

# 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



## 2018 INTERIM REPORT



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# Definitions

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

“ABS”	asset-backed securities, a kind of tradable security based on basic assets (specific asset portfolio or cash flows), which is issued in the form of similar bonds
“associate(s)”	for the purpose of this report, all entities over which the Group has significant influence. Significant influence represents the power to participate in the financial and operational policy decision of the investees, but without control or joint control rights over these policies
“Better Education”	Better Education Group Corporation (三育教育集團股份有限公司), an exempted limited liability company incorporated in the Cayman Islands, and our subsidiary
“BIL”	Banque Internationale à Luxembourg S.A., a credit institution in the form of a Luxembourg Limited liability company (société anonyme) and our subsidiary
“Board”	board of directors of the Company
“Bybo Dental”	Bybo Dental Group Co., Ltd. (拜博醫療集團有限公司) (formerly known as Guangdong Bybo Dental Investment Management Co., Ltd. (廣東拜博口腔醫療投資管理有限公司)), a limited liability company incorporated under the laws of the PRC, and our associate
“CAR”	CAR Inc. (神州租車有限公司), an exempted limited liability company incorporated in the Cayman Islands and listed on the Main Board of the Hong Kong Stock Exchange (Stock Code: 699), and our associate
“CAS Holdings”	Chinese Academy of Sciences Holdings Co, Ltd. (中國科學院控股有限公司) (formerly known as Chinese Academy of Sciences Holdings Co., Ltd. (中國科學院國有資產經營有限責任公司)), a limited liability company incorporated under the laws of the PRC, a substantial Shareholder
“China Oceanwide”	China Oceanwide Holdings Group Co., Ltd. (中國泛海控股集團有限公司), a substantial Shareholder



“Company”, “our Company” or “Legend Holdings”	Legend Holdings Corporation (聯想控股股份有限公司) (formerly known as “Chinese Academy of Sciences Computer Technology Research Institute New Technology Development Company” (中國科學院計算技術研究所新技術發展公司), “Beijing Legend Computer New Technology Development Company” (北京聯想計算機新技術發展公司), “Legend Group Holdings Company” (聯想集團控股公司) and “Legend Holdings Limited” (聯想控股有限公司)), a joint stock limited liability company incorporated under the laws of PRC and listed on the Main Board of the Hong Kong Stock Exchange (Stock Code: 3396)
“CSRC”	China Securities Regulatory Commission
“Director(s)”	the director(s) of the Company
“DMTO”	the technique for using coal or natural gas instead of oil for production of ethylene and propene
“Domestic Shares”	domestic share(s) in the ordinary share capital of the Company with the nominal value of RMB1.00 each
“EAL”	Eastern Air Logistics Co., Ltd. (東方航空物流有限公司), a limited liability company incorporated under the laws of the PRC, and our associate
“eloancn.com”	Beijing Tongcheng Eloancn Network Co., Ltd. (北京同城翼龍網絡科技有限公司), a limited liability company incorporated under the laws of the PRC, and our associate
“EOD”	ethylene oxide derivatives
“EUR”	Euro, the official currency of the Eurozone which consists of certain state members of the European Union
“EVA”	ethylene-vinylacetate copolymer

## Definitions

“Funglian Group”	Funglian Holdings Co., Ltd. (豐聯酒業控股集團有限公司), a limited liability company incorporated under the laws of the PRC
“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, a joint stock limited liability company incorporated under the laws of the PRC and a subsidiary of Joyvio Group
“Group”, “our”, “we” or “us”	our Company and all of its subsidiaries, or any one of them as the context may require or, where the context refers to any time prior to its incorporation, the business which its predecessors or the predecessors of its present subsidiaries, or any one of them as the context may require, were or was engaged in and which were subsequently assumed by it
“H Shares”	overseas listed share(s) in the ordinary share capital of the Company with a nominal value of RMB1.00 each, listed on the main board of the Hong Kong Stock Exchange and trade in HK dollars
“Hankou Bank”	Hankou Bank Co., Ltd. (漢口銀行股份有限公司), a joint stock limited liability company incorporated under the laws of the PRC, and our associate
“Hebei Hengshui Laobaigan”	Hebei Hengshui Laobaigan Liquor Co., Ltd (河北衡水老白干酒業股份有限公司), a joint stock limited liability company incorporated under the laws of the PRC and listed on the Shanghai Stock Exchange (A share Stock Code: 600559)
“HKD”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Hony Capital” or “Hony”	a series of private equity investment funds, together with their respective management companies/general partner
“Hortifrut”	Hortifrut S.A., a limited liability company incorporated under the laws of Chile
“Huawen Food”	Hunan Huawen Food Co., Ltd. (湖南省華文食品有限公司), a limited liability company incorporated under the laws of the PRC and our associate

“Internet”	a global network of interconnected, separately administered public and private computer networks that uses the Transmission Control Protocol/Internet Protocol for communications
“IPO”	Initial Public Offering
“IT”	information technology
“JC Finance & Leasing”	JC International Finance & Leasing Company Limited (君創國際融資租賃有限公司), a limited liability company incorporated under the laws of the PRC, and our wholly-owned subsidiary
“Joyvio Agriculture”	Joyvio Agriculture Development Co., Ltd. (佳沃農業開發股份有限公司) (formerly known as Wanfu Shengke (Hunan) Agriculture Development Co., Ltd (萬福生科(湖南)農業開發股份有限公司)), a limited liability company incorporated under the laws of the PRC, the shares of which are listed on the ChiNext board of Shenzhen Stock Exchange (A share Stock Code: 300268) and is a subsidiary of Joyvio Group
“Joyvio Group” or “Joyvio”	Joyvio Group Co., Ltd. (佳沃集團有限公司), a limited liability company incorporated under the laws of the PRC, and our wholly-owned subsidiary
“JPY”	Japanese Yen, the lawful currency of Japan
“Kaola Technology”	Tibet Kaola Science & Technology Development Co., Ltd. (西藏考拉科技發展有限公司), a limited liability company incorporated under the laws of the PRC, and our subsidiary
“KB Food”	KB Food International Holding (Pte.) Limited, a limited liability company established under the laws of Singapore, and our subsidiary
“Lakala Payment”	Lakala Payment Corporation (拉卡拉支付股份有限公司) (formerly known as Lakala Payment Co., Ltd. (拉卡拉支付有限公司)), a limited liability company incorporated under the laws of the PRC, and our associate
“Legend Capital”	a series of venture capital funds, together with their respective management companies/partners
“Legend Star”	a series of angel investment funds, together with their respective management companies/partners

## Definitions

“Lenovo”	Lenovo Group Limited (聯想集團有限公司), a limited liability company incorporated under the laws of Hong Kong and listed on the Main Board of the Hong Kong Stock Exchange (Stock Code: 992), and our subsidiary
“Levima Group”	Levima Group Limited (聯泓集團有限公司), a limited liability company incorporated under the laws of the PRC, and our subsidiary
“Levima New Materials”	Levima New Materials Limited (聯泓新材料有限公司) (formerly known as Shandong Shenda Chemicals Co., Ltd. (山東神達化工有限公司)), a subsidiary of Levima Group and our subsidiary
“Liquor Easy”	Henan Liquor Easy Commercial Corporation (河南酒便利商業股份有限公司), a limited liability company incorporated under the laws of the PRC, and our associate
“Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Longguan Company”	Hangzhou Longguan Industrial Co., Ltd. (杭州龍冠實業有限公司), a limited liability company incorporated under the laws of the PRC, and a subsidiary of Joyvio Group
“N/A”	not applicable
“NEEQS”	National Equities Exchange and Quotations System (全國中小企業股份轉讓系統), a platform established for the sale of existing shares or private placing of new shares by SMEs
“Nine Masters”	Nine Masters (Shanghai) Catering Service Co., Ltd. (九橙(上海)餐飲服務有限公司), a limited liability company incorporated under the laws of the PRC and a subsidiary of Joyvio Group
“Oceanwide Group”	Oceanwide Group Co., Ltd. (泛海集團有限公司), a substantial Shareholder
“Ordinary Shares” or “Shares”	ordinary shares issued by the Company, including Domestic Shares and H Shares
“PE”	private equity
“Phylion Battery”	Phylion Battery Co., Ltd. (星恒電源股份有限公司), a joint stock limited liability company incorporated under the laws of the PRC



“PIPE”	Private Investment in Public Equity
“PP”	polypropylene
“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 the first listing of H Shares of the Company on the Hong Kong Stock Exchange
“Qingdao Starfish”	Qingdao Starfish Food Co., Ltd. (青島國星食品股份有限公司), a limited liability company incorporated under the laws of the PRC, and a subsidiary of Joyvio Agriculture
“Raycom Property”	Raycom Property Investment Co., Ltd. (融科物業投資有限公司), a limited liability company incorporated under the laws of the PRC, and our wholly-owned subsidiary
“Raycom Real Estate”	Raycom Real Estate Development Co., Ltd. (融科智地房地產股份有限公司), a joint stock limited liability company incorporated under the laws of the PRC, and our subsidiary
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Shanghai Neuromedical Center”	Shanghai Neuromedical Center Co., Ltd. (上海德濟醫院有限公司), a limited liability company incorporated under the laws of the PRC, and our subsidiary
“Shanghai Stock Exchange”	Shanghai Stock Exchange
“Shareholder(s)”	holder(s) of the shares
“Shenzhen Stock Exchange”	Shenzhen Stock Exchange
“SME(s)”	small and medium-sized enterprise(s)
“SOE(s)”	State-owned enterprise(s)

## Definitions

“subsidiary”	has the meaning ascribed thereto under the Listing Rules
“Supervisor(s)”	the supervisor(s) of the Company
“Suzhou Trust”	Suzhou Trust Co., Ltd. (蘇州信託有限公司), a limited liability company incorporated under the laws of the PRC, and our associate
“Taikang Life Insurance”	Taikang Life Insurance Co., Ltd. (泰康人壽保險有限責任公司)
“Thai Crown”	Thai Crown Group Company Limited (泰果冠集團有限公司)
“TMT”	technology, media and telecom
“Tohigh”	Tohigh Holdings Co., Ltd. (通海控股有限公司), a substantial Shareholder
“UCAR Inc.”	UCAR Inc. (神州優車股份有限公司), a joint stock limited liability company incorporated under the PRC law and listed on the NEEQS in 2016, and is held as to 6.27% equity interests by CAR
“Union Insurance”	Union Insurance Broker Group Co., Ltd. (聯保投資集團有限公司), a limited liability company incorporated under the laws of the PRC, and our associate
“USA”	The United States of America
“USD”	US dollar, the lawful currency of the USA
“XYWY.COM”	an online platform to provide one-stop Internet healthcare services which is operated by Wenkang Group Co., Ltd. (聞康集團股份有限公司)
“VA”	vinyl acetate
“Zeny Supply Chain”	Zeny Supply Chain Co., Ltd. (增益供應鏈有限公司), a limited liability company incorporated under the laws of the PRC, and our subsidiary
“Zhengqi Financial”	Zhengqi Financial Holdings Co., Ltd. (正奇金融控股股份有限公司) (formerly known as Zhengqi Anhui Financial Holdings Co., Ltd. (正奇安徽金融控股股份有限公司)), a limited liability company incorporated under the laws of the PRC, and our subsidiary
“%”	percentage

## Board of Directors

### Executive Directors

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

### Non-executive Directors

Mr. WU Lebin  
Mr. SUO Jishuan  
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. LUO Cheng  
Ms. FENG Ling

## Nomination Committee

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

## Audit Committee

Ms. HAO Quan (*Chairperson*)  
Mr. ZHANG Xuebing  
Mr. SUO Jishuan

## 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](http://www.legendholdings.com.cn)

## Stock Code

3396

# Management Discussion and Analysis

## Revenue contributions from the Group's businesses

Unit: RMB million

	For the six months ended June 30, 2018	For the six months ended June 30, 2017	Change in amount	Change %
<b>Strategic investments</b>	<b>156,255</b>	142,178	14,077	10%
IT	<b>143,878</b>	134,672	9,206	7%
Financial services	<b>1,980</b>	1,688	292	17%
Innovative consumption and services	<b>886</b>	755	131	17%
Agriculture and food	<b>6,387</b>	2,008	4,379	218%
Advanced manufacturing and professional services	<b>3,124</b>	3,055	69	2%
<b>Financial investments</b>	<b>304</b>	324	(20)	(6%)
Elimination	<b>(10)</b>	(20)	10	N/A
<b>Total</b>	<b>156,549</b>	142,482	14,067	10%

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

Unit: RMB million

	For the six months ended June 30, 2018	For the six months ended June 30, 2017	Change in amount	Change %
<b>Strategic investments</b>	<b>2,998</b>	1,052	1,946	185%
IT	<b>231</b>	16	215	1,344%
Financial services	<b>1,101</b>	617	484	78%
Innovative consumption and services	<b>1,139</b>	(139)	1,278	N/A
Agriculture and food	<b>379</b>	125	254	203%
Advanced manufacturing and professional services	<b>148</b>	433	(285)	(66%)
<b>Financial investments</b>	<b>470</b>	2,130	(1,660)	(78%)
Unallocated	<b>(640)</b>	(495)	(145)	N/A
Elimination	<b>2</b>	–	2	N/A
<b>Total</b>	<b>2,830</b>	2,687	143	5%



## Asset allocation of the Group's businesses

Unit: RMB million

	As of June 30, 2018	As of December 31, 2017	Change in amount	Change %
<b>Strategic investments</b>	<b>279,102</b>	260,559	18,543	7%
IT	<b>196,750</b>	183,440	13,310	7%
Financial services	<b>51,591</b>	49,349	2,242	5%
Innovative consumption and services	<b>6,255</b>	7,222	(967)	(13%)
Agriculture and food	<b>13,005</b>	9,483	3,522	37%
Advanced manufacturing and professional services	<b>11,501</b>	11,065	436	4%
<b>Financial investments</b>	<b>73,348</b>	65,938	7,410	11%
Unallocated	<b>14,617</b>	15,265	(648)	(4%)
Elimination	<b>(4,078)</b>	(6,688)	2,610	N/A
<b>Total</b>	<b>362,989</b>	335,074	27,915	8%

## Business review

Since 2018, with increasing uncertainty of the global economy, the downward pressure of China's economy increased as affected by internal and external factors. Under the context of increasing uncertainty, Legend Holdings developed steadily according to the established strategies, deepened the development of strategically focused areas, further optimized investment portfolio and created pillar assets, and as a result, its overall performance has achieved stable growth. Meanwhile, China has further deepened and promoted various reforms, especially the reform of the capital market. During the reporting period, Legend Holdings became the first pilot enterprise of H-share Full Circulation Project, and relevant Domestic Shares have been converted to H Shares and got listed in Hong Kong Stock Exchange. As one of the important measures in China's capital market reform, H-share Full Circulation solved the lingering inconsistency of interests between shareholders of H-share enterprises, which was beneficial for the long-term development of Hong Kong capital market and H-share enterprises. As the first pilot enterprise, Legend Holdings has not only boosted its business development, but also contributed its own part to China's capital market reform.

During the reporting period, Legend Holdings actively pushed forward the acquisition of Banque Internationale à Luxembourg S.A. and closed the deal on July 2, 2018. It was the first time a Chinese non-financial enterprise acquired a systematically important bank supervised by the European Central Bank. At that moment, the approval from the European Central Bank and regulators of each relevant country not only represented the recognition of the qualification of Legend Holdings, but will also help to enhance the cooperation between China and Luxembourg. As every journey begins with the first step, we have created a pillar asset in financial services sector. In the future, Legend Holdings will help Banque Internationale à Luxembourg S.A. to consolidate its leading position in the local market. With its global resources, Legend Holdings will empower the bank and help it to explore more development opportunities over time, including the opening up of China's financial market, so as to build a more international and innovative bank in the long term.

With a deep root in China and a global view, Legend Holdings will continue to seek opportunities in its strategically focused directions. In the meantime, in response to the increasingly uncertain external environment, we will analyze our business development needs and financial resources, closely monitor and evaluate the impact of external events on related businesses in a timely manner, and strengthen management and control over the investment portfolio, with the aim to minimize financial risks and a view to ensuring the long-term and healthy development of the Company and creating greater value for the Shareholders in the long run.

For the six months ended June 30, 2018, Legend Holdings realized revenue of RMB156.5 billion, representing an increase of 10% as compared with the corresponding period of last year; net profit attributable to equity holders of the Company amounted to RMB2.83 billion, representing an increase of 5% as compared with the corresponding period of last year. During the reporting period, IT, financial services, innovative consumption and services, agriculture and food as well as advanced manufacturing and professional services all recorded revenue growth. The increase in net profit attributable to the Company's equity holders was due to the following combined effects: 1) strategic investments recorded a growth of net profit contribution; 2) net profit of the financial investments decreased affected by the capital market.

During the reporting period, the existing business of Legend Holdings' strategic investments saw continued growth. The dynamic adjustments to the investment portfolio were consecutively carried out. Meanwhile, the new funds in our financial investments segment were raised successfully with stable and sound cash return.

- The existing business of strategic investments continued to grow. Financial services segment sustained its healthy growth. Zhengqi Financial, JC Finance & Leasing and Kaola Technology maintained stable and sound business development. Based on the industry trend and selected areas, we focused on developing the innovative consumption and services segment by continuously expanding Better Education and consolidating the leading position of CAR in China's car rental market. Regarding the agriculture and food segment, Golden Wing Mau's fruit business maintained a rapid growth. KB Food's effort on integrating upstream resources yielded satisfactory result. Regarding the advanced manufacturing and professional service segment, Levima Group's profitability improved, and EAL continued to develop rapidly.

- The dynamic adjustments to the investment portfolio were consecutively carried out. With the strategic introduction of Taikang Life Insurance as the controlling shareholder of Bybo Dental, Legend Holdings further underpinned the future development of Bybo Dental by way of capital increase; Legend Holdings also facilitated the reorganization transaction between Funglian Group and Hebei Hengshui Laobaigan and became the second largest shareholder of Hebei Hengshui Laobaigan.
- The new funds of financial investments were raised successfully with stable and sound cash return. During the reporting period, Legend Star completed the final closing of the 3rd RMB fund, with the total fund raised exceeding RMB700 million. Legend Capital launched the 2nd RMB healthcare fund and completed the final closing of the 2nd culture and sports fund. During the reporting period, the raised fund amounted to RMB1.26 billion. The real estate fund of Hony Capital completed a new round of closing of its Haidian technology industry space optimization fund with raised fund amounting to RMB2.01 billion. The total cash contributions by the financial investment sector exceeded RMB1 billion.

## Strategic Investments

### IT

We engage in IT business mainly through our subsidiary Lenovo. Lenovo is a Fortune 500 company which develops, manufactures and sells high-end technology products and provides related services to corporate and individual consumers. As of June 30, 2018, we held 29.10% equity interests in Lenovo.

Recognizing that the market has moved into the smart IoT era, Lenovo combined its Personal Computing and Smart Device (PCSD) and Mobile Business Group (MBG) into the new “Intelligent Devices Group (IDG)” to speed up the convergence of computing and communication technologies in products, to optimize shared platforms such as global supply chain and global service, and to accelerate the smart “Device + Cloud services” platform in providing intelligent services to users in May 2018. With the synergy from shared platform and infrastructure, the IDG achieved healthy revenue growth with profit improvement on a pro forma basis: the PCSD continued to outperform the market with robust revenue growth and improved margin, and the Mobile business was on track in reducing its losses significantly. The Data Center Group (DCG) also continued its strong momentum in revenue growth with profitability improvement. Lenovo achieved breakthrough in Device-as-a-Service (DaaS) and double-digit revenue growth in e-commerce, while the continuous launches in new Smart Devices in Consumer Smart IoT demonstrated its innovation and leadership in technology. Through its Software and Services business, Lenovo also continued to enhance customer experience and provide overall intelligent solutions.

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

*Unit: RMB million*

	<b>For the six months ended June 30, 2018</b>	For the six months ended June 30, 2017
Revenue	<b>143,878</b>	134,672
Net profit	<b>853</b>	156
Net profit attributable to equity holders of Legend Holdings	<b>231</b>	16

The result of Lenovo's transformation gradually appeared. Lenovo achieved a record high of second quarter revenue and the fourth consecutive quarter of revenue growth, led by continued strength in its PCSD and DCG. During the reporting period, the revenue of our IT segment reached RMB143,878 million, up 7% year-on-year; the net profit reached RMB853 million, up 447% year-on-year.

### Intelligent Devices Group – PC and Smart Device Business

As the global PC market continued to show signs of stabilization thanks to the continued commercial refresh and stabilizing consumer demand, Lenovo continued its strategy to prioritize profitability and to drive premium-to-market revenue growth in the PC business, which led to product mix improvements. As a result of its strong execution, Lenovo was ranked number one in worldwide PC market according to Gartner and achieved solid revenue growth and industry-leading pre-tax profit margin. While these results have included contribution from its joint venture with Fujitsu, Lenovo's core PC business has remained strong.

Lenovo continued to gain share in shipments and revenue in commercial PC. The iconic commercial brand, ThinkPad, will continue to drive growth in the ongoing commercial PC refresh. In consumer PC, Lenovo continued to focus on premium segments, in particular the Thin & Light, Visuals, and Gaming PC, all of which achieved strong revenue growth. Lenovo also continued to gain share in the Workstation segment.

In driving towards a more customer-centric business, the PCSD collaborated with the portfolio companies of Lenovo Capital and Incubator Group (LCIG) to make devices smarter and more convenient for customers. The launch of Smart Office has started gaining traction with the Device-as-a-Service business, thus continuing the strong growth with global account customers. The Lenovo new retail stores opened in China at the beginning of 2018 provide over 400 different IoT smart products and use AI technologies to enhance retail efficiency and prompt service delivery to guarantee customer experience.



## Intelligent Devices Group – Mobile Business

The Mobile business repositioned its business focus on growing core markets such as Latin and North America. Latin America maintained its strong market position, while shipments in North America continued to see significant growth driven by mainstream models including Moto G6 and E5 with carrier expansion. In China, Lenovo refined its strategy to improve user experience with a few new models launched to seek healthier growth over time.

