–	Office equipment and others	3-10 years
–	Bearer plants	20 years

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

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

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/(losses)" in the consolidated income statement.

2.8 Construction-in-progress

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

2.9 Investment property

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.9 Investment property *(CONTINUED)*

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

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.

(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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.10 Intangible assets *(CONTINUED)*

(d) Computer software

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

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

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

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

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

(e) Patents, technology and marketing right

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.11 Impairment of non-financial assets

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

2.12 Biological assets

As stated in Note 2.1.1, the Group had early adopted the amendments to IAS 41 and IAS 16 with regard to bearer plants as at December 31, 2014. Bearer plants of the Group consist of blueberry and kiwi trees, which are recognised as property, plant and equipment and measured at cost less accumulated depreciation and impairment.

Agricultural products harvested from bearer biological assets is measured at its fair value less costs to sell at the point of harvest and recognised as inventory subsequently. The fair value of agricultural products is based on market prices of agricultural products of similar size and weight or alternative estimates of fair value.

2.13 Financial assets

2.13.1 Classification

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.13 Financial assets *(CONTINUED)*

2.13.1 Classification *(CONTINUED)*

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise trade, notes and other receivables, deposits, bank deposits and cash and cash equivalents in the balance sheet (Note 2.18 and 2.19).

(c) Available-for-sale financial assets

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

2.13.2 Recognition and measurement

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.14 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.

2.15 Impairment of financial assets

(a) Assets carried at amortised cost

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

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.15 Impairment of financial assets *(CONTINUED)*

(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 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.

2.16 Derivative financial instruments and hedging activities

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.16 Derivative financial instruments and hedging activities *(CONTINUED)*

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

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 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/(losses)".

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.17 Inventories, properties under development and completed properties held for sale

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

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

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

Completed properties held for sale are completed properties remaining unsold at year end and are stated at the lower of cost and net realisable values. Cost comprises development costs attributable to the unsold properties. Net realisable values are determined by reference to the estimated sales proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management estimates based on prevailing marketing conditions.

2.18 Trade and other receivables

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

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.19 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. In the consolidated balance sheet, bank overdrafts are shown within borrowings in current liabilities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.20 Share capital

Ordinary shares are classified as equity.

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

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

2.21 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. 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.

2.22 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.23 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in income statement in the period in which they are incurred.

2.24 Current and deferred income tax

The 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 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)*

2.24 Current and deferred income tax (CONTINUED)

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statement. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. 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)*

2.25 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation can not be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

2.26 Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of subsidiaries or associates to secure loans, overdrafts and other banking facilities.

Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee was given. The fair value of financial guarantees issued at the time of issuance is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in the income statement on initial recognition of any deferred income. Subsequent to initial recognition, the Group's liabilities under such guarantees are measured at the higher of the initial amount, less amortization of fees recognised in accordance with IAS 18, and the best estimate of the amount required to settle the guarantee. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by management's judgment. The fee income earned is recognised on a straight-line basis over the life of the guarantee. Any increase in the liability relating to guarantees is reported in the consolidated income statement within "general and administrative expenses".

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.27 Employee benefits

The Group operates various post-employment schemes. The schemes are generally funded through payments to insurance companies or trustee-administrated funds, which are measured by periodic actuarial calculation. The Group has both defined benefit and defined contribution plans.

(a) Pension obligations

Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past service costs. Significant portion of the defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

The current service cost of the defined benefit plan, recognised in the 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, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortised on a straight-line basis over the vesting period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.27 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.28 Share-based payments

The Group operates a number of equity-settled compensation plans, including the long-term incentive program and share option plan granted by a principal subsidiary, Lenovo Group Limited ("Lenovo"), and the restricted shares granted by the Company (collectively referred to as "Incentive Awards") under which the Group receives services from employees as consideration for the Incentive Awards granted. The fair value of the employee services received in exchange for the grant of the Incentive Awards is recognised as employee benefit expense.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the Incentive Awards granted, including any market performance conditions (for example, an entity's share price); excluding the impact of any service and non-market performance vesting conditions (for example, profitability and sales growth targets); but 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.

2.29 Provisions

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.29 Provisions *(CONTINUED)*

(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 labor associated with warranty repair and service actions. The period ranges from one to three years. The Group revaluates its estimates on a quarterly basis to assess the adequacy of its recorded warranty liabilities and adjusts the amounts as necessary.

(b) Provision for guarantee losses

Provisions for guarantee losses are recognised when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee; and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in liabilities from guarantees in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

When determining the amounts to be recognised in respect of liabilities arising from the guarantee business, management estimates the provisions based on prior experience and default history of the business. It is possible that the prior experience and default history is not indicative of future loss on the guarantees issued. Any increase or decrease in the provisions would affect the income statement in future years.

(c) Other provisions

Provisions for environmental restoration, restructuring costs and legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring costs provision comprises lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.30 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied and service rendered, stated net of discounts, estimated returns and value added taxes. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Sales of goods

Revenue from sale of 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) Sales of properties

Revenue from sales of properties is recognised upon the delivery of property sold and transfer of ownership of the property to the customer which is deemed to be the earlier of the actual date of delivery or the first day after the last day of the delivery period as stipulated in the property delivery notice. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in current liabilities, and are separately stated in the balance sheet as advances from customers.

(c) Guarantee income

Guarantee income is determined based on the total agreed fee in the guarantee contracts and is recognised in the income statement over the period of guarantee.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.30 Revenue recognition *(CONTINUED)*

(d) Rental income

Revenue is recognised on a time proportion basis over the lease terms.

(e) 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.

(f) Interest income

Interest income is recognised using the effective interest method. When a financial asset is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired financial assets is recognised using the original effective interest rate.

2.31 Dividend income

Dividend income is recognised when the right to receive payment is established.

2.32 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised as "other income and gains/(losses)" in the consolidated income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to assets are recognised in income statement on a systematic basis over the periods in which the entity recognises as expenses the related assets for which the grants are intended to compensate.

2.33 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.34 Related party transactions

A related party transaction is a transfer of resources, services or obligations between the Group and a related party of the Group, regardless of whether a price is charged.

(a) A person, or a close member of that person's family, is related to the Group if that person:

- has control or joint control over the Group;
- has significant influence over the Group; or
- is a member of the key management personnel of the Group.

(b) An entity is related to the Group if any of the following conditions applies:

- The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
- One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
- Both entities are joint ventures of the same third party;
- One entity is a joint venture of a third entity and the other entity is an associate of the third party;
- The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- The entity is controlled or jointly controlled by a person identified in (a) above;
- A person, or a close member of that person's family, who has control or joint control over the Group, has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

2.35 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group has implemented a unified and multi-tiered financial control management system. The Company guides and supervises major aspects of financial management of its subsidiaries and each subsidiary manages its financial risks locally. Certain subsidiaries of the 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, 2015			
	USD *RMB'000*	**RMB** *RMB'000*	**EUR** *RMB'000*	**Total** *RMB'000*
Trade and other receivables	**685,868**	**28,950**	**1,366,825**	**2,081,643**
Bank deposits and cash and cash equivalents	**611,378**	**219,091**	**65,647**	**896,116**
Trade and other payables	**(3,498,541)**	**(247,958)**	**(349,072)**	**(4,095,571)**
Borrowings	**(586,954)**	**–**	**–**	**(586,954)**
Intercompany balances before elimination	**(11,044,366)**	**2,547,550**	**(1,852,955)**	**(10,349,771)**
Gross exposure	**(13,832,615)**	**2,547,633**	**(769,555)**	**(12,054,537)**
Notional amounts of forward exchange contracts used as economic hedge	**15,868,184**	**–**	**1,936,767**	**17,804,951**
Net exposure	**2,035,569**	**2,547,633**	**1,167,212**	**5,750,414**

3. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1 Financial risk factors *(CONTINUED)*

(a) Market risk *(CONTINUED)*

(i) Foreign exchange risk (CONTINUED)

	As at December 31, 2014			
	USD	RMB	EUR	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade and other receivables	2,265,355	41,330	1,752,203	4,058,888
Bank deposits and cash and cash equivalents	1,322,316	225,419	354,652	1,902,387
Trade and other payables	(5,538,496)	(159,972)	(69,981)	(5,768,449)
Borrowings	(518,624)	–	(100)	(518,724)
Intercompany balances before elimination	(9,088,164)	1,970,897	(1,043,290)	(8,160,557)
Gross exposure	(11,557,613)	2,077,674	993,484	(8,486,455)
Notional amounts of forward exchange contracts used as economic hedge	14,185,115	–	243,102	14,428,217
Net exposure	2,627,502	2,077,674	1,236,586	5,941,762

As at December 31, 2015 and 2014, if RMB had weakened/strengthened by 5% against the major currencies with all other variables held constant, the Group would generate extra exchange gains or losses of approximately RMB33 million and RMB89 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 four capital markets: HK, China, US and Japan.

The table below summarises the impact of increases/decreases of the four capital markets on the group's pre-tax profit and other comprehensive income for the year. The analysis is based on the assumption that the equity indexes had increased/decreased by 5% with all other variables held constant.

	Impact on pre-tax profit	
	Year ended December 31,	
Index	**2015**	2014
	RMB'000	*RMB'000*
Equity securities – HK	**7,248**	861
Equity securities – US	**3,668**	3,968
Equity securities – China	**517**	341
	11,433	5,170

	Impact on other comprehensive income	
	Year ended December 31,	
Index	**2015**	2014
	RMB'000	*RMB'000*
Equity securities – HK	**26,732**	23,541
Equity securities – US	**3,635**	4,409
Equity securities – Japan	**4,074**	3,123
Equity securities – China	**244,880**	94,810
	279,321	125,883

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 and loans from related parties. Long-term borrowings at floating rates expose the Group to cash flow interest rate risk. Long-term borrowings and loans from related parties at fixed rates expose the Group to fair value interest rate risk. The Group's long-term borrowings with floating interest rates amounted to approximately RMB7 billion and RMB8 billion as at December 31, 2015 and 2014; long-term borrowings and loans from related parties with fixed interest rates amounted to approximately RMB50 billion and RMB49 billion as at December 31, 2015 and 2014.

The Group operates various customer financing programs primarily in IT business. The Group is exposed to fluctuation of interest rates of all the currencies covered by those programs.

The Group manages 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 RMB31 million and RMB38 million as at December 31, 2015 and 2014.

If interest rates on customer financing programs had risen/fallen 50 basis points while all other variables had been held constant, the Group's post-tax profit would have decreased/increased by approximately RMB38 million and RMB40 million as at December 31, 2015 and 2014.

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 Group has taken measures to identify credit risks arising from guarantee business. The Group manages credit risk at every stage of the risk management system, including pre-approval, review and credit approval and post-transaction monitoring processes. The Group conducts customer acceptance and due diligence by business department and risk management department during the pre-approval process. A transaction may be subject to the review and approval of credit approval officer, regional risk committee, deputy chairman and chairman depending on the transaction size. During the post-transaction monitoring process, the Group conducts on-site inspection and ongoing post-transaction reviews focusing on various aspects, including but not limited to customers' product markets, operating income, assets and liabilities, cash flows from operating activities to detect potential risks. The Group takes proactive preventive actions based on the risk analysis and design contingency plans accordingly.

The Group adopts the same pre-approval, review and credit approval risk management system for credit risk arising from loan business. During the post-transaction monitoring process, the Group conducts a visit of customers within one month after disbursement of loans, and conducts on-site inspection on a semi-annual basis. The review focuses on the use of loans, the financial and operational conditions of the borrowers or the progress of projects and status of the collateral.

The Group adopts a loan risk classification approach to manage its loan portfolio risk. Loans are generally classified as normal, special mention, substandard, doubtful and loss according to their levels of risk. Substandard, doubtful and loss loans are considered to be impaired loans and advances. They are classified as such when one or more events demonstrate that there is objective evidence of a loss event. The impairment loss is assessed collectively or individually as appropriate.

3. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1 Financial risk factors *(CONTINUED)*

(b) Credit risk *(CONTINUED)*

At the same time, the Group has established relevant mechanisms to apply tiered management of credit risks, and set limits to acceptable risks for different individual or group counterparties, different industries and geographical regions. The Group monitors the risk status of these customers regularly and reviews their risk positions at least on a quarterly basis.

(c) Liquidity risk

Cash flow forecasting is performed by each subsidiary of the Group. The Group monitors its subsidiaries' rolling forecasts of short-term and long-term liquidity requirements to ensure it has sufficient cash and securities that are readily convertible to cash to meet operational needs, while maintaining sufficient headroom on its undrawn committed borrowing facilities from major financial institution so that it does not breach borrowing limits or covenants on any of its borrowing facilities to meet the short-term and long-term liquidity requirements.

The table below set forth the financial liabilities of the Group 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 *RMB'000*	Between 1 and 2 years *RMB'000*	Between 2 and 5 years *RMB'000*	Over 5 years *RMB'000*	Total *RMB'000*
As at December 31, 2015					
Borrowings	**23,661,693**	**17,920,764**	**41,115,084**	**3,899,656**	**86,597,197**
Trade and notes payables	**45,728,181**	**–**	**–**	**–**	**45,728,181**
Other payables and accruals	**45,665,445**	**–**	**–**	**–**	**45,665,445**
Other liabilities excluding non-financial liabilities	**2,148,494**	**13,662,434**	**1,385,633**	**–**	**17,196,561**
Derivative financial instruments settled in gross:					
Forward foreign exchange contracts					
– outflow	**9,203,215**	**–**	**–**	**–**	**9,203,215**
– inflow	**(32,801,207)**	**–**	**–**	**–**	**(32,801,207)**
Financial guarantee contracts *(Note 44)*	**12,369,366**	**–**	**–**	**–**	**12,369,366**
As at December 31, 2014					
Borrowings	20,957,057	19,231,308	41,082,770	3,539,944	84,811,079
Trade and notes payables	49,746,129	–	–	–	49,746,129
Other payables and accruals	40,511,551	–	–	–	40,511,551
Other liabilities excluding non-financial liabilities	325,541	12,767,526	1,702,245	817,259	15,612,571
Derivative financial instruments settled in gross:					
Forward foreign exchange contracts					
– outflow	39,071,463	–	–	–	39,071,463
– inflow	(45,392,444)	–	–	–	(45,392,444)
Financial guarantee contracts *(Note 44)*	13,275,187	–	–	–	13,275,187

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, 2015 and 2014 are as follows:

	As at December 31,	
	2015	2014
	RMB'000	*RMB'000*
Total borrowings *(Note 38)*	**77,256,775**	76,120,680
Less: cash and cash equivalents *(Note 30)*	**(34,802,953)**	(35,772,890)
	42,453,822	40,347,790
Total equity	**65,067,083**	52,854,879
Debt to equity ratio	**65.2%**	76.3%

3.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The following table presents the Group's financial assets and liabilities that are measured at fair value at December 31, 2015 and 2014.

3. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.3 Fair value estimation *(CONTINUED)*

	As at December 31, 2015			
	Level 1	**Level 2**	**Level 3**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Assets				
Associates measured at fair value through profit or loss	–	–	**13,132,653**	**13,132,653**
Financial assets at fair value through profit or loss				
– Listed securities	**228,667**	–	–	**228,667**
– Listed corporate bond	**212,589**	–	–	**212,589**
– Unlisted securities	–	–	**2,500,976**	**2,500,976**
Derivative financial instruments *(i)*	–	**412,443**	–	**412,443**
Available-for-sale financial assets				
– Listed securities	**1,516,085**	**4,070,336**	–	**5,586,421**
– Unlisted securities	–	–	**1,400,934**	**1,400,934**
– Bank's wealth management product	–	–	**78,900**	**78,900**
	1,957,341	**4,482,779**	**17,113,463**	**23,553,583**
Liabilities				
Derivative financial instruments *(i)*	–	**213,516**	–	**213,516**
Contingent considerations	–	–	**1,944,931**	**1,944,931**
Written put option liability	–	–	**1,434,767**	**1,434,767**
	–	**213,516**	**3,379,698**	**3,593,214**

3. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.3 Fair value estimation *(CONTINUED)*

	As at December 31, 2014			
	Level 1	Level 2	Level 3	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Assets				
Associates measured at fair value through profit or loss	–	–	12,676,928	12,676,928
Financial assets at fair value through profit or loss				
– Listed securities	103,404	–	–	103,404
– Unlisted securities	–	–	1,044,393	1,044,393
Derivative financial instruments *(i)*	–	1,293,703	–	1,293,703
Available-for-sale financial assets				
– Listed securities	1,196,820	1,320,858	–	2,517,678
– Unlisted securities	–	–	1,031,854	1,031,854
– Bank's wealth management product	–	–	114,100	114,100
	1,300,224	2,614,561	14,867,275	18,782,060
Liabilities				
Derivative financial instruments *(i)*	–	572,641	–	572,641
Contingent considerations	–	–	1,902,091	1,902,091
Written put option liability	–	–	1,338,684	1,338,684
	–	572,641	3,240,775	3,813,416

(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.

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.

3. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.3 Fair value estimation *(CONTINUED)*

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, 2015 and 2014, associates measured at fair value through profit or loss comprise investments in VC Funds and PE Funds which are subject to the terms and conditions of the respective fund's offering documentation. The investments in VC Funds and PE Funds are primarily valued based on the latest available 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)*

For those funds that are not traded on an active market, their fair value is determined using valuation techniques. The value is primarily based on the latest available financial/capital account statement of VC Funds and PE Funds as reported by the General Partner of the funds, unless the Group is aware of reasons that such a valuation may not be the best approximation of fair value. The Group may make adjustments to the value based on considerations such as: the underlying investments of each fund, the value date of the net asset value provided, cash flows since the latest value date, geographic and sector exposures, market movements and the basis of accounting of the underlying funds. The unobservable inputs which significantly impact the fair value are the net asset value advised by the fund's general partner. No adjustment has been made by the Group on such value.

There were no significant transfers of financial assets between level 1 and level 2 fair value hierarchy classifications.

The following table presents the changes in level 3 financial assets for the year ended December 31, 2015 and 2014, respectively.

