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

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

(Stock Code: 3396)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2017

The board of directors of Legend Holdings Corporation is pleased to announce the audited annual results of the Company and its subsidiaries for the year ended December 31, 2017 together with the comparative figures for the corresponding period of last year as follows:

FINANCIAL HIGHLIGHTS

- Combined revenue of the Company and its subsidiaries was RMB316.3 billion, representing an increase of 3% as compared with the corresponding period last year; among which revenue of continuing operations increased by 7% as compared with the corresponding period last year
- Net profit attributable to equity holders of the Company was RMB5,048 million, representing an increase of 4% as compared with the corresponding period last year
- Basic earnings per share was RMB2.16, representing an increase of 5% as compared with the corresponding period last year
- The Board recommended the payment of a final dividend of RMB0.27 per ordinary share (before tax) for the year ended December 31, 2017, representing an increase of 12% as compared with the corresponding period last year

	Year ended December 31,	
	2017	2016
	(RMB Million)	(RMB Million)
Revenue	316,263	306,953
Continuing operations	316,263	294,746
Strategic investments	315,649	294,234
Financial investments	653	539
Elimination	(39)	(27)
Discontinued operations	–	12,207
 Net profit attributable to equity holders of the Company	 5,048	 4,859
Continuing operations	5,048	4,852
Strategic investments	2,004	2,692
Financial investments	4,128	2,901
Unallocated	(1,094)	(741)
Elimination	10	–
Discontinued operations	–	7
 Basic earnings per share (RMB)	 2.16	 2.06
Continuing operations	2.16	2.06
Discontinued operations	–	–
 Diluted earnings per share (RMB)	 2.14	 2.06
Continuing operations	2.14	2.06
Discontinued operations	–	–

PRESIDENT’S STATEMENT

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

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

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

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

- **The two-wheel-drive business model was enhanced, leading to further achievements.** In 2017, the synergic driving model based on collaborative project investments between our financial investments and strategic investments was implemented strategically. On the premise of maintaining the independence of fund management, such business model promoted cooperation to achieve win-win results and aimed at creating core assets of Legend Holdings as well as enhancing the value of the Company. Through this model, we were able to, on the one hand, expand project resources and build the investment analysis capacity for our strategic investments by capitalizing on the fund platforms of our financial investments and, on the other hand, broaden the investment spectrum, enrich the investment types and improve investment returns for financial investments by drawing on the resources of our controlling strategic investments. Thanks to the responsive efforts of the teams of our strategic investments and financial investments fund platforms, a flow of new results have been achieved.
 - 1) The strategic joint investment in EAL by Legend Holdings and Legend Capital. In June 2017, Legend Holdings subscribed for 25% equity interests in EAL at a consideration of RMB1,025 million, after which the valuation of EAL amounted to RMB4,100 million. Upon completion of the transaction, Legend Holdings and Legend Capital now directly hold 20.1% and 4.9% equity interests in EAL, respectively. The transaction was a success that integrated the brand, fund, management expertise of Legend Holdings and the project resources and investment analysis capacity of Legend Capital. The outstanding performance delivered by EAL in 2017 has verified that our decision was correct, and now a new member of great growth potential is included in our investment portfolio.
 - 2) Joint control over Better Education by Legend Holdings and Hony Capital. In July 2017, Legend Holdings, together with Hony Capital, made a strategic investment in Better Education, a leading medium-to-high-end kindergartens group with direct chain operation in China, with an investment size of approximately USD127.5 million. Upon completion of the transaction, Better Education was held as to 51% by Legend Holdings directly and 29% by Hony Capital. Legend Holdings and Hony Capital made joint investment in Better Education based on our consensus on the promising prospects of pre-school education and education consumption upgrading, which scaled up the investment size. Having integrated the brand influence and financial support of Legend Holdings and the operational capability of Hony Capital, the investment would help promote the future business development and value growth of Better Education.

- **Strategic investment portfolio was further optimised to tap value through linking portfolio companies with diversified resources.** Legend Holdings encouraged and supported its portfolio companies to secure necessary resources for corporate development through follow-on financing, spin-off, listing and other means. The strategic investments of Legend Holdings were aimed at building industry-leading companies by dint of long-term investments instead of exiting for short-term gains. A more important purpose of promoting capital operation at our portfolio companies was to realize their value, bring in resources and develop their independent financing capability, which was in line with the needs for development of the portfolio companies and the value growth of the investment portfolio of Legend Holdings. Legend Holdings regularly evaluated its investment portfolio and made corresponding dynamic adjustments to non-strategically focused segments and portfolio companies by restructuring, disposal and other operational approaches for higher portfolio value. Legend Holdings has been optimising its investment portfolio on an ongoing basis, taking into consideration such factors as the strategic direction of the Company, investment management and assessment system, performance of the portfolio companies and market opportunities.
- 1) In respect of agriculture and food segment, Joyvio Agriculture was built as the first listed platform for strategic industrial development. In August 2017, Joyvio Agriculture, a domestically listed company in which we had a controlling stake, completed a material asset restructuring and obtained controlling interests in Qingdao Starfish, a leading seafood provider in China. Joyvio Agriculture, a strategic industrial development platform of Joyvio Group, will accelerate the expansion through investments and mergers and acquisitions, of its businesses relating to the purchase, processing and distribution of seafood and high-end animal proteins.
 - 2) Chinese Academy of Sciences made strategic investment in Levima New Materials. On May 5, 2017, CAS Holdings strategically invested RMB850 million in Levima New Materials whose overall valuation prior to the investment was approximately RMB2,460 million. The investment gave Levima New Materials the access to the profound technologies and innovation resources of Chinese Academy of Sciences and optimized its capital structure, secured resources and enhanced the business competitiveness of Levima New Materials for future development.
 - 3) Funglian Group was acquired by a listed company. In April 2017, Hebei Hengshui Laobaigan (stock code on Shanghai Stock Exchange: 600559), a Chinese company with its A shares listed on the main board of Shanghai Stock Exchange, announced its proposal of restructuring in relation to the acquisition of the equity interests in Funglian Group held by us. Upon completion of the transaction, Joyvio Group will receive cash consideration of RMB490 million and share consideration of RMB620 million and become the second largest shareholder of Hebei Hengshui Laobaigan. The transaction has been approved by the CSRC.

4) Legend Holdings exited from Phylion Battery through merger and acquisition. In May 2017, we disposed of all our 33.21% equity interests in Phylion Battery at a consideration of approximately RMB930 million as calculated based on the valuation of Phylion Battery of RMB2,800 million.

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

- 1) The asset under management of Legend Capital exceeded RMB35 billion. In 2017, Legend Capital launched the second culture and sports fund and completed fundraising for its seventh USD fund and fourth RMB fund, raising a total fund of RMB3,610 million during the reporting period. Legend Capital continued to reinforce its investment influence on TMT, innovative consumption, intelligent manufacturing, professional services, healthcare, culture and sports as well as other sectors. In 2017, Legend Capital invested in 60 new projects and exited from 21 projects in aggregate, providing continuous cash inflow to Legend Holdings. During the reporting period, 8 portfolio companies were successfully listed on domestic or overseas capital markets through initial public offerings, which increased the portfolio value.
- 2) The asset under management of Hony Capital exceeded RMB70 billion. While maintaining its leading position in state-owned enterprise reform and cross-border investments, Hony Capital achieved initial success in respect of its trial investment in real estate finance, replenishing its investment areas from two dimensions. During the Reporting Period, Hony Capital completed fundraising for its second real estate value-added strategic fund, and launched fundraising for its Haidian technology industry space optimisation fund and cultural industry fund, having so far raised a total of approximately RMB1,740 million. In 2017, Hony Capital contributed cash inflow of more than RMB1,470 million in total for Legend Holdings. Besides, Hony Capital obtained the license for mutual fund business in January 2018, and new opportunities are expected to arise for the future development of its product mix and asset under management.

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

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

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

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

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

Legend Holdings Corporation
ZHU Linan
Executive Director and President

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue contribution from the Group's businesses

Unit: RMB million

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

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

Unit: RMB million

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

Assets allocation of businesses of the Group

Unit: RMB million

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

Business Review

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

Strategic Investments

IT

We engage in IT business mainly through our subsidiary Lenovo. Lenovo is a Fortune 500 company which develops, manufactures and sells high-end technology products and provides related services to the consumers and corporate customers. As of December 31, 2017, we held 29.10% equity interests in Lenovo.

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

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

	<i>Unit: RMB million</i>	
	2017	2016
Revenue	299,363	282,551
Net profit/(loss)	(670)	4,186
Net profit/(loss) attributable to equity holders of Legend Holdings	(246)	1,335

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

PC and Smart Device Business Group

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

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

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

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

Data Center Business Group

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

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

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

Mobile Business Group

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

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

Lenovo Capital and Incubator Group and Others

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

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

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

Looking forward, market conditions remain challenging in the short term. However, Lenovo now has a stronger organisation with sharper customer focus and more compelling product portfolio across all its businesses. Coupled with strong execution, Lenovo remains confident it can build leading positions in every business Lenovo enters and drive profitable growth that, in turn, creates better value for its shareholders.

Financial Services

Overview

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

- Zhengqi Financial, our subsidiary, mainly provides SMEs with comprehensive financial solutions such as direct loans, financial leasing, commercial factoring and equity investments;
- JC Finance & Leasing, our wholly-owned subsidiary, mainly provides financial leasing services;
- Kaola Technology, our subsidiary, mainly provides innovative financial services;
- Lakala Payment, our associate, mainly provides third-party payment and value-added services;
- Hankou Bank, our associate, mainly engages in commercial banking services;
- Union Insurance, our associate, mainly provides insurance brokerage and related services;
- Eloancn.com, our associate, mainly engages in Internet financial services; and
- Suzhou Trust, our associate, mainly engages in the trust business.

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

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

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

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

	<i>Unit: RMB million</i>	
	2017	2016
Revenue	3, 638	1,583
Net profit	1,904	1,613
Net profit attributable to equity holders of Legend Holdings	1,646	1,536

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

Operating Highlights

- On September 1, 2017, an indirect wholly-owned subsidiary of the Company and Precision Capital S.A. entered into an agreement in relation to the acquisition of 89.936% share capital of BIL Bank from Precision Capital S.A. As an important strategic investment of the financial services segment, the transaction is in line with the Company's goal of building pillar assets. Upon completion, the investment will improve the Company's financial performance and provide better return to the Shareholders.
- Zhengqi Financial, a subsidiary of the Company, continued to record robust growth with net profit reaching RMB839 million, representing an increase of 16% as compared with the corresponding period of last year. Zhengqi Financial adhered to the long term strategy of investment-loan linkage and several of its invested companies accessed to the capital market by means of re-financing, listing and other channels, thus contributing sustainable market value to the equity investment portfolio of the company. After three years of practice, the investment-loan linkage business model, backed by the company's credit business competence accumulated over the years, has become another profit growth point of the company.
- Our wholly-owned subsidiary JC Finance & Leasing realised a sound and rapid development since its incorporation in November 2015. Revenue and net profit amounted to RMB719 million and RMB180 million, representing a growth of 139% and 122%, respectively, as compared with the corresponding period of 2016.
- Our subsidiary Kaola Technology mainly provides innovative financial services to small and micro enterprises and individuals through internet. Due to the advantages in terms of Internet technology and Big Data mining, the number of applicants of Kaola Technology's services has exceeded 10 million. During the Reporting Period, Kaola Technology realised strong business growth and recorded revenue of RMB1,728 million and net profit of RMB457 million.
- On March 3, 2017, our associate Lakala Payment submitted to the CSRC the application for the initial public offering and listing of its shares on the ChiNext board of the Shenzhen Stock Exchange.

Zhengqi Financial

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

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

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

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

In September 2015, Zhengqi Financial established Zhengqi International Commercial Factoring Company Limited (正奇國際商業保理有限公司) which provides receivables factoring business to core enterprises and the upstream and downstream companies across their supply chain. The business has an enormous market space and potential for rapid growth. During the Reporting Period, the company kept up the team building and proactively developed the underlying assets involved in the factoring business under the guidance of the risk control consciousness formed in the credit business over many years, aiming to turn the factoring business into an important contributor to the business growth of the Company. As of December 31, 2017, the outstanding balance of commercial factoring amounted to RMB1,537 million, representing an increase of RMB496 million or 47.65% as compared to RMB1,041 million at the end of 2016.

During the Reporting Period, Zhengqi Financial expanded its funding channels by developing innovative funding sources and achieved sound results especially in direct funding. In June, the third tranche of ABS of Zhengqi Leasing was issued successfully with a size of RMB604 million. In September, the “17 Zhengqi 01” corporate bonds were successfully issued on the Shanghai Stock Exchange. On November 8, the “Zhong Ying Yi Li • Guozheng Microcredit Asset-backed Project (Tranche Two)” was set up with a size of RMB500 million. On November 23, the “First Tranche of Asset-backed Special Project of Zhengqi Factoring” was set up on the Shanghai Stock Exchange with a size of RMB420 million, securing the first ABS relating to commercial factoring in Anhui Province. On December 1, the “First Tranche of Asset Special Project of Chengzheng Kedai” was listed on the Shenzhen Stock Exchange with a size of RMB500 million. Currently, Zhengqi Financial has various funding sources including banking facilities, trusts, insurance companies, asset securitization and issuance of corporate bonds. In general, Zhengqi Financial possesses comparative advantages among its peers in relation to funding capability with effective channels and low funding cost.

