

联想控股

LEGEND HOLDINGS

BUILDING GREAT COMPANIES

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

Stock Code: 3396

2016 Interim Report

BUILDING GREAT COMPANIES

财务投资
FINANCIAL INVESTMENT
金融服务
HEALTHCARE SERVICES
农业与食品
AGRICULTURE AND FOOD
金融服务
FINANCIAL SERVICES
财务投资
FINANCIAL INVESTMENT
金融服务
HEALTHCARE SERVICES
农业与食品
AGRICULTURE AND FOOD
健康服务
AGRI



农业与食品
AGRICULTURE AND FOOD
服务 AND FOOD
MEDICAL SERVICES
D FOOD 财务投资
S 金融服务
HEALTHCARE SERVICES
AGRICULTURE AND FOOD
服务 AND FOOD
MEDICAL SERVICES
FOOD 财务投资



FINANCIAL INVESTMENT
HEALTHCARE 健康
ESTMENT 金融服
HEALTHCARE 健
SERVICES 农业与食
AGRICULTURE AND FOOD
健康服务
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HEALTHCARE 健
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财务投资
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MEDICAL SERVICES
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农业与食品
AGRICULTURE AND FOOD
创新消费
CONSUMER SERVICES
健康服务
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In this report, unless the context otherwise requires, the following terms shall have the meanings set forth below:

“ABS”	Asset securitization, a kind of tradable security based on basic assets (specific asset portfolio or cash flows), which is similar with the form of issue bonds
“associate(s)”	for the purpose of this report, all entities over which the Group has significant influence. Significant influence represents the power to participate in the financial and operational policy decision of the investees, but without control or joint control rights over these policies
“B2C”	Business-to-Customer
“Board”	board of directors of the Company
“Bybo Dental”	Bybo Dental Group Co., Ltd. (formerly known as “Guangdong Bybo Dental Investment Management Co., Ltd.”), a limited liability company incorporated on June 30, 1999 under the laws of the PRC, and our subsidiary
“CAR”	CAR Inc., an exempted company incorporated in the Cayman Islands on April 25, 2014 with limited liability and listed on the Main Board of the Hong Kong Stock Exchange (Stock Code: 699), and our associate
“Cloud Farm”	Beijing Tianchen Cloud Farm Corporation (北京天辰雲農場科技股份有限公司), a limited liability company incorporated on December 2, 2010 under the laws of the PRC, and our associate
“Company”, “our Company”, “Legend Holdings” or “Legend”	Legend Holdings Corporation (聯想控股股份有限公司) (formerly known as “Chinese Academy of Sciences Computer Technology Research Institute New Technology Development Company” (中國科學院計算技術研究所新技術發展公司), “Beijing Legend Computer New Technology Development Company” (北京聯想計算機新技術發展公司), “Legend Group Holdings Company” (聯想集團控股公司) and “Legend Holdings Limited” (聯想控股有限公司), a joint stock limited liability company incorporated on February 18, 2014 under the laws of PRC and listed on the Main Board of the Hong Kong Stock Exchange (Stock Code: 3396)
“DMTO”	the technique for using coal or natural gas instead of oil for production of ethylene and propene
“Domestic Shares”	ordinary shares issued by our Company, with a nominal value of RMB1.00 each, which are subscribed for or credited as paid in RMB

“eloancn.com”	Beijing Tongcheng Eloancn Network Co., Ltd. (北京同城翼龍網絡科技有限公司), a limited liability company incorporated on April 12, 2005 under the laws of the PRC, and our associate
“EUR”	Euro, the official currency of the Eurozone which consists of certain state members of the European Union
“Funglian Group”	Funglian Holdings Co., Ltd. (豐聯酒業控股集團有限公司), a limited liability company incorporated on July 16, 2012 under the laws of the PRC, and our subsidiary
“GBP”	pound sterling, the lawful currency of the United Kingdom
“Golden Wing Mau” or “Joyvio Golden Wing Mau”	Golden Wing Mau Agricultural Produce Corporation (深圳市鑫榮懋農產品股份有限公司), a large fruit supply chain enterprise in China, and our associates upon the completion of restructuring of the fruit business in Joyvio Group in December 2015
“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 Shares”	overseas listed foreign shares in our ordinary share capital with a nominal value of RMB1.00 each, which are listed on the Main Board of the Hong Kong Stock Exchange
“Hankou Bank”	Hankou Bank Co., Ltd. (漢口銀行股份有限公司), a joint stock limited liability company incorporated on December 15, 1997 under the laws of the PRC, and our associate
“HKD”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administration Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Hony Capital”	a series of private equity investment funds, together with their respective management companies/general partners
“Internet”	a global network of interconnected, separately administered public and private computer networks that uses the Transmission Control Protocol/Internet Protocol for communications

“Internet Protocol”	an agreed set of rules, procedures and formats by which information is exchanged over the Internet
“IT”	information technology
“JC Finance & Leasing”	JC International Finance & Leasing Company Limited (君創國際融資租賃有限公司), a limited liability company incorporated on November 2, 2015 under the laws of the PRC, and our wholly-owned subsidiary
“Joyvio Group”	Joyvio Group Co., Ltd. (佳沃集團有限公司), a limited liability company incorporated on May 18, 2012 under the laws of the PRC, and our wholly-owned subsidiary
“KB Food”	KB Food International Holding (Pte.) Limited, a limited liability company incorporated on November 26, 2015 under the laws of Singapore, and our subsidiary
“KB Seafoods”	KB Seafoods Pty Ltd (formerly known as “Emgekay Investments Pty Ltd”), a limited liability company incorporated under the laws of Australia, and a wholly-owned subsidiary of KB Food
“Lakala”	Lakala Payment Corporation (formerly known as “Lakala Payment Co., Ltd.”), a limited liability company incorporated on January 6, 2005 under the laws of the PRC, and our associate
“Legend Capital”	a series of venture capital funds, together with their respective management companies/partners
“Legend Star”	Beijing Legend Star Investment Management Limited (北京聯想之星投資管理有限公司), a wholly-owned subsidiary of the Company which is an investment institution and manages certain angel investment funds

“Lenovo”	Lenovo Group Limited (聯想集團有限公司), a limited liability company incorporated on October 5, 1993 under the laws of Hong Kong and listed on the Main Board of the Hong Kong Stock Exchange (Stock Code: 992), and our subsidiary
“Levima Group”	Levima Group Limited (聯泓集團有限公司), a limited liability company incorporated on April 12, 2012 under the laws of the PRC, and our subsidiary
“Levima New Materials”	Levima New Materials Limited (聯泓新材料有限公司) (formerly known as “Shandong Shenda Chemicals Co., Ltd.” (山東神達化工有限公司)), a subsidiary of Levima Group
“Liquor Easy”	Henan Liquor Easy Commercial Corporation (河南酒便利商業股份有限公司), incorporated on April 2, 2010, and our associate
“Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange, as amended, supplemented or otherwise modified from time to time
“N/A”	not applicable
“NEEQS”	National Equities Exchange and Quotations System (全國中小企業股份轉讓系統), a platform established on September 20, 2012 for the sale of existing shares or private placing of new shares by SMEs
“PE”	private equity
“Phylion Battery”	Phylion Battery Co., Ltd. (星恒電源股份有限公司), incorporated on December 18, 2003, and our associate
“PIPE”	private investment in public equity
“PRC” or “China”	the People’s Republic of China excluding, for the purpose of this report, Hong Kong, Macau and Taiwan

“Prospectus”	the prospectus dated June 16, 2015 being issued in connection with first listing of the shares of the Company on the Hong Kong Stock Exchange
“Raycom”	includes Raycom Real Estate and Raycom Property
“Raycom Property”	Raycom Property Investment Co., Ltd. (融科物業投資有限公司), a limited liability company incorporated on July 10, 2006 under the laws of the PRC, and our wholly-owned subsidiary
“Raycom Real Estate”	Raycom Real Estate Development Co., Ltd. (融科智地房地產股份有限公司), a joint stock limited liability company incorporated on June 11, 2001 under the laws of the PRC, and our subsidiary
“reporting period”	for the six months ended June 30, 2016
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“SME(s)”	small and medium-sized enterprise(s)
“Social Touch”	Social Touch (Beijing) Technology Development Co., Ltd. (時趣互動(北京)科技有限公司), a limited liability company incorporated on September 22, 2011 under the laws of the PRC, and our associate
“subsidiary”	has the meaning ascribed thereto under the Listing Rules
“Suzhou Trust”	Suzhou Trust Co., Ltd. (蘇州信託有限公司), a limited liability company incorporated on September 18, 2002 under the laws of the PRC, and our associate
“Tianjin Dongjiang Harbor”	Tianjin Dongjiang Harbor Cold-chain Commodities Trade Co., Ltd. (天津東疆港大冷鏈商品交易市場有限公司)

“TMT”	technology, media and telecom
“Transmission Control Protocol”	an agreed set of rules, procedures and formats used along with the Internet Protocol to transmit information over the Internet
“UCAR Inc.”	UCAR Inc. (formerly known as “Huaxia United Science & Technology Co., Ltd.”), a limited liability company incorporated under the laws of the PRC
“Union Insurance”	Union Insurance Broker Group Co., Ltd. (聯保投資集團有限公司), a limited liability company incorporated on September 5, 2012 under the laws of the PRC, and our associate
“USA”	The United States of America
“USD”	US dollar, the lawful currency of the USA
“Wenkang Group”	Century Wenkang (Beijing) Science and Technology Development Co., Ltd. (世紀聞康(北京)科技發展有限公司) and its subsidiaries
“XYWY.COM”	an online platform to provide one-stop Internet healthcare services which is operated by Wenkang Group
“Zeny Supply Chain”	Zeny Supply Chain Co., Ltd. (增益供應鏈有限公司), a limited liability company incorporated on July 24, 2012 under the laws of the PRC, and our subsidiary
“Zhengqi Financial”	Zhengqi Anhui Financial Holdings Co., Ltd. (正奇安徽金融控股有限公司), a limited liability company incorporated on October 10, 2012 under the laws of the PRC, and our subsidiary
“Zhengqi Leasing”	Anhui Zhengqi Financial Leasing Co., Ltd. (安徽正奇融資租賃有限公司), a limited liability company incorporated on November 28, 2012 under the laws of the PRC, and a wholly-owned subsidiary of Zhengqi Financial
“%”	percentage

Board of Directors

Executive Directors

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

Non-executive Directors

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

Independent Non-executive Directors

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

Board of Supervisors

Supervisors

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

Nomination Committee

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

Audit Committee

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

Remuneration Committee

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

Joint Company Secretaries

Mr. NING Min
Ms. YEUNG Yee Har

H Share Registrar

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

Auditor

PricewaterhouseCoopers

Compliance advisor

Somerley Capital Limited

Registered office

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

Head office in the PRC

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

Principal banks

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

Principal place of business in Hong Kong

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

Company's website

www.legendholdings.com.cn

Revenue contribution from the Group's businesses

Unit: RMB million

	For the six months ended June 30, 2016	For the six months ended June 30, 2015	Change in amount	Change %
Strategic investments	135,010	142,099	(7,089)	(5%)
IT	125,234	135,150	(9,916)	(7%)
Financial services	555	422	133	32%
Modern services	941	596	345	58%
Agriculture and food	1,225	920	305	33%
Property	4,487	4,340	147	3%
Chemicals and energy materials	2,568	671	1,897	283%
Financial investments	16	9	7	78%
Elimination	(42)	(7)	(35)	N/A
Total	134,984	142,101	(7,117)	(5%)

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

Unit: RMB million

	For the six months ended June 30, 2016	For the six months ended June 30, 2015	Change in amount	Change %
Strategic investments	2,214	2,295	(81)	(4%)
IT	718	445	273	61%
Financial services	1,071	606	465	77%
Modern services	(91)	(155)	64	N/A
Agriculture and food	28	(66)	94	N/A
Property	365	1,448	(1,083)	(75%)
Chemicals and energy materials	123	17	106	624%
Financial investments	689	2,129	(1,440)	(68%)
Unallocated	(319)	(409)	90	N/A
Total	2,584	4,015	(1,431)	(36%)

Asset allocation of businesses of the Group

Unit: RMB million

	As of June 30, 2016	As of December 31, 2015	Change in amount	Change %
Strategic investments	265,468	258,137	7,331	3%
IT	160,299	168,137	(7,838)	(5%)
Financial services	23,979	16,615	7,364	44%
Modern services	8,357	7,657	700	9%
Agriculture and food	6,437	4,321	2,116	49%
Property	56,487	51,696	4,791	9%
Chemicals and energy materials	9,909	9,711	198	2%
Financial investments	40,344	41,828	(1,484)	(4%)
Unallocated	17,430	19,126	(1,696)	(9%)
Elimination	(11,509)	(12,848)	1,339	N/A
Total	311,733	306,243	5,490	2%

Business Review

For the six months ended June 30, 2016, there remains considerable uncertainties over the global macroeconomic environment and geopolitical landscape. In China, structural reforms have advanced to a critical stage. The government, enterprises and public are all exploring the drivers to fuel the country's economy into the future. We believe that consumption and services business are gradually becoming new engines for China's growth. In this context of economic restructuring in China and with our 30-year insight into China's development, Legend Holdings will focus on emerging themes in consumption and services business, rigorously identify investment opportunities and enhance value through effective management, and strive to build a diversified investment portfolio with continuous value growth.

For the six months ended June 30, 2016, Legend Holdings realized the revenue of RMB134.984 billion, representing a decrease of 5% as compared with the corresponding period of last year, net profit attributable to the Company's equity holders amounting to RMB2.584 billion, representing a decrease of 36% as compared with the corresponding period of last year. The decrease in revenue was mainly due to the revenue decline in our IT segment. The main reasons for the decrease in net profit attributable to the Company's equity holders include: 1) Block B of Raycom Infotech Centre, the high-end multi-functional complex which Legend Holdings held for leasing purpose, was transferred as investment property after delivery upon completion in 2015. Therefore, the net profit of approximately RMB1.108 billion attributable to the Company's equity holders is one-off fair value gain recorded in the corresponding period of last year. There was no such profit recorded during this reporting period; 2) during the reporting period, capital market conditions has changed significantly as compared with the corresponding period of last year, resulting in a decline in net profit attributable to the Company's equity holders of our financial investments segment from RMB2.129 billion in the corresponding period of last year to RMB0.689 billion.

Saved as above-mentioned, Legend Holdings has continuous growth in the strategic investments segments of financial services, modern services, agriculture and food, and chemicals and energy materials during the reporting period. We have also made outbound investments into quality overseas assets in financial services and agriculture areas. Meanwhile, we have been optimizing the Company's debt structure to lower the long-term cost of capital. Fund raising of the new funds in our financial investments segment progressed well. Among them:

- In the portfolio of our existing strategic investments, financial services segment continued its healthy development. Zhengqi Financial and JC Finance & Leasing developed robustly, and Lakala provided constant profit growth. Modern services segment further capitalized on the momentum of investment themes. Bybo Dental expanded its national footprint and we also advanced the initiatives of private capital in healthcare practices. CAR strengthened its leading position in the car rental market in China and contributed substantial net income. In the agriculture and food segment, improvements in profit-making and synergy effect have been realized by the fruit business of Joyvio Golden Wing Mau in the first half of 2016. During the reporting period, chemicals and energy materials segment has recorded significant growth in revenue and net profit. Our subsidiary, Levima Group, benefited from the commencement of operation of the DMTO integrated devices and improvement of capital structure, and our associate, Phyllion Battery, realized rapid market expansion;
- We have invested in Pension Insurance Corporation Group ("PICG"), a leading pension insurance company in the UK, to commence the allocation into quality overseas financial assets. We have also acquired KB Seafoods, a leading seafood supply chain operator in Australia, with the concentrated plan of expanding the seafood market in China in future and elevating it as a leader in China's seafood industry;
- Seizing opportunities brought by an environment of low interest rate, Legend Holdings and some of its portfolio companies have optimized the debt structures through bond issuances to lower the long-term costs of capital;
- During the reporting period, Legend Capital has raised an amount equivalent to RMB3.3 billion for its new funds, namely 7th USD comprehensive fund and 1 RMB healthcare fund. Hony Capital has also raised USD2.2 billion for its new fund of 8th equity investment fund.

Strategic Investment

IT

We are engaged in IT business through our subsidiary Lenovo. Lenovo is a Fortune 500 company which develops, manufactures and sells high-end technology products and provides related services to the consumers and corporate customers. As of June 30, 2016, we held 31.48% equity interests in Lenovo.

During the first half of 2016, the slow macro environment and uncertainties in global economy continued to affect the demand in the PC and tablet markets, as well as the smartphone market. Nevertheless, the PC market performed slightly better than expected due to stronger performance in mature markets. Amidst these market challenges, Lenovo managed to deliver profit growth from its businesses, driven by efficiency improvements resulting from its previous decisive actions to realign the business. During the reporting period, Lenovo continued to build a more balanced product portfolio to drive growth.