	Associates measured at fair value through profit or loss	**Financial assets measured at fair value through profit or loss**	**Available-for-sale financial assets**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2015	**12,676,928**	**1,044,393**	**1,145,954**	**14,867,275**
Additions/capital contributions	**1,754,952**	**1,042,737**	**963,066**	**3,760,755**
Disposals/return of capital	**(944,971)**	**(96,767)**	**(375,302)**	**(1,417,040)**
Exchange adjustment	**409,612**	**28,073**	**22,613**	**460,298**
Transfers out from level 3	**–**	**–**	**(271,465)**	**(271,465)**
(Losses)/gains recognised in income statement	**(763,868)**	**482,540**	**(12,652)**	**(293,980)**
Gains recognised in other comprehensive income	**–**	**–**	**7,620**	**7,620**
At December 31, 2015	**13,132,653**	**2,500,976**	**1,479,834**	**17,113,463**
At January 1, 2014	11,882,076	622,425	873,855	13,378,356
Additions/capital contributions	3,094,531	483,348	278,450	3,856,329
Disposals/return of capital	(994,349)	(295,490)	(103,311)	(1,393,150)
Exchange adjustment	30,133	(603)	(4,088)	25,442
(Losses)/gains recognised in income statement	(1,335,463)	234,713	–	(1,100,750)
Gains recognised in other comprehensive income	–	–	101,048	101,048
At December 31, 2014	12,676,928	1,044,393	1,145,954	14,867,275

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, 2015 and 2014:

	Amounts *RMB'000*
At January 1, 2015	**3,240,775**
De-recognition	**(101,453)**
Exchange adjustment	**195,965**
Recognised in the consolidated income statement	**44,411**
At December 31, 2015	**3,379,698**
At January 1, 2014	3,186,185
Exchange adjustment	36,366
Recognised in the consolidated income statement	18,224
At December 31, 2014	3,240,775

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group continually evaluates the critical accounting estimates and key judgments applied based on historical experience and other factors, including expectations of future events that are believed to be reasonable.

4.1 Critical accounting estimates and key assumptions

The critical accounting estimates and key assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next accounting year are outlined below:

(a) Estimated impairment of non-financial assets

The Group tests at least annually whether goodwill and other assets that have indefinite useful lives have suffered any impairment. Other assets are also reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount. The recoverable amounts of an asset or a cash generating unit have been determined based on value-in-use calculations. These calculations require the use of estimates.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(CONTINUED)*

4.1 Critical accounting estimates and key assumptions *(CONTINUED)*

(a) Estimated impairment of non-financial assets *(CONTINUED)*

The value-in-use calculations primarily use cash flow projections based on financial budgets, in general covered five years, approved by management and estimated terminal values at the end of the five-year period. There are a number of assumptions and estimates involved for the preparation of cash flow projections for the period covered by the approved budget and the estimated terminal value. Key assumptions include the expected growth in revenues and operating margin and selection of discount rates, to reflect the risks involved and the earnings multiple that can be realised for the estimated terminal value.

Management prepared the financial budgets reflecting actual and prior year performance and market development expectations. Judgment is required to determine key assumptions adopted in the cash flow projections and changes to key assumptions can significantly affect these cash flow projections and therefore the results of the impairment reviews.

(b) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The tax liabilities recognised are based on management's assessment of the likely outcome.

The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying values in the financial statements.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(CONTINUED)*

4.1 Critical accounting estimates and key assumptions *(CONTINUED)*

(b) Income taxes *(CONTINUED)*

Deferred income tax assets are mainly recognised for temporary differences such as warranty provision, accrued sales rebates, bonus accruals, fair value change on financial assets, and other accrued expenses, and unused tax losses carried forward to the extent it is probable that future taxable profits will be available against which deductible temporary differences and the unused tax losses can be utilised, based on all available evidence. Recognition primarily involves judgment regarding the future financial performance of the particular legal entity or tax group in which the deferred income tax asset has been recognised. A variety of other factors are also evaluated in considering whether there is convincing evidence that it is probable that some portion or all of the deferred income tax assets will ultimately be realised, such as the existence of taxable temporary differences, group relief, tax planning strategies and the periods in which estimated tax losses can be utilised. The carrying amount of deferred income tax assets and related financial models and budgets are reviewed at each balance sheet date and to the extent that there is insufficient convincing evidence that sufficient taxable profits will be available within the utilization periods to allow utilization of the carry forward tax losses, the asset balance will be reduced and the difference charged to the consolidated income statement.

Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax provisions and deferred income tax assets and liabilities in the period in which such determination is made.

The implementation and settlement of land appreciation tax ("LAT") varies among various tax jurisdictions in cities of the PRC. LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditures including land use rights, borrowing costs, business taxes, property development and other related expenditures. These taxes are incurred upon transfer of property ownership.

Significant judgment is required in determining the extent of land appreciation and its related taxes. The Group recognised LAT based on management's best estimates according to the understanding of the tax rules. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the consolidated income statement in the periods in which such taxes are finalised with local tax authorities.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(CONTINUED)*

4.1 Critical accounting estimates and key assumptions *(CONTINUED)*

(c) Pension obligations

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate, expected return on assets and salary growth. Any changes in these assumptions will impact the carrying amount of pension obligations. The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension obligation.

The expected return on plan assets is based on market expectation for return over the life of the related assets and obligations. The salary growth assumption reflects the Group's long-term actual experience and future and near-term outlook. Actual results that differ from assumption are generally recognised in the year they occur.

(d) Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at each balance sheet date. The Group has used discounted cash flow analyses for various available-for-sale financial assets and financial assets measured at fair value through profit or loss that are not traded in active markets.

(e) Fair value of VC Funds and PE Funds

The fair value of investments in VC Funds and PE Funds that are not quoted in an active market is primarily valued based on the latest available 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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(CONTINUED)*

4.1 Critical accounting estimates and key assumptions *(CONTINUED)*

(e) Fair value of VC Funds and PE Funds *(CONTINUED)*

(iv) the basis of accounting and, in instances where the basis of accounting is other than fair value, fair valuation information provided by fund's general partner.

The models used to determine fair values are validated and periodically reviewed by the Group. The carrying values of the VC Funds and PE Funds may be significantly different from the values ultimately realised on an exit via a secondary market sale.

(f) Fair value of contingent considerations and written put option liabilities

The Group's certain business combination activities involved post-acquisition performance-based contingent considerations. The Group recognises contingent considerations and the corresponding written put option liabilities at their fair values, which is determined based on the terms of agreements and with reference to the estimated post-acquisition performance of the acquired subsidiaries/businesses. Judgment is required to determine key assumptions (such as growth rate, margins and discount rate) adopted in the estimation of post-acquisition performance of the acquired subsidiaries/businesses. Changes to key assumptions can significantly affect the amounts of considerations to be paid. Contingent considerations shall be re-measured at their fair value resulting from events or factors emerge after the acquisition date, with any resulting gain or loss recognised in the consolidated income statement.

(g) Fair value of identifiable assets and liabilities acquired through business combinations

The Group records assets acquired and liabilities assumed in business combinations at fair value on the date of acquisition. Significant judgment is used to estimate the fair value of the assets and liabilities acquired, including estimating future cash flows from the acquired business, determining appropriate discount rates, asset useful lives and other assumptions.

(h) Principal assumptions underlying management's estimation of fair value of investment properties

The fair value of investment properties is determined by using valuation techniques. The key assumptions used in this determination and the sensitivity of the directors' estimates of these assumptions to the carrying amount of the investment properties are set out in Note 18.

(i) Costs of property under development

In determination of the costs of property under development, significant estimates and judgments are used to determine the budgetary cost and the construction progress. If the final cost differs from the budget cost, the difference will impact the costs of the property under development.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(CONTINUED)*

4.1 Critical accounting estimates and key assumptions *(CONTINUED)*

(j) Depreciation and amortisation

Leasehold land and land use rights, property, plant and equipment (excluding land and construction in progress) and intangible assets (excluding goodwill and intangible assets with indefinite useful life) are depreciated and amortised using the straight-line method during the estimated useful lives of these assets to allocate the cost of the assets to their estimated net residual values. The Group reviews the estimated useful lives and estimated residual values periodically, to ensure that method and rate of depreciation/amortisation are consistent with the pattern how such assets' economic benefits are expected to be realised.

The Group makes estimates of the useful lives and residual values of such assets, based on historical experience and with reference to estimated technical improvement. In case of significant changes in estimated useful lives and residual values, depreciation and amortisation expenses will be adjusted accordingly.

(k) Provisions for bad debts

Losses on bad debts are accounted for using allowance method. Provision for bad debts is made based on the assessment of the recoverability of receivable, which requires the judgments and estimates of the management. Any difference between actual outcome and the initial estimates will affect the carrying value of accounts receivable as well as the accrual and reversal of bad debts provision during the period when estimates are adjusted.

(l) Provision for decline in the value of inventories

The Group measures inventories according to the lower of cost and net realisable value at the balance sheet date, and the calculation of net realisable value requires assumptions and estimates. If the management revises the estimated selling price and cost and expenses to be incurred till completion, the estimates of net realisable value will be impacted, and the difference from the original estimates will affect the provision for decline in the value of inventories.

(m) Warranty provision

Warranty provision is provided based on the estimated cost of product warranties when revenue is recognised. Factors that affect the Group's warranty liability include the number of units sold currently under warranty, historical and anticipated rates of warranty claims on those units, and cost expected to be incurred to satisfy warranty obligation. The estimation basis is reviewed on an on-going basis and revised where appropriate. Certain of these costs are reimbursable from the suppliers in accordance with the terms of relevant arrangements with the suppliers. These amounts are recognised as a separate asset and reduce the warranty expense provision, to the extent of the amount received or receivable, when it is virtually certain that reimbursement will be received if the Group settles the obligation.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(CONTINUED)*

4.2 Critical judgments in applying the accounting policies

(a) Revenue recognition

The Group needs to make judgments and estimates of the revenue recognition. Specifically, complex arrangements with non-standard terms and conditions may require significant contract interpretation to determine the appropriate accounting treatment, including whether the deliverables specified in a bundling arrangement should be treated as individual units for accounting treatment. Other significant judgments include determining whether the Group or a distributor is acting as the principal in a transaction and whether separate contracts are considered as part of one arrangement.

Revenue recognition of IT products

The Group's subsidiary, Lenovo, sells the products to channels. Sales through channels are primarily made under agreements allowing for volume discounts, price protection and rebates, etc. Revenue recognition is also influenced by the estimated provision for volume discount, price protection and rebate. Lenovo calculates such provisions, taking into account various factors, which include specific transactions, historical experience, and market and economic situations. Lenovo monitors the channel's inventory level with reference to historical data, using systematic and consistent method, and defers the related excess revenue and costs of sales if channel's inventory exceeds the reasonable level.

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.

Revenue recognition of properties

In the normal commercial environment, the subsidiaries of the Group's property segment sign the sales contracts with the customers. If the customer needs to obtain mortgage loan from banks for payment of the properties, the Group would sign a three-party agreement with the customer and the bank. According to the agreement, the Group would provide periodic joint liability guarantee for the mortgage loan that the bank grants to customer, and such responsibility ceases when the customer obtains ownership certificate and completes property mortgage registration.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(CONTINUED)*

4.2 Critical judgments in applying the accounting policies *(CONTINUED)*

(a) Revenue recognition *(CONTINUED)*

Revenue recognition of properties (CONTINUED)

Under the three-party agreement, during the guarantee period, the Group only provides guarantee for the part of mortgage loan that are not repaid by the customer, and the bank will only exercise recourse right when the customer defaults on repayment of the mortgage loan.

According to the Group's experience of the sales of properties, the Group believes that, during the period of providing joint liability guarantee, the probability of assuming guarantee responsibility, in case of customer not repaying the mortgage loan, is really low. Besides, in case of customer default, the Group can recover the amount paid for the guarantee by exercising the recourse right to customer, and avoid losses by disposing the property in accordance with relative clauses in the sales contract. Therefore, the Group believes that such financial guarantee has no significant impact over the revenue recognition for sales of properties.

(b) Consolidation of entities in which the Group holds less than 50% voting rights

Management consider that the Group has de facto control over Lenovo even though it has less than 50% of the voting rights based on the following factors: 1) as of December 31, 2015 and 2014 the Group is the single largest shareholder of Lenovo with a 30.91% and 30.47% equity interest; 2) the Company obtained an "acting in concert" undertaking from another shareholder; and 3) the rest of the voting rights of Lenovo is dispersed and since the date of Lenovo's listing, there has been no history of any other shareholders collaborating to exercise their vote collectively or to out vote the Group.

(c) Investment in associates

The Group made its assessment on whether it has the level of power to govern the financial and operating policies of the VC Funds and PE Funds in accordance with the guidance of IFRS 10, given the significant exposure to variable returns from involvement with these funds. Pursuant to the investment agreements entered into between the Group and the general partners/management companies, the general partners/management companies have the power to direct the relevant activities of the funds and are functioning as principals. Therefore, the directors determined that the Group does not have control but only exercise significant influence over most VC Funds and PE Funds (Note 13(b)).

5. SEGMENT INFORMATION

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

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

The Group identifies 7 reportable segments as follows:

- IT segment, which is mainly 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, payment and internet finance and trusts, to provide customised financial solutions to customers;

- Modern services segment, which operates in consumer services including dental care, logistics, senior care business, car rental business, digital marketing solutions of enterprises and Internet healthcare services;

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

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

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

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

5. SEGMENT INFORMATION *(CONTINUED)*

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, properties under development, completed properties held for sale, receivables and cash and cash equivalents. Segment liabilities primarily comprise operating liabilities.

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

Year ended December 31, 2015

	Strategic investment									
	IT *RMB'000*	Financial services *RMB'000*	Modern services *RMB'000*	Agriculture and food *RMB'000*	Property *RMB'000*	Chemicals and energy materials *RMB'000*	Financial investments *RMB'000*	Unallocated *RMB'000*	Elimination *RMB'000*	Total *RMB'000*
Segment revenue										
Sales to external customers	293,255,377	309,730	1,494,615	1,638,511	10,673,637	1,838,988	22,989	–	–	309,233,847
Net interest income	–	592,292	–	–	–	–	–	–	–	592,292
Inter-segment sales	–	2,800	–	102	30,837	–	–	–	(33,739)	–
Total	293,255,377	904,822	1,494,615	1,638,613	10,704,474	1,838,988	22,989	–	(33,739)	309,826,139
Segment results										
(Loss)/profit before income tax	(2,081,053)	1,187,753	(365,370)	156,978	3,883,473	(1,100,870)	4,942,674	(1,056,552)	(128,954)	5,438,079
Income tax credit/(expense)	751,478	(175,213)	(64,193)	(22,832)	(1,699,693)	39,979	(756,137)	264,138	–	(1,662,473)
(Loss)/profit for the year	(1,329,575)	1,012,540	(429,563)	134,146	2,183,780	(1,060,891)	4,186,537	(792,414)	(128,954)	3,775,606
Segment assets	168,136,915	16,615,141	7,656,512	4,320,678	51,695,952	9,710,935	41,828,119	19,126,206	(12,847,566)	306,242,892
Segment liabilities	153,900,327	6,797,593	4,620,131	4,276,823	36,964,859	11,021,960	1,437,357	34,730,699	(12,573,940)	241,175,809
Other segment information:										
Depreciation and amortisation	(4,670,940)	(5,020)	(158,735)	(117,442)	(21,479)	(200,758)	(3,099)	(7,787)	–	(5,185,260)
Impairment loss for non-current assets	–	–	(36,366)	–	–	(946,629)	–	–	–	(982,995)
Investment income and gains	13,601	542,653	177,978	310,015	808	145,271	4,049,293	–	(8,040)	5,231,579
Finance income	196,414	10,214	4,243	5,580	37,367	5,320	–	779,393	(526,384)	512,147
Finance costs	(1,437,088)	(35,613)	(134,218)	(145,706)	(397,162)	(191,025)	–	(1,558,825)	529,184	(3,370,453)
Share of profit/(loss) of associates and joint ventures accounted for using the equity method	96,467	60,622	326,368	(24,740)	(9,562)	5,635	378,328	–	(120,914)	712,204
Material non-cash items other than depreciation and amortisation	(808,275)	–	–	–	–	–	–	–	–	(808,275)
Capital expenditure	4,838,945	11,719	947,240	209,498	166,001	1,372,079	389	20,227	–	7,566,098
Associates and joint ventures using equity accounting	287,842	4,831,931	2,564,949	1,300,564	180,671	275,348	914,231	–	(206,626)	10,148,910
Associates measured at fair value through profit or loss	–	–	–	–	–	–	13,132,653	–	–	13,132,653

5. SEGMENT INFORMATION *(CONTINUED)*

Year ended December 31, 2014

	Strategic investment									
	IT *RMB'000*	Financial services *RMB'000*	Modern services *RMB'000*	Agriculture and food *RMB'000*	Property *RMB'000*	Chemicals and energy materials *RMB'000*	Financial investments *RMB'000*	Unallocated *RMB'000*	Elimination *RMB'000*	Total *RMB'000*
Segment revenue										
Sales to external customers	272,343,938	798,136	853,407	1,531,323	11,498,478	1,908,500	21,743	–	–	288,955,525
Net interest income	–	520,307	–	–	–	–	–	–	–	520,307
Inter-segment sales	–	–	–	406	16,027	–	20,919	–	(37,352)	–
Total	272,343,938	1,318,443	853,407	1,531,729	11,514,505	1,908,500	42,662	–	(37,352)	289,475,832
Segment results										
Profit/(loss) before income tax	6,467,815	1,299,483	1,041,357	(960,064)	3,204,296	(753,736)	2,754,902	(1,493,801)	–	11,560,252
Income tax (expense)/credit	(1,056,900)	(219,602)	31,627	11,848	(2,221,602)	(14,911)	(641,992)	373,451	–	(3,738,081)
Profit/(loss) for the year	5,410,915	1,079,881	1,072,984	(948,216)	982,694	(768,647)	2,112,910	(1,120,350)	–	7,822,171
Segment assets	179,524,157	11,097,298	4,992,888	4,268,603	48,619,370	9,865,179	31,717,453	12,432,971	(9,695,333)	292,822,586
Segment liabilities	155,396,620	3,998,334	2,285,068	5,137,533	36,508,301	10,004,754	1,179,988	35,085,442	(9,628,333)	239,967,707
Other segment information:										
Depreciation and amortisation	(2,378,330)	(34,654)	(123,833)	(114,934)	(17,176)	(186,396)	(2,704)	(8,232)	–	(2,866,259)
Impairment loss for non-current assets	–	–	–	(620,570)	–	(477,169)	–	–	–	(1,097,739)
Investment income and gains	9,155	650,409	1,646,131	7,158	4,490	(2,214)	2,491,005	–	–	4,806,134
Finance income	202,797	18,481	7,992	7,419	50,657	57,164	–	815,392	(568,879)	591,023
Finance costs	(1,118,980)	(22,563)	(98,422)	(199,902)	(181,003)	(169,733)	–	(1,963,805)	568,879	(3,185,529)
Share of (loss)/profit of associates and joint ventures accounted for using the equity method	(13,419)	186,065	(309,078)	960	10,184	–	416,977	–	–	291,689
Material non-cash items other than depreciation and amortisation	(593,716)	–	–	–	–	–	–	(106,401)	–	(700,117)
Capital expenditure	6,224,102	123,726	417,675	297,211	154,269	3,339,455	12,425	6,725	–	10,575,588
Associates and joint ventures using equity accounting	69,649	4,330,080	1,703,766	22,295	132,682	–	731,614	–	–	6,990,086
Associates measured at fair value through profit or loss	–	–	–	–	–	–	12,676,928	–	–	12,676,928

5. SEGMENT INFORMATION *(CONTINUED)*

(a) Revenue from external customers/Net interest income

	Year ended December 31,	
	2015	2014
	RMB'000	*RMB'000*
China	**97,948,602**	108,023,371
Overseas countries and regions	**211,877,537**	181,452,461
Total	**309,826,139**	289,475,832

(b) Non-current assets

	Year ended December 31,	
	2015	2014
	RMB'000	*RMB'000*
China	**50,328,499**	45,744,430
Overseas countries and regions	**40,881,179**	43,245,583
Total	**91,209,678**	88,990,013

The non-current assets information above is based on the locations of the assets and excludes financial assets, investment in associates and deferred income tax assets.