Lenovo continues to invest in and develop next-generation smart capabilities, and has now entered the go-to-market phase to bring more innovative products to the market. For example, with smartphone, it announced the first 5G-upgradable phone with the 5G moto mod to its new Moto Z3 phone in August 2018 to showcase its innovation.

In the meantime, Lenovo keeps streamlining the product portfolio to focus on mainstream products and reduce its business complexity, thereby cutting back on the operating expenses. It will also continue to strengthen core markets in Latin and North America, focus on profitable markets, and fine tune its strategy in selective key emerging markets like India and China.

## Data Center Business Group (DCG)

Data Center Group continues its track to become a sustainable growth and profit engine for Lenovo. Previous transformation investments in building sales capability, strengthening the channel and product solution capabilities, together with the right business models, continued to bring strong positive momentum to the business, leading to the highest level of quarterly revenue since the acquisition of System x.

Lenovo continued its triple-digit growth in its Hyperscale business thanks to its previous business model transformation to improve in-house design and manufacturing capabilities, as well as improving the customer mix to more overseas exposure. In the Software Defined Infrastructure segment, Lenovo also saw more than triple digit revenue growth with margin improvement as its strategic partnership with leading hyperconverged software providers continued to thrive. In the High Performance Computing (HPC) segment, Lenovo has become the worldwide number 1 player in the HPC TOP 500 List, with 117 systems across 15 countries and five continents. It has also announced its Neptune ThinkAgile CP branding for the next generation composable cloud infrastructure water-cooled suite of technology offerings.

The transformation of DCG has seen positive results in steering the business to a world-class, next-generation IT solutions provider. Lenovo now has the most compelling products in its history under the ThinkSystem and ThinkAgile brands to drive profitable growth in the future, coupled with the fast time-to-market product rollout, industry-leading product reliability and the increasingly capable sales force.

## Lenovo Capital and Incubator Group (LCIG) and Others

The mission of Lenovo Capital and Incubator Group (LCIG) is to invest and build Lenovo's next-generation IT capabilities in AI, IoT, Big Data and VR/AR across various sectors such as manufacturing, healthcare and transportation. LCIG's portfolio companies continue to support the core business to bring intelligence, content and services to devices, thus bringing more commercial business opportunities to Lenovo. For example, its Big Data team has made some progress to integrate the ecosystem of the value chain in the automobile industry to support research, development and production activities.

Lenovo will continue to drive Software & Services revenue, customer engagement and accelerate Device + Cloud and Infrastructure + Cloud expansion with sizable investments in AI, IoT, Big Data and VR/AR to capture the growth in the smart IoT era.

## Financial Services

### Overview

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

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

Legend Holdings has established a broad presence in the financial services business. Our subsidiaries and associates have obtained various financial licenses and permits. Legend Holdings facilitates the long-term development of the portfolio companies in the financial industry with all-round supports. Leveraging on a number of portfolio companies and customer resources, we promote synergic development of our financial businesses, including business alignment and consolidation, industrial chain cooperation, intelligence sharing, big data analysis, etc., to enhance the overall competitiveness.

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

Based on our industrial resources and technology advantages, Legend Holdings will on the one hand strengthen the current edge in existing businesses, and on the other hand closely follow and invest in other financial services businesses both at home and abroad, including insurance, securities, Fintech, etc.

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

*Unit: RMB million*

	<b>For the six months ended June 30, 2018</b>	For the six months ended June 30, 2017
Revenue	<b>1,980</b>	1,688
Net profit	<b>1,251</b>	694
Net profit attributable to equity holders of Legend Holdings	<b>1,101</b>	617

During the reporting period, the revenue of Legend Holdings' financial services segment was RMB1,980 million, representing an increase of approximately 17% as compared with RMB1,688 million in the corresponding period of last year. This was mainly due to greater contributions from the financial leasing business, loan business and innovative financial service. The net profit of financial services segment attributable to equity holders of Legend Holdings increased from RMB617 million in the corresponding period of last year to RMB1,101 million, representing an increase of 78%, mainly due to the increase in profit from its financial leasing business and credit business and the value growth from the investment in Pension Insurance Corporation.

### Operating Highlights

- During the reporting period, the Company continued to push forward with the acquisition of 89.936% of the shares of Banque Internationale à Luxembourg S.A.. The transaction was officially completed on July 2, 2018, which enabled the Company to fulfill its goal of building pillar assets and will bring sound returns to the Shareholders;

- Zhengqi Financial, a subsidiary of the Company, continued to achieve significant growth in revenue and profit. In the first half of 2018, Zhengqi Financial recorded a revenue of RMB637 million and a net profit of RMB396 million, representing a year-on-year increase of 8% and 25%, respectively. Zhengqi Financial provides one-stop financing solutions for SMEs through its business lines consisting of micro finance, credit guarantees, pawn loans, financial leasing, commercial factoring, equity investments and asset management. Zhengqi Financial achieved stable growth in the business scale and profit through intensified efforts on exploring the needs and value of its clients, optimising asset allocation and implementing the long-term strategy of investment-loan linkage. Several of its portfolio companies gained access to the capital market through refinancing, public offering and other channels, continuously contributing to the market value of the equity investment portfolio of the company. After four years of practice, the investment-loan linkage business, which is backed by the company's credit business capacities accumulated over the years, has become another profit growth point of the company.
- During the reporting period, Kaola Technology, a subsidiary of the Company, further consolidated its leading position in financial technology sector and continued to provide services for various business areas relating to personal consumption, SMEs and community finance in compliance with its licenses. It also made sustained efforts to deliver the models and experience to accredited financial institutions. At the end of June 2018, the credit balance was nearly RMB6.4 billion with a peak value of monthly-granted personal loans exceeding RMB1.2 billion. During the reporting period, Kaola Technology recorded a net profit of RMB249 million, representing an increase of 75% as compared with the corresponding period of last year.
- Our wholly-owned subsidiary JC Finance & Leasing maintained a sound and rapid development. During the reporting period, the revenue and net profit amounted to RMB441 million and RMB95 million, representing a growth of 46% and 12%, respectively, as compared with the corresponding period of 2017.
- During the reporting period, the transaction amount of the acquiring business of Lakala Payment, our associate, exceeded RMB1,700 billion, representing a year-on-year increase of over 100%. Its acquiring business branched out to over 330 cities across China, covering more than 15 million merchants and over 10 million individual users. The number of merchants covered increased by approximately 50% as compared with the beginning of the reporting period.



## Zhengqi Financial

Zhengqi Financial was established in October 2012. As of June 30, 2018, we held 82.5% equity interests in Zhengqi Financial. Zhengqi Financial provides one-stop funding solutions to SMEs through its business lines consisting of micro finance, credit guarantees, pawn loans, financial leasing, commercial factoring, equity investments and asset management. During the reporting period, Zhengqi Financial achieved stable growth in business scale and profit through intensified efforts on exploring the needs and value of its clients, optimising asset allocation and implementing the long-term strategy of investment-loan linkage. Several of its portfolio companies gained access to the capital market through refinancing, listing and other channels, continuously boosting the market value of the equity investment portfolio of the company. With four years of practice, the investment-loan linkage model based on the company's credit business capacity accumulated over the years has become another profit growth point of the company.

Zhengqi Financial operated with the core strategy of "investment bank thinking and overall plans". Pursuant to the "investment bank thinking", Zhengqi Financial had an in-depth understanding of and closely monitored the development strategy and business model of its customers, and analysed their extensive needs in financing, operation and strategic expansion, thus actively serving SMEs. Meanwhile, Zhengqi Financial provided customers with an "overall plan" for comprehensive product portfolios, including loans, financial leasing, credit enhancement, equity investment, mezzanine investment, asset management, factoring, supply chain management, as well as start-ups counseling and business incubator services.

Zhengqi Financial provides customized financing options and convenient and flexible financial services to SMEs through its nine business lines including micro finance, credit guarantee, financial leasing and commercial factoring. As of June 30, 2018, Zhengqi Financial achieved a revenue of RMB637 million, representing an increase of RMB47 million or 8% as compared with RMB590 million over the corresponding period of last year. As of June 30, 2018, Zhengqi Financial recorded a net profit of RMB396 million, representing an increase of RMB79 million or 25% as compared with RMB317 million over the corresponding period of last year.

As of June 30, 2018, the outstanding loan balance of Zhengqi Financial amounted to RMB6,415 million, representing a decrease of RMB208 million or 3% as compared with RMB6,623 million over the corresponding period of last year. During the reporting period, Zhengqi Financial leveraged on its leading position in microfinance business in Anhui Province and developed Shenzhen Chengzheng Microcredit Co., Limited (深圳市誠正小額貸款有限公司) into one of the first batch of local technology-oriented microcredit companies, thereby providing financing services to technology-based growth enterprises on an ongoing basis. As of June 30, 2018, the aggregate outstanding balance of micro loans granted by Anhui Guozheng Microcredit Co., Limited (安徽國正小額貸款有限公司) and Shenzhen Chengzheng Microcredit Co., Limited (深圳市誠正小額貸款有限公司) amounted to RMB4,437 million, representing an increase of RMB52 million or 1% as compared with RMB4,385 million over the corresponding period of last year. Leveraging on the regional leading edge of its micro loan business in Anhui Province, Zhengqi Financial continuously adjusted the business mix for steady development, and gradually expanded to the market outside the province.

Ever since the commencement of its financial leasing business in the second half of 2013, Zhengqi Financial has endeavored to develop and improve its service capabilities in financial leasing areas, energetically enhanced cooperation with manufacturers and focused on the industry, and thoroughly implemented the strategic thinking of investment-loan linkage of the company. As a result, its financial leasing business achieved rapid growth. As of June 30, 2018, the balance of the financial leasing business amounted to RMB5,310 million, representing an increase of RMB1,049 million or 24.62% as compared with RMB4,261 million over the corresponding period of last year.

With respect to credit guarantee business, the guarantee business of Zhengqi Financial includes financing guarantee and non-financing guarantee. The guarantee fee of financing guarantee business is usually charged at 1.50% to 2.40% of the amount guaranteed each year, and the borrower is required to provide counter guarantee arrangement and collateral. The guarantee fee of non-financing guarantee business is usually charged at 2% of the amount guaranteed each year. As of June 30, 2018, the outstanding guarantee balance amounted to RMB4,200 million, representing an increase of RMB266 million or 6.76% as compared with RMB3,934 million over the corresponding period of last year.

In September 2015, Zhengqi Financial established Zhengqi International Commercial Factoring Company Limited (正奇國際商業保理有限公司) which provides accounts receivable factoring services to core enterprises and the upstream and downstream companies along the supply chain. The business has a broad market space and potential for rapid growth. During the reporting period, the company continuously enhanced the team building and proactively developed the underlying assets involved in the factoring business under the guidance of the risk control awareness formed in the credit business over the years, aiming to turn the factoring business into an important contributor to the business growth of the company. As of June 30, 2018, the outstanding commercial factoring balance amounted to RMB1,909 million, representing an increase of RMB677 million or 55% as compared with RMB1,232 million over the corresponding period of last year.

During the reporting period, Zhengqi Financial innovated financing methods and strove to expand financing channels. In February, Pre-ABS of Zhengqi Leasing was issued successfully with an issuance scale of RMB600 million. In June, “Tian Feng-the first tranche of asset-backed securities special project of Zhengqi Leasing (天風—正奇租賃一期資產支持專項計劃)” was set up with an issuance scale of RMB547 million. Currently, Zhengqi Financial has various financing channels including bank loan, trust loan, insurance assets financing, asset securitization and corporate bonds. In general, Zhengqi Financial has established its comparative advantages among its peers in financing with smooth financing channels and low funding cost.

In the first half of 2018, against the challenging macro environment, Zhengqi Financial further improved its risk management and control system, reinforced the risk control institutions, optimised the authorization and approval procedures for risk control of the headquarter and branches, strengthened the headquarter's authority of review and approval, and adopted various measures to keep business risks under control. Meanwhile, the company intensified its analysis and judgment on the macro environment and economy, and organized the strategic theory-discussing meeting for the next three years to figure out coping tactics, formulate plans in advance and actively adjust its business mix. In addition, Zhengqi Financial strove to improve its profitability through various approaches such as continuously expanding its business in capital markets, strengthening the investment analysis in the primary market, and constantly implementing the investment-loan linkage strategy.

On June 29, 2018, the headquarter building of Zhengqi Financial, located at Zhengqi Financial Plaza A, No. 7363, Linqun Road, Hefei City, Anhui Province, was officially put into use, and Zhengqi Financial and its regional subsidiaries in Hefei were relocated to the building. The completion of Zhengqi Financial Plaza and the use of the headquarter building marked a new milestone in the rapid development of Zhengqi Financial.

Zhengqi Financial will integrate diversified strategic resources, further explore new businesses and regional presence and continue to build up its differentiated core competitiveness to become a model enterprise in the new financial industry.

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

*Unit: RMB million*

	<b>For the six months ended June 30, 2018</b>	For the six months ended June 30, 2017
Revenue	<b>637</b>	590
Net profit	<b>396</b>	317

During the reporting period, the revenue increased by approximately 8% from RMB590 million in the corresponding period of last year to RMB637 million, mainly due to the growth of commercial factoring and financial leasing businesses. Net profit increased by approximately 25% from RMB317 million in the corresponding period of last year to RMB396 million, mainly due to the initial results achieved in the investment-loan linkage strategy, where the increase in profit contributions from its investment business guaranteed the stability of the company's profit in the market rotation process.

### JC Finance & Leasing

JC Finance & Leasing was established in November 2015 and specializes in financial leasing and relevant financial businesses under Legend Holdings. Backed by Legend Holdings' brand and the expertise of its management team, JC Finance & Leasing has initiated cooperation with both domestic and international well-known equipment manufacturers, focused on industry and industrial chain, and conducted financial leasing business relating to sectors that reflect new economic trends in China, such as medical services, advanced manufacturing, energy conservation and environmental protection, agri-food, electronic information, public services and transportation, aiming to develop itself into a leading enterprise in the financial leasing industry. As of June 30, 2018, we held 100% equity interests in JC Finance & Leasing.

During the reporting period, JC Finance & Leasing achieved rapid business growth. As of June 30, 2018, the total assets of JC Finance & Leasing and the closing balance of receivables of its financial leasing business amounted to RMB11,722 million and RMB10,612 million, respectively. The revenue and net profit attributable to the shareholders of JC Finance & Leasing in the first half of 2018 amounted to RMB441 million and RMB95 million, representing an increase of 46% and 12%, respectively, as compared with the corresponding period of last year.

JC Finance & Leasing continued to reinforce its business presence and market expansion. During the reporting period, while maintaining significant growth in respect of the existing business segments, the transportation and logistics department completed the business layout in 4 provinces, set up new branch offices, and gained a successful business start.

JC Finance & Leasing has pursued external financing actively and achieved new breakthroughs in diversified financing channels such as bank loans, asset-backed schemes and bonds. Despite the overall tightening funding in the market, JC Finance & Leasing successfully issued the asset-backed securities (ABS) amounting to RMB941 million and the asset-backed notes (ABN) amounting to RMB1,512 million, and further enhanced its recognition in capital markets.

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

*Unit: RMB million*

	<b>For the six months ended June 30, 2018</b>	For the six months ended June 30, 2017
Revenue	<b>441</b>	302
Net profit	<b>95</b>	85



## Kaola Technology

During the reporting period, Kaola Technology further consolidated its leading position in the financial technology sector and continued to provide services for personal consumption, SMEs and community finance in compliance with its license. Thanks to the advantages in the Internet technology and big data mining, Kaola Technology has had over ten million loan applicants. Besides, it has accumulated advantages in risk management model and data-based crediting model and delivered the models and experience to accredited financial institutions. As of June 30, 2018, the Company held 51% equity interests in Kaola Technology.

In adherence to the principles of small amount and dispersion, Kaola Technology maintained its credit balance of approximately RMB6.4 billion at the end of June 2018 with a peak monthly-granted personal loans exceeding RMB1.2 billion. Kaola Technology has ensured sustained fund supply and cost control by constantly strengthening the cooperation in funds and businesses with accredited financial institutions. Meanwhile, it has accumulated and improved the risk management technology to control overdue loans, thus maintaining a high profit margin.

With the development of new technology-driven credit business, Kaola Technology will continue to create profits leveraging on its own advantages. It will also deliver to financial institutions the customer acquisition technology based on data analysis and the risk control technology so as to push ahead the development of the entire industry.

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

*Unit: RMB million*

	<b>For the six months ended June 30, 2018</b>	For the six months ended June 30, 2017
Revenue	<b>881</b>	796
Net profit	<b>249</b>	142

## Associates in Financial Services Segment and Other Investments

During the reporting period, total profits contributed by associates and other investments to the financial services segment were RMB515 million (RMB150 million for the corresponding period of last year), of which the value of the investment in Pension Insurance Corporation increased by RMB315 million.

During the reporting period, the transaction amount of the acquiring business of Lakala Payment exceeded RMB1,700 billion with a year-on-year increase of over 100%. The business of Lakala Payment branched out to over 330 cities across China, covering more than 15 million merchants and over 10 million individual users. With a consistent idea of inclusiveness, technological progress, innovation and integration, Lakala Payment has developed a unified account system and established a payment ecosystem. Meanwhile, it joined the Nets Union Clearing Corporation (網聯清算股份有限公司) under the China National Clearing Center, PBOC (中國人民銀行清算總中心) as an echo with the national policy. On March 3, 2017, Lakala Payment submitted to CSRC the application for the initial public offering on the ChiNext Board of the Shenzhen Stock Exchange.

## Innovative Consumption and Services

### Overview

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

- Better Education, our subsidiary, mainly provides pre-school education services;
- Shanghai Neuromedical Center (德濟醫院), our subsidiary, specializes in neurological and neurosurgical services and provides other comprehensive healthcare services;
- CAR, our associate, mainly provides comprehensive car rental services including car rentals, fleet rentals and financial leasing, as well as sales of used cars;
- Bybo Dental, our associate, mainly provides dental healthcare services through chain operations; and
- XYWY.COM, our associate, mainly provides Internet healthcare services.

We keep investing in the innovative consumption and services segment. On the one hand, we converge on and develop the existing businesses to constantly build our core competence. On the other hand, we seek new investment opportunities to expand our presence. We value the growth potential of “consumption + services”, and the branding and upgrading of services will be the key direction. We have made researches and allocations on niche segments including mobility, healthcare and education to develop excellent enterprises and brands.

During the reporting period, we entered into an agreement with Taikang Life Insurance to strategically introduce it as the controlling shareholder of Bybo Dental, which further underpinned the future development of Bybo Dental by capital increase. In addition to the funding support, Taikang Life Insurance will establish business synergy with Bybo Dental in customer resources support, marketing and promotion cooperation, insurance payment procedures, and cooperation on insurance products for oral health, to drive the long-term development of Bybo Dental.

During the reporting period, Better Education continued to expand its business scale. It now directly operates 110 kindergartens, representing an increase of 21% as compared with 91 kindergartens in the corresponding period of last year, with over 32,000 enrolled students and over 4,800 staff members, leading the sector nationwide in terms of its scale.

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

*Unit: RMB million*

	<b>For the six months ended June 30, 2018</b>	For the six months ended June 30, 2017
Revenue	<b>886</b>	755
Net profit (loss)	<b>1,034</b>	(330)
Net profit (loss) attributable to equity holders of Legend Holdings	<b>1,139</b>	(139)

During the reporting period, the revenue of innovative consumption and services segment increased by 17% to RMB886 million as compared with the corresponding period of last year, mainly due to the strategic investment in Better Education in July 2017 and the consolidation of its revenue in the current period. Net profit of the period increased significantly, mainly due to the investment income of RMB1,287 million from the strategic introduction of Taikang Life Insurance for Bybo Dental.

### Better Education

Better Education, our subsidiary, is a leading kindergarten group with direct operation networks of middle and high-end kindergartens in China and is mainly engaged in the pre-school education. Leveraging on the synergy between strategic and financial investments, Legend Holdings completed the holdings investment in Better Education in July 2017 jointly with Hony Capital. As of June 30, 2018, Legend Holdings and Hony Capital held 51% and 29% of equity interests in Better Education, respectively.

In the first half of 2018, with the full relaxation of the Two-child Policy, the gradual implementation of policies as stipulated in the Law for Promoting Private Education, and the increasing emphasis on and investment in the pre-school education by the central government, the overall positive prospect of the pre-school education industry created broad space for the development of Better Education, which positioned itself as a direct operation network of middle and high-end kindergartens. Better Education grasped the opportunities to continuously invest in the construction of new core business areas to acquire kindergartens, and reserved a number of kindergartens to be opened and merge and acquisition targets, which are expected to be put into operation and to complete the transfer in the second half of the year. As of June 30, 2018, Better Education directly ran 110 kindergartens in Shanghai, Suzhou, Nanjing, Chongqing, Changsha, Guangzhou and other cities, representing an increase of 21% as compared with 91 kindergartens at the end of June 2017, with over 32,000 enrolled students and over 4,800 staff members, ranking among the top in terms of its scale in China.

While expanding its business, Better Education will keep improving the teaching quality and the teaching staff. It will strengthen the teaching process management and the training of the teaching staff by strict supervision on kindergarten affairs, optimization of the curriculum system, constructing of the IT system and training on ethics and morality of teachers. In addition, the company is also strengthening the capacity building of chain operation management and mergers and acquisitions to build the core competitiveness in the long run. Moreover, based on the existing businesses, Better Education will start baby nursery for families and corporate employees, so as to create a business ecosystem in pre-school education.

Legend Holdings will continue to promote the business development and value growth of Better Education by integrating its brand resources, financial support and the professional operation capabilities of Hony Capital, aiming to develop it into a leading pre-school education group in China.

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

*Unit: RMB million*

	<b>For the six months ended June 30, 2018</b>
Revenue	<b>245</b>
Net profit	<b>34</b>

### Shanghai Neuromedical Center

Shanghai Neuromedical Center, our subsidiary medical institution, provides clinical neurological and neurosurgical services. In August 2016, we invested in Shanghai Neuromedical Center. As of June 30, 2018, we held its 58% equity interests through our subsidiary, and Legend Capital, our venture capital vehicle, held its 15% equity interests.

