

联想控股

LEGEND HOLDINGS
BUILDING GREAT COMPANIES



2015

Interim Report

Legend Holdings Corporation

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

Stock Code : 3396

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DEFINITION

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

“associate(s)”	for the purpose of this report, all entities over which the Group has significant influence. Significant influence represents the power to participate in the financial and operational policies decision of the investees, but without control or joint control rights over these policies
“Board”	board of directors of the Company
“Bybo”	Guangdong Bybo Dental Investment Management Co., Ltd. (廣東拜博口腔醫療投資管理有限公司), a limited liability company incorporated on June 30, 1999 under the laws of the PRC and our subsidiary owned as to 54.9% by us
“CAR”	CAR Inc., an exempted company incorporated in the Cayman Islands on April 25, 2014 with limited liability and listed on the Main Board of the Hong Kong Stock Exchange (Stock Code: 699) and one of our associates
“Century Wenkang”	Century Wenkang (Beijing) Science and Technology Development Co., Ltd.
“Cloud Farm”	Beijing Tianchen Cloud Farm Corporation
“Company”, “our Company” or “Legend Holdings”	Legend Holdings Corporation (聯想控股股份有限公司) (formerly known as “Chinese Academy of Sciences Computer Technology Research Institute New Technology Development Company” (中國科學院計算技術研究所新技術發展公司), “Beijing Legend Computer New Technology Development Company” (北京聯想計算機新技術發展公司), “Legend Group Holdings Company” (聯想集團控股公司) and “Legend Holdings Limited” (聯想控股有限公司)), a joint stock limited liability company incorporated on February 18, 2014 under the laws of PRC and listed on the Main Board of the Hong Kong Stock Exchange (Stock Code: 3396)
“DCC”	deep catalytic cracking
“DMTO”	the technique for using coal or natural gas instead of oil for production of ethylene and propene
“Domestic Shares”	ordinary shares issued by our Company, with a nominal value of RMB1.00 each, which are subscribed for or credited as paid in Renminbi
“Dongjiang Harbor”	Tianjin Dongjiang Harbor Cold-chain Commodities Trade Co., Ltd.
“eloancn.com”	Beijing Tongcheng Eloancn Network Co., Ltd.
“EO”	ethylene oxide

DEFINITION

“EOD”	EO derivatives
“EVA”	ethylene-vinylacetate copolymer
“Funglian”	Funglian Holdings Limited (豐聯酒業控股集團有限公司), a limited liability company incorporated on July 16, 2012 under the laws of the PRC and our subsidiary owned as to 93.3% by us
“Group”, “our Group”, “our”, “we” or “us”	our Company and all of its subsidiaries, or any one of them as the context may require or, where the context refers to any time prior to its incorporation, the business which its predecessors or the predecessors of its present subsidiaries, or any one of them as the context may require, were or was engaged in and which were subsequently assumed by it
“H Share(s)”	overseas listed foreign shares in our ordinary share capital with a nominal value of RMB1.00 each, which are listed on the Main Board of the Hong Kong Stock Exchange
“Hankou Bank”	Hankou Bank Co., Ltd. (漢口銀行股份有限公司), a joint stock limited liability company incorporated on December 15, 1997 under the laws of the PRC and one of our associates
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Hony Capital”	a series of private equity investment funds, together with their respective management companies/general partners
“International Underwriters”	the group of international underwriters, led by the Joint Global Coordinators, that has entered into an international underwriting agreement
“Internet”	a global network of interconnected, separately administered public and private computer networks that uses the Transmission Control Protocol/Internet Protocol for communications
“Internet Protocol”	an agreed set of rules, procedures and formats by which information is exchanged over the Internet
“IT”	information technology
“Joint Global Coordinators”	China International Capital Corporation Hong Kong Securities Limited (中國國際金融香港證券有限公司), UBS AG, Hong Kong Branch, Goldman Sachs (Asia) L.L.C. and Morgan Stanley Asia Limited
“Joyvio”	Joyvio Group Co., Ltd. (佳沃集團有限公司), a limited liability company incorporated on May 18, 2012 under the laws of the PRC and our wholly-owned subsidiary

DEFINITION

“Lakala”	Beijing Lakala Payment Limited (拉卡拉支付有限公司), a limited liability company incorporated on January 6, 2005 under the laws of the PRC and one of our associates
“Legend Capital”	a series of venture capital funds, together with their respective management companies/partnerships
“Legend Star”	Beijing Legend Star Venture Capital Co., Ltd. (北京聯想之星創業投資有限公司), a company incorporated on December 1, 2009 under the laws of the PRC and our wholly-owned subsidiary and Tianjin Legend Star Venture Capital Co., Ltd. (天津聯想之星創業投資有限公司), a limited liability company incorporated on January 9, 2012 under the laws of the PRC and our wholly-owned subsidiary
“Lenovo”	Lenovo Group Limited (聯想集團有限公司), a limited liability company incorporated on October 5, 1993 under the laws of Hong Kong and listed on the Main Board of the Hong Kong Stock Exchange (Stock Code: 0992)
“Levima”	Levima Group Limited (聯泓集團有限公司), a limited liability company incorporated on April 12, 2012 under the laws of the PRC and our subsidiary owned as to 90% by us
“Listing Date of H Shares”	June 29, 2015
“Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Motorola”	Motorola Mobility Holdings LLC, a limited company incorporated in the State of Delaware, USA and a wholly-owned subsidiary of Lenovo and, where the context requires, its relevant subsidiaries or affiliates or the brand name under which their products are marketed
“N/A”	not applicable
“olefin”	unsaturated hydrocarbon containing one or more pairs of carbon atoms linked by a double bond
“P2P”	peer-to-peer, a type of loan business
“PC”	personal computer
“Phylion Battery”	Phylion Battery Co., Ltd. (蘇州星恒電源有限公司), a limited liability company incorporated on December 18, 2003 under the laws of the PRC and our associate owned as to 44.51% by us
“portfolio companies”	our subsidiaries and associates within our strategic investments business unless the context indicates otherwise

DEFINITION

“PP”	polypropylene
“PRC”	the People’s Republic of China excluding, for the purpose of this report, Hong Kong, Macau and Taiwan
“Prospectus”	the prospectus dated June 16, 2015 being issued in connection with first listing of the shares of the Company on the Hong Kong Stock Exchange
“Raycom Real Estate”	Raycom Real Estate Development Co., Ltd. (融科智地房地產股份有限公司), a joint stock limited liability company incorporated on June 11, 2001 under the laws of the PRC and our subsidiary owned as to approximately 93.09% by us
“Reporting Period”	the six months ended June 30, 2015
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“SME”	small and medium-sized enterprise
“Social Touch”	Social Touch (Beijing) Technology Development Co., Ltd.
“subsidiary”	has the meaning ascribed thereto under the Listing Rules
“Suzhou Trust”	Suzhou Trust Ltd. (蘇州信託有限公司), a limited liability company incorporated on September 18, 2002 under the laws of the PRC and one of our associates
“TMT”	technology, media, telecom
“Transmission Control Protocol”	an agreed set of rules, procedures and formats used along with the Internet Protocol to transmit information over the Internet
“Union Insurance”	Union Insurance Broker Group Co., Ltd. (聯保投資集團有限公司), a limited liability company incorporated on September 5, 2012 under the laws of the PRC and one of our associates
“Zeny Supply Chain”	Zeny Supply Chain Co., Ltd. (增益供應鏈有限公司), a limited liability company incorporated on July 24, 2012 under the laws of the PRC and our subsidiary owned as to 94% by us
“Zhengqi Financial”	Zhengqi Anhui Financial Holdings Co., Ltd. (正奇安徽金融控股有限公司), a limited liability company incorporated on October 10, 2012 under the laws of the PRC and our subsidiary owned as to 92% by us

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Directors

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

Independent Non-executive Directors

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

BOARD OF SUPERVISORS

Supervisors

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

NOMINATION COMMITTEE

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

JOINT COMPANY SECRETARIES

Mr. NING Min
Ms. YEUNG Yee Har

H SHARE REGISTRAR

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

AUDITOR

PricewaterhouseCoopers

COMPLIANCE ADVISOR

Somerley Capital Limited

REGISTERED OFFICE

10F, Tower A, Raycom Info Tech Park
2 Ke Xue Yuan Nan Lu
Hai Dian District
Beijing 100190
PRC

HEAD OFFICE IN THE PRC

10F, Tower A, Raycom Info Tech Park
2 Ke Xue Yuan Nan Lu
Hai Dian District
Beijing 100190
PRC

PRINCIPAL BANKS

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

COMPANY'S WEBSITE

www.legendholdings.com.cn

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Legend Holdings is committed to cultivating industry-leading companies and enhancing the Company's long-term value through dynamic portfolio management. The Group has identified and been cultivating a number of outstanding companies based on its clear understanding of China's development patterns, flexible investment techniques and extensive management expertise. Legend Holdings has established a significant presence across a wide span of industries and gathered a wealth of portfolio companies, which allows it to gradually realize the value of its investment portfolio. We constantly provide value-added services to our portfolio companies and optimize our resource allocation and asset portfolio to achieve sustainable value growth.

Through its strategic investment business, the Group invests in six major sectors: IT, financial services, modern services, agriculture and food, property and chemicals and energy materials. For our portfolio companies, profitable exit is not our top concern in terms of investment and management. We, therefore, are able to focus on the healthy growth of our portfolio companies in the best possible direction and from a long-term perspective. Relying on our distinctive insight and experiences in incubating successful businesses, we provide management enhancement, brand endorsement, financial support and other value-added services to our portfolio companies. We regularly monitor, evaluate and optimize our portfolio to ensure its long-term growth. We also realize the value of our portfolio companies in the capital market for investment returns when appropriate.

Our financial investment business consists of angel investments, venture capital and private equity investments throughout a company's life cycle. We directly invest in listed and unlisted companies. We also hold equity interest in the general partners of some of the venture capital and private equity funds in which we invest. These funds are usually a mix of our own capital and those raised from third party investors. Our financial investment business has generated sufficient cash inflow, allowing us to identify and secure appropriate investment targets in the constantly-changing market environment.

OPERATING HIGHLIGHTS

Strategic Investments

Further enhancing value of portfolio companies

During the Reporting Period, Legend Holdings continued to help its portfolio companies in analyzing industry trends and development rules, formulating the right strategic and deployment plans and equipped them with effective management and internal control techniques so that they could stay on the right track of development, enhance their operating efficiency and achieve the optimal results. Legend Holdings provided sufficient capital support to portfolio companies in various forms, including equity investments, shareholders loans and bank guarantees, and powered the development of conventional industries with Internet-based technologies and innovative business models.

Zhengqi Financial

Zhengqi Financial is engaged in providing SMEs with financial services, including direct or entrusted loans, credit guarantees, pawn loans and financial leasing. Legend Holdings helped Zhengqi Financial further increase its market share by consolidating its leading position in the financial service market for SMEs in Anhui Province. On top of it, Zhengqi Financial has also been pursuing expansion in financial service markets outside of Anhui Province by setting up Shenzhen Chengzheng Microcredit Co., Ltd., which registered a rapid year-on-year growth of 21% in the first half of 2015. Meanwhile, relying on our experiences and professional judgment, Zhengqi Financial is actively exploring new businesses to further diversify its business offerings and enhance its risk-management capabilities.

MANAGEMENT DISCUSSION AND ANALYSIS

Lakala

Legend Holdings makes strategic investments in a way that allows startup companies to have sufficient time and room to refine their business model and make value-oriented deployment, without being bounded by short-term financial or operational targets. Lakala, an associate of the Group, has successfully created a full slate of payment channels and payment scenarios with abundant customer and business resources; it has also created a relatively high entry barrier and has become a third-party offline payment platform with an absolute leading position. As the industry evolves, we came to realize the huge financial demand at both ends of Lakala's extensive payment network, as well as the tremendous advantage of Lakala's valuable customer base and big data in tapping into a wider spectrum of financial services businesses. As a result, Lakala officially announced its entry into the Internet finance business and gradually grew into a comprehensive Internet finance platform after obtaining a number of licenses for financial services, such as bank card payment processing, mobile payment, cross-border payment, online micro loan and credit investigation. During the Reporting Period, Legend Holdings also helped introducing new investors to Lakala, resulting in a boost of its valuation from RMB3 billion at the last round of fund-raising to a current post fund-raising level of RMB10.45 billion. This has secured Lakala for better opportunities and considerable external resources for future development, better prepared it for entry into the capital market, and allowed us, as an investor, to further release the value of our portfolio company through the capital market.

Bybo

Bybo is one of the best known dental care service chains in China. Since our investment in Bybo in July 2014, we have been actively supporting Bybo in its nation-wide strategic deployment and accelerated expansion. As of December 31, 2014, Bybo owned 9 hospitals and 66 clinics, and those numbers increased to 17 and 78 respectively as of June 30, 2015. Relying on our extensive experiences and expertise in the consumer goods and service sector, we have been extending our best support to Bybo in terms of strategic planning, management building and financial resources. In line with Bybo's fast expansion and our strategic investment philosophy, Bybo is going to focus on sustainable development with rational strategies and at a proper pace in outlet opening, seize the opportunities emerging with favorable state policies and momentum in the market to set up a client-oriented service system and doctor-focused management system, so as to establish itself as a career platform trusted by the doctors leveraging on its increasing brand influences and build up reputation by virtue of its quality, safe and comfortable medical services. Meanwhile, Legend Holdings has been helping Bybo in improving its human resources and IT systems, thus making them compatible with the fast expansion of its business.

Continue with new investments and substantiate the "Internet+" investment theme

Legend Holdings closely follows opportunities arising from the transformation of conventional industries driven by technical innovations and the increasing popularity of the Internet. In addition to our investment in eloancn.com (翼龍貸), which provides P2P loan service to farmers and small and micro enterprises, we were constantly building up new portfolios in such sectors as modern services, agriculture and food, so as to expand our presence in the relevant industries.

In March 2015, the Group acquired 48.23% interests (on a fully diluted basis) in Social Touch at a consideration of USD58.50 million. Social Touch is a provider of the latest enterprise mobile marketing solutions, which helps its corporate customers to establish connections with consumers in a new environment and manage these connections in an effective way.

In November 2014, the Group entered into an agreement to acquire 16.67% interests (on a fully diluted basis) in Century Wenkang at a consideration of USD50 million, the acquisition is expected to be completed in the second half of 2015. Relying on its resources of doctors and hospitals accumulated over the years, Century Wenkang has successfully built up one of the biggest Internet-based one-stop medical service platforms in China, providing patients with full-spectrum medical and health-care services over the Internet.

MANAGEMENT DISCUSSION AND ANALYSIS

In May 2015, the Group acquired 23% interests (on a fully diluted basis) in Cloud Farm at a consideration of RMB61.64 million. Cloud Farm is China's first Internet-based agriculture-related service provider which integrates agriculture-oriented e-commerce, customization and trading of agricultural products, rural logistics, agricultural technology services and rural finance.

We believe that these new portfolio companies, which are actively changing the conventional industries with emerging Internet and mobile Internet technologies in their respective fields, have rapid growth potential.

Financial investments

Legend Holdings continued to realize investment yields and cash dividends through financial investments to power the continuous expansion and operation of the Group. In the first half of 2015, the stock markets of Mainland China and Hong Kong have witnessed strong growth, which was followed by significant adjustments. The majority of funds in which we have invested, including Legend Capital and Hony Capital, chose to exit quite a number of their investments in the right time of the first half with considerable returns, by way of our understanding of China's economy and market. During the Reporting Period, the financial investments segment contributed a profit of RMB2,151 million to Legend Holdings.