During the reporting period, the revenue and net profit of IT business are as follows:

Unit: RMB million

	For the six months ended June 30, 2016	For the six months ended June 30, 2015
Revenue	125,234	135,150
Net profit	2,243	1,292
Net profit attributable to equity holders of Legend Holdings	718	445

During the reporting period, dragged down by global market demand and the exchange rate, the revenue of IT segment fell 7.3% to RMB125,234 million; benefiting from its previous business realignment actions, the net profit significantly increased to RMB2,243 million. In order to drive stronger innovation, more customer-centric products and experiences and faster growth, Lenovo has aligned its organizational structure.

PC and Smart Device Business Group (PCSD)

While the global PC industry continued to decline due to macroeconomic forces and currency fluctuations, the PC market performed slightly better than expected due to stronger performance in mature markets. Despite the market challenges, Lenovo continued to outperform the PC market through solid execution of its strategy and further solidified its number one position.

Lenovo's market share continued to increase. Its worldwide PC market share was 21.1% for the second quarter of 2016, an increase of 0.4 percentage point year-on-year, according to preliminary industry estimates. Lenovo commercial PC unit's market share in the worldwide commercial PC market has decreased by 0.1 percentage point year-on-year to 21.8%. Lenovo tablet's market share was up 0.9 percentage point year-on-year to hit 6.5%.

To capture the potential high growth opportunities of smart devices, Lenovo has announced at Tech World in June 2016 its innovative P-HAB2 Pro which is the world's first augmented reality (AR) capable smart device. The device demonstrates Lenovo's strong R&D capability with its comprehensive camera and motion sensing technology. This innovative product will be available for sales in the second half year of 2016 under the tentative plan.

Mobile Business Group (MBG)

Lenovo's transformation strategy – focusing on higher price bands and expanding its channel structure – is on track, which was shown in the improvement in average selling price and sequential sales revenue. In China, Lenovo continued to execute its business transformation plan, leveraging its ZUK brand to focus on mid-price band, user experience improvement and expanding its presence in retail and online channel coverage. Sales in China recorded a year-on-year decrease, as Lenovo continues to reduce the products with low price and gradually turns to products with higher price, which in turn improve the average sales price and sales income. The business from rest of world (ROW) continued to be stable. Smartphone shipments continued its growth momentum in Asia Pacific and Eastern Europe.

Data Center Business Group (DCG)

Lenovo's data center business continued to demonstrate healthy revenue growth in China, while it is still in the process in improving its business outside of China. Its strong performance in China continued, however, competition in markets outside China remained keen while Lenovo continued its plan to increase sales coverage and product competitiveness, while ramping up partnership contributions, which resulted in slower than expected revenue growth.

Lenovo Capital and Incubator Group (LCIG) and Others

Lenovo's Capital and Incubator Group began during the reporting period with a mission to drive innovation through investment in startups and exploring new technologies. During the second quarter of 2016, Lenovo has completed a number of investment projects and set up its accelerator in Shenzhen and Hong Kong to explore more future opportunities for Lenovo.

Looking forward, despite uncertainties in the macroeconomic environment, Lenovo expects its business transformation will gradually deliver the planned benefits. The efficient organization structure, coupled with the competitive cost structure across all of its businesses, together with its solid execution, positions Lenovo well to sustain its growth even in the current challenging market environment.

In the second quarter of 2016, Lenovo has commenced its monetization activities and sold a portion of non-core assets. Through the monetization and disposal of the value of non-core assets, Lenovo will be able to improve its working capital level and secure additional capital to invest in growing segments of its business. Lenovo will continue to explore opportunities such as asset monetization in the future.

Lenovo will continue to invest in areas it believes are important to its future success. Lenovo remains fully committed to its protect and attack strategy, supported by its proven execution capabilities, to lead Lenovo on its ongoing journey towards building a respected global tech leadership position in every business Lenovo enters and to drive profitable growth that, in turn, creates better value for shareholders.

Financial Services

Overview

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

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

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

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

Legend Holdings will continue to support the portfolio companies in exploring the innovative development approach of financial industry besides improving the breadth, depth and efficiency of the financial services platform. We will also continue to pay attention to quality overseas assets.

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

Unit: RMB million

	For the six months ended June 30, 2016	For the six months ended June 30, 2015
Revenue	555	422
Net profit	1,122	630
Net profit attributable to equity holders of Legend Holdings	1,071	606

During the reporting period, revenue of Legend Holdings's financial services segment was RMB555 million, representing an increase of approximately 32% as compared with RMB422 million in the corresponding period of last year. This is mainly due to greater contributions from the financial leasing business. The net profit of financial services segment increased from RMB630 million in the corresponding period of last year to RMB1,122 million, representing a growth of 78%, mainly due to profit growth of the financial leasing and the investment business of financial services segments.

Operating Highlights

- In May 2016, Legend Holdings invested GBP111 million in PICG, the British pension insurance company, representing 5.44% of the total enlarged share capital of PICG. Pension Insurance Corporation ("PIC"), a subsidiary of PICG, is one of the leading pension insurance companies in the United Kingdom. Being optimistic of the prospect of global pension insurance market in the long run, Legend Holdings will continue to look for quality financial assets in overseas markets;
- Zhengqi Financial provides comprehensive financial services to SMEs. During the reporting period, its strong growth in business steadily enhanced its position in the market. Since JC Finance & Leasing was established in November 2015, its financial leasing business has achieved sound growth and profit contribution.

Zhengqi Financial

Zhengqi Financial was established in 2012. As of June 30, 2016, we held 92% equity interests in Zhengqi Financial. Zhengqi Financial mainly provides financial services to SMEs and with nine major business units consisting of financing guarantee, micro loans, pawn loans, financial leasing, commercial factoring, equity investments, capital market business, asset management and internet-based finance. In 2016, Zhengqi Financial continued to expand its market share on the basis of its leading position in SME financial services in Anhui Province. It succeeded to further expand in the financial services markets outside the province. Customers outside Hefei of all types of business represented nearly 50% of all its clients and with footprints in several provinces. After development over 3 years, Zhengqi Financial has evolved gradually from a quasi-financial holding company which mainly provides financial services to SMEs in Anhui Province to a cross-province financial services provider to SMEs with considerable influence in China.

In the first half of 2016, Zhengqi Financial has further strengthened its capability of risk management, continued to optimize business structure, and integrated all business units under the concepts of investment bank. As a result, “overall plans” were worked out to provide customers with the optimized resource allocation, intensive synergy and closed-loop business. Steady growth was achieved in small loans and pawn loans businesses, structure enhancement by financing guarantee business, satisfactory development in non-financing guarantee business, and emerging core businesses (including investment bank, financial leasing, commercial factoring and internet-based finance etc.) grew rapidly. As of June 30, 2016, outstanding balance of loans amounted to RMB5,142 million, outstanding balance of leasing amounted to RMB3,011 million. Outstanding guarantee balance was RMB3,795 million, of which RMB2,662 million were financing guarantee balance and RMB1,133 million were non-financing guarantee balance.

During the reporting period, Zhengqi Financial continued to proactively develop its own credit and expand funding channels. With greater efforts made for funding in the capital market, relatively good results were achieved. In March 2016, Zhengqi Financial completed issuance of the first tranche of corporate bonds for 2016. In June 2016, the second tranche of leasing asset-backed securities special project of Zhengqi Leasing was set up on the Shanghai Stock Exchange. The issuance of ABS was guaranteed by Zhengqi Financial.

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

Unit: RMB million

	For the six months ended June 30, 2016	For the six months ended June 30, 2015
Revenue	452	422
Net profit	578	238

During the reporting period, the operating revenue grew approximately 7% from RMB422 million in the corresponding period of last year to RMB452 million, mainly due to the growth of leasing business and the net impact of further spread tightening of Zhengqi Financial's loan business resulting from the adjustments to interest rate policy in China. Net profit increased approximately 143% from RMB238 million in the corresponding period of last year to RMB578 million, mainly due to profit contributions from its investment business.

JC Finance & Leasing

JC Finance & Leasing was established in November 2015 with a registered capital of RMB1.5 billion. It is a member of Legend Holdings and specializes in financial leasing. JC Finance & Leasing cooperates with both domestic and overseas well-known equipment manufacturers to concentrate on industry and industrial chain, commences financial leasing business by focusing on areas that reflect new economic trends in China, such as medical services, environmental protection, clean energy, advanced manufacturing, public services and transportation etc. It mainly provides comprehensive financing solutions and services to the SMEs for attainment of their target of growth and realization of mutual growth.

During the reporting period, JC Finance & Leasing had a good start by recording new financial lease contracts in the amount of RMB2,540 million. As of June 30, 2016, the total asset of JC Finance & Leasing amounted to RMB3,690 million and the outstanding balance of interest-bearing assets amounted to RMB3,030 million, representing strong growth as compared with RMB732 million as at the end of 2015. During the reporting period, JC Finance & Leasing recorded the operating revenue of RMB103 million with net profit amounting to RMB30 million.

JC Finance & Leasing also pursues external financing actively and develops diversified channels of financing.

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

Unit: RMB million

	For the six months ended June 30, 2016	For the six months ended June 30, 2015
Revenue	103	N/A
Net profit	30	N/A

Associates in Financial Services Segment

During the reporting period, total profits contributed by associates to the financial services segment were RMB514 million (RMB392 million in the corresponding period of last year). Such increase in profits was mainly due to the relevant income of RMB433 million recorded from eloancn.com by the changes in fair value of the preferred shares (Lakala recorded investment income of RMB435 million due to the introduction of strategic investors in the corresponding period of last year) and Lakala’s profitability continued to grow.

In the first half of 2016, Lakala’s profitability continued to grow. Leading business advantage of its symbiotic and integrated financial services platform, steady development of payment services and rapid growth of financial business combined to contribute the growing profits to Legend Holdings. Lakala continuously intensified its strategy and synergic presence in the financial sector and developed an ecosystem in the Internet-based financial services business by leveraging on its advantage in financial payment services. As of June 30, 2016, we held 31.38% equity interests in Lakala. During the reporting period, the restructuring of Lakala had been terminated due to considerable changes in objective conditions in China’s securities market environment and policies etc.

Modern Services

Overview

Our subsidiaries and associates in the modern services business include:

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

During the reporting period, despite the lesser than significant results achieved in structural transformation due to relatively weak growth of the services industry, new trends and highlights still existed in the industry with ample opportunities available. The first reason is continuous rapid development of innovative mobile internet-based consumption; the second reason is the birth of companies which make a breakthrough and restructuring of industry model, capturing ample opportunities of professional division of work and innovative business models in both consumption and production made available as more and more traditional companies are embracing the internet; the third reason is the greater outlook for supply and healthcare provision achieved by the government's active promotion of healthcare provision with private capital.

During the reporting period, Bybo Dental continued to accelerate its network consolidation and development with 180 clinics and hospital. Bybo Dental paid attention to the development of business scale and medical technology. Other than Bybo Dental, Legend Holdings continues to keep seizing other opportunities in healthcare sector.

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

CAR has completed equity restructuring. Business synergy between conventional car rental business and internet-based innovative business was further strengthened and optimized. UCAR Inc., which specializes in chauffeured car services business, will provide stronger support for the future synergic development and business innovation of CAR.

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

Unit: RMB million

	For the six months ended June 30, 2016	For the six months ended June 30, 2015
Revenue	941	596
Net (loss)	(279)	(211)
Net (loss) attributable to equity holders of Legend Holdings	(91)	(155)

During the reporting period, revenue from modern services segment increased by 58% to RMB941 million as compared with the corresponding period of last year, mainly due to further expansion of Bybo Dental's clinics and business scale as well as continuous expansion of Zeny Supply Chain's cold chain and comprehensive logistics services businesses during the reporting period. Net loss increased to RMB279 million from RMB211 million in the corresponding period of last year, mainly due to the combined impact of the following factors: (1) during the reporting period, an increase in loss of approximately RMB318 million resulting from more investments during Bybo Dental's business expansion period; (2) a decrease in net loss of RMB137 million as compared with the corresponding period of last year resulting from costs saving after Zeny Supply Chain suspended its conventional courier business; and (3) increase of return on investments contributed by CAR's net profit, which achieved a significant growth as compared with the corresponding period of last year.

Bybo Dental

Bybo Dental, our subsidiary, provides dental healthcare services. The Company made new strategic investment in Bybo Dental in July 2014. As of June 30, 2016, we held 54.90% equity interests in Bybo Dental.

As of June 30, 2016, Bybo Dental owned 46 hospitals and 134 clinics in 24 provinces and municipalities.

The major business statistics of Bybo Dental as of June 30, 2015 and June 30, 2016 are set out as follows:

	As of June 30, 2016	As of June 30, 2015
Number of outlets	180	95
Area of outlets (Square meter)	222,450	56,652
Number of dental chairs	2,290	761
Number of dentists	934	672

Bybo Dental endeavours to attract professional doctors to join its team and provides platform for their career development. A number of famous professionals have joined Bybo Dental. Bybo Dental puts continuous efforts to strengthen training and academic exchanges.

Bybo Dental will further intensify its service quality and content. The multi-fold strategy will be adopted to enhance medical technology, service content and management capacity. Customer-oriented approach will be used to build good branding effect by providing professional standard services so as to fulfill the vision of escalating from good to excellent standard.

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

Unit: RMB million

	For the six months ended June 30, 2016	For the six months ended June 30, 2015
Revenue	573	410
Net (loss)	(367)	(49)

During the reporting period, Bybo Dental accelerated the development of strategic presence throughout China. Considerable scale has been achieved in Beijing, Shanghai, Guangzhou and Shenzhen, more hospitals and clinics were opened in the cities where the teams and brand have established influence. Business has been extended to a number of provincial capital cities and developed areas. With high technical standard achieved and continuous enhancement of service quality and customer satisfaction, operating revenue increased from RMB410 million in the first half of 2015 to RMB573 million in the first half of 2016, representing growth rate of 40%. The increase in loss is due to rapid expansion of businesses capturing available opportunities, and that the majority of clinics were either in preparation or opened for less than one year, and relatively great input of medical talents, equipment, know-how and IT system with breakeven point yet to be reached.

Zeny Supply Chain

We provide logistics services through our subsidiary, Zeny Supply Chain, endeavoring to develop it as a leading provider of comprehensive supply chain services. After the exit from the conventional courier business, Zeny Supply Chain mainly focuses on comprehensive cold chain operations and comprehensive logistics services. As of June 30, 2016, we held 94.00% equity interests in Zeny Supply Chain.

Comprehensive cold chain operations: during the reporting period, Zeny Supply Chain increased capital utilization by realizing asset sale-and-leaseback of the cold chain property in Bai Sha Zhou, Wuhan. Zeny Supply Chain also continued to expand businesses such as micro loans and guarantee services to commercial tenants of the wholesale market, enhanced business structure of cold chain project of Tianjin Dongjiang Harbor and continued to create an imported food comprehensive supply chain service platform. In the meantime, Zeny Supply Chain continued to expand the regional network of cold chain business sector, besides promoting cold chain projects in southern China and acquisition of cold chain business in Zhengzhou, Henan. As of the end of the reporting period, the asset acquisition of cold chain business in Zhengzhou, Henan remained to be closed.

Comprehensive logistics services: during the reporting period, Zeny Supply Chain continued to expand business development by mainly focusing on serving corporate clients in such markets as clothing and accessories, home and household appliances, cold chain food and motor accessories. Efforts were also made to integrate the business network which covers four major regions of northern, central, eastern and southern China so as to increase overall operating efficiency.

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

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

Unit: RMB million

	For the six months ended June 30, 2016	For the six months ended June 30, 2015
Revenue	368	186
Net (loss)	(98)	(235)

During the reporting period, revenue from the logistics business increased by RMB182 million year-on-year, mainly due to the expansion of comprehensive cold chain business and comprehensive logistics services business. Net loss decreased by RMB137 million year-on-year, mainly due to huge reduction of costs and expenses after closing the conventional courier business as compared with the corresponding period of last year.

CAR

CAR, our associate, provides comprehensive car rental services including short term and long-term rental, and sales of used cars services. Through its strategic partner, UCAR Inc., it provides an on-demand chauffeured car services based on mobile Internet technology and the strong brand of "UCAR". It also launched a pilot program "CAR quasi-new car" for its own used car and sold cars which were no longer in operation focusing on strong demand in third and fourth tier cities through a B2C platform. As of June 30, 2016, we held 23.77% equity interests in CAR.

As of June 30, 2016, the total size of operating fleet of CAR reached 87,585 cars, increasing by 8.6% as compared with the corresponding period of last year; the total size of fleet reached 99,727 cars, increasing by 17.7% as compared with the corresponding period of last year. CAR had 764 directly operating service spots in 93 cities of all provinces in China, including 272 outlets and 492 pick-up points; the number of "CAR quasi-new car" outlets that sell used cars through a B2C platform increased to 14.