6. INVESTMENT INCOME AND GAINS

	Year ended December 31,	
	2015	2014
	RMB'000	*RMB'000*
Gains on disposal/dilution of associates	**412,895**	2,209,725
Gains on disposal of available-for-sale financial assets	**172,476**	119,977
Gains on disposal of subsidiaries	**216,043**	101,085
Dividend income from available-for-sale financial assets	**279,584**	85,622
Fair value gains and dividend income from associates measured at fair value through profit or loss	**3,235,010**	1,640,931
Fair value gains and dividend income from financial assets at fair value through profit or loss	**872,137**	607,586
Others	**43,434**	41,208
	5,231,579	4,806,134

7. OTHER INCOME AND GAINS/(LOSSES)

	Year ended December 31,	
	2015	2014
	RMB'000	*RMB'000*
Government grants	**1,177,904**	1,315,902
Losses on disposal of property, plant and equipment and intangible assets *(i)*	**(1,933,825)**	(273,835)
Fair value gains on investment properties *(Note 18)*	**1,923,648**	249,243
Net foreign exchange losses	**(201,410)**	(1,019,612)
Severance and related costs *(i)*	**(1,452,307)**	–
Inventories write off *(i)*	**(1,168,276)**	–
Provision for lease obligations *(i)*	**(378,979)**	–
Others	**(517,901)**	(340,400)
	(2,551,146)	(68,702)

(i) Other income and gains decreased sharply as compared with last year, which is principally attributable to the restructuring and one-time charges from Lenovo in driving greater efficiency across its organizations. It is primarily associated with severance costs of RMB1,452 million, loss on impairment and disposal of assets of RMB1,870 million, provision for lease obligations of RMB379 million; and smartphone inventories write off of RMB1,168 million in relation to realignment of key elements under Mobile Business Group in Lenovo.

8. EXPENSES BY NATURE

	Year ended December 31, 2015 RMB'000	2014 RMB'000
Cost of inventories sold	**238,462,637**	221,481,445
Cost of properties sold	**6,692,744**	6,463,520
Employee benefit expenses *(Note 9)*	**24,748,961**	21,693,721
Advertising costs	**6,188,578**	4,956,465
Depreciation and amortisation	**5,185,260**	2,866,259
Impairment loss for non-financial assets	**982,995**	1,097,739
Office and administrative expenses	**3,140,099**	2,495,427
Consultancy and professional fees	**1,287,932**	1,698,988
Auditors' remuneration	**98,518**	63,298
Labs and testing	**527,047**	393,004
Operating lease payments	**1,273,887**	916,204
Business tax and surcharge and other taxes	**1,288,508**	1,353,756
Transportation expenses	**461,548**	368,856
Inventory write-down	**574,975**	1,294,929
Other expenses *(i)*	**14,008,702**	13,206,584
	304,922,391	280,350,195

(i) Other expenses mainly include non-base manufacturing costs from IT business, which are costs that are periodic in nature as opposed to product specific. They are typically incurred after the physical completion of the product and include items such as outbound freight for in-country finished goods shipments, warranty costs, engineering charges, storage and warehousing costs, and contribute to bringing inventories to their present location and condition. Non-base manufacturing costs enter into the calculation of gross margin but not inventoriable costs.

9. EMPLOYEE BENEFIT EXPENSE

	Year ended December 31, 2015 RMB'000	2014 RMB'000
Wages and salaries	**18,575,608**	15,960,571
Social security costs other than pension	**1,754,023**	1,249,072
Long-term incentive awards granted	**808,275**	593,716
Pension costs – defined contribution plans	**1,220,825**	857,390
Pension costs – defined benefit plans *(Note 40)*	**158,171**	137,419
Others	**2,232,059**	2,895,553
	24,748,961	21,693,721

10. HIGHEST PAID INDIVIDUALS

The emoluments of the five highest paid individuals of the Group for the year ended December 31, 2015 do not include any director; whereas the emoluments of the five highest paid individuals of the Group for the year ended December 31, 2014 included one director, whose emoluments are reflected in the analysis in Note 46(a). The emoluments payable to those five (2014: the remaining four) individuals are as follows:

	For the year ended December 31,	
	2015	2014
	RMB'000	*RMB'000*
Salaries	**41,096**	27,889
Discretionary bonuses	**131,550**	88,533
Share option and rewards	**163,971**	123,298
Retirement payment and employer's contribution to pension schedule	**17,105**	1,395
Other benefits	**5,365**	3,213
	359,087	244,328

The emoluments fell within the following bands:

	Number of individuals As at December 31,	
	2015	2014
Emolument bands		
RMB33,324,501 – RMB33,726,000	**–**	1
RMB35,332,001 – RMB35,733,500	**–**	1
RMB40,953,001 – RMB41,354,500	**1**	–
RMB41,354,501 – RMB41,756,000	**1**	–
RMB45,369,501 – RMB45,771,000	**1**	–
RMB57,816,001 – RMB58,217,500	**–**	1
RMB91,140,501 – RMB91,542,000	**1**	–
RMB120,851,501 – RMB121,253,000	**–**	1
RMB134,502,501 – RMB134,904,000	**1**	–

For the year ended December 31, 2015 and 2014, 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

	For the year ended December 31,	
	2015	2014
	RMB'000	*RMB'000*
Interest expenses:		
– Bank loans and overdrafts	**1,718,396**	2,007,707
– Other loans	**1,855,880**	1,902,209
– Bonds	**1,304,564**	747,945
Factoring costs	**336,099**	305,057
Interest costs on contingent considerations and put option liability	**44,411**	18,224
Commitment fee	**33,703**	77,446
Total finance costs	**5,293,053**	5,058,588
Less: amounts capitalised on qualifying assets	**(1,922,600)**	(1,873,059)
Finance costs	**3,370,453**	3,185,529
Finance income:		
– Interest income on bank deposits and money market funds	**(458,553)**	(578,592)
– Interest income on loans to related parties	**(53,594)**	(12,431)
Finance income	**(512,147)**	(591,023)
Net finance costs	**2,858,306**	2,594,506

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, 2015 and 2014 or form a substantial portion of the net assets of the Group at December 31, 2015 and 2014. The directors consider that giving details of other subsidiaries would result in particulars of excessive length.

Company name	**Place of incorporation**	**Issued share capital/ Paid-in capital** *(in RMB, unless otherwise stated)*	**Principal activities**	**Effective interest held**		**Statutory auditor**
				2015	2014	
Lenovo Group Limited (聯想集團有限公司)	Hong Kong	11,108,654,724 shares	Manufacturing and distribution of IT products and provision of IT service (development, manufacturing and marketing high-quality and easy-to-use for technology products and services for customers and enterprises)	**30.91%**	30.47%	(1)
Raycom Real Estate Development Co., Ltd. (融科智地房地產股份有限公司,"Raycom Real Estate") *(i)*	Beijing	270,000,000	Residential and commercial property development	**93.09%**	93.09%	(2)
Raycom Property Investment Limited (融科物業投資有限公司)	Beijing	60,000,000	Real estate investment and asset management	**100.00%**	100.00%	(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)	Tianjin	500,000,000*(ii)*	Investment and management	**100.00%**	100.00%	(2)
Legend Capital Limited (聯想投資有限公司,"Legend Investment")	Lhasa	429,476,555	Investment and management	**92.78%*(iii)***	89.87%	(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)
Beijing Legend Star Venture Capital Co., Ltd. (北京聯想之星創業投資有限公司)	Beijing	150,000,000	Angel investment and start-up incubator	**100.00%**	100.00%	(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)
Funglian Holdings Limited (豐聯酒業控股有限公司)	Beijing	200,000,000	Manufacturing and distribution of Chinese liquor	**93.30%**	93.30%	(2)
Zeny Supply Chain Co., Ltd. (增益供應鏈有限公司)	Beijing	200,000,000	Providing cold chain and various logistics service	**94.00%**	94.00%	(2)
Levima Group Limited (聯泓集團有限公司)	Beijing	400,000,000	Development and production of chemicals and energy materials	**90.00%**	90.00%	(2)
Joyvio Group Co., Ltd. (佳沃集團有限公司,"Joyvio")	Beijing	200,000,000	Agriculture and food investment and other relevant business operations	**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")	Hefei	2,000,000,000	Providing financial service for small-and medium-sized entities	**92.00%**	92.00%	(2)
Beijing EnsenCare Holdings Co., Ltd. (北京安信頤和控股有限公司)	Beijing	200,000,000	Operation of senior care facilities and development senior apartments	**100.00%**	100.00%	(2)
Phylion Battery Co., Ltd. (星恒電源股份有限公司)	Suzhou	210,000,000	Manufacturing and sales of lithium-ion battery products and related research and development	**NA*(iv)***	50.77%	(4)
Bybo Dental Group Co., Ltd. (拜博醫療集團有限公司,"Bybo")	Zhuhai	50,815,358	Investment and operation of dental care and other medical projects	**54.90%*(v)***	51.00%	(2)
JC International Finance & Leasing Co., Ltd. (君創國際融資租賃有限公司)	Shanghai	1,500,000,000	Finance lease, lease business, purchase lease assets from domestic and overseas.	**100.00%**	NA	(5)

12. SUBSIDIARIES *(CONTINUED)*

The English names of the above subsidiaries represent the best efforts by management of the Company in translating their Chinese names as they do not have official English names.

(1) 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, 2015 and 2014 have been used and they were audited by PricewaterhouseCoopers, Certified Public Accountants, Hong Kong.

(2) The statutory financial statements of this subsidiary for the year ended December 31, 2015 were audited by Ruihua Certified Public Accountants.

(3) The statutory financial statements of this subsidiary for the year ended December 31, 2015 were audited by PricewaterhouseCoopers, Certified Public Accountants, Hong Kong.

(4) The statutory financial statements of this subsidiary for the year ended December 31, 2015 were audited by Jiangsu Gong Zheng Tianye Certified Public Accountants Co., Ltd. Suzhou Branch.

(5) The statutory financial statements of this subsidiary for the year ended December 31, 2015 were audited by PricewaterhouseCoopers Zhong Tian LLP.

(i) The Group currently owns 93.09% equity interest in Raycom Real Estate, of which 70.57% is directly owned by the Company and 22.52% is indirectly held through Legend Investment. Legend Investment's interest in Raycom Real Estate is solely attributed to the equity owner of the Company.

(ii) As at December 31, 2014, the paid-in capital for Legend Holdings Tianjin Limited was RMB100 million. As at December 31, 2015, the paid-in capital increased from RMB100 million to RMB500 million due to a capital injection of RMB400 million from the Company.

(iii) As at December 31, 2015, the Group obtained another indirect 2.91% equity interest in Legend Investment through the consolidation of another investment.

(iv) In June 2015, Phylion Battery Co., Ltd. entered into an equity financing agreement with third party investors which results in the loss of control of the Group in Phylion Battery Co., Ltd. The details have been set out in Note 50 (a).

(v) In January 2015, the Company entered into an equity transfer agreement with a third party to acquire 3.90% equity interest in Bybo, the equity interest held by the Group increased from 51.00% to 54.90% as a result.

12. SUBSIDIARIES *(CONTINUED)*

Subsidiaries with significant non-controlling interest

The total comprehensive loss/income attributable to non-controlling interests as shown in the consolidated statements of comprehensive income are RMB2,847 million and RMB2,297 million, of which RMB3,214 million and RMB2,330 million is the comprehensive loss/income attributable to non-controlling interest in Lenovo during the year ended December 31, 2015 and 2014. The total non-controlling interests at December 31, 2015 and 2014 as shown in the consolidated balance sheet are RMB17,514 million and RMB22,216 million, of which RMB14,448 million and RMB19,183 million is attributed to Lenovo. The non-controlling interest in respect of other subsidiaries is not considered material by the directors. The summarised consolidated financial statements of Lenovo is set out below.

Summarised Balance Sheets	**As at December 31,**	
	2015	2014
	RMB'000	*RMB'000*
Current		
Assets	**98,816,975**	109,488,704
Liabilities	**(115,280,569)**	(120,505,103)
Net current liabilities	**(16,463,594)**	(11,016,399)
Non-current		
Assets	**75,420,995**	73,146,774
Liabilities	**(40,027,824)**	(36,487,543)
Net non-current assets	**35,393,171**	36,659,231
Net assets	**18,929,577**	25,642,832

12. SUBSIDIARIES *(CONTINUED)*

Summarised Income Statements	**Year ended December 31,**	
	2015	2014
	RMB'000	*RMB'000*
Revenue	**293,255,379**	272,314,267
(Loss)/profit before income tax	**(2,081,053)**	6,434,229
Income tax credit/(expense)	**888,485**	(1,056,900)
Net (loss)/profit	**(1,192,568)**	5,377,329
– Attributable to equity owner of Lenovo	**(1,097,402)**	5,251,892
– Attributable to non-controlling interest	**(95,166)**	125,437
Other comprehensive loss	**(3,407,454)**	(2,014,320)
Total comprehensive (loss)/income	**(4,600,022)**	3,363,009
– Attributable to equity owner of Lenovo	**(4,504,856)**	3,237,572
– Attributable to non-controlling interest	**(95,166)**	125,437
Dividends paid to non-controlling interest	**–**	–

Summarised Cash Flow Statement	**Year ended December 31,**	
	2015	2014
	RMB'000	*RMB'000*
Cash flows from operating activities		
Cash generated from operations	**3,858,218**	12,986,587
Income tax paid	**(1,798,046)**	(1,685,451)
Net cash generated from operating activities	**2,060,172**	11,301,136
Net cash used in investing activities	**(4,429,770)**	(20,262,467)
Net cash (used in)/generated from financing activities	**(3,622,639)**	9,983,061
Net (decrease)/increase in cash and cash equivalents	**(5,992,237)**	1,021,730
Cash and cash equivalents at beginning of the year	**23,224,395**	22,708,325
Exchange losses on cash and cash equivalents	**(664,764)**	(505,660)
Cash and cash equivalents at end of the year	**16,567,394**	23,224,395

13. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

	As at December 31,	
	2015	2014
	RMB'000	*RMB'000*
Investments in associates and joint ventures:		
– using equity accounting *(a)*	**10,148,910**	6,990,086
– measured at fair value through profit or loss *(b)*	**13,132,653**	12,676,928
	23,281,563	19,667,014

(a) Associates and joint ventures using equity accounting

Set out below are the associates of the Group as at December 31, 2015 and 2014, which, in the opinion of the directors, are material to the Group, and the intention of the Group to hold these associates is for strategic investment purpose, not only for capital appreciation.

Name	**Place of incorporation/ principal place of operations**	**Principal activities**	**Effective interest held**	
			2015	2014
CAR Inc. ("CAR") *(i)*	Cayman Islands/ China	Offering comprehensive car rental services including short-term rentals, long-term rentals and leasing in China	**23.54%**	23.87%
Hankou Bank Co., Ltd. (漢口銀行有限公司, "Hankou Bank") *(ii)*	Wuhan	Commercial banking business	**15.33%**	15.33%
Suzhou Trust Ltd. (蘇州信託有限公司, "Suzhou Trust") *(ii)*	Suzhou	Trust business	**10.00%**	10.00%
Lakala Payment Co., Ltd. (拉卡拉支付股份有限公司, "Lakala") *(iii)*	Beijing	Provision of terminal-based payment and various internet financial services	**31.38%**	36.44%
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) *(ii)*	Beijing	Internet medical and health care services	**17.02%**	N/A
Phylion Battery Co., Ltd. (星恒電源股份有限公司)	Suzhou	Manufacturing and sales of lithium-ion battery products and related research and development	**44.51%**	N/A
Golden Wing Mau Agricultural Produce Corporation (深圳市鑫榮懋農產品股份有限公司, "Golden Wing Mau")	Shenzhen	Providing fruit supply chain service	**39.42%**	N/A

13. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES *(CONTINUED)*

(a) Associates and joint ventures using equity accounting *(CONTINUED)*

(i) As at December 31, 2015, the Group's beneficial interests in CAR are held through Grand Union Investment Fund, L.P. ("Grand Union") and Legion Elite Limited (2014: held through Grand Union). The Group's percentage share of the committed capital in Grand Union is 100% (2014: 30.78%).

As at December 31, 2015, the fair value of the Group's interest in CAR, which is listed on the Hong Kong Stock Exchange, was RMB6,062,660,947 (2014: RMB4,625,321,489) and the carrying amount of the Group's interest was RMB2,054,277,089 (2014: RMB1,696,215,989).

(ii) The directors determine the Group has significant influence over Hankou Bank, Suzhou Trust and Wenkang Group Co., Ltd. by way of representation on the Board of Directors and participation in the policy-making process, although the Group's equity interests in these three companies are lower than 20%.

(iii) On June 6, 2015, Lakala entered into an equity financing agreement with third party investors, the interest held by the Group was diluted to 31.38% as a result and the Group still exercises significant influence in Lakala.

The English names of the above associates represent the best efforts by management of the Group in translating their Chinese names as they do not have official English names.

Set out below is the summarized consolidated financial statements of Hankou Bank, the most significant associate 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.

Summarised balance sheet

	Year ended December 31,	
	2015	2014
	RMB'000	*RMB'000*
Total assets	**183,142,076**	169,089,631
Total liabilities	**(167,259,420)**	(154,461,095)
Net assets	**15,882,656**	14,628,536

13. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES *(CONTINUED)*

(a) Associates and joint ventures using equity accounting *(CONTINUED)*

Summarised statement of comprehensive income

	Year ended December 31,	
	2015	2014
	RMB'000	*RMB'000*
Operating income	**5,159,053**	5,732,666
Operating expenses	**(3,303,257)**	(3,861,463)
Non-operation profit	**34,260**	19,333
Income tax expense	**(394,701)**	(410,276)
Net profit	**1,495,355**	1,480,260
Total comprehensive income attribute to equity holders of Hankou Bank	**1,666,905**	1,692,572

Reconciliation of summarised consolidated financial statements

	Year ended December 31,	
	2015	2014
	RMB'000	*RMB'000*
Share of net assets at January 1	**2,222,204**	2,039,879
Share of profit for the year	**228,333**	225,738
Share of other comprehensive income	**26,299**	32,547
Share of distribution of profit	**(63,300)**	(75,960)
Share of net assets at December 31	**2,413,536**	2,222,204
Goodwill	**675,857**	675,857
Carrying value of investment in associates	**3,089,393**	2,898,061

For the year ended December 31, 2015 and 2014, except for Hankou Bank, the Group's share of the other associates' profits are RMB484 million and RMB66 million respectively.