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

Since the strategic investment made in Shanghai Neuromedical Center by Legend Holdings in 2016, Shanghai Neuromedical Center has highly emphasized the operating management, development of corporate culture, improvement in medical services and introduction of talents. During the reporting period, the efforts above have taken initial effect. The medical technological standard of Shanghai Neuromedical Center was enhanced with the participation of renowned doctors from China, leading to the substantial increase in medical business statistics such as outpatient visits and discharged patients. In addition, the increased number of hospital beds available also contributed to the business growth.

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

	<b>As of June 30, 2018</b>	As of June 30, 2017
Number of hospital beds available	<b>324</b>	300
Outpatient visits ( <i>ten thousand visits</i> )	<b>8.0</b>	7.4
Discharged patients ( <i>discharges</i> )	<b>3,036</b>	2,506

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

*Unit: RMB million*

	<b>For the six months ended June 30, 2018</b>	For the six months ended June 30, 2017
Revenue	<b>124</b>	105
Net (loss)	<b>(16)</b>	(13)

During the reporting period, revenue from Shanghai Neuromedical Center substantially increased to RMB124 million, representing a growth of over 18% as compared to the corresponding period of last year. The increase in revenue was due to the increase in outpatient visits and discharged patients. Shanghai Neuromedical Center was still in loss in the first half of 2018, mainly due to the implementation of "Zero-markup Policy for Essential Drugs" in April, which had some impact on the profit in the short term. Shanghai Neuromedical Center has made efforts to introduce talents and enhance discipline construction, and has put the improvement of the medical technology and service quality as the foundation of the hospital's development. Though the investment in the short term will affect the current results to some extent, such investment will make a stable contribution to the future results and also have a positive impact on the brand of the hospital.



## Associates of Innovative Consumption and Service

### CAR

CAR, our associate, provides comprehensive car rental services including car rental, fleet rental and financial leasing, and sales of used cars. Through its strategic partner, UCAR, it provides an on-demand chauffeured car services based on mobile Internet technology and the strong brand of “UCAR”. As of June 30, 2018, we held 26.17% actual equity interests in CAR.

In the first half of 2018, CAR launched self-service car rental and car sharing businesses, and transformed its business process and management system from offline to online. As of the end of July 2018, 53% of car rental fleets have achieved intelligent interconnection for self-service car rental. The company targets to achieve intelligent interconnection for all fleets at the end of the year. Intelligently interconnected fleets and self-service car rental process enable more densified car rental points and higher operational efficiency. At the same time, the operation mode of the company has changed from store-based to block-based, improving user experience and management efficiency. By the end of June, there were more than 2,000 self-service rental points in service. By the end of July, 30% car rental orders were completed through self-service.

The company launched car sharing service on March 28, 2018. By May, the service outlets have expanded to 36 cities, and gained encouraging market response. The number of new users and orders increased rapidly, and these young and new users are gradually turning into car rental users.

As of June 30, 2018, the operating fleet of CAR had 114,894 cars, representing an increase of 30.1% as compared with the corresponding period of last year; the fleet had 123,879 cars, representing an increase of 23.8% as compared with the corresponding period of last year.

The table below sets out the key business data of CAR:

	<b>As of June 30, 2018</b>	As of June 30, 2017
<b>Fleet size</b>		
Car rental	<b>99,378</b>	71,872
Fleet rental	<b>11,459</b>	16,157
Financial leasing	<b>4,057</b>	272
<b>Total operating fleet</b>	<b>114,894</b>	88,301
Retired vehicles for sale	<b>7,249</b>	8,328
Vehicles held for sale	<b>1,736</b>	3,400
<b>Total fleet</b>	<b>123,879</b>	100,029

During the reporting period, in spite of the headwinds blocking the development of the car rental business as a result of the drop in demand for rental of UCAR, CAR made significantly staged achievements in the car rental business, recording a slight year-on-year increase in overall rental revenue. Specifically, car rental days grew 25% year-on-year and revenue increased by 19% year-on-year to RMB2,073 million; fleet rental revenue decreased by 42% year-on-year to RMB409 million. To promote car sharing business, the company appropriately slowed down vehicle retiring. The number of used cars sold stood at 6,753, down by 62% year-on-year; the ratio of cost to sales price was 101.0%, which further verified the ability of the company to effectively estimate the residual value of leased vehicles and manage the full cycle value of vehicles.

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

*Unit: RMB million*

	<b>For the six months ended June 30, 2018</b>	For the six months ended June 30, 2017
Revenue	<b>3,075</b>	3,612
Net profit	<b>135</b>	379

During the reporting period, the total rental revenue amounted to RMB2,493 million, representing an increase of 1.5% year-on-year. The decline in total revenue was mainly due to the decrease in the number of retired vehicles and sales of used cars. The net profit decreased by RMB244 million as compared with the corresponding period of last year, mainly attributable to the large RMB exchange rate fluctuation during the period that resulted in a large loss of the one-off fair value of the issued bonds denominated in US dollars. During the reporting period, the adjusted net profit amounted to RMB336 million, representing an increase of 7% year-on-year, and the adjusted net profit margin increased to 13.5%.

### Bybo Dental

Bybo Dental, our associate, provides dental healthcare services. We made a strategic investment in Bybo Dental in July 2014 and became its controlling shareholder. In January 2018, in order to support the development and optimize the capital structure of Bybo Dental, the existing shareholders of Bybo Dental, including Legend Holdings, entered into an agreement with Taikang Life Insurance in relation to the strategic introduction of Taikang Life Insurance as the controlling shareholder, and Legend Holdings further supported the future development of Bybo Dental by capital increase. The aforesaid transaction has been approved by China Banking and Insurance Regulatory Commission and completed. In addition to funding support, Taikang Life Insurance will also establish business synergy in customer resources support, marketing and promotion cooperation, insurance payment procedures, and cooperation on insurance products for oral health. As of June 30, 2018, we held 36.469% equity interests in Bybo Dental.

During the reporting period, Bybo Dental continued to focus on its hospital and clinic businesses, putting emphasis on the nature and quality of medical care. Starting from basic medical treatment and services, it kept improving the medical appointments, medical checkup and treatment in outlets, return visits and client maintenance to refine its medical system and quality management. While recruiting quality medical personnel, it also improved the medical services, strengthened the team building and ensured safe operation. In addition, Bybo Dental further improved the medical technology and the nature of medical treatment by medical technology innovation and the launch of featured medical projects. In addition to the IDDC (Implantation Diagnosis and Design Center) established last year, which made various breakthroughs in sophisticated oral implant technology, it also launched featured periodontal and pedodontics centers. In the first half of 2018, Bybo Dental established the PIMC (Periodontal Implant Maintenance Center) to focus on the diagnosis and treatment of sophisticated cases of periodontal disease and to explore the application of new clinical technologies.

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

	<b>As of June 30, 2018</b>	As of June 30, 2017
Number of outlets	<b>213</b>	207
Area of outlets ( <i>square meter</i> )	<b>290,027</b>	277,314
Number of dental chairs	<b>2,789</b>	2,742
Number of dentists	<b>1,350</b>	1,278

In future, Bybo Dental will gradually integrate resources, strengthen cooperation with insurance customer resources and channel resources, and carry out marketing and promotion activities nationwide to enhance its brand awareness. Meanwhile, Bybo Dental will further strengthen the standardization of the group, explore the reform of management system and operation mechanism, and reinforce the management capacity building through multiple means to support the development of its dental medical treatment business.

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

*Unit: RMB million*

	<b>For the six months ended June 30, 2018</b>	For the six months ended June 30, 2017
Revenue	<b>793</b>	650
Net (loss)	<b>(356)</b>	(406)

During the reporting period, Bybo Dental continued to improve the medical management and operation management of its existing hospitals and clinics. While there was no significant increase in the number of outlets, its operating income increased from RMB650 million in the first half of 2017 to RMB793 million in the first half of 2018, representing a year-on-year increase of 22%, and the loss in the ramp-up period was narrowed.

In the second half of the year, Bybo Dental will further strengthen the cooperation with insurance channels and reduce the financial expenses by improving the capital structure. At the same time, Bybo Dental will continue to improve medical technology and quality, focus on service quality, enhance customer loyalty and consolidate market share to continuously provide high-quality dental medical services while enhancing financial performance.

## Agriculture and Food

### Overview

Joyvio Group, our subsidiary, mainly engages in fruit, animal protein, branded drink, processed food product business and comprehensive food ingredient supply chain businesses.

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 concepts and patterns, we believe that China is now in a stage of quick upgrading of food consumption, (2) upgrading of industry: in China, the industrial chains are segmented in agricultural and food industry with unreasonable profit distribution mechanisms. Through synergistic network across the industrial chains, product quality, food safety and operating efficiency will be significantly enhanced, (3) overseas resources: with remarkable advantages in resources, product varieties and technologies, overseas markets have the potential synergy with the consumption market in China intrinsically. We have been actively looking for investment opportunities amidst the aforesaid circumstances.

With the aim of improving food qualities for Chinese consumers, we have focused on developing the two supply chains of fresh fruits and seafood. In respect of the fresh fruit supply chain, we have commenced the global presence through Golden Wing Mau; in respect of the seafood supply chain, domestically, we have established Joyvio Agriculture, a company listed on Shenzhen Stock Exchange, which has invested in Qingdao Starfish, a leading Chinese enterprise engaged in seafood; overseas, we own KB Food, a leading Australian seafood supplier, based on which the expansion and integration of global seafood supply chain system will be carried out.

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

### Operating highlights

- During the reporting period, Golden Wing Mau was changed from an associate of Joyvio Group to its controlling subsidiary. Together with other shareholders, Joyvio Group will make continuous efforts to provide best fruit products and services for its consumers, with a view to develop Golden Wing Mau into a world-leading fruit industry company.
- During the reporting period, KB Food proactively implemented the strategy of upstream resources integration and further consolidated its competitive advantages in Australia. On this basis, the company has planned to export more high quality seafood in Australia to international markets, in particular the Chinese market.

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

*Unit: RMB million*

	<b>For the six months ended June 30, 2018</b>	For the six months ended June 30, 2017
Revenue	<b>6,387</b>	2,008
Net profit	<b>478</b>	141
Net profit attributable to equity holders of Legend Holdings	<b>379</b>	125

During the reporting period, the revenue of the agriculture and food segment increased from RMB2,008 million in the corresponding period of last year to RMB6,387 million, mainly due to the additional consolidation of the revenue of Golden Wing Mau, Joyvio Agriculture and Nine Masters and the increase in the revenue of KB Food in the period as compared to the corresponding period of last year. Net profit increased from RMB141 million in the corresponding period of last year to RMB478 million, mainly due to the RMB270 million one-off gain recognised from the shareholding restructuring of Funglian Group and the goodwill impairment of Joyvio Agriculture in the period.

#### (1) *Fruit business*

During the reporting period, thanks to the upturn in consumption, imported quality fruits grew rapidly, while domestic markets exerted greater efforts to sell brand and quality fruits, driving the rapid increase in the revenue from quality supermarket and hypermarket channels as well as wholesale channels of Golden Wing Mau whose main products are quality fruits.



During the reporting period, Golden Wing Mau further deepened its cooperation with the world leading blueberry enterprise Hortifrut in the new species and technologies of domestic blueberry, which further enhanced the quality, cost and growing season advantages of the company's blueberry products. Golden Wing Mau also strengthened its supply chain guarantee for Thai durian through the invested enterprise Thai Crown. At the same time, Golden Wing Mau made continuous efforts to market its own brand products, which further expanded the brand influence of Joyvio blueberry and Joyvio durian and consolidated its leading market position and competition advantages.

During the reporting period, Golden Wing Mau continued to market new fruit categories and conducted strategic cooperation with several domestic leading suppliers, thereby increasing the sales of new categories and optimizing the product mix.

(2) *Animal protein business*

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

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

KB Food proactively implemented its upstream resource integration strategy, improving its capability of resource control and offering products in the market of China. The company expanded its categories of imported seafood to include lobsters from North and South America. While increasing its revenue from Australian market, KB Food also actively developed Chinese and international markets. KB Food has become the best seafood supplier of the year of Woolworths, a large supermarket chain operator in Australia again, and is currently working with Woolworths to further expand their cooperation. At the same time, KB Food signed a five-year contract with Compass Group, the world's largest restaurant service provider with an operation experience across 50 countries. This year, KB Food will participate in international food exhibitions again, including China Fisheries & Seafood Expo held in Qingdao in November. KB Food plans to increase exports to Chinese market and proactively identifies investment opportunities to acquire marine fishing vessels and quotas, with a view to better control seafood supply.

(3) *Drinks business*

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

Funglian Group restructured with Hebei Hengshui Laobaigan, a Chinese company with its A shares listed on the main board of Shanghai Stock Exchange. On January 31, 2018, the transaction was unconditionally approved by the Merger and Reorganisation Vetting Committee of China Securities Regulatory Commission. The transaction was also approved by the board of directors and the general meetings of the company, and the registration of share transfer was completed on April 2, 2018. As of June 2018, Joyvio Group became the second largest shareholder of Laobaigan, with a shareholding of 6.33%.

Longguan Company's Longjing under the "Longguan" brand is the No.1 Longjing tea brand in China. It was selected as the designated tea for the G20 Hangzhou Summit 2016, the Belt and Road Forum for International Cooperation in 2017 and the ministerial conference of BRICS. During the reporting period, the company's brand recognition and influence kept increasing benefiting from its strengths in technological standards, brand effect as well as the continuous improvement in operation and management.

Liquor Easy is a dedicated liquor retailer running chain store networks. Its business model of "physical outlets+call centre+APP+delivery in 20 minutes" combined online and offline operations and reshaped distribution channels of the liquor industry. Its promise "20 minutes home delivery" has become the highest benchmark of liquor delivery in the industry. During the reporting period, Liquor Easy further increased the number of chain stores and distribution points in Henan, Beijing and Xi'an markets, thereby enhancing both its market coverage and service capability. In the first half of 2018, its revenue increased by 20% year-on-year, and a new round of financing was completed at the beginning of 2018. As of June 30, 2018, Joyvio Group held 27.58% equity interests in Liquor Easy.

(4) *Processed food products business*

Joyvio Group tapped into the field of processed food products through the investment in Huawen Food, a leading manufacturing enterprise of snack food in China that owns various brands such as Jinzai and Bo Wei Yuan. Its products involve two major series, namely marine fish snack food and dried bean curd products, and each of them enjoys the leading position in their respective market segment. Leveraging on its leading research and development, automated production, strong brand operation and distribution network, the company has become a leading enterprise in the snack food industry in China. In the first half of 2018, the company actively expanded its sales channels, and increased promotion activities in the retail terminal, with a view to expand the share of the company's products in the snack market in the second, third or lower-tier cities. Along with the optimization of channels, the company actively promoted brand marketing and conducted crossover marketing, with a view to enhance the company's brand awareness.

(5) *Integrated food ingredient supply chain business*

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

Up to now, Nine Masters has built a leading business model with proven capacities in terms of operation management, product research and development, and resources integration. During the current year, Nine Masters has strengthened the cooperation with upstream aquaculture bases, developed terminal products by leveraging on its strengths and enhanced the brand recognition of the company. Nine Masters has become a leading enterprise in domestic food supply chain industry.

## Advanced Manufacturing and Professional Services

### Overview

Our subsidiaries and associates in the advanced manufacturing and professional services include:

- Levima Group, our subsidiary, is primarily engaged in the research and development and production of special chemicals and advanced materials;
- Zeny Supply Chain, our subsidiary, mainly provides logistics services; and
- EAL, our associate, is mainly engaged in air logistics related business.

Legend Holdings is committed to developing China's leading manufacturing and related professional services and has completed staged layout in areas of advanced materials and high-end logistics. At present, embracing the exceptional historical development opportunities such as "Made in China 2025" and "the Belt and Road" initiative, Legend Holdings will continue to explore related fields, focus on materials, technology, manufacturing and services that are in short supply in China, keep expanding frontier business while facilitating existing industrial development, and achieve efficient coordination among portfolio companies, striving to become a world-leading enterprise in advanced manufacturing and professional services.

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

*Unit: RMB million*

	<b>For the six months ended June 30, 2018</b>	For the six months ended June 30, 2017
Revenue	<b>3,124</b>	3,055
Net profit	<b>196</b>	461
Net profit attributable to equity holders of Legend Holdings	<b>148</b>	433

During the reporting period, the revenue of advanced manufacturing and professional services segment of Legend Holdings increased by approximately 2% from RMB3,055 million in the corresponding period of last year to RMB3,124 million, mainly due to the increase in the revenue of Levima Group; the net profit of the segment decreased by 57% from RMB461 million in the corresponding period of last year to RMB196 million, mainly due to the combined effects of the one-off gain on the transfer of equity interests in Phylion Battery in the corresponding period of last year and the profit growth of Levima Group and EAL.

### Operating highlights

- Levima continued to optimize its product portfolio of advanced material, with the market share of its special PP, EVA and EOD products ranking first in several niche segments in China;
- In spite of the rising global trade protection, depreciation of RMB and sharp rise in oil price, EAL recorded a year-on-year increase of more than 30% in its logistics revenue and profit.

### Levima Group

Through Levima Group, our subsidiary, we are engaged in the research and development and production of special chemicals and advanced materials. During the reporting period, as a result of the further optimization of its product mix and price rise of downstream products driven by global oil price hike, Levima Group recorded a good performance.

In respect of operations, the DMTO integrated device of the company maintained safe and stable operation; raw material consumption kept decreasing; and various operational indicators reached the leading level in the industry and continue to improve.



In respect of market, by strengthening product development and sustained market channel expansion, the company's product mix was further optimized. In particular, its market share ranked first in China in terms of PP, EVA, EOD and other product segments. The proportion of thin-walled polypropylene injection molding products accounted for 100% in PP products. Benefiting from the rapid growth of the domestic take-away service and fresh food e-commerce industry, during the reporting period, Levima Group enjoyed a 40% year-on-year increase in the sales of thin-walled polypropylene injection molding products that were applied to meal boxes for take-out service, fresh food package, etc., and the market share kept the first place in China. EVA products with a high content of VA reached 100%. The market share of cable material products with high gross profit continued to rank first in China.

Moreover, Levima New Materials, a subsidiary of Levima Group, was awarded as a high-tech enterprise and was entitled to enjoy a 15% income tax preferential policy, further improving its profitability.

During the reporting period, Levima Group achieved a revenue of RMB2,838 million and net profit of RMB122 million, representing a growth of 10% and 51% year-on-year respectively.

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

*Unit: RMB million*

	<b>For the six months ended June 30, 2018</b>	For the six months ended June 30, 2017
Revenue	<b>2,838</b>	2,588
Net profit	<b>122</b>	81

### Zeny Supply Chain

We provided frozen foods supply chain business through Zeny Supply Chain, our subsidiary, endeavoring to develop it as a leading company in the industry. Zeny Supply Chain and its associates managed 400,000 tonnes cold-chain storage infrastructure in four major cities along the Beijing-Kowloon Railway (i.e. Tianjin, Zhengzhou, Wuhan and Dongguan) and the customer bases brought about by the two frozen food wholesale markets. After one year and a half's efforts, Zeny Supply Chain adopted the financial service model of frozen product supply chain based on "goods control". At the same time, Zeny Supply Chain started to build a B2B e-commerce trading platform for frozen products and is committed to building a comprehensive service platform for online trading, supply chain finance and cold chain logistics services for the frozen products industry.

In the first half of the year, the frozen product wholesale markets of Baishazhou, Wuhan, maintained an occupancy rate of 95% and the supply chain finance business also developed steadily. The cold chain project in Dongguan was in steady operation and introduced several new leading retail customers of fresh food in China, with a 50% overall occupancy rate of the cold storage during the reporting period.



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

*Unit: RMB million*

	<b>For the six months ended June 30, 2018</b>	For the six months ended June 30, 2017
Revenue	<b>286</b>	467
Net (loss)	<b>(38)</b>	(31)

During the reporting period, the revenue of Zeny Supply Chain decreased by RMB181 million year-on-year, mainly due to the reduced revenue of the supply chain finance business as a result of the enhanced risk control standards and the closure and deconsolidation of the courier business in Shandong in 2018. There was little change to the net loss as compared with the corresponding period of last year.

## Associates of advanced manufacturing and professional services segment

### EAL

We are mainly engaged in air logistics business through EAL, our associate. During the reporting period, the aviation logistics industry continued its trend in 2017, with the continued recovery of the global economy driving the rapid increase in demand. However, the growth in demand for aviation logistics has slowed down due to the rising global trade protectionism and the intensified trade frictions among the world's major economies. In addition, the depreciation of RMB and the sharp rise in aviation fuel prices in the first half of the year also posed challenges to domestic air freight business.

In spite of these adverse factors, EAL recorded a year-on-year increase of more than 30% in revenue and net profit in the first half of the year. The profit growth was primarily due to the increase in both the volume and price of air freight and the rising revenue from the ground freight handling businesses.

In response to the impact of the trade friction between China and the United States, EAL has opened a new cargo airline between Shanghai and Frankfurt to increase the proportion of cargo transportation between China and Europe, offsetting the potential risk of cargo decline on the air routes between China and the United States. Moreover, in the first half of the year, EAL set up freight service agencies and long-distance freight stations in Shanghai Zhangjiang High-tech Park and Waigaoqiao Bonded Zone, where international trade demands are relatively concentrated, to connect air ports and customers and provide customers within the region with the full chain services of goods receiving, agent, customs clearance and transportation, improving customer experience and enhancing EAL's control over the value chain.