In 2017, against the severe macro-environment, Zhengqi Financial reinforced the system infrastructure of risk control and adopted and strengthened various risk management and control measures to keep risks under control. Meanwhile, the company intensified its analysis and judgment on the macro-economy to take proactive structural adjustments to the businesses through actively studying responsive actions and formulating early plans. In addition, Zhengqi Financial took the initiative to conduct capital markets business from the second half of 2014 to 2017, elevating its profitability through various approaches.

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

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

	<i>Unit: RMB million</i>	
	2017	2016
Revenue	1,180	980
Net profit	839	721

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

JC Finance & Leasing

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

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

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

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

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

	<i>Unit: RMB million</i>	
	2017	2016
Revenue	719	301
Net profit	180	81

Kaola Technology

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

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

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

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

	<i>Unit: RMB million</i>	
	2017	2016
Revenue	1,728	302
Net profit	457	45

Associates in Financial Services Segment

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

Lakala Payment

Lakala Payment is a well-known third-party payment company in China, focusing on providing enterprise users with settlement services and individual users with payment services. In addition, Lakala Payment provides its customers with third-party value-added payment services leveraging its extensive experience in third-party payment operation. As of December 31, 2017, we held 31.38% equity interests in Lakala Payment.

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

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

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

Hankou Bank

Hankou Bank conducts commercial banking business including corporate banking, retail banking and financial market. It generates revenue primarily from net interest income and fee and commission income. As of December 31, 2017, Hankou Bank had 156 affiliated agencies in China, including the sales department of its head office, 14 branches, 16 first-tier sub-branches, two special service institutions and 123 second-tier sub-branches (including 28 community banks). The network of Hankou Bank covers substantially the whole territory of Hubei Province, and it also has branches in Chongqing.

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

In the future, Hankou Bank will continue to enhance the corporate banking and to innovate financial market business, expand the small and micro retail business, in an effort to develop a “three-pronged” business landscape and to become one of the most innovative and reliable cooperative banks among regional banks.

Union Insurance

Union Insurance is a leading professional insurance intermediary in China. As of December 31, 2017, we held 48.0% equity interests in Union Insurance. The major clients of Union Insurance come from the educational sector. It provides risk advisory services to schools, local and provincial educational institutions and insurance products services to students. Union Insurance has formed a nationwide service network at provincial, city, country, town and school levels. At present, it has 1 subsidiary, 32 branches and 110 sales departments, with 20,000 school-related risk management staff. It has been providing risk management and insurance brokerage services to over 150 million teachers and students from approximately 300,000 schools of all levels and kinds. During the Reporting Period, the insurance brokerage business of Union Insurance maintained a leading position in China's education-related insurance brokerage business.

eloancn.com

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

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

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

Suzhou Trust

Suzhou Trust mainly engages in trust business. It acts as a trustee and manages entrusted properties and provides financial advisory and other consulting services. As of December 31, 2017, we held 10.00% equity interests in Suzhou Trust. Leveraging on the overall development of the trust industry and extensive wealth management needs from high-net-worth customers, Suzhou Trust established a wealth management platform in Jiangsu Province, one of China's most affluent provinces, to meet the investment and financing demand of a broad group of corporates and high-net-worth customers in the region. As at the end of the Reporting Period, the size of ongoing trust of Suzhou Trust amounted to RMB90,388 million with 231 ongoing trust projects, among which 87 are collective trust products with an ongoing size of RMB33,943 million and 140 are individual trust products with an ongoing size of RMB52,874 million. The wealth management department of Suzhou Trust has established outstanding direct marketing capability and serves many high-net-worth customers. As of December 31, 2017, the number of trust accounts and ongoing accounts opened with Suzhou Trust exceeded 23,000 and 4,400, respectively.

Innovative Consumption and Services

Overview

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

- Bybo Dental, our subsidiary, mainly provides dental healthcare services through chain operations;
- Shanghai Neuromedical Center (德濟醫院), our subsidiary, mainly provides neurology specialist and other comprehensive medical healthcare services;
- Better Education, our subsidiary, mainly provides preschool education services;
- Zeny Supply Chain, our subsidiary, mainly provides logistics services;
- CAR, our associate, mainly provides comprehensive car rental services including car rentals, fleet rentals and financial leasing, as well as sales of used cars;
- EAL, our associate, mainly provides air logistics related services;
- Social Touch, our associate, mainly provides enterprise-level digital marketing solutions; and
- XYWY.COM, our associate, mainly provides Internet healthcare services.

We adhere to the development in innovative consumption and services segment. On one hand, we continue to converge and develop the existing businesses and constantly build up our core competence. On the other hand, we continue to seek new investment opportunities to expand our presence. In addition, we creatively built the two-wheel-drive business model and continuously harvested achievements. During the Reporting Period, we made a joint investment with Hony Capital in the Better Education, a leading kindergarten group with direct operation networks of middle and high-end kindergartens in China; we also cooperated with Legend Capital in the investment in EAL, a leading air logistics company in China, as one of the first pilots for mixed ownership reform of state-owned enterprises. In the innovative consumption and services segment, Shanghai Neuromedical Center, Better Education, CAR and EAL are the fruits delivered by our two-wheel-drive business model.

Operating Highlights

- The Company set a footprint in the education sector through investment in Better Education, a leading kindergarten group with direct operation networks of middle and high-end kindergartens in China, by purchasing controlling equity interests. Better Education directly operates 91 kindergartens in Shanghai, Suzhou, Nanjing, Chongqing, Changsha with over 26,000 enrolled students and over 4,000 employees, with the size among the top tier in China.
- The Company established presence in the aviation logistics sector through strategic investment in EAL. As one of the first batch of pilot enterprises under the mixed-ownership reform program for state-owned enterprises, EAL has nine all-cargo aircrafts and exclusively operates bellyhold space of nearly 600 passenger aircrafts under Eastern Airlines series, accounting for over 20% of the domestic air cargo market share, with the air route network extending to the whole world. It also operates the cargo terminal business of Shanghai Pudong Airport (China's largest and the world's third largest cargo airport) and Hongqiao Airport.
- During the Reporting Period, the subsidiaries of the innovative consumption and services segment achieved sound development: Bybo Dental earned revenue of RMB1,434 million, representing an increase of 14% as compared with the corresponding period of last year; Shanghai Neuromedical Center gained revenue of RMB221 million, representing an increase of 317% as compared with the corresponding period of last year; Zeny Supply Chain realized revenue of RMB968 million, representing an increase of 18% as compared with the corresponding period of last year.

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

	<i>Unit: RMB million</i>	
	2017	2016
Revenue	2,810	2,132
Net (loss)	(475)	(804)
Net (loss) attributable to equity holders of Legend Holdings	(110)	(390)

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

Bybo Dental

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

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

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

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

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

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

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

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

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

	<i>Unit: RMB million</i>	
	2017	2016
Revenue	1,434	1,257
Net (loss)	(793)	(795)

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

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

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

Shanghai Neuromedical Center

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

Founded in 2013, Shanghai Neuromedical Center is a specialist hospital built according to the scale of tertiary specialized hospital standards and excels in clinical neuroscience and other general medical services. The key strategic development areas of Shanghai Neuromedical Center include neurosurgery, functional neurosurgery, internal neurology, epilepsy treatment center, cerebrovascular disease treatment center, cardiovascular disease treatment center, emergency intensive healthcare center, nerve electrophysiology center and neuro-rehabilitation center with the support of the development of general subjects such as surgery and internal medicine.

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

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

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

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

Unit: RMB million

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

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

Better Education

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

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

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

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

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

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

Unit: RMB million

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

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

Zeny Supply Chain

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

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

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

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

	<i>Unit: RMB million</i>	
	2017	2016
Revenue	968	822
Net (loss)	(156)	(327)

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

Associates of Innovative Consumption and Service

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

CAR

CAR, our associate, provides comprehensive car rental services including car rental, fleet rental and financial leasing, and sales of used cars services. Through its strategic partner, UCAR Inc., it provides an on-demand chauffeured car services based on mobile Internet technology and the strong brand of “UCAR”. As of December 31, 2017, we held 25.93% equity interests in CAR.

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

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

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

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

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

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

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

	<i>Unit: RMB million</i>	
	2017	2016
Revenue	7,717	6,454
Net profit	881	1,460

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

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

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

EAL

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

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

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

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

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

Agriculture and Food

Overview

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

There are significant opportunities in the agriculture and food industry in China: (1) upgrading of consumption: with China's increased per capita disposable income and consequential changes in consumption concepts and patterns, we believe that China is now in a stage of rapid upgrading in food consumption; (2) upgrading of industry: in China, the industrial chains are segmented in agricultural and food industry with not-so-reasonable profit distribution mechanisms. Through synergistic network across the industrial chains, product quality, food safety and operating efficiency will be significantly enhanced; (3) overseas resources: with remarkable advantages in resources, species and technology, the overseas market naturally complements the consumption market of China. We will actively look for investment opportunities amidst the aforesaid circumstances.

With the aim of improving food qualities for Chinese consumers, we have developed two supply chains of fresh fruits and fresh seafood. In 2017, in respect of the supply chain of fresh fruits, through the merger and acquisition of the Asian business of Capespan, we achieved coverage of Hong Kong, Southeast Asia, Japan and Korea markets, marking the commencement of the global presence of our fruit business channels, and we set foot in Southeast Asia to obtain resources in the place of origin through acquisition of Thai Crown of Thailand (泰國泰果冠公司); as for the seafood supply chain, domestically, we have Joyvio Agriculture, an A-share listed company in China, which invests in Qingdao Starfish, a leading enterprise engaged in seafood; overseas, we own KB Food, a leading Australian seafood supplier, based on which the expansion and integration of global seafood supply chain system will be carried out.

We look forward to providing products and services of enhanced safety and quality to Chinese consumers through the industrial integration and a global presence in the future. By enhancing the effectiveness of investment and operating efficiency, we have developed Joyvio Group into a professional investment holding vehicle of the agricultural and food business of the Company, thereby achieving the corporate and professional investment and operation of the agricultural and food business.

Operating highlights

- For the fruit business, during the Reporting Period, Golden Wing Mau continued its overseas presence while carrying out in-depth integration of the upstream and downstream of domestic fruit business, resulting in rapid year-on-year growth of revenue and profit and further consolidating its leading position in the industry.
- On March 6, 2017, we completed the acquisition of Joyvio Agriculture (Stock Code on Shenzhen Stock Exchange: 300268), a ChiNext listed company on Shenzhen Stock Exchange of China, and became its controlling shareholder. As a strategic industrial platform under Joyvio, the company will accelerate the expansion of purchase, processing and distribution of seafood and other animal protein-related products. In August 2017, Joyvio Agriculture acquired the controlling interests of Qingdao Starfish, which enhanced our control over the upstream resources of animal protein industry chain and continuously promoted the transformation of the listed company's asset quality.
- During the Reporting Period, KB Food proactively implemented the strategy of integration of upstream resources and further consolidated its competitive advantages in Australia. On this basis, the company has planned to export more high quality seafood of Australia to international markets, in particular the Chinese market.
- The continuous optimization of Funglian Group's product mix and further maturity of diversified competition model led to a substantial increase in the overall operating efficiency and profit. During the Reporting Period, the net profit soared by 853% year-on-year.
- In September 2017, Joyvio Group completed strategic investment in acquisition of 68.58% equity interests in Nine Masters through which we expanded our strategic layout in the integrated food ingredients supply chain.

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

	<i>Unit: RMB million</i>	
	2017	2016
Revenue	4,962	3,266
Net profit	288	71
Net profit attributable to equity holders of Legend Holdings	232	70

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

(1) Fruit business

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

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

(2) Animal protein-related business

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

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

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

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

(3) Branded drinks business

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

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

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

Liquor Easy is a dedicated liquor retailer running chain store networks. Its business model of "physical outlets+call centre+APP+delivery in 20 minutes" combined online and offline operations and reshaped distribution channels of the liquor industry. Its promised "20 minutes home delivery" has become the highest benchmark of liquor delivery. During the Reporting Period, Liquor Easy further increased the number of chain stores and distribution sites in Henan, Beijing and Xi'an markets, thereby enhancing both its market coverage and service capability. In 2017, its revenue increased by 31% year-on-year. As of December 31, 2017, Joyvio Group held 30% equity interests in Liquor Easy.

(4) *Processed food products business*

Joyvio Group tapped into the field of processed food products through the investment in Huawen Food, a leading manufacturing enterprise of snack food in China that owns various brands such as Jinzai and Bo Wei Yuan. Its products involve two major series, namely marine fish snack food and dried bean curd products, and each of them enjoys the leading position in their respective market segment. Relying on the leading capability in research and development and automated production as well as the strong brand operation and distribution network, the company has become a leading enterprise in the snack food industry in China. In 2017, the company exerted great efforts in optimizing the distribution and sales channels and expanding the sales channels relentlessly, with a view to expand the share of the company's products in the snack market in second, third or lower-tier cities. Along with the optimization of channels, the company actively promoted brand marketing by launching a few commercials featuring the brand spokesman Mr. Wang Han and commencing innovative marketing, with a view to enhance the company's brand awareness.