We believe that the availability of sufficient capital reserve would give us a head-start in identifying and seizing investment opportunities amid market turbulence.

REVENUE CONTRIBUTION FROM THE GROUP'S BUSINESSES

(In RMB million)

	Six months ended June 30, 2015	Six months ended June 30, 2014	Change	Change %
Strategic investments	142,099	125,696	16,403	13%
IT	135,150	121,279	13,871	11%
Financial services	422	461	(39)	(9%)
Modern services	596	235	361	154%
Agriculture and food	920	822	98	12%
Property	4,340	1,974	2,366	120%
Chemicals and energy materials	671	925	(254)	(27%)
Financial investments	9	3	6	199%
Unallocated	-	-	-	N/A
Inter-segment elimination	(7)	(8)	1	N/A
Total	142,101	125,691	16,410	13%

MANAGEMENT DISCUSSION AND ANALYSIS

PROFIT CONTRIBUTION FROM THE GROUP'S BUSINESSES

(In RMB million)

	Six months ended June 30, 2015	Six months ended June 30, 2014	Change	Change %
Strategic investments	3,374	2,832	542	19%
IT	1,292	2,345	(1,053)	(45%)
Financial services	630	534	96	18%
Modern services	(211)	201	(412)	(205%)
Agriculture and food	(73)	(166)	93	N/A
Property	1,733	85	1,648	1,941%
Chemicals and energy materials	3	(167)	170	N/A
Financial investments	2,151	116	2,035	1,757%
Unallocated	(409)	(402)	(7)	N/A
Inter-segment elimination	-	-	-	N/A
Total	5,116	2,546	2,570	101%

ASSET ALLOCATION OF THE GROUP

(In RMB million)

	June 30, 2015	December 31, 2014	Change	Change %
Strategic investments	245,581	254,881	(9,300)	(4%)
IT	159,039	176,038	(16,999)	(10%)
Financial services	13,348	11,097	2,251	20%
Modern services	6,235	4,993	1,242	25%
Agriculture and food	4,685	4,269	416	10%
Property	52,424	48,619	3,805	8%
Chemicals and energy materials	9,850	9,865	(15)	-
Financial investments	44,762	31,717	13,045	41%
Unallocated	15,251	12,098	3,153	26%
Inter-segment elimination	(10,876)	(9,694)	(1,182)	N/A
Total	294,718	289,002	5,716	2%

STRATEGIC INVESTMENT

IT

Overview

The Group is engaged in IT business through its subsidiary Lenovo. Lenovo is a Fortune 500 company which develops, manufactures and sells high-end portable electronic devices and provides related services to the consumers and corporate customers. Lenovo had a better balanced product mix after integrating Motorola and System X, contributing to a smooth expansion. After expanding its business portfolio by incorporating the mobile and enterprise business into the existing PC business, Lenovo not only kept leading position in the PC business, but also saw its mobile and enterprise business significantly boosted, thanks to two new growth drivers arising from acquisition.

MANAGEMENT DISCUSSION AND ANALYSIS

In the second quarter of this year, the global PC market further deteriorated due to a number of factors, including macro economic conditions, currency fluctuations and tepid demand prior to the release of Windows 10. Despite the challenges, Lenovo continued to outperform the PC market through effective strategy execution, with its market share growing to a record-breaking height in its history: in respect of its mobile business, according to a preliminary estimation, Lenovo's share of the global smartphone market dropped by 0.5% to 4.7%, mainly due to the weakening demand and intense competition in China's smartphone market as well as the critical challenges in Brazilian and the Latin American markets which accounted for a majority of Motorola's business, plus the hindering factor that Motorola was in a period of transition for new product launch, which resulted in a weak momentum of business development. In respect of enterprise business which includes System X, Lenovo remained the third largest manufacturer in the world and regained its status as the largest manufacturer in the x86 server market in China, according to a preliminary estimation.

Operating Highlights

- In the second quarter of 2015, Lenovo outperformed the general PC market in terms of PC sales, with its market share growing to the record-breaking 20.6%, leaving the closest rival further behind. According to a preliminary estimation, Lenovo outperformed the global PC market with a record-high market share of 19.4%;
- According to a preliminary estimation, Lenovo remained the third largest manufacturer in the world in terms of enterprise level business and regained its status as the largest manufacturer in the x86 server market in China.

Revenue of our IT segment increased by 11% year on year to RMB135,150 million, which is mainly due to the additional revenue as a result of Lenovo's integration of System X and Motorola's business. Net profit of our IT segment declined by 45% year on year to RMB1,292 million, which is mainly due to Lenovo's mobile business incurring a significant loss before tax as a result of the depression in China's smartphone market and weak performance of Motorola as well as the non-cash expenses associated with mergers and acquisitions as a result of the accounting treatment.

In order to bring its overall business back on the growing track, Lenovo planed to take a series of measures with an aim to cut down the expenses by USD650 million for the second half of Lenovo's 2015/2016 fiscal year and accomplish an annual saving of approximately USD1.35 billion. Such measures include a lay-off of approximately 3,200 non-manufacturing employees worldwide, accounting for approximately 10% of the total non-manufacturing employees and approximately 5% of the total 60,000 employees worldwide. These measures will incur restructuring expenses of approximately USD600 million as well as additional expenses of approximately USD300 million for cleaning up inventory of mobile phones in the second quarter of Lenovo's 2015/16 fiscal year.

MANAGEMENT DISCUSSION AND ANALYSIS

IT segment's revenue and net profit for the Reporting Period are as follows:

(In RMB million)

	For the six months ended 30 June, 2015	For the six months ended 30 June, 2014
Revenue	135,150	121,279
Net profit	1,292	2,345

Financial services

Overview

The Group has a significant presence in the financial service sector. As at the end of the Reporting Period, the Group was engaged in financial services and quasi-financial services such as banking, trust, insurance brokerage, third-party payment, SME loans, credit guarantees, financial leasing, pawn loans and Internet finance through its subsidiary Zhengqi Financial and associates Hankou Bank, Suzhou Trust, Union Insurance, Lakala and eloancn.com.

During the Reporting Period, revenue of the Group's financial services segment decreased from RMB461 million to RMB422 million, representing a decrease of 9% compared with the same period of 2014. However, if excluding the accounting effect of consolidating Union Insurance during the same period of 2014 but no longer consolidating it starting from the end of 2014, there was an actual increase of 21%.

During the Reporting Period, net profit of our financial services segment increased from RMB534 million to RMB630 million, representing an increase of 18% compared with the same period of 2014. The increase in profit for the period was mainly due to the significant increase in Zhengqi Financial's loan and financial lease businesses as well as the gains arising from the investments in our associates.

During the Reporting Period, the Company actively expanded its presence in the Internet finance sector, resulting in a rapid expansion of the P2P business of eloancn.com, our associate.

Financial services segment's revenue and net profit for the Reporting Period are as follows:

(In RMB million)

	For the six months ended June 30, 2015	For the six months ended June 30, 2014
Revenue	422	461
Net profit	630	534

MANAGEMENT DISCUSSION AND ANALYSIS

Operating highlights

- Our loan and leasing businesses were growing steadily with reinforced market status: the increase in revenue of the financial services segment was mainly due to significant increase in the loan and financial leasing businesses of our subsidiary Zhengqi Financial. Zhengqi Financial has reinforced its position in the SME financial service market through active market penetration and constant improvement on its service quality.
- Lakala managed to make profit and significantly increased its market value: Lakala was accelerating its penetration in the financial services sector aiming to establish an eco-system of Internet finance, leveraging its strengths in the financial payment sector. During the Reporting Period, we helped introducing new investors to Lakala in order to better reflect the value of Lakala's Internet finance business and make better use of its abundant external resources, which resulted in a significant appreciation of its inherent value. According to the latest round of its strategic financing in June 2015, Lakala received a capital injection of RMB1.45 billion from certain strategic investors, driving its post-money valuation up to RMB10.45 billion.

Zhengqi Financial

Zhengqi Financial is mainly engaged in providing financial services for SMEs, including direct or entrusted loans, credit guarantees, pawn loans and financial leasing. Zhengqi Financial aims to continuously expand its market share leveraging its position as a leading SME financial services provider in Anhui Province, and has started to actively develop and expand its presence in the financial services market in other regions as it set up Shenzhen Chengzheng Microcredit Co., Ltd. in the second half of 2014. In addition, Zhengqi Financial has been actively exploring and enhancing its service capacity in financial leasing in order to secure potential customers, which resulted in a rapid growth of its financial leasing business. During the Reporting Period, Zhengqi Financial's operating income increased from RMB348 million to RMB422 million, representing an increase of 21% compared with the same period of 2014.

During the first half of 2015, Zhengqi Financial was striving to enhance its risk control capability while consolidating its leading position within Anhui Province and gradually expanding to neighbouring markets, which resulted in a steady growth in its direct loans and pawn loans businesses. As at June 30, 2015, the period-end balance of extended loans increased by 9% or RMB362 million to RMB4,535 million, compared with RMB4,173 million as at the end of 2014.

Since its entry into the financial leasing sector in 2013, Zhengqi Financial has been constantly improving its services in the professional leasing sector while promoting cooperation with its corporate customers in order to secure potential customers, which registered a rapid growth in business. As at June 30, 2015, the period-end balance of lease receivables from its leasing business increased by RMB707 million or 85% to RMB1,537 million, compared with RMB830 million as at the end of 2014.

Zhengqi Financial's revenue and net profit for the Reporting Period are as follows:

(In RMB million)

	For the six months ended June 30, 2015	For the six months ended June 30, 2014
Revenue	422	348
Net profit	238	217

MANAGEMENT DISCUSSION AND ANALYSIS

Associates in the financial services segment

Associates of the Group in the financial services segment include Hankou Bank, Suzhou Trust, Lakala, Union Insurance and eloancn.com. During the Reporting Period, our associates contributed a total profit of RMB392 million to the financial services segment (RMB317 million for the corresponding period of 2014), an increase of which being attributable to the contribution of Lakala as detailed below.

During the Reporting Period, Lakala contributed a profit of RMB437 million to the Group (a profit of RMB283 million to the Group for the same period of 2014) as a result of its introduction of new strategic investors, which resulted in the Group's equity interests being diluted and gains recognized in accordance with IFRS. In addition, as Lakala was constantly consolidating its strength in the financial services sector leveraging its fast-growing business volume, it managed to turn around its business during the Reporting Period and started to contribute profit to the Group.

Relying on its leading position in financial payment sector, Lakala has been constantly expanding its strategic presence in the financial sector, trying to build an eco-system of Internet finance, which resulted in a constant enhancement of its inherent value. According to the latest round of its strategic financing in June 2015, Lakala received an injection of RMB1.45 billion from certain strategic investors, driving its post-money valuation up to RMB10.45 billion.

Modern services

Overview

The Group's engagement in the modern services sector includes: the dental care service business through its subsidiary Bybo, the logistics service business through its subsidiary Zeny Supply Chain, the car rental service business through its associate CAR, as well as the senior care service and businesses in the "Internet+" sector. In these sectors, brand is an important resource regarded by both the customers and service providers. Through our strategic deployment in these sectors, we strive to enhance the quality, and thus brand awareness and influences of our products and services.

The Group continued its deployment in the modern services and the "Internet+" sectors. During the Reporting Period, the Group made a strategic investment in Social Touch and the transaction has been successfully completed (with 48.23% shareholding), and entered into a strategic investment agreement with Century Wenkang, which is engaged in the Internet-based medical care service business (with 16.67% shareholding), and as at the end of the Reporting Period, the transaction has not been completed.

Modern services segment's revenue and net loss for the Reporting Period are as follows:

(In RMB million)

	For the six months ended June 30, 2015	For the six months ended June 30, 2014
Revenue	596	235
Net (loss)/profit	(211)	201

MANAGEMENT DISCUSSION AND ANALYSIS

Operating highlights

- Our dental care service segment continued to expand its presence in the market across the country, with a rapid growth in operating revenue as well as gross margin;
- We continued to expand our regional presence in the cold-chain logistics business. During the Reporting Period, we have signed an equity acquisition agreement with Dongjiang Harbor and a business acquisition agreement in respect of the acquisition of a cold-chain business in Zhengzhou, Henan Province. As at the end of the Reporting Period, the transaction has not been completed.

Dental care

Bybo is a dental care service provider and one of the best known dental chains in China. We invested in Bybo in July 2014.

In 2015, the Chinese Government continued to support privately-owned medical institutions and advance the reform of the national medicine and healthcare system with frequent release of supporting policies for the optimization of resource allocation and service upgrading, pointing to a promising future for private medical institutions. Against the backdrop of favourable policies, Bybo has accelerated its strategic deployment across the country aiming to build a long-lasting top brand over the past one year. As at December 31, 2014, Bybo owned 9 hospitals and 66 clinics, and as at June 30, 2015, the numbers increased to 17 and 78, respectively. Fast strategic deployment resulted in fast growth in revenue, and the economies of scale also improved gross profit.

By penetrating the market across the country for business expansion, Bybo successfully furthered its business deployment during the Reporting Period. Although new outlets were generally sustaining operating losses due to heavy start-up costs and a period of time needed for its business to turn positive, their losses were gradually narrowing with the profitability of established outlets constantly improving as their professional services and brand awareness gradually gained popularity and recognition, indicating that our dental care business is developing at a steady pace and in a healthy manner. In addition, Bybo has built up significant presence and gained remarkable brand awareness in areas such as Beijing, Guangzhou, Shanghai, Shenzhen, Zhuhai and Hainan, and is in a position to expand its network coverage across the country through organic growth and acquisitions, achieving even better economies of scale and profit margin, improving the profitability of Bybo as a whole.

Bybo's revenue and net loss for the Reporting Period were set forth as follows:

(In RMB million)

	For the six months ended June 30, 2015	For the six months ended June 30, 2014
Revenue	410	N/A
Net (loss)	(49)	N/A

MANAGEMENT DISCUSSION AND ANALYSIS

Logistics

We are engaged in the logistics business through our subsidiary Zeny Supply Chain. Our logistics businesses included cold-chain logistics, express delivery and storage.

During the Reporting Period, we continued to expand our regional deployment in the cold-chain business sector. We have signed agreements to acquire the equity interests of Dongjiang Harbor and the cold-chain business in Zhengzhou, Henan Province. As at the end of the Reporting Period, the transactions have not been completed.

The revenue of our logistics segment increased by RMB35 million compared with the same period of 2014, mainly due to the significant growth in our cold-chain, express delivery and storage businesses. As for our express delivery business, the strategic adjustment in line with the industrial environment is expected to be completed in the second half of the year.

Net loss increased by RMB137 million compared with the same period of 2014, mainly because the express delivery business incurred significant costs and expenses during the expansion of the business while the increase in revenue is slower than that in costs.

Logistics segment's revenue and net loss for the Reporting Period were set forth as follows:

(In RMB million)

	For the six months ended June 30, 2015	For the six months ended June 30, 2014
Revenue	186	151
Net (loss)	(235)	(98)

Car rental

During the Reporting Period, CAR was an associate of our Group, and its share of profit of associates accounted for using the equity method was RMB97 million, representing a significant increase compared with the same period of last year. The increase was mainly due to strong growth of CAR's business.

Agriculture and food

Overview

With the increasing per capita disposable income of the Chinese consumers and the changes in their consumption patterns, we believe that they are seeking to improve their lifestyle. Encouraged by the great growth potential of the agriculture and food industry, we are actively seeking opportunities in the relevant industries. We focus on those particular sectors within the agriculture and food industry that we believe will benefit most from its developments.