On 1 March 2018, to resolve the horizontal competition between the full cargo service of China Cargo Airlines Co., Limited under EAL and the bellyhold freight business of passenger aircrafts of China Eastern Airlines Corporation Limited under China Eastern Airlines Group, China Cargo Airlines and China Eastern Airlines signed the “Agreement Regarding the Contractual Operation of the Bellyhold Space of Passenger Aircrafts of China Eastern Airlines Corporation Limited by China Cargo Airlines Co., Limited” and the “Agreement Regarding the Operating Expenses of the Bellyhold Space of Passenger Aircraft of China Eastern Airlines Corporation Limited under Contractual Operation by China Cargo Airlines Co., Limited”. Subsequently, EAL will continue to integrate the cargo business of China Eastern Airlines to solve horizontal competition problems in the industry, focus on the main business, promote IPO declaration and concentrate resources to build a world-leading logistics enterprise.

In 2018, domestic logistics industry has entered the era of rapid development and great changes. A large amount of capital inflow has promoted the application of new technologies and new models, and the rapidly changing market environment has brought new development opportunities for EAL. EAL will also set up businesses such as airport logistics industrial parks, cross-border e-commerce logistics and global fresh e-commerce by leveraging on shareholders’ resources, which will lay a solid foundation for EAL’s future development and performance.

## Financial Investments

### Overview

We are a pioneer in China’s alternative investment sector, seeking to capture investment opportunities at various stages of a company’s development. We achieve growth by leveraging on various financial investment platforms, which include angel investment, venture capital, 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 the access to numerous investment opportunities. Through investments in our associate funds in various asset classes, we are able to build a wide network in the investment community, expand information sources, capture more investment opportunities and diversify our investment risks.

Other investments including direct financial investments also provide us with continuous growth in value. We continue to promote the realisation 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 maximise the efficiency of financial investments.

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

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

*Unit: RMB million*

	<b>For the six months ended June 30, 2018</b>	For the six months ended June 30, 2017
Revenue	<b>304</b>	324
Investment income and gains	<b>469</b>	2,800
Share of (loss)/profits of associates and joint ventures accounted for using the equity method	<b>(66)</b>	107
Net profit	<b>429</b>	2,364
Net profit attributable to equity holders of Legend Holdings	<b>470</b>	2,130

During the reporting period, the investment income and gains from the financial investments decreased to RMB469 million from RMB2,800 million for the corresponding period of last year, and the net profit decreased to RMB429 million from RMB2,364 million for the corresponding period of last year, which was mainly due to the depreciation in the overall valuation of fund portfolio as well as the decrease in distribution of income and exit yield influenced by the capital market during the reporting period.

### Legend Star

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

As of June 30, 2018, Legend Star managed five funds in total, of which the size exceeded RMB2 billion with an aggregate of over 220 onshore or offshore investment projects including iDreamsky Games, MegviiFace++, AISpeech, Looock.cn, Homework Box (作業盒子), Surestar, Burning Rock Dx, Kintor Pharmaceuticals, PegBio, MNCHIP, Percans Oncology and other high quality projects. During the reporting period, Legend Star had nearly 20 onshore or offshore new investment projects covering frontier fields such as intelligent machine, industry transformation, biotechnology and medical equipment. Among the projects under management, over 40 projects have finished the follow-on financing; while nearly ten projects have been exited.

In the first half of 2018, Legend Star completed the final closing of the third RMB fund, with raised capital in exceed of RMB700 million.

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

Since 2014, Legend Star was ranked as top tier of the Annual Angel Investment Institution/Early Stage Investment Institutions in successive years by the professional institutions in the industry, namely Zero2IPO Group and ChinaVenture Group.

### Legend Capital

Legend Capital is one of the leading venture capital institutions in China. As of June 30, 2018, Legend Capital totally managed seven USD funds, four RMB funds, two early-stage RMB funds, one USD fund specialised in healthcare sector, two RMB fund specialised in healthcare sector, two RMB funds specialised in the culture and sports sector and one fund in the red-chip return concept. In the first half of 2018, Legend Capital launched one new RMB fund, namely Suzhou Junlian Xinkang Venture Investment, L.P. (蘇州君聯欣康創業投資合夥企業(有限合夥)) (“2nd RMB medical fund”) and also completed the final closing of one RMB fund, namely Suzhou JunJunde Equity Investment, L.P. (蘇州君駿德股權投資合夥企業(有限合夥)) (“2nd culture and sports fund”). As of June 30, 2018, the raised fund amounted to RMB1.26 billion during the reporting period, including a total of RMB1.01 billion firstly raised from the 2nd RMB medical fund.

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

During the reporting period, Legend Capital accumulatively completed 37 new project investments, covering start-up and growing stage enterprises in TMT, innovative consumption, intelligent manufacturing, professional services, healthcare, and culture and sports sectors.

During the reporting period, Legend Capital fully or partially exited 12 projects, contributing a cash inflow of over RMB450 million for Legend Holdings to ensure better cash return. Among its portfolio companies, four enterprises were listed on the domestic and overseas capital markets through IPO, namely bilibili (嗶哩嗶哩), WuXi AppTec (藥明康德), CATL (寧德時代) and UXIN (優信). As of June 30, 2018, a total of 51 of Legend Capital’s portfolio companies have been successfully listed. As of June 30, 2018, Legend Capital achieved an average internal rate of return for the exited 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, 2018:

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)			
<i>USD Funds (in USD million)</i>					
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 involves the non-IT sector)	68.64%
LC Fund IV, L.P.	4/15/2008	4/14/2019	350	TMT, healthcare, consumer goods, modern services, clean technology and advanced manufacture	29.77%
LC Fund V, L.P.	5/31/2011	5/30/2021	515	TMT, healthcare, consumer goods, modern services, etc.	19.42%
LC Fund VI, L.P.	1/30/2014	4/17/2024	500	TMT, healthcare, modern services, etc.	23.20%
LC Healthcare Fund I, L.P.	9/29/2015	2/4/2025	250	Healthcare	20.00%
LC Fund VII, L.P.	2/5/2016	2/4/2024	448	TMT, innovative consumption, modern services, intelligent manufacture	22.31%



Name of Fund	Fund Term		Total Commitment	Investment Sector	Interests held by Legend Holdings as a limited partner (%)
	Commencement Date (month/day/year)	End Date (month/day/year)			
<b>RMB Funds (in RMB million)</b>					
Beijing Legend Capital Ruizhi Venture Investment Center, L.P. (北京君聯睿智創業投資中心(有限合夥))	9/18/2009	9/18/2019	1,000	TMT, healthcare, consumer goods, modern services, clean technology and advanced manufacture	31.00%
Tianjin Junruiqi Equity Investment, L.P. (天津君睿祺股權投資合夥企業(有限合夥))	3/31/2011	3/30/2019	3,632	TMT, healthcare, consumer goods, modern services, clean technology and advanced manufacture	31.67%
Beijing Legend Capital Maolin Equity Investment, L.P. (北京君聯茂林股權投資合夥企業(有限合夥))	9/9/2014	9/8/2022	3,204	Consumer goods, modern services, TMT, healthcare, etc.	31.21%
Shanghai Qiji Venture Investment, L.P. (上海祺跡創業投資合夥企業(有限合夥))	5/30/2015	5/29/2023	500	TMT and innovative consumer service sector	16.00%
Beijing Legend Capital Mingde Equity Investment, L.P. (北京君聯名德股權投資合夥企業(有限合夥))	7/31/2015	7/30/2021	1,247	Culture entertainment, sports	20.05%
Beijing Legend Capital Xinhai Equity Investment, L.P. (北京君聯新海股權投資合夥企業(有限合夥))	8/11/2015	8/10/2020	1,698	Return of red-chip, cross-border investment and other high-growth projects	17.67%
Beijing Legend Capital Yikang Equity Investment, L.P. (北京君聯益康股權投資合夥企業(有限合夥))	2/5/2016	2/4/2024	1,621	Healthcare	18.50%
Beijing Legend Capital Huicheng Equity Investment, L.P. (北京君聯慧誠股權投資合夥企業(有限合夥))	8/30/2016	8/29/2024	4,500	TMT, innovative consumption, intelligent manufacturing, professional services and healthcare services	22.22%
Suzhou JunJunde Equity Investment, L.P. (蘇州君駿德股權投資合夥企業(有限合夥))	6/30/2017	6/29/2025	1,610	Culture entertainment, sports	23.29%
Suzhou Junlian Xinkang Venture Investment, L.P. (蘇州君聯欣康創業投資合夥企業(有限合夥))	4/16/2018	4/15/2026	1,010	Healthcare	39.60%

### Notes:

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

### Hony Capital

Hony Capital is one of the leading equity investment and management institutions in China. As of June 30, 2018, Hony Capital managed eight equity investment funds, as well as two mezzanine funds, two property funds and one cultural industry fund in total. During the reporting period, the Haidian technology industry space optimization fund under the strategic cooperation between Hony property fund and an SOE of Beijing Haidian district completed the new round of delivery with a size of RMB2.01 billion.

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

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

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

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

During the reporting period, Hony PE funds completed additional investment in six existing projects, covering start-up stage and growing stage enterprises in healthcare, consumption, services and so on. Hony property funds completed additional investment in five existing projects. Hony cultural industry fund completed additional investment in one project.

During the reporting period, Hony PE funds fully or partially exited from six projects, while Hony mezzanine funds fully or partially exited from six projects. Hony Capital contributed a cash inflow of over RMB600 million for Legend Holdings in total. Meanwhile, one of its portfolio companies was listed in China's capital market, namely Bank of Chengdu. As of June 30, 2018, 42 of Hony's portfolio companies have been successfully listed onshore or offshore (including PIPE investment) and another three were listed on NEEQS. As of June 30, 2018, Hony Capital has fully exited from 46 investment projects. The median of the internal rate of return on these investments was above 11%.

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, 2018:

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)			
<b>USD Funds (in USD million)</b>					
Hony International Limited	N/A	N/A	29		40%
Hony Capital II, L.P.	7/26/2004	8/31/2014	87	In view of China's economic environment and the direction of policies, Hony's equity investment funds strategically focus on the opportunities of SOE reforms, mergers and acquisitions of private enterprises and cross-border mergers and acquisitions sectors. In terms of industry selection, it focuses on industries directly benefiting from China's macro trends, including consumer industry, health industry, service industry and high-end manufacturing industry, as well as opportunities for transformation brought by the mobile Internet.	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%
<b>RMB Funds (in RMB million)</b>					
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	4/23/2019	5,026		30%
Hony Capital RMB Fund 2010, L.P. (北京弘毅貳零壹零股權投資中心(有限合夥))	10/13/2010	10/12/2018	9,965		20%
Hony Capital Fund 2015, L.P. (弘毅貳零壹伍(深圳)股權投資基金中心(有限合夥))	10/13/2015	10/12/2025	3,596		9%

Name of Fund	Fund Term		Total Commitment	Investment Sector	Interests held by Legend Holdings as a limited partner (%)
	Commencement Date (month/day/year)	End Date (month/day/year)			
Hony Capital Mezzanine RMB Fund I, L.P. (弘毅一期(深圳)夾層投資中心(有限合夥))	5/17/2013	9/2/2017	1,040	Hony Capital's mezzanine funds focus mainly on investment opportunities of	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	mergers and acquisitions financing, ABS financing and special opportunity investing, etc.	10%
Hony Capital Real Estate Fund 2015, L.P. (弘毅貳零壹伍(深圳)地產投資中心(有限合夥))	9/28/2016	9/27/2021	2,563	The property fund focuses strategically on office buildings in first-tier cities to create excess return, by applying	20%
Beijing Haidian Technology Industry Space Optimization Fund, L.P. (北京海淀科技產業空間優化基金中心(有限合夥))	12/8/2016	6/30/2022	2,007	various value-added means such as renovation, enhanced operation and functional adjustment to the office buildings in first-tier cities or other commercial buildings with the potential to be converted into office buildings.	2%

*Notes:*

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

### Investment Properties

The investment properties that we hold mainly include the high-end office buildings, i.e. Raycom Info Tech Park Tower A, Tower B and Tower C in Zhongguancun, Beijing. As of June 30, 2018, with the average occupancy rate of about 98%. We hold Tower A and Tower C of Raycom Info Tech Park through Raycom Property, a wholly-owned subsidiary of the Company and hold Tower B through Raycom Real Estate, a subsidiary. As of June 30, 2018, the fair value of our investment properties amounted to RMB11.108 billion (exclusive of self-use portions).

## Financial Review

### Net interest expense

Our net interest expenses after deducting capitalized amounts increased from RMB2,274 million for the six months ended June 30, 2017 to RMB2,539 million for the six months ended June 30, 2018. Increase in the net interest expenses was mainly due to the increase in the average total borrowings during the period.

### Taxation

Our taxation changed from income tax gain of RMB39 million for the six months ended June 30, 2017 to income tax expense of RMB53 million for the six months ended June 30, 2018. Increase in the amount of taxation was mainly due to the increase in profit before tax as compared to 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 in progress and intangible assets, and payment for investment. Capital expenditures were mainly funded by internally generated resources and external borrowings.

As of June 30, 2018, we had RMB19,376 million of capital expenditures contracted but not yet generated. Such capital commitments were mainly used for purchases of property, plant and equipment, and investment. Details of capital commitments are set out in Note 24 to the financial statements.

### Liquidity and financial resources

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

### Cash and cash equivalents

As of June 30, 2018, our cash and cash equivalents include RMB48,769 million of cash at bank and in hand and money market funds, among which, RMB, USD, HKD, EUR and other currencies accounted for 45%, 22%, 7%, 20% and 6%, respectively, while the amount as of December 31, 2017 was RMB32,202 million, among which, RMB, USD, HKD, EUR and other currencies accounted for 54%, 29%, 6%, 4% and 7%, respectively. It is our policy to place our cash in interest-bearing principal-protected demand or short-term deposits with reputable PRC and foreign banks.

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



## Indebtedness

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

*Unit: RMB million*

	<b>As of June 30, 2018</b>	As of December 31, 2017
<b>Bank loans</b>		
– Unsecured loans	<b>31,655</b>	14,200
– Guaranteed loans	<b>21,375</b>	19,586
– Collateralised loans	<b>4,502</b>	3,851
<b>Other loans</b>		
– Unsecured loans	<b>3,880</b>	2,343
– Guaranteed loans	<b>8,917</b>	7,287
– Collateralised loans	<b>2,011</b>	1,843
<b>Corporate bonds</b>		
– Unsecured	<b>40,059</b>	37,974
– Guaranteed	<b>499</b>	494
	<b>112,898</b>	87,578
<b>Less: non-current portion</b>	<b>(52,966)</b>	(64,454)
<b>Current portion</b>	<b>59,932</b>	23,124

As of June 30, 2018, among our total borrowings, 69% was denominated in RMB (December 31, 2017: 77%), 29% was denominated in USD (December 31, 2017: 22%) and 2% was denominated in other currencies (December 31, 2017: 1%). If categorised by whether the interest rates were fixed or not, the fixed interest rates borrowings and the floating interest rates borrowings accounted for 80% and 20% of our total borrowings, respectively, while as of December 31, 2017 accounted for 92% and 8%, respectively. Increase in our indebtedness was mainly due to growth and expansion of our strategic investment business.

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

Unit: RMB million

	<b>As of June 30, 2018</b>	As of December 31, 2017
Within 1 year	<b>59,932</b>	23,124
After 1 year but within 2 years	<b>21,484</b>	25,707
After 2 years but within 5 years	<b>29,011</b>	36,352
After 5 years	<b>2,471</b>	2,395
	<b>112,898</b>	87,578

As of June 30, 2018, we had the following corporate bonds outstanding:

Issuer	Type of bonds	Currency	Issuance date	Term	Principal amount	As of June 30, 2018
The Company	Corporate bonds	RMB	October 31, 2011	7 years	RMB2,900 million	RMB2,899 million
The Company	Corporate bonds	RMB	November 30, 2012	10 years	RMB2,300 million	RMB2,290 million
The Company	Private placement bonds	RMB	March 21, 2014	5 years	RMB2,000 million	RMB1,995 million
The Company	Private placement bonds	RMB	March 27, 2014	5 years	RMB740 million	RMB739 million
The Company	Private placement bonds	RMB	October 29, 2015	3 years	RMB1,000 million	RMB999 million
The Company	Corporate bonds	RMB	July 6, 2016	5 years	RMB1,500 million	RMB1,497 million
The Company	Corporate bonds	RMB	July 6, 2016	10 years	RMB2,000 million	RMB1,992 million
The Company	Private placement bonds	RMB	November 28, 2016	3 years	RMB3,000 million	RMB2,996 million
The Company	Corporate bonds	RMB	July 5, 2017	5 years	RMB2,500 million	RMB2,494 million
The Company	Corporate bonds	RMB	January 31, 2018	5 years	RMB1,000 million	RMB998 million
Lenovo	Long term notes	USD	May 8, 2014	5 years	USD786 million	RMB5,195 million
Lenovo	Long term notes	RMB	June 10, 2015	5 years	RMB4,000 million	RMB3,985 million
Lenovo	Long term notes	USD	March 16, 2017	5 years	USD500 million	RMB3,287 million
Lenovo	Long term notes	USD	March 29, 2018	5 years	USD750 million	RMB4,917 million
Zhengqi Financial	Guaranteed bonds	RMB	September 16, 2015	3 years	RMB500 million	RMB499 million
Zhengqi Financial	Corporate bonds	RMB	March 3, 2016	3 years	RMB400 million	RMB399 million
Zhengqi Financial	Corporate bonds	RMB	September 22, 2017	3 years	RMB300 million	RMB298 million
JC Finance & Leasing	Asset backed securities	RMB	November 17, 2016	2-3 years	RMB527 million	RMB417 million
JC Finance & Leasing	Private placement bonds	RMB	March 28, 2017	3 years	RMB500 million	RMB505 million
JC Finance & Leasing	Asset backed securities	RMB	June 23, 2017	3-4 years	RMB1,202 million	RMB1,021 million
JC Finance & Leasing	Private placement bonds	RMB	December 22, 2017	2 years	RMB100 million	RMB103 million
JC Finance & Leasing	Private placement bonds	RMB	January 5, 2018	2 years	RMB300 million	RMB309 million
JC Finance & Leasing	Asset backed securities	RMB	January 30, 2018	1-3 years	RMB570 million	RMB374 million
JC Finance & Leasing	Asset-backed notes	RMB	June 22, 2018	2 years	RMB350 million	RMB350 million

The annual interest rates of our bonds listed above as of June 30, 2018 ranged from 3.30% to 7.20%.

As of June 30, 2018, the Company had undrawn banking facilities of RMB86.1 billion. The Company has entered into formal or informal cooperation agreements with various major banks in China. According to these agreements, those banks granted the Company general banking facilities to support its capital needs. Prior approval of individual projects from banks in accordance with bank regulations of China must be obtained with respect to the use of these banking facilities.

### Current ratio and debt to equity ratio

	<b>As of June 30, 2018</b>	As of December 31, 2017
Current ratio ( <i>Times</i> )	<b>1.0</b>	1.0
Debt to equity ratio	<b>77.8%</b>	70.1%

#### Current ratio

Current ratio is our current assets divided by our current liabilities at the end of each financial period. Our current ratio at the end of the reporting period remained stable as compared with December 31, 2017.

#### Debt to equity ratio

Debt to equity ratio is calculated by dividing our net debt (total borrowings less cash and cash equivalents) as a percentage of total equity at the end of each financial period. The increase in the debt to equity ratio at the end of the reporting period as compared with that as of December 31, 2017 was mainly due to the increase in our net debt.

#### Pledged assets

As of June 30, 2018, we pledged the assets of RMB16.5 billion (December 31, 2017: RMB15 billion) for obtaining borrowings.

#### Contingent liabilities

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

We evaluated the financial position of financial guarantees provided in connection with our financial services business periodically and made provision accordingly. As of June 30, 2018 and December 31, 2017, the provision made by us was RMB109 million and RMB109 million respectively.

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

*Unit: RMB million*

	<b>As of June 30, 2018</b>	As of December 31, 2017
Financial guarantee of guarantee business	<b>4,200</b>	3,765
Other guarantee		
– Related parties	<b>2,033</b>	1,923
– Unrelated parties	<b>6,260</b>	11,857

The guarantee balances to unrelated parties are mainly related to real estate business, which was disposed in historic period during the validity period of the guarantee. The guaranteed companies provided counter guarantee correspondingly.

### 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 EUR, USD and RMB. Foreign currency risks arise from the future commercial transactions, recognized assets and liabilities and net investment in foreign operations denominated in a currency other than the functional currency of the Company and its subsidiaries. We and each subsidiary monitor the amount of assets and liabilities and transactions denominated in foreign currencies closely in order to minimize the foreign exchange risk, and, when necessary, enter into forward exchange contracts to mitigate the foreign currency risk as appropriate.

### Use of proceeds from the initial public offering

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

As of June 30, 2018, the Company applied RMB2 billion for the repayment of partial amount of the corporate bonds due in 2015, RMB342 million as ordinary working capital and the remaining balance has been deposited with Hong Kong licensed bank.

In accordance with its strategic development and operation, on July 2, 2018, the Company used all the residual proceeds that had been raised from its initial public offering as partial settlement of the acquisition of Banque Internationale à Luxembourg S.A..

## Dividend

The Board did not recommend the payment of an interim dividend for the six months ended June 30, 2018 (six months ended June 30, 2017: Nil).

## Subsequent events

On July 2, 2018, all conditions precedent set out in the Sale and Purchase Agreement in respect of acquisition of 89.936% issued share capital in Banque Internationale à Luxembourg S.A. have been fulfilled and the closing of the acquisition took place. At closing, the Company paid to the Seller a cash consideration in the sum of EUR1,534,441,348 (equivalent to approximately RMB11,740,777,974) (being the aggregate of the Base Purchase Price plus adjustments relating to the profits of Banque Internationale à Luxembourg S.A.). After closing, such purchase price shall be subject to certain post-closing adjustments. As of the date of this report, the Company and its subsidiaries have evaluated the identifiable assets and liabilities of Banque Internationale à Luxembourg S.A., as well as the impact of IFRS 9 upon the completion of the acquisition.

On July 3, 2018, the issue of the corporate bonds for the year 2018 (tranche 2) of Legend Holdings Corporation to qualified investors in the PRC was completed, which are 3-year bonds with actual issue size of RMB1.6 billion and a final coupon rate of 5.99%.

## Details about the number of employees, remuneration policy and bonus and remuneration standards for Directors.

As of June 30, 2018, the Group had 72,723 employees.

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

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



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

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

# Corporate Governance and Other Information

## Compliance with the Code of Corporate Governance

For the six months ended June 30, 2018, the Company has applied and complied with the code provisions of the Corporate Governance Code contained in Appendix 14 to the Listing Rules. The Company reviews the compliance of the Corporate Governance Code on a regular basis in order to ensure that the Company has complied with the code provisions.

## 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 inquiries and has received written confirmations from all the Directors and Supervisors that they have complied with the Model Code set out in Appendix 10 to the Listing Rules during the reporting period.

## Change of Director’s and Supervisor’s Information

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

Mr. ZHAO John Huan, an Executive Director and Vice President was appointed as a director of ENN Ecological Holdings Co., Ltd. (listed on Shanghai Stock Exchange, Stock Code: 600803) on December 18, 2017.

Mr. WANG Jin retired as a Non-executive Director and no longer act as a member of the Audit Committee of the Company with effect from June 5, 2018.

Mr. SUO Jishuan was appointed as a Non-executive Director and was also appointed as a member of the Audit Committee of the Company with effect from June 5, 2018. He retired as the Supervisor with effect from June 5, 2018 and resigned as the chairman of the board of directors of China Science Publishing & Media Group Ltd. (中國科技出版傳媒集團有限公司) with effect from June 1, 2018.

Ms. FENG Ling was appointed as the Supervisor with effect from June 5, 2018.

## 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. SUO Jishuan, 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, 2018 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 Sale of the Listed Securities of the Company

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

## Directors' and Supervisors' Interests and Short Positions in Securities

As at June 30, 2018, 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 corporation (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	Nature of interest	Class of Shares	Number of Shares held	Approximate percentage of shareholding in the relevant class of Shares <sup>(ii)</sup>	Approximate percentage of shareholding in the total issued Shares <sup>(iii)</sup>
LIU Chuanzhi	Beneficial owner	H Shares – long position	68,000,000	5.34%	2.88%
ZHU Linan	Beneficial owner	H Shares – long position	48,000,000	3.77%	2.03%
LU Zhiqiang <sup>(i)</sup>	Interest in controlled corporation	Domestic Shares	400,000,000	36.88%	16.97%

#### Notes:

- (i) Mr. LU Zhiqiang is deemed to be interested in the 400,000,000 Domestic Shares held by China Oceanwide through companies controlled by him. Please refer to the section headed "Interests of the Substantial Shareholders" on pages 57 to 58 of this report for details.
- (ii) The calculation is based on the percentage of shareholding in Domestic Shares or H Shares as at June 30, 2018. Reference was made to the announcements of the Company dated April 23, 2018 and June 1, 2018 in relation to the approval on the Company's participation in the H Share full circulation pilot project. The conversion of 880,000,000 Domestic Shares into H Shares was completed on June 6, 2018. As at June 30, 2018, the number of H Shares in issue is 1,271,853,990; the number of Domestic Shares in issue is 1,084,376,910.
- (iii) The calculation is based on the total number of 2,356,230,900 Shares in issue as at June 30, 2018.

## (ii) Interests in our associated corporation

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 <sup>(a)</sup>	0.03%
ZHU Linan	Lenovo	Beneficial owner	5,767,442 <sup>(b)</sup>	0.04%
ZHAO John Huan	Lenovo	Beneficial owner	3,731,029 <sup>(c)</sup>	0.03%
LI Qin	Lenovo	Beneficial owner	1,724,000	0.01%

*Notes:*

- (a) Mr. LIU Chuanzhi owns 2,795,968 ordinary shares directly and is deemed to be interested in 690,000 ordinary shares held by his spouse through a trust. He also holds 698,992 units of share awards which are convertible into ordinary shares.
- (b) Mr. ZHU Linan owns 2,886,713 ordinary shares and 2,880,729 units of share awards which are convertible into ordinary shares.
- (c) Mr. ZHAO John Huan owns 442,148 ordinary shares and 3,288,881 units of share awards which are convertible into ordinary shares.
- (d) The calculation is based on the total number of 12,014,791,614 shares issued by Lenovo as at June 30, 2018.

## Interests of the Substantial Shareholders

As at June 30, 2018, so far as the 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 are required to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, and an interest and/or a short position as recorded by the Company in the register required to be kept under section 336 of the SFO:

Name of Shareholder	Class of Shares	Nature of interest	Number of Shares held	Approximate percentage of shareholding in the relevant class of Shares <sup>(1)</sup>	Approximate percentage of shareholding in the total issued Shares <sup>(2)</sup>
CAS Holdings	Domestic Shares	Beneficial owner	684,376,910	63.11%	29.04%
Beijing Lian Chi Zhi Yuan Management Consulting Center Limited Partnership (北京聯持志遠管理諮詢中心(有限合夥)) ("Lian Chi Zhi Yuan")	H Shares – long position	Beneficial owner	480,000,000	37.74%	20.37%
Beijing Lian Chi Zhi Tong Management Consulting Limited (北京聯持志同管理諮詢有限責任公司) <sup>(3)</sup> ("Lian Chi Zhi Tong")	H Shares – long position	Interest in controlled corporation	480,000,000	37.74%	20.37%
LU Zhiqiang <sup>(4)</sup>	Domestic Shares	Interest in controlled corporation	400,000,000	36.88%	16.97%
China Oceanwide	Domestic Shares	Beneficial owner	400,000,000	36.88%	16.97%
Oceanwide Group <sup>(4)</sup>	Domestic Shares	Interest in controlled corporation	400,000,000	36.88%	16.97%
Tohigh <sup>(4)</sup>	Domestic Shares	Interest in controlled corporation	400,000,000	36.88%	16.97%



Name of Shareholder	Class of Shares	Nature of interest	Number of Shares held	Approximate percentage of shareholding in the relevant class of Shares <sup>(1)</sup>	Approximate percentage of shareholding in the total issued Shares <sup>(2)</sup>
Beijing Lian Heng Yong Xin Investment Center Limited Partnership (北京聯恆永信投資中心(有限合夥)) (“Lian Heng Yong Xin”)	H Shares – long position	Beneficial owner	178,000,000	13.99%	7.55%
Beijing Lian Heng Yong Kang Management Consulting Limited (北京聯恆永康管理諮詢有限公司) <sup>(5)</sup> (“Lian Heng Yong Kang”)	H Shares – long position	Interest in controlled corporation	178,000,000	13.99%	7.55%
LIU Chuanzhi	H Shares – long position	Beneficial owner	68,000,000	5.34%	2.88%

## Notes:

- (1) The calculation is based on the percentage of shareholding in Domestic Shares or H Shares as at June 30, 2018. Reference was made to the announcements of the Company dated April 23, 2018 and June 1, 2018 in relation to the approval on the Company’s participation in the H Share full circulation pilot project. The conversion of 880,000,000 Domestic Shares into H Shares was completed on June 6, 2018. As at June 30, 2018, the number of H Shares in issue is 1,271,853,990; the number of Domestic Shares in issue is 1,084,376,910.
- (2) The calculation is based on the total number of 2,356,230,900 Shares in issue as at June 30, 2018.
- (3) Lian Chi Zhi Tong is the sole general partner of Lian Chi Zhi Yuan and has de facto control over it. Accordingly, Lian Chi Zhi Tong is deemed to be interested in the 480,000,000 H Shares.
- (4) Oceanwide Group and Tohigh are corporations controlled by Mr. LU Zhiqiang. Tohigh holds the entire equity interest in Oceanwide Group which in turn holds 98% equity interest in China Oceanwide. Accordingly, Mr. LU Zhiqiang is deemed to be interested in the 400,000,000 Domestic Shares held by China Oceanwide.
- (5) Lian Heng Yong Kang is the sole general partner of Lian Heng Yong Xin and has de facto control over it. Accordingly, Lian Heng Yong Kang is deemed to be interested in the 178,000,000 H Shares.

As at June 30, 2018, save as disclosed above, there was no other person or corporation who held interests and/or short positions in the Shares or underlying Shares which are required to be recorded in the register to be kept under section 336 of Part XV of the SFO, or was a substantial Shareholder.

# Report on Review of Interim Financial Information



羅兵咸永道

## Report on Review of Interim Financial Information To the Board of Directors of Legend Holdings Corporation

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

### Introduction

We have reviewed the interim financial information set out on pages 60 to 116, which comprises the condensed consolidated interim balance sheet of Legend Holdings Corporation (the "Company") and its subsidiaries (together, the "Group") as at June 30, 2018 and the 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 29, 2018

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# Condensed Consolidated Interim Income Statement

For the six months ended June 30, 2018

	Note	Unaudited Six months ended June 30,	
		2018 RMB'000	2017 RMB'000
Sales of goods and services	6	155,287,847	142,088,020
Interest income		1,777,607	731,400
Interest expense		(516,106)	(336,949)
Net interest income		1,261,501	394,451
<b>Total revenue</b>	6	<b>156,549,348</b>	142,482,471
Cost of sales	8	(132,770,697)	(121,242,675)
<b>Gross profit</b>		<b>23,778,651</b>	21,239,796
Selling and distribution expenses	8	(8,948,953)	(9,649,598)
General and administrative expenses	8	(11,675,273)	(11,896,163)
Impairment losses for financial assets		(478,896)	(548,223)
Investment income and gains	7	3,397,901	5,149,009
Other (losses)/income and gains		(514,056)	117,643
Finance income	9	415,312	391,044
Finance costs	9	(2,538,684)	(2,274,262)
Share of profit of associates and joint ventures accounted for using the equity method		221,293	422,236
<b>Profit before income tax</b>		<b>3,657,295</b>	2,951,482
Income tax (expense)/credit	10	(52,917)	39,237
<b>Profit for the period</b>		<b>3,604,378</b>	2,990,719
<b>Profit attributable to:</b>			
– Equity holders of the Company		2,830,116	2,687,069
– Perpetual securities holders		171,497	103,931
– Other non-controlling interests		602,765	199,719
		<b>3,604,378</b>	2,990,719
<b>Earnings per share for the profit attributable to the equity holders of the Company</b> (expressed in RMB per share)			
<b>Basic earnings per share</b>	11	<b>1.21</b>	1.15
<b>Diluted earnings per share</b>	11	<b>1.20</b>	1.14
<b>Dividends</b>	22	<b>636,182</b>	570,208

The notes on pages 69 to 116 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, 2018

	Unaudited	
	Six months ended June 30,	
	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
<b>Profit for the period</b>	<b>3,604,378</b>	2,990,719
<b>Other comprehensive loss:</b>		
<b>Items that will not be reclassified to income statement</b>		
Change in fair value of financial assets at fair value through other comprehensive income, net of taxes	<b>(454,411)</b>	–
Share of other comprehensive loss of associates using equity accounting	<b>(154,988)</b>	–
Remeasurements of post-employment benefit obligation, net of taxes	<b>(126,307)</b>	267,386
Revaluation of investment properties upon reclassification from property, plant and equipment, net of taxes	<b>35,650</b>	93,545
<b>Items that may be reclassified subsequently to income statement</b>		
Currency translation differences	<b>(866,160)</b>	(106,208)
Share of other comprehensive (loss)/income of associates using equity accounting	<b>(18,354)</b>	67,979
Change in fair value of available-for-sale financial assets, net of taxes	–	(300,380)
Investment revaluation reserve reclassified to consolidated income statement on disposal of available-for-sale financial assets, net of taxes	–	(1,147,601)
Fair value change on cash flow hedges, net of taxes	<b>623,419</b>	(781,601)
<b>Other comprehensive loss for the period, net of taxes</b>	<b>(961,151)</b>	(1,906,880)
<b>Total comprehensive income for the period</b>	<b>2,643,227</b>	1,083,839
<b>Attributable to:</b>		
– Equity holders of the Company	<b>2,412,754</b>	1,150,347
– Perpetual securities holders	<b>171,497</b>	103,931
– Other non-controlling interests	<b>58,976</b>	(170,439)
	<b>2,643,227</b>	1,083,839

The notes on pages 69 to 116 form an integral part of this unaudited condensed consolidated interim financial information.

# Condensed Consolidated Interim Balance Sheet

As at June 30, 2018

	<i>Note</i>	<b>Unaudited As at June 30, 2018 RMB'000</b>	Audited As at December 31, 2017 RMB'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Leasehold land and land use rights		<b>3,900,945</b>	4,158,468
Property, plant and equipment	12	<b>19,694,318</b>	19,864,687
Investment properties	13	<b>11,362,496</b>	11,107,111
Intangible assets	12	<b>59,450,362</b>	59,534,705
Associates and joint ventures using equity accounting		<b>18,569,462</b>	14,345,636
Associates measured at fair value through profit or loss		<b>18,010,723</b>	17,970,881
Financial assets at fair value through other comprehensive income		<b>2,081,314</b>	–
Available-for-sale financial assets		–	9,173,534
Financial assets at fair value through profit or loss		<b>6,664,898</b>	1,896,354
Loans to customers		<b>3,321,119</b>	1,751,857
Deferred income tax assets	20	<b>11,288,929</b>	9,671,997
Other non-current assets		<b>9,317,326</b>	12,038,312
		<b>163,661,892</b>	161,513,542
<b>Current assets</b>			
Inventories		<b>29,192,748</b>	27,857,888
Properties under development		<b>686,296</b>	547,053
Accounts and notes receivables	14	<b>46,883,350</b>	46,149,326
Prepayments, other receivables and other current assets	15	<b>47,523,939</b>	42,879,069
Available-for-sale financial assets		–	423,950
Loans to customers		<b>14,827,224</b>	10,652,303
Derivative financial instruments		<b>1,084,417</b>	130,495
Financial assets at fair value through profit or loss		<b>8,160,737</b>	5,369,086
Restricted deposits		<b>1,860,261</b>	1,338,000
Bank deposits		<b>339,058</b>	6,010,552
Cash and cash equivalents		<b>48,769,412</b>	32,202,477
		<b>199,327,442</b>	173,560,199
<b>Total assets</b>		<b>362,989,334</b>	335,073,741



Condensed Consolidated Interim Balance Sheet  
As at June 30, 2018

	Note	Unaudited As at June 30, 2018 RMB'000	Audited As at December 31, 2017 RMB'000
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to equity holders of the Company</b>			
Share capital		2,356,231	2,356,231
Reserves		53,127,463	52,077,092
<b>Total equity attributable to equity holders of the Company</b>			
		55,483,694	54,433,323
<b>Perpetual securities</b>		6,807,157	6,807,157
<b>Other non-controlling interests</b>		22,476,337	19,084,567
<b>Put option written on non-controlling interests</b>	17(iv), 18(iii)	(2,307,451)	(1,343,399)
<b>Total equity</b>			
		82,459,737	78,981,648
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	19	52,966,160	64,454,075
Deferred revenue		3,975,994	4,165,396
Retirement benefit obligations		2,780,190	2,573,867
Provisions	21	1,925,722	1,899,452
Financial liabilities at fair value through profit or loss		801,000	801,000
Deferred income tax liabilities	20	5,005,837	4,809,127
Other non-current liabilities	18	5,567,591	3,990,979
<b>Total non-current liabilities</b>			
		73,022,494	82,693,896

Condensed Consolidated Interim Balance Sheet  
As at June 30, 2018

	<i>Note</i>	<b>Unaudited As at June 30, 2018 RMB'000</b>	Audited As at December 31, 2017 RMB'000
<b>Current liabilities</b>			
Trade and notes payables	16	<b>59,952,945</b>	56,730,615
Other payables and accruals	17	<b>72,809,399</b>	78,371,700
Financial liabilities at fair value through profit or loss		<b>16,652</b>	–
Derivative financial instruments		<b>326,728</b>	387,100
Provisions	21	<b>5,392,009</b>	5,808,816
Advance from customers		<b>2,896,941</b>	2,827,577
Deferred revenue		<b>4,840,208</b>	4,191,807
Income tax payables		<b>1,339,943</b>	1,957,052
Borrowings	19	<b>59,932,278</b>	23,123,530
		<b>207,507,103</b>	173,398,197
<b>Total liabilities</b>		<b>280,529,597</b>	256,092,093
<b>Total equity and liabilities</b>		<b>362,989,334</b>	335,073,741
<b>Net current (liabilities)/assets</b>		<b>(8,179,661)</b>	162,002
<b>Total assets less current liabilities</b>		<b>155,482,231</b>	161,675,544

The notes on pages 69 to 116 form an integral part of this unaudited condensed consolidated interim financial information.

# Condensed Consolidated Interim Statement of Changes in Equity

For the six months ended June 30, 2018

	Unaudited													
	Attributable to the equity holders of the Company													
	Share capital	Share premium	Statutory surplus reserve	Revaluation reserve	Share-based compensation reserve	Shares held for restricted share scheme	Hedging reserve	Exchange reserve	Other reserve	Retained earnings	Perpetual securities	Other non-controlling interests	Put option written on non-controlling interests	Total
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at December 31, 2017	2,356,231	11,281,940	385,655	73,154	2,075,511	(259,842)	(10,767)	(2,842,279)	4,215,903	37,157,817	6,807,157	19,084,567	(1,343,399)	78,981,648
Changes in accounting policy (Note 3)	-	-	-	226,721	-	-	-	-	-	(846,263)	-	(106,835)	-	(726,377)
As at January 1, 2018	2,356,231	11,281,940	385,655	299,875	2,075,511	(259,842)	(10,767)	(2,842,279)	4,215,903	36,311,554	6,807,157	18,977,732	(1,343,399)	78,255,271
Profit for the period	-	-	-	-	-	-	-	-	-	2,830,116	171,497	602,765	-	3,604,378
Other comprehensive (loss)/income														
Fair value changes on financial assets at fair value through other comprehensive income, net of taxes	-	-	-	(327,208)	-	-	-	-	-	-	-	(127,203)	-	(454,411)
Share of other comprehensive loss of associates using equity accounting	-	-	-	(158,308)	-	-	-	-	-	-	-	(15,034)	-	(173,342)
Fair value changes on forward foreign exchange contracts	-	-	-	-	-	-	231,198	-	-	-	-	563,239	-	794,437
Reclassified to income statement on forward foreign exchange contracts	-	-	-	-	-	-	(49,770)	-	-	-	-	(121,248)	-	(171,018)
Currency translation differences	-	-	-	-	-	-	-	(112,166)	-	-	-	(753,994)	-	(866,160)
Remeasurements of post-employment benefit obligations	-	-	-	-	-	-	-	-	(36,758)	-	-	(89,549)	-	(126,307)
Revaluation of investment properties upon reclassification from property, plant and equipment	-	-	-	35,650	-	-	-	-	-	-	-	-	-	35,650
Total comprehensive (loss)/income for the period	-	-	-	(449,866)	-	-	181,428	(112,166)	(36,758)	2,830,116	171,497	58,976	-	2,643,227
Total transactions with owners, recognised directly in equity														
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	2,239,783	-	2,239,783
Disposal of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	599,496	-	599,496
Transaction with other non-controlling interests	-	-	-	-	-	-	-	-	(315,656)	-	-	55,621	-	(260,035)
Contribution from other non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	134,294	-	134,294
Put option written on non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(964,052)	(964,052)
Transfer to reserve	-	-	-	-	-	-	-	-	18,119	(20,754)	-	2,211	-	(424)
Share of other reserve of associates	-	-	-	-	-	-	-	-	5,375	-	-	-	-	5,375
Share-based compensation	-	-	-	-	167,567	38,690	-	-	-	-	-	408,224	-	614,481
Dividend declared	-	-	-	-	-	-	-	-	-	(636,182)	-	-	-	(636,182)
Distribution to perpetual securities holders	-	-	-	-	-	-	-	-	-	-	(171,497)	-	-	(171,497)
Total transactions with owners, recognised directly in equity	-	-	-	-	167,567	38,690	-	-	(292,162)	(656,936)	(171,497)	3,439,629	(964,052)	1,561,239
As at June 30, 2018	2,356,231	11,281,940	385,655	(149,991)	2,243,078	(221,152)	170,661	(2,954,445)	3,886,983	38,484,734	6,807,157	22,476,337	(2,307,451)	82,459,737

Condensed Consolidated Interim Statement of Changes in Equity  
For the six months ended June 30, 2018

	Unaudited													Total
	Attributable to the equity holders of the Company													
	Share capital	Share premium	Statutory surplus reserve	Revaluation reserve	Share-based compensation reserve	Shares held for restricted share scheme	Hedging reserve	Exchange reserve	Other reserve	Retained earnings	Perpetual securities	Other non-controlling interests	Put option written on non-controlling interests	
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
As at January 1, 2017	2,356,231	11,281,940	311,807	1,718,251	1,724,078	(269,831)	155,659	(1,681,059)	3,888,806	32,780,274	-	18,069,455	(1,343,399)	68,992,212
Profit for the period	-	-	-	-	-	-	-	-	-	2,687,069	103,931	199,719	-	2,990,719
Other comprehensive (loss)/income														
Fair value changes on available-for-sale financial assets	-	-	-	(317,070)	-	-	-	-	-	-	-	16,690	-	(300,380)
Reclassified to income statement on disposal of available-for-sale financial assets	-	-	-	(914,004)	-	-	-	-	-	-	-	(233,597)	-	(1,147,601)
Share of other comprehensive income of associates using equity accounting	-	-	-	67,979	-	-	-	-	-	-	-	-	-	67,979
Fair value changes on forward foreign exchange contracts	-	-	-	-	-	-	(321,375)	-	-	-	-	(677,663)	-	(999,038)
Reclassified to income statement on forward foreign exchange contracts	-	-	-	-	-	-	68,440	-	-	-	-	148,997	-	217,437
Currency translation differences	-	-	-	-	-	-	-	(298,399)	-	-	-	192,191	-	(106,208)
Remeasurements of post-employment benefit obligations	-	-	-	-	-	-	-	-	84,162	-	-	183,224	-	267,386
Revaluation of investment properties upon reclassification from property, plant and equipment	-	-	-	93,545	-	-	-	-	-	-	-	-	-	93,545
Total comprehensive (loss)/income for the period	-	-	-	(1,069,550)	-	-	(252,935)	(298,399)	84,162	2,687,069	103,931	(170,439)	-	1,083,839
Total transactions with owners, recognised directly in equity														
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	154,329	-	154,329
Disposal of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	8,364	-	8,364
Transaction with other non-controlling interests	-	-	-	-	-	-	-	-	(229,514)	-	-	(135,405)	-	(364,919)
Contribution from other non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	495,434	-	495,434
Issue of perpetual securities	-	-	-	-	-	-	-	-	-	-	6,815,288	-	-	6,815,288
Transfer to reserve	-	-	-	-	-	-	-	-	(104)	-	-	1,838	-	1,734
Share of share option reserve of an associate	-	-	-	-	1,133	-	-	-	-	-	-	-	-	1,133
Share of other reserve of associates	-	-	-	-	-	-	-	-	(13,414)	-	-	-	-	(13,414)
Share-based compensation	-	-	-	-	183,305	-	-	-	-	-	-	326,846	-	510,151
Purchase of restricted shares under share scheme	-	-	-	-	-	(58,491)	-	-	-	-	-	-	-	(58,491)
Dividend declared	-	-	-	-	-	-	-	-	-	(570,208)	-	(31,927)	-	(602,135)
Total transactions with owners, recognised directly in equity	-	-	-	-	184,438	(58,491)	-	-	(243,032)	(570,208)	6,815,288	819,479	-	6,947,474
As at June 30, 2017	2,356,231	11,281,940	311,807	648,701	1,908,516	(328,322)	(97,276)	(1,979,458)	3,729,936	34,897,135	6,919,219	18,718,495	(1,343,399)	77,023,525

The notes on pages 69 to 116 form an integral part of this unaudited condensed consolidated interim financial information.