(5) *Integrated food ingredients supply chain business*

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

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

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

New Materials

Overview

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

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

	<i>Unit: RMB million</i>	
	2017	2016
Revenue	4,876	4,702
Net profit	527	184
Net profit attributable to equity holders of Legend Holdings	482	141

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

Operating highlights

- CAS Holdings strategically invested RMB850 million in Levima New Materials. The investment realized the access to intensive base of accumulated technology and innovative resources of Chinese Academy of Sciences by Levima New Materials and optimised the capital structure, introduced more resources for ongoing development and enhanced the competitiveness of business.
- The market share of Levima Group in terms of thin-walled polypropylene injection molding product and EVA cable materials ranked first in the domestic market. The EVA new product successfully entered the photovoltaic application field and saw stable increase in sales. Besides, the proportion of special EOD product rose rapidly. Accordingly, the company's product mix was continuously optimised along with further enhancement of its profitability and market influence;
- The strategic divestment from Phylion Battery produced favourable return on investment.

Levima Group

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

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

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

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

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

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

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

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

	<i>Unit: RMB million</i>	
	2017	2016
Revenue	4,876	4,702
Net profit	116	86

Financial Investments

Overview

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

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

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

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

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

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

Legend Star

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

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

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

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

Since 2014, Legend Star has been ranked as top tier of the Annual Angel Investment Institution/Early Stage Investment Institutions by the professional institutions in the industry such as Zero2IPO Group and China Venture Group.

Legend Capital

Legend Capital is one of the leading venture capital institutions in China. As of the end of 2017, Legend Capital totally managed seven USD funds, four RMB funds, two early-staged RMB funds, one USD fund specialised in healthcare sector, one RMB fund specialised in healthcare sector, two RMB funds specialised in culture and sports sector and one fund in red-chip return concept. In 2017, Legend Capital launched one new RMB fund, namely Suzhou JunJunde Equity Investment, L.P. (蘇州君駿德股權投資合夥企業(有限合夥)) (“2nd culture and sports fund”) and also completed the final closing of one USD fund and one RMB fund, namely LC Fund VII, L.P. (“7th USD fund”) and Beijing Legend Capital Huicheng Equity Investment L.P. (北京君聯慧誠股權投資合夥企業(有限合夥)) (together with its sub-fund, the “4th RMB fund”), respectively. As of December 31, 2017, the raised fund amounted to RMB3.61 billion, including a total of RMB1.35 billion raised for the 2nd culture and sports fund.

In 2018, Legend Capital plans to complete the fund raising of the 2nd culture and sports fund and launch the 2nd RMB fund and USD fund specialized in healthcare sector, the 5th RMB fund and the 8th USD fund. Legend Capital’s newly raised funds will focus on Chinese enterprises and cross-border opportunities at the start-up stage and growing stage in TMT, innovative consumption, intelligent manufacture, specialized services, healthcare, and culture and sports sectors. In addition, in 2018, Legend Capital will continue to carry out the exit of projects under management to ensure better return for investors.

During the Reporting Period, Legend Capital accumulatively completed 60 new project investments, covering startup stage and growing stage enterprises in TMT, innovative consumption, intelligent manufacture, specialized services, healthcare, and culture and sports sectors.

During the Reporting Period, Legend Capital fully or partially exited 21 projects, contributing cash inflow of nearly RMB700 million for Legend Holdings to ensure better cash return. Among its portfolio companies, eight enterprises were listed on the domestic and overseas capital market through IPO, namely Shanghai Fullhan Microelectronics Co.,Ltd (上海富瀚微電子股份有限公司), Tanyuan Technology Co., Ltd (碳元科技股份有限公司), WuXi Biologics (Cayman) Inc. (藥明生物技術有限公司), Union Optoelectronics Technology Co., Ltd (聯合光電科技股份有限公司), Berry Genomics Corporation (北京貝瑞和康生物技術股份有限公司), KingMed Diagnostics Corporation (廣州金域醫學檢驗集團股份有限公司), Shanghai Putailai New Energy Technology Co., Ltd. (上海璞泰來新能源科技股份有限公司), Shanghai PPDai Financial Information Service Co. Ltd (上海拍拍貸金融資訊服務有限公司). As of December 31, 2017, 47 of Legend Capital's portfolio companies have been successfully listed. As of December 31, 2017, Legend Capital achieved an average internal rate of return for their exit projects ranging between 35% and 40%.

The following table sets forth the information of Legend Capital's funds in which Legend Holdings and its subsidiaries held direct interests in their capacity as a limited partner as of December 31, 2017:

Name of Fund	Fund Term		Total Commitment	Investment Sector	Interests held by Legend Holdings as a limited partner
	Commencement	End Date			
	Date (month/day/ year)	(month/day/ year)			(%)
USD funds (in USD million)					
LC Fund I	N/A	N/A	35	IT and related sectors	Note(3)
LC Fund II	N/A	N/A	60	IT and related sectors	63.46%
LC Fund III, L.P.	4/27/2006	N/A	170	IT and related sectors (Investment in extension period refers to non-IT sector)	65.70%
LC Fund IV, L.P.	4/15/2008	4/14/2018	350	TMT, healthcare, consumer goods, modern services, clean technology and advanced manufacture	29.77%
LC Fund V, L.P.	5/31/2011	5/30/2021	515	TMT, healthcare, consumer goods, modern services, etc.	19.42%
LC Fund VI, L.P.	1/30/2014	4/17/2024	500	TMT, healthcare, modern services, etc.	23.20%
LC Healthcare Fund I, L.P.	9/29/2015	2/4/2025	250	Healthcare	20.00%
LC Fund VII, L.P.	2/5/2016	2/4/2024	448	TMT, innovative consumption, modern services, intelligent manufacture	22.31%

Name of Fund	Fund Term		Total Commitment	Investment Sector	Interests held by Legend Holdings as a limited partner
	Commencement	End Date			
	Date (month/day/ year)	(month/day/ year)			(%)
<i>RMB Funds (in RMB million)</i>					
Beijing Legend Capital Ruizhi Venture Investment Center (Limited Partnership) (北京君 聯睿智創業投資中心(有限 合夥))	9/18/2009	9/18/2019	1,000	TMT, healthcare, consumer goods, modern services, clean technology and advanced manufacture	31.00%
Tianjin Junruiqi Equity Investment L.P. (天津君睿祺股權投資 合夥企業(有限合夥))	3/31/2011	3/30/2019	3,632	TMT, healthcare, consumer goods, modern services, clean technology and advanced manufacture	31.67%
Beijing Legend Capital Maolin Equity Investment L.P. (北京君聯茂 林股權投資合夥企業(有限 合夥))	9/9/2014	9/8/2022	3,204	Consumer goods, modern services, TMT, healthcare, etc.	31.21%
Shanghai Qiji Venture Investment L.P. (上海祺跡創業投資合 夥企業(有限合夥))	5/30/2015	5/29/2023	500	TMT and innovative consumer service sector	16.00%
Beijing Legend Capital Mingde Equity Investment L.P. (北京君 聯名德股權投資合夥企業(有 限合夥))	7/31/2015	7/30/2021	1,252	Culture entertainment, sports	19.97%
Beijing Legend Capital Xinhai Equity Investment L.P. (北京君聯新 海股權投資合夥企業(有限 合夥))	8/11/2015	8/10/2020	1,698	Return of red-chip, cross-border investment and other high- growth projects	17.67%
Beijing Legend Capital Yikang Equity Investment L.P. (北京君 聯益康股權投資合夥企業(有 限合夥))	2/5/2016	2/4/2024	1,621	Healthcare	18.50%
Beijing Legend Capital Huicheng Equity Investment L.P. (北京君 聯慧誠股權投資合夥企業(有 限合夥))	8/30/2016	8/29/2024	4,500	TMT, innovative consumption, modern services and intelligent manufacture	22.22%
Suzhou JunJunde Equity Investment, L.P. (蘇州君駿德股權投資 合夥企業(有限合夥))	6/30/2017	6/29/2025	1,353	Culture entertainment, sports	27.71%

Notes:

- (1) The end date is extendable in accordance with the relevant limited partnership agreement.
- (2) Total commitment represents the aggregate capital commitment by partners of limited partnerships or investors for the funds in the form of limited liability companies, if applicable, as of the final closing date.
- (3) LC Fund I comprises two limited liability companies, namely Legend Capital Limited, which focused on investments in China, and Legend New-Tech Investment Limited, which focused on overseas investments.
- (4) LC Fund II is a limited liability company. It is our subsidiary and its financial data is consolidated in our consolidated financial statements.
- (5) Suzhou JunJunde Equity Investment, L.P. (蘇州君駿德股權投資合夥企業(有限合夥)) has not completed the final closing during the Reporting Period.

Hony Capital

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

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

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

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

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

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

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

The following table sets forth the information of Hony Capital's funds in which Legend Holdings and its subsidiaries held direct interests in their capacity as a limited partner as of December 31, 2017:

Name of Fund	Fund Term		Total Commitment	Investment Sector	Interests held by Legend Holdings as a limited partner
	Commencement	End Date			(%)
	Date (month/day/ year)	(month/day/ year)			
<i>USD funds (in USD million)</i>					
Hony International Limited	N/A	N/A	29	In view of China’s economic	40%
Hony Capital II, L.P.	7/26/2004	8/31/2014	87	environment and the direction	41%
Hony Capital Fund III, L.P.	9/19/2006	11/10/2016	580	of policies, Hony’s equity	34%
Hony Capital Fund 2008, L.P.	5/27/2008	6/26/2018	1,398	investment funds strategically	14%
Hony Capital Fund V, L.P.	8/10/2011	12/15/2021	2,368	focus on the opportunities	11%
Hony Capital Fund VIII (Cayman), L.P.	8/18/2015	10/30/2025	1,647	of SOE reforms, mergers and acquisitions of private enterprises and cross-border mergers and acquisitions sectors. In terms of industry selection, it focuses on industries directly benefiting from China’s macro trends, including consumer industry, health industry, service industry and high- end manufacturing industry, as well as opportunities for transformation brought by the mobile Internet.	16%

RMB Funds (in RMB million)

Hony Capital RMB I, L.P. (弘毅投資產業一期基金 (天津)(有限合夥))	4/24/2008	4/23/2018	5,026		30%
Hony Capital RMB Fund 2010, L.P. (北京弘毅貳零壹零 股權投資中心(有限合夥))	10/13/2010	10/12/2018	9,965		20%
Hony Capital Fund 2015, L.P. (弘毅貳零壹伍(深圳) 股權投資基金中心 (有限合夥))	10/13/2015	10/12/2025	3,596		23%

Name of Fund	Fund Term		Total Commitment	Investment Sector	Interests held by Legend Holdings as a limited partner (%)
	Commencement Date (month/day/ year)	End Date (month/day/ year)			
Hony Capital Mezzanine RMB Fund I, L.P. (弘毅一期(深圳) 夾層投資中心(有限合夥))	5/17/2013	9/2/2017	1,040	Hony Capital's mezzanine funds focus mainly on investment opportunities of mergers and acquisitions financing,	10%
Tibet Dazi Hony Phase II Mezzanine Fund Partnership (Limited Partnership) (西藏 達孜弘毅二期夾層基金合 夥企業(有限合夥))	3/19/2015	10/15/2018	2,050	ABS financing and special opportunity investing, etc.	10%
Hony Capital Real Estate Fund 2015, L.P. (弘毅貳零壹伍(深 圳)地產投資中心(有限合 夥))	9/28/2016	9/27/2021	2,563	The property fund focuses strategically on the domain of office buildings in first-tier cities to create excess return over the market average, by applying various value-added means such as renovation, enhanced operation and functional adjustment to the office buildings in first-tier cities or other commercial buildings with potential of conversion into office buildings.	20%
Beijing Haidian Technology Industry Space Optimization Fund, L.P. (北京海淀科技 產業空間優化基金中心(有 限合夥))	12/8/2016	6/30/2022	1,075		5%

Notes:

- (1) The end date is extendable in accordance with the relevant limited partnership agreement.
- (2) Total commitment represents the aggregate capital commitment by partners of limited partnerships or investors for the funds in the form of limited liability companies, as applicable, as of the final closing date.
- (3) HONY CAPITAL FUND VIII (CAYMAN), L.P. and Hony Capital Fund 2015, L.P. (弘毅貳零壹伍(深圳)股權投資基金中心(有限合夥)) were collectively named as "Hony RMB Fund VIII" in the above table.
- (4) Beijing Haidian Technology Industry Space Optimization Fund, L P (北京海淀科技產業空間優化基金中心(有限合夥)) has not completed the final closing during the Reporting Period.