MANAGEMENT DISCUSSION AND ANALYSIS

Operating highlights

- Our agricultural business reported a substantial increase in the sales of agricultural products including blueberries and kiwifruit through continuously improvement of its planting technologies and developing new sources of supply and sales channels, and accomplished a significant reduction of loss for the Reporting Period through constant improvement on its management expertise and operating efficiency as compared with the same period of last year;
- The Company made an additional strategic investment in Cloud Farm, intending to use it as a platform to enhance conventional agriculture through the Internet, integrate the upstream and downstream resources, and reshape conventional agriculture with Internet technology to create “a new agricultural eco-system”. Cloud Farm is China’s first Internet-based agriculture-related service provider which integrates areas such as agriculture-oriented e-commerce, customization and trading of agricultural products, rural logistics, agricultural technology services and rural finance.

Agriculture and food segment’s revenue and net loss for the Reporting Period are as follows:

(In RMB million)

	For the six months ended June 30, 2015	For the six months ended June 30, 2014
Revenue	920	822
Net (loss)	(73)	(166)

Agriculture

In 2015, China’s fruit industry maintained its steady growth while the global economy was yet to get out of the woods and the domestic macro-economy was also under considerable downward pressure. Our agriculture business targeted consumers demanding safe and high-quality products. Our agriculture business is conducted through our subsidiary Joyvio, which focuses primarily on providing premium fruits and agricultural products, such as kiwifruit, blueberries, tea and imported wine. During the first half of 2015, key operating indicators such as revenue, net profit and operating cash flow of our agriculture business were constantly improving.

During the Reporting Period, the revenue of our agriculture business increased by 30%, from RMB228 million to RMB297 million, which was mainly due to: 1) our continuous investment in agricultural technology, leading to constant upgrade of planting technology and expertise and enhancement in product quality and production capacity; 2) further development of supply channels of agricultural products leading to broadened product range as well as the increased sales volume of our popular products, giving us more flexibility in identifying better products, especially imported premium fruits, such as cherries and avocados; and 3) continuous expansion and optimization of our sales channels: in addition to the continuing integration of traditional wholesale channels, we were also constantly improving our online marketing channels while eagerly trying such new channels to build social network communities. The narrowing of net loss was mainly due to the continuous enhancement of our operational efficiency, optimization of cost structure and strengthening of cost control along with the expansion of our agriculture business.

MANAGEMENT DISCUSSION AND ANALYSIS

Agriculture business's revenue and net loss for the Reporting Period were set forth as follows:

(In RMB million)

	For the six months ended June 30, 2015	For the six months ended June 30, 2014
Revenue	297	228
Net (loss)	(14)	(69)

Chinese Liquor

Our subsidiary Funglian is engaged in the production and sales of Chinese liquor and owns four regional brands, i.e. "Bancheng", "Confucius Family", "Wenwang" and "Wuling".

Under the influences of the macro-control policies and the in-depth adjustment of the industry, the Chinese liquor market was hit with head winds in recent years. During the Reporting Period, the Chinese liquor industry was still in recession; however, with the completion of adjustment to the distributors' inventory and the arrival of the peak season, the Chinese liquor industry has touched the bottom and begun to rebound slowly, observing a slight increase in both sales and prices. During the Reporting Period, the revenue of our Chinese liquor business increased by 5%, primarily due to the timely adjustment of its existing product mix by Funglian, and the vigorous development of new products and exploration of multiple marketing models which focused primarily on the strategic markets. The narrowing of net loss was mainly due to optimization of product cost structure in order to increase gross margin, and the enhancement of management efficiency in parallel with rising revenue.

The revenue and net loss of Chinese liquor business for the Reporting Period were set forth as follows:

(In RMB million)

	For the six months ended June 30, 2015	For the six months ended June 30, 2014
Revenue	623	594
Net (loss)	(59)	(97)

Property

Overview

According to the National Bureau of Statistics of the PRC, the total investment in property development in China was RMB4,395.5 billion during the Reporting Period, representing a nominal increase of 4.6%; the total area of properties under construction was 6,375,630,000 square meters, representing an increase of 4.3%; the total area of the newly-commenced properties was 674,790,000 square meters, representing a decrease of 15.8%; the total area of completed properties was 329,410,000 square meters, representing a decrease of 13.8%; the total area of commercial properties sold was 502,640,000 square meters, representing an increase of 3.9%; and the total value of properties sold was RMB3,425.9 billion, representing an increase of 10.0%.

During the Reporting Period, the investment in the newly-commenced properties declined with overall investment recovering slowly. The area of completed properties was less than the area of properties sold as the property industry was focusing on reducing inventories.

MANAGEMENT DISCUSSION AND ANALYSIS

Operating highlights

- Benefiting from the contribution of high-margin sales in tier-one and tier-two cities, the gross margin of average sales price per unit has improved significantly compared with the same period of 2014;
- The area of available-for-lease properties has increased significantly. In addition to significant fair value gains during the Reporting Period, it will also contribute stable profits and cash flow to the Group in the future.

The Group is engaged in the real estate business through its subsidiary Raycom Real Estate. Our real estate business consists of 1) development and sale of residential properties; 2) development, sale, lease and management of office buildings and industrial parks, with the ability to develop properties specifically to the requirements of our corporate customers; and 3) property management services provided via our joint venture, FPD Raycom Property Management Co., Ltd.. Our real estate business is mainly focused in tier-one cities and affluent tier-two and tier-three cities in Eastern, Southwest and Central China.

For the first half of 2015, the sales of our residential properties and office buildings underwent a rapid growth compared with the same period of previous year, Hefei Raycom City I in Anhui Region and Chongqing Raycom City both rendered encouraging sales results. Revenue of our real estate segment increased significantly to RMB4.34 billion, an increase of 120% over the same period of previous year.

During the Reporting Period, there was a significant growth in the area and the unit price of the properties completed and delivered to clients compared with the previous year, which led to a significant growth in both gross margin and gross profit, with gross profit for the Reporting Period increasing by RMB1.17 billion; Meanwhile, Block B of Raycom Info Tech Centre, a high-end multi-functional compound held by the Company for lease purpose, was completed and delivered to the client, and converted into investment property, contributing a fair value gain of RMB1,586 million.

Our property segment's revenue and net profit for the Reporting Period are as follows:

(In RMB million)

	For the six months ended June 30, 2015	For the six months ended June 30, 2014
Revenue	4,340	1,974
Net profit	1,733	85

MANAGEMENT DISCUSSION AND ANALYSIS

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LEGEND
HOLDINGS
CORPORATION

As at June 30, 2015, the development status of our real estate projects is shown as follows:

Project	Location	Site Area (sq.m.)	Completed						Under development					Held for Future Development			Interest Attributable to Raycom %
			GFA Completed (sq.m.)	GFA sold and Delivered (sq.m.)	GFA sold and Undelivered (sq.m.)	GFA Remaining Unsold (sq.m.)	Rentable GFA Held for Investment (sq.m.)	Actual Completion Date	GFA Under Development (sq.m.)	Saleable/ Rentable GFA (sq.m.)	GFA Pre-sold (sq.m.)	Expected Completion Date	Planned GFA (sq.m.)	Land Use Rights			
														Not Yet Obtained	Obtained		
Wisdom Castle (千幸嘉園)	Beijing	117,672	85,980	55,338	15,074	15,544	-	12-2014	53,092	53,080	-	-	12-2015	37,476	-	-	80
Olive City (橄欖城)	Beijing	132,451	398,221	385,716	1,701	8,633	-	08-2014	-	-	-	-	-	-	-	-	100
Raycom Creative Center (融科創意中心)	Beijing	19,750	78,445	65,996	-	12,450	-	01-2013	-	-	-	-	-	-	-	-	66.9
Blocks A and C of Raycom Info Tech Centre (融科資訊中心A&C座)	Beijing	27,128	102,264	-	-	-	101,744	09-2004	-	-	-	-	-	-	-	-	100
Block B of Raycom Info Tech Centre (融科資訊中心B座)	Beijing	15,388	60,004	-	-	-	59,922	03-2015	-	-	-	-	-	-	-	-	100
SOHU New Media Plaza (搜狐新媒體大廈)	Beijing	6,443	28,517	28,517	-	-	-	03-2013	-	-	-	-	-	-	-	-	100
Parc de Vincennes (鈞廷)	Beijing	47,824	120,633	117,411	63	3,158	-	09-2014	-	-	-	-	-	-	-	-	100
Xiang Xue Lan Yi (香雪蘭溪)	Beijing	81,979	204,948	204,948	-	-	-	09-2011	-	-	-	-	-	-	-	-	100
Fenghe Yuan (豐合園)	Tianjin	67,392	24,455	22,076	91	1,992	-	06-2014	78,851	28,703	63,558	-	08-2015	-	-	-	30.6
Lakeside Origin (綠樹灣)	Tianjin	584,786	75,509	34,824	7,855	27,209	-	11-2014	-	-	-	320,520	-	-	-	-	95
Taiyin Yuan (泰怡園)	Tianjin	18,214	27,321	26,380	142	799	-	09-2014	-	-	-	-	-	-	-	-	30.6
Han Tang Yuan (韓棠園)	Tianjin	64,320	-	-	-	-	-	-	69,004	56,749	18,633	-	12-2015	52,857	-	-	29.8
Xin Yi Wan & Yi Jun Tai (心韻灣&臨錦台)	Tianjin	195,331	545,241	545,241	-	-	-	10-2012	-	-	-	-	-	-	-	-	54
Allinson Garden (優羅山)	Hangzhou	70,464	127,004	31,758	20,338	73,422	-	07-2014	-	-	-	-	-	-	-	-	100
Cover life (櫻頤灣)	Hangzhou	60,801	-	-	-	-	-	-	151,954	150,623	10,861	-	09-2016	-	-	-	100
Xiaoshan Dikwai (蕭山地塊)	Hangzhou	107,876	-	-	-	-	-	-	-	-	-	-	-	-	277,690	-	100
Raycom Skyline (融科天城)	Wuhan	87,366	400,700	381,183	1,069	9,784	2,454	05-2014	-	-	-	-	-	-	-	-	100
Raycom Luoyu Road Centre (隆陽路中心)	Wuhan	15,890	62,294	58,639	243	2,475	-	07-2013	-	-	-	-	-	-	-	-	100
Raycom Flower Garden (花滿庭)	Wuhan	112,860	-	-	-	-	-	-	191,821	81,311	125,060	-	12-2015	-	-	-	100
Raycom Celestial Heigh (融科天域)	Wuhan	47,129	-	-	-	-	-	-	164,911	-	-	-	07-2017	-	-	-	35.7 ^(a)
Raycom Zhi Gu (融科智谷)	Wuhan	187,042	-	-	-	-	-	-	-	-	-	-	-	349,769	-	-	100
Teng Wang Ge (滕王閣)	Chongqing	250,007	-	-	-	-	-	-	29,519	-	-	-	10-2017	794,312	-	-	100
Golden Age (金色年代)	Chongqing	112,876	-	-	-	-	-	-	197,243	172,432	34,563	-	10-2017	84,644	-	-	100
Chongqing Raycom City (重慶融科城)	Chongqing	634,625	984,096	886,722	8,445	42,834	-	11-2014	117,885	86,442	29,638	-	10-2016	-	-	-	100
First Sea (葆華海)	Changsha	215,778	553,037	471,498	192	15,103	-	11-2013	85,223	40,918	6,048	-	12-2016	3,161	-	-	75

MANAGEMENT DISCUSSION AND ANALYSIS

Project	Location	Site Area (sq.m.)	Completed						Under development				Held for Future Development				
			GFA Completed (sq.m.)	GFA sold and Delivered (sq.m.)	GFA sold and Undelivered (sq.m.)	GFA Remaining (sq.m.)	Saleable GFA (sq.m.)	Rentable GFA (sq.m.)	Actual Completion Date	GFA Under Development (sq.m.)	Saleable/Rentable GFA (sq.m.)	Pre-sold GFA (sq.m.)	Expected Completion Date	Planned GFA (sq.m.)	Land Use Rights		Interest Attributable to Raycom %
															Obtained	Not Yet Obtained	
La Villa (禮香山)	Changsha	111,674	282,778	279,335	681	93	-	-	-	-	-	-	-	-	-	100	
Jin Jiang Ming Zhu (浙江明珠)	Changsha	46,380	-	-	-	-	-	-	-	-	-	161,395	-	-	-	95	
San Wan Ying Chi (三萬英尺)	Changsha	34,852	167,064	167,064	-	-	-	-	-	-	-	-	-	-	-	100	
Wu Tong Li (梧桐裏)	HeFei	69,779	-	-	-	-	-	-	-	-	-	127,710	50,057	80,110	12-2015	124,083	60
Raycom Splendor Nonet (蘇科九重錦)	HeFei	74,916	232,927	221,565	593	7,539	-	-	-	-	-	-	-	-	-	100	
HeFei Raycom City (合肥蘇科項目)	HeFei	401,595	280,752	247,354	2,731	29,887	-	-	-	-	-	257,560	116,534	165,528	12-2016	-	981,569
Nine Jade City (玖瑞尚城)	Wuxi	122,496	83,912	69,508	1,001	12,330	-	-	-	-	-	-	-	-	225,672	-	95
Balance City (玖城)	Wuxi	92,258	101,524	95,921	260	5,943	-	-	-	-	-	116,233	108,220	27,031	08-2016	-	100
Jinhu Bay Shi Jia (金湖灣世家)	Wuxi	133,298	82,163	63,264	1,847	14,319	-	-	-	-	-	67,164	65,103	5,295	08-2015	38,636	100
Project Yixing (宜興項目)	Wuxi	32,556	52,089	52,089	-	-	-	-	-	-	-	-	-	-	-	-	60
Kunming Legend Tech City (昆明聯想科技城)	Kunming	93,174	107,361	93,695	3,883	9,500	-	-	-	-	-	171,027	79,381	89,737	12-2015	-	51
Kunming Legend Tech City (昆明聯想科技城)	Kunming	326,392	-	-	-	-	-	-	-	-	-	95,545	91,912	41,955	08-2016	1,086,951	51
Yan Qi Du (雁棲湖)	Dalian	140,289	-	-	-	-	-	-	-	-	-	196,280	181,170	11,967	12-2016	-	50
Blue Liliang (藍立方)	Sanya	22,928	-	-	-	-	-	-	-	-	-	78,398	48,417	34,569	12-2016	-	60
Haitang Bay (海棠灣項目)	Sanya	587,382	-	-	-	-	-	-	-	-	-	-	-	-	177,136	-	65
Daqing Legend Tech City (大慶聯想科技城)-Plot 1	Daqing	118,578	324,340	175,821	12,925	60,205	-	-	-	-	-	-	-	-	97,854	-	100
Daqing Legend Tech City (大慶聯想科技城)-2B	Daqing	168,329	-	-	-	-	-	-	-	-	-	-	-	-	-	437,656	100
Daqing Legend Tech City (大慶聯想科技城)-3A	Daqing	199,973	-	-	-	-	-	-	-	-	-	-	-	-	-	201,972	100
Daqing Legend Tech City (大慶聯想科技城)-2C	Daqing	75,929	-	-	-	-	-	-	-	-	-	-	-	-	-	174,637	100
Daqing Legend Tech City (大慶聯想科技城)-2A-1	Daqing	42,276	-	-	-	-	-	-	-	-	-	-	-	-	101,461	-	100
Daqing Legend Tech City (大慶聯想科技城)-2D	Daqing	103,424	-	-	-	-	-	-	-	-	-	-	-	-	-	104,458	100
Daqing Legend Tech City (大慶聯想科技城)-2A-4	Daqing	24,560	-	-	-	-	-	-	-	-	-	-	-	-	-	120,345	100
Daqing Legend Tech City (大慶聯想科技城)-2A-5	Daqing	22,279	-	-	-	-	-	-	-	-	-	-	-	-	-	82,434	100
Daqing Legend Tech City (大慶聯想科技城)-Cloud Computing 2A-3	Daqing	27,551	-	-	-	-	-	-	-	-	-	14,335	14,335	-	12-2015	18,727	100
Private Palace In City (朝宗原築)	Jiangyin	83,824	35,043	27,361	672	6,955	-	-	-	-	-	66,364	55,203	9,362	12-2015	-	100
Raycom Up Town (蘇科上城)	Tangshan	131,205	201,116	180,845	7,884	11,519	-	-	-	-	-	-	-	-	-	-	42
Jiu Yu Yi Pin (九域一品)	Jingdezhen	152,157	48,108	14,196	11,686	9,916	-	-	-	-	-	-	-	-	263,068	-	100
Total		6,720,846	5,877,846	5,004,264	99,376	381,009	164,120	2,329,919	1,480,690	753,915	3,937,712	2,380,791					

(1) In addition to which 49% interests are attributable to Lenovo.
(2) In addition to which 29.4% interests are attributable to Lenovo.