The table below is the key business data of CAR as of June 30, 2015 and June 30, 2016:

	As of June 30, 2016	As of June 30, 2015
Fleet size		
Short-term rentals	62,725	54,797
Long-term rentals	20,899	20,960
Financial leasing	3,961	4,889
Total operating fleet	87,585	80,646
Retired vehicles for sale	11,203	2,685
Vehicles held for sale	939	1,388
Total fleet	99,727	84,719

CAR endeavors to become the leading auto mobility provider in China, actively embracing revolutionary changes of mobile travel market arising from the Internet and new technologies of auto industry. It will implement new strategies to achieve long-term success. In the first half of 2016, CAR completed a series of shareholding reorganization and adjustment to organizational structure to further enhance and fine-tune business collaboration between traditional car rental business and Internet-based innovative business, so as to better capture the emerging growth opportunities.

As of June 30, 2016, CAR held 7.42% equity interests in UCAR Inc.. During the reporting period, UCAR Inc. made an application for listing on NEEQS and finished the private placement with a post-investment valuation of RMB36.9 billion. On July 11, 2016, UCAR Inc. obtained the approval for listing. On July 22, 2016, UCAR Inc. listed on NEEQS and became the first listed company in global tailored taxi service industry.

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

Unit: RMB million

	For the six months ended June 30, 2016	For the six months ended June 30, 2015
Revenue	2,969	2,307
Net profit	1,062	407

During the reporting period, the revenue of CAR increased by RMB662 million year-on-year, mainly due to the expansion of the fleet size and the increase of the sales volume of used cars. The net profit increased by RMB655 million year-on-year, due to the expansion of the fleet size as well as non-current income generated from the increase in value of shares held in UCAR Inc..

Looking forward, CAR will continue to expand its fleet size and strengthen its leading position in China's car rental market; meanwhile, CAR will develop more advanced and effective demand-based fleet management system through technology and operation innovation to improve customer experience, promote rental ratio and enhance operation efficiency. We believe that auto-related industry is at a critical juncture of transformation, and CAR has already positioned itself strategically to better capture new growth opportunities out of this transformation and achieve long-term increase and strong profitability.

Agriculture and Food

Overview

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

- Joyvio Group, our wholly-owned subsidiary, mainly provides plantation and sales of premium fruits and agricultural products business and sale of wine business;
- KB Food, our subsidiary, is mainly engaged in the production, processing and sales of premium seafood business;
- Funglian Group, our subsidiary, is mainly engaged in the production and sale of Chinese liquor;
- Cloud Farm, our associate, mainly provides services related to agricultural capital, agricultural programs and agricultural technology through an agricultural-oriented e-commerce platform; and
- Liquor Easy, our associate, mainly develops and operates liquor direct selling networks.

There are significant opportunities in the agriculture and food industry in China: (1) Upgrading of consumption: with China's increased per capita disposable income and consequential changes in spending patterns, we believe that Chinese consumers are looking to improve their lifestyle. (2) Innovative model: with the continuous promotion of structural reform and technology innovation in agricultural production and operation, we believe that the ever changing mode of operation of agricultural and food enterprises in China will create huge space for innovation among them. (3) Industrial integration: in China, agricultural and food are two independent industrial chains with unreasonable profits distribution mechanisms. Through synergistic network across the industrial chains, product quality and operating efficiency will be significantly enhanced. (4) Overseas resources: overseas have remarkable advantages in factor endowments, species and technology. Currently, asset prices are relatively low. We will actively look for investment opportunities around the aforesaid circumstances.

With the aim of upgrading products qualities for Chinese consumers, we have developed two supply chains of fresh fruits and fresh seafood: absolute leading position in the industry has been established since the restructuring of Golden Wing Mau for the fruit supply chain in 2015. In 2016, we acquired a leading Australian seafood supplier, KB Seafoods, and started integration of the seafood supply chain system. In the meantime, we are developing networks in branded food and beverage (Funglian Group), innovating distribution channels (Liquor Easy), upgrading production services (Cloud Farm), etc.. Through industry networks integration and a global presence, we hope to provide better products to Chinese consumers, and build more efficient distribution channels that better cater to upscale the consumer's demands, and furnish more advanced services to practitioners of the agriculture and food industry.

Operating highlights

- Through integration with distribution channels of Golden Wing Mau, the business performance of Joyvio Group was significantly enhanced with more balanced capability in different sections of the supply chain, and significant synergistic effect was shown during the reporting period. During the production season of blueberry in 2016, the production volume of blueberry set record with an increase of 30%. The average price rose by 15%, output rate of fresh fruit is more than 90%, outperformed the sector's average;
- During the reporting period, Funglian Group turned from loss to profit by actively executing product differentiation, strengthening mainstream products delivery, and leveraging innovative distribution models. As a result, it enhanced the product structure, higher average selling price and gross margin. In the meantime, Legend Holdings has completed the capital injection in Funglian Group, Funglian Group's capital structure was improved, bringing significant reduction in financial cost as compared with corresponding period of last year;
- KB Food, our newly invested holding company, holds 100% equity interests in KB Seafoods which is the largest seafood supplier in Australia. KB Seafoods cooperates with more than 500 suppliers in the world and provides services to Australia's retail and catering markets. It has successfully created the "global resources + Australian consumption" business model. The post-investment integration progressed well. It has further consolidated its competitive advantage in Australia.

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

Unit: RMB million

	For the six months ended June 30, 2016	For the six months ended June 30, 2015
Revenue	1,225	920
Net profit/(loss)	25	(73)
Net profit/(loss) attributable to equity holders of Legend Holdings	28	(66)

During the reporting period, revenue of the agriculture and food segment increased from RMB920 million in the corresponding period of last year to RMB1,225 million, mainly due to the acquisition of KB Seafoods during the reporting period which contributed revenue of RMB592 million. Net profit turned from a net loss of RMB73 million in the corresponding period of last year into a net profit of RMB25 million, mainly due to turnaround of the Joyvio Group and Funglian Group.

Joyvio Group

Joyvio Group is working towards the target of “from farm to table”, endeavouring to create a reliable, safe and premium agricultural product and food brand. Currently, its business covers four major areas of fruits, tea leaves, wine and staple food.

Joyvio Golden Wing Mau, an associate of Joyvio Group, is Joyvio Group’s future operation and investment platform for fruit business. Through systematic integration with supply chain premium resources in China including the largest domestic planting bases of blueberries and kiwifruits, the largest supermarket supplier, Chile’s premium fruit planting bases, Joyvio Golden Wing Mau has developed its unique “triple model”: integrated service platform of industrial integration, global resource know-how network and all programmed source-control quality management system. Currently, Joyvio Golden Wing Mau has become China’s largest domestic fully-integrated fruit company in the industry which exclusively owns the species right of blueberry and kiwifruit planting, leading seed culture centre and engineering and technology center, domestic and overseas plantation bases in total area of 50,000 acres. It has storage and sorting centers in 5 major places, 6 distribution centers in the PRC and covered domestic high-end channel customers serving more than 2,000 supermarkets throughout the country.

China’s fruit market scale has exceeded RMB1,000 billion. In the first half of 2016, despite of the influence of the overall economic environment, Joyvio Golden Wing Mau still recorded rapid growth in its revenues due to its positioning of fruit supply chain as provider for customers who demand safe and premium products. With the consumption upgrading and the investment on brand, both the number and loyalty of customers increased. In the future, Joyvio Group will continue to integrate overseas premium product sources with domestic premium distribution channels with Joyvio Golden Wing Mau as the platform striving to become the world’s leading fruit company with fully-integrated industry chains.

The tea business which Joyvio Group had made a controlling investment is the No.1 Longjing tea brand in China – a typical gift and consumer product. In 2016, the tea company under Joyvio Group still recorded revenue growth of 4%, with net profit increased by 49% as compared with corresponding period last year despite the significant yield reduction due to unfavourable weather.

The wine business which Joyvio Group had made a controlling investment endeavours to become the consumer’s handy wine selection specialist in China on the principle of “making the best choice”. In 2015, it obtained the “Excellent Operator in the Imported Wine Market of China” award. During the reporting period, the wine company still maintained rapid growth. Its revenue and net profit increased by 33% and 164% respectively as compared with the corresponding period of last year.

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

Unit: RMB million

	For the six months ended June 30, 2016	For the six months ended June 30, 2015
Revenue	65	297
Net profit/(loss)	41	(14)

During the reporting period, Joyvio Group's revenue decreased from RMB297 million to RMB65 million, mainly due to the completion of restructuring of the fruit business with Golden Wing Mau in December 2015. Upon completion of the said transaction, fruit business platform is no longer treated as a subsidiary of Joyvio Group, its financial results is thus no longer included in the consolidated account of Legend Holdings' financial statement. Net profit turned from a net loss of RMB14 million in the corresponding period of last year into a net profit of RMB41 million, mainly due to the significant rise in profits after restructuring the fruit business with Golden Wing Mau.

KB Food

According to the information of the Ministry of Agriculture and relevant industry reports, the seafood output in the PRC reached 66.90 million tonnes with an output value of over RMB2 trillion in 2015; the amount per capita was more than 45kg, representing an increase of more than twice as compared with that of 20 years ago, making such seafood the most essential source of animal proteins in the diet. Notwithstanding its large industry scale, the seafood industry in the PRC was still confronted with issues such as extremely low concentration, lagging of distribution channels and lack of brands, which resulted in a strong demand for industry upgrading. Meanwhile, there was a significant increase in demand for imported seafood in the PRC, with total annual import of over 4 million tonnes which is still on a rapid growth. It is expected that an important supplementary source of seafood in the PRC will come from imports in future.

In March 2016, we formed a joint venture, KB Food, with the management of KB Seafoods through our subsidiary and acquired 100% of the equity interests in KB Seafoods. As of June 30, 2016, we held 90% equity interests in KB Food.

Headquartered in Perth, Australia and with a history of 90 years, KB Seafoods has become one of Australia's largest seafood companies and the top two lobster production enterprise. KB Seafoods is the largest seafood product supplier for the mainstream supermarkets and food companies in Australia and New Zealand, and provides customers with over 6,000 types of seafood and its ancillary products with an annual sales volume amounting to 100,000 tonnes. Its products cover fish, shrimps, shellfish and other categories, and its industry chain includes primary, crude and deep processing. KB Seafoods is also one of the most significant exporters for seafood products in Australia and exports high-end seafood products such as lobsters to Asia. KB Seafoods has established its subsidiaries in Australia, New Zealand and Thailand to conduct specific operations and entered into strategic cooperation with the major seafood enterprises in South Asia, Europe, America and Africa to fully integrate its global seafood resources. After nine decades of development, it has successfully built the business model of "Global Resources + Australian Consumption".

Smooth post-investment integration with the original business has further consolidated its competitive advantage in Australia. KB Food will focus on the business expansion to the seafood market in the PRC with an aim to successfully build the business model of "Global Resources + Chinese Consumption" in the future and help KB Food to develop into a leader of the PRC's seafood industry by leveraging on the resources and experience accumulated by KB Seafoods.

Legend Holdings started to consolidate the financial information of KB Seafoods in April 2016, and the revenue and net profit of KB Seafoods from April to June 2016 are set forth below:

Unit: RMB million

	Three months ended from April 1, 2016 to June 30, 2016
Revenue	592
Net profit	11

KB Seafoods' financial year starts from July 1 to June 30 next year. Its revenue and net profit for 2016 financial year increased by 8.6% and 3.5% year-on-year, respectively, which was mainly due to the increase of product categories, such as Modified Atmosphere Packing products and Norwegian salmon etc. It has received more orders from major customers in Australia leading to the rapid growth of its sales results in mature markets.

Funglian Group

Our subsidiary, Funglian Group, has four regional brands including Bancheng, Wenwang, Confucius Family and Wuling, and it is mainly engaged in the production and distribution of Chinese liquor. As of June 30, 2016, we held 79.71% equity interests in Funglian Group.

Benefiting from the upgrade of private consumption of Chinese liquor, the high-end Chinese liquor market showed a slight recovery. However, excess producing capacity still persisted in the overall Chinese liquor industry, which will result in greater market competition for medium and low-end Chinese liquor. We believe that consumption upgrading of general products, business model innovation and mergers & acquisitions and integration within the industry will become major opportunities for the Chinese liquor industry in future.

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

Unit: RMB million

	For the six months ended June 30, 2016	For the six months ended June 30, 2015
Revenue	568	623
Net profit/(loss)	13	(59)

During the reporting period, the liquor segment achieved a turnaround from loss to profit. Its revenue decreased by 9% with the corresponding period of last year and net profit increased by RMB72 million as compared with the corresponding period of last year.

The decrease in revenue is mainly due to Confucius Family's ongoing profound optimization of products and channels through termination of its product lines and distribution areas with low profitability for the purpose of improving the market competitiveness of its brand, which resulted in a significant decrease in revenue as compared with the corresponding period of last year and thus leading to a decline in the overall revenue from liquor segment.

The increase in profit is mainly due to (1) each of the brand companies continued to actively execute product differentiation, strengthen mainstream products delivery and adopt innovative distribution models, all of which contributed to an optimized product structure with an increase in average price and gross margin; (2) Funglian Group's capital structure has been improved through debt-to-equity swap, leading to a significant decrease in financial fees as compared with the corresponding period of last year.

Property

According to the National Bureau of Statistics of the PRC, during the reporting period, property development investment recovered, total investment in the domestic property development amounted to RMB4,663.1 billion, representing a nominal increase of 6.1% year-on-year. Total construction area of property development enterprises amounted to 6,697.5 million square meters, representing an increase of 5% year-on-year. The area of newly-commenced projects amounted to 775.37 million square meters, representing an increase of 14.9%. The area of new housing completed was 395.46 million square meters, representing an increase of 20%. With the recovery of sales, the total sold areas of commodity housing was 643.02 million square meters, representing an increase of 27.9% year-on-year. The total value of commodity housing sold was RMB4,868.2 billion, representing an increase of 42.1%. During the reporting period, overall investment recovered with the investment in the newly-commenced properties increasing. The sales of properties recovered as the property industry was focusing on reducing inventories.

During the reporting period, there was a significant growth both in the contracted sales area and sales outstanding of Raycom Real Estate, our subsidiary, compared with the previous period, especially contracted pre-sales in projects of Wisdom Castle in Beijing, First Sea in Hangzhou and Cover life in Hangzhou of eastern China. In the first half of 2016, the sales of Raycom Real Estate's residential properties and office buildings grew compared with the corresponding period of last year. The revenue from the property segment increased to RMB4,487 million.

The rental yields of high-end multi-functional complex held by Raycom for lease purpose including Block A (since January 2002), Block B (since March 2015) and Block C (since October 2004) of Raycom Infotech Centre and certain floors of Olive City in Wangjing (since December 2015) went up compared with the corresponding period of last year. Meanwhile, the corresponding fair value gain of Block A and C of Raycom Infotech Centre underwent a further growth compared with the corresponding period of last year as unit rents increased.

Raycom Real Estate successfully issued public offering bonds amounting to RMB2.5 billion on May 31, 2016. The coupon rate of 3+2-year bonds was 4.68% and the coupon rate of 5+2-year bonds was 5.5%. Upon calculation, the cost of funding will be reduced by RMB89 million per annum in average and will be reduced by RMB445 million in five years. The successful bonds issuance will significantly reduce interest expense of Raycom Real Estate.

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

Unit: RMB million

	For the six months ended June 30, 2016	For the six months ended June 30, 2015
Revenue	4,487	4,340
Net profit	558	1,733
Net profit attributable to equity holders of Legend Holdings	365	1,448

During the reporting period, the net profit of the property segment decreased to RMB558 million from RMB1,733 million as compared with the corresponding period of last year, mainly due to the effect of the following factors:

- during the corresponding period of last year, Block B of Raycom Info Tech Centre, a high-end multi-functional complex held by Raycom for lease purpose, was completed and delivered to the clients, which was converted into a property for investment, contributing a one-off gain of RMB1,586 million on its fair value. However, there was no such gain during the reporting period; and
- during the reporting period, net of financial costs reduced by RMB37 million as compared with the corresponding period of last year, due to interest income resulting from an increase in pre-sales of the property and the completion of bonds issuance which leads to a decrease in interest expense.

The table below summarizes property development projects of Raycom as of June 30, 2016 by city:

City	Total GFA*			Total (sq.m.)
	Completed (sq.m.)	Under development (sq.m.)	Held for future development (sq.m.)	
Beijing	1,082,778	90,568	–	1,173,346
Tianjin	682,557	191,015	239,072	1,112,644
Hangzhou	127,004	381,638	122,180	630,822
Wuhan	657,033	262,893	389,963	1,309,889
Chongqing	1,122,269	471,724	637,410	2,231,403
Changsha	1,022,855	71,692	165,021	1,259,568
Hefei	772,580	258,398	980,820	2,011,798
Wuxi	392,707	114,847	264,253	771,807
Kunming	309,444	302,253	851,104	1,462,801
Dalian	83,182	113,631	–	196,813
Sanya	–	78,835	177,136	255,971
Daqing	330,298	14,335	1,296,661	1,641,294
Jiangyin	96,404	4,455	609	101,468
Tangshan	198,539	–	–	198,539
Jingdezhen	46,767	46,550	171,573	264,890
Total	6,924,417	2,402,834	5,295,802	14,623,053

The table below summarizes property development projects of Raycom as of June 30, 2016 by property type:

Property type	Total GFA*			Total (sq.m.)
	Completed (sq.m.)	Under development (sq.m.)	Held for future development (sq.m.)	
Residential properties	6,587,316	2,092,155	4,253,497	12,932,968
Commercial properties	337,101	310,679	1,042,305	1,690,085
– Office buildings	337,101	–	–	337,101
– Industrial parks	–	310,679	1,042,305	1,352,984
Total	6,924,417	2,402,834	5,295,802	14,623,053

¹ The data of GFA marked with “*” set forth in this sub-section does not include the area which is not taken into consideration when calculating the plot ratio or floor area, such as car parks and basements

The following table sets forth certain information relating to completed properties, properties under development and properties held for future development of Raycom as of June 30, 2016 including GFA* data for each project²:

Project name	Location	Site area (sq.m.)	Completed (record of completion obtained) (in GFA*)						Under development (construction work permit obtained) (in GFA*)				Held for future development (construction work permit pending) (in GFA*)		
			GFA completed (sq.m.)	GFA sold and delivered (sq.m.)	GFA sold and undelivered (sq.m.)	GFA remaining unsold (sq.m.)	Rentable GFA held (sq.m.)	Actual completion date	GFA under development (sq.m.)	Saleable/ rentable GFA (sq.m.)	GFA pre-sold (sq.m.)	Expected completion date	Planned GFA with land use rights obtained (sq.m.)	GFA without land use rights (sq.m.)	Attributable interest of Raycom
Raycom Skyline	Wuhan	109,338	400,700	385,888	905	5,441	2,728	06/2014	-	-	-	83,290	-	100.0	
Raycom Luoyu Road Centre	Wuhan	15,890	66,003	63,597	1,609	798	-	07/2013	-	-	-	-	53,000	100.0	
Raycom Flower Garden	Wuhan	112,860	190,330	185,583	1,349	1,444	1,954	12/2015	-	-	-	-	-	100.0	
Raycom Celestial Heights	Wuhan	47,129	-	-	-	-	-	-	168,877	43,497	116,793	-	-	35.7%	
Raycom Zhi Gu	Wuhan	187,042	-	-	-	-	-	-	96,017	78,844	12,125	253,673	-	100.0	
First Sea	Changsha	215,778	573,013	535,319	2,320	6,831	4,230	12/2015	71,692	56,508	12,843	3,298	-	75.0	
La Villa	Changsha	111,674	282,778	277,274	166	-	2,669	12/2012	-	-	-	-	-	100.0	
Xi Tang	Changsha	46,380	-	-	-	-	-	-	-	-	-	161,723	-	95.0	
San Wan Ying Chi	Changsha	34,852	167,064	167,064	-	-	-	09/2008	-	-	-	-	-	100.0	
Jiu Yu Yi Pin	Jingdezhen	152,157	46,767	34,137	367	1,743	-	12/2013	46,550	11,395	35,155	171,573	-	100.0	
Allmsun Garden	Hangzhou	70,464	127,004	59,386	11,737	54,399	-	07/2014	-	-	-	-	-	100.0	
Cover life	Hangzhou	60,801	-	-	-	-	-	-	151,954	111,428	39,340	-	-	100.0	
First sea	Hangzhou	107,876	-	-	-	-	-	-	229,684	172,369	51,882	48,000	-	100.0	
Project Xiaoshan	Hangzhou	29,672	-	-	-	-	-	-	-	-	-	-	74,180	100.0	
Nine Jade City	Wuxi	122,496	84,120	73,705	2,841	5,015	-	06/2014	-	-	-	222,006	-	95.0	
Balance City	Wuxi	92,258	111,305	97,982	1,129	2,433	-	06/2011	114,847	6,503	99,277	-	-	100.0	
Jinhu Bay Shi Jia	Wuxi	133,298	144,370	95,115	5,268	44,163	-	08/2015	-	-	-	42,247	-	100.0	
Project Yixing	Wuxi	32,556	52,913	53,170	-	-	-	12/2010	-	-	-	-	-	60.0	

² The GFA* data for each project is for that project as a whole and does not reflect the amount of GFA* solely attributable to Raycom to the extent that our interest in the project is less than 100%

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

Project name	Location	Site area (sq.m.)	Completed (record of completion obtained) (in GFA*)					Under development (construction work permit obtained) (in GFA*)				Held for future development (construction work permit pending) (in GFA*)			
			GFA completed (sq.m.)	GFA sold and delivered (sq.m.)	GFA sold and undelivered (sq.m.)	GFA remaining unsold (sq.m.)	Rentable GFA held (sq.m.)	Actual completion date	GFA under development (sq.m.)	Saleable/ rentable GFA (sq.m.)	GFA pre-sold (sq.m.)	Expected completion date	Planned GFA with land use rights obtained (sq.m.)	GFA without land use rights (sq.m.)	Attributable interest of Raycom
Wisdom Castle	Beijing	117,672	89,300	79,204	1,942	5,988	-	09/2015	90,568	54,471	36,078	11/2017	-	-	80.0
Olive City • Residence	Beijing	117,623	330,350	328,179	-	76	1,626	08/2014	-	-	-	-	-	-	100.0
Olive City • Office Building	Beijing	14,928	67,871	58,176	830	-	8,865	08/2014	-	-	-	-	-	-	100.0
Raycom Chuangyi Center	Beijing	19,750	78,445	65,995	-	12,449	-	01/2013	-	-	-	-	-	-	66.9
Blocks A and C of Raycom Info Tech Centre	Beijing	27,128	102,264	-	-	-	101,744	09/2004	-	-	-	-	-	-	100.0
Block B of Raycom Info Tech Centre	Beijing	15,388	60,004	-	-	-	59,922	03/2015	-	-	-	-	-	-	100.0
SOHU New Media Plaza	Beijing	6,443	28,517	28,517	-	-	-	03/2013	-	-	-	-	-	-	100.0 ⁽²⁾
Parc de Vincennes	Beijing	47,824	120,633	118,810	-	1,823	-	09/2014	-	-	-	-	-	-	100.0
Xiang Xue Lan Xi	Beijing	81,979	205,394	205,085	-	114	-	10/2011	-	-	-	-	-	-	100.0
Fenghe Yuan	Tianjin	67,392.00	101,114	98,849	-	-	-	09/2015	-	-	-	-	-	-	- ⁽³⁾
Wu Qian Dao	Tianjin	584,786	76,005	56,859	7,927	5,075	3,438	11/2014	72,552	62,276	10,276	10/2018	233,376	-	95.0
Taiyi Yuan	Tianjin	18,214.00	27,319	26,500	-	-	-	09/2014	-	-	-	-	-	-	- ⁽³⁾
Han Tang Yuan	Tianjin	64,320.00	-	-	-	-	-	-	118,463	11,021	67,477	10/2016	5,697	-	30.6
Xin Yi Wan & Yi Jun Tai	Tianjin	195,331.00	478,119	474,287	-	-	-	04/2013	-	-	-	-	-	-	54.0
Raycom Up Town	Tangshan	131,205.00	198,539	187,393	8,652	2,495	-	07/2013	-	-	-	-	-	-	42.0
Yan Qi Du	Dalian	140,289	83,182	50,751	5,314	27,117	-	11/2015	113,631	99,358	14,273	06/2017	-	-	50.0

(2) The project was sold to Sohu.com Inc. as a whole in 2010

(3) Raycom held 30.6% equity interests in the project before February 2016. As at the end of June 2016, all of the equity interests were transferred to a third party

Project name	Location	Site area (sq.m.)	Completed (record of completion obtained) (in GFA*)					Under development (construction work permit obtained) (in GFA*)					Held for future development (construction work permit pending) (in GFA*)		
			GFA completed (sq.m.)	GFA sold and delivered (sq.m.)	GFA sold and undelivered (sq.m.)	GFA remaining unsold (sq.m.)	Rentable GFA held (sq.m.)	Actual completion date	GFA under development (sq.m.)	Saleable/ rentable GFA (sq.m.)	GFA pre-sold (sq.m.)	Expected completion date	Planned GFA with land use rights obtained (sq.m.)	GFA without land use rights (sq.m.)	Attributable interest of Raycom
Daqing Legend Tech City-Plot 1	Daqing	118,578	330,298	229,578	13,822	82,922	-	-	-	-	-	55,034	-	100.0	
Daqing Legend Tech City-2B	Daqing	168,829	-	-	-	-	-	-	-	-	-	-	437,656	100.0	
Daqing Legend Tech City-3A	Daqing	199,973	-	-	-	-	-	-	-	-	-	-	201,972	100.0	
Daqing Legend Tech City-2C	Daqing	75,915	-	-	-	-	-	-	-	-	-	174,605	-	100.0	
Daqing Legend Tech City-2D	Daqing	103,393	-	-	-	-	-	-	-	-	-	104,427	-	100.0	
Daqing Legend Tech City-2A-1	Daqing	42,276	-	-	-	-	-	-	-	-	-	101,461	-	100.0	
Daqing Legend Tech City-2A-4	Daqing	24,560	-	-	-	-	-	-	-	-	-	-	120,345	100.0	
Daqing Legend Tech City-2A-5	Daqing	22,279	-	-	-	-	-	-	-	-	-	-	82,434	100.0	
Daqing Legend Tech City-Cloud Computing 2A-3	Daqing	27,551	-	-	-	-	-	14,335	14,335	-	-	14,335	18,727	-	100.0
Golden Age	Chongqing	112,876	-	-	-	-	-	223,341	119,669	100,529	12,2016	58,546	-	-	100.0
Diao Yu Tai	Chongqing	218,420	-	-	-	-	-	210,290	185,465	22,980	02/2017	578,864	-	-	100.0
Chongqing Raycom City	Chongqing	634,625	1,122,269	962,827	15,123	104,157	-	38,094	11,300	26,625	09/2016	-	-	-	100.0
Kunming Legend Tech City • Residence	Kunming	71,248	213,740	190,361	3,553	16,246	-	-	-	-	-	-	-	-	51.0
Kunming Legend Tech City	Kunming	21,926	-	-	-	-	-	64,268	63,370	342	08/2016	-	-	-	51.0
Kunming Legend Tech City • Residence	Kunming	174,049	95,704	87,615	1,445	2,855	-	101,926	78,565	21,877	06/2017	385,439	-	-	51.0
Kunming Legend Tech City	Kunming	152,342	-	-	-	-	-	136,060	136,060	-	12/2017	465,665	-	-	51.0
Wu Tong Li	Hefei	69,779	126,704	119,160	1,546	5,998	-	123,599	42,743	80,856	03/2018	-	-	-	60.0
Raycom Splendor Noret	Hefei	74,916	242,795	238,186	792	3,817	-	-	-	-	-	-	-	-	100.0
Hefei Raycom City	Hefei	401,595	403,081	374,712	28,369	2,649	-	134,799	54,456	111,253	12/2017	980,820	-	-	61.4 ⁽⁴⁾
Private Palace In City	Jiangyin	83,824	96,404	46,780	20,261	29,363	-	4,455	4,455	-	09/2016	609	-	-	100.0
Blue Jiang	Sanya	22,328	-	-	-	-	-	78,835	26,195	52,081	12/2016	-	-	-	60.0
Haitang Bay	Sanya	587,382	-	-	-	-	-	-	-	-	-	177,166	-	-	65.0
Total		6,740,657	6,924,416	6,046,033	137,266	425,421	187,176	2,402,835	1,446,094	912,061		4,326,214	969,587		

(4) In addition to which 29.4% interests are attributable to Lenovo.

Chemicals and Energy Materials

Overview

The chemicals and energy materials segment of Legend Holdings consists of fine chemicals and energy materials business, which focuses on innovative products with growth potential emerging during the transformation of China's chemical industry as well as the lithium-ion battery designed for new energy vehicles. We are engaged in the production of fine chemical and new chemical materials through our subsidiary, Levima Group, and engaged in the lithium-ion battery business through Phylion Battery.

During the reporting period, we executed debt-to-equity swap to our subsidiary, Levima Group, so as to optimize its capital structure, and the equity capital obtained by Levima Group was used to repay its borrowings and finance its working capital. After completion of capital restructuring, Legend Holdings held 98.26% equity interests in Levima Group. Our associate, Phylion Battery, completed a new round of financing, and the proceeds will be used for the construction of its new production lines and the technical research and development on the application of electric vehicles. Legend Holdings' equity interests in Phylion Battery were diluted from 44.51% to 35.61%.

During the reporting period, revenue and net profit of the chemicals and energy materials segment are set out as follows:

Unit: RMB million

	For the six months ended June 30, 2016	For the six months ended June 30, 2015
Revenue	2,568	671
Net profit	129	3
Net profit attributable to equity holders of Legend Holdings	123	17

During the reporting period, benefiting from the formal commencement of work of the integrated device of DMTO in Levima Group and its full-capacity operation, we recorded a significant year-on-year growth of 283% in terms of the revenue from chemicals and energy materials segment. Levima New Materials' business under Levima Group demonstrated a high profitability through the continual improvement in its management level of production and operation of its devices such as DMTO and enhancing efforts in market development. Phylion Battery seized the opportunity from the rapid growth in the product market with its profitability significantly improved, and profits from chemicals and energy materials segment reached RMB129 million, representing a significant growth as compared with the corresponding period of last year.

Operating highlights

- The core devices of DMTO of Levima New Materials have steadily run for a consecutive of 19 months, which created a record for the longest time of continuous and steady operation after putting into operation as compared with the devices of the same class; the capacity of DMTO device reached 116% of the designed load, and many key technical and economic indicators like methanol consumption per unit surpassed the industrial record, and the overall profitability of the device is in a leading position in the industry; Levima New Materials which produced new polypropylene products, rapidly became the largest domestic supplier for such products in China;
- Phylion Battery was successfully shortlisted in catalog of enterprises conforming to *Specifications for Vehicle Battery Industry* issued by the Department of Equipment Industry of the Ministry of Industry and Information Technology, and has become one of the enterprises which possesses the qualifications for manufacturing power batteries for new energy vehicles. Benefiting from that, the sales volume of lithium-ion batteries for pure electric logistic vehicles of Phylion Battery increased significantly, and the sales volume in the first half of 2016 has already exceeded that of last year.

Levima Group

Since the putting into operation of the devices of DMTO, Levima New Materials has continuously promoted the development of new products and innovated product crafts. During the reporting period, Levima New Materials has successfully developed dystectic homepolymer polypropylene PPH-M600N, and accounted for 30% of the market share in such field and has become the largest supplier for polypropylene of such grade. For its nonionic surfactant, Levima New Materials has become the supplier for certain industry-leading enterprises like Liby, Bluemoon and Nice, and has ranked among the frontline suppliers; polyether macromer of water-reducing agent has successfully penetrated into infrastructure markets in regions such as Guangdong and Southeast China where the demands outpaced the supplies at present.

As for production and operation, Levima New Materials, through continual optimization of production and operation system, realized 19 months continuous and steady operation with the core device of DMTO, which set the longest record after putting into operation of the same class of such devices. Meanwhile, it has fully explored the capacity potential of the device through extensive effort, the capacity of DMTO device reached 116% of designed load. In addition, many technical and economical indices like methanol consumption surpassed industrial record, and the overall profitability of the device is in the leading position in the industry.

As for clean production, Levima New Materials has paid high attention to environmental protection, and the relevant environmental facilities and devices run steadily, and the ratio of synchronous operation with production reaches 100%. All environmental indices are better than regulated standards.

During the reporting period, due to the national policies of reducing capacity and power reform, stabilisation of the market situation, improved profit margin in the industry and the profitability of coal business and chlor-alkali chemical business under Levima Group has significantly improved.

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

Unit: RMB million

	For the six months ended June 30, 2016	For the six months ended June 30, 2015
Revenue	2,568	481
Net profit/(loss)	54	(157)

Phylion Battery

During the reporting period, Phylion Battery completed a new round of RMB300 million equity financing and the proceeds will be used for research & development of power lithium battery for electric vehicles and the construction of new production lines.

In April 2016, Phylion Battery was successfully listed in the third batch of enterprise catalog conforming to *Specifications for Vehicle Battery Industry* issued by the Department of Equipment Industry of Ministry of Industry and Information Technology, and has become one of the enterprises which possesses the qualifications for manufacturing power batteries for new energy vehicles. Benefiting from that, Phylion Battery recorded a growth better than expected in pure electric logistics vehicle field. The sales of power battery packs in the first half of 2016 reached almost 3,000 sets which surpassed the whole of last year. To continue expanding its leadership in domestic electric logistics vehicles, Phylion Battery established special logistics vehicles marketing center to step up efforts to develop markets. In the first half of 2016, Phylion Battery entered into product supply agreements with several vehicles manufacturers, building a solid foundation for long-term development of logistics vehicle business.

During the reporting period, the overseas business of Phylion Battery grew rapidly. Phylion Battery has maintained superior and reliable product quality, and the long-term cooperative and mutual-trust relationships with major clients from Europe. Those helped Phylion Battery's overseas sales revenue achieve an increase by 51% as compared with the corresponding period of last year, and gross margin remained at a high level. The sales volume from domestic business steadily increased, and domestic sales revenue in the first half of 2016 increased by 15% as compared with the corresponding period of last year. In addition, Phylion Battery further seized the opportunity of domestic innovation and consumption upgrading, and established cooperation relationship with emerging internet vehicles manufacturing enterprises as Xiaomi and NIU, and had realized sales revenue.

Financial Investment

Overview

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

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

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

Unit: RMB million

	For the six months ended June 30, 2016	For the six months ended June 30, 2015
Revenue	16	9
Investment income and gains	415	2,773
Share of profit of associates and joint ventures accounted for using the equity method	156	201
Net profit	832	2,151
Net profit attributable to equity holders of Legend Holdings	689	2,129

During the reporting period, the investment income and gains of our financial investment segment decreased to RMB415 million from RMB2,773 million for the corresponding period of last year, the net profit decreased to RMB832 million from RMB2,151 million for the corresponding period of last year, which was mainly due to the great change on capital market circumstances as compared with the corresponding period of last year, which effected the overall value of fund portfolio and distribution of income.

Legend Star

Founded in 2008, Legend Star is a wholly-owned subsidiary of Legend Holdings and is one of China's leading angel investment institutions. As of the end of June 2016, Legend Star managed approximately RMB1.5 billion. Legend Holdings is the sole limited partner of the funds.

Legend Star is committed to becoming the leading angel investment institution in China. By systematically deploying in three major areas, namely TMT, healthcare and intelligent machines, recruiting investment teams of professional elites, fully leveraging its unique resources and brand advantages to provide portfolio companies with high value-added services, Legend Star assists start-up enterprises to grow rapidly.

Legend Star has accumulatively invested in over 150 projects. In the first half of 2016, there were 23 new investment projects and 19 projects have finished another round of financing.

Legend Capital

Legend Capital is one of the leading venture capital institutions in China. As of the end of June 2016, Legend Capital managed 7 USD funds, 3 RMB funds, 2 early-staged RMB funds, 1 USD fund specialized in healthcare sector, 1 RMB fund specialized in healthcare sector, 1 RMB fund specialized in culture and sports sector and 1 fund in red-chip return concept. In the first half of 2016, Legend Capital launched its 7th USD fund and 1 RMB fund specialized in healthcare sector, which further expanded the asset size under management. As of June 30, 2016, the size of new funds being raised amounted to RMB3.3 billion, including RMB1.8 billion from the 7th USD fund and RMB1.5 billion from RMB fund specialized in healthcare sector.

In the second half of 2016, Legend Capital plans to complete the fund raising of the 7th USD Fund and the 4th RMB Fund. Legend Capital's newly raised funds will still focus on Chinese enterprises and cross-border opportunities at the start-up stage and growing stage in TMT, innovative consumption, modern services, healthcare, and culture and sports sectors. In addition, in the second half of 2016, Legend Capital will continue to carry out the exit of projects under management to ensure better return for investors.

During the reporting period, Legend Capital accumulatively completed 27 new project investments, covering start-up stage and growing stage enterprises in TMT, modern services, healthcare, and culture and sports sectors.

During the reporting period, Legend Capital fully or partially exited 10 projects, contributing cash inflow of over RMB300 million for Legend Holdings. Among its portfolio companies, 2 enterprises were listed on the NEEQS, namely Meiyi Online and Tianji New Materials. As of June 30, 2016, 37 of Legend Capital's portfolio companies have been successfully listed and 7 are listed on the NEEQS. As of June 30, 2016, Legend Capital achieved an average internal rate of return for their exit projects ranging between 35% and 40%.

The following table sets forth the information of Legend Capital's funds in which Legend Holdings and its subsidiaries held direct interests in their capacity as a limited partner as of June 30, 2016:

Name of Fund	Fund Term		Total Commitment	Investment Sector	Interests held by Legend Holdings as a limited partner (%)
	Commencement Date (month/day/year)	End Date (month/day/year)			
USD Funds (in USD million)					
LC Fund I	N/A	N/A	35	IT and related sectors	Note(3)
LC Fund II	N/A	N/A	60	IT and related sectors	63.46%
LC Fund III, L.P.	4/27/2006	N/A	170	IT and related sectors (Investment in extension period refers to non-IT sector)	49.41%
LC Fund IV, L.P.	4/15/2008	4/14/2018	350	TMT, healthcare, consumer goods, modern services, clean technology and advanced manufacture	29.77%
LC Fund V, L.P.	5/31/2011	5/30/2021	515	TMT, healthcare, consumer goods, modern services, etc.	19.42%
LC Fund VI, L.P.	1/30/2014	4/17/2024	500	TMT, healthcare, modern services, etc.	23.20%
LC Healthcare Fund I, L.P.	9/29/2015	2/4/2025	250	Healthcare	20.00%
LC Fund VII, L.P.	2/5/2016	2/4/2024	268	TMT, innovative consumption, modern services, intelligent manufacture	37.31%
RMB Funds (in RMB million)					
Beijing Legend Capital Ruizhi Venture Investment Center (Limited Partnership) (北京君聯睿智創業投資中心(有限合夥))	9/18/2009	9/17/2017	1,000	TMT, healthcare, consumer goods, modern services, clean technology and advanced manufacture	31.00%
Tianjin Junruiqi Equity Investment L.P. (天津君睿祺股權投資合夥企業(有限合夥))	3/31/2011	3/30/2019	3,632	TMT, healthcare, consumer goods, modern services, clean technology and advanced manufacture	31.67%
Beijing Legend Capital Maolin Equity Investment L.P. (北京君聯茂林股權投資合夥企業(有限合夥))	9/9/2014	9/8/2022	3,204	Consumer goods, modern services, TMT, healthcare, etc.	31.21%
Shanghai Qiji Venture Investment L.P. (上海棋跡創業投資合夥企業(有限合夥))	5/30/2015	5/29/2023	500	TMT and innovative consumer service sector	16.00%
Beijing Legend Capital Mingde Equity Investment L.P. (北京君聯明德股權投資合夥企業(有限合夥))	7/31/2015	7/30/2021	1,272	Culture entertainment, sports	19.65%
Beijing Legend Capital Xinhai Equity Investment L.P. (北京君聯新海股權投資合夥企業(有限合夥))	8/11/2015	8/10/2020	1,698	Return of red-chip, cross-border investment and other high-growth projects	17.67%
Beijing Legend Capital Yikang Equity Investment L.P. (北京君聯益康股權投資合夥企業(有限合夥))	2/5/2016	2/4/2024	1,395	Healthcare	21.51%

Notes:

- (1) The end date is extendable in accordance with the relevant limited partnership agreement.
- (2) Total commitment represents the aggregate capital commitment by partners of limited partnerships or investors for the funds in the form of limited liability companies, as applicable, as of the final closing date.
- (3) LC Fund I comprises two limited liability companies, namely Legend Capital Limited, which focused on investments in China, and Legend New-Tech Investment Limited, which focused on overseas investments.
- (4) LC Fund II is a limited liability company. It is our subsidiary and its financial data is consolidated in our consolidated financial statements.
- (5) LC Fund VII, L.P. and Beijing Legend Capital Yikang Equity Investment L.P. (北京君聯益康股權投資合夥企業(有限合夥)) have not completed the final closing yet during the reporting period.

Hony Capital

As of the first half of 2016, Hony Capital managed 8 equity investment funds, as well as 2 mezzanine funds in total. In the first half of 2016, Hony Capital raised the 8th equity investment fund with a size of USD2.2 billion.

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

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

In the first half of 2016, Hony PE funds completed four new projects or additional investment on existing projects, covering start-up stage and growing stage in enterprises in healthcare, TMT and culture & media and so on. Hony mezzanine funds completed three investments.

During the reporting period, Hony PE funds fully or partially exited 5 projects, contributing cash inflow of over RMB500 million for Legend Holdings in total. Meanwhile, two of its portfolio companies were listed in domestic and overseas capital markets in the first half of 2016 namely Rongzhong Financial and Giant Interactive. As of June 30, 2016, 35 of Hony's portfolio companies have been successfully listed onshore or offshore (including PIPE investment) and another 3 are listed on NEEQS. As of June 30, 2016, Hony Capital has fully withdrawn from its investments in 33 companies. The mid-points of internal rate of return of such investments are more than 20%.

The following table sets forth the information of Hony Capital's funds in which Legend Holdings and its subsidiaries held direct interests in their capacity as a limited partner as of June 30, 2016:

Name of Fund	Fund Term		Total Commitment	Investment Sector	Interests held by Legend Holdings as a limited partner (%)
	Commencement Date (month/day/year)	End Date (month/day/year)			
USD Funds (in USD million)					
Hony International Limited	N/A	N/A	29	In view of China's economic environment and the direction of policies, Hony's equity investment funds strategically focus on the opportunities of SOE reforms, mergers and acquisitions of private enterprises and cross-border mergers and acquisitions sectors. In terms of industry selection, it focused on industries directly benefiting from China's macro trends, including consumer industry, health industry, service industry and high-end manufacturing industry, as well as opportunities for transformation brought by the mobile Internet.	40%
Hony Capital II, L.P.	7/26/2004	8/31/2014	87		41%
Hony Capital Fund III, L.P.	9/19/2006	11/10/2016	580		34%
Hony Capital Fund 2008, L.P.	5/27/2008	6/26/2018	1,398		14%
Hony Capital Fund V, L.P.	8/10/2011	12/15/2021	2,368		11%
Hony Capital Fund VIII (Cayman), L.P.	8/18/2015	10/30/2025	1,647		16%
RMB Funds (in RMB million)					
Hony Capital RMB I, L.P. (弘毅投資產業一期基金(天津)(有限合夥))	4/24/2008	4/23/2018	5,026	Hony Capital's mezzanine funds mainly focus on investment opportunities of mergers and acquisitions financing, ABS financing and special opportunity investing, etc.	30%
Hony Capital RMB Fund 2010, L.P. (北京弘毅貳零壹零股權投資中心(有限合夥))	10/13/2010	10/12/2018	9,965		20%
Hony Capital (Shanghai) Fund 2015, L.P. (弘毅貳零壹伍(上海)投資中心(有限合夥))	10/13/2015	10/12/2025	3,596		23%
Hony Capital Mezzanine RMB Fund I, L.P.(弘毅一期(深圳)夾層投資中心(有限合夥))	5/17/2013	9/2/2016	1,040		10%
Tibet Dazi Hony Phase II Mezzanine Fund Partnership (Limited Partnership) (西藏達孜弘毅二期夾層基金合夥企業(有限合夥))	3/19/2015	10/15/2018	2,050		10%

Notes:

- (1) The end date is extendable in accordance with the relevant limited partnership agreement.
- (2) Total commitment represents the aggregate capital commitment by partners of limited partnerships or investors for the funds in the form of limited liability companies, as applicable, as of the final closing date.
- (3) HONY CAPITAL FUND VIII (CAYMAN), L.P. and Hony Capital (Shanghai) Fund 2015, L.P. (弘毅貳零壹伍(上海)投資中心(有限合夥)) were collectively named "Hony RMB Fund VIII" in the above table.

Business Outlook

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

Financial Review

Net interest expense

Our net interest expenses after deducting capitalized amounts increased from RMB1,679 million for the six months ended June 30, 2015 to RMB1,720 million for the six months ended June 30, 2016. Increase in the net interest expenses was mainly due to the increase in the total borrowings.

Taxation

Our taxation decreased from RMB1,360 million for the six months ended June 30, 2015 to RMB922 million for the six months ended June 30, 2016. Decrease in the amount of taxation was mainly due to the decrease in the profit before taxation as compared with the corresponding period of last year.

Capital expenditures and capital commitments

Our capital expenditures mainly arise from purchases of property, plant and equipment, new construction under work and intangible assets, and payment for investment. Capital expenditures were mainly funded by internally generated resources and external borrowings.

As at June 30, 2016, we had RMB11,746 million of capital expenditures contracted but not yet generated. Such capital commitments were mainly used for purchases of property, plant and equipment, property development, and investment.

Liquidity and financial resources

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

Cash and cash equivalents

As of June 30, 2016, our cash and cash equivalents of RMB32,337 million included cash at bank and in hand and money market funds, among which, RMB, USD, HKD, EUR and other currencies accounted for 62%, 17%, 9%, 2% and 10%, respectively, while the amount as of December 31, 2015 was RMB34,803 million, among which, RMB, USD, HKD, EUR and other currencies accounted for 45%, 20%, 24%, 3% and 8%, respectively. Our policy is to place our cash in interest-bearing principal-protected demand or short-term deposits with reputable PRC and foreign banks.

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

Indebtedness

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

Unit: RMB million

	June 30, 2016	December 31, 2015
Bank loans		
– Unsecured loans	23,763	17,137
– Guaranteed loans	14,731	13,909
– Collateralized loans	6,070	5,714
Other loans		
– Unsecured loans	241	100
– Guaranteed loans	12,472	11,654
– Collateralized loans	3,746	3,182
Corporate bonds		
– Unsecured	25,458	24,853
– Guaranteed	2,970	708
	89,451	77,257
Less: non-current portion	(58,675)	(56,621)
Current portion	30,776	20,636

As of June 30, 2016, among our total borrowings, 73% was dominated in RMB (December 31, 2015: 73%), 26% was dominated in USD (December 31, 2015: 26%) and 1% was dominated in other currencies (December 31, 2015: 1%). If categorized by whether the interest rates were fixed or not, the fixed interest rates borrowings and the floating interest rates borrowings accounted for 64% (December 31, 2015: 91%) and 36% (December 31, 2015: 9%) of our total borrowings, respectively. Increase in our indebtedness was mainly due to the 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:

	June 30, 2016	Unit: RMB million December 31, 2015
Within 1 year	30,776	20,636
After 1 year but within 2 years	12,139	15,224
After 2 years but within 5 years	40,676	37,935
After 5 years	5,860	3,462
	89,451	77,257

As at June 30, 2016, the outstanding of our issued corporate bonds are as below:

Issuer	Type of bonds	Currency	Issuance date	Term	Principal amount	As of June 30, 2016
The Company	Corporate bonds	RMB	October 31, 2011	7 years	RMB2,900 million	RMB2,890 million
The Company	Corporate bonds	RMB	November 30, 2012	10 years	RMB2,300 million	RMB2,287 million
The Company	Private placement bonds	RMB	March 21, 2014	5 years	RMB2,000 million	RMB1,982 million
The Company	Private placement bonds	RMB	March 27, 2014	5 years	RMB740 million	RMB736 million
Lenovo	Long term notes	USD	May 8, 2014	5 years	USD1,500 million	RMB9,903 million
Lenovo	Long term notes	RMB	June 10, 2015	5 years	RMB4,000 million	RMB3,972 million
The Company	Private placement bonds	RMB	August 20, 2015	1 year	RMB300 million	RMB300 million
The Company	Private placement bonds	RMB	October 29, 2015	3 years	RMB1,000 million	RMB994 million
Zhengqi Financial	Corporate bonds	RMB	September 15, 2015	3 years	RMB500 million	RMB483 million
Zhengqi Financial	Corporate bonds	RMB	March 3, 2016	3 years	RMB400 million	RMB396 million
The Company	Corporate bonds	RMB	March 17, 2016	1 year	RMB2,000 million	RMB1,997 million
Raycom Real Estate	Corporate bonds	RMB	May 31, 2016	5 years	RMB1,450 million	RMB1,443 million
Raycom Real Estate	Corporate bonds	RMB	May 31, 2016	7 years	RMB1,050 million	RMB1,045 million

The annual interest rates of our bonds listed above as of June 30, 2016 ranged between 3.10% and 7.00%.

As of June 30, 2016, the Company had undrawn banking facilities of RMB80.3 billion.

Current ratio and debt to equity ratio

	June 30, 2016	December 31, 2015
Current ratio (Times)	1.1	1.1
Debt to equity ratio (%)	84.0%	65.2%

Current ratio

Current ratio is the ratio of our current assets divided by our current liabilities at the end of each financial period. Our current ratio at the end of the reporting period remained stable compared with December 31, 2015.

Debt to equity ratio

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

Pledged assets

As of June 30, 2016, we pledged assets of RMB24.5 billion (December 31, 2015: RMB21 billion) for obtaining borrowings.

Contingent liabilities

Our contingent liabilities primarily comprise (i) shareholder's guarantees provided by us 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 provided by us 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 of the financial services business to SMEs for their borrowings from certain banks.

We evaluated the financial position of financial guarantees provided under our financial services business regularly and made provision accordingly. As of June 30, 2016 and December 31, 2015, the provision was recorded as RMB124 million and RMB135 million respectively.

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

	June 30, 2016	December 31, 2015
Guarantee in respect of mortgage facilities for certain purchasers	7,872	4,099
Financial guarantee of guarantee business	3,795	4,530
Other guarantee		
– Related parties	2,042	2,240
– Unrelated parties	500	1,500

Unit: RMB million

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 RMB, USD and EUR. Foreign currency risks arise from the future commercial 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 enters 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 HKD14.75 billion (equivalent to approximately RMB11.64 billion, including the proceeds received pursuant to the partial exercise of the Over-allotment Option), which is intended to be used as disclosed in the Prospectus of the Company.

As of June 30, 2016, the Company has used RMB2 billion for repayment of part of the corporate bonds due in 2015, and the remaining amount had been deposited into licensed banks in Hong Kong.

Dividend

The Board did not recommend the payment of an interim dividend for the six months ended June 30, 2016 (six months ended June 30, 2015: Nil).

Subsequent events

On July 1, 2016, the public issue of the Company's corporate bonds with an aggregate par value of no more than RMB10 billion to qualified investors was approved. The public issue of the corporate bonds for the year 2016 (Tranche 1) of Legend Holdings Corporation to qualified investors in the PRC was completed on July 8, 2016. Its actual issue size is RMB3.5 billion, of which the Five-year Bonds have an actual issue size of RMB1.5 billion at a final coupon rate of 3.30% and the Ten-year Bonds have an actual issue size of RMB2 billion at a final coupon rate of 4.60%.

On March 25, 2016, the non-public issue of the corporate bonds of Raycom Real Estate, a subsidiary of the Company, with an aggregate par value of no more than RMB5 billion to qualified investors in the PRC was approved and the same were approved to be listed for trading and transfer on the Shanghai Stock Exchange. The Raycom Real Estate Non-public Corporate Bonds (Tranche 1) are 5-year bonds to qualified institutional investors with an option for Raycom Real Estate to adjust the coupon rate and a right for the investors to sell back to Raycom Real Estate at the end of the second and the fourth years. The issue of the Raycom Real Estate Non-public Corporate Bonds (Tranche 1) was completed on August 2, 2016, with actual issue size of RMB3 billion at a coupon rate of 5.06%.

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

As of June 30, 2016, the Company and its subsidiaries had more than 62,200 employees.

The overall remuneration of the Company's senior management ("senior management") including the Company's President, Executive Vice President, Senior Vice President, Chief Financial Officer and the secretary to the Board comprises annual remuneration, mid-term to long-term incentives and benefits. Annual remuneration as well as mid-term to long-term incentives of senior management of the Company are determined by the Board based on the overall performance of the Company and duties undertaken by senior management and their performance. The Company will then determine performance results according to the Company's performance and the performance appraisal of senior management. 1) Annual remuneration comprises annual basic salaries (determined based on duties undertaken by senior management) and target bonus (calculated based on certain proportion of basic salaries of senior management with reference to overall performance of the Company and performance appraisal of senior management); and 2) benefits include basic social benefits and supplemental benefits of the Company.

Annual remuneration of the employees of the Company comprises basic salaries and target bonus. 1) Basic salaries represent post salaries, and are paid based on duties undertaken by the employees and their performance and capabilities; and 2) target bonus is determined based on certain proportion of the employees' basic salaries and calculated based on annual operating results of the Company and annual performance appraisal of employees. In addition, the Company also provides its staffs with basic social benefits and supplemental benefits.

The Company is carrying out research on the design of post-listing mid-term to long-term incentive scheme of the Company in order to attract and encourage talents to create values for improvement of sustainable development of the Company, thereby fostering the achievement of the Company's strategic objectives. The board of directors of the Company has reviewed and approved the mid-term to long-term incentive scheme, including the restricted share incentive scheme that has been approved at a meeting of the shareholders and the management of Legend Holdings has been authorised to undertake its implementation. Details of the restricted share incentive scheme are set out in the Company's circular to shareholders dated April 15, 2016.

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

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

The Company adheres to the talent development philosophy of 70-20-10, values the employees' development of ability and long-term performance contribution, establishes a talent development system in line with the characteristics of the business and knowledge employees, and emphasizes on the guidance and supports from the organization and self-motivation of employees for the development through working practices.

In 2016, the Company continued to strengthen the talent pool and select potential talents and provide more challenging tasks and trainings to talents throughout their work; it stuck to a guidance system and continued to improve the abilities and standards of individuals. The Company actively promoted various special studies closely related to practical work and knowledge sharing activities to provide employees with various kinds of training and learning opportunities.

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

The Company continues to promote culture of Legend and management experience such as corporate core value, working methodology represented by "review" and management experience with "three management factors" as the core etc. While focusing to our subsidiaries and associates by taking Legend Management Institute as a platform, to enhance the capability of the senior management. The Company also plans and organizes learning activities for CEOs and the senior management of the Group, and develops sharing platform and learning opportunities for business synergies between our subsidiaries and associates.

Compliance with the Code of Governance

For the six months ended June 30, 2016, the Company has applied and complied with the code provisions of the Corporate Governance Code and the Corporate Governance Report contained in Appendix 14 to the Listing Rules. The Company reviews the compliance of the Corporate Governance Code and the Corporate Governance Report on a regular basis in order to ensure that the Company has complied with the code provisions. Efforts have been made to continuously enhance corporate governance with reference to the best recommended practices.

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

The Board has adopted its own Model Code for Securities Transactions by Directors, Supervisors and Senior Management of the Company (hereinafter referred to as the “Model Code”), the terms of which are not less favorable than the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules. The Company has made specific inquiry and has received written confirmations from all the directors and supervisors that they had complied with the Model Code set out in Appendix 10 to the Listing Rules during the reporting period.

Review of interim results

The Chairperson of the Audit Committee is Ms. HAO Quan, an independent non-executive director, and the other two members are Mr. WANG Jin, a non-executive director, and Mr. ZHANG Xuebing, an independent non-executive director. The Chairperson of the Audit Committee has professional qualifications in accounting and has complied with the requirements of Rule 3.21 under the Listing Rules.

The unaudited interim financial information for the six months ended June 30, 2016 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, Redemption or Disposal of the Listed Securities of the Company

During the reporting period, neither the Company nor any of its subsidiaries has purchased, redeemed or disposed of any of the Company’s listed securities.

Directors' and Supervisors' Interests and Short Positions in Securities

As of June 30, 2016, the interests or short positions of the directors, supervisors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as notified to the 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 the Company and the Hong Kong Stock Exchange pursuant to the Model Code, were as follows:

(i) Interests in the shares of the Company

Name of director	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⁾
LIU Chuanzhi	Domestic Shares	Beneficial owner	68,000,000	3.46%	2.88%
ZHU Linan	Domestic Shares	Beneficial owner	48,000,000	2.44%	2.03%
LU Zhiqiang*	Domestic Shares	Interest in controlled corporation	400,000,000	20.36%	16.97%

Note:

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

(ii) Interests in our associated corporations

Name of director/supervisor	Name of associated corporation	Nature of interest	Number of shares and underlying shares held	Approximate percentage of shareholding in the total issued shares
LIU Chuanzhi	Lenovo	Beneficial owner	4,184,960 ^(a)	0.03%
ZHU Linan	Lenovo	Beneficial owner	3,887,198 ^(b)	0.03%
ZHAO John Huan	Lenovo	Beneficial owner	1,850,785 ^(c)	0.02%
LI Qin	Lenovo	Beneficial owner	1,724,000	0.01%

Notes:

- Mr. LIU Chuanzhi owns 1,397,984 ordinary shares directly and he is deemed to be interested in 690,000 ordinary shares held by his spouse through a trust. He also holds 2,096,976 units of share awards which are convertible into ordinary shares.
- Mr. ZHU Linan owns 2,691,879 ordinary shares and 1,195,319 units of share awards which are convertible into ordinary shares.
- Mr. ZHAO John Huan owns 247,314 ordinary shares and 1,603,471 units of share awards which are convertible into ordinary shares.

Interests of the Substantial Shareholders

As of June 30, 2016, so far as our directors are aware, the following persons or corporations 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 the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, and an interest and/or a short position as recorded by the Company in the register required to be kept under section 336 of the SFO:

Name of shareholder	Class of shares	Nature of interest	Number of shares held	Approximate percentage of shareholding in the relevant class of shares ⁽¹⁾	Approximate percentage of shareholding in the total issued shares ⁽²⁾
Chinese Academy of Sciences Holdings Co., Ltd.	Domestic Shares	Beneficial owner	684,376,910	34.83%	29.04%
Beijing Lian Chi Zhi Yuan Management Consulting Center Limited Partnership	Domestic Shares	Beneficial owner	480,000,000	24.43%	20.37%
Beijing Lian Chi Zhi Tong Management Consulting Limited ⁽³⁾	Domestic Shares	Interest in controlled corporation	480,000,000	24.43%	20.37%
LU Zhiqiang ⁽⁴⁾	Domestic Shares	Interest in controlled corporation	400,000,000	20.36%	16.97%
China Oceanwide Holdings Group Co., Ltd.	Domestic Shares	Beneficial owner	400,000,000	20.36%	16.97%
Oceanwide Group Co., Ltd. ⁽⁴⁾	Domestic Shares	Interest in controlled corporation	400,000,000	20.36%	16.97%
Tohigh Holdings Co., Ltd. ⁽⁴⁾	Domestic Shares	Interest in controlled corporation	400,000,000	20.36%	16.97%
Beijing Lian Heng Yong Xin Investment Center Limited Partnership	Domestic Shares	Beneficial owner	178,000,000	9.06%	7.55%
Beijing Lian Heng Yong Kang Management Consulting Limited ⁽⁵⁾	Domestic Shares	Interest in controlled corporation	178,000,000	9.06%	7.55%
National Council for Social Security Fund (全國社會保障基金理事會)	H Shares – long position	Beneficial owner	35,623,090	9.09%	1.51%

Notes:

- (1) The calculation is based on the percentage of shareholding in Domestic Shares or H Shares of the Company as at June 30, 2016.
- (2) The calculation is based on the total number of 2,356,230,900 shares in issue as at June 30, 2016.
- (3) Beijing Lian Chi Zhi Tong Management Consulting Limited is the sole general partner of Beijing Lian Chi Zhi Yuan Management Consulting Center Limited Partnership and has de facto control on it. Accordingly, Beijing Lian Chi Zhi Tong Management Consulting Limited is deemed to have interest in the 480,000,000 Domestic Shares.
- (4) Oceanwide Group Co., Ltd. and Tohigh Holdings Co., Ltd. are corporations controlled by Mr. LU Zhiqiang. Tohigh Holdings Co., Ltd. holds the entire equity interest in Oceanwide Group Co., Ltd. which in turn holds 97.43% equity interest in China Oceanwide Holdings Group Co., Ltd. Accordingly, Mr. LU Zhiqiang is deemed to have interest in the 400,000,000 Domestic Shares held by China Oceanwide Holdings Group Co., Ltd.
- (5) Beijing Lian Heng Yong Kang Management Consulting Limited is the sole general partner of Beijing Lian Heng Yong Xin Investment Center Limited Partnership and has de facto control on it. Accordingly, Beijing Lian Heng Yong Kang Management Consulting Limited is deemed to have interest in the 178,000,000 Domestic Shares.

As of June 30, 2016, save as disclosed above, there was no other person or corporation 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.



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 53 to 92, which comprises the condensed consolidated interim balance sheet of Legend Holdings Corporation (the “Company”) and its subsidiaries (together, the “Group”) as at June 30, 2016 and the related condensed consolidated interim statements of income, 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 30, 2016

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Condensed Consolidated Interim Income Statement

Legend Holdings Corporation
2016 Interim Report

For the six months ended June 30, 2016

	Note	Unaudited	
		Six months ended June 30,	
		2016	2015
		RMB'000	RMB'000
Sales of goods and services		134,728,650	141,844,250
Interest income		364,574	412,218
Interest expense		(109,310)	(155,896)
Net interest income		255,264	256,322
Total revenue	6	134,983,914	142,100,572
Cost of sales	8	(112,451,701)	(118,474,507)
Gross profit		22,532,213	23,626,065
Selling and distribution expenses	8	(7,929,998)	(7,944,033)
General and administrative expenses	8	(11,823,377)	(12,756,216)
Investment income and gains	7	1,441,375	3,368,648
Other income and gains		1,895,469	1,369,063
Finance income	9	295,934	256,867
Finance costs	9	(1,719,826)	(1,678,657)
Share of profit of associates and joint ventures accounted for using the equity method		471,505	234,456
Profit before income tax		5,163,295	6,476,193
Income tax expense	10	(922,252)	(1,360,286)
Profit for the period		4,241,043	5,115,907
Profit attributable to:			
– Equity holders of the Company		2,583,777	4,014,787
– Non-controlling interests		1,657,266	1,101,120
		4,241,043	5,115,907
Earnings per share for the profit attributable to the equity holders of the Company (expressed in RMB per share)			
Basic earnings per share	11	1.10	2.00
Diluted earnings per share	11	1.10	2.00
Dividends	23	518,346	366,025

The notes on pages 61 to 92 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, 2016

	Unaudited	
	Six months ended June 30,	
	2016	2015
	RMB'000	RMB'000
Profit for the period	4,241,043	5,115,907
Other comprehensive income/(loss):		
Items that will not be reclassified to profit or loss		
Remeasurements of post-employment benefit obligation, net of taxes	(290,097)	(290,766)
Items that may be reclassified subsequently to profit or loss		
Currency translation differences	1,800,446	(1,135,525)
Share of other comprehensive (loss)/income of associates using equity accounting	(81,382)	93,404
Change in fair value of available-for-sale financial assets, net of taxes	(768,523)	1,991,120
Fair value change on cash flow hedges, net of taxes	(252,590)	(665,808)
Other comprehensive income/(loss) for the period, net of taxes	407,854	(7,575)
Total comprehensive income for the period	4,648,897	5,108,332
Attributable to:		
– Equity holders of the Company	2,515,721	5,101,809
– Non-controlling interests	2,133,176	6,523
	4,648,897	5,108,332

The notes on pages 61 to 92 form an integral part of this unaudited condensed consolidated interim financial information.

Condensed Consolidated Interim Balance Sheet

Legend Holdings Corporation
2016 Interim Report

As at June 30, 2016

	Note	Unaudited As at June 30, 2016 RMB'000	Audited As at December 31, 2015 RMB'000
ASSETS			
Non-current assets			
Leasehold land and land use rights		3,280,933	2,234,255
Property, plant and equipment	12	19,793,934	20,732,944
Investment properties	13	10,368,494	10,219,472
Intangible assets	12	59,452,059	56,940,565
Associates and joint ventures using equity accounting		10,635,328	10,148,910
Associates measured at fair value through profit or loss		13,441,507	13,132,653
Available-for-sale financial assets		9,918,482	6,987,355
Financial assets at fair value through profit or loss		1,146,751	713,461
Deferred income tax assets	21	7,615,254	6,762,026
Other non-current assets		5,604,571	3,362,867
		141,257,313	131,234,508
Current assets			
Inventories		18,360,252	18,362,352
Properties under development		28,029,088	27,296,999
Completed properties held for sale		5,312,731	6,214,796
Trade and notes receivables	14	34,422,655	38,288,360
Prepayments, other receivables and other current assets	15	32,696,113	35,682,502
Available-for-sale financial assets		45,677	78,900
Loans to customers		4,966,449	4,569,434
Derivative financial instruments		519,972	412,443
Financial assets at fair value through profit or loss		2,667,097	2,228,771
Restricted deposits		1,611,638	1,410,625
Bank deposits		9,507,322	5,660,249
Cash and cash equivalents		32,336,990	34,802,953
		170,475,984	175,008,384
Total assets		311,733,297	306,242,892
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital	16	2,356,231	2,356,231
Reserves		47,952,501	46,540,284
Total equity attributable to equity holders of the Company		50,308,732	48,896,515
Non-controlling interests		18,994,976	17,513,967
Put option written on non-controlling interests	19(iii)	(1,343,399)	(1,343,399)
Total equity		67,960,309	65,067,083

Condensed Consolidated Interim Balance Sheet

As at June 30, 2016

	Note	Unaudited As at June 30, 2016 RMB'000	Audited As at December 31, 2015 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	20	58,674,971	56,621,152
Deferred revenue		3,500,087	3,694,151
Retirement benefit obligations		2,989,816	2,495,478
Provisions	22	1,966,853	2,101,822
Deferred income tax liabilities	21	4,685,058	4,948,916
Other non-current liabilities	19	16,561,179	15,511,161
		88,377,964	85,372,680
Current liabilities			
Trade and notes payables	17	37,502,660	45,728,181
Other payables and accruals	18	59,709,992	63,716,314
Derivative financial instruments		742,210	213,516
Provisions	22	6,997,951	8,721,533
Advance from customers		12,459,138	9,411,895
Deferred revenue		4,348,728	3,811,126
Current income tax liabilities		2,858,336	3,564,941
Borrowings	20	30,776,009	20,635,623
		155,395,024	155,803,129
Total liabilities		243,772,988	241,175,809
Total equity and liabilities		311,733,297	306,242,892
Net current assets		15,080,960	19,205,255
Total assets less current liabilities		156,338,273	150,439,763

The notes on pages 61 to 92 form an integral part of this unaudited condensed consolidated interim financial information.

Condensed Consolidated Interim Statement of Changes in Equity

Legend Holdings Corporation
2016 Interim Report

For the six months ended June 30, 2016

	Unaudited											
	Attributable to the equity holders of the Company											
	Share capital	Share premium	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	RMB'000
As at January 1, 2016	2,356,231	11,281,940	191,599	2,755,586	1,372,899	74,202	(2,606,523)	4,888,927	28,581,654	17,513,967	(1,343,399)	65,067,083
Profit for the period	-	-	-	-	-	-	-	-	2,583,777	1,657,266	-	4,241,043
Other comprehensive (loss)/income												
Fair value changes on available-for-sale financial assets	-	-	-	(60,316)	-	-	-	-	-	(67,846)	-	(128,162)
Reclassified to income statement on disposal of available-for-sale financial assets	-	-	-	(471,890)	-	-	-	-	-	(168,471)	-	(640,361)
Share of other comprehensive loss of associates using equity accounting	-	-	-	(81,382)	-	-	-	-	-	-	-	(81,382)
Fair value change on forward foreign exchange contracts	-	-	-	-	-	(226,855)	-	-	-	(507,932)	-	(734,787)
Reclassified to income statement on forward foreign exchange contracts	-	-	-	-	-	151,574	-	-	-	330,623	-	482,197
Currency translation differences	-	-	-	-	-	-	710,465	-	-	1,089,981	-	1,800,446
Remeasurements of post-employment benefit obligations	-	-	-	-	-	-	-	(89,652)	-	(200,445)	-	(290,097)
Total comprehensive (loss)/income for the period	-	-	-	(613,588)	-	(75,281)	710,465	(89,652)	2,583,777	2,133,176	-	4,648,897
Acquisition of subsidiaries	-	-	-	-	-	-	-	6,974	-	4,189	-	11,163
Disposal of subsidiaries	-	-	-	-	-	-	-	-	-	(311,392)	-	(311,392)
Transaction with non-controlling interests	-	-	-	-	-	-	-	(738,837)	-	(229,858)	-	(968,695)
Contribution from non-controlling interests	-	-	-	-	-	-	-	-	-	60,181	-	60,181
Transfer to reserve	-	-	-	-	-	-	-	10,960	-	2,161	-	13,121
Share-based compensation	-	-	-	-	135,745	-	-	-	-	300,049	-	435,794
Dividend declared	-	-	-	-	-	-	-	-	(518,346)	(477,497)	-	(995,843)
As at June 30, 2016	2,356,231	11,281,940	191,599	2,141,998	1,508,644	(1,079)	(1,896,058)	4,078,372	30,647,085	18,994,976	(1,343,399)	67,960,309

Condensed Consolidated Interim Statement of Changes in Equity

For the six months ended June 30, 2016

Unaudited												
Attributable to the equity holders of the Company												
	Share capital	Share premium	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	RMB'000
As at January 1, 2015	2,000,000	-	-	999,333	1,118,792	213,061	(2,405,880)	5,554,018	24,503,367	22,215,587	(1,343,399)	52,854,879
Profit for the 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 using equity accounting	-	-	-	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	1,224,137	9,638	(2,761,389)	5,234,893	28,152,129	22,015,354	(1,343,399)	68,791,870

The notes on pages 61 to 92 form an integral part of this unaudited condensed consolidated interim financial information.

Condensed Consolidated Interim Statement of Cash Flows

Legend Holdings Corporation
2016 Interim Report

For the six months ended June 30, 2016

	Unaudited	
	Six months ended June 30,	
	2016	2015
	RMB'000	RMB'000
Cash flows from operating activities		
Cash generated from/(used in) operations	1,266,947	(6,691,235)
Income tax paid	(2,676,598)	(2,556,691)
Net cash used in operating activities	(1,409,651)	(9,247,926)
Cash flows from investing activities		
Purchases of property, plant and equipment, and intangible assets	(3,642,773)	(3,622,536)
Proceeds from sale of property, plant and equipment, and intangible assets	1,114,595	150,816
Purchase of financial assets at fair value through profit or loss	(708,015)	(252,144)
Proceeds from the disposal of financial assets at fair value through profit or loss	206,606	14,225
Dividends from financial assets at fair value through profit or loss	149,909	93,281
Capital injection in associates measured at fair value through profit or loss	(1,069,982)	(608,251)
Distributions from associates measured at fair value through profit or loss	793,093	3,152,975
Acquisition of and capital injection in associates and joint ventures using equity accounting	(69,801)	(238,209)
Proceeds from partial disposal of associates using equity accounting	14,163	-
Distributions from associates using equity accounting	21,014	34,648
Purchase of available-for-sale financial assets	(3,162,003)	(1,155,806)
Proceeds from disposal of available-for-sale financial assets	1,095,981	238,382
Dividends from available-for-sale financial assets	209,877	29,992
Acquisition of subsidiaries, net of cash acquired	(998,112)	(213,564)
Disposal of subsidiaries, net of cash disposed	351,056	166,504
Interest received	218,657	392,818
(Increase)/decrease in bank deposits	(3,833,375)	946,529
Net cash used in investing activities	(9,309,110)	(870,340)

Condensed Consolidated Interim Statement of Cash Flows

For the six months ended June 30, 2016

	Unaudited	
	Six months ended June 30,	
	2016	2015
	RMB'000	RMB'000
Cash flows from financing activities		
Proceeds from borrowings	39,150,090	17,433,171
Repayments of borrowings	(32,495,443)	(13,402,016)
Issuance of new shares	-	11,968,762
Payment of expense on issuance of new shares	(240,883)	(37,443)
Capital contributions from non-controlling interests	7,000	10,882
Distribution to non-controlling interests	(476,373)	(6,632)
Transactions with non-controlling interests	(1,051,192)	(580,260)
Cash proceeds from issuance of bonds, net of issuance costs	4,883,500	3,928,291
Dividends paid to equity holders of the Company	-	(366,025)
Interest paid	(1,692,319)	(2,288,260)
Net cash generated from financing activities	8,084,380	16,660,470
Net (decrease)/increase in cash and cash equivalents	(2,634,381)	6,542,204
Cash and cash equivalents at beginning of the period	34,802,953	35,772,890
Exchange gains/(losses) on cash and cash equivalents	168,418	(103,879)
Cash and cash equivalents at the end of the period	32,336,990	42,211,215

The notes on pages 61 to 92 form an integral part of this unaudited condensed consolidated interim financial information.

1. General information

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 Room 1701, 17/F, Block 1, Court No. 2, Ke Xue Yuan Nanlu, Hai Dian District, Beijing 100190, PRC.

The Company operates businesses through two principal business platforms, strategic investments and financial investments. The strategic investments consist of operations in (a) IT industry, which is primarily engaged in the development, manufacturing and marketing high-quality and easy-to-use technology products and services for customers and enterprises; (b) financial services industry, which offers services including short-term financing, credit guarantees, entrusted loans, 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, car rental business, enterprise-level digital marketing solutions and internet healthcare services; (d) agriculture and food industry, which is mainly engaged in planting and sales of premium fruit and tea products in agriculture business, and producing and selling various brands of Chinese liquor, supplying seafood and accessory products, agriculture-oriented e-commerce platform and liquor direct sales chain; (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, 2016 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 annual financial statements of the Group for the year ended December 31, 2015 which has been prepared in accordance with International Financial Reporting Standards ("IFRS") by the Company.

3. Accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements of the Group for the year ended December 31, 2015.

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

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

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, 2016 and have not been early adopted.

IFRS 15	Revenue from Contracts with Customers ⁽¹⁾
IFRS 9	Financial Instruments ⁽¹⁾
IFRS 16	Lease ⁽²⁾

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

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

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

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 annual financial statements of the Group for the year ended December 31, 2015.

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 annual financial statements for the year ended December 31, 2015.

There have been no changes in the Group's risk management department or in any risk management policies since December 31, 2015.

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).

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, 2016 and December 31, 2015.

	As at June 30, 2016			Total RMB'000
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	
Assets				
Associates measured at fair value through profit or loss	-	-	13,441,507	13,441,507
Financial assets at fair value through profit or loss				
- Listed securities	198,697	-	-	198,697
- Listed corporate bond	221,528	-	-	221,528
- Unlisted securities	-	-	3,393,623	3,393,623
Derivative financial assets (i)	-	519,972	-	519,972
Available-for-sale financial assets				
- Listed securities	2,032,270	4,403,308	-	6,435,578
- Unlisted securities	-	-	3,480,904	3,480,904
- Bank's wealth management product	-	-	47,677	47,677
	2,452,495	4,923,280	20,363,711	27,739,486
Liabilities				
Derivative financial liabilities (i)	-	742,210	-	742,210
Written put option liability	-	-	1,472,445	1,472,445
	-	742,210	1,472,445	2,214,655

5. Financial risk management (Continued)**5.2 Fair value estimation (Continued)**

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

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

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

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

5. Financial risk management (Continued)

5.2 Fair value estimation (Continued)

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

Specific valuation techniques used to value financial instruments include:

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

As at June 30, 2016 and December 31, 2015, 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.

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.

5. Financial risk management (Continued)**5.2 Fair value estimation (Continued)**

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

The following table presents the changes in level 3 financial assets for the six months ended June 30, 2016 and June 30, 2015.

	Associates measured at fair value through profit or loss RMB'000	Financial assets measured at fair value through profit or loss RMB'000	Available- for-sale financial assets RMB'000	Total RMB'000
At January 1, 2016	13,132,653	2,500,976	1,479,834	17,113,463
Additions/capital contributions	1,069,982	734,291	2,203,350	4,007,623
Disposals/return of capital	(142,018)	(23,034)	(217,555)	(382,607)
Exchange adjustment	145,279	13,060	41,540	199,879
Transfers out from level 3	–	–	(27,704)	(27,704)
(Losses)/gains recognised in income statement	(764,389)	168,330	–	(596,059)
Gains recognised in other comprehensive income	–	–	49,116	49,116
At June 30, 2016	13,441,507	3,393,623	3,528,581	20,363,711
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 out from level 3	–	–	(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

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, 2016 and June 30, 2015.

	Amounts RMB'000
At January 1, 2016	3,379,698
De-recognition	(1,954,755)
Exchange adjustment	24,425
Recognized in condensed consolidated interim income statement	23,077
At June 30, 2016	1,472,445
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

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 Company, therefore, separately manages the production and operation of each segment and evaluates their operating results respectively, in order to make decisions about resources to be allocated to these segments and to assess their performance.

6. Segment information (Continued)

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 enterprise-level digital marketing solutions and internet healthcare services;
- Agriculture and food segment, which are mainly engaged in planting and sales of premium fruit and tea products in agriculture business, and producing and selling various brands of Chinese liquor, supplying seafood and accessory products, agriculture-oriented e-commerce platform and liquor direct sales chain;
- 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;
- Chemicals and energy materials segment, which are mainly engaged in the fine chemicals and fine new materials production services and lithium-ion battery business;
- Financial investments segment, which is primarily 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.

6. Segment information (Continued)

Revenue and Profit

Six months ended June 30, 2016

	Unaudited									
	Strategic investments									
	IT	Financial services	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	RMB'000
Segment revenue										
Sales to external customers	125,234,030	281,705	940,651	1,224,838	4,462,698	2,568,537	16,191	-	-	134,728,650
Net interest income	-	255,264	-	-	-	-	-	-	-	255,264
Inter-segment sales	-	17,581	-	-	24,144	-	-	-	(41,725)	-
Total	125,234,030	554,550	940,651	1,224,838	4,486,842	2,568,537	16,191	-	(41,725)	134,983,914
Segment results										
Profit/(loss) before income tax	2,602,884	1,310,412	(275,989)	40,189	1,061,928	128,813	791,031	(425,157)	(70,816)	5,163,295
Income tax (expense)/credit	(359,907)	(187,968)	(3,233)	(15,167)	(503,633)	-	41,367	106,289	-	(922,252)
Profit/(loss) for the period	2,242,977	1,122,444	(279,222)	25,022	558,295	128,813	832,398	(318,868)	(70,816)	4,241,043
Other segment information:										
Depreciation and amortisation	(2,455,322)	(3,700)	(80,697)	(27,251)	(8,479)	(172,354)	(3,127)	(2,439)	-	(2,753,369)
Investment income and gains	-	993,397	(13,671)	6,662	(3,421)	47,457	414,982	-	(4,031)	1,441,375
Finance income	92,172	4,073	1,313	1,102	38,645	6,556	-	329,813	(177,740)	295,934
Finance costs	(740,838)	(36,184)	(104,356)	(28,621)	(174,461)	(132,492)	-	(698,195)	195,321	(1,719,826)
Share of profit/(loss) of associates and joint ventures accounted for using the equity method	33,833	81,128	212,597	26,854	(1,205)	28,642	156,441	-	(66,785)	471,505
Material non-cash items other than depreciation and amortisation	(550,534)	-	-	-	-	-	-	-	-	(550,534)
Capital expenditure	3,235,892	12,987	346,480	42,619	7,027	23,029	3,390	33,746	-	3,705,170

6. Segment information (Continued)**Revenue and Profit (Continued)****Six months ended June 30, 2015**

	Unaudited									
	Strategic investments									Total
	IT	Financial services	Modern services	Agriculture and food	Property	Chemicals and energy materials	Financial investment	Unallocated	Elimination	
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

6. Segment information (Continued)

Assets and liabilities

As at June 30, 2016

	Unaudited									
	Strategic investments									
	IT	Financial services	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	RMB'000
Segment assets	160,299,134	23,978,725	8,357,464	6,437,401	56,487,153	9,907,901	40,344,230	17,430,054	(11,508,765)	311,733,297
Segment liabilities	143,809,972	13,066,802	5,739,197	4,356,292	41,699,677	9,176,933	1,275,439	35,811,579	(11,162,903)	243,772,988
Investments in associates and joint ventures using equity accounting	333,390	4,890,917	2,782,671	1,327,857	223,871	350,041	1,005,442	-	(278,861)	10,635,328
Investments in associates measured at fair value through profit or loss	-	-	-	-	-	-	13,441,507	-	-	13,441,507

As at December 31, 2015

	Audited									
	Strategic investments									
	IT	Financial services	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	RMB'000
Segment assets	168,136,915	16,615,141	7,656,512	4,320,678	51,695,952	9,710,935	41,828,119	19,126,206	(12,847,566)	306,242,892
Segment liabilities	153,900,327	6,797,593	4,620,131	4,276,823	36,964,859	11,021,960	1,437,357	34,730,699	(12,573,940)	241,175,809
Investments in associates and joint ventures using equity accounting	287,842	4,831,931	2,564,949	1,300,564	180,671	275,348	914,231	-	(206,626)	10,148,910
Investments in associates measured at fair value through profit or loss	-	-	-	-	-	-	13,132,653	-	-	13,132,653

6. Segment information (Continued)**(a) Revenue from external customers/Net interest income**

	Unaudited	
	Six months ended June 30,	
	2016	2015
	RMB'000	RMB'000
China	43,718,550	45,159,195
Overseas countries and regions	91,265,364	96,941,377
Total	134,983,914	142,100,572

(b) Non-current assets

	Unaudited	Audited
	As at	As at
	June 30,	December 31,
	2016	2015
	RMB'000	RMB'000
China	47,431,734	50,328,499
Overseas countries and regions	46,941,253	40,881,179
Total	94,372,987	91,209,678

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

7. Investment income and gains

	Unaudited	
	Six months ended June 30,	
	2016	2015
	RMB'000	RMB'000
Gains on disposal/dilution of associates	470,755	432,053
Gains on disposal of available-for-sale financial assets	667,023	60,032
Gains on disposal of subsidiaries	2,887	139,473
Dividend income from available-for-sale financial assets	208,931	36,040
Fair value (losses)/gains and dividend income from associates measured at fair value through profit or loss	(96,632)	2,468,196
Fair value gains and dividend income from financial assets at fair value through profit or loss	183,621	218,907
Others	4,790	13,947
	1,441,375	3,368,648

8. Expenses by nature

	Unaudited	
	Six months ended June 30,	
	2016	2015
	RMB'000	RMB'000
Cost of inventories sold	101,947,588	107,420,430
Employee benefit expense	11,961,381	12,667,828
Cost of properties sold	2,906,662	2,447,017
Depreciation and amortisation	2,753,369	2,530,783
Office and administrative expense	2,765,011	2,774,187
Advertising costs	2,612,169	2,772,718
Customer support service	867,242	768,767
Consultancy and professional fees	788,162	446,318
Business tax and surcharge and other taxes	657,156	564,735
Operating lease payments	479,410	625,406
Transportation expense	298,292	188,600
Labs and testing	189,038	266,182
Inventory write-down	52,767	721,784
Other expenses (i)	3,926,829	4,980,001
	132,205,076	139,174,756

- (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.

9. Finance income and costs

	Unaudited	
	Six months ended June 30,	
	2016	2015
	RMB'000	RMB'000
Interests:		
– Bank loans and overdrafts	815,387	554,561
– Other loans	839,663	1,121,845
– Bonds	673,907	604,892
Factoring costs	108,832	143,292
Interest costs on contingent considerations and put option liability	23,077	21,804
Commitment fee	5,145	16,226
Total finance costs	2,466,011	2,462,620
Less: amounts capitalised on qualifying assets	(746,185)	(783,963)
Finance costs	1,719,826	1,678,657
Finance income:		
– Interest income on bank deposits and money market funds	(222,741)	(232,424)
– Interest income on loans to related parties	(73,193)	(24,443)
Finance income	(295,934)	(256,867)
Net finance costs	1,423,892	1,421,790

10. Income tax expense

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

	Unaudited	
	Six months ended June 30,	
	2016	2015
	RMB'000	RMB'000
Current income tax:		
Current tax on profits for the period	1,506,926	941,354
Land appreciation tax	204,213	352,759
	1,711,139	1,294,113
Deferred income tax	(788,887)	66,173
Income tax expense	922,252	1,360,286

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,	
	2016	2015
Weighted average number of issued ordinary shares (thousands)	2,356,231	2,003,900
Basic earnings attributable to equity holders of the Company (RMB'000)	2,583,777	4,014,787
Diluted impact on earnings (RMB'000) (i)	(813)	(8,600)
Diluted earnings attributable to the equity holders of the Company (RMB'000)	2,582,964	4,006,187
Earnings per share		
– Basic (RMB per share)	1.10	2.00
– Diluted (RMB per share)	1.10	2.00

- (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"). They were dilutive for the six months ended June 30, 2016 and June 30, 2015.

12. Property, plant and equipment and intangible assets

	Unaudited For the six months ended June 30, 2016	
	Property, plant and equipment RMB'000	Intangible assets RMB'000
At January 1, 2016	20,732,944	56,940,565
Additions	1,908,244	609,555
Transfers to intangible assets	(348,314)	348,314
Transfers to leasehold land and land use right	(644,475)	–
Acquisition of subsidiaries	145,358	684,069
Disposals	(453,645)	(4,879)
Depreciation/amortisation charge	(1,166,270)	(1,565,307)
Exchange adjustment	292,745	2,439,926
Disposal of a subsidiary	(672,653)	(184)
At June 30, 2016	19,793,934	59,452,059

	Unaudited For the six months ended June 30, 2015	
	Property, plant and equipment RMB'000	Intangible assets RMB'000
At January 1, 2015	20,681,559	59,654,828
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
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	20,839,425	58,132,083

13. Investment properties

	Unaudited	
	Six months ended June 30,	
	2016	2015
	RMB'000	RMB'000
At beginning of the period	10,219,472	6,023,298
Transfer from completed properties held for sale	–	1,935,467
Fair value gains	192,091	1,599,089
Transfer to owner occupied property	(43,069)	–
At the end of the period	10,368,494	9,557,854

Investment properties held by the group as at June 30, 2016 and December 31, 2015 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, 2015.

As at June 30, 2016 and December 31, 2015, 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.

14. Trade and notes receivables

	Unaudited	Audited
	As at June 30, 2016	As at December 31, 2015
	RMB'000	RMB'000
Trade receivables	32,064,341	36,296,742
Notes receivables	1,376,317	1,674,319
Receivables arising from finance leases	1,736,857	947,968
Less: provision for impairment	(754,860)	(630,669)
Trade and notes receivables – net	34,422,655	38,288,360

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

	Unaudited	Audited
	As at June 30, 2016	As at December 31, 2015
	RMB'000	RMB'000
Up to 3 months	27,866,284	33,108,364
3 to 6 months	3,074,251	2,463,900
6 months to 1 year	840,539	355,990
1 to 2 years	207,439	320,490
2 to 3 years	28,518	5,353
Over 3 years	47,310	42,645
	32,064,341	36,296,742

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

15. Prepayments, other receivables and other current assets

	Unaudited	Audited
	As at June 30, 2016	As at December 31, 2015
	RMB'000	RMB'000
Receivables from parts subcontractors	10,993,435	13,404,989
Prepayments	7,333,862	8,265,464
Prepaid tax	6,159,908	5,625,298
Advance to suppliers	1,823,590	1,403,637
Amounts due from related parties	1,179,528	3,445,025
Amount due from non-controlling shareholders of subsidiaries	1,126,734	1,596,654
Deposits receivable	541,128	482,122
Adjustment for in-transit products	319,902	97,513
Others	3,269,101	1,410,893
	32,747,188	35,731,595
Less: provision for bad debt	(51,075)	(49,093)
	32,696,113	35,682,502

16. Share capital**Ordinary shares issued and fully paid**

	As at June 30, 2016		As at June 30, 2015	
	Number of shares '000	Share capital RMB'000	Number of shares '000	Share capital RMB'000
At beginning of the period	2,356,231	2,356,231	2,000,000	2,000,000
Issuance of new shares (i)	-	-	352,944	352,944
At end of the period	2,356,231	2,356,231	2,352,944	2,352,944

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

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.

17. Trade and notes payables

	Unaudited	Audited
	As at June 30, 2016	As at December 31, 2015
	RMB'000	RMB'000
Trade payables	35,356,657	43,776,777
Notes payables	2,146,003	1,951,404
	37,502,660	45,728,181

As at June 30, 2016 and December 31, 2015, the ageing analyses of the trade payables based on invoice date were as follows:

	Unaudited	Audited
	As at June 30, 2016	As at December 31, 2015
	RMB'000	RMB'000
0-30 days	22,843,565	23,558,493
31-60 days	6,329,865	12,272,403
61-90 days	2,959,672	3,957,412
91 days-1 year	1,897,931	2,576,514
Over 1 year	1,325,624	1,411,955
	35,356,657	43,776,777

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

18. Other payables and accruals

	Unaudited	Audited
	As at June 30, 2016	As at December 31, 2015
	RMB'000	RMB'000
Payable to parts subcontractors	23,370,202	25,037,780
Allowance for billing adjustments (i)	11,981,597	13,422,700
Accrued expenses	10,063,080	12,071,648
Payroll payable	1,996,406	2,872,929
Deferred consideration	1,679,839	191,998
Other taxes payable	1,535,340	1,717,506
Asset management program	1,296,000	320,000
Amount due to non-controlling shareholders of subsidiaries (ii)	1,168,590	1,297,125
Social security payable	1,090,792	850,922
Royalty payable	818,648	779,330
Deposits payable	582,591	491,216
Dividend payable (Note 23)	518,346	-
Interest payable	474,566	419,964
Amounts due to related parties (iii)	362,664	423,828
Contingent consideration (Note 19(i))	-	1,944,931
Others	2,771,331	1,874,437
	59,709,992	63,716,314

(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, 2016, RMB1,011 million of amounts due to non-controlling equity holders of subsidiaries is unsecured, bearing interest rate from 6.60% to 8.24% and repayable on demand. As at December 31, 2015, RMB1,045 million of amounts due to non-controlling equity holders of subsidiaries was unsecured, bearing interest rate from 6.53% to 8.80% and repayable on demand. The remaining balance is unsecured and interest free payables.

(iii) As at June 30, 2016 and December 31, 2015, RMB91 million and 424 million of amounts due to related parties are unsecured, bearing interest rate from 6.53% to 8.00%. The remaining balance is unsecured and interest free payables.

19. Other non-current liabilities

	Unaudited	Audited
	As at June 30, 2016	As at December 31, 2015
	RMB'000	RMB'000
Deferred considerations (i)	9,406,967	8,920,010
Government incentives and grants received in advance (ii)	1,850,490	1,780,228
Written put option liability (iii)	1,472,445	1,434,767
Loans from related parties	549,000	400,000
Unfavourable lease contracts assumed	511,285	585,041
Guaranteed dividend to non-controlling equity holders of a subsidiary	53,414	64,007
Others	2,717,578	2,327,108
	16,561,179	15,511,161

- (i) In connection with certain business combinations, the Group is required to pay in cash to the then respective shareholders/sellers contingent considerations with reference to certain performance indicators as written in the respective agreements with those then shareholders/sellers; and deferred consideration. Accordingly, non-current liabilities in respect of the present values of contingent and deferred considerations have been 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, 2016 and December 31, 2015, the potential undiscounted amounts of future payments in respect of the contingent and deferred considerations that the Group could be required to make to the respective shareholders/sellers under the arrangements are as follows:

	Unaudited	Audited
	As at June 30, 2016	As at December 31, 2015
	RMB'000	RMB'000
Joint venture with NEC Corporation	USD251 million	Nil – USD309 million
Joint venture with EMC Corporation	–	USD39 – 59 million
Stoneware Inc.	–	Nil – USD48 million
Google Inc.	USD1,448 million	USD1,448 million

- (ii) Government incentives and grants received in advance by certain group companies included in other non-current liabilities are mainly related to research and development projects and construction of property, plant and equipment. These group companies are obliged to fulfil certain conditions under the terms of the government incentives and grants. 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.

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	As at
	June 30,	December 31,
	2016	2015
	RMB'000	RMB'000
Bank loans		
– Unsecured loans	23,762,800	17,137,375
– Guaranteed loans	14,731,277	13,909,088
– Collateralised loans	6,069,877	5,713,809
Other loans		
– Unsecured loans	241,055	100,000
– Guaranteed loans	12,472,023	11,654,240
– Collateralised loans	3,746,000	3,182,370
Corporate bonds		
– Unsecured	25,457,848	24,851,504
– Guaranteed	2,970,100	708,389
	89,450,980	77,256,775
Less: non-current portion	(58,674,971)	(56,621,152)
Current portion	30,776,009	20,635,623

20. Borrowings (Continued)

Borrowings are repayable as follows:

	Unaudited	Audited
	As at June 30, 2016	As at December 31, 2015
	RMB'000	RMB'000
Within 1 year	30,776,009	20,635,623
After 1 year but within 2 years	12,139,252	15,223,597
After 2 years but within 5 years	40,675,854	37,935,019
After 5 years	5,859,865	3,462,536
	89,450,980	77,256,775

21. Deferred income tax

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

	Unaudited	
	Six months ended June 30,	
	2016	2015
	RMB'000	RMB'000
At beginning of the period	1,813,110	(233,953)
Credited to/(charged to) the income statement	788,887	(66,173)
Credited to/(charged to) other comprehensive income	235,911	(555,765)
Acquisition of subsidiaries	7,463	59
Disposal of subsidiaries	-	(1,973)
Credited to share-based compensation reserve	-	165,837
Exchange adjustment	84,825	7,124
At end of the period	2,930,196	(684,844)

22. Provisions

	Warranties RMB'000	Environmental restoration RMB'000	Restructuring RMB'000	Provision on guarantee RMB'000	Total RMB'000
At January 1, 2016	9,429,065	54,968	1,204,764	134,558	10,823,355
Provision made	2,213,715	38,514	-	(10,278)	2,241,951
Unused amounts reversed	-	(287)	-	-	(287)
Amount utilised	(3,651,990)	(38,165)	(700,896)	-	(4,391,051)
Exchange adjustment	242,555	7,396	40,885	-	290,836
At end of the period	8,233,345	62,426	544,753	124,280	8,964,804
Non-current portion	(1,922,756)	(44,097)	-	-	(1,966,853)
At June 30, 2016	6,310,589	18,329	544,753	124,280	6,997,951
At January 1, 2015	9,899,690	139,384	-	145,990	10,185,064
Provision made	3,145,648	14,070	-	860	3,160,578
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	9,095,656	101,108	-	146,850	9,343,614
Non-current portion	(2,230,189)	(85,418)	-	-	(2,315,607)
At June 30, 2015	6,865,467	15,690	-	146,850	7,028,007

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.

23. Dividends

The Board did not recommend the payment of any interim dividend in respect of the six months ended June 30, 2016 (six months ended June 30, 2015: Nil).

On June 2, 2016, The 2015 annual general meeting considered and approved the profit distribution plan of the Company for the year ended December 31, 2015, which was to distribute a final dividend of RMB0.22 (before tax) per ordinary share of the Company, totally approximately RMB518 million. As at June 30, 2016, the dividend was not paid. The dividend was paid on July 15, 2016.

24. Contingencies

	Unaudited	Audited
	As at June 30, 2016	As at December 31, 2015
	RMB'000	RMB'000
Guarantee in respect of mortgage facilities for certain purchaser	7,871,617	4,099,437
Financial guarantee of guarantee business	3,795,387	4,530,170
Other guarantee		
– Related parties (Note 26)	2,041,886	2,239,759
– Unrelated parties	500,000	1,500,000
	14,208,890	12,369,366

(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, 2016 and December 31, 2015.

(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, 2016 and December 31, 2015, the outstanding guarantee balance was RMB3,795 million and RMB4,530 million respectively. The Directors evaluate the financial position of the guaranteed entities and make provision accordingly. As at June 30, 2016 and December 31, 2015, the provision made by the Group was RMB124 million and RMB135 million respectively, which were included in "Provision" in the condensed consolidated interim balance sheet.

(c) Other guarantee

As at June 30, 2016 and December 31, 2015, of the total guarantee balances provided to related parties and unrelated parties, approximately RMB2,542 million and RMB3,740 million had been withdrawn. The Board reviews the financial conditions of the guaranteed companies periodically and records provision when necessary. As at June 30, 2016 and December 31, 2015, no provision was recorded in relevant to the preceding guarantee.

25. Commitments**Capital commitments**

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

	Unaudited	Audited
	As at June 30, 2016 RMB'000	As at December 31, 2015 RMB'000
Property, plant and equipment	2,179,724	2,815,808
Intangible assets	160,364	280
Investments (i)	4,754,006	3,796,440
Land use right and properties under development	4,651,731	4,223,761
Total	11,745,825	10,836,289

- (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.

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, 2016 and 2015, respectively.

	Unaudited	
	Six months ended June 30,	
	2016 RMB'000	2015 RMB'000
Purchase of goods from		
– Associates	307,773	363,890
Sales of goods to		
– Associates	–	2,646
Services received from		
– Associates	10,049	598
Rendering of services to		
– Associates	12,739	16,333
Loan provided by		
– Associates	232,622	167,000
Loan provided to		
– Associates	420,570	593,623
Interest income from		
– Associates	73,193	24,443
Interest expenses to		
– Associates	50,508	35,482

26. Related party transactions (Continued)**(b) Period-end balances due from/to related parties**

	Unaudited	Audited
	As at June 30, 2016 RMB'000	As at December 31, 2015 RMB'000
Trade and notes receivables		
– Associates	70	15
Prepayment, other receivables and other current assets		
– Associates	1,179,528	3,445,025
Borrowings		
– Associates	358,718	1,059,171
Current portion of non-current liabilities		
– Associates	38,350	16,700
Trade and notes payables		
– Associates	10,091	45
Advance from client		
– Associates	–	1,959
Other payables and accruals		
– Associates	362,664	423,828
Other non-current liabilities		
– Associates	549,000	400,000

26. Related party transactions (Continued)

(c) Guarantee provided to/by related parties

	Unaudited	Audited
	As at June 30, 2016 RMB'000	As at December 31, 2015 RMB'000
Guarantee provided to related parties		
– Joyvio Golden Wing Mau	564,500	320,000
– Union Insurance	470,000	470,000
– CAR	–	570,800
– Others	1,007,386	878,959
	2,041,886	2,239,759

27. Subsequent events

- (a) On July 1, 2016, the issue by the Company of corporate bonds with an aggregate par value of no more than RMB10 billion to qualified investors was approved. The public issue of the corporate bonds for the year 2016 (Tranche 1) of Legend Holdings Corporation to qualified investors in the PRC was completed on July 8, 2016. The actual issue size of the Tranche of Bonds is RMB3.5 billion, of which the Five-year Bonds have an actual issue size of RMB1.5 billion and a final coupon rate of 3.30% and the Ten-year Bonds have an actual issue size of RMB2 billion and a final coupon rate of 4.60%.
- (b) On March 25, 2016, the non-public issue by Raycom Real Estate of corporate bonds to qualified investors in China with an aggregate par value of no more than RMB5 billion was approved. The Raycom Real Estate Non-public Corporate Bonds (Tranche 1) are 5-year bonds to qualified institutional investors with an option for Raycom Real Estate to adjust the coupon rate and a right for the investors to sell back to Raycom Real Estate at the end of the second and the fourth years. The issue of the Raycom Real Estate Non-public Corporate Bonds (Tranche 1) was completed on August 2, 2016, with actual issue size of RMB3 billion at a coupon rate of 5.06%.

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

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