Investment Properties

The investment properties that we hold mainly include the high-end office buildings, i.e. Raycom Info Tech Park Tower A, Tower B and Tower C in Zhongguancun, Beijing. As of December 31, 2017, the average occupancy rate was about 99%. We hold Tower A and Tower C of Raycom Info Tech Park through Raycom Property, a wholly-owned subsidiary of the Company and hold Tower B through Raycom Real Estate, a subsidiary. As of December 31, 2017, the fair value of our investment properties amounted to RMB10.999 billion (excluding the self-use portions).

Financial Review

Net interest expenses

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

Taxation

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

Capital expenditures and capital commitments

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

As of December 31, 2017, RMB16,893 million of capital expenditures have been contracted but not yet been spent. Such capital commitments were mainly used for purchases of property, plant and equipment, and investment. Details of capital commitments are set out in Note 22 to the financial statements.

Liquidity and financial resources

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

Cash and cash equivalents

As of December 31, 2017, our cash and cash equivalents include RMB32,202 million of cash at bank and in hand and money market funds, among which, RMB, USD, HKD, EUR and other currencies accounted for 54%, 29%, 6%, 4% and 7%, respectively, while the amount as of December 31, 2016 was RMB30,059 million, among which, RMB, USD, HKD, EUR and other currencies accounted for 51%, 26%, 10%, 4% and 9%, respectively. It is our policy to place our cash in interest-bearing principal-protected demand or short-term deposits with reputable PRC and foreign banks.

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

Indebtedness

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

Unit: RMB million

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

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

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

Unit: RMB million

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

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

Issuer	Type of bonds	Currency	Issuance date	Term	Principal amount	As of December 31, 2017
The Company	Corporate bonds	RMB	October 31, 2011	7 years	RMB2,900 million	RMB2,896 million
The Company	Corporate bonds	RMB	November 30, 2012	10 years	RMB2,300 million	RMB2,289 million
The Company	Private placement bonds	RMB	March 21, 2014	5 years	RMB2,000 million	RMB1,992 million
The Company	Private placement bonds	RMB	March 27, 2014	5 years	RMB740 million	RMB738 million
The Company	Private placement bonds	RMB	October 29, 2015	3 years	RMB1,000 million	RMB998 million
The Company	Corporate bonds	RMB	July 6, 2016	5 years	RMB1,500 million	RMB1,496 million
The Company	Corporate bonds	RMB	July 6, 2016	10 years	RMB2,000 million	RMB1,992 million

Issuer	Type of bonds	Currency	Issuance date	Term	Principal amount	As of December 31, 2017
The Company	Private placement bonds	RMB	November 28, 2016	3 years	RMB3,000 million	RMB2,994 million
The Company	Corporate bonds	RMB	July 5, 2017	5 years	RMB2,500 million	RMB2,493 million
Lenovo	Long term notes	USD	May 8, 2014	5 years	USD1,500 million	RMB9,781 million
Lenovo	Long term notes	RMB	June 10, 2015	5 years	RMB4,000 million	RMB4,002 million
Lenovo	Long term notes	USD	March 16, 2017	5 years	USD500 million	RMB3,245 million
Zhengqi Financial	Guaranteed bonds	RMB	September 16, 2015	3 years	RMB500 million	RMB494 million
Zhengqi Financial	Corporate bonds	RMB	March 3, 2016	3 years	RMB400 million	RMB398 million
Zhengqi Financial	Corporate bonds	RMB	September 22, 2017	3 years	RMB300 million	RMB298 million
JC Finance & Leasing	Asset backed securities	RMB	November 17, 2016	2–3 years	RMB527 million	RMB531 million
JC Finance & Leasing	Private placement bonds	RMB	March 28, 2017	3 years	RMB500 million	RMB519 million
JC Finance & Leasing	Asset backed securities	RMB	June 23, 2017	3–4 years	RMB1,202 million	RMB1,212 million
JC Finance & Leasing	Private placement bonds	RMB	December 22, 2017	2 years	RMB100 million	RMB100 million

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

As of December 31, 2017, the Company had undrawn banking facilities of RMB87.4 billion. The Company has entered into formal or informal cooperation agreements with various major banks in China. According to these agreements, the banks granted the Company general banking facilities to support its capital needs. Prior approval of individual projects from banks in accordance with bank regulations of China must be obtained before the use of these banking facilities.

Current ratio and debt to equity ratio

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

Current ratio

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

Debt to equity ratio

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

Pledged assets

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

Contingent liabilities

Our contingent liabilities primarily comprised (i) shareholder's guarantees we provided in respect of the borrowings provided by commercial banks and other financial institutions to associates and third parties for their business expansion; and (ii) financial guarantees provided by our subsidiaries in the financial services business to SMEs for their borrowings from certain banks.

We evaluated the financial position of financial guarantees provided in connection with our financial services business periodically and made provision accordingly. As of December 31, 2017 and December 31, 2016, the provision made by us was RMB109 million and RMB108 million respectively.

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

Unit: RMB million

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

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

Events after the Reporting Period

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

Use of proceeds from the initial public offering

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

As of December 31, 2017, the Company applied RMB2 billion for the repayment of partial amount of the corporate bonds due in 2015, RMB342 million for the ordinary working capital and deposited the remaining balance with Hong Kong licensed banks.

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

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

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

1. In respect of the Company's core management members ("core management"), the overall remuneration comprises annual remuneration, mid-term to long-term incentives and benefits. Annual remuneration as well as mid-term to long-term incentives of core management of the Company is determined by the Board based on the overall performance of the Company and the duties undertaken by the core management and their performance. The Company will then determine performance results according to the Company's performance and the performance appraisal of core management. Annual remuneration comprises annual basic salaries (determined based on the duties undertaken by core management) and target bonus (calculated based on a certain proportion of the basic salaries of core management with reference to the overall performance of the Company and performance appraisal of core management). And the benefits include basic social benefits and supplemental benefits of the Company.
2. In respect of the employees of the Company, the overall remuneration consists of annual remuneration, mid-term to long-term incentives and benefits. Annual remuneration comprises basic salaries and target bonus. Basic salaries represent salaries determined based on duties undertaken by the employees, their performance and capabilities. Target bonus is determined based on a certain proportion of the employees' basic salaries and calculated based on the annual operating results of the Company and the annual performance appraisal of employees. Meanwhile, in order to attract and motivate talents to create values for the sustainable development of the Company, the mid-term to long-term share incentive scheme was approved by the Board and the general meetings of the Company held in March 2016 and June 2016, respectively, and the implementation thereof was completed at the end of 2016. In addition, the Company also establishes a system of basic social benefits and supplemental benefits as a complementary with a view to enhance its benefits level.
3. The remuneration for independent non-executive directors is determined based on the time devoted, workload, duties undertaken thereby and prevailing market level. The Remuneration Committee reviews the remuneration for independent non-executive directors on a regular basis.

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

Recommendation of Final Dividend

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

Closure of Register of Members

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

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

CONSOLIDATED INCOME STATEMENT

For the year ended December 31, 2017

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

CONSOLIDATED INCOME STATEMENT (*CONTINUED*)

For the year ended December 31, 2017

		Year ended December 31,	
		2017	2016
	Note	RMB'000	RMB'000
Profit attributable to:			
– Equity holders of the Company		5,047,826	4,858,924
– Perpetual securities holders		284,639	–
– Other non-controlling interests		(474,772)	3,126,086
		<u>4,857,693</u>	<u>7,985,010</u>
Profit attributable to the equity holders of the Company from:			
– Continuing operations		5,047,826	4,851,984
– Discontinued operations		–	6,940
		<u>5,047,826</u>	<u>4,858,924</u>
Earnings per share for the profit attributable to the equity holders of the Company (<i>expressed in RMB per share</i>)			
Basic earnings per share	9		
– Continuing operations		2.16	2.06
– Discontinued operations		–	–
		<u>2.16</u>	<u>2.06</u>
Diluted earnings per share	9		
– Continuing operations		2.14	2.06
– Discontinued operations		–	–
		<u>2.14</u>	<u>2.06</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2017

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

CONSOLIDATED BALANCE SHEET

As at December 31, 2017

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

CONSOLIDATED BALANCE SHEET (CONTINUED)

As at December 31, 2017

		As at December 31,	
		2017	2016
	Note	RMB'000	RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	18	64,454,075	56,516,221
Deferred revenue		4,165,396	3,798,833
Retirement benefit obligations		2,573,867	2,790,929
Provisions	19	1,899,452	2,075,099
Financial liabilities at fair value through profit or loss		801,000	–
Deferred income tax liabilities		4,809,127	4,676,491
Other non-current liabilities	17	3,990,979	4,100,046
		<u>82,693,896</u>	<u>73,957,619</u>
Current liabilities			
Trade and notes payables	15	56,730,615	49,233,992
Other payables and accruals	16	78,371,700	87,788,354
Derivative financial instruments		387,100	367,619
Provisions	19	5,808,816	6,831,179
Advance from customers		2,827,577	2,870,695
Deferred revenue		4,191,807	3,894,168
Income tax payables		1,957,052	2,169,581
Borrowings	18	23,123,530	26,153,409
		<u>173,398,197</u>	<u>179,308,997</u>
Total liabilities		<u>256,092,093</u>	<u>253,266,616</u>
Total equity and liabilities		<u>335,073,741</u>	<u>322,258,828</u>
Net current assets		<u>162,002</u>	<u>(5,842,515)</u>
Total assets less current liabilities		<u>161,675,544</u>	<u>142,949,831</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2017

	Attributable to the equity holders of the Company													
	Share capital RMB'000	Share premium RMB'000	Statutory surplus reserve RMB'000	Revaluation reserve RMB'000	Share-based compensation reserve RMB'000	Shares held for restricted share scheme RMB'001	Hedging reserve RMB'000	Exchange reserve RMB'000	Other reserve RMB'000	Retained earnings RMB'000	Perpetual securities RMB'000	Other non-controlling interests RMB'000	Put option written on non-controlling interests RMB'000	Total RMB'000
As at January 1, 2017	2,356,231	11,281,940	311,807	1,718,251	1,724,078	(269,831)	155,659	(1,681,059)	3,888,806	32,780,274	-	18,069,455	(1,343,399)	68,992,212
Profit/(loss) for the year	-	-	-	-	-	-	-	-	-	5,047,826	284,639	(474,772)	-	4,857,693
Other comprehensive (loss)/income	-	-	-	(261,638)	-	-	-	-	-	-	-	29,092	-	(232,546)
Fair value changes on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassified to income statement on disposal of available-for-sale financial assets	-	-	-	(1,526,568)	-	-	-	-	-	-	-	(110,031)	-	(1,636,599)
Share of other comprehensive income of associates using equity accounting	-	-	-	51,127	-	-	-	-	-	-	-	-	-	51,127
Fair value change on forward foreign exchange contracts	-	-	-	-	-	-	(464,195)	-	-	-	-	(985,836)	-	(1,450,031)
Reclassified to income statement on forward foreign exchange contracts	-	-	-	-	-	-	297,769	-	-	-	-	642,902	-	940,671
Currency translation differences	-	-	-	-	-	-	-	(1,161,220)	-	-	-	57,608	-	(1,103,612)
Remeasurement of post-employment benefit obligations	-	-	-	-	-	-	-	-	82,798	-	-	180,110	-	262,908
Revaluation of investment properties upon reclassification from property, plant and equipment	-	-	-	91,982	-	-	-	-	-	-	-	-	-	91,982
Total comprehensive (loss)/income for the year	-	-	-	(1,645,097)	-	-	(166,426)	(1,161,220)	82,798	5,047,826	284,639	(660,927)	-	1,781,593
Total transactions with owners, recognised directly in equity	-	-	-	-	-	-	-	-	-	-	-	582,555	-	582,555
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	4,555	-	4,555
Disposal of subsidiaries	-	-	-	-	-	-	-	-	243,607	-	-	(478,104)	-	(234,497)
Transaction with other non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	2,839,333	-	2,839,333
Contribution from other non-controlling interests	-	-	-	-	-	-	-	-	-	-	6,701,175	-	-	6,701,175
Issue of perpetual securities (Note 14)	-	-	-	-	-	-	-	-	-	-	-	(30,665)	-	(43,252)
Issue of bonus warrants	-	-	-	-	-	-	-	-	(12,587)	-	-	1,332	-	2,344
Transfer to reserve	-	-	-	-	1,376	-	-	-	27,239	(26,227)	-	-	-	1,376
Share of share option reserve of an associate	-	-	-	-	-	-	-	-	-	-	-	-	-	(13,960)
Share of other reserve of associates	-	-	-	-	-	-	-	-	-	-	-	-	-	(13,960)
Share-based compensation	-	-	-	-	350,057	68,480	-	-	-	-	-	786,195	-	1,204,732
Purchase of restricted shares under share scheme	-	-	-	-	-	(58,491)	-	-	-	-	-	-	-	(58,491)
Transfer to statutory surplus reserve	-	-	73,848	-	-	-	-	-	-	(73,848)	-	-	-	-
Dividends paid (Note 20)	-	-	-	-	-	-	-	-	-	(570,208)	-	(2,029,162)	-	(2,599,370)
Distribution to perpetual securities holders	-	-	-	-	-	-	-	-	-	-	(178,657)	-	-	(178,657)
Total transactions with owners, recognised directly in equity	-	-	73,848	-	351,433	9,989	-	-	244,299	(670,283)	6,522,518	1,676,039	-	8,207,843
As at December 31, 2017	2,356,231	11,281,940	385,655	73,154	2,075,511	(259,842)	(10,767)	(2,842,279)	4,215,903	37,157,817	6,807,157	19,084,567	(1,343,399)	78,981,648