MANAGEMENT DISCUSSION AND ANALYSIS

Chemicals and Energy Materials

Overview

The Chemicals and Energy Materials Business segment consists of fine chemicals and energy materials business, which focuses on innovative products with growth potential emerging during the transformation of China's chemical industry as well as the lithium-ion battery designed for new energy vehicles. We are engaged in the production of fine chemical and new chemical materials through our subsidiary Levima, and engaged in the lithium-ion battery business through our subsidiary Phylion. During the Reporting Period, as a support for our subsidiaries to achieve better development, we helped Phylion bring in new investors, which resulted in the Group's shareholding in Phylion being diluted from 50.77% to 44.51%.

Chemicals and energy materials segment's revenue and net profit for the Reporting Period are as follows:

(In RMB million)

	For the six months ended June 30, 2015	For the six months ended June 30, 2014
Revenue	671	925
Net profit/(loss)	3	(167)

During the Reporting Period, the revenue of chemicals and energy materials business decreased by RMB254 million as compared with the same period of previous year, due to continuous recession of the conventional chlor-alkali and coal industry. At the same time, the Group made adjustments to the operating strategies in view of the change of the market, which resulted in smaller losses as compared with the same period of last year. In addition, Phylion introduced strategic investors and incurred a relevant earning of RMB139 million arising from the disposal of subsidiaries as it was no longer included in the consolidated financial statement. Therefore, chemicals and energy materials business segment recorded a profit of RMB3 million for the Reporting Period.

Chemicals

We are engaged in the chemicals business through our subsidiary Levima.

Levima's subsidiary, Jining Zhongyin Electrochemical Co., Ltd. ("Zhongyin Electrochemical"), produces chlor-alkali products, including caustic soda, cyclohexanone, paste PVC resin and chlorparaffin. During the Reporting Period, the chlor-alkali industry, in which Zhongyin Electrochemical (a subsidiary of Levima) was operating, suffered from overcapacity while the demand from downstream remained weak, resulting in narrower gross profit margin and lower profitability.

Levima's subsidiaries, Shandong Shenda Chemicals Co., Ltd. ("Shenda Chemicals") and Shandong Haoda Chemicals Co., Ltd. ("Haoda Chemicals"), owns facilities for manufacturing olefin-related products with methanol and facilities for DCC processing of ethylene, respectively. The construction of the production facilities, e.g. DMTO, PP, EO and EOD for Shenda Chemicals and Haoda Chemicals started in June 2012 and has been successfully completed and put into trial operation. The EVA is still under construction and expected to be completed in the third quarter for trial operation.

Levima remained market-oriented and carried on its business under the principle of profit maximization. For chlor-alkali business, it has limited or suspended the production of some of its chlor-alkali facilities. With the above approaches, it realized an increase in gross profit, notwithstanding the revenue decreasing as compared with the previous year. For Shenda Chemicals and Haoda Chemicals, Levima aimed at steadily increasing the workload of their facilities while further reducing their energy consumption. During the Reporting Period, Levima recorded a loss of RMB157 million, representing a decrease of 6% over the corresponding period of the previous year.

MANAGEMENT DISCUSSION AND ANALYSIS

Energy materials

During the Reporting Period, the electric bicycle markets home and abroad experienced a steady growth. With the gradual release of subsidies by the State and local governments to vehicles powered by lithium-ion battery, demand for electric vehicles was in a fast-growing trend.

By helping expand the market shares of those leading brands at home and abroad, Phylion achieved a substantial increase in sales. Meanwhile, Phylion has strengthened its internal management, exercised strict control over costs, and managed to maintain a higher gross margin in contrast to the decline of market price. For the first half of 2015, Phylion recorded a sales revenue of RMB190 million, representing an increase of 35% as compared with the previous year, with a profit of RMB21 million, achieving turnaround compared with the previous year.

FINANCIAL INVESTMENT

Our financial investment segment includes venture capital, private equity investment, angel investment and venture incubator and other minority equity investments.

The following table sets forth the interim results of the financial investment segment for the Reporting Period of 2015 compared with the same period of 2014:

(In RMB million)

	For the six months ended June 30, 2015	For the six months ended June 30, 2014
Revenue	9	3
Investment income and gains	2,773	285
Share of profits of associates and joint ventures accounted for using the equity method	201	46
Net profit	2,151	116

Investment income and gains increased from RMB285 million for the first half of 2014 to RMB2,773 million for the same period of 2015, mainly due to the increase in the gains from our associate funds and minority equity investments which is in line with performance of the capital market in the first half of 2015. Companies under investment portfolio of our associate funds and minority equity investments were expanding quickly as they entered a period of rapid development with growing competitiveness and market shares, resulting in a greater appreciation to their inherent value.

During the Reporting Period, Legend Capital fully or partially exited from a total of 13 investment projects while Hony Capital fully or partially exited from a total of 12 investment projects, realizing a gain of RMB2,387 million in total for Legend Holdings. As at June 30, 2015, the market value of Legend Capital's and Hony Capital's listed projects accounted for more than 20% and 55% of their total investment value respectively.

Profits of associates and joint ventures accounted for using the equity method increased from RMB46 million for the first half of 2014 to RMB201 million for the same period of 2015, mainly because our equity interests in the general partners of the associate funds shared a rather high return as the associate funds secured significant return through timely exits during favourable market conditions in the first half of 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

Legend Star focuses on seed stage investments in the TMT and healthcare industries, aiming to become “the most high-tech savvy angel investor”. By taking advantage of nearly thirty years of experiences in establishing and investing in technology business ventures by Legend Holdings, it joins hands with excellent entrepreneurs to build outstanding technology enterprises. As of June 30, 2015, Legend Star has invested in 103 projects, involving a total investment of RMB567 million. For the period from January 2015 to June 2015, a total of 12 projects have completed subsequent financing and raised a total of RMB342 million.

BUSINESS OUTLOOK

Looking forward, we will further our aggressive business deployment with dynamic management, adhere to the two-wheel-driving model with balanced development of our strategic investment and financial investment businesses and inspire active interaction and resource sharing between our business segments while constantly improving our management expertise, optimizing our investment portfolios and innovating our operating and investment strategies, with an aim to constantly cultivating outstanding companies in China.

With the ever-increasing per capita disposable income of the public in China, the further improvement in their consumption capacity and the further evolvement in their consumption habits, relevant segments such as financial services, modern services and agriculture and food segments will witness long-term growth opportunities. We will focus on financial services, modern services and agriculture and food segments, and we aim to, through long-term penetration, realize long-term stable growth against economic fluctuations.

FINANCIAL REVIEW

Net interest expense

The Group's net interest expenses after deducting capitalized amounts increased from RMB1,244 million for the six months ended June 30, 2014 to RMB1,679 million for the six months ended June 30, 2015. Increase in the net interest expenses was mainly due to increase in the total borrowings.

Taxation

The Group's taxation increased from RMB899 million for the six months ended June 30, 2014 to RMB1,360 million for the six months ended June 30, 2015. Increase in the amount of taxation was mainly due to increase in the profit before taxation as compared with the corresponding period of last year.

Capital expenditures and capital commitments

The Group's capital expenditures mainly arise from factory building, improvements of machinery and equipment, addition of intangible assets and payment for acquisition. Capital expenditures were mainly funded by internally generated resources and external borrowings.

As at June 30, 2015, the Group had RMB11,220 million of capital expenditures contracted, but not yet generated and RMB21,646 million of capital expenditures granted, but not yet contracted. Such capital commitments were mainly used for property development, addition of plant and equipment, and investment.

Liquidity and financial resources

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

Cash and cash equivalents

As of June 30, 2015, our cash and cash equivalents include RMB42,211 million of cash at bank and in hand and money market funds, among which, RMB, US dollar, HK dollar, EUR and other currencies accounted for 34%, 30%, 29%, 1% and 6%, respectively, while the amount as at December 31, 2014 was RMB35,773 million, among which, RMB, US dollar, HK dollar, EUR and other currencies accounted for 46%, 43%, 1%, 3% and 7%, respectively. It is our policy to place our cash in interest-bearing principal-protected demand or short-term deposits with reputable PRC and foreign banks.

MANAGEMENT DISCUSSION AND ANALYSIS

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

Indebtedness

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

(In RMB million)

	As at June 30, 2015	As at December 31, 2014
Bank loans		
– Unsecured loans	22,002	20,677
– Guaranteed loans	14,068	14,469
– Collateralized loans	7,541	7,156
Other loans		
– Unsecured loans	217	15
– Guaranteed loans	12,711	10,905
– Collateralized loans	2,385	1,678
Corporate bonds		
– Unsecured	24,915	20,991
– Guaranteed	230	230
	84,069	76,121
Less: non-current portion	(56,416)	(56,550)
Current portion	27,653	19,571

As of June 30, 2015, among our total borrowings, 73% was dominated in RMB (December 31, 2014: 70%), 26% was dominated in US dollar (December 31, 2014: 29%) and 1% was dominated in other currencies (December 31, 2014: 1%). If categorized by whether the interest rates were fixed or not, the fixed interest rates borrowings and the floating interest rates borrowings accounted for 79% and 21% of our total borrowings, respectively, while as at December 31, 2014 accounted for 88% and 12%, respectively. Increase in our indebtedness was mainly due to growth and expansion of our strategic investment business.

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

(In RMB million)

	As at June 30, 2015	As at December 31, 2014
Within 1 year	27,653	19,571
After 1 year but within 2 years	15,198	16,523
After 2 years but within 5 years	37,945	36,962
After 5 years	3,273	3,065
	84,069	76,121
Wholly repayable within 5 years	80,796	73,056

MANAGEMENT DISCUSSION AND ANALYSIS

As of June 30, 2015, we had the following corporate bonds outstanding:

Issuer	Type of bonds	Currency	Issuance date	Term	Principal amount	As of June 30, 2015
The Company	Corporate bonds	RMB	October 8, 2008	7 years	RMB2,000 million	RMB1,999 million
The Company	Corporate bonds	RMB	October 31, 2011	7 years	RMB2,900 million	RMB2,886 million
The Company	Corporate bonds	RMB	November 30, 2012	10 years	RMB2,300 million	RMB2,285 million
The Company	Private placement bonds	RMB	March 6, 2013	3 years	RMB2,000 million	RMB1,998 million
Brave Rise Investments Limited, a subsidiary of Joyvio	Guaranteed bonds	RMB	May 24, 2013	3 years	RMB230 million	RMB230 million
The Company	Private placement bonds	RMB	March 21, 2014	5 years	RMB2,000 million	RMB1,977 million
The Company	Private placement bonds	RMB	March 27, 2014	5 years	RMB740 million	RMB734 million
Lenovo	Long term notes	USD	May 8, 2014	5 years	USD1,500 million	RMB9,116 million
Lenovo	Long term notes	RMB	June 10, 2015	5 years	RMB4,000 million	RMB3,920 million

The annual interest rates of our bonds listed above as of June 30, 2015 ranged from 4.70% to 7.00%.

As of June 30, 2015, the Company had undrawn bank facilities of RMB73.9 billion.

Current ratio and debt to equity ratio

	June 30, 2015	December 31, 2014
Current ratio (Times)	1.2	1.2
Debt to equity ratio (%)	60.8%	76.3%

Current ratio

Current ratio is our current assets divided by our current liabilities at the end of each financial period. Our current ratio at the end of the Reporting Period remained stable compared to December 31, 2014.

Debt to equity ratio

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

Pledged Assets

As of June 30, 2015, the Group pledged the assets of RMB19.8 billion (December 31, 2014: RMB20.7 billion) for obtaining borrowings.

Contingent Liabilities

Our contingent liabilities primarily comprise (i) shareholder's guarantees we provided in respect of the borrowings provided by commercial banks and other financial institutions to associates and third parties for their business expansion, (ii) the guarantees we provided regarding the mortgage facilities granted by commercial banks to the purchasers of our properties in connection with our property business, and (iii) financial guarantees provided by our subsidiaries in the financial services business to small and medium-sized entities for their borrowings from certain banks.

MANAGEMENT DISCUSSION AND ANALYSIS

We evaluated the financial position of financial guarantees provided in connection with our financial services business periodically and made provision accordingly. As of June 30, 2015 and December 31, 2014, the provision made by us was RMB147 million and RMB146 million respectively.

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

(In RMB million)

	June 30, 2015	December 31, 2014
Guarantee in respect of mortgage facilities for certain purchaser	3,460	3,309
Financial guarantee of guarantee business	3,987	4,046
Other guarantee		
– Related parties	3,037	4,420
– Unrelated parties	1,500	1,500

Dividend

As at May 28, 2015, we had declared an annual dividend of RMB366 million to shareholders for the year of 2014 prior to initial public offering and the dividend was settled as at June 10, 2015.

Save as the aforementioned dividend, our Board did not recommend the payment of any interim dividend for the six months ended June 30, 2015.

Details about the number of employees, remuneration policy, bonus, share option scheme and training plans

As at June 30, 2015, the Group had approximately 76,000 employees. Adhering to the talent retention philosophy of “investing in valuable people (投資於有價值的人)”, the Group attached great importance to internal talent cultivation, while actively introducing excellent talent from the outside; the Group continued to improve and work towards short-, middle- and long-term incentive systems that are both competitive and fair, optimize employee benefits and create a career platform and working environment that is full of learning and development opportunities. Meanwhile, the Group enhanced efforts in performance appraisal and talent review to further optimize the talent structure, which allowed the Group to maintain a professional talent team that is full of passion and provided solid HR guarantee for fulfilling the Group’s strategies.

Fluctuations in exchange rates and any relevant hedging

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

Use of proceeds from the Initial Public Offering

The net proceeds from the Company’s initial public offering amounted to approximately HK\$14.75 billion (equivalent to approximately RMB11.64 billion, including the proceeds received pursuant to the exercise of the Over-allotment Option in part), which is intended to be used as disclosed in the Prospectus of the Company.