# Condensed Consolidated Interim Statement of Cash Flows

For the six months ended June 30, 2018

	<b>Unaudited</b>	
	<b>Six months ended June 30,</b>	
	<b>2018</b>	<b>2017</b>
	<b>RMB'000</b>	<b>RMB'000</b>
<b>Cash flows from operating activities</b>		
Cash used in operations	<b>(727,261)</b>	(7,237,593)
Income tax paid	<b>(2,102,674)</b>	(2,644,912)
<b>Net cash used in operating activities</b>	<b>(2,829,935)</b>	(9,882,505)
<b>Cash flows from investing activities</b>		
Purchases of property, plant and equipment, and intangible assets	<b>(2,172,794)</b>	(3,763,677)
Proceeds from sale of property, plant and equipment, and intangible assets	<b>46,143</b>	18,008
Purchase of financial assets at fair value through profit or loss	<b>(1,696,894)</b>	(1,057,203)
Proceeds from the disposal of financial assets at fair value through profit or loss	<b>869,303</b>	687,909
Distributions from financial assets at fair value through profit or loss	<b>49,773</b>	188,720
Capital injection in associates measured at fair value through profit or loss	<b>(799,503)</b>	(1,045,906)
Distributions from associates measured at fair value through profit or loss	<b>908,401</b>	1,065,445
Acquisition of and capital injection in associates and joint ventures using equity accounting	<b>(2,237,544)</b>	(1,278,478)
Proceeds from partial disposal of associates using equity accounting	<b>40,247</b>	1,824,963
Dividends from associates using equity accounting	<b>96,472</b>	76,460
Purchase of financial assets at fair value through other comprehensive income	<b>(92,646)</b>	–
Dividends from financial assets at fair value through other comprehensive income	<b>753</b>	–
Purchase of available-for-sale financial assets	–	(7,155,904)
Proceeds from disposal of available-for-sale financial assets	–	775,242
Dividends from available-for-sale financial assets	–	163,384
Acquisition of subsidiaries, net of cash acquired	<b>(279,977)</b>	(354,646)
Proceeds from disposal of discontinued operations and subsidiaries, net of cash disposed	<b>209,321</b>	11,528,799
Loan granted to related parties and third parties	<b>10,658</b>	–
Repayment of contingent consideration and deferred consideration	<b>(129,235)</b>	(9,873,418)
Interest received	<b>117,985</b>	204,321
Decrease/(increase) in bank deposits over 3 months	<b>5,512,268</b>	(814,005)
Prepayment to proposed transactions	<b>(110,409)</b>	–
<b>Net cash generated from/(used in) investing activities</b>	<b>342,322</b>	(8,809,986)



Condensed Consolidated Interim Statement of Cash Flows  
For the six months ended June 30, 2018

	<b>Unaudited</b>	
	<b>Six months ended June 30,</b>	
	<b>2018</b>	2017
	<b>RMB'000</b>	<i>RMB'000</i>
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	<b>60,562,076</b>	35,810,157
Repayments of borrowings	<b>(46,433,721)</b>	(37,101,640)
Repurchase of shares	–	(58,491)
Issue of perpetual securities	–	6,815,288
Issue of financial liabilities at fair value through profit or loss	–	801,000
Capital contributions from other non-controlling interests	<b>597,251</b>	652,074
Distributions to perpetual securities holders	<b>(171,497)</b>	–
Transactions with other non-controlling interests	<b>(273,859)</b>	(218,979)
Cash proceeds from issuance of bonds, net of issuance costs	<b>7,001,009</b>	5,230,895
Interest paid	<b>(2,213,403)</b>	(1,937,895)
<b>Net cash generated from financing activities</b>	<b>19,067,856</b>	9,992,409
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>16,580,243</b>	(8,700,082)
Cash and cash equivalents at beginning of the period	<b>32,202,477</b>	30,059,402
Exchange (losses)/income on cash and cash equivalents	<b>(13,308)</b>	240,323
<b>Cash and cash equivalents at the end of the period</b>	<b>48,769,412</b>	21,599,643

The notes on pages 69 to 116 form an integral part of this unaudited condensed consolidated interim financial information.

# Notes to the Condensed Consolidated Interim Financial Statements

## 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 (全民所有製企業). Since then, the Company has completed a series of reorganizations and was converted into a joint stock limited liability company on February 18, 2014. And now the registered capital is RMB2,356 million. The Company's H 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, 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, third party payment, internet finance, trusts and customised financial solutions to customers; (c) innovative consumption and services industry, which operates mainly to provide comprehensive medical and health services, car rental business, internet healthcare services and education for kids, (d) agriculture and food industry, which is mainly engaged in planting and sales of premium fruit and tea products in agriculture business, producing and selling various brands of Chinese liquor, supplying seafood and accessory products, agriculture-oriented e-commerce platform and liquor direct sales chain; (e) advanced manufacturing and professional services industry, which includes the fine chemicals, energy materials production services, logistics services and aviation logistics related business.

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, makes early stage or "angel" investments in technology start-ups and minority investments in other entities. It also provides office rental services.

## 2. Basis of preparation

This unaudited condensed consolidated interim financial information for the six months ended June 30, 2018 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, 2017 which has been prepared in accordance with International Financial Reporting Standards ("IFRS") by the Group, and all public announcements made by the Company during the interim reporting period.

### 3. Accounting policies

The accounting policies applied are consistent with those of the annual financial statements of the Group for the year ended December 31, 2017, except as described below.

The following amended and annual improved standards are mandatory for the first time for the Group's financial year beginning on January 1, 2018 and are applicable for the Group:

- IFRS 9 "Financial Instruments"
- IFRS 15 "Revenue from Contracts with Customers"
- Annual Improvement to IFRS 2014–2016 cycle\*
- IFRIC-Int 22 "Foreign Currency Transactions and Advance Consideration"

\* It includes amendment to IFRS12 "Disclosure of interests in other entities" which was effective in January 1, 2017 and does not have a material impact on the Group.

Amendments to IFRS effective for the financial year beginning on January 1, 2018 do not have a material impact on the Group's Interim Financial Information other than IFRS 9 and IFRS 15, details of which are set out in note 3.1 and 3.2, respectively.

#### 3.1 IFRS 9 "Financial Instruments"

##### (a) IFRS 9 "Financial Instruments" – Impact on the financial statements

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of IFRS 9 "Financial Instruments" from January 1, 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in note 3.1(b) below. In accordance with the transitional provisions in IFRS 9, comparative figures have not been restated. The reclassifications and the adjustments arising from the new impairment rules are therefore not reflected in the balance sheet as of December 31, 2017, but are recognised in the opening balance sheet on January 1, 2018.

### 3. Accounting policies (Continued)

#### 3.1 IFRS 9 “Financial Instruments” (Continued)

##### (a) IFRS 9 “Financial Instruments” – Impact on the financial statements (Continued)

The following table shows the impact of adoption of new IFRS on the consolidated balance sheet of the Group as of January 1, 2018:

	Note	As at December 31, 2017 RMB'000	New IFRS impact as at January 1, 2018 RMB'000	Adoption of new IFRS as at January 1, 2018 RMB'000
<b>Non-current assets</b>				
Associates and joint ventures using equity accounting	3.1(a)(ii)	14,345,636	(256,118)	14,089,518
Financial assets at fair value through other comprehensive income ("FVOCI")	3.1(a)(i)	–	3,709,090	3,709,090
Available-for-sale financial assets ("AFS")		9,173,534	(9,173,534)	–
Financial assets at fair value through profit or loss ("FVPL")	3.1(a)(i)	1,896,354	4,199,415	6,095,769
Loans to customers		1,751,857	(149,073)	1,602,784
Deferred income tax assets		9,671,997	60,470	9,732,467
Other non-current asset items		124,674,164	–	124,674,164
		161,513,542	(1,609,750)	159,903,792

## 3. Accounting policies (Continued)

## 3.1 IFRS 9 “Financial Instruments” (Continued)

## (a) IFRS 9 “Financial Instruments” – Impact on the financial statements (Continued)

<i>Note</i>	As at December 31, 2017 <i>RMB'000</i>	New IFRS impact as at January 1, 2018 <i>RMB'000</i>	Adoption of new IFRS as at January 1, 2018 <i>RMB'000</i>
<b>Current assets</b>			
Accounts and notes receivables	46,149,326	<b>(47,882)</b>	<b>46,101,444</b>
AFS	423,950	<b>(423,950)</b>	–
Loans to customers	10,652,303	<b>(333,774)</b>	<b>10,318,529</b>
Derivative financial instruments	130,495	–	<b>130,495</b>
FVPL	3.1(a)(i) 5,369,086	<b>1,688,979</b>	<b>7,058,065</b>
Other current assets items	110,835,039	–	<b>110,835,039</b>
	173,560,199	<b>883,373</b>	<b>174,443,572</b>
<b>Total assets</b>	335,073,741	<b>(726,377)</b>	<b>334,347,364</b>
<b>Total liabilities</b>	256,092,093	–	<b>256,092,093</b>
<b>Equity attributable to equity holders of the Company</b>			
Share capital	2,356,231	–	<b>2,356,231</b>
Revaluation reserves	3.1(a)(i) 73,154	<b>226,721</b>	<b>299,875</b>
Other reserve items	14,846,121	–	<b>14,846,121</b>
Retained earnings	3.1(a)(i) 37,157,817	<b>(846,263)</b>	<b>36,311,554</b>
<b>Total equity attributable to equity holders of the Company</b>	54,433,323	<b>(619,542)</b>	<b>53,813,781</b>
<b>Other equity items</b>	24,548,325	<b>(106,835)</b>	<b>24,441,490</b>
<b>Total equity</b>	78,981,648	<b>(726,377)</b>	<b>78,255,271</b>



### 3. Accounting policies (Continued)

#### 3.1 IFRS 9 “Financial Instruments” (Continued)

##### (a) IFRS 9 “Financial Instruments” – Impact of adoption (Continued)

The total impact on the Group’s retained earnings as of January 1, 2018 is as follows:

	<i>Note</i>	<b>Retained earnings</b> <i>RMB’000</i>
<hr/>		
<b>Closing retained earnings 31 December, 2017 – IAS 39</b>		37,157,817
Reclassify investments from AFS to FVPL	3.1(a)(i)	(226,721)
Increase in provision for account receivables, note receivables and loan to customers	3.1(a)(ii)	(418,028)
Increase in deferred tax assets relating to impairment provisions	3.1(a)(ii)	54,604
Retained earnings adjustments related to associates and joint ventures using equity accounting	3.1(a)(ii)	(256,118)
Adjustment to retained earnings from adoption of IFRS 9 on January 1, 2018		(846,263)
<hr/>		
<b>Opening retained earnings January 1, 2018 – IFRS 9</b>		36,311,554
<hr/>		

### 3. Accounting policies (Continued)

#### 3.1 IFRS 9 “Financial Instruments” (Continued)

##### (a) IFRS 9 “Financial Instruments” – Impact of adoption (Continued)

###### (i) Classification and measurement

On January 1, 2018 (the date of initial application of IFRS 9), the Group’s management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate IFRS 9 categories. The main effects resulting from this reclassification are as follows:

Financial assets	FVPL RMB’000	FVOCI (Available-for-sale 2017) RMB’000
<b>Closing balance as at December 31, 2017</b>		
– IAS 39 *	7,265,440	9,597,484
Reclassify investments from AFS to FVPL (Note (a))	5,888,394	(5,888,394)
<b>Opening balance as at January 1, 2018</b>		
– IFRS 9	13,153,834	3,709,090
<b>Including: Current portion</b>	7,058,065	–
<b>Non-current portion</b>	6,095,769	3,709,090

\* The closing balances as of December 31, 2017 show available-for-sale financial assets under fair value through other comprehensive income. These reclassifications have no impact on the measurement categories.

### 3. Accounting policies (Continued)

#### 3.1 IFRS 9 “Financial Instruments” (Continued)

##### (a) IFRS 9 “Financial Instruments” – Impact of adoption (Continued)

###### (i) Classification and measurement (Continued)

The impact of these changes on the Group’s equity is as follows:

	Effect on reserves		
	Effect on AFS reserves RMB'000	Effect on FVOCI reserve RMB'000	Effect on retained earnings RMB'000
<b>Closing balance as at</b>			
<b>December 31, 2017 – IAS 39</b>	(373,181)	–	37,157,817
Reclassify investments from AFS to FVPL (a)	226,721	–	(226,721)
Reclassify non-trading equities from AFS to FVOCI (b)	146,460	(146,460)	–
<b>Total</b>	<b>373,181</b>	<b>(146,460)</b>	<b>(226,721)</b>
<b>Opening balance as at January</b>			
<b>1, 2018 – IFRS 9</b>	–	(146,460)	36,931,096

Notes:

(a) Reclassification from AFS to FVPL

Certain equity investments were reclassified from AFS to FVPL (RMB5,888 million as of January 1, 2018).

Related fair value loss of RMB227 million were transferred from the AFS reserve to retained earnings on January 1, 2018. In the six months to June 30, 2018, net fair value gains of RMB959 million relating to these investments were recognised in profit or loss.

### 3. Accounting policies (Continued)

#### 3.1 IFRS 9 “Financial Instruments” (Continued)

##### (a) IFRS 9 “Financial Instruments” – Impact of adoption (Continued)

###### (i) *Classification and measurement (Continued)*

*Notes: (Continued)*

###### (b) Reclassification from AFS to FVOCI

The Group elected to present in other comprehensive income (“OCI”) changes in the fair value of all its equity investments previously classified as AFS, because these investments are held as long-term strategic investments that are not expected to be sold in the short to medium term. As a result, assets with a fair value of RMB3,709 million were reclassified from AFS to FVOCI and fair value loss of RMB146 million were reclassified from the AFS reserve to the FVOCI reserve on January 2018. Other income for the six months to June 2018 was RMB543 million lower as there is no longer any reclassification of accumulated amounts from reserves to profit or loss on the disposal of these investments.

###### (c) Available-for-sale debt instruments classified as FVPL

Listed and unlisted bonds were reclassified from AFS to FVPL, as the Group’s business model is achieved both by collecting contractual cash flows and selling of these assets, designated as FVPL. As a result, the fair value changes of reclassified from the AFS financial assets reserve to retained earnings is not material on January 1, 2018.

###### (d) Trade Receivables

The trade receivables of Lenovo Group Limited (“Lenovo”), a subsidiary of the Company, are to be classified as FVOCI.

###### (e) Other financial assets

Equity securities – held for trading are required to be held as FVPL under IFRS 9. There was no impact on the amounts recognised in relation to these assets from the adoption of IFRS 9.

### 3. Accounting policies (Continued)

#### 3.1 IFRS 9 “Financial Instruments” (Continued)

##### (a) IFRS 9 “Financial Instruments” – Impact of adoption (Continued)

##### (ii) *Impairment of financial assets*

The Group has several types of financial assets that are subject to IFRS 9’s new expected credit loss model:

- trade receivables and note receivables
- other receivables, and
- loans to customers, receivables arising from finance leases and other non-current assets (including loan commitments and financial guarantee contracts)

The Group was required to revise its impairment methodology under IFRS 9 for each of these classes of assets. The impact of the change in impairment methodology on the Group’s retained earnings and equity is disclosed in the table in note 3.1(a) above.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

##### (a) Trade receivables and note receivables

The Group applies the IFRS 9 simplified approach to measuring expected credit loss which uses a lifetime expected loss allowance for all trade receivables and note receivables. To measure the expected credit loss, trade receivables and note receivables have been grouped based on shared credit risk characteristics and the days past due.

##### (b) Other receivables

All of the Group’s other receivables are considered to have low credit risk, and the loss allowance recognised during the period was therefore limited to 12 months expected loss. Other receivables are considered to be low credit risk when they have a low risk of default and the counterparty has a strong capacity to meet its contractual cash flow obligations in the near term.



### 3. Accounting policies (Continued)

#### 3.1 IFRS 9 “Financial Instruments” (Continued)

##### (a) IFRS 9 “Financial Instruments” – Impact of adoption (Continued)

###### (ii) *Impairment of financial assets (Continued)*

- (c) Loans to customers, receivables arising from finance leases and other non-current assets (including loan commitments and financial guarantee contracts)

Financial services segment of the Group offers services including short-term financing, credit guarantees, entrusted loans, financial leasing, banking, insurance brokerage services, third party payment, internet finance, trusts and customised financial solutions to customers. The estimation of credit exposure for risk management purposes of certain financial services businesses is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Group measures credit risk using Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD). Refer to note 4 for more details of the related accounting estimation and judgements.

The loss allowances for related assets as at December 31, 2017 reconcile to the opening loss allowances on January 1, 2018, the loss allowances increased by RMB531 million through opening retained earnings and non-controlling interests.

The associates of the Group also use the above-mentioned method to calculate the expected credit loss, as of January 1, 2018, the amount of associates and joint ventures using equity accounting was decreased RMB256 million through opening balance of retain earnings.

### 3. Accounting policies (Continued)

#### 3.1 IFRS 9 “Financial Instruments” (Continued)

##### (b) IFRS 9 “Financial Instruments” – Accounting policies applied from January 1, 2018

###### *Investments and other financial assets*

###### Classification

From January 1, 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the Group’s business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

###### Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

### 3. Accounting policies (Continued)

#### 3.1 IFRS 9 “Financial Instruments” (Continued)

##### (b) IFRS 9 “Financial Instruments” – Accounting policies applied from January 1, 2018 (Continued)

###### (i) *Debt instruments*

Subsequent measurement of debt instruments depends on the Group’s business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other (losses)/income and gains, together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets’ cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other (losses)/income and gains. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other (losses)/income and gains and impairment expenses are presented as separate line item in the statement of profit or loss.
- **FVPL:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other investment income and gains in the period in which it arises.

### 3. Accounting policies (Continued)

#### 3.1 IFRS 9 “Financial Instruments” (Continued)

##### (b) IFRS 9 “Financial Instruments” – Accounting policies applied from January 1, 2018 (Continued)

###### (ii) *Equity instruments*

The Group subsequently measures all equity investments at fair value. Where the Group’s management elect to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as investment income and gains when the Group’s right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in investment income and gains in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

###### Impairment

From January 1, 2018, the Group assesses on a forward looking basis the expected credit loss associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables and note receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. For the loans to customers, receivables arising from finance leases and other non-current assets (including loan commitments and financial guarantee contracts), the expected credit loss is measured on either a 12-month or Lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired.

### 3. Accounting policies (Continued)

#### 3.2 IFRS 15 “Revenue from Contracts with Customers”

The Group has adopted IFRS 15 from January 1, 2018 which may result in changes in accounting policies and adjustments to the amounts recognized in the financial statements. In accordance with the transition provisions in IFRS 15, the Group has adopted the new rule under the modified retrospective approach and the comparative figures have not been restated. Based on the Group’s assessment, the retained earnings as of January 1, 2018 would not be adjusted upon the adoption of IFRS15. The following accounting policies were adopted from January 1, 2018 upon the adoption of IFRS15.

##### Revenue Recognition

In accordance with IFRS15, revenue is recognized when control of the promised goods or services is transferred to our customers, in an amount that reflects the consideration we expect to be entitled to in exchange for those goods or services. For offerings which included the provision of multiple performance obligations, the Group allocates the transaction based on the relative stand-alone selling price. Revenue for each performance obligation is then recognised when the Group satisfies the performance obligation by transferring the promised goods or services to the customer.

Revenue is recognised when the customer obtains the control of the promised goods or services. Control can transfer at a point in time or continuously over time. Determining when control transfers will require significant judgement. An entity satisfies a performance obligation over time if: (1) the customer is receiving and consuming the benefits of the entity’s performance as the entity performs (that is, another entity would not need to substantially re-perform the work completed to date); (2) the entity’s performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (3) the entity’s performance does not create an asset with an alternative use to the entity, the entity has a right to payment for performance completed to date that includes compensation for a reasonable profit margin, and it expects to fulfil the contract. A good or service not satisfied over time is satisfied at a point in time.

The Group has assessed the right and obligations in different revenue streams, the revenue recognised would not be adjusted in accordance with IFRS 15.

##### Contractual assets/liabilities

The excess of the cumulative revenue recognized over the cumulative consideration received and due from the contracted customer is recognized as a contract asset on the consolidated balance sheet. On the contrary, the excess of the cumulative consideration received from the contracted customer over the cumulative revenue recognized is recognized as a contract liability recorded in deferred revenue. The contract asset and the contract liability are classified as current and non-current portions based on their respective recovery or settlement periods. As of June 30, 2018, the contract of the Group assets are not material.



### 3. Accounting policies (Continued)

#### 3.3 Impact of standards issued but not yet applied by the Group

The Group has not early adopted any new standards, amendments and interpretations to existing standards which have been issued but are not yet effective for the financial period beginning January 1, 2018. The Group is in the process of making an assessment of the impact of these new standards, amendments and interpretations to existing standards on the financial statements of the Group in their initial applications.

##### IFRS 16 “Leases”

IFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Group’s operating leases. The Group has not yet determined the impact of adoption of IFRS 16 on the Group’s profit and classification of cash flows.

The standard is mandatory for first interim periods within annual reporting periods beginning on or after January 1, 2019. The Group does not intend to adopt the standard before its effective date.

### 4. 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, 2017, other than “provisions for bad debts” which is replaced by the following estimation about “measurement of the expected credit loss allowance”.

#### (a) Measurement of the expected credit loss (“ECL”) allowance

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Expected credit losses are the discounted product of the PD, EAD, and LGD.

#### 4. Estimates (Continued)

##### (a) Measurement of the expected credit loss (“ECL”) allowance (Continued)

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

IFRS 9 outlines a ‘three-stage’ model for impairment based on changes in credit quality since initial recognition as summarised below:

- A financial instrument that is not credit-impaired on initial recognition is classified in ‘stage 1’ and has its credit risk continuously monitored by the Group.
- If a significant increase in credit risk (“SICR”) since initial recognition is identified, the financial instrument is moved to ‘stage 2’ but is not yet deemed to be credit-impaired.
- If the financial instrument is credit-impaired, the financial instrument is then moved to ‘stage 3’.
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis. ECL is measured on either a 12-month (12M) or Lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired.
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward- looking information. The assessment of SICR and the calculation of ECL both incorporate forward-looking information. The Group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio. These economic variables and their associated impact on the PD, EAD and LGD vary by financial instrument. The impact of these economic variables on the PD, EAD and LGD has been determined by performing statistical regression analysis to understand the impact changes in these variables have had historically on default rates and on the components of LGD and EAD.

## 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, 2017.

There have been no changes in the Group's risk management department or in any risk management policies since December 31, 2017.

### 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, 2018 and December 31, 2017.

	Unaudited As at June 30, 2018			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
<b>Assets</b>				
Associates measured at fair value through profit or loss	–	–	18,010,723	18,010,723
Financial assets at fair value through profit or loss				
– Listed securities	2,149,557	21,810	–	2,171,367
– Unlisted securities	–	–	11,690,891	11,690,891
– Listed corporate bonds	575,286	–	–	575,286
– Bank's wealth management products	–	–	388,091	388,091
Derivative financial assets (i)	–	1,084,417	–	1,084,417
Financial assets at fair value through other comprehensive income				
– Listed securities	759,191	552,813	–	1,312,004
– Unlisted securities	–	–	769,310	769,310
	<b>3,484,034</b>	<b>1,659,040</b>	<b>30,859,015</b>	<b>36,002,089</b>
<b>Liabilities</b>				
Financial liabilities at fair value through profit or loss	–	–	817,652	817,652
Derivative financial liabilities (i)	–	326,728	–	326,728
Contingent considerations	–	–	536,119	536,119
Written put option liability	–	–	2,487,861	2,487,861
	–	<b>326,728</b>	<b>3,841,632</b>	<b>4,168,360</b>

## 5. Financial risk management (Continued)

## 5.2 Fair value estimation (Continued)

	Audited As at December 31, 2017			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
<b>Assets</b>				
Associates measured at fair value through profit or loss	–	–	17,970,881	17,970,881
Financial assets at fair value through profit or loss				
– Listed securities	1,240,326	–	–	1,240,326
– Unlisted securities	–	–	6,025,114	6,025,114
Derivative financial instruments (i)	–	130,495	–	130,495
Available-for-sale financial assets				
– Listed securities	1,904,233	1,657,755	–	3,561,988
– Unlisted securities	–	–	5,342,904	5,342,904
– Listed corporate bonds	268,642	–	–	268,642
– Bank's wealth management products	–	–	423,950	423,950
	3,413,201	1,788,250	29,762,849	34,964,300
<b>Liabilities</b>				
Financial liabilities at fair value through profit or loss	–	–	801,000	801,000
Derivative financial instruments (i)	–	387,100	–	387,100
Written put option liability	–	–	1,468,973	1,468,973
	–	387,100	2,269,973	2,657,073

(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 Lenovo.

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.



## 5. Financial risk management (Continued)

### 5.2 Fair value estimation (Continued)

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

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

Specific valuation techniques used to value financial instruments include:

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

As at June 30, 2018 and December 31, 2017, 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.

## 5. Financial risk management (Continued)

### 5.2 Fair value estimation (Continued)

If 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.

The following table presents the changes in level 3 financial assets for the six months ended June 30, 2018 and June 30, 2017.

	Unaudited				
	Associates measured at fair value through profit or loss <i>RMB'000</i>	Financial assets measured at fair value through profit or loss <i>RMB'000</i>	Financial assets measured at fair value through other comprehensive income <i>RMB'000</i>	Available-for- sale financial assets <i>RMB'000</i>	Total <i>RMB'000</i>
<b>At January 1, 2018</b>	17,970,881	10,851,183	940,785	–	29,762,849
Additions/capital contributions	799,503	1,161,748	21,123	–	1,982,374
Disposals/return of capital	(507,442)	(935,803)	(147,135)	–	(1,590,380)
Exchange adjustment	81,378	61,931	(684)	–	142,625
Transfers out from level 3 to level 1/2	–	(254,017)	–	–	(254,017)
(Losses)/gains recognised in income statement	(333,597)	1,193,940	–	–	860,343
Losses recognised in other comprehensive income	–	–	(44,779)	–	(44,779)
<b>At June 30, 2018</b>	<b>18,010,723</b>	<b>12,078,982</b>	<b>769,310</b>	<b>–</b>	<b>30,859,015</b>
<b>At January 1, 2017</b>	15,515,436	4,046,279	–	3,672,459	23,234,174
Additions/capital contributions	1,269,785	390,607	–	7,838,731	9,499,123
Disposals/return of capital	(320,637)	(37,287)	–	(195,015)	(552,939)
Exchange adjustment	(261,447)	(32,035)	–	(5,678)	(299,160)
Transfers out from level 3 to level 1/2	–	–	–	(6,400)	(6,400)
Gains recognised in income statement	172,852	320,220	–	–	493,072
Gains recognised in other comprehensive income	–	–	–	452	452
<b>At June 30, 2017</b>	<b>16,375,989</b>	<b>4,687,784</b>	<b>–</b>	<b>11,304,549</b>	<b>32,368,322</b>

## 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, 2018 and June 30, 2017.

	<b>Unaudited</b>
	<b>Amounts</b>
	<b>RMB'000</b>
<b>At January 1, 2018</b>	<b>2,269,973</b>
Additions	<b>125,253</b>
Exchange adjustment	<b>59,362</b>
Acquisition of associates	<b>1,376,404</b>
Recognized in condensed consolidated interim income statement	<b>10,640</b>
<b>At June 30, 2018</b>	<b>3,841,632</b>
<b>At January 1, 2017</b>	1,547,992
Additions	801,000
Exchange adjustment	(42,805)
Recognized in condensed consolidated interim income statement	14,311
<b>At June 30, 2017</b>	<b>2,320,498</b>

## 6. Segment information

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

For management purpose, the Group is organized into business units based on their products and services. Different businesses require different technologies and marketing strategies. The Group, therefore, separately manages the production and operation of each segment and evaluates their operating results respectively, in order to make decisions about resources to be allocated to these segments and to assess their performance. During the six months ended June 30, 2018, management changed the name of new materials segment into advanced manufacturing and professional services segment and re-organized some services from innovative consumption and services segment into advanced manufacturing and professional services segment or financial investments segment to align with the change of responsibilities of internal management functions. The comparative figures have been restated to conform with the current year's presentation.

## 6. Segment information (Continued)

The Group identifies 6 reportable segments as follows:

- Information technology segment (“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, third party payment, internet finance, trusts, and customised financial solutions to customers;
- Innovative consumption and services segment, which operates mainly to provide comprehensive medical and health services, car rental business, Internet healthcare services and education for kids;
- Agriculture and food segment, which are mainly engaged in planting and sales of premium fruit and tea products in agriculture business, producing and selling various brands of Chinese liquor; supplying seafoods and accessory products, agriculture-oriented e-commerce platform and liquor direct sales chain;
- Advanced manufacturing and professional services segment, which includes the fine chemicals, energy materials production services, logistics services and aviation logistic related business services;
- Financial investments segment, which is engaged in investments 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. It also provides office rental services to consumers and enterprises.

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

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

## 6. Segment information (Continued)

## Revenue and Profit

Six months ended June 30, 2018

	Unaudited								
	Strategic investments						Unallocated	Elimination	Total
	IT	Financial services	Innovative consumption services	Agriculture and food	Advanced manufacturing and professional services	Financial investments			
							RMB'000	RMB'000	RMB'000
<b>Segment revenue</b>									
Sales/provide services to external customers	143,877,852	711,883	886,464	6,386,547	3,124,125	300,976	-	-	155,287,847
Net interest income	-	1,261,501	-	-	-	-	-	-	1,261,501
Inter-segment sales/provide services	-	6,920	-	-	-	3,430	-	(10,350)	-
<b>Total</b>	<b>143,877,852</b>	<b>1,980,304</b>	<b>886,464</b>	<b>6,386,547</b>	<b>3,124,125</b>	<b>304,406</b>	<b>-</b>	<b>(10,350)</b>	<b>156,549,348</b>
<b>Segment results</b>									
Profit/(loss) before income tax	954,680	1,411,429	1,034,808	455,699	219,545	430,824	(852,116)	2,426	3,657,295
Income tax (expense)/credit	(101,278)	(159,980)	(942)	22,263	(24,033)	(1,979)	213,032	-	(52,917)
<b>Profit/(loss) for the period</b>	<b>853,402</b>	<b>1,251,449</b>	<b>1,033,866</b>	<b>477,962</b>	<b>195,512</b>	<b>428,845</b>	<b>(639,084)</b>	<b>2,426</b>	<b>3,604,378</b>
<b>Other segment information:</b>									
Depreciation and amortisation	(2,422,830)	(15,119)	(12,669)	(52,560)	(199,622)	(19,819)	(9,958)	-	(2,732,577)
Impairment loss for non-current assets	-	-	-	(269,209)	-	-	-	-	(269,209)
Investment income and gains	477,171	574,402	1,281,544	573,873	21,726	469,185	-	-	3,397,901
Finance income	82,144	31,191	394	7,652	4,841	87,712	366,432	(165,054)	415,312
Finance costs	(1,002,623)	(177,130)	(72,946)	(65,029)	(120,173)	(223,368)	(1,049,126)	171,711	(2,538,684)
Share of (loss)/profit of associates and joint ventures accounted for using the equity method	(4,064)	184,186	(11,277)	4,434	111,755	(66,167)	-	2,426	221,293
Material non-cash items other than depreciation and amortisation	(631,722)	-	-	-	-	(38,690)	-	-	(670,412)
Capital expenditure	2,007,818	76,348	21,505	739,243	194,720	26,423	7,317	-	3,073,374



## 6. Segment information (Continued)

## Revenue and Profit (Continued)

Six months ended June 30, 2017

	Unaudited (Restated)								
	Strategic investments						Unallocated	Elimination	Total
	IT	Financial services	Innovative consumption services	Agriculture and food	Advanced manufacturing and professional services	Financial investments			
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
<b>Segment revenue</b>									
Sales/provide services to external customers	134,671,854	1,277,305	755,703	2,008,177	3,055,203	319,778	-	-	142,088,020
Net interest income	-	394,451	-	-	-	-	-	-	394,451
Inter-segment sales/provide services	-	15,887	-	-	-	3,958	-	(19,845)	-
<b>Total</b>	<b>134,671,854</b>	<b>1,687,643</b>	<b>755,703</b>	<b>2,008,177</b>	<b>3,055,203</b>	<b>323,736</b>	<b>-</b>	<b>(19,845)</b>	<b>142,482,471</b>
<b>Segment results</b>									
(Loss)/profit before income tax	(371,792)	882,018	(327,348)	159,176	667,605	2,602,008	(660,185)	-	2,951,482
Income tax credit/(expense)	527,511	(187,802)	(2,658)	(17,786)	(206,967)	(238,107)	165,046	-	39,237
<b>Profit/(loss) for the period</b>	<b>155,719</b>	<b>694,216</b>	<b>(330,006)</b>	<b>141,390</b>	<b>460,638</b>	<b>2,363,901</b>	<b>(495,139)</b>	<b>-</b>	<b>2,990,719</b>
<b>Other segment information:</b>									
Depreciation and amortisation	(2,414,445)	(6,487)	(105,596)	(54,731)	(200,205)	(43,592)	(8,364)	-	(2,833,420)
Impairment loss for non-current assets	(81,879)	-	-	(27,352)	-	-	-	-	(109,231)
Investment income and gains	1,601,008	157,651	4,794	22,425	563,585	2,799,546	-	-	5,149,009
Finance income	132,383	12,259	1,001	5,064	6,518	(400)	304,711	(70,492)	391,044
Finance costs	(958,483)	(82,473)	(88,964)	(27,499)	(133,342)	(226,678)	(843,202)	86,379	(2,274,262)
Share of (loss)/profit of associates and joint ventures accounted for using the equity method	(11,329)	147,199	95,381	55,574	28,580	106,831	-	-	422,236
Material non-cash items other than depreciation and amortisation	(614,381)	-	-	-	-	(33,170)	-	-	(647,551)
Capital expenditure	3,571,133	10,975	147,508	95,457	74,118	37,899	16,297	-	3,953,387

## 6. Segment information (Continued)

## Assets and liabilities

As at June 30, 2018

	Unaudited									
	Strategic investments						Financial investments	Unallocated	Elimination	Total
	IT	Financial services	Innovative consumption services	Agriculture and food	Advanced manufacturing and professional services	Financial investments				
							RMB'000	RMB'000	RMB'000	RMB'000
<b>Segment assets</b>	196,749,983	51,590,797	6,254,824	13,004,862	11,501,021	73,348,379	14,617,386	(4,077,918)	362,989,334	
<b>Segment liabilities</b>	176,656,093	35,456,865	371,039	5,716,102	7,173,560	10,497,684	48,703,256	(4,045,002)	280,529,597	
Investments in associates and joint ventures using equity accounting	229,192	7,315,802	4,570,163	1,848,622	985,403	3,653,196	-	(32,916)	18,569,462	
Investments in associates measured at fair value through profit or loss	-	35,000	-	-	-	17,975,723	-	-	18,010,723	

As at December 31, 2017

	Audited (Restated)									
	Strategic investments						Financial investments	Unallocated	Elimination	Total
	IT	Financial services	Innovative consumption services	Agriculture and food	Advanced manufacturing and professional services	Financial investments				
							RMB'000	RMB'000	RMB'000	RMB'000
<b>Segment assets</b>	183,440,314	49,349,174	7,221,767	9,482,931	11,064,887	65,938,078	15,264,623	(6,688,033)	335,073,741	
<b>Segment liabilities</b>	162,539,167	34,456,809	3,874,516	3,989,874	6,946,608	10,860,237	40,077,574	(6,652,692)	256,092,093	
Investments in associates and joint ventures using equity accounting	221,764	5,686,659	3,141,903	2,005,241	878,041	2,447,369	-	(35,341)	14,345,636	
Investments in associates measured at fair value through profit or loss	-	35,000	-	-	-	17,935,881	-	-	17,970,881	

## 6. Segment information (Continued)

## (a) Revenue from external customers

	Unaudited Six months ended June 30,	
	2018 RMB'000	2017 RMB'000
China	45,611,055	39,454,171
Asia-Pacific region excluding China ("AP")	26,737,293	24,053,055
Europe/Middle east/Africa ("EMEA")	37,079,808	36,615,939
Americas ("AG")	47,121,192	42,359,306
Total	156,549,348	142,482,471

## (b) Non-current assets

	Unaudited	Audited
	As at June 30, 2018 RMB'000	As at December 31, 2017 RMB'000
China	52,157,422	53,693,085
AP	13,287,903	11,480,943
EMEA	8,642,164	8,639,421
AG	21,310,786	21,958,957
Total	95,398,275	95,772,406

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,	
	2018 RMB'000	2017 RMB'000
Gains on disposal/dilution of associates	44,837	2,198,440
Gains on disposal of available-for-sale financial assets	–	1,393,976
Gains on disposal of subsidiaries	1,861,494	6,852
Dividend income from available-for-sale financial assets	–	154,062
Fair value gains and dividend income from associates measured at fair value through profit or loss	78,627	958,678
Fair value gains and dividend income from financial assets at fair value through profit or loss	1,431,775	423,846
Others	(18,832)	13,155
	<b>3,397,901</b>	5,149,009

## 8. Expenses by nature

	Unaudited Six months ended June 30,	
	2018 RMB'000	2017 RMB'000
Cost of inventories sold	124,557,758	112,518,709
Employee benefit expense	13,929,469	13,077,553
Office and administrative expense	2,227,212	2,640,871
Advertising costs	2,188,113	3,196,540
Depreciation and amortisation	2,732,577	2,833,420
Impairment loss for non-current assets	269,209	109,231
Customer support service	1,119,784	1,070,361
Consultancy and professional fees	469,076	982,031
Labs and testing	91,494	118,759
Operating lease payments	518,688	578,029
Business tax and surcharge and other taxes	368,175	357,357
Transportation expense	277,216	249,250
Inventory write-down	326,742	199,870
Other expenses (i)	4,319,410	4,856,455
	<b>153,394,923</b>	142,788,436

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

## 9. Finance income and costs

	Unaudited Six months ended June 30,	
	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Interests:		
– Bank loans and overdrafts	949,226	976,014
– Other loans	334,049	299,899
– Bonds	1,002,845	801,328
Factoring costs	238,941	179,425
Interest costs on put option liability	10,640	14,311
Commitment fee	2,983	3,285
<b>Finance costs</b>	<b>2,538,684</b>	2,274,262
Finance income:		
– Interest income on bank deposits and money market funds	(359,487)	(374,144)
– Interest income on loans to related parties	(55,825)	(16,900)
<b>Finance income</b>	<b>(415,312)</b>	(391,044)
<b>Net finance costs</b>	<b>2,123,372</b>	1,883,218



## 10. Income tax expense/(credit)

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

	<b>Unaudited</b>	
	<b>Six months ended June 30,</b>	
	<b>2018</b>	2017
	<b>RMB'000</b>	RMB'000
<b>Current income tax</b>	<b>1,378,810</b>	1,512,265
<b>Deferred income tax</b>	<b>(1,325,893)</b>	(1,551,502)
<b>Income tax expense/(credit)</b>	<b>52,917</b>	(39,237)

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

	<b>Six months ended June 30,</b>	
	<b>2018</b>	2017
	<b>RMB'000</b>	RMB'000
Profit before tax	<b>3,657,295</b>	2,951,482
<b>Tax effects of:</b>		
Tax calculated at domestic rates applicable in countries concerned	<b>1,124,808</b>	795,033
Income not subject to tax	<b>(1,505,897)</b>	(720,854)
Expenses not deductible for tax purposes	<b>135,463</b>	29,836
Utilisation of previously unrecognised tax losses	<b>(404,217)</b>	(506,395)
Deferred income tax assets not recognised	<b>543,072</b>	363,143
Others	<b>159,688</b>	–
<b>Income tax expense/(credit)</b>	<b>52,917</b>	(39,237)

## 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,	
	2018	2017
Weighted average number of issued ordinary shares ( <i>thousands</i> )	<b>2,356,231</b>	2,356,231
Less shares held for restricted share scheme ( <i>thousands</i> )	<b>(19,200)</b>	(18,022)
Weighted average number of issued ordinary shares for calculating basic earnings per share ( <i>thousands</i> )	<b>2,337,031</b>	2,338,209
Basic earnings attributable to equity holders of the Company ( <i>RMB'000</i> )	<b>2,830,116</b>	2,687,069
Diluted impact on earnings ( <i>RMB'000</i> ) (i)	<b>(569)</b>	(1,743)
Diluted earnings attributable to the equity holders of the Company ( <i>RMB'000</i> )	<b>2,829,547</b>	2,685,326
Numbers of restricted shares with potential dilutive effect ( <i>thousands</i> ) (ii)	<b>19,200</b>	18,022
Weighted average number of issued ordinary shares for calculating diluted earnings per share ( <i>thousands</i> ) (ii)	<b>2,356,231</b>	2,356,231
Earnings per share		
– Basic ( <i>RMB per share</i> )	<b>1.21</b>	1.15
– Diluted ( <i>RMB per share</i> )	<b>1.20</b>	1.14

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

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

## 12. Property, plant and equipment and intangible assets

	Unaudited For the six months ended June 30, 2018	
	Property, plant and equipment RMB'000	Intangible assets RMB'000
<b>At January 1, 2018</b>	<b>19,864,687</b>	<b>59,534,705</b>
Additions	1,942,013	590,517
Transfers to intangible assets	(699,572)	699,572
Acquisition of subsidiaries	1,496,776	2,056,447
Disposals/transfer to investment properties	(120,984)	(599,611)
Depreciation/amortisation charge	(1,104,369)	(1,597,261)
Impairment loss	–	(269,209)
Exchange adjustment	(93,711)	(358,679)
Disposal of subsidiaries	(1,590,522)	(606,119)
<b>At June 30, 2018</b>	<b>19,694,318</b>	<b>59,450,362</b>

	Unaudited For the six months ended June 30, 2017	
	Property, plant and equipment RMB'000	Intangible assets RMB'000
<b>At January 1, 2017</b>	19,607,015	59,935,496
Additions	2,041,830	612,148
Transfers to intangible assets	(46,800)	46,800
Acquisition of subsidiaries	80,301	1,130,170
Disposals/transfer to investment properties	(69,454)	(5)
Depreciation/amortisation charge	(1,176,200)	(1,568,530)
Impairment loss	(109,231)	–
Exchange adjustment	(90,600)	(384,151)
Disposal of a subsidiary	(4,033)	–
<b>At June 30, 2017</b>	<b>20,232,828</b>	<b>59,771,928</b>

As at June 30, 2018, the directors are of the view that there was no evidence of impairment of goodwill and trademarks except goodwill identified on acquisition of Joyvio Agriculture Development Co., Ltd (“Joyvio Agriculture”), which is engaged in domestic trading, processing and sale of seafood and other animal protein-related products. The shares of Joyvio Agriculture are listed on the ChiNext board on Shenzhen Stock Exchange. The recoverable amount of Joyvio Agriculture was determined based on the model of fair value less disposal cost. Fair value reflects the assumptions market participants would use when pricing the asset. In the six months ended June 30, 2018, the Group recognised an impairment charge of RMB269 million, caused by the fall in the stock price of Joyvio Agriculture.

## 13. Investment properties

	<b>Unaudited</b>	
	<b>Six months ended June 30,</b>	
	<b>2018</b>	2017
	<b>RMB'000</b>	RMB'000
<b>At beginning of the period</b>	<b>11,107,111</b>	10,111,584
Additions	<b>151,473</b>	25,168
Fair value gains	<b>37,425</b>	186,676
Transferred from owner occupied Properties	<b>66,487</b>	134,051
<b>At the end of the period</b>	<b>11,362,496</b>	10,457,479

Investment properties held by the Group were revalued as at June 30,2018 and December 31,2017 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 was no change to the valuation techniques.

As at June 30,2018 and December 31,2017, all of the Group's investment properties were within level 3 of the fair value hierarchy as the valuation were arrived at by reference to certain significant unobservable inputs.

The fair value gains are recognised in other (losses)/income and gains of condensed consolidated interim income statement.

## 14. Accounts and notes receivables

	<b>Unaudited As at June 30, 2018 RMB'000</b>	Audited As at December 31, 2017 RMB'000
Trade receivables	<b>43,202,057</b>	41,290,664
Notes receivables	<b>479,096</b>	462,443
Receivables arising from finance leases	<b>3,836,534</b>	5,192,963
Less: provision for impairment	<b>(634,337)</b>	(796,744)
Accounts and notes receivables – net	<b>46,883,350</b>	46,149,326

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, 2018 and December 31, 2017, the ageing analysis of the trade receivables based on billing date was as follows:

	<b>Unaudited As at June 30, 2018 RMB'000</b>	Audited As at December 31, 2017 RMB'000
Up to 3 months	<b>39,563,984</b>	35,640,738
3 to 6 months	<b>2,541,439</b>	3,922,739
6 months to 1 year	<b>435,870</b>	1,040,524
1 to 2 years	<b>552,211</b>	472,845
2 to 3 years	<b>73,185</b>	141,425
Over 3 years	<b>35,368</b>	72,393
	<b>43,202,057</b>	41,290,664

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



## 15. Prepayments, other receivables and other current assets

	<b>Unaudited</b> <b>As at</b> <b>June 30,</b> <b>2018</b> <b>RMB'000</b>	Audited As at December 31, 2017 RMB'000
Receivables from parts subcontractors	<b>18,089,315</b>	14,393,698
Prepayments	<b>12,705,898</b>	15,148,495
Prepaid tax	<b>8,657,109</b>	7,074,077
Amounts due from related parties (Note 26(b))	<b>1,967,625</b>	1,514,486
Advance to suppliers	<b>1,636,656</b>	1,498,242
Deposits receivable	<b>236,764</b>	350,020
Advance to employees	<b>85,005</b>	90,073
Adjustment for in-transit products	<b>274,810</b>	241,870
Insurance proceeds	<b>148,357</b>	82,318
Receivables from share transfer price	<b>811,943</b>	63,123
Interest receivable	<b>305,002</b>	390,014
Others	<b>2,746,015</b>	2,119,147
	<b>47,664,499</b>	42,965,563
Less: provision for bad debt	<b>(140,560)</b>	(86,494)
	<b>47,523,939</b>	42,879,069

## 16. Trade and notes payables

	<b>Unaudited As at June 30, 2018 RMB'000</b>	Audited As at December 31, 2017 RMB'000
Trade payables	<b>53,826,723</b>	50,156,698
Notes payables	<b>6,126,222</b>	6,573,917
	<b>59,952,945</b>	56,730,615

As at June 30, 2018 and December 31, 2017, the ageing analyses of the trade payables based on billing date were as follows:

	<b>Unaudited As at June 30, 2018 RMB'000</b>	Audited As at December 31, 2017 RMB'000
0–30 days	<b>27,620,079</b>	29,309,811
31–60 days	<b>14,722,293</b>	11,547,934
61–90 days	<b>7,946,956</b>	7,342,832
91 days-1 year	<b>3,499,465</b>	1,866,736
Over 1 year	<b>37,930</b>	89,385
	<b>53,826,723</b>	50,156,698

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

## 17. Other payables and accruals

	<b>Unaudited As at June 30, 2018 RMB'000</b>	Audited As at December 31, 2017 RMB'000
Payable to parts subcontractors	<b>34,475,606</b>	34,041,397
Allowance for billing adjustments (i)	<b>10,647,796</b>	12,014,584
Accrued expenses	<b>9,215,426</b>	10,390,253
Payroll payable	<b>2,558,991</b>	3,066,244
Other taxes payable	<b>2,023,549</b>	2,344,168
Amounts due to related parties (ii) (Note26)	<b>419,883</b>	376,136
Deposits payable	<b>787,652</b>	873,689
Royalty payable	<b>686,353</b>	702,400
Social security payable	<b>768,549</b>	632,321
Deferred consideration (iii)	<b>694,696</b>	507,442
Written put option liability (iv)	<b>1,487,497</b>	1,470,855
Interest payable	<b>829,960</b>	643,850
Dividend payable (Note22)	<b>636,182</b>	5,786
Loans from third parties	<b>1,094,722</b>	1,297,407
Transferred loans to be redeemed	<b>1,361,001</b>	5,131,208
Asset management program	<b>1,173,000</b>	1,705,423
Others	<b>3,948,536</b>	3,168,537
	<b>72,809,399</b>	78,371,700

- (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, 2018 and December 31, 2017 the amounts due to related parties are unsecured and uninterested.
- (iii) In connection with completed business combinations, the Group is required to pay in cash to the respective sellers deferred consideration. Accordingly, current and non-current liabilities in respect of the present values of deferred considerations have been recognised as current and non-current liabilities.
- (iv) Pursuant to the joint venture agreement entered into in 2012 between Lenovo and Compal Electronics, Inc. ("Compal") to establish a joint venture company ("JV Co") to manufacture notebook computer products and related parts, Lenovo and Compal are respectively granted 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 with any resulting gain or loss recognized in the consolidated income statement at each balance sheet date. In the event that the put option lapses unexercised, the liability will be derecognized with a corresponding adjustment to equity.

## 18. Other non-current liabilities

	<b>Unaudited As at June 30, 2018 RMB'000</b>	Audited As at December 31, 2017 RMB'000
Deferred considerations (i)	<b>165,891</b>	163,825
Contingent considerations (i)	<b>536,119</b>	–
Government incentives and grants received in advance (ii)	<b>674,152</b>	807,789
Written put option liability (iii)	<b>1,000,364</b>	–
Unfavourable lease contracts assumed	<b>434,192</b>	445,532
Long-term payables	<b>2,160,332</b>	1,948,834
Others	<b>596,541</b>	624,999
	<b>5,567,591</b>	3,990,979

- (i) In connection with certain business combinations, the Group is required to pay in cash to the then respective sellers contingent considerations with reference to certain performance indicators as written in the respective agreements with those then shareholders/sellers; and deferred considerations. 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 with any resulting gain or loss recognized in the condensed consolidated interim income statement, as a result of change in the expected performance at each balance sheet date. Deferred considerations are subsequently measured at amortized cost.

As at June 30, 2018 and December 31, 2017, the potential undiscounted amounts of future payments in respect of the contingent and deferred considerations that the Group could be required to make to the then respective sellers under the arrangements are as follows:

	<b>Unaudited As at June 30 , 2018</b>	Audited As at December 31, 2017
Joint venture with NEC Corporation Fujitsu Limited ("Fujitsu")	<b>USD25 million JPY2.55 billion to JPY12.75 billion</b>	USD25 million
Hebei Hengshui Laobaigan Liquor Co.,Ltd.	<b>Nil to RMB530 million</b>	–

- (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.
- (iii) Pursuant to the joint venture agreement entered into between Lenovo and Fujitsu, Lenovo and Fujitsu are respectively granted call and put options which entitle Lenovo to purchase from Fujitsu and Development Bank of Japan ("DBJ"), or Fujitsu and DBJ to sell to Lenovo, 49% interest in Fujitsu Client Computing Limited and its subsidiary, Shimane Fujitsu Limited (together "FCCL"). Both options will be exercisable following the fifth anniversary of the date of completion. The exercise price for the call and put options will be determined based on the fair value of the 49% interest as of the day of exercising the option.

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 RMB964 million. The put option liability shall be re-measured with any resulting gain or loss recognized in the consolidated income statement at each balance sheet date. In the event that the put option lapses unexercised, the liability will be derecognized with a corresponding adjustment to equity.

## 19. Borrowings

	<b>Unaudited As at June 30, 2018 RMB'000</b>	Audited As at December 31, 2017 RMB'000
Bank loans		
– Unsecured loans	<b>31,655,411</b>	14,200,259
– Guaranteed loans	<b>21,374,711</b>	19,586,428
– Collateralised loans	<b>4,501,821</b>	3,850,572
Other loans		
– Unsecured loans	<b>3,880,000</b>	2,343,215
– Guaranteed loans	<b>8,917,302</b>	7,286,570
– Collateralised loans	<b>2,011,280</b>	1,843,145
Corporate bonds		
– Unsecured	<b>40,059,399</b>	37,973,286
– Guaranteed	<b>498,514</b>	494,130
	<b>112,898,438</b>	87,577,605
Less: non-current portion	<b>(52,966,160)</b>	(64,454,075)
Current portion	<b>59,932,278</b>	23,123,530

Borrowings are repayable as follows:

	<b>Unaudited As at June 30, 2018 RMB'000</b>	Audited As at December 31, 2017 RMB'000
Within 1 year	<b>59,932,278</b>	23,123,530
After 1 year but within 2 years	<b>21,484,765</b>	25,707,032
After 2 years but within 5 years	<b>29,010,784</b>	36,351,512
After 5 years	<b>2,470,611</b>	2,395,531
	<b>112,898,438</b>	87,577,605



## 20. Deferred income tax

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	<b>Unaudited As at June 30, 2018 RMB'000</b>	Audited As at December 31, 2017 RMB'000
<b>Deferred tax assets</b>	<b>11,288,929</b>	9,671,997
<b>Deferred tax liabilities</b>	<b>(5,005,837)</b>	(4,809,127)
<b>Deferred tax assets – net</b>	<b>6,283,092</b>	4,862,870

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

	<b>Unaudited Six months ended June 30,</b>	
	<b>2018 RMB'000</b>	2017 RMB'000
<b>At beginning of the period</b>	<b>4,862,870</b>	4,383,189
Impact of adoption of new IFRS ( <i>Note 3.1(a)</i> )	<b>60,470</b>	–
Credited to the income statement	<b>1,325,893</b>	1,551,502
Credited to other comprehensive income	<b>97,737</b>	306,068
Recognised directly in equity	<b>(18,434)</b>	–
Acquisition of subsidiaries	<b>(150,213)</b>	–
Disposal of subsidiaries	<b>113,995</b>	12,279
Exchange adjustment	<b>(9,226)</b>	(187,503)
<b>At end of the period</b>	<b>6,283,092</b>	6,065,535

## 21. Provisions

	Unaudited				Total RMB'000
	Warranties RMB'000	Environmental restoration RMB'000	Restructuring RMB'000	Provision on guarantee RMB'000	
<b>At January 1, 2018</b>	<b>7,094,737</b>	<b>60,383</b>	<b>444,299</b>	<b>108,849</b>	<b>7,708,268</b>
Provision made	2,539,580	148,510	250,598	1,555	2,940,243
Amount utilised/Unused amounts reversed	(2,809,107)	(40,335)	(423,281)	(1,043)	(3,273,766)
Exchange adjustment	(60,186)	4,970	(1,798)	–	(57,014)
At end of the period	<b>6,765,024</b>	<b>173,528</b>	<b>269,818</b>	<b>109,361</b>	<b>7,317,731</b>
Non-current portion	(1,763,542)	(162,180)	–	–	(1,925,722)
<b>At June 30, 2018</b>	<b>5,001,482</b>	<b>11,348</b>	<b>269,818</b>	<b>109,361</b>	<b>5,392,009</b>
<b>At January 1, 2017</b>	7,878,539	57,348	861,929	108,462	8,906,278
Provision made	2,420,096	30,343	99,628	–	2,550,067
Amount utilised/Unused amounts reversed	(3,175,138)	(31,181)	(558,563)	(1,460)	(3,766,342)
Exchange adjustment	(118,821)	4,554	(8,473)	–	(122,740)
At end of the period	7,004,676	61,064	394,521	107,002	7,567,263
Non-current portion	(1,820,667)	(44,352)	–	–	(1,865,019)
<b>At June 30, 2017</b>	<b>5,184,009</b>	<b>16,712</b>	<b>394,521</b>	<b>107,002</b>	<b>5,702,244</b>

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

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

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

## 22. Dividends

The Board did not recommend the payment of any interim dividend in respect of the six months ended June 30, 2018 (six months ended June 30, 2017: Nil).

At the Company's annual general meeting held on June 5, 2018, the profit distribution plan of the Company for the year ended December 31, 2017 to distribute a final dividend of RMB0.27(before tax) per ordinary Share, totally approximately RMB636 million was considered and approved. The dividend was paid on July 16, 2018.

## 23. Contingencies

	<b>Unaudited As at June 30, 2018 RMB'000</b>	Audited As at December 31, 2017 RMB'000
Financial guarantee of guarantee business (i)	<b>4,200,022</b>	3,765,033
Other guarantee (ii)		
– Related parties (Note 26)	<b>2,033,172</b>	1,923,420
– Unrelated parties	<b>6,259,826</b>	11,857,448
	<b>12,493,020</b>	17,545,901

### (i) 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, 2018 and December 31, 2017, the outstanding guarantee balance was RMB4,200 million and RMB3,765 million respectively. The Directors evaluate the financial position of the guaranteed entities and make provision accordingly. As at June 30, 2018 and December 31, 2017, the provision made by the Group was RMB109 million and RMB109 million respectively, which were included in "Provision" in the condensed consolidated interim balance sheet.

### (ii) Other guarantee

As at June 30, 2018 and December 31, 2017, of the total guarantee balances provided to related parties and unrelated parties, approximately RMB8,293 million and RMB13,781 million had been withdrawn. The guarantee balances to unrelated parties are mainly related to real estate business, which was disposed in historical period, and the guaranteed companies provided counter guarantee correspondingly. The Board reviews the financial conditions of the guaranteed companies periodically and records provision when necessary. As at June 30, 2018 and December 31, 2017, no provision was recorded in relevant to the preceding guarantee.

## 24. Commitments

### Capital commitments

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

	<b>Unaudited As at June 30, 2018 RMB'000</b>	Audited As at December 31, 2017 RMB'000
Property, plant and equipment	<b>4,068,660</b>	1,504,011
Intangible assets	<b>796</b>	11,644
Investments (i)	<b>15,306,286</b>	15,376,901
<b>Total</b>	<b>19,375,742</b>	16,892,556

- (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. Besides, on September 1, 2017, Beyond Leap Limited (a wholly-owned subsidiary of the Company) (as the Purchaser), Precision Capital S.A. (as the Seller), Right Lane Limited (a wholly-owned subsidiary of the Company) (as the Guarantor) and the Company entered into the sale and purchase Agreement pursuant to which the Purchaser has conditionally agreed to purchase and the Seller has conditionally agreed to sell the 89.936% issued share capital of the Banque Internationale à Luxembourg S.A. ("BIL"), for the consideration which shall be payable in cash, plus adjustment related to the profit and asset levels of the bank. The payment has been paid after the end of reporting period (Note 27(a)).

## 25. Business Combination

In this period, the major business combination activities are as follows:

In 2018, Joyvio Group Co., Ltd. ("Joyvio Group") obtained the control of Golden Wing Mau Agricultural Produce Corporation ("Golden Wing Mau") by signing the acting in concert agreement with some other shareholders of Golden Wing Mau. The Group owned 35% interest of Golden Wing Mau as share of profit of associates accounted for using the equity method before the business combination.

On May 2, 2018, the Group acquired 51% of FCCL. FCCL is principally engaged in manufacturing and distribution of PC products. Immediately following completion, Lenovo, Fujitsu, and Development Bank of Japan ("DBJ") respectively owns 51%, 44%, and 5% of the interest in FCCL. The acquisition provides the Group with efficiencies and economies of scale to benefit the development, manufacture and distribution of Fujitsu-branded personal computer products, while enabling improved global penetration of the Fujitsu personal computer brand for the benefit of both consumer and enterprise market customers.

## 25. Business Combination (Continued)

(a) Set forth below is the calculation of goodwill

	Six months ended June 30,2018		
	Golden Wing Mau RMB'000	FCCL RMB'000	Total RMB'000
Purchase consideration			
– Cash advances in previous years	–	820,800	820,800
– Fair value of the acquirer's previously held equity interest	1,402,098	–	1,402,098
– Present value of deferred consideration	–	411,178	411,178
Total purchase consideration	1,402,098	1,231,978	2,634,076
Less: Fair value of net assets acquired	(819,476)	(787,374)	(1,606,850)
Goodwill	582,622	444,604	1,027,226

(b) The relevant fair values of major component of assets and liabilities arising from the business combination are on a provisional basis as follows:

	Six months ended June 30,2018		
	Golden Wing Mau RMB'000	FCCL RMB'000	Total RMB'000
Cash and cash equivalents	418,068	146,143	564,211
Property, plant and equipment	1,106,699	219,125	1,325,824
Other non-current assets	744,944	–	744,944
Intangible assets	69,796	975,313	1,045,109
Net working capital, except cash and cash equivalents	375,372	526,567	901,939
Non-current liabilities	(314,372)	(323,279)	(637,651)
Non-controlling interests	(1,581,031)	(756,495)	(2,337,526)
Fair value of net assets acquired	819,476	787,374	1,606,850



## 25. Business Combination (Continued)

## (c) Net cash outflow from acquisition of subsidiaries

	Six months ended June 30, 2018		
	Golden Wing Mau RMB'000	FCCL RMB'000	Total RMB'000
Purchase consideration settled in cash	–	820,800	820,800
Less: cash and cash equivalents in subsidiaries acquired	(418,068)	(146,143)	(564,211)
Acquisition of subsidiaries, net of cash (acquired)/paid	(418,068)	674,657	256,589

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

The operation results of the newly acquired businesses do not have significant impact on the condensed consolidated interim financial information for the period ended June 30, 2018.

## 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, 2018 and 2017, respectively.

	<b>Unaudited</b>	
	<b>Six months ended June 30,</b>	
	<b>2018</b>	2017
	<b>RMB'000</b>	<b>RMB'000</b>
<b>Purchase of goods from</b>		
– Associates	<b>834,107</b>	439,519
<b>Sales of goods to</b>		
– Associates	<b>280</b>	–
<b>Services received from</b>		
– Associates	<b>3,787</b>	–
<b>Rendering of services to</b>		
– Associates	<b>25,641</b>	28,958
<b>Loan provided by</b>		
– Associates	<b>40,000</b>	2,000
<b>Loan provided to</b>		
– Associates	<b>352,920</b>	1,134,753
<b>Interest income from</b>		
– Associates	<b>67,163</b>	22,024
<b>Interest expenses to</b>		
– Associates	<b>1,966</b>	7,887

## 26. Related party transactions (Continued)

## (b) Period-end balances due from/to related parties

	<b>Unaudited As at June 30, 2018 RMB'000</b>	Audited As at December 31, 2017 RMB'000
<b>Trade and notes receivables</b>		
– Associates	<b>2,104</b>	35
<b>Prepayment, other receivables and other current assets</b>		
– Associates	<b>1,967,625</b>	1,514,486
<b>Borrowings</b>		
– Associates	–	34,318
<b>Current portion of non-current liabilities</b>		
– Associates	–	151,104
<b>Trade and note payables</b>		
– Associates	<b>1,145</b>	601
<b>Advance from customers</b>		
– Associates	<b>2,538</b>	941
<b>Other payables and accruals</b>		
– Associates	<b>419,883</b>	376,136
<b>Other non-current assets</b>		
– Associates	<b>534,658</b>	303,698

## 26. Related party transactions (Continued)

## (c) Guarantee provided to related parties

	<b>Unaudited As at June 30, 2018 RMB'000</b>	Audited As at December 31, 2017 RMB'000
Guarantee provided to associates	<b>2,033,172</b>	1,923,420

## 27. Subsequent events

- (a) All conditions precedent set out in the sale and purchase Agreement to purchase 89.936% issued share capital in BIL have been fulfilled and the closing of the acquisition took place on July 2, 2018. At closing, the Company paid to the Seller a cash consideration in the sum of EUR1,534,441,348 (equivalent to approximately RMB11,740,777,974) (being the aggregate of the base purchase price plus adjustments relating to the profits of BIL). After closing, such purchase price shall be subject to certain post-closing adjustments. As of the date of this report, the valuation of the identifiable assets and liabilities of BIL Bank is not finished, so the related information is not disclosed. The assessment of the impact of the IFRS 9 after the acquisition is also in progress.
- (b) On July 3, 2018, the Company completed the issuance of corporate bonds (second tranche) of Legend Holdings Corporation to qualified investors in PRC for a term of 3 years, the actual proceeds from the issuance is RMB1.6 billion with 5.99% coupon rate.

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





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