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the year ended December 31, 2017

	Attributable to the equity holders of the Company												
	Share capital RMB'000	Share premium RMB'000	Statutory surplus reserve RMB'000	Revaluation reserve RMB'000	Share-based compensation reserve RMB'000	Shares held for restricted share scheme RMB'000	Hedging reserve RMB'000	Exchange reserve RMB'000	Other reserve RMB'000	Retained earnings RMB'000	Other non-controlling interests RMB'000	Put option written on non-controlling interests RMB'000	Total RMB'000
As at January 1, 2016	2,356,231	11,281,940	191,599	2,755,586	1,372,899	-	74,202	(2,606,523)	4,888,927	28,581,654	17,513,967	(1,343,399)	65,067,083
Profit for the year	-	-	-	-	-	-	-	-	-	4,858,924	3,126,086	-	7,985,010
Other comprehensive (loss)/income	-	-	-	(498,208)	-	-	-	-	-	-	(136,371)	-	(634,579)
Fair value changes on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassified to income statement on disposal of available-for-sale financial assets	-	-	-	(512,631)	-	-	-	-	-	-	(215,270)	-	(727,901)
Share of other comprehensive loss of associates using equity accounting	-	-	-	(119,310)	-	-	-	-	-	-	-	-	(119,310)
Fair value change on forward foreign exchange contracts	-	-	-	-	-	-	65,423	-	-	-	107,120	-	172,543
Reclassified to income statement on forward foreign exchange contracts	-	-	-	-	-	-	16,034	-	-	-	35,551	-	51,585
Currency translation differences	-	-	-	-	-	-	-	925,464	-	-	605,682	-	1,531,146
Remeasurement of post-employment benefit obligations	-	-	-	-	-	-	-	-	(83,871)	-	(187,861)	-	(271,732)
Revaluation of investment properties upon reclassification from property, plant and equipment	-	-	-	92,814	-	-	-	-	-	-	-	-	92,814
Total comprehensive (loss)/income for the year	-	-	-	(1,037,335)	-	-	81,457	925,464	(83,871)	4,858,924	3,334,937	-	8,079,576
Total transactions with owners, recognised directly in equity	-	-	-	-	-	-	-	-	-	-	-	-	-
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	41,407	-	41,407
Disposal of subsidiaries	-	-	-	-	-	-	-	-	2,864	-	(1,676,948)	-	(1,674,084)
Transaction with other non-controlling interests	-	-	-	-	-	-	-	-	(941,844)	-	(501,993)	-	(1,443,837)
Contribution from other non-controlling interests	-	-	-	-	-	-	-	-	-	-	1,040,674	-	1,040,674
Transfer to reserve	-	-	-	-	-	-	-	-	6,074	(21,750)	3,285	-	(12,391)
Share of other reserve of associates	-	-	-	-	-	-	-	-	16,656	-	-	-	16,656
Share-based compensation	-	-	-	-	351,179	-	-	-	-	-	769,052	-	1,120,231
Purchase of restricted shares under share scheme	-	-	-	-	-	(269,831)	-	-	-	-	-	-	(269,831)
Transfer to statutory surplus reserve	-	-	120,208	-	-	-	-	-	-	(120,208)	-	-	-
Dividends paid (Note 20)	-	-	-	-	-	-	-	-	-	(518,346)	(2,454,926)	-	(2,973,272)
Total transactions with owners, recognised directly in equity	-	-	120,208	-	351,179	(269,831)	-	-	(916,250)	(660,304)	(2,779,449)	-	(4,154,447)
As at December 31, 2016	2,356,231	11,281,940	311,807	1,718,251	1,724,078	(269,831)	155,659	(1,681,059)	3,888,806	32,780,274	18,069,455	(1,343,399)	68,992,212

CONSOLIDATED CASH FLOW STATEMENT

For the year ended December 31, 2017

		Year ended December 31,	
		2017	2016
	<i>Note</i>	RMB'000	RMB'000
Cash flows from operating activities			
Cash flows from continuing operating activities			
Cash generated from operations	21	(1,795,667)	6,776,316
Income tax paid		(3,574,454)	(2,674,201)
Net cash (used in)/generated from operating activities of continuing operations		(5,370,121)	4,102,115
Net cash generated from operating activities of discontinued operations		–	8,180,521
Net cash (used in)/generated from operating activities		(5,370,121)	12,282,636
Cash flows from investing activities			
Cash flows from continuing investing activities		–	–
Purchases of property, plant and equipment, and intangible assets		(6,442,351)	(6,470,707)
Proceeds from sale of property, plant and equipment, and intangible assets		252,639	2,793,851
Purchase of financial assets at fair value through profit or loss		(1,617,346)	(1,848,291)
Proceeds from the disposal of financial assets at fair value through profit or loss		1,198,244	10,333
Dividends from financial assets at fair value through profit or loss		241,495	331,513
Capital injection in associates measured at fair value through profit or loss		(3,330,371)	(2,741,127)
Distributions from associates measured at fair value through profit or loss		2,036,523	1,369,808
Acquisition of and capital injection in associates and joint ventures using equity accounting		(1,472,178)	(579,780)
Proceeds from partial disposal of associates using equity accounting		3,187,977	33,591
Distributions from associates using equity accounting		498,804	194,364
Purchase of available-for-sale financial assets		(2,797,072)	(3,752,194)
Disposal of available-for-sale financial assets		1,416,227	2,104,601
Dividends from available-for-sale financial assets		398,293	258,336
Acquisition of subsidiaries, net of cash acquired		(1,053,851)	(1,592,180)
Disposal of subsidiaries, net of cash disposed		427,441	288,651
Lendings to related parties and third parties		(897,271)	–
Repayment of contingent consideration and deferred consideration		(11,285,235)	–
Interest received		248,574	343,917
Decrease/(increase) in bank deposits		4,669,153	(4,770,526)
Prepayment to proposed transactions		(354,195)	(1,135,226)
Net cash used in investing activities of continuing operations		(14,674,500)	(15,161,066)
Net cash generated from/(used in) investing activities of discontinued operations		–	–
(Note 11(i))		12,878,311	(7,182,051)
Net cash used in investing activities		(1,796,189)	(22,343,117)

CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)*For the year ended December 31, 2017*

		Year ended December 31,	
		2017	2016
	<i>Note</i>	RMB'000	RMB'000
Cash flows from financing activities			
Cash flows from continuing financing activities			
Proceeds from borrowings		80,074,333	60,240,185
Repayments of borrowings		(81,124,828)	(54,082,718)
Payment of costs on issuance of new shares		–	(244,017)
Repurchase of shares		(58,491)	(269,831)
Issue of perpetual securities		6,701,175	–
Issue of financial liabilities at fair value through profit or loss		801,000	–
Capital contributions from other non-controlling interests		2,950,744	840,759
Distribution to perpetual securities holders		(178,657)	–
Distribution to other non-controlling interests		(2,029,162)	(1,776,550)
Transaction with other non-controlling interests		(234,497)	(1,561,152)
Cash proceeds from issuance of bonds, net of issuance costs		8,256,070	8,881,200
Dividends paid to equity holders of the Company	20	(570,208)	(518,371)
Interest paid		(4,171,439)	(3,178,265)
Net cash generated from financing activities of continuing operations		10,416,040	8,331,240
Net cash generated from financing activities of discontinued operations		–	(3,015,350)
Net cash generated from financing activities		10,416,040	5,315,890
Net decrease in cash and cash equivalents of continuing operations		(9,628,581)	(2,727,711)
Net increase/(decrease) in cash and cash equivalents of discontinued operations		12,878,311	(2,016,880)
Net increase/(decrease) in cash and cash equivalents		3,249,730	(4,744,591)
Cash and cash equivalents at beginning of year		30,059,402	34,802,953
Exchange (losses)/gains on cash and cash equivalents		(1,106,655)	1,040
Cash and cash equivalents at end of year	12	32,202,477	30,059,402

1. GENERAL INFORMATION

Legend Holdings 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 completed a series of reorganizations and was converted into a joint stock limited liability company on February 18, 2014. The Company's shares have been listed on the Main Board of the Hong Kong Stock Exchange since June 29, 2015. The registered capital is RMB2,356 million.

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

The Company operates businesses through two principal business platforms, strategic investments and financial investments.

The strategic investments consist of operations in (a) IT industry, which is primarily engaged in the development, manufacturing and marketing high-quality and easy-to-use technology products and services for customers and enterprises; (b) financial services industry, which offers services including short-term financing, credit guarantees, entrusted loans, financial leasing, banking, insurance brokerage services, third-party payment and internet finance and trusts, customised financial solutions to customers; (c) innovative consumption and services industry, whose operation mainly to provide comprehensive medical and health service, logistics, car rental business, digital marketing solutions of enterprises internet healthcare services, education for kids and aviation logistic related business services; (d) agriculture and food industry, which is mainly engaged in planting and sales of premium fruit and tea products in agriculture business, producing and selling various brands of Chinese liquor, supplying seafood and accessory products, agriculture-oriented e-commerce platform and liquor direct sales chain; and (e) new materials industry, which includes fine chemicals and energy materials production services.

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

The financial investments platform conducts investment in private equity funds and venture capital funds as a limited partner and holds interest in the general partners of certain investment funds. The Group also makes early stage or “angel” investments in technology start-ups and minority investments in other entities.

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and requirements of the Hong Kong Companies Ordinance (Cap. 622) under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss, associates measured at fair value through profit or loss and investment properties.

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

2.1 New standards and interpretations adopted

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

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

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

2.2 New standards and interpretations not yet adopted

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

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

(1) Effective for the accounting period beginning on January 1, 2018

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

(3) Effective for the accounting period beginning on January 1, 2021

(4) No mandatory effective date yet determined

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

3. SEGMENT INFORMATION

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

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

The Group identifies 6 segments as follows:

- IT segment, which is primarily engaged in the development, manufacturing and marketing high-quality and easy-to-use technology products and services for customers and enterprises;
- Financial services segment, which offers services including short-term financing, credit guarantees, entrusted loans, financial leasing, banking, insurance brokerage services, third-party payment, internet finance, trusts and customised financial solutions to customers;

- Innovative consumption and services segment, whose operation mainly to provide comprehensive medical and health service, logistics, car rental business, digital marketing solutions of enterprises, Internet healthcare services, education for kids and aviation logistic related business services;
- Agriculture and food segment, which is mainly engaged in planting and sales of premium fruit and tea products in agriculture business, producing and selling various brands of Chinese liquor, supplying seafood and accessory products, agriculture-oriented e-commerce platform and liquor direct sales chain;
- New materials segment, which includes fine chemicals and energy materials production services;
- Financial investments segment, which is engaged in investment in the private equity funds and venture capital funds as a limited partner and holds interest in the general partners of certain investment funds. It also makes early stage or “angel” investments in technology start-ups and minority investments in other entities. It also provides office rental services to consumers and enterprises.

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

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

Year ended December 31, 2017

	Continuing operations						
	Strategic investment						
	IT RMB'000	Financial services RMB'000	Innovative consumption and services RMB'000	Agriculture and food RMB'000	New materials RMB'000	Financial investments RMB'000	Unallocated RMB'000
Segment revenue							
Sales/provide services to external customers	299,362,790	1,266,986	2,810,110	4,962,333	4,875,726	646,232	-
Net interest income	-	2,338,737	-	-	-	-	-
Inter-segment sales/provide services	-	32,768	-	-	-	6,751	-
Total	299,362,790	3,638,491	2,810,110	4,962,333	4,875,726	652,983	-
Segment results							
Profit/(loss) before income tax	889,099	2,322,464	(456,975)	344,527	724,809	5,057,931	(1,459,634)
Income tax (expense)/credit	(1,559,334)	(418,294)	(18,228)	(56,388)	(198,182)	(688,669)	364,908
(Loss)/profit for the year	(670,235)	1,904,170	(475,203)	288,139	526,627	4,369,262	(1,094,726)
Segment assets	183,440,314	49,349,174	10,751,120	9,482,931	8,273,675	65,199,937	15,264,623
Segment liabilities	162,539,167	34,456,809	5,083,277	3,989,874	5,737,847	10,860,237	40,077,574
Other segment information:							
Depreciation and amortisation	(4,877,583)	(24,073)	(238,206)	(168,200)	(335,412)	(48,897)	(17,852)
Impairment loss for non-current assets	(80,507)	-	(67,105)	(28,940)	-	-	-
Investment income and gains	1,576,236	562,176	257,912	36,117	565,873	4,669,369	-
Finance income	234,122	29,117	10,362	22,358	4,386	236,671	658,381
Finance costs	(1,748,762)	(236,304)	(242,145)	(68,695)	(193,088)	(538,152)	(1,853,266)
Share of (loss)/profit of associates and joint ventures accounted for using the equity method	(28,733)	449,956	275,395	91,101	28,580	248,698	-
Material non-cash items other than depreciation and amortisation	(1,282,294)	-	-	-	-	-	-
Capital expenditure	5,527,736	130,339	785,977	335,550	319,981	179,801	(68,480)
Associates and joint ventures using equity accounting	221,764	5,686,659	4,051,135	2,005,241	-	2,416,178	187,276
Associates measured at fair value through profit or loss	-	35,000	-	-	-	17,935,881	-
Sub-total	313,924,177	2,338,737	(39,519)	316,262,914	4,875,726	652,983	-