As of June 30, 2015, the Company has not utilized any of the proceeds from initial public offering and all the proceeds had been deposited into a licensed bank in Hong Kong.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



羅兵咸永道

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF LEGEND HOLDINGS CORPORATION

(incorporated in the People's Republic of China with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 29 to 63, which comprise the condensed consolidated interim balance sheet of Legend Holdings Corporation (the "Company") and its subsidiaries (together, the "Group") as at June 30, 2015 and the related condensed consolidated interim income statement, statement of comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting". The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, August 27, 2015

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

For the six months ended June 30, 2015

		Unaudited Six months ended June 30,	
	Note	2015 RMB'000	2014 RMB'000
Sales of goods and services		141,844,250	125,455,457
Interest income		412,218	318,647
Interest expense		(155,896)	(83,171)
Net interest income		256,322	235,476
Total revenue		142,100,572	125,690,933
Cost of sales	8	(118,474,507)	(108,689,482)
Gross profit		23,626,065	17,001,451
Selling and distribution expenses	8	(7,944,033)	(6,090,294)
General and administrative expenses	8	(12,756,216)	(7,827,307)
Investment income and gains	7	3,368,648	992,076
Other income and gains		1,369,063	197,518
Finance income	9	256,867	341,598
Finance costs	9	(1,678,657)	(1,244,163)
Share of profit of associates and joint ventures accounted for using the equity method		234,456	74,054
Profit before income tax		6,476,193	3,444,933
Income tax expense	10	(1,360,286)	(899,421)
Profit for the period		5,115,907	2,545,512
Profit attributable to:			
– Equity holders of the Company		4,014,787	1,297,849
– Non-controlling interests		1,101,120	1,247,663
		5,115,907	2,545,512
Earnings per share for the profit attributable to the equity holders of the Company (expressed in RMB per share)			
Basic earnings per share	11	2.00	0.65
Diluted earnings per share	11	2.00	0.64
Dividends	23	366,025	–

The notes on pages 36 to 63 form an integral part of this unaudited condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended June 30, 2015

	Unaudited	
	Six months ended June 30,	
	2015	2014
	RMB'000	RMB'000
Profit for the period	5,115,907	2,545,512
Other comprehensive (loss)/income:		
Items that will not be reclassified to profit or loss		
Remeasurements of post-employment benefit obligation, net of taxes	(290,766)	23,460
Items that may be reclassified subsequently to profit or loss		
Currency translation differences	(1,135,525)	296,536
Share of other comprehensive income of associates	93,404	26,375
Change in fair value of available-for-sale financial assets, net of taxes	1,991,120	226,622
Fair value change on cash flow hedges, net of taxes	(665,808)	(154,864)
Other comprehensive (loss)/income for the period, net of taxes	(7,575)	418,129
Total comprehensive income for the period	5,108,332	2,963,641
Attributable to:		
– Equity holders of the Company	5,101,809	1,661,606
– Non-controlling interests	6,523	1,302,035
	5,108,332	2,963,641

The notes on pages 36 to 63 form an integral part of this unaudited condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

As at June 30, 2015

		Unaudited	Audited
	Note	As at June 30, 2015 RMB'000	As at December 31, 2014 RMB'000
ASSETS			
Non-current assets			
Leasehold land and land use rights		2,793,984	1,512,285
Property, plant and equipment	12	20,763,704	21,079,168
Investment properties	13	9,557,854	6,023,298
Intangible assets	12	56,898,601	56,386,519
Associates and joint ventures using equity accounting		7,914,647	6,990,086
Associates measured at fair value through profit or loss		12,997,749	12,676,928
Available-for-sale financial assets		7,009,944	3,549,532
Loans to customers		-	118,800
Deferred income tax assets	21	4,602,446	3,331,117
Other non-current assets		2,037,915	2,006,385
		124,576,844	113,674,118
Current assets			
Inventories		18,399,084	20,217,386
Properties under development		27,870,458	28,569,482
Completed properties held for sale		5,993,451	6,001,854
Trade and notes receivables	14	33,067,193	39,401,148
Prepayments, other receivables and current assets	15	30,864,395	32,632,921
Available-for-sale financial assets		86,102	114,100
Loans to customers		4,445,711	3,965,794
Derivative financial instruments		316,523	1,293,703
Financial assets at fair value through profit or loss		1,501,138	1,147,797
Restricted deposits		1,381,295	1,378,512
Bank deposits		4,004,141	4,831,811
Cash and cash equivalents		42,211,215	35,772,890
		170,140,706	175,327,398
Total assets		294,717,550	289,001,516
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital	16	2,352,944	2,000,000
Other reserves		17,618,007	5,482,489
Retained earnings		28,152,129	24,503,367
Total equity attributable to equity holders of the Company		48,123,080	31,985,856
Non-controlling interests		22,022,576	22,222,809
Put option written on non-controlling interests	19(iii)	(1,343,399)	(1,343,399)
Total equity		68,802,257	52,865,266

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

As at June 30, 2015

		Unaudited	Audited
	Note	As at June 30, 2015 RMB'000	As at December 31, 2014 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	20	56,416,011	56,550,145
Deferred revenue		3,370,593	3,742,876
Retirement benefit obligations		2,504,650	1,530,258
Provisions	22	2,024,034	2,595,523
Deferred income tax liabilities	21	4,996,014	3,409,654
Other non-current liabilities	19	15,720,007	16,549,953
		85,031,309	84,378,409
Current liabilities			
Trade and notes payables	17	34,628,092	49,755,181
Other payables and accruals	18	56,054,594	58,757,218
Derivative financial instruments		407,435	572,641
Provisions	22	7,198,056	7,050,244
Advance from customers		8,225,660	7,873,102
Deferred revenue		4,164,175	4,664,382
Current income tax liabilities		2,553,188	3,514,538
Borrowings	20	27,652,784	19,570,535
		140,883,984	151,757,841
Total liabilities		225,915,293	236,136,250
Total equity and liabilities		294,717,550	289,001,516
Net current assets		29,256,722	23,569,557
Total assets less current liabilities		153,833,566	137,243,675

The notes on pages 36 to 63 form an integral part of this unaudited condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended June 30, 2015

	Unaudited											
	Attributable to the equity holders of the Company											
	Share capital	Share premium	Statutory	Revaluation	Share-based	Hedging	Exchange	Other	Retained	Non-	Put option	Total
			surplus	reserve	compensation	reserve	reserve	reserve	earnings	controlling	written on	
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
As at January 1, 2015	2,000,000	-	-	999,333	1,121,971	213,061	(2,405,894)	5,554,018	24,503,367	22,222,809	(1,343,399)	52,865,266
Profit for the period	-	-	-	-	-	-	-	-	4,014,787	1,101,120	-	5,115,907
Other comprehensive income/(loss)												
Fair value changes on available-for-sale financial assets	-	-	-	1,665,458	-	-	-	-	-	349,974	-	2,015,432
Reclassified to income statement on disposal of available-for-sale financial assets	-	-	-	(24,312)	-	-	-	-	-	-	-	(24,312)
Share of other comprehensive income of associates	-	-	-	93,404	-	-	-	-	-	-	-	93,404
Fair value change on forward foreign exchange contracts	-	-	-	-	-	(580,357)	-	-	-	(1,317,363)	-	(1,897,720)
Reclassified to income statement on forward foreign exchange contracts	-	-	-	-	-	376,934	-	-	-	854,978	-	1,231,912
Currency translation differences	-	-	-	-	-	-	(355,509)	-	-	(780,016)	-	(1,135,525)
Remeasurements of post-employment benefit obligations	-	-	-	-	-	-	-	(88,596)	-	(202,170)	-	(290,766)
Total comprehensive income/(loss) for the period	-	-	-	1,734,550	-	(203,423)	(355,509)	(88,596)	4,014,787	6,523	-	5,108,332
Issuance of new shares (Note 16)	352,944	11,615,818	-	-	-	-	-	-	-	-	-	11,968,762
Share issuance cost (Note 16)	-	(442,138)	-	-	-	-	-	-	-	-	-	(442,138)
Disposal of subsidiaries	-	-	-	-	-	-	-	-	-	(101,094)	-	(101,094)
Transaction with non-controlling interests	-	-	-	-	-	-	-	(235,746)	-	(339,743)	-	(575,489)
Contribution from non-controlling interests	-	-	-	-	-	-	-	-	-	10,882	-	10,882
Transfer to reserve	-	-	-	-	-	-	-	5,217	-	2,338	-	7,555
Share of share option reserve of an associate	-	-	-	-	7,632	-	-	-	-	-	-	7,632
Share-based compensation	-	-	-	-	97,713	-	-	-	-	222,596	-	320,309
Dividend paid	-	-	-	-	-	-	-	-	(366,025)	(1,735)	-	(367,760)
As at June 30, 2015	2,352,944	11,173,680	-	2,733,883	1,227,316	9,638	(2,761,403)	5,234,893	28,152,129	22,022,576	(1,343,399)	68,802,257

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended June 30, 2015

	Unaudited										
	Attributable to the equity holders of the Company										
	Paid-in capital/ Share capital	Statutory surplus reserve	Revaluation reserve	Share-based compensation reserve	Hedging reserve	Exchange reserve	Other reserve	Retained earnings	Non- controlling interests	Put option written on non- controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at January 1, 2014	660,860	330,430	880,343	733,284	68,734	(1,865,885)	6,020,892	20,206,766	18,285,139	(1,343,399)	43,977,164
Profit for the period	-	-	-	-	-	-	-	1,297,849	1,247,663	-	2,545,512
Other comprehensive income/(loss)											
Fair value changes on available-for-sale financial assets	-	-	364,205	-	-	-	-	-	1,172	-	365,377
Reclassified to income statement on disposal of available-for-sale financial assets	-	-	(138,755)	-	-	-	-	-	-	-	(138,755)
Share of other comprehensive income of associates	-	-	26,375	-	-	-	-	-	-	-	26,375
Fair value change on forward foreign exchange contracts	-	-	-	-	(107,540)	-	-	-	(223,250)	-	(330,790)
Reclassified to income statement on forward foreign exchange contracts	-	-	-	-	57,194	-	-	-	118,732	-	175,926
Currency translation differences	-	-	-	-	-	154,651	-	-	141,885	-	296,536
Remeasurements of post-employment benefit obligations	-	-	-	-	-	-	7,627	-	15,833	-	23,460
Total comprehensive income/(loss) for the period	-	-	251,825	-	(50,346)	154,651	7,627	1,297,849	1,302,035	-	2,963,641
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	9,605	-	9,605
Disposal of subsidiaries	-	-	-	-	-	-	-	-	(40,226)	-	(40,226)
Transaction with non-controlling interests	-	-	-	-	-	-	(319,527)	-	(328,623)	-	(648,150)
Contribution from non-controlling interests	-	-	-	-	-	-	-	-	63,150	-	63,150
Transfer to reserve	-	-	-	-	-	-	3,193	-	3,480	-	6,673
Share of share option reserve of an associate	-	-	-	50,013	-	-	-	-	-	-	50,013
Share-based compensation	-	-	-	24,632	-	-	-	-	51,135	-	75,767
Contribution from a shareholder	-	-	-	-	-	-	53,200	-	-	-	53,200
Release of escrow shares for settlement of acquisition consideration	-	-	-	-	-	-	10,077	-	20,915	-	30,992
Reclassification share of reserve in associate to income statement upon dilution	-	-	-	-	-	-	(120,484)	-	-	-	(120,484)
Dividend paid	-	-	-	-	-	-	-	-	(348,524)	-	(348,524)
Conversion into a joint stock limited liability company	1,339,140	(330,430)	(336,863)	-	-	-	(1,162,347)	490,500	-	-	-
As at June 30, 2014	2,000,000	-	795,305	807,929	18,388	(1,711,234)	4,492,631	21,995,115	19,018,086	(1,343,399)	46,072,821

The notes on pages 36 to 63 form an integral part of this unaudited condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the six months ended June 30, 2015

	Unaudited Six months ended June 30,	
	2015 RMB'000	2014 RMB'000
Cash flows from operating activities		
Cash generated from operations	(6,691,235)	3,362,633
Income tax paid	(2,556,691)	(1,439,709)
Net cash (used in)/generated from operating activities	(9,247,926)	1,922,924
Cash flows from investing activities		
Purchases of property, plant and equipment, and intangible assets	(3,622,536)	(4,675,184)
Proceeds from sale of property, plant and equipment, and intangible assets	150,816	39,454
Purchase of financial assets at fair value through profit or loss	(252,144)	(431,918)
Proceeds from the disposal of financial assets at fair value through profit or loss	14,225	823,638
Distributions from financial assets at fair value through profit or loss	93,281	5,006
Capital injection in associates measured at fair value through profit or loss	(608,251)	(760,866)
Distributions from associates measured at fair value through profit or loss	3,152,975	410,036
Acquisition of associates and joint ventures using equity accounting	(238,209)	(199,672)
Proceeds from partial disposal of associates using equity accounting	-	54,480
Dividends from associates using equity accounting	34,648	342,485
Purchase of available-for-sale financial assets	(1,155,806)	(1,174,248)
Proceeds from disposal of available-for-sale financial assets	238,382	81,097
Dividends from available-for-sale financial assets	29,992	65,127
Acquisition of subsidiaries, net of cash acquired	(213,564)	(579,238)
Disposal of subsidiaries, net of cash disposed	166,504	(78,536)
Decrease in restricted deposits	-	206,746
Interest received	392,818	290,043
Decrease/(increase) in bank deposits	946,529	(2,238,273)
Net cash used in investing activities	(870,340)	(7,819,823)
Cash flows from financing activities		
Proceeds from borrowings	17,433,171	20,718,540
Repayments of borrowings	(13,402,016)	(9,467,837)
Issuance of new shares	11,968,762	-
Payment of expense on issuance of new shares	(37,443)	-
Capital contributions from non-controlling interests	10,882	63,150
Distribution to non-controlling interests	(6,632)	(348,524)
Transaction with non-controlling interests	(580,260)	(637,009)
Cash proceeds from issuance of bonds, net of issuance costs	3,928,291	11,845,388
Dividends paid to equity holders of the Company	(366,025)	-
Interest paid	(2,288,260)	(1,883,598)
Net cash generated from financing activities	16,660,470	20,290,110
Net increase in cash and cash equivalents	6,542,204	14,393,211
Cash and cash equivalents at beginning of the period	35,772,890	35,461,855
Exchange losses on cash and cash equivalents	(103,879)	(149,528)
Cash and cash equivalents at the end of the period	42,211,215	49,705,538

The notes on pages 36 to 63 form an integral part of this unaudited condensed consolidated interim financial information.

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

The address of the Company’s registered office is 10F, Tower A, Raycom Info Tech Park, 2 Ke Xue Yuan Nan Lu, Hai Dian District, Beijing 100190, PRC.

The Company and its subsidiaries (together, the “Group”) 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, finance lease, banking, insurance brokerage services, payment and internet finance and trusts, customised financial solutions to customers; (c) modern services industry, which operates in modern services including dental care, logistics, senior care and car rental business; (d) agriculture and food industry, which is mainly engaged in planting and sales of premium fruit and tea products in agriculture business, and producing and selling various Chinese liquor brands; (e) property industry, which is engaged in the business of the development and sale of residential properties and office buildings, office rental services and property management services to projects that the Group developed; and (f) chemicals and energy materials industry, which includes the fine chemicals and energy materials and lithium-ion battery businesses. The financial investments platform conducts investment in private equity and venture capital funds as a limited partner and holds interest in the general partners of certain funds. The Group also makes early stage or “angel” investments in technology start-ups and minority investments in other entities.