For the year ended December 31, 2015 and 2014, except for Hankou Bank, share of the other associates' other comprehensive income are RMB42 million and RMB49 million respectively.

13. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES *(CONTINUED)*

(a) Associates and joint ventures using equity accounting *(CONTINUED)*

For the year ended December 31, 2015 and 2014, except for Hankou Bank, share of the other associates' total comprehensive income are RMB526 million and RMB115 million respectively.

As at December 31, 2015 and 2014, except for Hankou Bank, the aggregate carrying amount of the Group's investments in the other associates using equity accounting are RMB7,060 million and RMB4,092 million respectively.

(b) Associates measured at fair value through profit or loss

Company Name	Place of incorporation/ registration	Type	As at December 31, 2015 Fair value RMB'000	2015 Effective interest held	2014 Fair value RMB'000	2014 Effective interest held
– Hony Capital Fund V, L.P.*(i)*	Cayman Islands	USD Funds	**2,093,863**	**10.98%**	1,367,725	10.98%
– 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	**1,571,389**	**31.67%**	1,176,172	31.67%
– 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	**1,115,228**	**31.31%**	191,914	39.08%
– 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	**1,190,126**	**20.07%**	1,634,281	20.07%
– Hony Capital Fund 2008, L.P. *(i)*	Cayman Islands	USD Funds	**1,031,820**	**14.31%**	1,106,401	14.31%
– LC Fund V, L.P. *(i)*	Cayman Islands	USD Funds	**931,892**	**19.42%**	759,862	19.42%
– LC Fund IV, L.P.	Cayman Islands	USD Funds	**927,418**	**29.77%**	763,670	29.77%
– 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	**851,033**	**29.84%**	1,119,766	29.84%
– LC Fund VI, L.P.	Cayman Islands	USD Funds	**736,069**	**23.20%**	274,646	23.20%
– Hony Capital Fund III, L.P.	Cayman Islands	USD Funds	**721,069**	**34.48%**	2,161,622	34.48%
– LC Fund III, L.P.	Cayman Islands	USD Funds	**507,456**	**49.41%**	813,395	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	**504,089**	**31.00%**	417,923	31.00%
– 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）)	Beijing	RMB Funds	**298,002**	**22.34%**	–	–
– Hony International Limited	Hong Kong	USD Funds	**76,848**	**40.00%**	73,272	40.00%
– Hony Capital II, L.P.	Cayman Islands	USD Funds	**66,777**	**41.38%**	509,570	41.38%
– Others		RMB/USD Funds	**509,574**	**N/A**	306,709	N/A
			13,132,653		12,676,928	

The principal activities of the above associates are investment holding as venture capital funds and private equity funds.

(i) The directors determined that the Group has significant influence on LC Fund V, L.P., Hony Capital Fund V, L.P. and Hony Capital Fund 2008, 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.

13. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES *(CONTINUED)*

(b) Associates measured at fair value through profit or loss *(CONTINUED)*

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, 2015	
	Profit for the year *RMB'000*	**Total comprehensive income** *RMB'000*
RMB funds	**7,583,771**	**7,583,771**
USD funds	**8,796,005**	**8,796,005**
Total	**16,379,776**	**16,379,776**

	Year ended December 31, 2014	
	Profit for the year *RMB'000*	Total comprehensive income *RMB'000*
RMB funds	4,637,173	4,637,173
USD funds	3,630,088	3,630,088
Total	8,267,261	8,267,261

14. INCOME TAX EXPENSE

Majority of the group entities are subject to PRC enterprise income tax, which has been provided based on the statutory income tax rate of 25% of the assessable income of each of these group entities. Hong Kong profits have been provided at the rate of 16.5%. Income tax of other group entities operating in overseas countries and regions are calculated at the rates applicable in the respective jurisdictions.

	Year ended December 31,	
	2015	2014
	RMB'000	*RMB'000*
Current income tax:		
Current income tax on profits for the year	**3,150,786**	2,567,717
LAT	**611,915**	1,275,607
	3,762,701	3,843,324
Deferred income tax	**(2,100,228)**	(105,243)
Income tax expense	**1,662,473**	3,738,081

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

	Year ended December 31,	
	2015	2014
	RMB'000	*RMB'000*
Profit before tax	**5,438,079**	11,560,252
Tax effects of:		
Tax calculated at domestic rates applicable in countries concerned	**164,862**	2,359,881
Income not subject to tax	**(3,284,944)**	(2,692,694)
Expenses not deductible for tax purposes	**2,201,901**	1,829,956
Utilisation of previously unrecognised tax losses	**(217,518)**	(343,135)
Deferred income tax assets not recognised	**2,236,803**	1,058,556
Others	**(50,546)**	249,910
Enterprise income tax	**1,050,558**	2,462,474
LAT	**611,915**	1,275,607
	1,662,473	3,738,081

14. INCOME TAX EXPENSE *(CONTINUED)*

The tax (charge)/credit relating to components of other comprehensive income is as follows:

	Year ended December 31,					
	2015			2014		
	Before tax *RMB'000*	**Tax (charge) /credit** *RMB'000*	**After tax** *RMB'000*	Before tax *RMB'000*	Tax (charge) /credit *RMB'000*	After tax *RMB'000*
Fair value gains on available-for-sale financial assets	**2,349,801**	**(311,982)**	**2,037,819**	744,473	(176,483)	567,990
Investment revaluation reserve reclassified to consolidated income statement on disposal of an available-for-sale financial assets	**(71,345)**	**7,880**	**(63,465)**	(200,548)	39,439	(161,109)
Share of other comprehensive income of associates	**68,169**	**–**	**68,169**	81,985	–	81,985
Actuarial loss on retirement benefit obligations	**(179,041)**	**6,934**	**(172,107)**	(110,003)	1,167	(108,836)
Fair value change on cash flow hedges	**(522,169)**	**65,234**	**(456,935)**	468,742	(20,509)	448,233
Currency translation differences	**(2,134,874)**	**–**	**(2,134,874)**	(2,165,787)	–	(2,165,787)
Revaluation of investment properties upon reclassification from property, plant and equipment	**163,629**	**(40,907)**	**122,722**	–	–	–
Other comprehensive loss	**(325,830)**	**(272,841)**	**(598,671)**	(1,181,138)	(156,386)	(1,337,524)
Current tax		**–**			–	
Deferred tax *(Note 39)*		**(272,841)**			(156,386)	
		(272,841)			(156,386)	

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.

	Year ended December 31,	
	2015	2014
Weighted average number of issued ordinary shares *(thousands)*	**2,181,369**	2,000,000
Basic earnings attributable to equity holders of the Company *(RMB'000)*	**4,659,083**	4,160,389
Diluted impact on earnings *(RMB'000) (i)*	**–**	(20,685)
Diluted earnings attributable to the equity holders of the Company *(RMB'000)*	**4,659,083**	4,139,704
Earnings per share – Basic *(RMB per share)*	**2.14**	2.08
– Diluted *(RMB per share)*	**2.14**	2.07

(i) Diluted impact on earnings is due to the effect of two categories of dilutive instruments, namely share options and long-term incentive awards held by Lenovo. They were anti-dilutive for the year ended December 31, 2015, and dilutive for the year ended December 31, 2014.

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,	
	2015	2014
	RMB'000	*RMB'000*
At beginning of the year	**1,512,285**	1,534,288
Additions	**1,487,626**	283,287
Acquisition of subsidiaries	**26,563**	–
Disposals	**(629,661)**	(58,487)
Amortisation	**(51,737)**	(36,192)
Disposal of subsidiaries	**(110,821)**	(210,611)
At end of the year	**2,234,255**	1,512,285

As at December 31, 2015 and 2014, the land use rights with a carry amount of RMB82 million and RMB178 million were pledged as collateral for RMB20 million, and RMB43 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, 2014								
Cost	5,207,600	217,880	4,416,789	2,198,042	115,909	4,604,054	546,944	17,307,218
Accumulated depreciation	(1,202,848)	(89,478)	(1,836,042)	(1,485,493)	(44,904)	–	(7,184)	(4,665,949)
Net book amount	4,004,752	128,402	2,580,747	712,549	71,005	4,604,054	539,760	12,641,269
For the year ended December 31, 2014								
Opening net book amount	4,004,752	128,402	2,580,747	712,549	71,005	4,604,054	539,760	12,641,269
Exchange adjustment	(141,862)	(1,606)	(40,727)	(31,270)	(9)	(47,552)	(1,326)	(264,352)
Acquisition of subsidiaries	1,706,647	20,299	560,685	1,208,517	4,598	82,262	–	3,583,008
Additions	555,897	54,882	736,774	374,669	47,024	6,026,662	141,201	7,937,109
Transfers to intangible assets	–	–	–	–	–	(373,409)	–	(373,409)
Transfers from construction in progress	1,529,539	360	661,641	77,972	14,213	(2,283,725)	–	–
Disposals	(52,770)	(9,690)	(26,819)	(28,022)	(2,778)	(261,172)	(26,750)	(408,001)
Depreciation charge	(417,108)	(44,533)	(506,698)	(386,118)	(29,033)	–	(8,226)	(1,391,716)
Disposal of subsidiaries	(479,866)	(33,886)	(105,188)	(9,635)	(36,675)	(25,467)	–	(690,717)
Impairment charge	–	–	(306,788)	–	–	(44,844)	–	(351,632)
Closing net book amount	6,705,229	114,228	3,553,627	1,918,662	68,345	7,676,809	644,659	20,681,559
As at December 31, 2014								
Cost	8,226,948	205,174	6,006,476	3,598,341	122,903	7,721,653	660,069	26,541,564
Accumulated depreciation	(1,521,719)	(90,946)	(2,146,061)	(1,679,679)	(54,558)	–	(15,410)	(5,508,373)
Accumulated impairment	–	–	(306,788)	–	–	(44,844)	–	(351,632)
Net book amount	6,705,229	114,228	3,553,627	1,918,662	68,345	7,676,809	644,659	20,681,559
For the year ended December 31, 2015								
Opening net book amount	**6,705,229**	**114,228**	**3,553,627**	**1,918,662**	**68,345**	**7,676,809**	**644,659**	**20,681,559**
Exchange adjustment	**(79)**	**(4,864)**	**(35,406)**	**27,564**	**75**	**24,515**	**2,604**	**14,409**
Acquisition of subsidiaries	**109,871**	**574**	**53,469**	**1,090**	**–**	**–**	**–**	**165,004**
Additions	**547,680**	**30,662**	**804,851**	**642,111**	**30,923**	**3,846,263**	**123,886**	**6,026,376**
Transfers to intangible assets	**–**	**–**	**–**	**–**	**–**	**(274,407)**	**–**	**(274,407)**
Transfers from construction in progress	**2,763,978**	**3,488**	**5,018,450**	**120,588**	**3,500**	**(7,910,004)**	**–**	**–**
Disposals	**(973,376)**	**(8,498)**	**(72,557)**	**(279,858)**	**(6,230)**	**(797,283)**	**(20,310)**	**(2,158,112)**
Depreciation charge	**(600,535)**	**(36,391)**	**(770,793)**	**(666,900)**	**(23,848)**	**–**	**(8,327)**	**(2,106,794)**
Disposal of subsidiaries	**(219,396)**	**(3,159)**	**(198,328)**	**(1,307)**	**(7,639)**	**(37,783)**	**(665,857)**	**(1,133,469)**
Impairment charge	**(124,813)**	**(2,844)**	**(353,965)**	**–**	**–**	**–**	**–**	**(481,622)**
Closing net book amount	**8,208,559**	**93,196**	**7,999,348**	**1,761,950**	**65,126**	**2,528,110**	**76,655**	**20,732,944**
As at December 31, 2015								
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**

17. PROPERTY, PLANT AND EQUIPMENT *(CONTINUED)*

Depreciation expense of RMB961 million and RMB649 million has been charged in "cost of sales", RMB119 million and RMB87 million in "selling and distribution expenses" and RMB1,027 million and RMB656 million in "general and administrative expenses" for the year ended December 31, 2015 and 2014.

The property, plant and equipment with a carrying amount of RMB303 million and RMB441 million were pledged as collateral for the borrowings of RMB285 million and RMB235 million as at December 31, 2015 and 2014, respectively.

The construction in progress with a carrying amount of nil and RMB2,127 million were pledged as collateral for the borrowings of nil and RMB1,035 million as at December 31, 2015 and 2014, respectively.

Bearer plants with a carrying amount of RMB57 million and 280 million were pledged as collateral for the borrowings of RMB58 million and RMB158 million as at December 31, 2015 and 2014, respectively.

18. INVESTMENT PROPERTIES

	Year ended December 31,	
	2015	2014
	RMB'000	*RMB'000*
At beginning of the year	**6,023,298**	5,705,381
Additions	**64,324**	–
Transfer from completed properties held for sale	**2,053,314**	–
Subsequent expenditure capitalised	**2,515**	68,674
Disposals	**(11,256)**	–
Fair value gains	**1,923,648**	249,243
Transfer from owner occupied property	**163,629**	–
At end of the year	**10,219,472**	6,023,298

The Group's investment properties are all situated in the Mainland of China. All the investment properties are rented out under operating leases.

18. INVESTMENT PROPERTIES *(CONTINUED)*

(a) Amounts recognised in income statement for investment properties

	Year ended December 31,	
	2015	2014
	RMB'000	**RMB'000**
Rental income	**351,143**	278,801
Direct operating expenses from properties that generated rental income	**(71,527)**	(62,748)
	279,616	216,053

The direct operating expenses from properties that did not generate rental income is immaterial to the Group during the year ended December 31, 2015 and 2014.

(b) Valuation basis

Investment properties held by the Group were revalued at the end of 2015 and 2014 based on valuations performed by independent qualified valuers, Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("JLL"). JLL is an industry specialist in investment property valuation, who has appropriate qualification and recent experience in the valuation of similar properties in the relevant locations.

The valuations are derived using the income capitalisation method. This method is based on the capitalisation of net income with due allowance for outgoings and reversionary income potential by adopting appropriate capitalisation rates, which are derived from analysis of sale transactions and valuers' interpretation of prevailing investor requirements or expectations or, where appropriate, by reference to market evidence of transaction prices for the similar properties in the surrounding areas. Prevailing market rents are estimated based on the independent valuer's view of recent letting transactions within the subject properties and other comparable properties. There were no changes to the valuation techniques for the year ended December 31, 2015 and 2014.

As at December 31, 2015 and 2014, all of the Group's investment properties were within level 3 of the fair value hierarchy as the valuation were arrived at by reference to certain significant unobservable inputs. There were no transfers from level 3 to other levels during the year ended December 31, 2015 and 2014.

As at December 31, 2015 and 2014, 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, 2015 and 2014 were in the following ranges:

	Year ended December 31,	
	2015	2014
Capitalisation rate	**4.0%-5.5%**	4.0%-5.5%
Expected vacancy rate		
– Office	**5.0%**	4.0%
– Retail	**10.00%-15.00%**	10.0%
– Car park	**5.0%**	5.0%
Prevailing market rents		
– Office *(per sq.m. per month)*	**RMB220-RMB380**	RMB310-RMB360
– Retail *(per sq.m. per month)*	**RMB160-RMB190**	RMB150-RMB180
– Car park *(per month)*	**RMB850-RMB900**	RMB850

The following tables show the sensitivity of the fair value of the investment properties to the key assumptions had the director's estimates to increase or decrease by 10%.

	Year ended December 31, 2015	
	Favourable change by 10% ***RMB'000***	**Unfavourable change by 10%** ***RMB'000***
Capitalisation rate	**769,427**	**(685,999)**
Expected vacancy rate	**57,744**	**(57,744)**

	Year ended December 31, 2014	
	Favourable change by 10% *RMB'000*	Unfavourable change by 10% *RMB'000*
Capitalisation rate	451,484	(402,509)
Expected vacancy rate	26,004	(26,004)

18. INVESTMENT PROPERTIES *(CONTINUED)*

(c) Investment properties pledged as security

The investment properties with a fair value of RMB9,754 million and RMB6,008 million were pledged as collateral for the borrowings of RMB1,640 million and RMB912 million as at December 31, 2015 and 2014.

(d) Leasing arrangements

Minimum lease payments under non-cancellable operating leases of investment properties not recognised in the financial statements are receivable as follows:

	Year ended December 31,	
	2015	2014
	RMB'000	*RMB'000*
Within one year	**372,477**	215,527
Later than one year but no later than 5 years	**512,663**	149,332
Later than 5 years	**6,877**	–
	892,017	364,859

The Group's interests in investment properties at their net book values are analysed as follows:

	Year ended December 31,	
	2015	2014
	RMB'000	*RMB'000*
In the Mainland of China, held on:		
Leases of less than 50 years	**10,219,472**	6,023,298

19. INTANGIBLE ASSETS

	Mining rights	Trademarks	Softwares	Goodwill	Patent and technology	Customer relationships	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at January 1, 2014								
Cost	644,522	3,336,200	5,066,582	16,366,509	1,511,577	1,252,012	61,132	28,238,534
Accumulated amortisation and impairment	(83,046)	(224,269)	(3,262,184)	(107,185)	(1,232,331)	(383,933)	(1,148)	(5,294,096)
Net book amount	561,476	3,111,931	1,804,398	16,259,324	279,246	868,079	59,984	22,944,438
For the year ended December 31, 2014								
Opening net book amount	561,476	3,111,931	1,804,398	16,259,324	279,246	868,079	59,984	22,944,438
Additions	–	–	104,128	–	2,053,902	25,148	43,575	2,226,753
Acquisition of subsidiaries	–	5,590,921	1,724	18,911,077	5,824,570	7,926,202	61,395	38,315,889
Exchange adjustment	–	(67,155)	(9,732)	(863,573)	(70,065)	(206,336)	–	(1,216,861)
Disposals	–	–	(48,063)	–	(3,940)	–	–	(52,003)
Disposal of subsidiaries	–	–	(11,721)	(316,145)	–	(48,633)	(31,536)	(408,035)
Amortisation charge	(37,708)	(67,908)	(567,286)	–	(494,342)	(241,278)	(724)	(1,409,246)
Impairment loss	–	–	–	(746,107)	–	–	–	(746,107)
Closing net book amount	523,768	8,567,789	1,273,448	33,244,576	7,589,371	8,323,182	132,694	59,654,828
As at December 31, 2014								
Cost	644,522	9,444,347	4,998,419	34,097,871	8,786,572	8,832,446	134,536	66,938,713
Accumulated amortisation and impairment	(120,754)	(876,558)	(3,724,971)	(853,295)	(1,197,201)	(509,264)	(1,842)	(7,283,885)
Net book amount	523,768	8,567,789	1,273,448	33,244,576	7,589,371	8,323,182	132,694	59,654,828
For the year ended December 31, 2015								
Opening net book amount	**523,768**	**8,567,789**	**1,273,448**	**33,244,576**	**7,589,371**	**8,323,182**	**132,694**	**59,654,828**
Additions	**–**	**1,992**	**489,700**	**–**	**817,143**	**–**	**41,857**	**1,350,692**
Acquisition of subsidiaries	**–**	**–**	**–**	**157,141**	**–**	**–**	**–**	**157,141**
Exchange adjustment	**–**	**428,185**	**48,853**	**(1,251,231)**	**458,237**	**254,214**	**–**	**(61,742)**
Disposals	**–**	**–**	**(2,621)**	**–**	**(5,809)**	**–**	**–**	**(8,430)**
Disposal of subsidiaries	**–**	**(480)**	**(2,503)**	**(490,095)**	**–**	**(15,624)**	**(115,120)**	**(623,822)**
Amortisation charge	**(22,395)**	**(143,024)**	**(651,254)**	**–**	**(1,453,345)**	**(755,082)**	**(1,629)**	**(3,026,729)**
Impairment loss	**(501,373)**	**–**	**–**	**–**	**–**	**–**	**–**	**(501,373)**
Closing net book amount	**–**	**8,854,462**	**1,155,623**	**31,660,391**	**7,405,597**	**7,806,690**	**57,802**	**56,940,565**
As at December 31, 2015								
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**

Amortisation of RMB237 million and RMB92 million are included in the "cost of sales"; RMB51 million and RMB59 million in "selling and distribution expenses"; and RMB2,739 million and RMB1,258 million in "general and administrative expenses" in the consolidated income statement for the years ended December 31, 2015 and 2014.

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:

	Goodwill	
CGUs	**As at December 31, 2015 *RMB'000***	As at December 31, 2014 *RMB'000*
– IT *(i)*		
– China	**11,015,191**	11,049,040
– Europe-Middle East-Africa ("EMEA")	**5,155,918**	5,678,432
– Americas ("AG")	**8,376,744**	8,982,692
– Asia Pacific ("AP")	**6,513,081**	6,602,401
– Agriculture and food		
– Agriculture business *(ii)*	**61,289**	510,831
– All others	**538,168**	421,180
	31,660,391	33,244,576

	Intangible assets with indefinite useful life	
CGUs	**As at December 31, 2015 *RMB'000***	As at December 31, 2014 *RMB'000*
– IT *(i)*		
– China	**2,655,882**	2,582,218
– EMEA	**1,792,234**	1,737,796
– AG	**2,396,138**	2,178,364
– AP	**1,357,162**	1,297,228
– Agriculture and food		
– Chinese liquor business	**294,992**	294,992
– All others	**306,781**	425,890
	8,803,189	8,516,488

19. INTANGIBLE ASSETS *(CONTINUED)*

Impairment tests for goodwill and intangible assets with indefinite useful life *(CONTINUED)*

(i) During the period, the Group has finalized the fair value assessments for the net assets acquired from the business combination activities in respect of Motorola and System X. On completion of the fair value assessments, management determined the allocation of goodwill and intangible assets with indefinite useful life arising from acquisition of Motorola and System X to the appropriate cash generating units of the Group. The comparative balance as at December 31, 2014 has been retrospectively reclassified to reflect the final allocation.

(ii) The decrease is caused by the reorganisation of fruit business in agricultural sector, details of which are set out in Note 50(b).

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, 2015. The recoverable amount of all CGUs is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period with a terminal value related to the future cash flow of the CGUs extrapolated using the estimated growth rates stated below beyond the five-year period.

The key assumptions used for value-in-use calculations under the five-year financial budget period for CGUs with significant goodwill and intangible assets with indefinite useful lives are as follows:

Year ended December 31, 2015

	IT				**Agriculture and food**		**Chemicals and energy materials**
	China	**AP**	**EMEA**	**AG**	**Chinese liquor business**	**Agriculture business**	**Chloro-alkali business**
Growth rate	**8%**	**8%**	**5%**	**8%**	**3%-10%**	**14%**	**4%**
Discount rate	**9%-12%**	**9%-12%**	**9%-12%**	**9%-12%**	**12%**	**9%**	**11%**

Year ended December 31, 2014

	IT				Agriculture and food		Chemicals and energy materials
	China	AP	EMEA	AG	Chinese liquor business	Agriculture business	Chloro-alkali business
Growth rate	0%	-2%	-5%	-1%	3%-10%	28%	6%
Discount rate	9%	9%	9%	9%	14%	12%	12%

19. INTANGIBLE ASSETS *(CONTINUED)*

Impairment tests for goodwill and intangible assets with indefinite useful life *(CONTINUED)*

The estimated growth rate used in the value-in-use calculations beyond the five-year period of 2015 and 2014 are zero.

The weighted average growth rates applied by the Group are consistent with those estimated in the industry reports, and do not exceed the long-term average growth rates in the industry each CGU operates. Management determines budgeted gross margin based on past experience and forecast on future market development. The discount rates used by management are the pre-tax interest rates that are able to reflect the risks specific to the relevant operating segments.

As at December 31, 2015, the directors are of the view that there was no evidence of impairment of goodwill and trademarks.

The Group has performed a sensitivity analysis on key assumptions used for the annual impairment test for goodwill. Except for China's Mobile Business Group in 2015 and AP in 2014, a reasonably possible change in key assumptions used in the impairment test for goodwill would not cause any CGU's carrying amount to exceed its respective recoverable amount.

As at December 31, 2015, the recoverable amount for China's Mobile Business Group calculated based on value in use exceeded carrying value by RMB727 million. Had the forecasted operating margin of China's Mobile Business Group been 0.50 percentage point lower than management's estimates, its remaining headroom would be removed.

As at December 31, 2014, the recoverable amount for AP calculated based on value in use exceeded carrying value by RMB3,763 million. Had AP's forecasted operating margin been 1.30 percentage point lower than management's estimates, the AP's remaining headroom would be removed.

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, 2015					
Assets					
Available-for-sale financial assets	–	–	–	7,066,255	7,066,255
Derivative financial instruments	–	154,093	258,350	–	412,443
Trade and notes receivables	38,288,360	–	–	–	38,288,360
Loans to customers	4,569,434	–	–	–	4,569,434
Other receivables and other current assets	28,454,469	–	–	–	28,454,469
Other non-current assets	1,906,851	–	–	–	1,906,851
Financial assets at fair value through profit or loss	–	2,942,232	–	–	2,942,232
Associates measured at fair value through profit or loss	–	13,132,653	–	–	13,132,653
Restricted deposits	1,410,625	–	–	–	1,410,625
Bank deposits	5,660,249	–	–	–	5,660,249
Cash and cash equivalents	34,802,953	–	–	–	34,802,953
	115,092,941	16,228,978	258,350	7,066,255	138,646,524

	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	–	–	77,256,775	77,256,775
Derivative financial instruments	119,651	93,865	–	213,516
Trade and notes payables	–	–	45,728,181	45,728,181
Other payables	1,944,931	–	48,958,609	50,903,540
Other non-current liabilities	1,434,767	–	9,629,755	11,064,522
	3,499,349	93,865	181,573,320	185,166,534

20. FINANCIAL INSTRUMENTS BY CATEGORY *(CONTINUED)*

	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, 2014					
Assets					
Available-for-sale financial assets	–	–	–	3,663,632	3,663,632
Derivative financial instruments	–	690,019	603,684	–	1,293,703
Trade and notes receivables	39,352,687	–	–	–	39,352,687
Loans to customers	4,084,594	–	–	–	4,084,594
Other receivables and other current assets	24,255,678	–	–	–	24,255,678
Other non-current assets	741,683	–	–	–	741,683
Financial assets at fair value through profit or loss	–	1,147,797	–	–	1,147,797
Associates measured at fair value through profit or loss	–	12,676,928	–	–	12,676,928
Restricted deposits	1,378,512	–	–	–	1,378,512
Bank deposits	4,831,811	–	–	–	4,831,811
Cash and cash equivalents	35,772,890	–	–	–	35,772,890
	110,417,855	14,514,744	603,684	3,663,632	129,199,915

	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	–	–	76,120,680	76,120,680
Derivative financial instruments	570,154	2,487	–	572,641
Trade and notes payables	–	–	49,746,129	49,746,129
Other payables	–	–	47,216,993	47,216,993
Other non-current liabilities	3,240,775	–	8,506,169	11,746,944
	3,810,929	2,487	181,589,971	185,403,387

21. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets of the Group include the following:

	As at December 31,	
	2015	2014
	RMB'000	*RMB'000*
Listed securities:		
Equity securities – HK	**534,639**	470,824
Equity securities – China	**4,897,594**	1,896,209
Equity securities – US	**72,706**	88,182
Equity securities – Japan	**81,482**	62,463
Subtotal	**5,586,421**	2,517,678
Unlisted securities:		
Unlisted equity instruments	**1,400,934**	1,031,854
Bank's wealth management product	**78,900**	114,100
Subtotal	**1,479,834**	1,145,954
Total	**7,066,255**	3,663,632
Less: Non-current portion	**(6,987,355)**	(3,549,532)
Current portion	**78,900**	114,100

22. OTHER NON-CURRENT ASSETS

Other non-current assets primarily include long-term receivable arising from finance lease in Financial Service segment.

As at December 31, 2015 and 2014, non-current assets with a net amount of RMB22 million and RMB10 million were used as the collateral for short term borrowings of RMB20 million and long term borrowings of RMB10 million, respectively.

23. TRADE AND NOTES RECEIVABLES

	As at December 31,	
	2015	2014
	RMB'000	*RMB'000*
Trade receivables	**36,296,742**	36,271,544
Notes receivables	**1,674,319**	3,259,744
Receivables arising from finance leases	**947,968**	319,657
Less: provision for impairment	**(630,669)**	(498,258)
Trade and notes receivables – net	**38,288,360**	39,352,687

At December 31, 2015 and 2014, the ageing analysis of the trade receivables based on invoice date was as follows:

	As at December 31,	
	2015	2014
	RMB'000	*RMB'000*
Up to 3 months	**33,108,364**	33,588,932
3 to 6 months	**2,463,900**	1,799,161
6 months to 1 year	**355,990**	367,099
1 to 2 years	**320,490**	217,549
2 to 3 years	**5,353**	133,588
Over 3 years	**42,645**	165,215
	36,296,742	36,271,544

As at December 31, 2015 and 2014, trade and notes receivables with a net amount of RMB40 million and RMB11 million was used as collateral for short term borrowings of RMB40 million and RMB10 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 impairment of trade receivables are as follows:

	Year ended December 31,	
	2015	2014
	RMB'000	*RMB'000*
At beginning of the year	**(498,258)**	(259,471)
Exchange adjustment	**(34,085)**	(16,513)
Provision made	**(550,501)**	(392,797)
Uncollectible receivable written off	**78,645**	54,104
Unused amounts reversed	**373,530**	116,419
At end of the year	**(630,669)**	(498,258)

Trade receivables of RMB7,112 million and RMB6,825 million at December 31, 2015 and 2014 were past due. The ageing of these receivables, based on due date, is as follows:

	Year ended December 31,	
	2015	2014
	RMB'000	*RMB'000*
3 months	**6,010,105**	6,071,764
3 to 6 months	**527,523**	486,622
Over 6 months	**574,388**	266,981
	7,112,016	6,825,367

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 IT segment 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,	
	2015	2014
	RMB'000	*RMB'000*
Receivables from parts subcontractors	**13,404,989**	11,661,729
Prepayments	**7,684,653**	7,599,879
Prepaid tax	**5,625,298**	5,243,055
Amounts due from related parties	**3,445,025**	1,182,178
Amount due from non-controlling shareholders of subsidiaries	**1,596,654**	1,659,763
Advance to suppliers	**1,403,637**	1,824,013
Deposits receivable	**482,122**	509,919
Advance to employees	**261,426**	226,057
Adjustment for in-transit products	**97,513**	2,493,176
Others	**1,730,278**	1,436,628
	35,731,595	33,836,397
Less: provision for bad debt	**(49,093)**	(50,590)
	35,682,502	33,785,807

25. LOANS TO CUSTOMERS

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

(a) Analysed by nature

	As at December 31,	
	2015	2014
	RMB'000	*RMB'000*
Direct loans and pawn loans to customers	**3,087,660**	2,760,287
Entrusted loans to customers	**1,586,396**	1,412,515
Gross loans to customers	**4,674,056**	4,172,802
Less: allowances for impairment loss		
– Individually assessed	**(38,072)**	(40,959)
– Collectively assessed	**(66,550)**	(47,249)
Total allowances for impairment loss	**(104,622)**	(88,208)
Net loans to customers	**4,569,434**	4,084,594
Less: non-current portion	**–**	(118,800)
Current portion	**4,569,434**	3,965,794

(b) Movement of allowances for impairment losses

	Allowance for loans which are individually assessed	**Allowance for loans which are collectively assessed**	**Total**
As at January 1, 2014	(5,550)	(28,923)	(34,473)
Provision made	(35,409)	(18,326)	(53,735)
As at December 31, 2014	(40,959)	(47,249)	(88,208)
Provision made	(11,429)	(19,301)	(30,730)
Write-offs	14,316	–	14,316
As at December 31, 2015	**(38,072)**	**(66,550)**	**(104,622)**

26. INVENTORIES

	As at December 31,	
	2015	2014
	RMB'000	*RMB'000*
Raw materials	**6,750,526**	8,904,028
Work in progress	**413,459**	448,025
Finished goods	**8,928,631**	8,442,155
Service parts	**2,214,668**	1,830,346
Others	**55,068**	125,784
	18,362,352	19,750,338

27. PROPERTIES UNDER DEVELOPMENT

	As at December 31,	
	2015	2014
	RMB'000	*RMB'000*
At beginning of the year	**28,569,482**	27,169,767
Additions	**8,270,539**	13,919,958
Disposal of subsidiaries	**–**	(857,225)
Provision for impairment	**(321,687)**	(701,330)
Transfer to completed properties held for sale	**(9,221,335)**	(10,961,688)
At end of the year	**27,296,999**	28,569,482
Properties under development comprise:		
Land use rights	**16,810,984**	17,381,835
Construction costs and capitalised expenditure	**6,622,134**	8,048,955
Interest capitalised	**3,863,881**	3,138,692
	27,296,999	28,569,482

The properties under development with a carrying value of RMB9,828 million and RMB11,612 million were pledged as collateral for the long term borrowings of RMB4,979 million and RMB4,586 million as at December 31, 2015 and 2014, respectively.

28. COMPLETED PROPERTIES HELD FOR SALE

	As at December 31,	
	2015	2014
	RMB'000	*RMB'000*
Completed properties held for sale comprise:		
Land use rights	**1,957,962**	1,766,500
Construction costs and capitalised expenditure	**3,732,670**	3,673,067
Interest capitalised	**524,164**	562,287
	6,214,796	6,001,854

The completed properties held for sale with a carrying value of RMB928 million and RMB35 million were pledged as collateral for the long term borrowings of RMB496 million and RMB154 million as at December 31, 2015 and 2014, respectively.

29. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at December 31,	
	2015	2014
	RMB'000	*RMB'000*
Listed securities:		
Equity securities – HK	**144,957**	17,210
Equity securities – US	**73,364**	79,365
Equity securities – China	**10,346**	6,829
Market value of listed securities	**228,667**	103,404
Listed corporate bond	**212,589**	–
Unlisted equity instruments	**2,500,976**	1,044,393
	2,942,232	1,147,797
Less: non-current portion	**(713,461)**	–
Current portion	**2,228,771**	1,147,797

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.

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

	As at December 31,	
	2015	2014
	RMB'000	*RMB'000*
Restricted deposit		
Deposits for guarantee business	**481,708**	559,706
Deposits for notes payables and borrowings	**519,816**	288,000
Other restricted deposit	**409,101**	530,806
	1,410,625	1,378,512
Current portion	**1,410,625**	1,378,512
Bank deposit		
Matured between three to twelve months	**5,660,249**	4,831,811
Cash and cash equivalents		
Cash at bank and in hand	**32,681,323**	30,797,706
Money market funds	**2,121,630**	4,975,184
	34,802,953	35,772,890
Total	**41,873,827**	41,983,213
Maximum exposure to credit risk	**41,873,827**	41,983,213
Effective annual interest rates	**0%-14.25%**	0%-11.50%

31. 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.

31. SHARE-BASED PAYMENTS *(CONTINUED)*

(a) Share-based payment plans of Lenovo *(CONTINUED)*

(i) Long-term incentive program *(CONTINUED)*

(ii) Restricted Share Units ("RSUs") (CONTINUED)

Movements in the number of units of awards granted for the year ended December 31, 2015 and 2014 and their related weighted average fair values are as follows:

	Number of units	
	SARs	**RSUs**
Outstanding as at January 1, 2014	152,795,000	183,541,000
Granted during the year	83,373,000	230,353,000
Vested during the year	(56,065,000)	(86,408,000)
Lapsed/cancelled during the year	(3,275,000)	(12,121,000)
Outstanding as at December 31, 2014	176,828,000	315,365,000
Granted during the year	306,233,000	153,284,000
Vested during the year	(73,104,000)	(162,687,000)
Lapsed/cancelled during the year	(94,466,000)	(51,820,000)
Outstanding as at December 31, 2015	**315,491,000**	**254,142,000**
Average fair value per unit *(HKD)*		
At December 31, 2015	**2.10**	**10.99**
At December 31, 2014	2.42	9.46

The fair values of the SARs awarded under the long-term incentive program were calculated by applying a Black-Scholes pricing model. For the year ended December 31, 2015 and 2014, the model inputs were the fair value (i.e. market value) of the Lenovo's shares at the grant date, taking into account the expected volatility of 36.63% and 36.62%, expected dividends rate during the vesting periods of 2.22% and 2.71%, contractual life of 4.75 years and 4.75 years, and a risk-free interest rate of 0.60% and 0.67%.

As at December 31, 2015 and 2014, the average remaining vesting period of the awards granted under the above long-term incentive plans for Lenovo is 2.02 years and 2.17 years.

31. SHARE-BASED PAYMENTS *(CONTINUED)*

(a) Share-based payment plans of Lenovo *(CONTINUED)*

(ii) Share options plan

On March 25, 2002, an ordinary resolution approving the adoption of a new share option scheme ("New Option Scheme") was passed by shareholders at an extraordinary general meeting of Lenovo to replace the old option scheme which was adopted on January 18, 1994.

Under the New Option Scheme, Lenovo may grant options to qualified participants as defined in the New Option Scheme to subscribe for ordinary shares in Lenovo, subject to a maximum of 10 percent of the issued share capital of Lenovo as at the date of adoption of the New Option Scheme. Options granted are exercisable at any time during a period of ten years from the date upon which the option is accepted. The subscription price of the option shares is the highest of the closing price of the listed ordinary shares on the date of grant; the average of the closing prices of the listed ordinary shares for the five trading days immediately preceding the date of grant; and the nominal value of the ordinary shares.

The New Option Scheme was expired on April 26, 2012, and no further options could thereafter be granted under the New Option Scheme. However, all remaining provisions will remain in full force and effect to govern the exercise of all the options granted under the New Option Scheme prior to its expiration.

As at December 31, 2015, no share options were outstanding under the New Option Scheme.

(b) Share incentive plan of the Company

The Company approved and implemented a share-based payment plan in 2011, under which the Company's shareholder China Oceanwide Holdings Group Co. Ltd., (中國泛海控股集團有限公司) (the "COHG") would transfer certain shares in the Company to the Company's employees in 2011, representing 18.50% of the total issued and outstanding shares at February 18, 2014 upon conversion of the Company into a joint stock limited company, as if such shares had been outstanding for all periods. The related consideration for purchasing the shares will be paid to COHG by the employees within three years as an interest free loan.

A portion representing 17.14% of the total issued and outstanding shares of the Company was granted to certain qualified employees in 2011, at a price of RMB6.23 per share while the rest of 1.36% of the total issued and outstanding shares were granted to employees in 2013 at a price of RMB9.25 per share.

31. SHARE-BASED PAYMENTS *(CONTINUED)*

(b) Share incentive plan of the Company *(CONTINUED)*

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, 2015 and 2014 are as follows:

	Number of shares
Outstanding as at January 1, 2014	36,715,000
Granted during the year	3,516,000
Exercised during the year	(1,231,000)
Forfeited during the year	(3,516,000)
Outstanding as at December 31, 2014	35,484,000
Granted during the year	704,000
Exercised during the year	(20,910,000)
Forfeited during the year	(704,000)
Outstanding as at December 31, 2015	**14,574,000**

The remaining service period of the awards granted under the Company's above incentive plan as at December 31, 2015 and 2014 is 2.19 years and 1.91 years, respectively.

(c) For the year ended December 31, 2015 and 2014, the share-based payment expenses of RMB808 million and RMB594 million were recognised in the consolidated income statement.

32. SHARE CAPITAL

Ordinary shares issued and fully paid

	Share capital	
	Number of shares	Share capital
	'000	*RMB'000*
As at January 1, 2014	660,860	660,860
– Conversion into a joint stock limited liability company *(i)*	1,339,140	1,339,140
As at December 31, 2014	2,000,000	2,000,000
– Issuance of new shares *(ii)*	356,231	356,231
As at December 31, 2015	**2,356,231**	**2,356,231**

(i) On February 18, 2014, the Company was converted into a joint stock limited liability company by capitalising its equity attributable to the equity holders of the Company of RMB2,529,122,962 as at June 30, 2013, representing share capital and reserve of RMB2,000 million and RMB529 million, respectively. The share capital represents 2,000,000,000 ordinary shares at RMB1 per share.

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

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

33. TRADE AND NOTES PAYABLES

	As at December 31,	
	2015	2014
	RMB'000	*RMB'000*
Trade payables	**43,776,777**	48,606,752
Notes payables	**1,951,404**	1,139,377
	45,728,181	49,746,129

33. TRADE AND NOTES PAYABLES *(CONTINUED)*

At December 31, 2015, the ageing analyses of the trade payables based on invoice date were as follows:

	As at December 31,	
	2015	2014
	RMB'000	*RMB'000*
0-30 days	**23,558,493**	38,624,329
31-60 days	**12,272,403**	5,599,572
61-90 days	**3,957,412**	2,139,781
90 days-1 year	**2,576,514**	1,397,361
Over 1 year	**1,411,955**	845,709
	43,776,777	48,606,752

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,	
	2015	2014
Payable to parts subcontractors	**25,037,780**	21,943,551
Allowance for billing adjustment *(i)*	**13,422,700**	14,362,321
Accrued expenses	**12,071,648**	10,664,465
Payroll payable	**2,872,929**	4,686,441
Other taxes payable	**1,717,506**	1,789,449
Amounts due to related parties *(ii)*	**423,828**	1,241,353
Deposits payable	**491,216**	676,212
Royalty payment	**779,330**	935,595
Amount due to minority shareholders of subsidiaries *(iii)*	**1,297,125**	1,567,346
Social security payable	**850,922**	789,517
Deferred consideration	**191,998**	261,104
Contingent considerations *(note 37 (i))*	**1,944,931**	–
Interest payable	**419,964**	398,560
Others	**2,194,437**	2,088,073
	63,716,314	61,403,987

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

(ii) Amounts due to related parties are unsecured, bearing interest rate of 8.00% and repayable within 6 months.

(iii) As at December 31, 2015 and 2014, RMB1,045 million and RMB720 million are unsecured, bearing interest rate of from 6.53% to 8.80% and repayable on demand.

36. ADVANCES FROM CUSTOMERS

Advances from customers represent amounts received from sale of properties and inventories, where the risks and rewards of the properties and inventories sold had not yet been transferred as at year-end.

37. OTHER NON-CURRENT LIABILITIES

	As at December 31,	
	2015	2014
	RMB'000	*RMB'000*
Deferred considerations *(i)*	**8,920,010**	8,271,912
Contingent considerations *(i)*	**–**	1,902,091
Government incentives and grants received in advance *(ii)*	**1,780,228**	1,672,654
Written put option liability *(iii)*	**1,434,767**	1,338,684
Guaranteed dividend to non-controlling equity holders of a subsidiary *(iv)*	**64,007**	66,954
Loans from related parties	**400,000**	147,500
Unfavourable lease contracts assumed	**585,041**	529,265
Others	**2,327,108**	2,418,159
	15,511,161	16,347,219

(i) In connection with certain business combinations, the Group is required to pay in cash to the then respective shareholders/sellers contingent considerations with reference to certain performance indicators as written in the respective agreements with those then shareholders/sellers; and deferred consideration. Accordingly, non-current liabilities in respect of the present values of contingent and deferred considerations have been recognised. The contingent considerations are subsequently re-measured at their fair values as a result of change in the expected performance at each balance sheet date, with any resulting gain or loss recognised in the consolidated income statement. Deferred consideration is subsequently measured at amortised cost.

As at December 31, 2015 and 2014, the potential undiscounted amounts of future payments in respect of the contingent and deferred considerations that the Group could be required to make to the then respective shareholders/sellers under the arrangements are as follows:

	As at December 31,	
	2015	2014
Joint venture with NEC Corporation	**Nil-USD309 million**	Nil-USD325 million
Joint venture with EMC Corporation	**USD39-59 million**	USD39-59 million
Stoneware Inc.	**Nil-USD48 million**	Nil-USD48 million
CCE *(a)*	**–**	Nil-BRL400 million
Google Inc.	**USD1,448 million**	USD1,464 million

(a) CCE, the abbreviation of Digibrás Indústria do Brasil S.A., Digiboard Eletrônica da Amazônia Ltda. and Dual Mix Comércio de Eletrônicos Ltda., companies incorporated in Brazil.

With reference to the performance indicators, if their actual performances had been 10% higher/lower than their respective expected performances, contingent considerations would have been increased/decreased by approximately USD4 million and USD30 million, USD4 million and USD30 million on December 31, 2015 and 2014, respectively with the corresponding loss/gain recognised in consolidated income statement.

37. OTHER NON-CURRENT LIABILITIES *(CONTINUED)*

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

(iii) Pursuant to the joint venture agreement entered into in 2012 between Lenovo and Compal Electronics, Inc. ("Compal") to establish a joint venture company ("JV Co") to manufacture notebook computer products and related parts, Lenovo and Compal are respectively granted call and put options which entitle Lenovo to purchase from Compal and Compal to sell to Lenovo the 49% Compal's interests in the JV Co. The call and put options will be exercisable at any time after October 1, 2019 and October 1, 2017, respectively. The exercise price for the call and put options will be determined in accordance with the joint venture agreement, and up to a maximum of USD750 million.

The financial liability that may become payable under the put option is initially recognised at fair value within other non-current liabilities with a corresponding charge directly to equity, as a put option written on non-controlling interest with an amount of RMB1,343 million.

The put option liability shall be re-measured at its fair value resulting from the change in the expected performance of the JV Co at each balance sheet date, with any resulting gain or loss recognised in the consolidated income statement. If the actual performance of JV Co had been 10% higher/lower than its expected performances, the written put option liability would have been increased/decreased by approximately USD4 million and USD4 million on December 31, 2015 and 2014, with the corresponding loss/gain recognised in the consolidated income statement. In the event that the put option lapses unexercised, the liability will be derecognised with a corresponding adjustment to equity.

(iv) Following the acquisition of Medion AG ("Medion") on July 29, 2011, Lenovo Germany Holding GmbH ("Lenovo Germany"), an indirect wholly-owned subsidiary of Lenovo and the immediate holding company of Medion entered into a domination and profit and loss transfer agreement (the "Domination Agreement") with Medion on October 25, 2011. Pursuant to the Domination Agreement, Lenovo Germany has guaranteed to the non-controlling shareholders of Medion an annual guaranteed pre-tax dividend amounting to EUR0.82 per share for each fiscal year. The Domination Agreement became effective on January 3, 2012 and is terminable by either Lenovo Germany or Medion after March 31, 2017. Accordingly, a non-current liability in respect of future guaranteed dividend has been recognised. The corresponding amount stated at its discounted value on the date of acquisition of Medion was charged to retained earnings in equity.

38. BORROWINGS

	As at December 31,	
	2015	2014
	RMB'000	*RMB'000*
Bank loans		
– Unsecured loans	**17,137,375**	20,677,196
– Guaranteed loans	**13,909,088**	14,469,046
– Collateralised loans	**5,713,809**	7,155,674
Other loans		
– Unsecured loans	**100,000**	15,395
– Guaranteed loans	**11,654,240**	10,905,000
– Collateralised loans	**3,182,370**	1,678,000
Corporate bonds *(i)*		
– Unsecured	**24,851,504**	20,990,369
– Guaranteed	**708,389**	230,000
	77,256,775	76,120,680
Less: non-current portion	**(56,621,152)**	(56,550,145)
Current portion	**20,635,623**	19,570,535

As at December 31, 2015 and 2014, the carrying value of the borrowings approximates their fair value.

(i) The information about corporate bonds issued as of December 31, 2015 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 6, 2013	3 years	2,000,000
Brave Rise Investments Limited, a subsidiary of Joyvio	Guaranteed bonds *(i)*	RMB	May 24, 2013	3 years	230,000
The Company	Private placement bonds	RMB	March 21, 2014	5 years	2,000,000
The Company	Private placement bonds	RMB	March 27, 2014	5 years	740,000
Lenovo	Long term notes	USD	May 8, 2014	5 years	1,500,000
The Company	Private placement bonds	RMB	August 20, 2015	1 year	300,000
The Company	Private placement bonds	RMB	October 29, 2015	3 years	1,000,000
Lenovo	Long term notes	RMB	June 10, 2015	5 years	4,000,000
Zhengqi Financial	Guaranteed bonds *(i)*	RMB	September 16, 2015	3 years	500,000

(i) The guaranteed bonds issued by Brave Rise Investments Limited and Zhengqi Financial are secured by Right Lane and the Company respectively.

The annual interest rates of the above bonds are from 3.95% to 7.00%.

38. BORROWINGS *(CONTINUED)*

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

	As at December 31,	
	2015	2014
Bank loans	**1.35%-10.20%**	1.26%-13.56%
Other loans	**0.37%-10.80%**	5.60%-11.00%

(b) Borrowings are repayable as follows:

	As at December 31,	
	2015	2014
	RMB'000	*RMB'000*
Within 1 year	**20,635,623**	19,570,535
After 1 year but within 2 years	**15,223,597**	16,522,878
After 2 years but within 5 years	**37,935,019**	36,962,155
After 5 years	**3,462,536**	3,065,112
	77,256,775	76,120,680

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

	As at December 31,	
	2015	2014
	RMB'000	*RMB'000*
RMB	**57,202,845**	53,435,436
USD	**19,934,802**	21,950,807
HKD	**96,066**	81,723
EURO	**12,344**	100
Brazil Real	**–**	646,735
Others	**10,718**	5,879
	77,256,775	76,120,680

39. DEFERRED INCOME TAX

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	As at December 31,	
	2015	2014
	RMB'000	*RMB'000*
Deferred tax assets:		
Recovered after 12 months	**3,304,204**	923,680
Recovered within 12 months	**3,457,822**	2,741,946
	6,762,026	3,665,626
Deferred tax liabilities:		
Recovered after 12 months	**(4,948,916)**	(3,899,579)
Deferred tax assets/(liabilities) – net	**1,813,110**	(233,953)

The gross movement on the deferred income tax account is as follows:

	As at December 31,	
	2015	2014
	RMB'000	*RMB'000*
At beginning of the year	**(233,953)**	306,081
Acquisition of subsidiaries	**(1,989)**	(438,650)
Credited to the income statement	**2,100,228**	105,243
Charged to other comprehensive income	**(272,841)**	(156,386)
Exchange adjustment	**221,665**	(50,241)
At end of the year	**1,813,110**	(233,953)

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	Outside basis differences	Assets valuation *(i)*	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2014	1,282,039	279,662	14,675	280,549	744,875	132,100	2,733,900
Acquisition of subsidiaries	–	–	–	–	922,098	725	922,823
Charged/(credited) to the income statement	70,483	20,218	181,736	54,939	(52,540)	26,014	300,850
Charged to other comprehensive income	–	137,044	–	–	–	20,509	157,553
Exchange adjustment	–	353	–	1,375	(83,913)	(12,259)	(94,444)
At December 31, 2014	1,352,522	437,277	196,411	336,863	1,530,520	167,089	4,020,682
Acquisition of subsidiaries	–	–	–	–	1,989	–	1,989
Charged/(credited) to the income statement	496,539	108,127	288,806	99,228	(265,558)	383,895	1,111,037
Charged/(credited) to other comprehensive income	40,907	304,102	–	–	–	(67,139)	277,870
Exchange adjustment	–	1,091	–	41,006	(37,373)	47,630	52,354
At December 31, 2015	**1,889,968**	**850,597**	**485,217**	**477,097**	**1,229,578**	**531,475**	**5,463,932**

(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)*

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: *(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, 2014	1,989,753	486,846	455,187	108,195	3,039,981
Acquisition of subsidiaries	90,783	4,455	54,424	334,511	484,173
Credited/(charged) to the income statement	194,320	189,665	107,435	(85,327)	406,093
Credited to other comprehensive income	–	–	–	1,167	1,167
Exchange adjustment	(149,629)	(801)	1,769	3,976	(144,685)
At December 31, 2014	2,125,227	680,165	618,815	362,522	3,786,729
Credited/(charged) to the income statement	725,441	2,434,750	161,159	(110,085)	3,211,265
Credited to other comprehensive income	–	–	–	5,029	5,029
Exchange adjustment	209,946	126,586	(68,897)	6,384	274,019
At December 31, 2015	**3,060,614**	**3,241,501**	**711,077**	**263,850**	**7,277,042**

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.

39. DEFERRED INCOME TAX *(CONTINUED)*

At December 31, 2015 and 2014, the Group did not recognise deferred income tax assets in respect of deductible temporary differences of approximately RMB16,209 million and RMB14,845 million and tax losses of approximately RMB14,137 million and RMB11,571 million that can be carried forward against future taxable income, of which tax losses of RMB10,064 million and RMB8,999 million can be carried forward indefinitely. The remaining balances of tax losses will expire as follows:

	Year ended December 31,	
	2015	2014
	RMB'000	*RMB'000*
Expiring in		
– within 1 year	**56,785**	762
– 1 to 2 years	**326,138**	58,260
– 2 to 3 years	**1,756,042**	174,921
– 3 to 4 years	**1,040,170**	1,676,202
– Over 4 years	**10,958,316**	9,660,743
	14,137,451	11,570,888

40. RETIREMENT BENEFIT OBLIGATIONS

The Group's retirement benefit obligations are related to IT operating segment.

	As at December 31,	
	2015	2014
	RMB'000	*RMB'000*
Pension obligation included in non-current liabilities		
Pension benefits *(a)*	**2,336,211**	2,089,295
Post-employment medical benefits *(b)*	**159,267**	160,000
	2,495,478	2,249,295
Expensed in income statement		
Pension benefits *(Note 9)*	**164,608**	134,386
Post-employment medical benefits	**(6,437)**	3,033
	158,171	137,419
Remeasurements for		
Defined pension benefits	**(179,514)**	(115,705)
Post-employment medical benefits	**473**	5,702
	(179,041)	(110,003)

40. RETIREMENT BENEFIT OBLIGATIONS *(CONTINUED)*

The Group operates a sectionalized plan that has both defined contribution and defined benefit features in Germany, including benefits based on a final pay formula. This plan is closed to new entrants. Following the acquisition of Motorola and System X in 2014, the Group assumed approximately RMB1,278 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. As a result of these acquisitions and decreases in Euro interest rates, 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.

The Group also operates final salary defined benefit plans in a number of countries as a result of acquisition since 2005. The largest of these plans is in the United States where less than 20% of employees were covered, but where the closed nature of this plan means the number of active participants is rapidly reducing. In the United States, the Group also operates a supplemental defined benefit plan that covers certain executives. In 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's major plans are valued by qualified actuaries annually using the projected unit credit method.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income in the period they arise.

(a) Pension benefits

The amounts recognised in the consolidated balance sheet are determined as follows:

	As at December 31,	
	2015	2014
	RMB'000	*RMB'000*
Present value of funded obligations	**3,560,418**	3,322,688
Fair value of plan assets	**(1,760,257)**	(1,712,788)
Deficit of funded plans	**1,800,161**	1,609,900
Present value of unfunded obligations	**536,050**	479,395
Liability in the balance sheet	**2,336,211**	2,089,295
Representing:		
Pension benefits obligation	**2,336,211**	2,089,295
Pension plan asset in the balance sheet	**–**	–
	2,336,211	2,089,295

40. RETIREMENT BENEFIT OBLIGATIONS *(CONTINUED)*

(a) Pension benefits *(CONTINUED)*

The principal actuarial assumptions used were as follows:

	As at December 31,	
	2015	2014
	RMB'000	**RMB'000**
Discount rate	**1.0%-3.25%**	1.75%-3.75%
Future salary increases	**0%-3%**	0%-3%
Future pension increases	**0%-2%**	0%-1.75%
Life expectancy for male aged 60	**27**	23
Life expectancy for female aged 60	**29**	29

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions are as below:

	Year ended December 31, 2015 Impact on defined benefit obligation		
	Change in assumption	**Increase in assumption**	**Decrease in assumption**
Discount rate	**0.5%**	**Decrease by 10.7%**	**Increase by 12.5%**
Salary growth rate	**0.5%**	**Increase by 1.6%**	**Decrease by 1.5%**
Pension growth rate	**0.5%**	**Increase by 6.8%**	**Decrease by 6.4%**
		Increase by 1 year in assumption	**Decrease by 1 year in assumption**
Life expectancy		**Increase by 3.7%**	**Decrease by 3.8%**

	Year ended December 31, 2014 Impact on defined benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.5%	Decrease by 8.1%	Increase by 9.2%
Salary growth rate	0.5%	Increase by 0.5%	Decrease by 0.4%
Pension growth rate	0.5%	Increase by 2.7%	Decrease by 2.2%
		Increase by 1 year in assumption	Decrease by 1 year in assumption
Life expectancy		Increase by 2.3%	Decrease by 2.3%

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: *(CONTINUED)*

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, 2015 and 2014.

(b) Post-employment medical benefits

The Group operates a number of post-employment medical benefit schemes, principally in the US. The method of accounting, assumptions and the frequency of valuations are similar to those used for defined benefit pension schemes.

The US plan (Lenovo Future Health Account and Retiree Life Insurance Program) is currently funded by a trust that qualifies for tax exemption under US tax law, out of which benefits to eligible retirees and dependents will be made.

Changes in future medical cost trend rates have no effect on the liabilities for post-employment medical benefits.

The amounts recognised in the consolidated balance sheet are determined as follows:

	As at December 31,	
	2015	2014
	RMB'000	*RMB'000*
Present value of funded obligations	**187,450**	188,407
Fair value of plan assets	**(37,660)**	(37,028)
Deficit of funded plans	**149,790**	151,379
Present value of unfunded obligations	**9,477**	8,621
Liability in the balance sheet	**159,267**	160,000

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:

	2015			2014		
	Quoted	**Unquoted**	**Total**	Quoted	Unquoted	Total
Pension						
Equity instruments						
– Information technology	**2.03%**	**–**	**0.74%**	0.86%	–	0.27%
– Energy	**0.69%**	**–**	**0.25%**	0.30%	–	0.09%
– Manufacturing	**3.94%**	**–**	**1.43%**	1.21%	–	0.39%
– Others	**11.63%**	**0.01%**	**4.21%**	11.94%	–	3.82%
	18.29%	**0.01%**	**6.63%**	14.31%	–	4.57%
Debt instruments						
– Government	**25.29%**	**13.51%**	**17.79%**	24.37%	20.01%	21.40%
– Corporate bonds (investment grade)	**49.87%**	**3.33%**	**20.23%**	54.42%	3.40%	19.68%
– Corporate bonds (non-investment grade)	**0.01%**	**0.51%**	**0.33%**	–	0.22%	0.15%
	75.17%	**17.35%**	**38.35%**	78.79%	23.63%	41.23%
Property	**–**	**9.68%**	**6.17%**	–	8.91%	6.06%
Qualifying insurance policies	**–**	**29.22%**	**18.61%**	–	0.68%	0.46%
Cash and cash equivalents	**5.76%**	**0.94%**	**2.69%**	0.95%	32.94%	22.73%
Investment funds	**0.09%**	**42.36%**	**27.02%**	5.28%	2.56%	3.43%
Structured bonds	**–**	**–**	**–**	0.49%	–	0.16%
Others	**0.69%**	**0.44%**	**0.53%**	0.18%	31.28%	21.36%
	6.54%	**82.64%**	**55.02%**	6.90%	76.37%	54.20%
	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%

40. RETIREMENT BENEFIT OBLIGATIONS *(CONTINUED)*

(c) Additional information on post-employment benefits (pension and medical) *(CONTINUED)*

The long-term strategic asset allocations of the plans are set and reviewed from time to time by the plans' trustees taking into account the membership and liability profile, the liquidity requirements of the plans.

For the year ended December 31, 2015 and 2014, the weighted average duration of the defined benefit obligation is 14.5 years and 14 years respectively.

Pension and medical plan assets do not include any of the Company's ordinary shares or US real estate occupied by the Group for the year ended December 31, 2015 and 2014.

Reconciliation of fair value of plan assets of the Group:

	As at December 31,	
Pension	**2015** ***RMB'000***	2014 *RMB'000*
Opening fair value	**1,712,788**	1,758,535
Exchange adjustment	**(57,358)**	(467,082)
Interest income	**41,581**	42,460
Actuarial gains	**71,730**	293,266
Contributions by the employer	**123,905**	121,031
Contributions by plan participants	**2,571**	2,550
Benefits paid	**(134,960)**	(141,774)
Acquisition of subsidiaries	**–**	103,802
Closing fair value	**1,760,257**	1,712,788
Actual return on plan assets	**113,311**	335,726

	As at December 31,	
Medical	**2015** ***RMB'000***	2014 *RMB'000*
Opening fair value	**37,028**	41,227
Exchange adjustment	**1,566**	(1,668)
Interest income	**761**	492
Actuarial losses	**(344)**	(897)
Contributions by the employer	**218**	166
Benefits paid	**(1,569)**	(2,292)
Closing fair value	**37,660**	37,028
Actual return on plan assets	**417**	(405)

40. RETIREMENT BENEFIT OBLIGATIONS *(CONTINUED)*

(c) Additional information on post-employment benefits (pension and medical) *(CONTINUED)*

Contribution of RMB36.4 million are estimated to be made for the year ending December 31, 2016.

Reconciliation of movements in present value of defined benefit obligations of the Group:

	As at December 31,	
Pension	**2015**	2014
	RMB'000	*RMB'000*
Opening defined benefit obligation	**3,802,083**	2,658,487
Exchange adjustment	**(28,724)**	(550,186)
Current service cost	**96,495**	112,824
Past service cost	**(10,426)**	(4,947)
Interest cost	**73,324**	68,969
Actuarial losses	**251,244**	408,971
Contributions by plan participants	**2,571**	2,550
Benefits paid	**(136,895)**	(154,438)
Curtailments	**46,796**	–
Acquisition of subsidiaries	**–**	1,259,853
Closing defined benefit obligation	**4,096,468**	3,802,083

	As at December 31,	
Medical	**2015**	2014
	RMB'000	*RMB'000*
Opening defined benefit obligation	**197,028**	137,832
Exchange adjustment	**8,620**	4,391
Current service cost	**2,372**	1,523
Past service cost	**–**	(105)
Interest cost	**3,523**	2,107
Actuarial gains	**(817)**	(6,599)
Benefits paid	**(2,228)**	(2,292)
Curtailments	**(11,571)**	–
Acquisition of subsidiaries	**–**	60,171
Closing defined benefit obligation	**196,927**	197,028

For the year ended December 31, 2015 and 2014, benefit of RMB4.6 million and RMB12.7 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:

Pension	As at December 31, 2015 RMB'000	2014 RMB'000
Current service cost	**96,495**	112,824
Past service cost	**(10,426)**	(4,947)
Interest cost	**73,324**	68,969
Interest income	**(41,581)**	(42,460)
Curtailment losses	**46,796**	–
Total expense recognised in the consolidated income statement	**164,608**	134,386

Medical	As at December 31, 2015 RMB'000	2014 RMB'000
Current service cost	**2,372**	1,523
Past service cost	**–**	(105)
Interest cost	**3,523**	2,107
Interest income	**(761)**	(492)
Curtailment losses	**(11,571)**	–
Total expense recognized in the consolidated income statement	**(6,437)**	3,033

Summary of pensions and post-retirement medical benefits of the Group:

	Year ended December 31, 2015 RMB'000	2014 RMB'000
Present value of defined benefit obligations	**4,293,395**	3,999,111
Fair value of plan assets	**(1,797,917)**	(1,749,816)
Deficit	**2,495,478**	2,249,295
Actuarial losses arising on plan assets	**71,386**	292,369
Actuarial gains arising on plan liabilities	**(250,427)**	(402,372)
	(179,041)	(110,003)

41. PROVISIONS

	Warranties	Environmental restoration	Restructuring	Provision on guarantee	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of the year	**9,899,690**	**139,384**	**–**	**145,990**	**10,185,064**
Provision made	**6,695,788**	**40,627**	**2,192,854**	**–**	**8,929,269**
Unused amounts reversed	**(22,221)**	**(76,891)**	**–**	**(11,432)**	**(110,544)**
Amount utilised	**(7,309,574)**	**(48,626)**	**(1,034,717)**	**–**	**(8,392,917)**
Exchange adjustment	**165,382**	**474**	**46,627**	**–**	**212,483**
At end of the year	**9,429,065**	**54,968**	**1,204,764**	**134,558**	**10,823,355**
Non-current portion	**(2,064,400)**	**(37,422)**	**–**	**–**	**(2,101,822)**
As at December 31, 2015	**7,364,665**	**17,546**	**1,204,764**	**134,558**	**8,721,533**
At beginning of the year	6,777,430	114,415	–	145,511	7,037,356
Provision made	6,665,461	76,578	–	479	6,742,518
Acquisition of subsidiaries	2,557,122	–	–	–	2,557,122
Unused amounts reversed	(82,855)	(126)	–	–	(82,981)
Amount utilised	(5,773,794)	(39,295)	–	–	(5,813,089)
Exchange adjustment	(243,674)	(12,188)	–	–	(255,862)
At end of the year	9,899,690	139,384	–	145,990	10,185,064
Non-current portion	(2,230,189)	(119,348)	–	(145,990)	(2,495,527)
As at December 31, 2014	7,669,501	20,036	–	–	7,689,537

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

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

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

42. DIVIDENDS

The dividends paid in 2015 and 2014 were RMB366 million (RMB0.183 per share) and RMB333 million (RMB0.166 per share) respectively. A dividend in respect of the year ended 31 December 2015 of RMB0.22 per share, amounting to a total dividend of RMB518 million, is to be proposed at the forthcoming 2015 annual general meeting. These financial statements do not reflect this dividend payable.

	Year ended December 31,	
	2015	2014
	RMB'000	*RMB'000*
Proposed final dividend of RMB0.22 (2014: RMB0.183) per ordinary share	**518,371**	366,025

43. CASH GENERATED FROM OPERATIONS

	Year ended December 31,	
	2015	2014
	RMB'000	*RMB'000*
Profit before income tax	**5,438,079**	11,560,252
Adjustments for:		
Impairment loss	**2,361,241**	2,686,608
Inventories write off *(Note 7)*	**1,168,276**	–
Provision for lease obligations *(Note 7)*	**378,979**	–
Depreciation of property, plant and equipment *(Note 17)*	**2,106,794**	1,391,716
Amortisation	**3,078,466**	1,474,543
Losses on disposal of property, plant and equipment and intangible assets *(Note 7)*	**1,933,825**	273,835
Fair value gains on investment properties *(Note 7)*	**(1,923,648)**	(249,243)
Fair value gains and dividend income from financial assets at fair value through profit or loss *(Note 6)*	**(872,137)**	(607,586)
Fair value gains and dividend income from associates measured at fair value through profits or loss *(Note 6)*	**(3,235,010)**	(1,640,931)
Finance costs – net *(Note 11)*	**2,858,306**	2,594,506
Gains on disposal/dilution of associates *(Note 6)*	**(412,895)**	(2,209,725)
Gains on disposal of available-for-sale financial assets *(Note 6)*	**(172,476)**	(119,977)
Gains on disposal of subsidiary *(Note 6)*	**(216,043)**	(101,085)
Dividend income from available-for-sale financial assets *(Note 6)*	**(279,584)**	(85,622)
Share-based payment	**808,275**	593,716
Share of profit of associates and joint ventures accounted for using the equity method	**(712,204)**	(291,689)
Net foreign exchange losses	**201,410**	1,019,612
Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation):		
Inventories, properties under development and completed properties held for sale	**2,213,140**	(8,365,102)
Trade and other receivables	**952,492**	(2,307,988)
Trade and other payables	**(11,247,493)**	(1,443,740)
	4,427,793	4,172,100

44. CONTINGENCIES

	As at December 31,	
	2015 **RMB'000**	2014 *RMB'000*
Guarantee in respect of mortgage facilities for certain purchaser	**4,099,437**	3,308,692
Financial guarantee of guarantee business	**4,530,170**	4,046,464
Other guarantee		
– Related parties *(Note 51(e))*	**2,239,759**	4,420,031
– Unrelated parties	**1,500,000**	1,500,000
	12,369,366	13,275,187

(a) Guarantee in respect of mortgage facilities for certain purchaser

The property segment of the Group provides guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantee, upon the default in mortgage payments by this purchaser, the Group is responsible to repay the outstanding mortgage principles together with the accrued interest and penalty owed by the purchaser to the banks and the Group is entitled to take over the legal title and possession of the related property. The Group's guarantee period starts the grant of the relevant mortgage loan and ends when the property purchaser obtains the "property title certificate" which is then pledged with the banks. No provision was made for the guarantee in respect of mortgage facilities for the purchases of the Group's properties as at December 31, 2015 and December 31, 2014.

(b) 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, 2015 and December 31, 2014, the outstanding guarantee balance was RMB4,530 million and RMB4,046 million respectively. The Directors evaluate the financial position of the guaranteed entities and make provision accordingly. As at December 31, 2015 and December 31, 2014, the provision made by the Group was RMB135 million and RMB146 million respectively, which were included in "provisions" in the consolidated balance sheet.

(c) Other guarantee

As at December 31, 2015 and December 31, 2014, of the total guarantee balances provided to related parties and unrelated parties, approximately RMB3,740 million and RMB5,920 million had been withdrawn. The Board reviews the financial conditions of the guaranteed companies periodically and records provision when necessary. As at December 31, 2015 and December 31, 2014, 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,	
	2015	2014
	RMB'000	*RMB'000*
ASSETS		
Non-current assets		
Property, plant and equipment	**27,453**	11,368
Intangible assets	**1,842**	4,775
Investments in subsidiaries	**6,825,927**	6,404,970
Associates using equity accounting	**5,080,521**	4,266,004
Associates measured at fair value through profit or loss	**2,600,455**	3,253,792
Available-for-sale financial assets	**1,186,772**	1,396,732
Financial assets at fair value through profit or loss	**275,000**	–
Amounts due from subsidiaries	**–**	27,600
Other non-current assets	**184,095**	132,416
	16,182,065	15,497,657
Current assets		
Amounts due from subsidiaries	**15,233,783**	8,542,959
Amounts due from related parties	**212,963**	370,892
Prepayment, other receivables and current assets	**471,429**	632,323
Financial assets at fair value through profit or loss	**246,075**	180,210
Bank deposit	**–**	2,380,000
Cash and cash equivalents	**11,293,529**	3,497,579
	27,457,779	15,603,963
Total assets	**43,639,844**	31,101,620
Share capital	**2,356,231**	2,000,000
Reserves *(Note 45(b))*	**15,156,079**	1,834,054
Total equity	**17,512,310**	3,834,054

45. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY *(CONTINUED)*

(a) Balance sheet of the Company *(CONTINUED)*

	As at December 31,	
	2015	2014
	RMB'000	*RMB'000*
LIABILITIES		
Non-current liabilities		
Borrowings	**19,275,357**	20,573,712
Deferred income tax liabilities	**494,032**	287,133
Other non-current liabilities	**28,210**	30,559
	19,797,599	20,891,404
Current liabilities		
Amounts due to subsidiaries	**985,578**	866,452
Amounts due to related parties	**19,364**	1,000
Other payables and accruals	**693,724**	418,172
Current income tax liabilities	**36,957**	–
Borrowings	**4,594,312**	5,090,538
	6,329,935	6,376,162
Total liabilities	**26,127,534**	27,267,566
Total equity and liabilities	**43,639,844**	31,101,620
Net current assets	**21,127,844**	9,227,801
Total assets less current liabilities	**37,309,909**	24,725,458

The balance sheet of the Company was approved by the Board of Directors on March 30, 2016 and was signed on its behalf.

LIU Chuanzhi
Director

ZHU Linan
Director

45. BALANCE SHEET AND RESERVE MOVEMENT OF THE HOLDING COMPANY *(CONTINUED)*

(b) Movement of reserves of the Company

The changes in the reserves of the Company during the year ended December 31, 2015 and 2014 are as follows:

	The Company					
	Statutory surplus reserve *RMB'000*	Investment revaluation reserve *RMB'000*	Share-based compensation reserve *RMB'000*	Other reserve *RMB'000*	Retained earnings *RMB'000*	Total *RMB'000*
As at January 1, 2014	330,430	390,021	231,971	1,745,494	501,799	3,199,715
Profit for the year	–	–	–	–	(28,363)	(28,363)
Fair value changes on available-for-sale financial assets	–	142,693	–	–	–	142,693
Share of other comprehensive income of associates	–	83,971	–	–	–	83,971
Contribution from a shareholder	–	–	–	106,401	–	106,401
Dividends paid	–	–	–	–	(332,750)	(332,750)
Conversion into a joint stock limited liability company	(330,430)	(336,863)	–	(1,162,347)	490,500	(1,339,140)
Transfer to associates using equity accounting with loss of control in subsidiaries	–	–	–	–	1,527	1,527
As at December 31, 2014	–	279,822	231,971	689,548	632,713	1,834,054
Profit for the year	**–**	**–**	**–**	**–**	**2,350,908**	**2,350,908**
Fair value changes on available-for-sale financial assets	**–**	**37,179**	**–**	**–**	**–**	**37,179**
Share of other comprehensive income of associates	**–**	**13,797**	**–**	**–**	**–**	**13,797**
Issuance of new shares	**–**	**–**	**–**	**11,724,078**	**–**	**11,724,078**
Share issuance cost	**–**	**–**	**–**	**(442,138)**	**–**	**(442,138)**
Transfer to statutory surplus reserve	**191,599**	**–**	**–**	**–**	**(191,599)**	**–**
Dividends paid	**–**	**–**	**–**	**–**	**(366,025)**	**(366,025)**
Transfer to associates using equity accounting with loss of control in subsidiaries	**–**	**-**	**-**	**-**	**4,226**	**4,226**
As at December 31, 2015	**191,599**	**330,798**	**231,971**	**11,971,488**	**2,430,223**	**15,156,079**

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, 2015 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	7,170	–	1,546	39,116
Mr. ZHU Linan (朱立南) *(Chief Executive)*	568	13,800	–	1,162	1,159	1,415	18,104
Mr. ZHAO John Huan (趙令歡)	568	–	–	1,162	–	–	1,730
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)	250	–	–	–	–	–	250
Mr. ZHANG Xuebing (張學兵)	208	–	–	–	–	–	208
Ms. HAO Quan (郝荃)	250	–	–	–	–	–	250
Supervisors							
Mr. LI Qin (李勤)	–	–	–	–	–	–	–
Mr. SUO Jishuan (索繼栓)	–	–	–	–	–	–	–
Mr. QI Zixin (齊子鑫)	–	–	–	–	–	–	–
	1,844	29,800	14,400	9,494	1,159	2,961	59,658

The remuneration of each director, supervisor, and the chief executive for the year ended December 31, 2014 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	16,000	11,066	–	1,546	44,612
Mr. ZHU Linan (朱立南) *(Chief Executive)*	541	13,800	–	1,180	1,159	1,409	18,089
Mr. ZHAO John Huan (趙令歡)	541	–	–	1,143	–	–	1,684
Non-executive Director							
Mr. WU Lebin (吳樂斌) (1)	–	–	–	–	–	–	–
Mr. WANG Jin (王津)	–	–	–	–	–	–	–
Mr. LU Zhiqiang (盧志強)	–	–	–	–	–	–	–
Mr. DENG Maicun (鄧麥村) (2)	–	–	–	–	–	–	–
Supervisors							
Mr. LI Qin (李勤)	–	3,000	–	–	–	–	3,000
Mr. SUO Jishuan (索繼栓) (1)	–	–	–	–	–	–	–
Mr. QI Zixin (齊子鑫)	–	–	–	–	–	–	–
Mr. WANG Qi (王琪) (2)	–	–	–	–	–	–	–
	1,082	32,800	16,000	13,389	1,159	2,955	67,385

Notes:

(1) Appointed in September 2014

(2) Resigned in September 2014

46. BENEFITS AND INTERESTS OF DIRECTORS *(CONTINUED)*

(b) Interest of Directors and Supervisors

During the year, there are no loans, quasi-loans or other dealings in favour of directors or supervisors, their controlled bodies corporate and connected entities (2014: nil).

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 (2014: 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,	
	2015	2014
	RMB'000	*RMB'000*
Property, plant and equipment	**2,815,808**	2,462,353
Intangible assets	**280**	77,444
Investments *(i)*	**3,796,440**	2,386,016
Land use right and properties under development	**4,223,761**	4,613,794
Total	**10,836,289**	9,539,607

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

47. COMMITMENTS *(CONTINUED)*

(b) Operating lease commitments

The Group leases various retail outlets, offices and warehouses under non-cancellable operating lease agreements. The lease terms are between 5 and 10 years, and the majority of lease agreements are renewable at the end of the lease period at market rate.

The Group also leases various plant and machinery under cancellable operating lease agreements. The lease expenditure charged to the income statement during the year is disclosed in Note 8.

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

	As at December 31,	
	2015	2014
	RMB'000	*RMB'000*
No later than 1 year	**802,347**	804,580
Later than 1 year and not later than 5 years	**3,761,078**	3,167,917
Later than 5 years	**1,934,999**	2,056,035
	6,498,424	6,028,532

48. TRANSACTIONS WITH NON-CONTROLLING INTERESTS

(a) Acquisition of additional interests in subsidiaries

The effect of acquisition of additional interests in subsidiaries is summarised as follows:

	Year ended December 31,	
	2015	2014
	RMB'000	*RMB'000*
Carrying amount of non-controlling interests acquired	**640,384**	253,517
Consideration paid to non-controlling interests	**(1,402,616)**	(787,285)
Excess of consideration paid recognised within equity	**(762,232)**	(533,768)

During the year of 2015, the Company acquired an additional 99,220,000 number of shares of Lenovo from open market through a subsidiary, with a purchase consideration of RMB672 million, which resulted in an increase interest of 0.89% in Lenovo. The carrying amount of the non-controlling interests on the date of acquisition was RMB162 million. The Group recognised a decrease in non-controlling interests of RMB162 million and a decrease in equity attributable to equity holders of the company of RMB510 million.

48. TRANSACTIONS WITH NON-CONTROLLING INTERESTS *(CONTINUED)*

(a) Acquisition of additional interests in subsidiaries *(CONTINUED)*

In January 2015, the Company acquired an additional 3.90% of equity interest of its subsidiary Bybo for a purchase consideration of RMB67 million. The carrying amount of the non-controlling interests in Bybo on the date of acquisition was RMB23 million. The Group recognised a decrease in non-controlling interests of RMB23 million and a decrease in equity attributable to equity holders of the company of RMB44 million consequently.

(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,	
	2015	2014
	RMB'000	*RMB'000*
Carrying amount of non-controlling interests disposed	**(76,044)**	(4,321,063)
Consideration received from non-controlling interests	**195,729**	5,567,266
Gain on disposal within equity	**119,685**	1,246,203

The Group sold certain shares in Lenovo at a pre-determined price to Lenovo's selected directors and key senior management pursuant to an incentive plan granted by the Group. In 2015, the total consideration paid by management for purchasing the shares are RMB195 million, with a corresponding carrying amount of the non-controlling interests in Lenovo on the date of purchase of RMB81 million. The Group recognised an increase in non-controlling interests of RMB81 million and an increase in equity attributable to equity holders of the Company of RMB114 million accordingly.

Effects of transactions with non-controlling interests on the equity attributable to owners of the Company for the year ended December 31, 2015 are as follows:

	Year ended December 31,	
	2015	2014
	RMB'000	*RMB'000*
Acquisition of additional interests in subsidiaries	**(762,232)**	(533,768)
Disposal of interests in subsidiaries without loss of control	**119,685**	1,246,203
Net effect in equity attributable to equity holders of the Company	**(642,547)**	712,435

49. BUSINESS COMBINATIONS

During the year, the Group has finalized the fair value assessments for the net assets acquired (including intangible assets) from the business combination activities in respect of Motorola and System X. On completion of the fair value assessments, adjustments made to the provisional calculation of identifiable assets and liabilities (as at December 31, 2014) amounted to RMB3,571 million (approximately US$581 million), with an equivalent increase in the reported value of goodwill. The changes mainly represent finalization of future billing adjustments, deferred tax adjustments, provisions and recovery of impaired trade receivables at the respective acquisition dates. The comparative consolidated balance sheet as at December 31, 2014 has been retrospectively reclassified to reflect the final allocation of fair values of the net assets acquired.

50. DISPOSAL OF SUBSIDIARIES

(a) Loss of control in Phylion Battery Co., Ltd

In June 2015, Phylion Battery Co., Ltd. entered into an equity financing agreement with third party investors, the interest held by the Group in Phylion Battery Co.,Ltd was diluted from 50.77% to 44.51%. As a result, Phylion Battery Co., Ltd. was deconsolidated from the Group. A net gain of approximately RMB139 million is recognised in the consolidated income statement within "investment income and gains". The related information on the deconsolidation date is as follows:

	Amounts *RMB'000*
Consideration received	
– Cash and cash equivalents received	**–**
Less: cash and cash equivalents held by Phylion Battery Co., Ltd	**9,556**
Net decrease in cash and cash equivalents	**(9,556)**

The assets and liabilities of Phylion Battery Co., Ltd on the disposal date are as follows:

	Carrying Value *RMB'000*
Current assets	**275,699**
Non-current assets	**160,409**
Less: Current liabilities	**(111,544)**
Non-current liabilities	**(1,670)**
Total	**322,894**

50. DISPOSAL OF SUBSIDIARIES *(CONTINUED)*

(a) Loss of control in Phylion Battery Co., Ltd *(CONTINUED)*

The revenue, expenses and net profit of Phylion Battery Co., Ltd for the period from January 1, 2015 to the disposal date are as follows:

	Amounts *RMB'000*
Revenue	**190,048**
Cost, expenses and gains	**(166,889)**
Total profit before tax	**23,159**
Less: income tax expense	**(3,353)**
Net profit	**19,806**

(b) Sold of equity interests in share of Qingdao Wallen Blueberry Co., Ltd., Joyvio (Qingdao) Fruits Co., Ltd., Joyvio (Qingdao) Food Co., Ltd. and Joyvio (Chengdu) Modern Agriculture Co., Ltd.

In November 2015, Joyvio (Qingdao) Modern Agribusiness Co., Ltd. and Joyvio (Qingdao) Agricultural Investment Co., Ltd., both subsidiaries of the Group, subscribed for 86,880,000 new shares issued by Golden Wing Mau at a consideration of their 65% equity interests in Qingdao Wallen Blueberry Co., Ltd., 65% equity interests in Joyvio (Qingdao) Fruits Co., Ltd., 45% equity interests in Joyvio (Qingdao) Food Co., Ltd., and 100% equity interests in Joyvio (Chengdu) Modern Agribusiness Co., Ltd. (collectively, the "Subject Companies").

Upon completion of the transaction, the Group, through its two subsidiaries, holds approximately 43.25% of the issued share capital of Golden Wing Mau and has appointed two directors to join the board of directors of Golden Wing Mau. The Subject Companies were no longer subsidiaries of the Group.

As at end of December 2015, Golden Wing Mau implemented a share-based payment plan and issued 19,520,000 new shares. The interest held by the Group in Golden Wing Mauwas was diluted to 39.42% accordingly.

50. DISPOSAL OF SUBSIDIARIES *(CONTINUED)*

(b) Sold of equity interests in share of Qingdao Wallen Blueberry Co., Ltd., Joyvio (Qingdao) Fruits Co., Ltd., Joyvio (Qingdao) Food Co., Ltd. and Joyvio (Chengdu) Modern Agriculture Co., Ltd. *(CONTINUED)*

The related information on the de-consolidation date is as follows:

	Amounts *RMB'000*
Consideration received	
– Cash and cash equivalents received	**–**
Less: cash and cash equivalents held by the Subject Companies	**30,992**
Net decrease in cash and cash equivalents	**(30,992)**

The assets and liabilities of the Subject Companies on the disposal date are as follows:

	Carrying Value *RMB'000*
Current assets	**387,690**
Non-current assets	**1,575,973**
Less: Current liabilities	**(618,788)**
Non-current liabilities	**(83,853)**
Total	**1,261,022**

The revenue, expenses and net loss of the Subject Companies for the period from January 1, 2015 to the disposal date are as follows:

	Amounts *RMB'000*
Revenue	**465,211**
Cost, expenses and gains	**(470,631)**
Total loss	**(5,420)**
Less: income tax expense	**(217)**
Net loss	**(5,637)**

51. 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, 2015 and 2014, the principal related parties that had transactions with the Group are listed below:

	Relationship with the Group
COHG	Shareholder of the Company
Legend Shenzhen Science and Technology Park Limited (深圳市聯想科技園有限公司)	Associate of the Group
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）)	Associate of the Group
Tianjin Junruiqi Equity Investment L.P. (天津君睿祺股權投資合夥企業（有限合夥）)	Associate of the Group
Hony Capital RMB I, L.P. (弘毅投資產業一期基金（天津)(有限合夥）)	Associate of the Group
Lakala	Associate of the Group
Xineng Fenghuang (Tengzhou) Energy Co., Ltd. (新能鳳凰（滕州）能源有限公司)	Associate of the Group
Hony Capital Investment Management (Tianjin) L.P. (弘毅投資管理（天津）(有限合夥）)	Associate of the Group
IGRS Engineering Lab Limited (閃聯信息技術工程中心有限公司)	Associate of the Group
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
Ensencare (Changzhou) Holdings Co., Ltd. (安信頤和（常州）置業有限公司)	Associate of the Group
Swift Success Ventures Limited	Associate of the Group
Well Faith Management Limited	Associate of the Group
Hony Capital Management Limited	Associate of the Group
Union Insurance	Associate of the Group
Yantai Rongan Real Estate Development Co.,Ltd. (煙台融安房地產開發有限公司, "Yantai Rongan")	Associate of the Group
Minsheng Securities Co., Ltd. (民生證券股份有限公司)	Associate of the Group
Social Touch (Beijing) Technology Development Co., Ltd. (時趣互動（北京）科技有限公司)	Associate of the Group

(i) China Auto Rental is a subsidiary of CAR.

The English name of the above related parties represents the best effort by management of the Company in translating their Chinese names as they do not have official English names.

51. 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, 2015 and 2014:

	Year ended December 31,	
	2015	2014
	RMB'000	*RMB'000*
Purchase of goods from – Associates	**982,071**	97,019
Sale of goods to – Associates	**–**	2,620
Services received from – Associates	**19,882**	12,329
Rendering of services to – Associates	**32,722**	32,580
Loan provided by – Associates	**749,673**	1,000
Loan provided to *(ii)* – Associates	**3,960,606**	286,016
Interest income from – Associates	**65,641**	12,431
Interest expenses to – Associates	**136,144**	460,223
Receive capital injection from – Associates	**–**	204,000
Purchase of equity investments from – Other related party	**–**	5,000
Contribution from – A shareholder	**–**	106,401

(ii) For the year ended December 31, 2015, the Group made a six-month-term loan to Swift Success Ventures Limited with an amount of RMB2,349 million, and annum interest rate is 8%.

51. RELATED PARTY TRANSACTIONS *(CONTINUED)*

(c) Year-end balances due from/to related party

	As at December 31,	
	2015	2014
	RMB'000	*RMB'000*
Trade and notes receivables		
– Associates	**15**	3,174
Prepayment, other receivables and current assets *(iii)*		
– Associates	**3,445,025**	1,182,178
Borrowings		
– Associates	**1,059,171**	–
Current portion of non-current liabilities		
– Associates	**16,700**	–
Trade and notes payables		
– Associates	**45**	11,813
Advance from client		
– Associates	**1,959**	3,370
Other payables and accruals		
– Associates	**423,828**	1,241,353
Other non-current liabilities		
– Associates	**400,000**	147,500

(iii) Prepayment, other receivables and current assets includes amounts receivables from the following parties:

	As at December 31,	
	2015	2014
	RMB'000	*RMB'000*
Swift Success Ventures Limited	**2,433,073**	–
Yantai Rongan	**478,551**	338,860
Others	**533,401**	843,318
Total	**3,445,025**	1,182,178

51. RELATED PARTY TRANSACTIONS *(CONTINUED)*

(d) Key management compensation

	Year ended December 31,	
	2015	2014
	RMB'000	**RMB'000**
Fees	**1,844**	1,081
Salaries	**52,927**	52,800
Discretionary bonuses	**37,821**	36,000
Share option and rewards	**9,494**	13,388
Employer's contribution to pension schedule	**3,110**	2,839
Other benefits	**5,590**	5,116
	110,786	111,224

(e) Guarantee provided to related parties

	Year ended December 31,	
	2015	2014
	RMB'000	**RMB'000**
Guarantee provided to related parties		
– CAR	**570,800**	3,414,733
– Union Insurance	**470,000**	420,000
– Others	**1,198,959**	585,298
	2,239,759	4,420,031

52. SUBSEQUENT EVENTS

(a) Reorganisation of Lakala

On February 4, 2016 the Company and Tibet Tourism ("Tibet Tourism", the abbreviation of Tibet Tourism Co., Ltd., a company established under the laws of the PRC with limited liability, the shares of which are listed on the Shanghai Stock Exchange), entered into the agreement, pursuant to which the shareholders of Lakala will dispose of their 100% equity interest in Lakala at a consideration to be settled by way of three methods including cash, shares and a combination of cash and shares. According to the agreement, Tibet Tourism will issue to the Company 185,100,804 A Shares at the issue price per A Share (RMB18.65 each, total equivalent to RMB3,452 million) as the consideration to acquire the 112,978,800 shares held by the Company, representing 31.38% of Lakala's issued share capital.

In addition, the Company and its indirect subsidiary Tibet Zhidao, each as one of the subscribers of the private placement of A Shares, individually entered into a share subscription agreement with Tibet Tourism, pursuant to which the Company will subscribe for and Tibet Tourism will issue 32,171,581 A Shares to the Company at the Issue Price Per A Share (equivalent to RMB600 million), and Tibet Zhidao will subscribe for and Tibet Tourism will issue 1,072,386 A Shares to Tibet Zhidao at the Issue Price Per A Share (equivalent to RMB20 million).

Upon completion of the Reorganisation, the Company and its subsidiary will hold a total of 218,344,771 A Shares, representing 23.23% of the enlarged issued share capital of Tibet Tourism. Since the Company has no control over Lakala, nor is it acting in concert with any other shareholder of Lakala in order to expand its voting rights of the shares of Tibet Tourism under its control, the consolidated financial statements of Tibet Tourism will not be consolidated into the Group's financial statements but it will be treated as an associate of the Company. Due to the reorganisation, the Company may record gains or losses as a result of the dilution of its interest in its associate.

Besides, the Company and certain shareholders of Lakala entered into a profit compensation agreement with Tibet Tourism on February 4, 2016 to provide a guarantee that Lakala's net profit attributable to the shareholders of its parent company for 2016, 2017 and 2018 (net of extraordinary gain or loss and proceeds from subscription), will not be less than RMB450 million, RMB860 million and RMB1,450 million, respectively. If any of the actual figures turns out to be less than the aforesaid amounts, the Company's compensation obligation arise and it is expected to undertake 34.61% of the compensation amount calculated in accordance with the terms.

Up to the date of this report, the reorganisation is not completed due to the related conditions have not all been satisfied. The detail of the conditions has been set out in the announcement published by the Company on the HKEx news website on February 5, 2016.

52. SUBSEQUENT EVENTS *(CONTINUED)*

(b) Proposed Issue of Corporate Bonds by Raycom Real Estate

On February 16, 2016, Raycom Real Estate, a subsidiary of the Company, intends to make an application to issue of (i) Raycom Real Estate 2016 Corporate Bonds with an aggregate par value of no more than RMB2,500 million and maturity of no more than 10 years; and (ii) Raycom Real Estate 2016 Private Bonds with an aggregate par value of no more than RMB5,000 million.

The Company provides irrevocable joint and several liability guarantee for the full amount of Raycom Real Estate 2016 Corporate Bonds. As of the date of this announcement, the issuance of bonds is in progress.

(c) Issue of Corporate Bonds by Zhengqi Financial

On March 3, 2016, Zhengqi Financial, a subsidiary of the Company, issued Zhengqi Financial 2016 Corporate Bonds bearing a coupon rate of 5.70% with a total issue amount of RMB400 million for a term of 3 years.

Four-Year Financial Summary

CONDENSED CONSOLIDATED INCOME STATEMENTS

	Year ended December 31,			
	2015	2014	2013	2012
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	**309,826,139**	289,475,832	243,957,661	226,315,942
Profit before income tax	**5,438,079**	11,560,252	9,962,217	6,643,326
Income tax expense	**(1,662,473)**	(3,738,081)	(2,248,743)	(2,178,620)
Profit for the year	**3,775,606**	7,822,171	7,713,474	4,464,706
Profit attributable to:				
– Equity holders of the Company	**4,659,083**	4,160,389	4,837,590	2,287,897
– Non-controlling interests	**(883,477)**	3,661,782	2,875,884	2,176,809
	3,775,606	7,822,171	7,713,474	4,464,706
Earnings per share for the profit attributable to the equity holders of the Company (expressed in RMB per share)				
Basic earnings per share	**2.14**	2.08	2.43	1.16
Diluted earnings per share	**2.14**	2.07	2.42	1.15

CONDENSED CONSOLIDATED BALANCE SHEET

	As at December 31,			
	2015	2014	2013	2012
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets	**131,234,508**	116,857,811	66,459,336	60,745,257
Current assets	**175,008,384**	175,964,775	150,992,415	137,165,750
Total assets	**306,242,892**	292,822,586	217,451,751	197,911,007
Non-current liabilities	**85,372,680**	84,947,038	48,212,551	42,548,447
Current liabilities	**155,803,129**	155,020,669	125,262,036	115,920,682
Total liabilities	**241,175,809**	239,967,707	173,474,587	158,469,129
Net assets	**65,067,083**	52,854,879	43,977,164	39,441,878

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

联想控股
LEGEND HOLDINGS
BUILDING GREAT COMPANIES