Year ended December 31, 2016

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

(a) Revenue from external customers

	Year ended December 31,	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
China	90,768,519	88,891,347
Asian-Pacific region excluding China	51,268,267	47,551,895
Europe/Middle East/Africa	92,720,973	73,254,166
Americas	81,505,155	85,048,302
Total	316,262,914	294,745,710

(b) Non-current assets

	Year ended December 31,	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
China	53,693,085	49,144,162
Asian-Pacific region excluding China	11,480,943	11,935,257
Europe/Middle East/Africa	8,639,421	8,980,612
Americas	21,958,957	23,519,628
Total	95,772,406	93,579,659

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

4. INVESTMENT INCOME AND GAINS

	Year ended December 31,	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Gains on disposal/dilution of associates	2,160,909	503,892
Gains on disposal of available for sale financial assets	2,042,265	944,723
Gains/(losses) on disposal of subsidiaries	63,312	(479,055)
Dividend income from available-for-sale financial assets	354,673	205,469
Fair value gains and dividend income from associates measured at fair value through profit or loss	1,642,315	840,514
Fair value gains and dividend income from financial assets at fair value through profit or loss	1,350,427	751,587
Others	53,782	65,097
	<u>7,667,683</u>	<u>2,832,227</u>

5. OTHER INCOME AND GAINS

	Year ended December 31,	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Government grants	1,161,412	1,440,682
Gains on disposal of property, plant and equipment and intangible assets	350,126	2,207,296
Fair value gains on investment properties	836,122	344,017
Net foreign exchange (losses)/gains	(974,612)	200,270
Severance and related costs (<i>Note 19</i>)	(513,622)	(902,126)
Non-recourse factoring cost	(580,958)	(509,177)
Others	56,589	579,570
	<u>335,057</u>	<u>3,360,532</u>

6. EXPENSES BY NATURE

	Year ended December 31,	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Cost of inventories sold	252,059,163	233,620,969
Employee benefit expense	26,674,295	24,382,110
Advertising costs	7,205,345	6,501,625
Depreciation and amortisation	5,710,223	5,600,115
Impairment loss for non-current assets	176,552	92,579
Office and administrative expense	2,915,143	2,860,031
Consultancy and professional fees	1,781,045	1,721,511
Auditor's remuneration	106,809	103,369
Labs and testing	233,687	415,273
Operating lease payments	1,121,160	957,588
Business tax and surcharge and other taxes	789,120	724,324
Transportation expense	541,961	571,951
Bad debts loss	853,450	566,239
Inventory write-down	269,028	158,207
Other expenses (i)	13,819,202	12,820,133
	<u>314,256,183</u>	<u>291,096,024</u>

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

7. FINANCE INCOME AND COSTS

	For the year ended December 31,	
	2017	2016
	RMB'000	RMB'000
Interest (i):		
– Bank loans and overdrafts	1,758,783	1,315,405
– Other loans	650,123	290,890
– Bonds	1,684,034	1,404,404
Factoring costs	392,778	202,408
Interest costs on contingent considerations and put option liability	17,838	43,775
Commitment fee	5,597	6,946
Total finance costs	4,509,153	3,263,828
Less: amounts capitalised on qualifying assets	(26,187)	(1,441)
Finance costs	4,482,966	3,262,387
Finance income (i):		
– Interest income on bank deposits and money market funds	(633,732)	(367,232)
– Interest income on loans to related parties	(33,297)	(94,074)
– Interest income on loans to non-related parties	(163,690)	(30,902)
Finance income	(830,719)	(492,208)
Net finance costs	3,652,247	2,770,179

- (i) Finance income and costs does not include interest income and expense generated from subsidiaries which are engaged in loan business. Interest income and expense generated from loan business are displayed in “interest income” and “interest expense” in the consolidated income statement.

8. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% while the income tax provision for group entities operating in Mainland China is based on a statutory rate of 25%. Income tax of other group entities operating in overseas countries and regions are calculated at the rates applicable in the respective jurisdictions.

	Year ended December 31,	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Current income tax	3,062,977	2,870,208
Deferred income tax	(488,790)	(2,393,953)
Income tax expense	<u>2,574,187</u>	<u>476,255</u>

9. EARNINGS PER SHARE

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

	Year ended December 31,	
	2017	2016
Weighted average number of issued ordinary shares (<i>thousands</i>)	2,356,231	2,356,231
Less shares held for restricted share scheme (<i>thousands</i>)	(18,611)	(3,637)
Weighted average number of issued ordinary shares for calculating basic earnings per share (<i>thousands</i>)	<u>2,337,620</u>	<u>2,352,594</u>
Basic earnings attributable to equity holders of the Company (<i>RMB'000</i>)		
– Continuing operations	5,047,826	4,851,984
– Discontinued operations	–	6,940
	<u>5,047,826</u>	<u>4,858,924</u>

	Year ended December 31,	
	2017	2016
<i>Diluted impact on earnings (RMB'000) (i)</i>	<u>(2,818)</u>	<u>(7,318)</u>
Potential dilutive effect arising from restricted shares (<i>thousands</i>)(ii)	<u>18,611</u>	<u>3,637</u>
Diluted earnings attributable to the equity holders of the Company (<i>RMB'000</i>)		
– Continuing operations	5,045,008	4,844,666
– Discontinued operations	<u>–</u>	<u>6,940</u>
	<u>5,045,008</u>	<u>4,851,606</u>
Weighted average number of issued ordinary shares for calculating diluted earnings per share (<i>thousands</i>) (ii)	<u>2,356,231</u>	<u>2,356,231</u>
Earnings per share		
– Basic (<i>RMB per share</i>)		
– Continuing operations	2.16	2.06
– Discontinued operations	<u>–</u>	<u>–</u>
	<u>2.16</u>	<u>2.06</u>
– Diluted (<i>RMB per share</i>)		
– Continuing operations	2.14	2.06
– Discontinued operations	<u>–</u>	<u>–</u>
	<u>2.14</u>	<u>2.06</u>

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

10. TRADE AND NOTES RECEIVABLES

	As at December 31,	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	41,290,664	37,640,837
Notes receivables	462,443	1,383,867
Receivables arising from finance leases	5,192,963	2,863,537
Less: provision for impairment	(796,744)	(730,065)
	<u>46,149,326</u>	<u>41,158,176</u>
Trade and notes receivables – net	<u>46,149,326</u>	<u>41,158,176</u>

As at December 31, 2017 and 2016, the ageing analyses of the trade receivables based on invoice date were as follows:

	As at December 31,	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Up to 3 months	35,640,738	34,213,481
3 to 6 months	3,922,739	2,218,385
6 months to 1 year	1,040,524	905,399
1 to 2 years	472,845	216,924
2 to 3 years	141,425	41,917
Over 3 years	72,393	44,731
	<u>41,290,664</u>	<u>37,640,837</u>

As at December 31, 2017 and 2016, trade and notes receivables with a net amount of RMB2,423 million and RMB1,676 million were used as collateral for borrowings of RMB1,929 million and RMB1,383 million.

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

11. PREPAYMENT, OTHER RECEIVABLES AND OTHER CURRENT ASSETS

	As at December 31,	
	2017	2016
	RMB'000	RMB'000
Receivables from parts subcontractors	14,393,698	17,026,714
Prepayments	15,148,495	10,363,030
Prepaid tax	7,074,077	5,359,974
Amounts due from related parties	1,514,486	1,160,217
Advance to suppliers	1,498,242	1,395,915
Deposits receivable	350,020	446,047
Advance to employees	90,073	101,955
Adjustment for in-transit products	241,870	207,985
Consideration receivable from disposal of discontinued operations (i)	12,689	12,891,000
Others	2,641,913	3,735,030
	42,965,563	52,687,867
Less: provision for bad debt	(86,494)	(66,695)
	42,879,069	52,621,172

- (i) As Note 1 described above, the Real Estate Development Business was disposed to purchasers and part of receivables has been recovered for the year ended December 31, 2017.

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

	As at December 31,	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Restricted deposits		
Deposits for guarantee business	367,085	327,387
Deposits for notes payables and borrowings	268,941	588,803
Other restricted deposits	701,974	958,273
	<u>1,338,000</u>	<u>1,874,463</u>
Bank deposits		
Matured between three to twelve months	6,010,552	10,900,422
Cash and cash equivalents		
Cash at bank and in hand	31,510,244	27,416,574
Money market funds	692,233	2,642,828
	<u>32,202,477</u>	<u>30,059,402</u>
Total	<u>39,551,029</u>	<u>42,834,287</u>
Maximum exposure to credit risk	39,551,029	42,834,287
Effective annual interest rates	0%–7%	0%–13.75%

13. SHARE CAPITAL

	As at December 31, 2017		As at December 31, 2016	
	Number of	Share	Number of	Share
	shares	capital	shares	capital
	'000	<i>RMB'000</i>	'000	<i>RMB'000</i>
As at December 31, 2016				
and December 31, 2017	<u>2,356,231</u>	<u>2,356,231</u>	<u>2,356,231</u>	<u>2,356,231</u>

14. PERPETUAL SECURITIES

During the year, Lenovo issued a total of USD1,000 million perpetual securities through its wholly owned subsidiary, Lenovo Perpetual Securities Limited (“Lenovo Perpetual”). The net proceed amounted to approximately USD991 million. The securities are perpetual, non-callable in the first 5 years and entitle the holders to receive distributions at a distribution rate of 5.375% per annum in the first 5 years, floating thereafter and with a fixed step up margin, payable semi-annually in arrears, cumulative and compounding. The distributions are at the Group’s discretion, if Lenovo Perpetual and the Company, as guarantor of the securities, do not (a) declare or pay dividends to their shareholders or (b) cancel or reduce their share capital within each distribution payment period. As the perpetual securities do not contain any contractual obligation to pay cash or other financial assets, they are classified as equity.

15. TRADE AND NOTES PAYABLES

	As at December 31,	
	2017	2016
	<i>RMB’000</i>	<i>RMB’000</i>
Trade payables	50,156,698	43,836,895
Notes payables	6,573,917	5,397,097
	<u>56,730,615</u>	<u>49,233,992</u>

As at December 31, 2017 and 2016, the ageing analyses of the trade payables based on invoice date were as follows:

	As at December 31,	
	2017	2016
	<i>RMB’000</i>	<i>RMB’000</i>
0–30 days	29,309,811	24,303,028
31–60 days	11,547,934	12,169,486
61–90 days	7,342,832	5,444,328
91 days–1 year	1,866,736	1,879,918
Over 1 year	89,385	40,135
	<u>50,156,698</u>	<u>43,836,895</u>

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

16. OTHER PAYABLES AND ACCRUALS

	As at December 31,	
	2017	2016
	RMB'000	RMB'000
Payable to parts subcontractors	34,041,397	35,131,133
Allowance for billing adjustment (i)	12,014,584	11,699,646
Accrued expenses	10,390,253	10,230,639
Payroll payable	3,066,244	2,939,559
Other taxes payable	2,344,168	1,786,792
Amounts due to related parties (ii)	376,136	552,461
Deposits payable	873,689	477,747
Royalty payable	702,400	769,008
Social security payable	632,321	732,498
Deferred consideration (iii)	507,442	10,474,978
Written put option liability (iv)	1,470,855	1,547,992
Interest payable	643,850	605,760
Loans from third parties	1,297,407	1,109,643
Transferred loans to be redeemed	5,131,208	5,584,850
Asset management program	1,705,423	1,436,000
Others	3,174,323	2,709,648
	78,371,700	87,788,354

- (i) Allowance for billing adjustment relates primarily to allowances for future volume discounts, price protection, rebates and customer sales returns.
- (ii) As at December 31, 2017, the amounts due to related parties are unsecured and uninterested. As at December 31, 2016, RMB281 million of amounts due to related parties was unsecured, bearing interest rate from 6.50% to 8.00%. The remaining balance is unsecured and interest-free payables.
- (iii) In connection with completed business combinations, the Group is required to pay in cash to the respective sellers deferred consideration. Accordingly, current and non-current liabilities in respect of the present values of deferred considerations have been recognised as current and non-current liabilities. The deferred consideration to Google, Inc has been paid in this period.
- (iv) Pursuant to the joint venture agreement entered into in 2012 between Lenovo and Compal Electronics, Inc. ("Compal") to establish a joint venture company ("JV Co") to manufacture notebook computer products and related parts, Lenovo and Compal are respectively granted put and call options which entitle Lenovo to purchase from Compal and Compal to sell to Lenovo the 49% Compal's interests in the JV Co. The call and put options will be exercisable at any time after October 1, 2019 and October 1, 2017, respectively. The maximum exercise price for the call and put options is approximately USD750 million.