2. BASIS OF PREPARATION

This unaudited condensed consolidated interim financial information for the six months ended June 30, 2015 has been prepared in accordance with International Accounting Standard (“IAS”) 34, “Interim financial reporting”. The condensed consolidated interim financial information should be read in conjunction with the financial information of the Group for the year ended December 31, 2014 (the “Accountant’s Report”) presented in the Appendix IA to the Prospectus of the Company, which has been prepared in accordance with International Financial Reporting Standards (“IFRS”).

NOTES TO THE FINANCIAL STATEMENTS

3. ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended December 31, 2014 included in the Accountant's Report as contained in the Appendix 1A of the Prospectus.

The Group has adopted the following amendments and interpretation which are mandatory for the accounting period beginning on July 1, 2014:

Annual Improvement Project IAS 19 (Amendment)	Annual improvements 2010-2012 Cycle and 2011-2013 Cycle Employee benefits
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The adoption of above amendments and interpretation does not have any significant financial effect on this condensed consolidated interim financial information.

The following are new standards and amendments to standards that have been issued but are not yet effective for the financial year beginning after January 1, 2015 and have not been early adopted.

IAS 1 (Amendment)	The disclosure initiative ⁽¹⁾
IAS 16 and IAS 38 (Amendment)	Clarification of acceptable methods of depreciation and amortisation ⁽¹⁾
IAS 28 and IFRS 10 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture ⁽¹⁾
IFRS 10, IFRS 12 and IAS 28	Investment entities: applying the consolidation exception ⁽¹⁾
IFRS 11 (Amendment)	Accounting for acquisitions of interests in joint operation ⁽¹⁾
IFRS 14	Regulatory deferral accounts ⁽¹⁾
Annual Improvement Project	Annual Improvements 2012-2014 Cycle ⁽¹⁾
IFRS 15	Revenue from Contracts with Customers ⁽²⁾
IFRS 9	Financial Instruments ⁽²⁾

⁽¹⁾ Effective for the accounting period beginning on January 1, 2016

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

The Group will apply the above new standards and amendments to standards when they become effective. The Group is in the process of making an assessment of the impact of the above new standards and amendments to standards.

4. ESTIMATES

The preparation of condensed consolidated interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied in the preparation of the Accountant's Report as contained in the Appendix IA of the Prospectus.

NOTES TO THE FINANCIAL STATEMENTS

5. FINANCIAL RISK MANAGEMENT

5.1 FINANCIAL RISK FACTORS

The Group's activities expose to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The condensed consolidated interim financial information does not include all financial risk management information and disclosures required for the annual financial statements, and should be read in conjunction with the Accountant's Report as contained in the Appendix IA of the Prospectus.

There have been no changes in the Group's risk management department or in any risk management policies since December 31, 2014.

5.2 FAIR VALUE ESTIMATION

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

Level 1	Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2	Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
Level 3	Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

NOTES TO THE FINANCIAL STATEMENTS

5. FINANCIAL RISK MANAGEMENT (Continued)

5.2 FAIR VALUE ESTIMATION (Continued)

The following table presents the Group's financial assets and liabilities that are measured at fair value as at June 30, 2015 and December 31, 2014.

	As at June 30, 2015			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Associates measured at fair value through profit or loss	-	-	12,997,749	12,997,749
Financial assets at fair value through profit or loss				
- Listed securities	117,486	-	-	117,486
- Unlisted securities	-	-	1,383,652	1,383,652
Derivative financial instruments (i)	-	316,523	-	316,523
Available-for-sale financial assets				
- Listed securities	1,474,485	3,715,603	-	5,190,088
- Unlisted securities	-	-	1,905,958	1,905,958
	1,591,971	4,032,126	16,287,359	21,911,456
Liabilities				
Derivative financial instruments (i)	-	407,435	-	407,435
Contingent considerations	-	-	1,915,525	1,915,525
Written put option liability	-	-	1,344,136	1,344,136
	-	407,435	3,259,661	3,667,096

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

(i) Derivatives primarily related to foreign currency forward contracts that are designated as hedges for the fair value of recognized assets or liabilities or a firm commitment, or of highly probable forecast transactions from IT business of the Group.

NOTES TO THE FINANCIAL STATEMENTS

5. FINANCIAL RISK MANAGEMENT (Continued)

5.2 FAIR VALUE ESTIMATION (Continued)

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swap is calculated as the present value of estimated future cash flow based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

As at June 30, 2015 and December 31, 2014, associates measured at fair value through profit or loss comprise investments in venture capital funds ("VC Funds") and private equity funds ("PE Funds") which are subject to the terms and conditions of the respective fund's offering documentation. The investments in VC Funds and PE Funds are primarily valued based on the latest available financial information provided by their General Partners. The VC Funds and PE Funds are not publicly traded; prior to maturity, an exit can only be made by the Group through a sale of its investment and commitment in a fund through a secondary market. The Group's objective is to invest in VC Funds and PE Funds with the intention to recover the capital invested through distributions funded through realisation of their private equity and venture capital investment portfolios. As a result, the carrying values of VC Funds and PE Funds may be significantly different from the values ultimately realised through an exit via a secondary market sale.

All of the VC Funds and PE Funds in the investment portfolio are managed by investment managers who are compensated by the respective funds for their services. Such compensation generally consists of a commitment/investment-based management fee and a performance based incentive fee which is accounted for at VC Funds and PE Funds level. Such compensation is reflected in the valuation of the Group's investment in each of the funds.

NOTES TO THE FINANCIAL STATEMENTS

5. FINANCIAL RISK MANAGEMENT (Continued)

5.2 FAIR VALUE ESTIMATION (Continued)

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

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

The following table presents the changes in level 3 financial assets for the six months ended June 30, 2015 and 2014, respectively.

	Associates measured at fair value through profit or loss RMB'000	Financial assets at fair value through profit or loss RMB'000	Available- for-sale financial assets RMB'000	Total RMB'000
At January 1, 2015	12,676,928	1,044,393	1,145,954	14,867,275
Additions/capital contributions	608,251	252,144	824,565	1,684,960
Disposals/return of capital	(371,463)	(15,293)	(114,100)	(500,856)
Exchange adjustment	(543)	(183)	(1,517)	(2,243)
Transfers to level 2	-	-	(238,000)	(238,000)
Gains recognised in income statement	84,576	102,591	1,102	188,269
Gains recognised in other comprehensive income	-	-	287,954	287,954
At June 30, 2015	12,997,749	1,383,652	1,905,958	16,287,359
At January 1, 2014	11,882,076	622,425	873,855	13,378,356
Additions/capital contributions	962,697	76,798	1,174,248	2,213,743
Disposals	-	(263,600)	(34,010)	(297,610)
Exchange adjustment	77,819	1,737	954	80,510
(Losses)/gains recognised in income statement	(843,171)	177,243	-	(665,928)
Gains recognised in other comprehensive income	-	-	20,128	20,128
At June 30, 2014	12,079,421	614,603	2,035,175	14,729,199

NOTES TO THE FINANCIAL STATEMENTS

5. FINANCIAL RISK MANAGEMENT (Continued)

5.2 FAIR VALUE ESTIMATION (Continued)

The following table presents the changes in level 3 financial liabilities of the Group for the six months ended June 30, 2015 and 2014, respectively.

	Amounts RMB'000
At January 1, 2015	3,240,775
Exchange adjustment	(2,918)
Recognized in condensed consolidated interim income statement	21,804
At June 30, 2015	3,259,661
At January 1, 2014	3,186,185
Exchange adjustment	28,564
Recognized in condensed consolidated interim income statement	22,209
At June 30, 2014	3,236,958

6. SEGMENT INFORMATION

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

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

The Group identifies 7 reportable segments as follows:

- IT segment, which is mainly engaged in the development, manufacturing and marketing high-quality and easy-to-use for technology products and services for customers and enterprises;
- Financial services segment, which offers services including short-term financing, credit guarantees, entrusted loans, financial leasing, banking, insurance brokerage services, payment and internet finance and trusts, to provide customised financial solutions to customers;
- Modern services segment, which operates in consumer services including dental care, logistics and senior care businesses, and the car rental business;
- Agriculture and food segment, which are mainly engaged in planting and sales of premium fruit and tea products in agriculture business, and produce and sell various Chinese liquor brands;
- Property segment, which is primarily engaged in the business of the development and sale of residential properties and office buildings, office rental services and property management services to projects that the Group developed;

NOTES TO THE FINANCIAL STATEMENTS

6. SEGMENT INFORMATION (Continued)

- Chemicals and energy materials segment, which includes the fine chemicals and fine new materials production services and lithium-ion battery business;
- Financial investments segment, which is engaged in investment in the private equity and venture capital funds as a limited partner and holds interest in the general partners of certain funds. It also makes early stage or “angel” investments in technology start-ups and minority investments in other entities.

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, interest income and finance costs, which cannot be directly identified to specific operating segments. Segment assets consist, primarily of land use rights, investment properties, property, plant and equipment, intangible assets, inventories, properties under development, completed properties held for sale, receivables and cash and cash equivalents. Segment liabilities primarily comprise operating liabilities.

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

Revenue and Profit

Six months ended June 30, 2015

	Unaudited									
	Strategic investments									
				Chemicals and energy materials						
	Financial IT	Modern services	Agriculture and food	Property	Chemicals and energy materials	Financial investment	Unallocated	Elimination	Total	
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Segment revenue										
Sales to external customers	135,150,302	165,433	596,085	919,618	4,332,460	671,077	9,275	-	-	141,844,250
Net interest income	-	256,322	-	-	-	-	-	-	-	256,322
Inter-segment sales	-	-	-	-	7,999	-	-	-	(7,999)	-
Total	135,150,302	421,755	596,085	919,618	4,340,459	671,077	9,275	-	(7,999)	142,100,572
Segment results										
Profit/(loss) before income tax	1,026,442	718,578	(144,624)	(63,987)	2,745,852	3,392	2,736,077	(545,537)	-	6,476,193
Income tax credit/(expense)	265,568	(89,042)	(65,888)	(8,769)	(1,012,855)	(878)	(584,806)	136,384	-	(1,360,286)
Profit/(loss) for the period	1,292,010	629,536	(210,512)	(72,756)	1,732,997	2,514	2,151,271	(409,153)	-	5,115,907
Other segment information:										
Depreciation and amortisation	(2,340,069)	(2,186)	(28,647)	(64,177)	(10,430)	(78,724)	(2,494)	(4,056)	-	(2,530,783)
Investment income and gains	10,132	441,104	(2,866)	202	-	146,671	2,773,405	-	-	3,368,648
Finance income	96,421	3,575	1,386	4,212	13,579	4,240	-	394,593	(261,139)	256,867
Finance costs	(735,710)	(66)	(53,316)	(85,207)	(187,100)	(71,328)	-	(807,069)	261,139	(1,678,657)
Share of (loss)/profit of associates and joint ventures accounted for using the equity method	(1,348)	(43,332)	82,749	(3,357)	(1,608)	-	201,352	-	-	234,456
Material non-cash items other than depreciation and amortisation	(613,331)	-	-	-	-	-	-	-	-	(613,331)
Capital expenditure	2,573,091	4,739	89,128	96,958	172,113	388,240	232	-	-	3,324,501

NOTES TO THE FINANCIAL STATEMENTS

6. SEGMENT INFORMATION (Continued)

Revenue and Profit (Continued)

Six months ended June 30, 2014

	Unaudited									
	Strategic investments						Financial investment	Unallocated	Elimination	Total
	IT	Financial services	Modern services	Agriculture and food	Property	Chemicals and energy materials				
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Segment revenue										
Sales to external customers	121,278,849	225,798	234,857	821,851	1,965,828	925,164	3,110	-	-	125,455,457
Net interest income	-	235,476	-	-	-	-	-	-	-	235,476
Inter-segment sales	-	-	-	329	8,172	-	-	-	(8,501)	-
Total	121,278,849	461,274	234,857	822,180	1,974,000	925,164	3,110	-	(8,501)	125,690,933
Segment results										
Profit/(loss) before income tax	2,944,633	678,938	211,530	(148,505)	210,147	(169,704)	254,140	(536,246)	-	3,444,933
Income tax (expense)/credit	(599,348)	(144,663)	(10,553)	(18,076)	(125,228)	2,673	(138,276)	134,050	-	(899,421)
Profit/(loss) for the period	2,345,285	534,275	200,977	(166,581)	84,919	(167,031)	115,864	(402,196)	-	2,545,512
Other segment information:										
Depreciation and amortisation	(904,594)	(11,778)	(43,265)	(74,849)	(8,702)	(73,955)	(1,301)	(4,019)	-	(1,122,463)
Investment income and gains	1,872	399,044	306,131	-	-	-	285,029	-	-	992,076
Finance income	167,593	5,149	7,328	3,208	26,849	3,960	-	373,798	(246,287)	341,598
Finance costs	(452,345)	(7,407)	(47,447)	(92,039)	(65,584)	(119,789)	-	(705,839)	246,287	(1,244,163)
Share of (loss)/profit of associates and joint ventures accounted for using the equity method	(8,419)	130,656	(92,925)	(303)	(1,184)	-	46,229	-	-	74,054
Material non-cash items other than depreciation and amortisation	(229,125)	-	-	-	-	-	-	(53,200)	-	(282,325)
Capital expenditure	3,826,356	4,499	168,200	176,246	24,710	1,524,677	4,744	-	-	5,729,432

NOTES TO THE FINANCIAL STATEMENTS

6. SEGMENT INFORMATION (Continued)

Assets and liabilities

As at June 30, 2015

	Unaudited									
	Strategic investments									
		Financial	Modern	Agriculture		Chemicals	Financial			
	IT	services	services	and food	Property	and energy	investment	Unallocated	Elimination	Total
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment assets	159,039,380	13,348,348	6,234,680	4,684,993	52,423,689	9,850,013	44,761,435	15,250,758	(10,875,746)	294,717,550
Segment liabilities	137,066,909	5,300,261	3,092,844	5,329,644	38,232,186	10,067,087	1,739,759	35,895,349	(10,808,746)	225,915,293
Investments in associates and joint ventures using equity accounting	68,246	4,670,944	1,791,351	24,939	190,007	269,741	899,419	-	-	7,914,647
Investments in associates measured at fair value through profit or loss	-	-	-	-	-	-	12,997,749	-	-	12,997,749

As at December 31, 2014

	Audited									
	Strategic investments									
		Financial	Modern	Agriculture		Chemicals	Financial			
	IT	services	services	and food	Property	and energy	investment	Unallocated	Elimination	Total
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment assets	176,037,596	11,097,298	4,992,888	4,268,603	48,619,370	9,865,179	31,717,453	12,098,462	(9,695,333)	289,001,516
Segment liabilities	152,055,088	3,998,334	2,285,068	5,137,533	36,508,301	10,004,754	1,179,988	34,595,517	(9,628,333)	236,136,250
Investments in associates and joint ventures using equity accounting	69,649	4,330,080	1,703,766	22,295	132,682	-	731,614	-	-	6,990,086
Investments in associates measured at fair value through profit or loss	-	-	-	-	-	-	12,676,928	-	-	12,676,928

NOTES TO THE FINANCIAL STATEMENTS

6. SEGMENT INFORMATION (Continued)

(a) Total revenue

	Unaudited	
	Six months ended June 30,	
	2015	2014
	RMB'000	RMB'000
China	45,159,195	46,679,152
Overseas countries and regions	96,941,377	79,011,781
Total	142,100,572	125,690,933