The financial liability that may become payable under the put option is initially recognized at fair value within other non-current liabilities with a corresponding charge directly to equity, as a put option written on non-controlling interest with an amount of RMB1,343 million. The put option liability shall be re-measured at its fair value resulting from the change in the expected performance of the JV Co at each balance sheet date, with any resulting gain or loss recognized in the condensed consolidated income statement. In the event that the put option lapses unexercised, the liability will be derecognized with a corresponding adjustment to equity.

17. OTHER NON-CURRENT LIABILITIES

	As at December 31,	
	2017	2016
	RMB'000	RMB'000
Deferred considerations (i)	163,825	173,924
Government incentives and grants received in advance (ii)	807,789	1,164,597
Unfavourable lease contracts assumed	445,532	514,076
Long-term payables	1,948,834	1,577,309
Others	624,999	670,140
	3,990,979	4,100,046

- (i) In connection with certain business combinations, the Group is required to pay in cash to the respective shareholders/sellers 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 recognized. 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, 2017 and 2016, 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 respective shareholders/sellers under the arrangements are as follows:

	As at December 31	
	2017	2016
	USD25 million	USD25 million
Joint venture with NEC Corporation		

- (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. 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.

18. BORROWINGS

	As at December 31,	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Bank loans		
– Unsecured loans	14,200,259	21,032,644
– Guaranteed loans	19,586,428	15,663,020
– Collateralised loans	3,850,572	3,214,646
Other loans		
– Unsecured loans	2,343,215	30,000
– Guaranteed loans	7,286,570	7,954,505
– Collateralised loans	1,843,145	1,042,651
Corporate bonds (i)		
– Unsecured	37,973,286	32,948,267
– Guaranteed	494,130	783,897
	<u>87,577,605</u>	<u>82,669,630</u>
Less: current portion	<u>(23,123,530)</u>	<u>(26,153,409)</u>
Non-current portion	<u>64,454,075</u>	<u>56,516,221</u>

As at December 31, 2017 and 2016, the carrying value of the borrowings approximates their fair value.

- (i) The information about corporate bonds issued as of December 31, 2017 is as below:

Issuer	Type of bonds	Currency	Issuance date	Term	Principal amount '000
The Company	Corporate bonds	RMB	October 31, 2011	7 years	2,900,000
The Company	Corporate bonds	RMB	November 30, 2012	10 years	2,300,000
The Company	Private placement bonds	RMB	March 21, 2014	5 years	2,000,000
The Company	Private placement bonds	RMB	March 27, 2014	5 years	740,000
The Company	Private placement bonds	RMB	October 29, 2015	3 years	1,000,000
The Company	Corporate bonds	RMB	July 6, 2016	5 years	1,500,000
The Company	Corporate bonds	RMB	July 6, 2016	10 years	2,000,000
The Company	Private placement bonds	RMB	November 28, 2016	3 years	3,000,000
The Company	Corporate bonds	RMB	July 5, 2017	5 years	2,500,000
Lenovo	Long term notes	USD	May 8, 2014	5 years	1,500,000
Lenovo	Long term notes	RMB	June 10, 2015	5 years	4,000,000
Lenovo	Long term notes	USD	March 16, 2017	5 years	500,000
Zhengqi	Guaranteed bonds (i)	RMB	September 16, 2015	3 years	500,000
Financial					
Zhengqi	Corporate bonds	RMB	March 3, 2016	3 years	400,000
Financial					
Zhengqi	Corporate bonds	RMB	September 22, 2017	3 years	300,000
Financial					
JC Finance & Leasing	Asset backed securities (ii)	RMB	November 17, 2016	2–3 years	527,472
JC Finance & Leasing	Private placement bonds	RMB	March 28, 2017	3 years	500,000
JC Finance & Leasing	Asset backed securities (ii)	RMB	June 23, 2017	3–4 years	1,202,437
JC Finance & Leasing	Private placement bonds	RMB	December 22, 2017	2 years	100,000

- (i) The guaranteed bonds issued by Zhengqi Financial are secured by the Company.
- (ii) The asset backed bond packages issued by JC Financial & Leasing in 2017 and 2016 included multiple bonds. The net proceeds of the two packages on issuance dates amounted to RMB1,488 million and RMB830 million respectively. In 2017, JC Financial & Leasing repaid net proceeds of RMB286 million from the 2017 package and RMB303 million from the 2016 package.

The annual interest rates of the above bonds are from 3.3% to 7.2%.

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

	As at December 31,	
	2017	2016
Bank loans	1.66%–9.00%	1.28%–8.50%
Other loans	5.48%–9.50%	5.48%–9.50%

- (b) Borrowings are repayable as follows:

	As at December 31,	
	2017	2016
	RMB'000	RMB'000
Within 1 year	23,123,530	26,153,409
After 1 year but within 2 years	25,707,032	15,269,157
After 2 years but within 5 years	36,351,512	36,306,545
After 5 years	2,395,531	4,940,519
	<u>87,577,605</u>	<u>82,669,630</u>

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

	As at December 31,	
	2017	2016
	'000	'000
RMB	67,652,871	61,784,874
USD	19,619,100	20,743,052
HKD	264,892	116,625
Others	40,742	25,079
	<u>87,577,605</u>	<u>82,669,630</u>

19. PROVISIONS

	Warranties <i>RMB'000</i>	Environmental restoration <i>RMB'000</i>	Restructuring <i>RMB'000</i>	Financial guarantee <i>RMB'000</i>	Total <i>RMB'000</i>
As at January 1, 2017	7,878,539	57,348	861,929	108,462	8,906,278
Provision made	5,728,297	64,144	513,622	10,573	6,316,636
Amount utilised	(6,223,063)	(64,029)	(906,814)	(10,186)	(7,204,092)
Exchange adjustment	(289,036)	2,920	(24,438)	–	(310,554)
At end of the year	7,094,737	60,383	444,299	108,849	7,708,268
Non-current portion	(1,855,928)	(43,524)	–	–	(1,899,452)
As at December 31, 2017	<u>5,238,809</u>	<u>16,859</u>	<u>444,299</u>	<u>108,849</u>	<u>5,808,816</u>
As at January 1, 2016	9,429,065	54,968	1,204,764	134,558	10,823,355
Provision made	4,968,250	64,611	902,126	–	5,934,987
Unused amounts reversed	–	(292)	–	(15,795)	(16,087)
Amount utilised	(6,990,500)	(65,621)	(1,325,527)	(10,301)	(8,391,949)
Exchange adjustment	471,724	3,682	80,566	–	555,972
At end of the year	7,878,539	57,348	861,929	108,462	8,906,278
Non-current portion	(2,036,800)	(38,299)	–	–	(2,075,099)
As at December 31, 2016	<u>5,841,739</u>	<u>19,049</u>	<u>861,929</u>	<u>108,462</u>	<u>6,831,179</u>

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

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

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

20. DIVIDENDS

The dividends paid in 2017 and 2016 were RMB570 million (RMB0.242 per share) and RMB518 million (RMB0.22 per share) respectively. A dividend in respect of the year ended 31 December 2017 of RMB0.27 per share, amounting to a total dividend of RMB636 million, is to be proposed at the forthcoming 2017 annual general meeting. These financial statements do not reflect this dividend payable.

21. CASH GENERATED FROM OPERATIONS

	Year ended December 31,	
	2017	2016
	RMB'000	RMB'000
Profit before income tax from continuing operations	7,431,880	8,138,759
Adjustments for:		
Impairment loss for non-current assets (<i>Note 6</i>)	176,552	92,579
Bad debts loss (<i>Note 6</i>)	853,450	566,239
Inventory write-down (<i>Note 6</i>)	269,028	158,207
Depreciation of property, plant and equipment	2,462,577	2,380,015
Amortisation	3,247,646	3,220,100
Gains on disposal of property, plant and equipment and intangible assets (<i>Note 5</i>)	(350,126)	(2,207,296)
Fair value gains on investment properties (<i>Note 5</i>)	(836,122)	(344,017)
Fair value gains and dividend income from financial assets at fair value through profit or loss (<i>Note 4</i>)	(1,350,427)	(751,587)
Fair value gains and dividend income from associates measured at fair value through profit or loss (<i>Note 4</i>)	(1,642,315)	(840,514)
Finance costs – net (<i>Note 7</i>)	3,652,247	2,770,179
Gains on disposal/dilution of associates (<i>Note 4</i>)	(2,160,909)	(503,892)
Gains on disposal of available-for-sale financial assets (<i>Note 4</i>)	(2,042,265)	(944,723)
(Gains)/losses on disposal of subsidiary (<i>Note 4</i>)	(63,312)	479,055
Dividend income from available-for-sale financial assets (<i>Note 4</i>)	(354,673)	(205,469)
Share-based payments	1,350,774	1,238,470
Share of profit of associates and joint ventures using equity accounting	(1,074,656)	(1,066,493)
Net foreign exchange losses/(gains) (<i>Note 5</i>)	974,612	(200,270)
Changes in working capital (excluding the effects of acquisition, disposal of discontinued operations and exchange differences on consolidation):		
Inventories, properties under development and completed properties held for sale	(8,009,784)	(1,715,050)
Trade and other receivables	(8,733,738)	(9,106,830)
Trade and other payables	4,403,894	5,618,854
Cash generated from operating activities of continuing operations	(1,795,667)	6,776,316

22. COMMITMENTS

(a) Capital commitments

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

	As at December 31,	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Property, plant and equipment	1,504,011	2,606,562
Intangible assets	11,644	11,465
Investments (i)	15,376,901	5,325,437
Total	<u>16,892,556</u>	<u>7,943,464</u>

- (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. Besides, on September 1, 2017, Beyond Leap Limited (a wholly-owned subsidiary of the Company) (as the purchaser), Precision Capital S.A. (as the seller), Right Lane Limited (a wholly-owned subsidiary of the Company) (as the guarantor) and the Company entered into the sale and purchase agreement pursuant to which the Purchaser has conditionally agreed to purchase and the Seller has conditionally agreed to sell the 89.936% issued share capital of the BIL Bank, for the consideration which shall be payable in cash; plus adjustment related to the profit and asset levels of the BIL Bank.

(b) Operating lease commitments

The Group leases various retail outlets, offices and warehouses under non-cancellable operating lease agreements. The lease terms are between 5 and 10 years, and the majority of lease agreements are renewable at the end of the lease period at market rate.

The Group also leases various plant and machinery under cancellable operating lease agreements. The lease expenditure charged to the income statement during the year is disclosed in Note 6.

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

	As at December 31,	
	2017	2016
	RMB'000	RMB'000
No later than 1 year	434,134	631,830
Later than 1 year and not later than 5 years	2,417,583	2,714,675
Later than 5 years	4,041,904	3,897,754
	<u>6,893,621</u>	<u>7,244,259</u>

23. BUSINESS COMBINATIONS

In 2017, the major business combination activities are as follows:

On March 16, 2017, Joyvio Group, a subsidiary of the Company, acquired 26.57% equity interests of Joyvio Agriculture. Joyvio Agriculture is engaged in domestic trading, processing and sale of seafood and other animal protein-related products.

On July 31, 2017, Right Lane Limited, a subsidiary of the Company, acquired 51% equity interests of Better Education. Better Education is engaged in kindergartens, early education, training center, publishing and teacher training.

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

	For the year ended December 31, 2017		
	Joyvio	Better	Total
	RMB'000	Education	RMB'000
	RMB'000	RMB'000	RMB'000
Purchase consideration			
– Cash advances in previous years	1,100,000	–	1,100,000
– Cash paid	–	636,315	636,315
– Present value of deferred consideration	33,470	211,245	244,715
Total purchase consideration	1,133,470	847,560	1,981,030
Less: Fair value of net assets acquired	(55,843)	(256,610)	(312,453)
Goodwill	<u>1,077,627</u>	<u>590,950</u>	<u>1,668,577</u>

The goodwill is attributable to the expansibility and the high profitability of the acquired business. It will not be deductible for tax purposes.

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

	For the year ended December 31, 2017		
	Joyvio	Better Education	Total
	RMB'000	RMB'000	RMB'000
Cash and cash equivalents	46,413	61,829	108,242
Property, plant and equipment	138,506	97,701	236,207
Other non-current assets	31,835	3,749	35,584
Intangible assets (i)	16,389	453,806	470,195
Net working capital, except cash and cash equivalents	(6,491)	(98,741)	(105,232)
Non-current liabilities	(16,480)	(12,842)	(29,322)
Non-controlling interests	(154,329)	(248,892)	(403,221)
Fair value of net assets acquired	<u>55,843</u>	<u>256,610</u>	<u>312,453</u>

- (i) The intangible assets are mainly composed of brand name, student base and favorable rent contracts.

- (c) Net cash outflow from acquisition of subsidiaries

	Year ended December 31, 2017		
	Joyvio	Better Education	Total
	RMB'000	RMB'000	RMB'000
Purchase consideration settled in cash	–	636,315	636,315
Less: cash and cash equivalents in subsidiaries acquired	<u>(46,413)</u>	<u>(61,829)</u>	<u>(108,242)</u>
Acquisition of subsidiaries, net of cash (acquired)/paid	<u>(46,413)</u>	<u>574,486</u>	<u>528,073</u>

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

The aggregated revenue of newly acquired businesses mentioned above included in the consolidated income statement since their respective dates of acquisition and up to December 31, 2017 was RMB777 million. The newly acquired businesses mentioned above also contributed an aggregated profit after taxation of RMB42 million over the same period. Had the newly acquired businesses mentioned above been consolidated from January 1, 2017, the beginning of the financial year, the consolidated income statement would not make big differences to the income and profit after taxation of consolidated income statement.

The operation results of other newly acquired business does not have significant impact on the consolidated financial information for the year ended December 31, 2017.

CORPORATE GOVERNANCE CODE

The Company is committed to maintaining high standards of corporate governance in order to safeguard interests of our Shareholders and enhance the corporate value and accountability. The Company has complied with all the applicable code provisions of the Corporate Governance Code contained in Appendix 14 of the Listing Rules during the year ended December 31, 2017.

SECURITIES TRANSACTIONS BY THE DIRECTORS AND SUPERVISORS

The Company has adopted the Model Code for Securities Transactions by the Directors and Supervisors (the “Model Code”), which is no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules. Specific enquiry has been made of all the Directors and Supervisors, and all the Directors and Supervisors have confirmed that they had complied with the Model Code during the period ended December 31, 2017.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

During the year ended December 31, 2017, the Company entrusted a custodian to purchase a total of 3,151,300 shares of the Company by way of trust as an incentive subject of the restricted share incentive scheme of the Company. Save for the above transaction, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities during the year ended December 31, 2017.

AUDIT COMMITTEE

Members of the Audit Committee of the Company are Ms. HAO Quan (Chairperson), Mr. ZHANG Xuebing and Mr. WANG Jin.

The Audit Committee has reviewed the results of the Group for the year ended December 31, 2017 and has discussed with the management the accounting policies and practices adopted by the Group, and its internal controls and financial reporting matters.

AUDITOR

PricewaterhouseCoopers (“PwC”) was appointed as the Company’s Auditor for the year ended December 31, 2017. The 2017 consolidated financial statements of the Company prepared in accordance with International Financial Reporting Standards have been audited by PwC.

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

This announcement was published on the website of Hong Kong Stock Exchange (www.hkexnews.hk) and on the website of the Company (www.legendholdings.com.cn). The annual report for the year ended December 31, 2017 will be despatched to the Shareholders and published on the websites of Hong Kong Stock Exchange and the Company in due course.

DEFINITIONS

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

“ABS”	asset securitization, a kind of tradable security based on basic assets (specific asset portfolio or cash flows), which is issued in the form of similar bonds
“associate(s)”	for the purpose of this announcement, all entities over which the Group has significant influence. Significant influence represents the power to participate in the financial and operational policy decision of the investees, but without control or joint control rights over these policies
“Better Education”	Better Education Group Corporation (三育教育集團股份有限公司), a limited liability company incorporated under the laws of Cayman Islands, and our subsidiary
“BIL Bank”	Banque Internationale à Luxembourg S.A.
“Board”	board of directors of the Company
“Bybo Dental”	Bybo Dental Group Co., Ltd. (拜博醫療集團有限公司) (formerly known as Guangdong Bybo Dental Investment Management Co., Ltd. (廣東拜博口腔醫療投資管理有限公司)), a limited liability company incorporated under the laws of the PRC, and our subsidiary
“Capespan”	Capespan Group Limited, incorporated in South Africa, invests in and manages a portfolio of companies, offering a range of quality products, value-added products and related services in fresh produce and logistics internationally

“CAR”	CAR Inc., an exempted company incorporated in the Cayman Islands with limited liability and listed on the Main Board of the Hong Kong Stock Exchange
“CAS Holdings”	Chinese Academy of Sciences Holdings Co, Ltd., (formerly known as Chinese Academy of Sciences Holdings Co., Ltd. (中國科學院國有資產經營有限責任公司)), a limited liability company incorporated under the laws of the PRC
“ChiNext”	ChiNext board of the Shenzhen Stock Exchange
“Company”, “our Company” or “Legend Holdings”	Legend Holdings Corporation (聯想控股股份有限公司) (formerly known as “Chinese Academy of Sciences Computer Technology Research Institute New Technology Development Company” (中國科學院計算技術研究所新技術發展公司), “Beijing Legend Computer New Technology Development Company” (北京聯想計算機新技術發展公司), “Legend Group Holdings Company” (聯想集團控股公司) and “Legend Holdings Limited” (聯想控股有限公司), a joint stock limited liability company incorporated under the laws of PRC and listed on the Main Board of the Hong Kong Stock Exchange (Stock Code: 3396)
“CSRC”	China Securities Regulatory Commission
“Director(s)”	the director(s) of the Company
“EAL”	Eastern Air Logistics Co., Ltd. (東方航空物流有限公司), a limited liability company incorporated under the laws of the PRC, and our associate
“eloancn.com”	Beijing Tongcheng Eloancn Network Co., Ltd. (北京同城翼龍網絡科技有限公司), a limited liability company incorporated under the laws of the PRC, and our associate
“EOD”	ethylene oxide derivatives
“EUR”	Euro, the official currency of the Eurozone which consists of certain state members of the European Union

“EVA”	ethylene-vinylacetate copolymer
“Funglian Group”	Funglian Holdings Co., Ltd. (豐聯酒業控股集團有限公司), a limited liability company incorporated under the laws of the PRC, and our subsidiary
“Golden Wing Mau”	Golden Wing Mau Agricultural Produce Corporation (深圳市鑫榮懋農產品股份有限公司), a large fruit supply chain enterprise in China, an associate of Joyvio Group
“Group”, “our”, “we” or “us”	our Company and all of its subsidiaries, or any one of them as the context may require or, where the context refers to any time prior to its incorporation, the business which its predecessors or the predecessors of its present subsidiaries, or any one of them as the context may require, were or was engaged in and which were subsequently assumed by it
“Hankou Bank”	Hankou Bank Co., Ltd. (漢口銀行股份有限公司), a joint stock limited liability company incorporated under the laws of the PRC, and our associate
“Hebei Hengshui Laobaigan”	Hebei Hengshui Laobaigan Liquor Co., Ltd (河北衡水老白干酒業股份有限公司), a joint stock limited liability company incorporated under the laws of the PRC and listed on the Shanghai Stock Exchange (Stock Code: 600559)
“HKD”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Hony Capital” or “Hony”	a series of private equity investment funds, together with their respective management companies/general partner
“Huawen Food”	Hunan Huawen Food Co., Ltd. (湖南省華文食品有限公司), a limited liability company incorporated under the laws of the PRC and our associate
“Internet”	a global network of interconnected, separately administered public and private computer networks that uses the Transmission Control Protocol/Internet Protocol for communications

“IPO”	Initial Public Offering
“IT”	information technology
“JC Finance & Leasing”	JC International Finance & Leasing Company Limited (君創國際融資租賃有限公司), a limited liability company incorporated under the laws of the PRC, and our wholly-owned subsidiary
“Joyvio Agriculture”	Joyvio Agriculture Development Co., Ltd. (佳沃農業開發股份有限公司) (formerly known as Wanfu Shengke (Hunan) Agriculture Development Co., Ltd 萬福生科(湖南)農業開發股份有限公司) a limited liability company incorporated under the laws of the PRC, the shares of which are listed on the ChiNext board on Shenzhen Stock Exchange (A share Stock Code: 300268), and is a subsidiary of Joyvio Group
“Joyvio Group” or “Joyvio”	Joyvio Group Co., Ltd. (佳沃集團有限公司), a limited liability company incorporated under the laws of the PRC, and our wholly-owned subsidiary
“Kaola Technology”	Tibet Kaola Science & Technology Development Co., Ltd. (西藏考拉科技發展有限公司), a limited liability company incorporated under the laws of the PRC, and our subsidiary
“KB Food”	KB Food International Holding (Pte.) Limited, a limited liability company established under the laws of Singapore, and our subsidiary
“Lakala Payment”	Lakala Payment Corporation (拉卡拉支付股份有限公司) (formerly known as Lakala Payment Co., Ltd. (拉卡拉支付有限公司)), a limited liability company incorporated under the laws of the PRC, and our associate
“Legend Capital”	a series of venture capital funds, together with their respective management companies/partners
“Legend Star”	Beijing Legend Star Investment Management Limited (北京聯想之星投資管理有限公司), a wholly-owned subsidiary of the Company which is an investment institution and manages certain angel investment funds

“Lenovo”	Lenovo Group Limited (聯想集團有限公司), a limited liability company incorporated under the laws of Hong Kong and listed on the Main Board of the Hong Kong Stock Exchange (Stock Code: 992), and our subsidiary
“Levima Group” or “Levima”	Levima Group Limited (聯泓集團有限公司), a limited liability company incorporated under the laws of the PRC, and our subsidiary
“Levima New Materials”	Levima New Materials Limited (聯泓新材料有限公司) (formerly known as Shandong Shenda Chemicals Co., Ltd. (山東神達化工有限公司)), a subsidiary of Levima Group and our connected subsidiary
“Liquor Easy”	Henan Liquor Easy Commercial Corporation (河南酒便利商業股份有限公司), a limited liability company incorporated under the laws of the PRC, and our associate
“Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Longguan Company”	Hangzhou Longguan Industrial Co., Ltd. (杭州龍冠實業有限公司), a limited liability company incorporated under the laws of the PRC, and a subsidiary of Joyvio Group
“N/A”	not applicable
“NEEQS”	National Equities Exchange and Quotations System (全國中小企業股份轉讓系統), a platform established for the sale of existing shares or private placing of new shares by SMEs
“neurology specialist”	the collective term of the clinical discipline studying organic and functional diseases of central nervous system (brain, spinal cord). Clinically, the correspondent branch is neurosurgery and neurology depending on the types of disease and treatment methods

“Nine Masters”	Nine Masters (Shanghai) Catering Service Co., Ltd. (九橙(上海)餐飲服務有限公司), a limited liability company incorporated under the laws of the PRC and a subsidiary of Joyvio Group
“PARKnSHOP”	PARKnSHOP Supermarket HK is the largest supermarket chain group in Hong Kong and currently has over 260 stores in Hong Kong, Macau and Mainland China, over 50 of which are superstores and megastores
“PE”	private equity
“Phylion Battery”	Phylion Battery Co., Ltd. (星恒電源股份有限公司), a limited liability company incorporated under the laws of the PRC, and our associate
“PIPE”	Private Investment in Public Equity
“PRC” or “China”	the People’s Republic of China excluding, for the purpose of this announcement, 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
“Qingdao Starfish”	Qingdao Starfish Food Co., Ltd. (青島國星食品有限公司), a limited liability company incorporated under the laws of the PRC, and a subsidiary of Joyvio Agriculture
“Raycom Property”	Raycom Property Investment Co., Ltd. (融科物業投資有限公司), a limited liability company incorporated under the laws of the PRC, and our wholly-owned subsidiary
“Raycom Real Estate”	Raycom Real Estate Development Co., Ltd. (融科智地房地產股份有限公司), a joint stock limited liability company incorporated under the laws of the PRC, and our subsidiary
“Reporting Period”	for the twelve months ended December 31, 2017

“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Shanghai Neuromedical Center”	Shanghai Neuromedical Center Co., Ltd. (上海德濟醫院有限公司), a limited liability company incorporated under the laws of the PRC, and our subsidiary
“Shanghai Stock Exchange”	Shanghai Stock Exchange
“Shareholders”	holders of the shares of the Company
“Shenzhen Stock Exchange”	Shenzhen Stock Exchange
“SME(s)”	small and medium-sized enterprise(s)
“Social Touch”	Social Touch (Beijing) Technology Development Co., Ltd. (時趣互動(北京)科技有限公司), a limited liability company incorporated under the laws of the PRC, and our associate
“SOE”	State-owned enterprise
“subsidiary”	has the meaning ascribed thereto under the Listing Rules
“Suzhou Trust”	Suzhou Trust Co., Ltd. (蘇州信託有限公司), a limited liability company incorporated under the laws of the PRC, and our associate
“TMT”	technology, media and telecom
“UCAR Inc.”	UCAR Inc. (神州優車股份有限公司), a company incorporated under the PRC law with limited liability and listed on the NEEQS in 2016, and is held as to 6.27% equity interests by CAR
“Union Insurance”	Union Insurance Broker Group Co., Ltd. (聯保投資集團有限公司), a limited liability company incorporated under the laws of the PRC, and our associate

“USA”	The United States of America
“USD”	US dollar, the lawful currency of the USA
“XYWY.COM”	an online platform to provide one-stop Internet healthcare services which is operated by Wenkang Group Co., Ltd. (聞康集團股份有限公司)
“Zeny Supply Chain”	Zeny Supply Chain Co., Ltd. (增益供應鏈有限公司), a limited liability company incorporated under the laws of the PRC, and our subsidiary
“Zhengqi Financial”	Zhengqi Anhui Financial Holdings Co., Ltd. (正奇安徽金融控股有限公司), a limited liability company incorporated under the laws of the PRC, and our subsidiary
“%”	percentage

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

Hong Kong, March 27, 2018

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

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