(b) Non-current assets

	Unaudited	Audited
	As at	As at
	June 30,	December 31,
	2015	2014
	RMB'000	RMB'000
China	52,726,210	36,799,619
Overseas countries and regions	37,985,933	49,341,209
Total	90,712,143	86,140,828

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

7. INVESTMENT INCOME AND GAINS

	Unaudited	
	Six months ended June 30,	
	2015	2014
	RMB'000	RMB'000
Gains on disposal/dilution of associates	432,053	701,172
Gains on disposal of available-for-sale financial assets	60,032	81,097
Gains on disposal of subsidiaries	139,473	13,649
Dividend income from available-for-sale financial assets	36,040	63,121
Fair value gains and dividend income from associates measured at fair value through profit or loss	2,468,196	348,248
Fair value gains/(losses) and dividend income from financial assets at fair value through profit or loss	218,907	(218,991)
Others	13,947	3,780
	3,368,648	992,076

NOTES TO THE FINANCIAL STATEMENTS

8. EXPENSES BY NATURE

	Unaudited Six months ended June 30,	
	2015 RMB'000	2014 RMB'000
Cost of inventories sold	107,420,430	99,737,020
Cost of properties sold	2,447,017	1,474,367
Employee benefit expense	12,667,828	9,566,143
Office and administrative expense	2,774,187	1,678,841
Advertising costs	2,772,718	2,070,998
Depreciation and amortisation	2,530,783	1,122,463
Customer support service	768,767	363,910
Consultancy and professional fees	446,318	845,412
Labs and testing	266,182	168,593
Operating lease payments	625,406	351,026
Business tax and surcharge and other taxes	564,735	461,147
Transportation expense	188,600	126,767
Inventory write-down	721,784	60,009
Other expenses (i)	4,980,001	4,580,387
	139,174,756	122,607,083

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

NOTES TO THE FINANCIAL STATEMENTS

9. FINANCE INCOME AND COSTS

	Unaudited Six months ended June 30,	
	2015 RMB'000	2014 RMB'000
Interests		
– Bank loans and overdrafts repayable within 5 years	531,790	568,196
– Bank loans and overdrafts not wholly repayable within 5 years	22,771	45,570
– Other loans wholly repayable within 5 years	1,121,845	918,245
– Bonds wholly repayable within 5 years	539,769	325,057
– Bonds not wholly repayable within 5 years	65,123	65,078
Factoring costs	143,292	118,657
Interest costs on contingent considerations and put option liability	21,804	22,209
Commitment fee	16,226	41,017
Total finance costs	2,462,620	2,104,029
Less: amounts capitalised on qualifying assets	(783,963)	(859,866)
Finance costs	1,678,657	1,244,163
Finance income:		
– Interest income on bank deposits and money market funds	(232,424)	(327,490)
– Interest income on loans to related parties	(24,443)	(14,108)
Finance income	(256,867)	(341,598)
Net finance costs	1,421,790	902,565

10. 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.

	Unaudited Six months ended June 30,	
	2015 RMB'000	2014 RMB'000
Current income tax		
Current tax on profits for the period	941,354	722,205
– Hong Kong profits tax	48,889	94,661
– Taxation outside Hong Kong	892,465	627,544
Land appreciation tax	352,759	52,625
	1,294,113	774,830
Deferred income tax	66,173	124,591
Income tax expense	1,360,286	899,421

NOTES TO THE FINANCIAL STATEMENTS

11. 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 period.

	Unaudited Six months ended June 30,	
	2015	2014
Weighted average number of issued ordinary shares (thousands)	2,003,900	2,000,000
Basic earnings attributable to equity holders of the Company (RMB'000)	4,014,787	1,297,849
Diluted impact on earnings (RMB'000) (i)	(8,600)	(9,975)
Diluted earnings attributable to the equity holders of the Company (RMB'000)	4,006,187	1,287,874
Earnings per share		
– Basic (RMB per share)	2.00	0.65
– Diluted (RMB per share)	2.00	0.64

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

NOTES TO THE FINANCIAL STATEMENTS

12. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

	For the six months ended June 30, 2015	
	Property, plant and equipment RMB'000	Intangible assets RMB'000
At January 1, 2015	21,079,168	56,386,519
Additions	2,548,523	398,406
Transfers to intangible assets	(70,821)	70,821
Transfers to leasehold land and land use right	(657,414)	–
Acquisition of subsidiaries	7,258	14,222
Measurement period adjustments (i)	(473,330)	2,034,827
Disposals	(343,791)	(5,607)
Depreciation/amortisation charge	(989,318)	(1,541,570)
Exchange adjustment	(195,113)	(448,389)
Disposal of a subsidiary	(141,458)	(10,628)
At June 30, 2015	20,763,704	56,898,601

	For the six months ended June 30, 2014	
	Property, plant and equipment RMB'000	Intangible assets RMB'000
At January 1, 2014	12,641,269	22,944,438
Additions	3,827,817	1,450,108
Transfers to intangible assets	(287,294)	287,294
Transfers to leasehold land and land use right	(31,422)	–
Acquisition of subsidiaries	–	50,278
Disposals	(86,630)	(40,644)
Depreciation/amortisation charge	(578,770)	(533,332)
Exchange adjustment	(62,771)	212,035
At June 30, 2014	15,422,199	24,370,177

- (i) As at June 30, 2015, the Group had not finalized the fair value assessments for net assets acquired (including intangible assets) from the business combinations of Motorola Mobility Holdings LLC and IBMx86 server business. The movement mainly represents the changes of fair value of some net assets acquired on the acquiring date that were revalued during this period.

NOTES TO THE FINANCIAL STATEMENTS

13. INVESTMENT PROPERTIES

	Unaudited Six months ended June 30,	
	2015 RMB'000	2014 RMB'000
At beginning of the period	6,023,298	5,705,381
Transfer from completed properties held for sale	1,935,467	–
Fair value gains	1,599,089	100,743
At the end of the period	9,557,854	5,806,124

Investment properties held by the Group as at June 30, 2015 and December 31, 2014 were revalued based on valuations performed by independent qualified valuers, Jones Lang LaSalle Corporate Appraisal and Advisory Limited (“JLL”). JLL is an industry specialist in investment property valuation, who has appropriate qualification and recent experience in the valuation of similar properties in the relevant locations.

The valuations are derived using the income capitalisation method. There have been no changes in the valuation technique since December 31, 2014.

As at June 30, 2015 and December 31, 2014, all of the Group's investment properties were within level 3 of the fair value hierarchy as the valuation were arrived at by reference to certain significant unobservable inputs.

Fair value gains on investment properties are recorded in “other income and gains” in the condensed consolidated interim income statement.

NOTES TO THE FINANCIAL STATEMENTS

14. TRADE AND NOTES RECEIVABLES

	Unaudited	Audited
	As at June 30, 2015 RMB'000	As at December 31, 2014 RMB'000
Trade receivables	30,511,419	36,268,453
Notes receivables	2,650,787	3,259,744
Receivables arising from finance leases	606,544	319,657
Less: provision for impairment	(701,557)	(446,706)
Trade and notes receivables – net	33,067,193	39,401,148

Credit terms of IT segment granted to the customers is around 0-120 days while other segments do not have specific credit terms.

As at June 30, 2015 and December 31, 2014, the ageing analysis of the trade receivables based on invoice date was as follows:

	Unaudited	Audited
	As at June 30, 2015 RMB'000	As at December 31, 2014 RMB'000
Up to 3 months	25,718,208	33,588,932
3 to 6 months	3,149,377	1,796,070
6 months to 1 year	1,283,170	367,099
1 to 2 years	244,184	217,549
2 to 3 years	46,557	133,588
Over 3 years	69,923	165,215
	30,511,419	36,268,453

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

NOTES TO THE FINANCIAL STATEMENTS

15. PREPAYMENTS, OTHER RECEIVABLES AND OTHER CURRENT ASSETS

	Unaudited	Audited
	As at June 30, 2015 RMB'000	As at December 31, 2014 RMB'000
Receivables from parts subcontractors	9,969,523	11,661,729
Prepayments	5,340,305	6,519,009
Prepaid tax	5,435,274	5,243,055
Adjustment for in-transit products (i)	3,203,699	2,493,176
Advance to suppliers	1,732,315	1,824,013
Amount due from non-controlling equity holders of subsidiaries	1,744,172	1,659,763
Amounts due from related parties	1,130,701	1,182,178
Deposits receivable	462,574	509,919
Advance to employees	251,007	226,057
Others	1,643,875	1,364,612
	30,913,445	32,683,511
Less: provision for bad debt	(49,050)	(50,590)
	30,864,395	32,632,921

- (i) The Group defers the cost of shipped products until the goods are delivered and revenue is recognised. Adjustments are made on in-transit products and included in prepayments, other receivables and other current assets.

16. SHARE CAPITAL

	Share capital	
	Number of shares '000	Amount RMB'000
Ordinary shares issued and fully paid		
At January 1, 2015	2,000,000	2,000,000
Issuance of new shares(i)	352,944	352,944
At June 30, 2015	2,352,944	2,352,944
At January 1, 2014	660,860	660,860
Conversion into a joint stock limited liability company (ii)	1,339,140	1,339,140
At June 30, 2014	2,000,000	2,000,000

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

The total gross proceeds from the Global Offering was approximately HK\$15,169,533,120 (equivalent to approximately RMB11,968,761,632), of which share capital was approximately RMB352,944,000 and share premium was approximately RMB11,615,817,632. The share issuance costs relating to the Global Offering amounted to RMB442,137,826 and were deducted from share premium.

- (ii) On February 18, 2014, the Company was converted into a joint stock limited liability company by capitalising its equity attributable to the equity holders of the Company of RMB2,529,122,962 as at June 30, 2013, representing share capital and reserve of RMB2,000,000,000 and RMB529,122,962, respectively. The share capital represents 2,000,000,000 ordinary shares at RMB1.00 per share.

NOTES TO THE FINANCIAL STATEMENTS

17. TRADE AND NOTES PAYABLES

	Unaudited	Audited
	As at June 30, 2015 RMB'000	As at December 31, 2014 RMB'000
Trade payables	33,711,419	48,615,804
Notes payables	916,673	1,139,377
	34,628,092	49,755,181

As at June 30, 2015 and December 31, 2014, the ageing analyses of the trade payables based on invoice date were as follows:

	Unaudited	Audited
	As at June 30, 2015 RMB'000	As at December 31, 2014 RMB'000
0-30 days	24,421,962	38,642,051
31-60 days	4,494,550	5,599,572
61-90 days	1,513,708	2,139,781
90 days-1 year	2,481,482	1,388,691
Over 1 year	799,717	845,709
	33,711,419	48,615,804

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

NOTES TO THE FINANCIAL STATEMENTS

18. OTHER PAYABLES AND ACCRUALS

	Unaudited	Audited
	As at June 30, 2015 RMB'000	As at December 31, 2014 RMB'000
Payable to parts subcontractors	22,819,247	21,943,551
Allowance for billing adjustments (i)	12,206,799	13,949,897
Accrued expenses	8,900,355	8,635,500
Payroll payable	2,337,684	4,514,141
Other taxes payable	1,012,218	1,756,369
Amounts due to non-controlling equity holders of subsidiaries (ii)	1,402,538	1,567,346
Amounts due to related parties (iii)	1,275,323	1,241,353
Social security payable	1,105,057	789,517
Royalty payable	732,330	935,595
Deposits payable	659,182	676,212
Interest payable	462,897	398,560
Deferred consideration	192,079	261,104
Others	2,948,885	2,088,073
	56,054,594	58,757,218

- (i) Allowance for billing adjustments relates primarily to allowances for future volume discounts, price protection, rebates, and customer sales returns.
- (ii) As at June 30, 2015, RMB1,019 million of amounts due to non-controlling equity holders of subsidiaries is unsecured, bearing interest rate from 7.91% to 8.80% and repayable on demand. As at December 31, 2014, RMB720 million of amounts due to non-controlling equity holders of subsidiaries was unsecured, bearing interest rate of 9.60% and repayable on demand. The remaining balance is unsecured and interest free payables.
- (iii) As at June 30, 2015 and December 31, 2014, RMB1,002 million and 856 million of amounts due to related parties are unsecured, bearing interest rate from 6.53% to 7.39%. The remaining balance is unsecured and interest free payables.

NOTES TO THE FINANCIAL STATEMENTS

19. OTHER NON-CURRENT LIABILITIES

	Unaudited	Audited
	As at June 30, 2015 RMB'000	As at December 31, 2014 RMB'000
Deferred considerations (i)	8,369,761	8,474,702
Contingent considerations (i)	1,651,546	1,902,091
Government incentives and grants received in advance (ii)	1,662,555	1,672,654
Written put option liability (iii)	1,344,136	1,338,684
Unfavourable lease contracts assumed	533,318	529,265
Loans from related parties	–	147,500
Guaranteed dividend to non-controlling equity holders of a subsidiary	61,393	66,954
Others	2,097,298	2,418,103
	15,720,007	16,549,953

- (i) In connection with certain business combinations, the Group is required to pay in cash to the then respective shareholders/sellers contingent considerations with reference to certain performance indicators as written in the respective agreements with those then shareholders/sellers; and deferred consideration. Accordingly, non-current liabilities in respect of the present values of contingent and deferred considerations have been 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 recognized in the condensed consolidated interim income statement. Deferred consideration is subsequently measured at amortized cost.

As at June 30, 2015 and December 31, 2014, the potential undiscounted amounts of future payments in respect of the contingent and deferred considerations that the Group could be required to make to the respective shareholders/sellers under the arrangements are as follows:

	Unaudited	Audited
	As at June 30, 2015	As at December 31, 2014
Joint venture with NEC Corporation	Nil ~ USD325 million	Nil ~ USD325 million
Joint venture with EMC Corporation	USD39~59 million	USD39~59 million
Stoneware Inc.	Nil ~ USD48 million	Nil ~ USD48 million
CCE (a)	Nil ~ BRL400 million	Nil ~ BRL400 million
Google Inc.	USD1,464 million	USD1,500 million

- (a) CCE, the abbreviation of Digibrás Indústria do Brasil S.A., Digiboard Eletrônica da Amazônia Ltda., and Dual Mix Comércio de Eletrônicos Ltda., companies incorporated in Brazil.
- (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 condensed consolidated interim income statement upon fulfilment of those conditions. Government incentives and grants relating to assets are credited to the condensed consolidated interim income statement on a straight-line basis over the expected lives of the related assets.

NOTES TO THE FINANCIAL STATEMENTS

19. OTHER NON-CURRENT LIABILITIES (Continued)

- (iii) Pursuant to the joint venture agreement entered into in 2012 between Lenovo and Compal Electronics, Inc. ("Compal") to establish a joint venture company ("JV Co") to manufacture notebook computer products and related parts, Lenovo and Compal are respectively granted call and put options which entitle Lenovo to purchase from Compal and Compal to sell to Lenovo the 49% Compal's interests in the JV Co. The call and put options will be exercisable at any time after October 1, 2019 and October 1, 2017, respectively. The 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 interim income statement.

In the event that the put option lapses unexercised, the liability will be derecognized with a corresponding adjustment to equity.

20. BORROWINGS

	Unaudited	Audited
	As at June 30, 2015 RMB'000	As at December 31, 2014 RMB'000
Bank loans		
– Unsecured loans	22,001,558	20,677,196
– Guaranteed loans	14,067,662	14,469,046
– Collateralised loans	7,541,319	7,155,674
Other loans		
– Unsecured loans	216,925	15,395
– Guaranteed loans	12,710,500	10,905,000
– Collateralised loans	2,385,458	1,678,000
Corporate bonds		
– Unsecured	24,915,373	20,990,369
– Guaranteed	230,000	230,000
	84,068,795	76,120,680
Less: non-current portion	(56,416,011)	(56,550,145)
Current portion	27,652,784	19,570,535

Borrowings are repayable as follows:

	Unaudited	Audited
	As at June 30, 2015 RMB'000	As at December 31, 2014 RMB'000
Within 1 year	27,652,784	19,570,535
After 1 year but within 2 years	15,198,114	16,522,878
After 2 years but within 5 years	37,945,258	36,962,155
After 5 years	3,272,639	3,065,112
	84,068,795	76,120,680
Wholly repayable within 5 years	80,796,156	73,055,568

NOTES TO THE FINANCIAL STATEMENTS

21. DEFERRED INCOME TAX

The gross movement on the deferred income tax account is as follows:

	Unaudited	
	Six months ended June 30,	
	2015	2014
	RMB'000	RMB'000
At beginning of the period	(78,537)	306,081
Charged to the income statement	(66,173)	(124,591)
Charged to other comprehensive income	(555,765)	(19,604)
Measurement period adjustments (Note 12(i))	135,860	-
Acquisition of subsidiaries	59	(10,503)
Disposal of subsidiaries	(1,973)	(1,972)
Credited to share-based compensation reserve	165,837	-
Exchange adjustment	7,124	(20,777)
At end of the period	(393,568)	128,634

22. PROVISIONS

	Environmental		Provision	
	Warranties	restoration	on guarantee	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At beginning of the period	9,360,393	139,384	145,990	9,645,767
Provision made	3,145,648	14,070	860	3,160,578
Measurement period adjustments (Note 12(i))	417,773	-	-	417,773
Unused amounts reversed	(21,882)	(22,859)	-	(44,741)
Amount utilised	(3,777,489)	(23,974)	-	(3,801,463)
Exchange adjustment	(150,311)	(5,513)	-	(155,824)
At end of the period	8,974,132	101,108	146,850	9,222,090
Non-current portion	(1,938,616)	(85,418)	-	(2,024,034)
At June 30, 2015	7,035,516	15,690	146,850	7,198,056
At beginning of the period	6,777,430	114,415	145,511	7,037,356
Provision made	2,959,502	26,005	3,211	2,988,718
Unused amounts reversed	(36,259)	(96)	-	(36,355)
Amount utilised	(2,593,012)	(18,313)	-	(2,611,325)
Exchange adjustment	45,026	8,334	-	53,360
At end of the period	7,152,687	130,345	148,722	7,431,754
Non-current portion	(1,751,844)	(111,445)	(148,722)	(2,012,011)
At June 30, 2014	5,400,843	18,900	-	5,419,743

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.

NOTES TO THE FINANCIAL STATEMENTS

23. DIVIDENDS

The directors did not recommend the payment of any interim dividend in respect of the six month ended June 30, 2015 (six months ended 30 June 2014: Nil).

On May 28, 2015, the board of directors has resolved to declare an annual dividend of RMB0.18 per share to shareholders for the year of 2014 prior to initial public offering, such dividend with a total amount of RMB366,025,000 was paid on June 10, 2015.

24. CONTINGENCIES

	Unaudited	Audited
	As at June 30, 2015 RMB'000	As at December 31, 2014 RMB'000
Guarantee in respect of mortgage facilities for certain purchaser	3,460,250	3,308,692
Financial guarantee of guarantee business	3,987,250	4,046,464
Other guarantee		
– Related parties (Note 26)	3,036,758	4,420,031
– Unrelated parties	1,500,000	1,500,000
	11,984,258	13,275,187

(a) Guarantee in respect of mortgage facilities for certain purchaser

The property segment of the Group provides guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantee, upon the default in mortgage payments by this purchaser, the Group is responsible to repay the outstanding mortgage principles together with the accrued interest and penalty owed by the purchaser to the banks and the Group is entitled to take over the legal title and possession of the related property. The Group's guarantee period starts the grant of the relevant mortgage loan and ends when the property purchaser obtains the "property title certificate" which is then pledged with the banks. No provision was made for the guarantee in respect of mortgage facilities for the purchases of the Group's properties as at June 30, 2015 and December 31, 2014.

(b) Financial guarantee of guarantee business

Subsidiaries in financial service segment of the Group provide financial guarantees to small and medium-sized entities for their borrowings from certain banks and charge them guarantee fees accordingly. As at June 30, 2015 and December 31, 2014, the outstanding guarantee balance was RMB3,987 million and RMB4,046 million respectively. The Directors evaluate the financial position of the guaranteed entities and make provision accordingly. As at June 30, 2015 and December 31, 2014, the provision made by the Group was RMB147 million and RMB146 million respectively, which were included in "Provision" in the condensed consolidated balance sheet.

(c) Other guarantee

As at June 30, 2015 and December 31, 2014, of the total guarantee balances provided to related parties and unrelated parties, approximately RMB4,537 million and RMB5,920 million had been withdrawn. The Board reviews the financial conditions of the guaranteed companies periodically and records provision when necessary. As at June 30, 2015 and December 31, 2014, no provision was recorded in relevant to the preceding guarantee.

NOTES TO THE FINANCIAL STATEMENTS

25. COMMITMENTS

CAPITAL COMMITMENTS

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

	Unaudited	Audited
	As at June 30, 2015 RMB'000	As at December 31, 2014 RMB'000
Property, plant and equipment	5,027,122	2,462,353
Intangible assets	78,606	77,444
Investments (i)	2,430,067	2,386,016
Land use right and properties under development	3,683,830	4,613,794
Total	11,219,625	9,539,607

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

(b) Capital expenditure authorized for at the end of the reporting period but not yet contracted is as follows:

	Unaudited	Audited
	As at June 30, 2015 RMB'000	As at December 31, 2014 RMB'000
Property, plant and equipment	21,629,896	4,908,638
Intangible assets	16,067	302,364
Total	21,645,963	5,211,002

NOTES TO THE FINANCIAL STATEMENTS

26. RELATED PARTY TRANSACTIONS

(A) SIGNIFICANT RELATED PARTY TRANSACTIONS

The following is a summary of significant related party transactions entered into in the ordinary course of business between the Group and its related parties during the six months ended June 30, 2015 and 2014, respectively.

	Unaudited Six months ended June 30,	
	2015 RMB'000	2014 RMB'000
Purchase of goods from		
– Associates	363,890	6,506
Sales of goods to		
– Associates	2,646	–
Services received from		
– Associates	598	5,717
Rendering of services to		
– Associates	16,333	8,873
Loan provided by		
– Associates	167,000	1,000
Loan provided to		
– Associates	593,623	301,622
Interest income from		
– Associates	24,443	14,108
Interest expenses to		
– Associates	35,482	67,786
Contribution from		
– A shareholder	–	53,200

NOTES TO THE FINANCIAL STATEMENTS

26. RELATED PARTY TRANSACTIONS (Continued)

(B) PERIOD-END BALANCES DUE FROM/TO RELATED PARTIES

	Unaudited	Audited
	June 30, 2015 RMB'000	December 31, 2014 RMB'000
Trade and notes receivables		
– Associates	6,575	3,174
Prepayments, other receivables and current assets		
– Associates	1,130,701	1,182,178
Available-for-sale financial assets		
– Associates	50,000	–
Loans to customers		
– Associates	50,000	–
Borrowings		
– Associates	167,000	–
Trade and notes payables		
– Associates	5,860	11,813
Advance from client		
– Associates	2,589	3,370
Other payables and accruals		
– Associates	1,275,323	1,241,353
Other non-current liabilities		
– Associates	–	147,500

NOTES TO THE FINANCIAL STATEMENTS

26. RELATED PARTY TRANSACTIONS (Continued)

(C) GUARANTEE PROVIDED TO/BY RELATED PARTIES

	Unaudited	Audited
	June 30, 2015	December 31, 2014
	RMB'000	RMB'000
Guarantee provided to related parties		
– China Auto Rental Holdings Inc. (i)	1,905,881	3,414,733
– Others	1,130,877	1,005,298
	3,036,758	4,420,031
Guarantee provided by related parties(ii)	1,500,000	1,800,000

- (i) On July 1, 2012, the Company undertook that it would provide financial assistance to China Auto Rental Holdings Inc. in an amount no less than RMB4.6 billion (or foreign currency equivalent). The financial assistance will be in the form of loans made to China Auto Rental Holdings Inc. either directly or indirectly by the Company, or loans provided by any banks or non-bank financial institutions to China Auto Rental Holdings Inc. secured by guarantees provided by the Company.
- (ii) The guarantee was provided by Beijing Legend Technology Investment Co. Ltd. (北京聯想科技投資有限公司).

27. SUBSEQUENT EVENTS

- (a) On July 17, 2015, the over-allotment option under the Company's Global Offering was partially exercised by the Joint Global Coordinators (on behalf of the International Underwriters) in respect of an aggregate of 3,286,900 H Shares, representing approximately 0.93% of the offer shares initially available under the Global Offering. The over-allotment shares were issued and allotted by the Company at HK\$42.98 per share, being the offer price per share under the Global Offering. In connection with the exercise of over-allotment option, 328,690 Domestic Shares (10% of the number of H Shares issued) were converted into H Shares and transferred to the National Social Security Fund.
- (b) On August 7, 2015, Zhengqi Financial, a subsidiary of the Company, made an application to issue 3-year corporate bonds with an amount of RMB500 million. The corporate bonds issued are guaranteed by the Company. As of the date of this report, the issuance of bonds is in progress.

GENERAL INFORMATION

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SECURITIES

As at June 30, 2015, the interests or short positions of the directors, supervisors and chief executive of our Company in the shares, underlying shares and debentures of our Company and its associated corporations (within the meaning of Part XV of the SFO) as notified to our Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or as recorded in the register maintained by the Company under Section 352 of the SFO, or as notified to our Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, were as follows:

(i) Interests in the shares of the Company

Name of director	Nature of interest	Class	Number of shares	Approximate percentage of shareholding in the relevant class of shares	Approximate percentage of shareholding in the total issued shares
LIU Chuanzhi	Beneficial owner	Domestic Shares	68,000,000	3.46%	2.89%
ZHU Linan	Beneficial owner	Domestic Shares	48,000,000	2.44%	2.04%
LU Zhiqiang ⁽¹⁾	Interest in controlled corporation	Domestic Shares	400,000,000	20.35%	16.99%

Note:

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

(ii) Interests in our associated corporations

Name of director/supervisor	Name of associated corporation	Nature of interest	Number of shares and underlying shares interested	Approximate % of interest
LIU Chuanzhi	Lenovo	Beneficial owner	4,184,960 ⁽¹⁾	0.03%
ZHU Linan	Lenovo	Beneficial owner	3,379,731 ⁽²⁾	0.03%
ZHAO John Huan	Lenovo	Beneficial owner	1,343,318 ⁽³⁾	0.01%
LI Qin	Lenovo	Beneficial owner	1,724,000	0.01%

Notes:

- Mr. LIU Chuanzhi owns 698,992 ordinary shares directly and he is deemed to be interested in 690,000 ordinary shares held by his spouse through a trust. He also holds 2,795,968 units of share awards which are convertible into ordinary shares.
- Mr. ZHU Linan owns 2,599,999 ordinary shares and 779,732 units of share awards which are convertible into ordinary shares.
- Mr. ZHAO John Huan owns 155,434 ordinary shares and 1,187,884 units of share awards which are convertible into ordinary shares.

GENERAL INFORMATION

INTERESTS OF THE SUBSTANTIAL SHAREHOLDERS

As at June 30, 2015, so far as our directors are aware, the following persons had an interest and/or a short position in the shares or underlying shares of the Company which will be required to be disclosed to our Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, and an interest and/or a short position as recorded by the Company in the register required to be kept under section 336 of the SFO:

Name of shareholder	Class of shares	Nature of interest	Number of shares held	Approximate percentage of shareholding in the relevant class of shares ⁽¹⁾	Approximate percentage of shareholding in the total issued shares ⁽²⁾
Chinese Academy of Sciences Holdings Co., Ltd.	Domestic Shares	Beneficial owner	684,705,600	34.85%	29.09%
Beijing Lian Chi Zhi Yuan Management Consulting Center Limited Partnership	Domestic Shares	Beneficial owner	480,000,000	24.43%	20.39%
Beijing Lian Chi Zhi Tong Management Consulting Limited	Domestic Shares	Interest in controlled corporation	480,000,000	24.43%	20.39%
LU Zhiqiang ⁽³⁾	Domestic Shares	Interest in controlled corporation	400,000,000	20.35%	16.99%
China Oceanwide Holdings Group Co., Ltd.	Domestic Shares	Beneficial owner	400,000,000	20.35%	16.99%
Oceanwide Group Co., Ltd. ⁽³⁾	Domestic Shares	Interest in controlled corporation	400,000,000	20.35%	16.99%
Tohigh Holdings Co., Ltd. (通海控股有限公司) ⁽³⁾	Domestic Shares	Interest in controlled corporation	400,000,000	20.35%	16.99%
Beijing Lian Heng Yong Xin Investment Center Limited Partnership	Domestic Shares	Beneficial owner	178,000,000	9.05%	7.56%
Beijing Lian Heng Yong Kang Management Consulting Limited	Domestic Shares	Interest in controlled corporation	178,000,000	9.05%	7.56%
China International Capital Corporation Hong Kong Limited	H Shares-long position	Beneficial owner	19,667,310	5.07%	0.84%
China International Capital Corporation Hong Kong Limited	H Shares-short position	Beneficial owner	15,478,000	3.99%	0.66%
全國社會保障基金理事會	H Shares-long position	Beneficial owner	35,294,400	9.09%	1.50%

Notes:

- The calculation is based on the percentage of shareholding in Domestic Shares or H Shares of our Company as at June 30, 2015.
- The calculation is based on the total number of 2,352,944,000 shares in issue as at June 30, 2015.
- Oceanwide Group Co., Ltd. and Tohigh Holdings Co., Ltd. (通海控股有限公司) are corporations controlled by Mr. LU Zhiqiang. Tohigh Holdings Co., Ltd. (通海控股有限公司) holds the entire equity interest in Oceanwide Group Co., Ltd. which in turn holds 97.44% equity interest in China Oceanwide Holdings Group Co., Ltd.. Accordingly, Mr. LU Zhiqiang is deemed to have interest in the 400,000,000 shares held by China Oceanwide Holdings Group Co., Ltd..

As at June 30, 2014, save as disclosed above, there was no other person who held interests and/or short positions in the shares or underlying shares of the Company which are required to be recorded in the register to be kept under section 336 of Part XV of the SFO, or was a substantial shareholder of the Company.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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 had complied with all the applicable code provisions of the Corporate Governance Code contained in Appendix 14 of the Listing Rules since the Listing Date of H Shares and up until June 30, 2015.

SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company had adopted the Model Code for Securities Transactions by Directors and Supervisors (the “Model Code”), which is no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules. Specific enquiry has been made of all the directors and supervisors, and all the directors and supervisors have confirmed that they had complied with the Model Code since the Listing Date of H Shares and up until June 30, 2015.

REVIEW OF INTERIM RESULTS

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

The unaudited interim financial information for the six months ended June 30, 2015 has been reviewed by the Audit Committee. The interim financial information was unaudited, but has been reviewed by the Company’s auditor, PricewaterhouseCoopers, in accordance with the International Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

Since the Listing Date of H Shares and up until June 30, 2015, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities.