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

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

(Stock Code: 03396)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2020

The Board announces the unaudited condensed consolidated interim results of the Group for the six months ended June 30, 2020 together with the unaudited comparative figures for the corresponding period of 2019, as follows:

FINANCIAL HIGHLIGHTS

- Revenue of the Group was RMB184,866 million, representing an increase of 3% as compared with the corresponding period of last year
- Net profit attributable to equity holders of the Company was RMB637 million, representing a decrease of 76% as compared with the corresponding period of last year
- Basic earnings per share was RMB0.27, representing a decrease of 76% as compared with the corresponding period of last year

	For the six months ended June 30, 2020 (unaudited) (RMB million)	For the six months ended June 30, 2019 (unaudited) (RMB million)
Revenue	184,866	179,311
Strategic Investments	184,456	178,986
Financial Investments	413	325
Elimination	(3)	–
Net profit attributable to equity holders of the Company	637	2,665
Strategic Investments	(36)	1,975
Financial Investments	1,427	1,350
Unallocated	(754)	(660)
Basic earnings per share (RMB)	0.27	1.14
Diluted earnings per share (RMB)	0.27	1.12

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue contributions from the Group's businesses

Unit: RMB million

	For the six months ended June 30, 2020	For the six months ended June 30, 2019	Change in amount	Change %
Strategic investments	184,456	178,986	5,470	3%
IT	168,273	163,998	4,275	3%
Financial services	4,188	4,342	(154)	(4%)
Innovative consumption and services	263	429	(166)	(39%)
Agriculture and Food	8,964	7,491	1,473	20%
Advanced manufacturing and professional services	2,768	2,726	42	2%
Financial investments	413	325	88	27%
Elimination	(3)	—	(3)	N/A
Total	184,866	179,311	5,555	3%

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, 2020	For the six months ended June 30, 2019	Change in amount	Change %
Strategic investments	(36)	1,975	(2,011)	(102%)
IT	566	598	(32)	(5%)
Financial services	730	1,043	(313)	(30%)
Innovative consumption and services	(1,644)	(14)	(1,630)	N/A
Agriculture and Food	(58)	112	(170)	(152%)
Advanced manufacturing and professional services	370	236	134	57%
Financial investments	1,427	1,350	77	6%
Unallocated	(754)	(660)	(94)	N/A
Total	637	2,665	(2,028)	(76%)

Asset allocation of the Group's businesses

Unit: RMB million

	As of June 30, 2020	As of December 31, 2019	Change in amount	Change %
Strategic investments	550,012	544,159	5,853	1%
IT	222,407	230,079	(7,672)	(3%)
Financial services	286,807	271,978	14,829	5%
Innovative consumption and services	5,504	7,007	(1,503)	(21%)
Agriculture and Food	24,157	24,378	(221)	(1%)
Advanced manufacturing and professional services	11,137	10,717	420	4%
Financial investments	70,348	64,299	6,049	9%
Unallocated	20,382	19,456	926	5%
Elimination	(3,008)	(3,839)	831	N/A
Total	637,734	624,075	13,659	2%

BUSINESS REVIEW

In the first half of 2020, COVID-19 wreaked havoc globally, leading to an increasingly complex and unstable environment filled with uncertainties, posing significant challenges for our operations and development. While making vigorous efforts to counter the adverse impacts of the pandemic, we proactively developed new products and services to foster greater synergies upstream and downstream, activated digital management and implemented dynamic risk assessment and evaluation. Our operations and production had been resumed readily and methodically in compliance with national and local regulatory requirements and on the premise of protecting the well-being and safety of all staff members. We also delivered our corporate social responsibilities by donating funds and materials to medical organizations and regions hit hard by the pandemic, and deploying manpower and coordinating supplies to contribute to the national anti-pandemic efforts. We have also begun intensively mapping our Strategy 3.0 according to plan. As the macro economic environment is going through an overhaul, and China's economy is entering a new phase of high-quality development, Legend Holdings thoroughly reviewed the results and inadequacies of our past business performance, in an open and honest manner, to objectively and prudently assess the changes in the internal and external environments, and to proactively face uncertainties head on. In the future, as China promotes innovation and technology, and progresses towards creating a new development pattern where domestic and foreign markets can boost each other, with domestic market as the mainstay, we will strive to contribute our efforts while ensuring we will achieve long term development.

For the six months ended June 30, 2020, Legend Holdings posted a total revenue of RMB184,866 million, an increase of 3% year-on-year, continuing a consecutive growth trend for the 7th reporting periods since 2017. Our strategic investments sector, namely IT, Agriculture and Food, and Advanced Manufacturing and Professional Services, reported revenue growth against the market trend. In the IT segment, Lenovo achieved 3% year-on-year increase in revenue during the Reporting Period, thanks to increasing demand for e-learning, work-from-home and play-from-home. The Agriculture and Food segment achieved 20% year-on-year increase in total revenue due to expansion of the fruit and seafood businesses. The Advanced Manufacturing and Professional Services segment maintained a stable year-on-year growth of revenue of 2%. Lower revenues were recorded year-on-year for Innovative Consumption and Services segment due to school closure at the height of the pandemic affecting the pre-school business, and for the Financial Services segment due to some portfolio companies reducing their scale of traditional capital business leading to a decline in revenue for the segment.

During the Reporting Period, Legend Holdings recorded a net profit attributable to equity holders of Legend Holdings of RMB637 million, a year-on-year decrease of 76%. The net profit attributable to equity holders of Legend Holdings from the strategic investments segment decreased 102% year-on-year to net loss of RMB36 million, mainly due to (1) the significant increase in loss contributed by CAR compared to last corresponding period in the approximate sum of exceeding RMB1,000 million resulting from its large provisions on impairment*; (2) Lakala Payment confirmed a one-off diluted gain of RMB265 million when it was listed in the last corresponding period; and (3) the performance of some businesses declined due to the impacts of COVID-19. The net profit attributable to equity holders of Legend Holdings from the financial investments segment increased 6% year-on-year to RMB1,427 million. Legend Star and Legend Capital continued to contribute higher returns. However, the substantial decrease in the fair value of certain projects slowed down the growth of financial investment profits. During the Reporting Period, our strategic investments and financial investments continued the operations of the capital platform, with 7 of our portfolio companies completed their IPOs, 6 companies had their IPO approved awaiting listing, and at least 12 companies had submitted their IPO applications.

* *the actual amount should refer to the forthcoming interim results announcement of CAR to be released on August 28, 2020*

Strategic Investments

IT

We engage in IT businesses mainly through our subsidiary Lenovo. Lenovo is a Fortune Global 500 company which develops, manufactures and sells high-end technology products and provides related services to corporate and individual consumers. As of June 30, 2020, we held 29.1% equity interest in Lenovo.

Lenovo has been relentless in driving customer centricity to capture growth opportunities, optimize its segment exposure and expand new businesses under the strategic shift towards Intelligent Transformation. The lingering impact of COVID-19 around the world reinforced the emergence of a “new normal” in responding to dynamic shifts in people’s daily work, study and entertainment. This continued to fuel secular growth in e-learning, work-from-home (WFH) and play-from-home, amid further acceleration of cloud demand and e-commerce evolution. Lenovo actively responded to the impact of the epidemic, grasped the development trend of the industry, and achieved outstanding performance.

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

Unit: RMB million

	For the six months ended June 30, 2020	For the six months ended June 30, 2019
Revenue	168,273	163,998
Net profit	2,182	2,204
Net profit attributable to equity holders of Legend Holdings	566	598

During the Reporting Period, the IT segment’s revenue increased by 3% year over year to RMB168,273 million. Despite of the material impact on the segment’s revenue brought about by the unprecedented outbreak of COVID-19 and the subsequent factory shutdowns in the first quarter, the second quarter witnessed a strong rebound in the PC and Smart Device (PCSD) business results driven by the emergence of the “new normal” under the global pandemic, offsetting the adverse impact on segment revenue in the first quarter. Net profit attributable to equity holders of Legend Holdings decreased by 5% year over year to RMB566 million. Growth of PCSD results driven by a strategy to optimize segment profitability and drive high-margin Software and Services growth was partially offset by Mobile Business Group (MBG) performance under a sharp drop in market demand in Latin America.

Intelligent Devices Group – PC and Smart Device (PCSD) Business

During the Reporting Period, the PCSD business continued to grow on the back of multiple drivers. Work-from-home demand has been a clear catalyst for thin-and-light notebook PC sales, while consumers are buying more gaming PCs to meet their play-from-home requirements. E-learning has emerged as a consistent driver across all regions and the Lenovo's Chromebook shipments increased consistently. The e-commerce evolution is pushing a number of transactions through Lenovo's on-line franchise. These numerous strengths offset the challenges arising from COVID-19. Lenovo was able to capture these growth opportunities to deliver a record-high market share in the consumer PC segment. In the second quarter of 2020, the PCSD revenue grew 10.1% year-on-year, contributing to 80% of the Lenovo's total revenue.

The PCSD business' efforts in optimizing segment profitability and expanding sales in premium products are paying off. Its investments in the Software and Services business have led to additional upsell opportunities. In the second quarter of 2020, the Software and Services business grew its revenue four times faster than the PCSD average and carried the highest margin profile among all products lines, the pre-tax margin of the PCSD business expanded 0.9 percentage points to 6.3%.

Intelligent Devices Group – Mobile Business Group (MBG)

MBG continued to execute its core market strategy to develop in regions and/or countries where it has notable competitive advantages. In the second quarter of 2020, its smartphone market share by shipments rose 1.8, 1.6 and 0.6 percentage points year-on-year in the Latin America, North America and Europe markets, respectively, according to industry data. Nevertheless, market demand for MBG's biggest core market, Latin America, experienced a sharp correction of over 30% year-on-year in the second quarter of 2020 with its addressable market by shipments. As a result of this market weakness, MBG's revenue performance in Latin America was put under pressure.

MBG has a strategy in place to further improve profitability, leveraging attractive product launches. The business recently announced Motorola Edge+, the fastest 5G phone in the market. A "5G for all" strategy will entail a series of product launches of varying price points starting with the attractively priced Moto G 5G Plus model for the Motorola G franchise.

Data Center Group (DCG)

Its Cloud Service Provider business, which provides hyperscale products to public cloud service providers, has been a key beneficiary of accelerated investments in cloud computing. In the second quarter of 2020, revenue from the Cloud Service Provider business increased 31% year-on-year to reach a new quarterly record. The Cloud Service Provider business is making further investments to grow its in-house design and manufacturing capability. It is also expanding its dedicated salesforce to target a broader market with a goal to diversify its customer base.

The Enterprise and SMB business also experienced robust growth across multiple product categories, including Software and Services, hybrid cloud and high-performance computing. Revenue of the Enterprise and SMB business increased year-on-year, despite conservative spending by enterprises globally.

Financial Services

Overview

The Company operates the financial services segment through our diversified subsidiaries and associates:

- Banque Internationale à Luxembourg S.A. (BIL), our subsidiary, which mainly provides comprehensive banking services, including corporate banking, retail banking, private banking and capital markets;
- Zhengqi Financial, our subsidiary, which mainly provides SMEs with comprehensive financial solutions such as direct loans, financial leasing, commercial factoring and equity investment;
- JC Finance & Leasing, our subsidiary, which mainly provides financial leasing services;
- Kaola Technology, our subsidiary, which mainly provides innovative financial services;
- Lakala Payment, our associate, is a well-known comprehensive financial technology company. It uses payment services as an entry point to consolidate information technology, to serve offline businesses and to empower the operations of SMEs with all-round supports;
- Hankou Bank, our associate, which engages in commercial banking services;
- Union Insurance, our associate, which mainly provides insurance brokerage and related services; and
- Hyundai Insurance, our associate, which is a technology-driven insurance company that specializes in property insurance services.

During the Reporting Period, COVID-19 spread globally, and China's economic growth slowed further. In the first half of 2020, China's GDP fell by 1.6% year-on-year, and the decline in the first quarter was as steep as 6.8%. The financial industry as a whole was under tremendous external pressure. Due to the pandemic, our financial services segment had to face greater challenges in business development and risk management.

Our portfolio companies in the financial services segment actively adjusted their business strategies in view of the changing external environment by boosting services to high-quality customers in the real economy, and adopting more prudent strategies in risk management and control. We accorded enhanced and comprehensive supports to our portfolio companies to help them expand their strategic, business and financing resources. We closely scrutinized the risk management of our portfolio companies, including but not limited to credit risk, liquidity risk, market risk and investment risk. Despite the relatively harsh external environment, our financial services segment managed to maintain stable operations and countered the adverse impacts of COVID-19 effectively.

Looking ahead, we will leverage our resources and technology advantages in the industry and continue to promote the development of the financial services segment through the following, firstly by consolidating the advantages of our existing businesses; secondly by fine-tuning our strategic focuses to further optimize our investment portfolio in the segment; thirdly by promoting synergistic development of our financial services businesses to consolidate our overall competitiveness.

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

Unit: RMB million

	For the six months ended June 30, 2020	For the six months ended June 30, 2019
Revenue	4,188	4,342
Net profit	781	1,122
Net profit attributable to equity holders of Legend Holdings	730	1,043

During the Reporting Period, the revenue from the financial services segment of Legend Holdings decreased from RMB4,342 million in the corresponding period of last year to RMB4,188 million, representing a year-on-year decrease of around 4%, which was attributable to some businesses in the segment taking the initiative to reduce investment in traditional capital businesses. The net profit of the financial services segment was RMB781 million, RMB341 million less than the corresponding period of last year, due to the impact of (1) COVID-19 affecting business development and rising risk costs; and (2) Lakala Payment confirmed a one-time diluted gain of RMB265 million when it was listed in the corresponding period of last year.

Operating Highlights:

- During the Reporting Period, our subsidiary Zhengqi Financial maintained the “investment-loan linkage” business model, and continued to consolidate the structure, resources and capacity required for that model. Its strategy was beginning to show positive results in a new round of capital market reform. Among its investee companies Sansure Biotech Co. Ltd.(聖湘生物科技股份有限公司), a company in the biomedical industry, had its STAR Market IPO application approved on June 23, 2020 and awaited listing and became the first “anti-pandemic stock”; ActBlue Co. Ltd. (安徽艾可藍環保股份有限公司) completed its IPO on the ChiNext Board on February 10, 2020 and Trina Solar Co. Ltd. (天合光能股份有限公司) was listed on the STAR Market on June 10, 2020. The profit from Zhengqi Financial’s investment business is expected to increase as its invested companies access the capital markets. During the Reporting Period, Zhengqi Financial achieved a net profit of RMB214 million, representing an increase of RMB62 million compared with the corresponding period of last year, a year-on-year increase of 41%. Its performance growth was mainly due to the enhanced value of its investments realized through IPOs.

- During the Reporting Period, Lakala Payment continued to implement its strategy and had overcome the adverse impact of COVID-19 to achieve growth in its business performance despite the downward pressure. During the Reporting Period, Lakala Payment recorded an operating revenue of RMB2,506 million, an increase of 0.4% year-on-year and a net profit attributable to holders of Lakala's listed shares of RMB436 million, an increase of 19% year-on-year.
- During the Reporting Period, the Company and Didi Chuxing (滴滴出行) co-operated jointly in the capital injections of Hyundai Insurance and acquired 32% of its equity interests respectively. The transaction was approved by the China Banking and Insurance Regulatory Commission. It represents the Company's a strategic presence in the insurance industry.

BIL

Founded in 1856, BIL is one of the oldest financial institutions in Luxembourg. It is the third-biggest bank in Luxembourg in terms of market share and is recognized as systemically important by the European Central Bank, with a total balance sheet size of EUR 29.8 billion as of the end of June 2020. Employing more than 2,000 people, BIL is present in the financial centers of Luxembourg, Switzerland (since 1984), Denmark (since 2000), the Middle East (since 2005), Beijing (since 2019) and Hong Kong SAR (since 2020). As at June 30, 2020, the equity interests we held in BIL was 89.98%.

Like everywhere in Europe, the first two quarters of 2020 were overshadowed by the Coronavirus pandemic in Luxembourg. Despite a nationwide lockdown, BIL was required to stay open as its services are considered essential. BIL Group entities took extensive measures to protect the safety and health of employees and clients whilst ensuring business continuity. The Bank rapidly put in place a remote working environment and at the height of the pandemic, around 85% of staff were working from home. Thanks to these extensive protective measures, all Group entities remained fully operational and no cybersecurity incident or data leak took place, despite the heightened cybersecurity risk during the pandemic. As one of the major banks in Luxembourg, BIL strongly supported government and Central Bank actions by making financing facilities available to corporate clients to minimise the negative effect of the economic slowdown on their activities. The Bank proactively accompanied clients affected by the crisis with financing solutions and constantly remained by their side to support them in any possible way.

Despite the pandemic situation, Legend Holdings and BIL continued to intensify their cooperation during the first half of 2020. On February 5, 2020, BIL acquired 100% of Sino Suisse Financial Group (Hong Kong) Limited (華瑞金融(香港)集團有限公司) which was renamed BIL Wealth Management Limited (盧森堡國際財富管理有限公司). The strategy of expansion in China was defined and BIL will gain access to the target market via a step-by-step approach, starting with offshore servicing via BIL Luxembourg and BIL Switzerland.

The “Retail, Corporate and Wealth Management” business areas delivered a resilient performance during the first half of 2020:

- Assets under Management (AuM) reached EUR 41.4 billion compared with EUR 43.5 billion at the end of 2019. The drop was essentially due to a few significant outflows of “non-strategic low profitability clients” and volatility in financial markets partially offset by strong inflows in Retail and Private Banking Luxembourg; customer deposits increased by 0.7%, reaching EUR 19.1 billion nuanced by an increase in current accounts as a consequence of less client spending during the “stay at home” period; customer loans increased by 3.3% to EUR 15.2 billion essentially due to the commercial activities’ contribution which increased by EUR 0.46 billion (up 3% compared with year-end 2019);
- During the Reporting Period, core gross operating income (excluding non-recurring items) amounted to EUR 73 million in June 2020, a rise of EUR 14 million year-on-year. This 24% increase was mainly influenced by a good performance of the core operating revenues (up 6%) and cost control measures limiting cost increase (up 1%). Core operating net income before tax totalled EUR 44 million in June 2020 compared with EUR 51 million in June 2019, which represents a decrease of EUR 8 million year-on-year (down 15%). This negative result was marked by a negative evolution of the cost of risk (provision) of EUR 21 million in the context of COVID-19 offset by a solid core gross operating income growth. BIL reported a net income after tax of EUR 40 million in June 2020, compared with EUR 45 million in the corresponding period of 2019, down by 11% mainly influenced by the increased provision;
- CET-1 ratio stood at 12.79% as at the end of June 2020 versus 12.47% at the end of 2019;
- As at the end of June 2020, BIL’s ratings with both Moody’s and Standard & Poor’s remain unchanged at A2/Stable/P-1 and A-/Stable/A-2 respectively.

The outbreak of the COVID-19 has caused a significant worsening to the macroeconomic outlook, and BIL is no exception, as it is expecting an impact on its financials with lower revenues and higher costs of risk. Nevertheless, capital and liquidity positions remain solid with significant buffers in excess of regulatory requirements. BIL remains committed to its strategic plan, both Legend Holdings and the Grand Duchy of Luxembourg are committed to providing the necessary support for its long-term development.

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

Unit: RMB million

	For the six months ended June 30, 2020	For the six months ended June 30, 2019
Revenue	2,391	2,126
Net profit	277	309

Zhengqi Financial

Zhengqi Financial is a leading provider of innovative integrated financial services in China that helps SMEs to enhance their value. It upholds the strategic goal of “empowering the ecosystem through co-creation between industry and financing, and apply joint investment-loan strategy to achieve remarkable success” (生態賦能、產融共創、投貸聯動、正合奇勝) to guide its operation, to foster a platform to empower SMEs and build an SME ecosystem to create value together. In line with its “investment bank thinking” (投行思維), Zhengqi Financial strives to gain a deep understanding of the development strategies and business models of its customers, so as to analyze their extensive needs in financing, operation and strategic expansion and to proactively offer services accordingly. Zhengqi Financial tailors integrated solutions (整體方案) for its customers leveraging its comprehensive product portfolio backing loans, financial leasing, credit enhancement, equity and mezzanine investments, asset management, factoring, supply chain management, as well as start-up counseling and business incubator services. As of June 30, 2020, we held 84.22% equity interest in Zhengqi Financial.

During the Reporting Period, Zhengqi Financial maintained the business strategy of “optimizing resources in targeted industries and regions with investment banking initiatives” (產業聚焦、投行引領、區域深耕、資源優配), and focused on emerging industries and their ecological chains encompassing high-tech, healthcare, high-end equipment manufacturing, new materials, new energy, energy conservation and environmental protection to optimize and adjust its business structure. It implemented its “joint investment-loan” (投貸聯動) model to further develop the markets in Hefei, Wuhan and Shenzhen, which are cities rich with scientific, educational and industrial resources. As of the end of the Reporting Period, the resources of Zhengqi Financial were further optimized. The scale of its debt investment and equity investment for customers in emerging industries were RMB1,008 million and RMB560 million respectively.

During the Reporting Period, SMEs in China were relatively hard hit by COVID-19, the impact of which reverberated through the world. In the face of the complex environment, Zhengqi Financial adopted various measures to mitigate the impact of the pandemic. It comprehensively took stock of the impact on customers and issued timely risk warnings to enhance monitoring intensity and frequency. Zhengqi Financial helped customers maintain stable and continuous operations through measures such as loan extensions, postponements and fees reductions. In addition, Zhengqi Financial raised the acceptance and review standards for new projects and selected customers in key industries for debt investment, in line with its investment direction. While pivoting its business direction, Zhengqi Financial gradually reduced exposures to the debt investment and guarantee business in the traditional industries. At the end of the Reporting Period, the scales of its debt investment and guarantee business decreased RMB1,334 million and RMB1,263 million, representing a decrease of 12% and 34% respectively year-on-year, reflecting an effective control of its overall risk exposure.

During the Reporting Period, Zhengqi Financial upheld its “joint investment-loan” (投貸聯動) model, and consolidated its structure, resources and capacity to ensure such model was more extensively and thoroughly implemented. Its strategy was beginning to show positive results in a new round of capital market reform. Biotech was a key sector Zhengqi Financial invested in, and investee companies in the sector received a range of policy support measures during the pandemic. Its invested company, Sansure Biotech Co. Ltd. (聖湘生物科技股份有限公司), had its STAR Market IPO application approved on June 23, 2020 and awaited listing and became the first “anti-pandemic stock”. Chemclin Diagnostic Corporation (科美診斷技術股份有限公司) submitted its application for IPO on the STAR Market on June 8, 2020 and was accepted. Apart from the biotech field, Zhengqi Financial also had a fairly extensive investment coverage in the green sector. Its invested company ActBlue Co., Limited (安徽艾可藍環保股份有限公司) had its IPO on the ChiNext Board on February 10, 2020. Its invested company ActBlue Co. Ltd. had completed its IPO on the ChiNext Board on February 10, 2020 and Trina Solar Co. Ltd. (天合光能股份有限公司) was listed on the STAR Market on June 10, 2020. In total, Zhengqi Financial had three invested companies in the green sector listed. A number of its invested companies were planning for IPOs in domestic and overseas capital markets. The profit from Zhengqi Financial’s investment sector is expected to increase as its invested companies access the capital markets. At the end of the Reporting Period, the scale of its equity investment portfolio increased RMB580 million, representing an increase of 25% year-on-year, and a fair value gain of RMB685 million compared to the beginning of the year, an increase of 1,543% year-on-year.

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

Unit: RMB million

	For the six months ended June 30, 2020	For the six months ended June 30, 2019
Revenue	469	736
Net profit	214	152

During the Reporting Period, Zhengqi Financial achieved a revenue of RMB469 million, representing a decrease of RMB267 million compared with the corresponding period of last year or a year-on-year decrease of 36%. Net profit was RMB214 million, representing an increase of RMB62 million compared with the corresponding period of last year or a year-on-year increase of 41%, mainly due to the enhanced values realized through successful IPOs by its investee companies, which were invested in adherence to its strategy of focusing its venture investments to create win-win values (產業聚焦、投行引領、價值共創).

JC Finance and Leasing

JC Finance & Leasing founded in November 2015, is a Legend Holdings' subsidiary specializing in financial leasing and related financial businesses. Backed by Legend's brand and management expertise, JC Finance & Leasing develops its financial leasing business, collaborating with well-regarded domestic and international equipment manufacturers. It focuses on industries and industrial chains in key growth areas of China's new economy, such as advanced manufacturing, energy conservation and environmental protection, agri-food, digital information, medical services, public services and transportation, is dedicated to develop a leading enterprise in the financial leasing industry. As of June 30, 2020, Legend Holdings held 99.01% equity interest in JC Finance & Leasing.

During the Reporting Period, faced by challenges from the pandemic, slowdown of the marco economy and increasing SME risks, JC Finance & Leasing overcame the adverse impact of COVID-19 and maintained steady operations by adjusting business strategies and strengthening risk management. As of June 30, 2020, the closing balance of the receivables of its financial leasing business was RMB11,080 million. The revenue in the first half of 2020 totaled RMB545 million, representing an increase of 9% year-on-year, primarily due to an increase in revenue from the logistics platform. Net profit was RMB111 million, a decrease of 8% year-on-year, primarily due to a decrease in the revenue from the financial leasing business, which in turn was the results of the business disruption and decrease in the amount of new projects attributable to COVID-19, and costs rigidity.

During the Reporting Period, JC Finance & Leasing continued to strengthen its business coverage and market development to steadily advance its traditional financial leasing business. The balance of its retail financial leasing business represented by heavy truck and small and micro enterprises leasing increased by over 22% compared to the beginning of the period, comprising 13% of its total assets as of June 30, 2020. This business has become a key growth driver for JC Finance & Leasing.

During the Reporting Period, JC Finance & Leasing overcame the adverse effects of COVID-19 and continued to actively explore external financing. In the first half of the year, it activated the shelf offering of an RMB2 billion asset-backed special plan (ABS) for small and micro enterprises leasing and two tranches totaling RMB1.1 billion were issued as of July 2020. An aggregate of more than RMB0.8 billion general ABS was also completed which showed JC Finance & Leasing has gained increasing recognition in the capital market. Meanwhile, JC Finance & Leasing is also actively pursuing overseas financing.

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

	<i>Unit: RMB million</i>	
	For the six months ended June 30, 2020	For the six months ended June 30, 2019
Revenue	545	500
Net profit	111	120

Kaola Technology

Kaola Technology, a leading domestic financial technology company, provides services for personal consumption, small and micro enterprises and other customers of inclusive financial system. It also continued to strengthen its fin-tech service abilities to provide full life-cycle credit technology products for licensed financial institutions. As of June 30, 2020, Legend Holdings held 51% equity interest in Kaola Technology.

Upon the sudden onset of COVID-19 in the first half of the year, leveraging on its business, technology and risk control advantages accumulated over the years, Kaola Technology promptly adjusted its risk control strategy and the pace of issuing loans, and managed to minimize the negative impact of the pandemic on its business. It maintains a sound risk control system with quality control of secured assets. As of June 30, 2020, Kaola Technology increased its support for the real economy. The cumulative size of approved loans for inclusive financial services increased by 10% year-on-year, and the credit balance was close to RMB5 billion.

On April 9, 2020, the Company announced the proposed sale of the equity interests in two subsidiaries to Lakala Payment. (1) Tibet Kaola Jinke Network Technology Services Co., Ltd. (西藏考拉金科網絡科技有限公司), a subsidiary of Kaola Technology, agreed to sell 100% equity interest in Guangzhou Zhongying Weirong Technology Co., Ltd (廣州眾贏維融科技有限公司); (2) Kaola Technology, our subsidiary Tibet Liantou Qihui Enterprise Management Limited (西藏聯投企慧企業管理有限公司) (“Liantou Qihui”) and other shareholders of Shenzhen Zhongying Technology Co., Ltd. (深圳眾贏維融科技有限公司) (“Shenzhen Zhongying”) agreed to sell 100% equity interest in Shenzhen Zhongying, of which Kaola Technology and Liantou Qihui held a total of 75.99% equity interest. Lakala Payment has substantial client resources that cover online and offline operations and consumption scenarios. Disposing the assets to Lakala Payment could better realize the Company’s strategic value, and maximize the synergy of its businesses in financial and payment technology, e-commerce technology and information technology to provide consolidated operational services to small and micro enterprises, which are in line with the Company’s long-term development objectives. The transactions have not been completed to date.

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

Unit: RMB million

	For the six months ended June 30, 2020	For the six months ended June 30, 2019
Revenue	784	927
Net Profit	6	68

During the Reporting Period, net profit decreased from RMB68 million in the corresponding period of last year to RMB6 million primarily due to the adverse impact of COVID-19.

Associates in the Financial Services Segment

During the Reporting Period, the profit contributed by associates and other investments to the financial services segment was RMB173 million in total, representing a decrease of RMB300 million compared with the corresponding period of last year, which was mainly caused by the following factors: (1) PIC realized a fair value loss of RMB62 million; and (2) Lakala Payment confirmed a one-time diluted gain of RMB265 million when it was listed in the corresponding period of last year.

Lakala Payment

Lakala Payment is a well-known comprehensive financial technology company. It uses payment services as an entry point to consolidate information technology, to serve offline businesses and to empower the operations of small and medium size enterprises with all-round supports. As of June 30, 2020, the Company held 28.24% equity interest of Lakala Payment.

During the Reporting Period, Lakala Payment continued to implement its strategy and achieved growth in its business performance despite the negative impact of COVID-19. In the payment technology business, Lakala Payment embarked on its plan for a new round of market expansion and accelerated deployment of new models of POS terminals for small and micro businesses. As at the end of June 2020, more than 7 million additional terminals had been deployed. During the Reporting Period, Lakala Payment registered a transaction volume of RMB1,740 billion, a year-on-year increase of 8%. Of this, the volume of scan-and-pay transaction was RMB296.5 billion, 11% higher year-on-year. Merchant operations showed strong growth momentum in the first half of the year. Driven by a remarkable growth in the fintech business, the total revenue of fintech, ecommerce technology and information technology increased 109% year-on-year to RMB320 million.

During the Reporting Period, Lakala Payment strengthened the development of its cloud ecosystem and upgraded to a new generation payment system. It built a new model of distributed PAAS platform, and integrated its mature payment business system, big data and artificial intelligence business segments developed over the years. Such platform can quickly respond to the customer needs at the front-end and form cloud services within a significantly shortened development cycle to enhance service quality and comprehensively meet the merchants' all-round needs for cloud services. In the meantime, Lakala Payment continues to take the lead in the payment industry with products innovation. In the first half of the year, Lakala Payment accelerated the upgrading of its SAAS products such as Yunxiaodian (雲小店), Huiguandian (匯管店), Shoukuanma (收款碼) and Yunshoudan (雲收單) as well as introducing Qiangzhangtong (錢賬通), a ledger-based cloud solution for business customers and those upstream and downstream of the ecosystem. This has expanded the merchant coverage of its SAAS products. Upon completing the R&D and technological integration of its mobile POS products, Lakala Payment will launch its promotional activities to open up markets.

During the Reporting Period, Lakala Payment expanded organically and externally at the same time. It invested in Shanghai Xindou Information Technology Co. Ltd. (上海新豆科技有限公司) and Ningbo Mashang Corporate Management Co. Ltd. (寧波馬上企業管理有限公司) and established a foothold in the field of integrated services for driving traffic to merchants' private domains. It also enriched the SAAS products for servicing chain-store customers and enhanced the technological capacities of its industrial internet and new retail business.

Lakala Payment recorded an operating revenue of RMB2,506 million, an increase of 0.4% year-on-year and a net profit attributable to equity holders of Lakala Payment of RMB436 million, an increase of 19% year-on-year.

Hankou Bank

Hankou Bank primarily conducts commercial banking businesses including corporate banking, retail banking and financial market services. Hankou Bank has a network that covers the Hubei Province, with branches in Chongqing. As of June 30, 2020, Legend Holdings held 15.33% equity interest of Hankou Bank.

As of end June 2020, the scale of assets, deposits and credits at Hankou Bank maintained steady growth, but net profit fell year-on-year due to the impact of COVID-19. Amid the pandemic, Hankou Bank fulfilled its social responsibilities and offered timely assistance to the community by organizing more than 1,500 employees to help in the community, donating more than RMB25 million in funds and resources. Hankou Bank also allocated approximately RMB70 billion to anti-pandemic funds. Upon resumption of work in the nation, Hankou Bank promptly visited corporate customers to identify and meet their needs and facilitate their resumption of work and production.

Hankou Bank will continue to enhance its corporate banking business and innovate its financial market services. It is endeavored to expanding its presence in the small and micro retail businesses and becoming one of the most innovative and reliable regional banks.

Hyundai Insurance

During the Reporting Period, the Company continued to push ahead with the acquisition of 32% equity interest in Hyundai Insurance. The transaction was approved by the China Banking and Insurance Regulatory Commission on March 10, 2020. It represents the Company's strategic presence in the insurance industry.

Founded in March 2007, Hyundai Insurance is a technology-based insurance company that specializes in property insurance. In the future, Hyundai Insurance plans to develop its business leveraging on innovative technology such as “big data, artificial intelligence, cloud platforms and smart hardware”, the technological advantages in group insurance underwriting services, customer resources and data resources of its shareholders, Legend Holdings and Didi Chuxing (滴滴出行). It will continue to optimize technology models, and explore intensive innovation in product design and pricing, channels, services and structures to gradually open new development paths in insurance technology.

Innovative Consumption and Services

Overview

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

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

The outbreak of COVID-19 in early 2020 hampered the normal operations of the companies in our innovative consumption and services segment, as regional governments imposed restrictions on gatherings to keep people safe. From late January, the regular operations of children's education, transportation and dental care were constrained. As the pandemic came under control, operations gradually recovered. By May-June, most parts of the nation had resumed regular activities, except for certain areas that still imposed travel and gathering restrictions due to sporadic cases of infection.

During the Reporting Period, we made a concerted effort with the companies in the segment to overcome prevailing difficulties and the fallout from COVID-19. First of all, we abided by all protective measures mandated by local governments to ensure the safety of employees and customers and support anti-pandemic initiatives using our best efforts. Secondly, we encouraged the development of new products and services and new service scenarios and maintained good relationships with customers. Thirdly, we championed anti-pandemic preferential policy measures and funding support such as fee reductions to ease the impact of COVID-19 on business performance.

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

Unit: RMB million

	For the six months ended June 30, 2020	For the six months ended June 30, 2019
Revenue	263	429
Net loss	(1,705)	(6)
Net loss attributable to equity holders of Legend Holdings	(1,644)	(14)

During the Reporting Period, revenue of the innovative consumption and services segment decreased by 39% year-on-year to RMB263 million, mainly due to the closure of pre-schools at the peak of the pandemic. A net loss of RMB1,705 million was recorded, much bigger than the corresponding period of last year due to the provision of a large impairment for CAR resulted in a significant increase in the loss of its contribution, and the consumption business suffering bigger losses due to the extensive impact of COVID-19.

Better Education

Our subsidiary Better Education is a leading kindergarten group specializing in pre-school education, with a network of directly-operated middle and high-end kindergartens in China. As of June 30, 2020, Legend Holdings held, through our subsidiaries, 51% equity interest in Better Education and Hony Capital held another 29% of equity interest.

After over a decade's operation, Better Education has established a standardized operating model and developed an operation team with extensive experience in management. At present, its kindergarten network covers 39 cities in 15 provinces in China. As of June 30, 2020, Better Education directly operated 111 kindergartens and 8 early learning centers and training schools, and 9 new kindergartens were in the pipeline. The kindergartens and schools of Better Education, located in Shanghai, Suzhou, Nanjing, Chongqing, Changsha, Guangzhou and other cities, had about 33,000 enrolled students and about 5,162 staff members. Its scale was among the largest in China, making it the country's leading kindergarten group with a network of directly operated middle and high-end kindergartens.

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

Unit: RMB million

	For the six months ended June 30, 2020	For the six months ended June 30, 2019
Revenue	92	291
Net (loss)/profit	(108)	15

During COVID-19, the entire staff of Better Education made concerted efforts to fight the pandemic. They also extensively made use of online tools to track the health information of staff members and students, as well as organize online learning and home-based nurturing activities, in order to maintain interaction with students and strive to achieve high attendance rates when classes resumed. Due to COVID-19, classes at all preschools in the Better Education network were suspended from February to April 2020, and resumed only in May. As of June 30, 2020, most preschools had resumed classes, except a few schools in Beijing, Wuhan and Changchun. The attendance rates were high, returning to pre-pandemic levels at some schools. Due to the impact of COVID-19, the revenue of Better Education in the first half of 2020 fell drastically, and net profit also fell at a relatively high rate.

Shanghai Neuromedical Center

Our subsidiary medical institution Shanghai Neuromedical Center provides mainly neurology specialist medical services. As of June 30, 2020, Legend Holdings held 58% equity interest in Shanghai Neuromedical Center, and Legend Capital held another 15% equity interest.

Founded in 2013, Shanghai Neuromedical Center is a specialist hospital built according to the scale of AAA specialized hospital standards, and excels in several comprehensive areas, especially clinical neuroscience. The key strategic development areas of Shanghai Neuromedical Center include neurosurgery, functional neurosurgery, internal neurology, epilepsy treatment center, cerebrovascular disease treatment center, cardiovascular disease treatment center, emergency intensive healthcare center, nerve electrophysiology center and neuro-rehabilitation center, supported by comprehensive surgical and internal medicine. Shanghai Neuromedical Center has been additionally designated as the Shanghai School of Clinical Medicine of Qingdao University and the Shanghai School of Brain Medical Center of Qingdao University since May 2019.

As COVID-19 raged nation-wide in early 2020, Shanghai Neuromedical Center joined the medical fraternity's mission of fighting the pandemic. From February 1, 2020 the center formed a support team stationed at the entrance of the G2 Beijing – Shanghai Expressway to offer virus testing to passing drivers and passengers. On February 14, 2020 the center deployed an elite team to join the first community medical organization support team dispatched from Shanghai to Wuhan. The team stationed at the emergency room and ICU of the Wuhan Red Cross Hospital, located just 1.2 km from the Huanan Seafood Wholesale Market. They successfully completed the two-month anti-pandemic duties.

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

Unit: RMB million

	For the six months ended June 30, 2020	For the six months ended June 30, 2019
Revenue	171	138
Net (loss)/profit	(1)	5

In addition to countering COVID-19, Shanghai Neuromedical Center also made efforts to deal with the impact of the pandemic on its business performance. It endeavored to protect medical staff and patients by testing all staff members and fine-tuned medical treatment and infection control plans to minimize infection risks at the center. It also secured provisions and reserve of medical resources and provided online diagnosis and treatment for some departments, as a convenient way for patients to seek medical help without increasing human traffic to reduce infection risks.

Shanghai Neuromedical Center's solid foundation, built on its commitment to specialization, technology and service, was enhanced by word-of-mouth recognition for its contribution to anti-pandemic efforts. As a result, despite the impact of the pandemic, the center registered an increase in the number of outpatient visits, though the number of discharged patients and surgeries declined. During the Reporting Period, the patients led to higher average medical revenue per visit for outpatient services and hospital stays year-on-year, resulting in a 24% increase in revenue. However, net profit declined as the cost of provisions increased substantially during the pandemic.

Associates of Innovative Consumption and Services

CAR*

CAR, our associate, provides comprehensive car rental services including car rental, fleet rental and financial leasing, as well as sales of used cars. As of June 30, 2020, Legend Holdings beneficially held 26.57% equity interest in CAR.

The first half of 2020 was enormously challenging for CAR. Externally, demand for rental cars was severely affected by COVID-19. Internally, uncertainties about its ownership structure brought tremendous pressure to its business and liquidity. Despite the challenges, CAR was able to maintain its stable operations through communication and pre-arrangements with banks on repayment plans, as well as accelerated used car sales to maintain a healthy cash flow.

As of June 30, 2020, there were a total of 132,221 vehicles in CAR's fleet. The number of used cars sold in the six-month period was 15,451, representing a year-on-year increase of 47.5% compared to 10,473 cars sold in the corresponding period of last year. During the Reporting Period, the average daily number of car rentals increased by 4.2% year on year to 110,736 units. As of June 30, 2020, while anti-pandemic restrictions on commuting in certain regions affected its business performances, 80% of the car rental bookings were made on self-service systems. In the second quarter of the year, the number of car rental bookings made on the CAR mobile app was as high as 97%.

Referring to the profit warning announcements of CAR dated July 24 and August 10, 2020, CAR is expected to incur a net loss at a range of RMB3,800 million to RMB4,300 million for the six months ended 30 June 2020, as compared to the net profit of RMB279 million for the six months ended 30 June 2019. The above loss was primarily attributable to the significant decrease in rental demand as a result of the outbreak of the novel coronavirus (COVID-19) in the PRC in the first half of 2020 which has adversely affected the rental revenue of CAR and the impairment of (1) the equity investment in UCAR; (2) trade receivables from UCAR and other customers; (3) the prepayment of the subscription price of the shares and convertible bonds to be issued by FDG Electric Vehicles Limited 五龍電動車(集團)有限公司 (a company listed on the main board of the Hong Kong Stock Exchange, stock code: 729); and (4) the residual values of vehicles manufactured by Beijing Borgward Auto Co., Ltd. (北京寶沃汽車有限公司) with repurchase arrangements.

On July 20 and July 24, 2020, UCAR and Amber Gem Holdings Limited signed sales and purchase agreements separately with Jinggangshan Beiqi Investment Management Co. (江西省井岡山北汽投資管理有限公司) to sell all or part of their equity interests in CAR. The settlement of these agreements are subject to certain prerequisites or exemptions. CAR will issue further notices on the important developments of UCAR's and Amber Gem Holdings Limited's sale of such equity.

Looking ahead to the second half of 2020, CAR will continue to adopt all measures to stimulate business recovery. It will maintain the tempo of used car sales, prudently manage cash flow and further optimize its big-data-driven dynamic pricing system to deliver differentiated promotions to existing and new customers in order to expand business capacity. It will also expand and upgrade the automated car collection and return system at the operation sites.

* *Relevant figures of CAR mentioned herein should refer to the actual figures stated in its forthcoming interim results announcement to be released on August 28, 2020.*

Bybo Dental

Our associate Bybo Dental provides dental healthcare services. In July 2014, we became its controlling shareholder after completion of our strategic investment. In January 2018, in order to support the development of Bybo Dental, Taikang Life Insurance was strategically introduced to take a controlling stake in Bybo Dental. As of June 30, 2020, Legend Holdings held 36.469% equity interest in Bybo Dental.

Anti-pandemic controls were tightened over the Spring Festival of 2020. The National Health Commission ordered the suspension of all regular dental treatments due to the special nature of dental care. Bybo Dental suspended outpatient services nation-wide accordingly, and resumed services gradually from late March. To meet the needs of patients during service suspension, Bybo Dental offered online live broadcasts by dentists and invested more heavily in online services to promote online products. Bybo Dental also enriched information on the WeChat platform to provide information references, health management, health record inquiry and online appointment services for patients. On April 8, 2020, Bybo Dental launched a strategic collaboration with Taikang Life Insurance and WeSure to provide quality services as well as a wider range of payment options for customers. Bybo Dental also took the opportunity during the pandemic to optimize the footprint of its outlets and costs, and enhance organizational efficiency. It continued to strengthen the capabilities of its medical team and developed a hierarchy of talents by strengthening online training to elevate the overall standard of its medical services. As operations in different cities resumed gradually from the second quarter, Bybo Dental's outlets continued to observe stringent anti-pandemic measures to ensure protection for doctors and patients, and the sterilization of clinics and equipment.

As of June 30, 2020, Bybo Dental had 198 outlets, including 47 hospitals and 151 clinics, in 22 municipalities and provinces. The outlets had a total of 2,262 dental chairs.

During the Reporting Period, Bybo Dental reported a total revenue of RMB709 million, representing a decrease of 24% year-on-year, due to service suspension during COVID-19. However, since services resumed in the second quarter, revenue for that quarter increased 8% year-on-year, realizing the benefits of online investment, internal transformation and improvements in services and training.

Agriculture and Food

Overview

Joyvio Group is an agricultural and food industry group established by Legend Holdings as a subsidiary to pursue specifically the Company's vision for the agriculture and food sector. The two main business lines of the Joyvio Group are fruit and high-end animal protein. It also actively participates in ready-to-cook products and agro-food technology businesses to grow its footprints. As of June 30, 2020, Legend Holdings held 81.72% equity interest in the Joyvio Group.

In the supply chain of fresh fruit, the Joyvio Group owns Golden Wing Mau, which operates China's largest fresh fruit fully-integrated supply chain, and Xinguojiayuan, China's leading fruit growing enterprise. Golden Wing Mau continues to deploy its resources in the global supply chain and its all-encompassing distribution networks. "Joyvio", its high-end fruit brand, has achieved greater brand power and product diversification. Its plantation company Xinguojiayuan had a successful collaboration with HORTIFRUT, a world-leading blueberry company, on developing new blueberry varieties and plantation technologies. In the seafood supply chain, domestically, Legend Holdings owns Joyvio Agriculture, an A-share listed company which in turn controls Qingdao Starfish, a leading Chinese seafood enterprise. Overseas, we own Australis Seafoods S.A., Chile's leading salmon company under Joyvio Agriculture, and KB Food, a leading Australian seafood supplier. We will continue to expand and integrate our global animal protein supply chain based on this structure.

Operating highlights:

- In the face of COVID-19, Golden Wing Mau increased its investment in the market and developed more source markets to ensure a rapid increase in revenues;
- Xinguojiayuan continued its technological transformation and optimization of its management model. It achieved the uninterrupted supply of China grown blueberries in the first half of the year and record crops of blueberries were harvested.

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

Unit: RMB million

	For the six months ended June 30, 2020	For the six months ended June 30, 2019
Revenue	8,964	7,491
Net (loss)/profit	(195)	241
Net (loss)/profit attributable to equity holders of Legend Holdings	(58)	112

During the Reporting Period, the revenue of the agriculture and food segment increased from RMB7,491 million in the corresponding period of last year to RMB8,964 million, mainly attributable to the year-on-year revenue growth of Golden Wing Mau and the increase in revenue from the consolidation of Australis Seafoods S.A. into Joyvio Agriculture. A net loss of RMB195 million was recorded, mainly due to businesses being affected to various degrees by COVID-19.

(1) Fruit business

During the Reporting Period, consumer demand for imported fruit and locally produced quality fruit declined due to COVID-19, leading to a notable price fall. Golden Wing Mau launched extensive marketing activities to ensure sales revenue continued to grow and raise the profile of its high-end fruit brand Joyvio. The market premium rates of Joyvio blueberries and durians were stable. At the same time, Golden Wing Mau continued to expand its presence in the global supply chain and a sales network covering all channels. Its market share of core products such as kiwifruit, blueberry and durian expanded, and the number of supermarket groups and cities within its sales network continued to increase.

Xinguojiayuan had a successful collaboration on developing new blueberry varieties and plantation technologies with HORTIFRUT, a world-leading blueberry company. As a result, the supply of China-grown blueberries was uninterrupted in the first half of the year. Record crops were harvested from Yunnan and Qingdao. The plantation area of the joint venture also expanded quickly.

In the first half of the year, Joyvio Group continued to increase its equity interests in both Golden Wing Mau and Xinguojiayuan. As of June 30, 2020, the Joyvio Group held 46.24% equity interest in Golden Wing Mau and 50.45% in Xinguojiayuan.

(2) Animal protein business

During the Reporting Period, Joyvio Agriculture's salmon business operations continued to be optimized to promote research and development of value-added products and expand diversified sales channels. For existing business, Joyvio Agriculture maintained its industry-leading position as the largest importer and distributor of arctic sweet shrimp, supplier of Pollock and brand owner of all-channel imported animal protein products. As demand for the catering market weakened due to COVID-19, the prices of salmon fell, and Joyvio Agriculture has taken appropriate measures to counter the adverse impact. As of June 30, 2020, the Joyvio Group held 29.90% equity interest in Joyvio Agriculture.

During the Reporting Period, KB Food continued to pursue quality resources and signed an exclusive direct freight agreement with EAL, which lowered the export cost for lobsters to successfully open up the Shanghai market. In response to the weaker demand caused by COVID-19, KB Food trimmed costs rationally and won anti-pandemic subsidies from the local government. As of June 30, 2020, Joyvio Group held 100% equity interest in KB Food.

(3) *Ready-to-Cook business*

During the Reporting Period, as a result of weaker catering market demand due to COVID-19, the group meal and ready-to-cook businesses were hard hit, with lower year-on-year revenues. Nine Masters made efforts to counter COVID-19 impact and reinforced research and development to develop best-selling products such as bullfrogs, and factories were remodeled to enhance its processing capabilities. As of June 30, 2020, Joyvio Group held 99.99% equity interest in Nine Masters.

(4) *Drinks business*

Joyvio Group is a shareholder in the well-known national wine and liquor chain retail enterprise, Liquor Easy, and Chinese liquor enterprise Hebei Hengshui Laobaigan. During the Reporting Period, Liquor Easy's sales revenue declined year-on-year due to COVID-19. Liquor Easy countered the impact of the outbreak and strengthened its operational capacity in sales and online business, and optimized stores and delivery stations to enhance customer satisfaction. As of June 30, 2020, Joyvio Group held 29.80% equity interest in Liquor Easy.

(5) *Packaged food business*

Joyvio Group invested in Huawen Food, a well-known snack food producer in China. Huawen Food's A-share market IPO application for the Small and Medium Enterprise Board was approved on August 21, 2020 and awaiting listing. As of June 30, 2020, Joyvio Group held 19.80% equity interest in Huawen Food.

Advanced Manufacturing and Professional Services

Overview

Our subsidiaries and associate in advanced manufacturing and professional services include:

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

Legend Holdings is committed to developing world-leading manufacturing and related professional services in China, and has ventured into advanced materials and high-end logistics. During the first half of 2020, COVID-19 depressed overall domestic and international demand and led to a recession of the macro economy. This posed considerable challenges to the companies in this segment and efforts to counter the impact of COVID-19 and changes in the macro environment were made. As a result, they achieved good operational results and registered growth against the market trends. Preparations for IPOs also progressed well.

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

Unit: RMB million

	For the six months ended June 30, 2020	For the six months ended June 30, 2019
Revenue	2,768	2,726
Net profit	464	338
Net profit attributable to equity holders of Legend Holdings	370	236

During the Reporting Period, the revenue of the advanced manufacturing and professional services segment increased from RMB2,726 million in the corresponding period of last year to RMB2,768 million, an increase of 2%. The net profit increased from RMB338 million in the corresponding period of last year to RMB464 million, a growth of 37% mainly contributed by EAL's profit growth.

Operating highlights:

- EAL, as a company for securing a “lifeline”, made significant contributions to anti-pandemic relief efforts and the resumption of business and production. In the first half of 2020, it overcame the challenges of COVID-19 and achieved year-on-year growth;
- Levima Group performed well in the first half of 2020, with a net profit of RMB222 million despite the impact of COVID-19; and
- The preparations for the A-share listing of Levima Advanced Materials and EAL are progressing smoothly.

Levima Group

Through our subsidiary Levima Group, we engage in the R&D production and sales of new chemical materials, such as advanced polymer materials and special chemicals. Its main products include EVA, PP, EO and EOD and others, which are widely used for photovoltaics, cables, shoe materials, plastics, daily chemicals, textiles, construction, roads and bridges, automobiles, leather, coatings, agrochemicals, metal processing and other fields. A number of the products captures leading market shares in various segments. During the Reporting Period, despite the impact of COVID-19, Levima Group performed well, as the cost of raw materials stayed low, manufacturing operation indicators and product structures were further optimized and the sales strategy was stepped up. In the first half of 2020, the Levima Group achieved a net profit of RMB222 million. As of June 30, 2020, Legend Holdings, through our wholly-owned subsidiary Levima Group, held 60.44% equity interest in Levima Advanced Materials.

In the operational aspect, the DMTO integrated device of Levima Advanced Materials maintained safe and stable operation. The key consumption indexes of the DMTO device, such as methanol consumption per unit, continued to decrease to the best level since the device was deployed. Other operational indicators continued to improve and stayed at industry-leading levels. Levima Advanced Materials adopts a continuous production model. The main products, such as polypropylene special materials, ethylene oxide and surfactant products in ethylene oxide derivatives, are important raw materials for anti-pandemic products. During the outbreak, Levima Advanced Material overcame various difficulties and worked overtime to ensure continuous, safe and stable operation of production equipment, while first maintaining its own good prevention and control measures and strengthening safety production management.

In the market aspect, as logistics were obstructed and the dispatch and delivery of products were affected in the early stages of COVID-19, the transport of some Levima Advanced Materials products was delayed. Coupled with some downstream customers delaying the resumption of production due to the Spring Festival, Levima Advanced Material accumulated a backlog of inventory. As such, Levima Advanced Materials adopted multiple measures to secure raw material procurement and product sales. It maintained close communication with suppliers, customers and logistic partners and closely tracked the changing external environment to coordinate raw materials ordering, product shipment, material transportation, order fulfillment and other issues, in order to develop channels to maintain production and promote sales. Levima Advanced Materials succeeded in alleviating the sales pressures generated by the pandemic and maintaining stable and orderly operations. With its excellent production and sales performance during the pandemic, Levima Advanced Materials was included in the list of “Shangdong Province’s Important Enterprises of Producing Anti-pandemic Materials”.

In addition, Levima Advanced Materials continued to strengthen product development and market channel expansion. Its product mix was further optimized. Its market shares in PP, EVA, EOD and other products continued to maintain a leading position in the nation. During the Reporting Period, 100% of its PP products were thin-walled polypropylene injection molding products, and Levima Advanced Materials maintained the largest market share for this product in China. It also gained increasing market share in the PP special materials for making milk tea cups. Products with a high content of VA comprised 100% of its EVA products, with which it continued to capture the highest market share nation-wide of cable materials. There was also an increase in the proportion of its special EOD products in its production. Levima Advanced Materials achieved a major breakthrough in developing laundry gel capsules in its HIC series of daily chemicals.

In terms of innovation, Levima Advanced Materials progressed further in scientific and technological innovation, with 13 patents newly approved and 6 patent applications awaiting approval. Levima Advanced Materials was accorded the honor of being named a 2020 Shandong Province Model Enterprise for Technological Innovation and a 2020 Shandong Province Cultivation Enterprise for Manufacturing High-end Brand.

The preparation for Levima Advanced Materials' IPO was progressing smoothly during the Reporting Period.

During the Reporting Period, the revenue of Levima Group was RMB2,669 million, at a similar level as the corresponding period of last year. The net profit was RMB222 million, decreased by 8% year-on-year.

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

Unit: RMB million

	For the six months ended June 30, 2020	For the six months ended June 30, 2019
Revenue	2,669	2,672
Net profit	222	242

Zeny Supply Chain

Zeny Supply Chain aims to be a leading frozen foods supply chain company. It currently manages cold-chain storage infrastructure, with a capacity of 500,000 tons, in Wuhan, Jilin and Zhengzhou. It also strives to use e-commerce platforms to carry out online transactions and promote cold-chain storage services. As of June 30, 2020, Legend Holdings held 99.2% interest in Zeny Supply Chain.

In early 2020, Zeny Supply Chain was affected by COVID-19. In Wuhan, Zeny Supply Chain made a concerted effort to maintain supply and stable operations, and tried to use its online operation to mitigate the impact of market closure. As of June 30, 2020, the occupancy rate of its cold storage was 89% and the occupancy rate of shops was 96%, marking a degree of decline year-on-year. Hampered by unfavorable conditions for food reserves delivery, the Jilin company adjusted its business model and developed new value-added services. It established an intensive collaboration with major agricultural transaction platform Liangdawang and began grain trading with Dalian Xiangyu company, as well as introducing value-added services on multi-modal logistics. During the Reporting Period, Zeny Supply Chain continued to reduce the scale of its heavy assets and realized funds to deal with uncertainties in the market.

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

Unit: RMB million

	For the six months ended June 30, 2020	For the six months ended June 30, 2019
Revenue	99	54
Net (loss)/profit	(11)	31

During the Reporting Period, the increase in the revenue of Zeny Supply Chain was mainly attributable to the increase in revenue of grain trading of the Jilin company. A net loss was reported compared to the corresponding period of last year, when the net profit was boosted by investment gains from optimizing the Dongguan assets. Disregarding this factor, the loss for the first half of 2020 was reduced year-on-year.

Associate of Advanced Manufacturing and Professional Services

EAL

We engage in the air logistics business through EAL, our associate. Due to the global outbreak of COVID-19, China's import and export trade was severely suppressed. During the Reporting Period, freight throughput at major airports worldwide declined. On the other hand, the suspension of passenger flight services significantly reduced the freight capacity on passenger flights. Coupled with a proliferation in global demand for anti-pandemic supplies within a short period of time, the capacity for cross-border long-haul cargo planes as "lifelines for supplies" was tight, driving rapid acceleration of freight costs. As well, the collapse of international crude oil prices in the first half of 2020 brought down the price of jet fuels. The combination of these factors served to mitigate the adverse impact of COVID-19 on the air logistics business. As of June 30, 2020, Legend Holdings held 20.1% equity interest in EAL.

EAL owns 9 cargo planes, the freight capacity of 723 passenger planes and 17 self-operated air cargo depots in Shanghai, Beijing, Wuhan, Kunming, Xi'an, Nanjing, Ji'nan, Qingdao, Lanzhou, Hefei and Taiyuan. EAL claims 52.5% market share of the annual air cargo throughput at Shanghai Pudong and Hongqiao airports, which have the highest air cargo throughput nation-wide. EAL is also a leader in Shanghai's air cargo ground services agency business.

To support prevention, control and recovery measures for COVID-19, EAL, as a leading domestic air cargo company, deployed increased transportation capacity to swiftly distribute nation-wide and worldwide critical anti-pandemic supplies such as face masks and ventilators to key domestic and international destinations. EAL also established a special task force, led by the general manager, to better respond to anti-pandemic needs. All forces were mobilized to coordinate and organize all available resources of overseas destinations, as well as those of domestic and international partner suppliers to speedily complete freight packaging of anti-pandemic supplies and waybill materials, customs clearance and other front-end and back-end extended services for air freight. These efforts contributed to ensuring rapid connection and distribution of the capacity of passenger and cargo flights. As soon as overseas anti-pandemic supplies arrived at domestic airports, EAL efficiently completed unloading, disassembly and sorting for loading onto vehicles for distribution, leveraging EAL's ground-handling capacities at Shanghai Pudong, Shanghai Hongqiao and Wuhan Tianhe airports. This ensured that anti-pandemic supplies were rapidly distributed and transferred domestically, as a "life channel in the air" for the global frontline prevention and battle against the pandemic.

During the Reporting Period, EAL organised the very first chartered air cargo service to deliver anti-pandemic supplies to Wuhan. Subsequently, EAL mounted hundreds of chartered air cargo flights to fly in anti-pandemic supplies to China from the UK, the US, the Netherlands, Germany, Japan, the Philippines and other countries. In total, 3.7 million items of anti-pandemic supplies, weighing 59,000 tons, were transported by air cargo and passenger flights. The air cargo green channels in Wuhan, Shanghai, Nanjing, Xi'an and Kunming were opened to facilitate quick unloading, disassembly and distribution of 6.58 million anti-pandemic items weighing 89,000 tons. Meanwhile, EAL developed the "Anti-pandemic Supply Import and Transportation Guarantee Scheme" with experts from the National Coordination Center for Joint Pandemic Prevention and Control, through which EAL waived all air freight charges for crucial anti-pandemic provisions requested by the Coordination Center. EAL's frontline support in the fight against the pandemic was reported in more than a dozen major media outlets, including People's Daily, China National Radio and Xinhua Net.

During the Reporting Period, the preparation of EAL's IPO was progressing as planned.

Financial Investments

Overview

We are a pioneer in China's assets management sector, seeking to capture equity investment opportunities at various stages of a company's development. We look for financial returns through a variety of financial investment platforms ranging from angel investment to venture capital, private equity investment and other types of investments. As each investment platform has a specialized focus and risk appetite, we can target a broad range of investments. In the financial investment process, we look for those that have synergies and resources in common with our strategic investments business. Through Legend Star, Legend Capital and Hony Capital, we have gained a deeper understanding of the targeted industries and accessed 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 investments risks. Additionally, we made other types of investments, in particular our own direct financial investments. We achieved good cash returns through minority equity investments in primary and secondary markets. In these processes, cooperating with our associate funds is important to us, as we can share information and resources to maximize the financial investment benefits. Legend Holdings also owns Raycom Info Tech Park Tower A, Tower B and Tower C office buildings located in Zhongguancun, Beijing, to seek long-term returns.

In 2020, the extent of the pandemic exceeded market expectations. National economic performance indicators showed wholesale decline. The impact on the tertiary industry and consumption sector was the most apparent and the fluctuation in the secondary markets was aggravating as well. The uncertainties arising from trade disputes and geo-political issues continued to worsen. Our associate funds and direct investments faced increasing challenges. To deal with the challenges arising from changes in the external environment such as COVID-19, we quickly launched digital management and resumed operations. We connected with our portfolio companies immediately, and evaluate project risks and implement tiered management. We also strengthened investment and management monitoring of our portfolio companies to prepare for risks and adopted more prudent investment strategies and proactive post-investment management. While we upheld the principle of selecting the best-in-class options, we also slowed the tempo of our investment deployment and raised the investment threshold to reduce the impact of uncertainties on our managed funds. With COVID-19 coming under control in China, social order is being gradually restored, and most of the invested companies have gradually resumed normal operations. We will continue to track the development of the pandemic and monitor the business and financial conditions of our portfolio companies.

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

	<i>Unit: RMB million</i>	
	For the six months ended June 30, 2020	For the six months ended June 30, 2019
Revenue	413	325
Investment income and gains	1,727	1,290
Share of (loss)/profits of associates and joint ventures accounted for using the equity method	(562)	121
Net profit	1,431	1,362
Net profit attributable to equity holders of Legend Holdings	<u>1,427</u>	<u>1,350</u>

During the Reporting Period, investment income and gains from the financial investment segment increased from RMB1,290 million for the corresponding period of last year to RMB1,727 million, and net profit attributable to equity holders of Legend Holdings increased from RMB1,350 million to RMB1,427 million. Legend Star and Legend Capital contributed the best returns. However, profit growth was slowed due to substantial reduction of the fair value of certain items.

Legend Star

Founded in 2008, Legend Star is one of China's leading angel investment institutions, focusing on three major areas of early stage investment, namely TMT, healthcare and smart technology. Since 2014, Legend Star has been ranked continuously in the top tier of the Annual Angel Investment/Early Stage Investment Institutions by professional institutions in the industry, namely the Zero2IPO Group and the ChinaVenture Group.

As of June 30, 2020, Legend Star managed 7 funds, the total AUM of which exceeded RMB2.6 billion. It has accumulatively invested in over 270 onshore or offshore investment projects, including iDreamsky Games, Megvii, AISpeech, Yunding Tech, Pony.AI, Surestar, Burning Rock Dx, Kintor Pharmaceuticals, PegBio, Conmed Biosciences, Axonics, HiFiBio and other high-quality projects. Burning Rock Biotech and Kintor Pharmaceuticals had been listed on the NASDAQ and Hong Kong Stock Exchange respectively during the Reporting Period.

During the Reporting Period, Legend Star had nearly 10 onshore or offshore investment projects covering different niche segments such as artificial intelligence, biotechnology, medical equipment and new consumption. Among the projects under management, we made follow-on investments in nearly 30 projects and exited 4 projects. As of June 30, 2020, the 2nd round closing of the 4th RMB fund had been completed.

Legend Capital

Legend Capital is one of the leading private equity investment institutions in China. As of June 30, 2020, Legend Capital managed a total of eight USD general funds (two of which were settled), five RMB general growth funds (one of which is in settlement), three TMT innovative RMB funds (one of which was a sub-fund of Junruiqi (君睿祺), and not listed separately in the list below), two USD funds specializing in the healthcare sector, two RMB funds specializing in the healthcare sector, two RMB funds specializing in the culture and sports sector and one fund focused on the red-chip return concept. As of June 30, 2020, the total amount raised by the funds was RMB787 million during the Reporting Period.

In 2020, Legend Capital plans to raise the 3rd RMB medical fund and to complete the final closing of the 8th USD fund and 2nd USD medical fund. The newly raised funds will basically maintain the continuity of the investment strategy, focusing on Chinese enterprises and cross-border opportunities at the start-up stage and growing stage in the TMT and innovative consumption, intelligent manufacturing, professional services, healthcare, and culture and sports sectors. In addition, in 2020, Legend Capital will encourage exit from projects under management to ensure better cash return for investors.

During the Reporting Period, Legend Capital accumulatively completed 22 new project investments, covering start-up stage and growing stage enterprises in the TMT and innovative consumption, healthcare, corporate services and intelligent manufacturing sectors.

During the Reporting Period, Legend Capital fully or partially exited 25 projects, contributing a cash inflow of over RMB1,300 million for Legend Holdings to ensure better cash return. Among its portfolio companies, three enterprises were listed on the domestic and overseas capital markets through IPO, namely UCloud Technology Co. Ltd (優刻得科技股份有限公司), Cybrid Technologies (蘇州賽伍應用技術股份有限公司), and Shenzhen Yanmade Tech (深圳市燕麥科技股份有限公司). In addition, QuantumCTek Co., Ltd. (科太國盾量子技術股份有限公司) was listed on July 9, 2020. Wireless Power Amplifier Module Inc. was listed on July 31, 2020, bringing the total number of successfully listed portfolio companies to 74 (excluding the number of NEEQS companies).

The following table sets forth the information of Legend Capital's funds in which Legend Holdings and its subsidiaries held direct or indirect interests in their capacity as a limited partner, as of June 30, 2020:

Name of fund	Fund term		Total Commitment	Investment Sector	Interests held by Legend Holdings as a limited partner (%)
	Commencement	End			
	Date (month/day/year)	Date (month/day/year)			
USD Funds (in USD million)					
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	N/A	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%
LC Healthcare Fund II, L.P.	1/31/2019	N/A*	158	Healthcare	37.91%
LC Fund VIII, L.P.	2/15/2019	2/14/2029	415	TMT and innovative consumption, 2B enterprise services, hard & core technology	21.65%
Great Unity Fund I, LLP	7/26/2018	N/A*	611	Investment in LC Fund VIII, LC Healthcare Fund II, etc.	49.08%
LC Continued Fund IV, L.P.	12/18/2019	12/31/2024	187	TMT, healthcare, consumption, modern services, clean technology, advanced manufacturing	2.67%

Name of fund	Fund term		Total Commitment	Investment Sector	Interests held by Legend Holdings as a limited partner (%)
	Commencement	End			
	Date (month/day/year)	Date (month/day/year)			
RMB Funds (in RMB million)					
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	3/31/2021	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. (上海祺蹟創業投資 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 and 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	1,315	Culture entertainment, sports	28.52%

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)			
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	1,600	Healthcare	25.00%
Beijing Junlian Shengyuan Equity Investment, L.P. (北京君聯晟源股權 投資合夥企業(有限合夥))	7/9/2018	7/8/2026	7,000	TMT, innovative consumption, intelligent manufacturing, professional services and healthcare services	18.57%
Shanghai Junlian Shenghao Venture Investment, L.P. (上海君聯晟灝創業 投資合夥企業 (有限合夥))	12/18/2018	12/17/2026	843	Enterprise IT services and cutting-edge technology, smart hardware and new technology, internet and innovative consumption	32.61%

* The fund's end date is 10 years from the final closing. As of June 30, 2020, the fund has not yet completed the final closing.

Remarks:

1. The end date can be extended based on relevant limited partnership agreements.
2. Total Commitment refers to the total amount of capital committed, as of the final raising date, by the partners of the limited partnership or the investors of the fund existing as a limited liability company (if applicable).

Hony Capital

Hony Capital is one of the leading investment and management institutions in China, whose businesses cover PE, real estate, mutual fund management, hedge funds and innovative investment. As of June 30, 2020, Honky Capital invested in and managed eight equity investment funds, two property funds and one cultural industry fund. During the Reporting Period, the third property funds completed the first round of closing. Honky Horizon Fund Management Co., Ltd., a mutual fund management company specializing in secondary market investment and management business under Honky Capital, managed five mutual funds during the Reporting Period, which included three mixed funds and two index funds.

Hony Capital's PE funds focus on the digital economy, cross-border mergers and acquisitions, SOE reforms and the development of large-scale private enterprises. Honky Capital pursues industry-specific investments in the sectors of consumption, services, healthcare, advanced manufacturing, mobile Internet and others. The property funds focus strategically on office buildings in first-tier cities to create returns that are higher than the market average, by applying various value-added means such as renovation, enhanced operation and functional adjustments to the office buildings and other commercial buildings with potential to be converted into offices. The cultural industry fund focuses on integrated investment, cross-border investment and investment in early-stage projects in the new trend sectors in the cultural industry. It prioritizes the film and television, entertainment and sports industries, and keeps a close eye on online games and new media businesses driven by new technologies. Honky Capital's mutual fund management company focuses on leveraging Honky Capital's expertise in consumer services, catering, medical and other industries, as well as in SOE reforms and cross-border investments, and trains its sights on value investment to create mutual fund products with distinctive characteristics and excellent performance. Honky Capital's overseas secondary market investment platform, Goldstream Investment, focuses on liquid assets investment. Currently, it operates a variety of strategies including Greater China long and short position fund, Greater China long position fund, global macro, global healthcare industry stocks, bonds and asset securitizations, CTA/quantitative strategies and special opportunity securities.

During the Reporting Period, Honky Capital proceeded with new investment projects in various business segments and progressively made follow-on investments in existing projects. Certain portfolio companies were listed, and Honky Capital also actively exited projects, thereby contributing a constant and steady cash return to Legend Holdings.

The following table sets forth the main information of the funds managed by Hony Capital in which Legend Holdings and its subsidiaries held direct interests as of June 30, 2020:

Name of fund	Fund term		Total Commitment	Investment Sector	Interests held by Legend Holdings as a limited partner (%)
	Commencement	End Date			
	Date (month/day/year)	(month/day/year)			
USD Funds (in USD million)					
Hony International Limited	N/A	N/A	29	In view of China’s economic	40%
Honey Capital II, L.P.	7/26/2004	8/31/2014	87	environment and policy	41%
Hony Capital Fund III, L.P.	9/19/2006	11/10/2016	580	direction, Hony Capital’s	34%
Hony Capital Fund 2008, L.P.	5/27/2008	6/26/2020	1,398	equity investment funds	14%
Hony Capital Fund V, L.P.	8/10/2011	12/15/2021	2,368	strategically focus on the	11%
Hony Capital Fund VIII (Cayman), L.P.	8/18/2015	10/30/2025	1,647	opportunities of SOE reforms, private enterprise and cross – border M&As. In terms of industry selection, the funds focus on industries directly benefiting from China’s macro trends, including consumption, health, services and high- end manufacturing, as well as transformation from mobile Internet.	16%
Goldstream Capital Master Fund I	01/12/2017	N/A	31	Goldstream Greater China long and short position fund starts from the fundamentals, systematically covering a group of industries and enterprises with Hony’s cognitive advantages. It seeks opportunities for value and growth investment in line with its requirements for investment risks and returns, by in-depth, careful, timely, comprehensive research, to build a long and short position combination and create excellent long-term risk- adjusted returns for investors.	83%

Name of fund	Fund term		Total Commitment	Investment Sector	Interests held by Legend Holdings as a limited partner (%)
	Commencement	End Date			
	Date (month/day/year)	(month/day/year)			
RMB Funds (in RMB million)					
Hony Capital RMB Fund 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	In view of China’s economic environment and policy direction, Hony Capital’s equity investment funds strategically focus on the opportunities of SOE reforms, private enterprise and cross – border M&As. In terms of industry selection, the funds focus on industries directly benefiting from China’s macro trends, including consumption, health, services and high-end manufacturing, as well as transformation from mobile Internet.	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))	8/12/2010	8/11/2019	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%
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	Focusing strategically on 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 theses office buildings and other commercial buildings with potential to be converted into office buildings.	20%
Beijing Haidian Technology Industry Space Optimization Fund, L.P. (北京海淀科技產業空間優化基金中心(有限合夥))	12/8/2016	6/30/2022	2,157		2%
Shenzhen Hony 2019 Corporate Management Center (Limited Partnership) (深圳弘毅貳零壹玖企業管理中心(有限合夥))	7/9/2019	1/15/2025	1,600		50%
Hony Horizon Guozheng consumption 100 ETF (弘毅遠方國證消費100交易型開放式指數證券投資基金)	12/19/2019	N/A	136	The fund mainly adopts the full replication method, i.e. the fund portfolio is constructed solely in accordance with the composition and weight of the constituents of the CSI100 Index, and is adjusted according to changes in the constituents of the underlying index and their weights	49%

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) 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)) are collectively named as “Hony RMB Fund VIII” in the above table.
- (4) Goldstream Capital Master Fund I, Hony Horizon Guozheng consumption 100 ETF (弘毅遠方國證消費100交易型開放式指數證券投資基金) in the above table are both mutual funds. The total commitment is presented as the total share of the fund, and the proportion of the share of the fund held by Legend Holdings is the ratio of the share held by Legend Holdings to the total share of the fund.

Investment Properties

The investment properties that we hold include high-end office buildings, i.e. Raycom Info Tech Park Tower A, Tower B and Tower C in Zhongguancun, Beijing^(Note). As of June 30, 2020, the occupancy rate was about 97.4%. We hold Tower A and Tower C of Raycom Info Tech Park through Raycom Property, our wholly-owned subsidiary and hold Tower B through our subsidiary Raycom Real Estate. Tower A, B and C are leased as premium offices and shops or for own occupation. As of June 30, 2020, the fair value of our investment properties amounted to RMB11.54 billion (excluding the self-use portions).

Note: Tower A, B and C are located at Court No. 2 Ke Xue Yuan Nanlu, Haidian District, Beijing, Postal Code: 100190. The terms of land use rights of these properties will expire in the years of 2051, 2057 and 2053, respectively.

Financial Review

Finance costs

Finance costs after deducting capitalized amounts decreased from RMB3,180 million for the six months ended June 30, 2019 to RMB3,105 million for the six months ended June 30, 2020. Finance costs remained largely unchanged mainly due to the combined effects of the increase in the average total borrowings which was off-set by the reduction in the average borrowing costs during the period.

Taxation

Our taxation increased from RMB980 million for the six months ended June 30, 2019 to RMB1,068 million for the six months ended June 30, 2020. Increase in taxation was mainly due to the losses not deductible for tax purpose incurred in certain areas.

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, 2020, we had RMB4,383 million of capital expenditures contracted but not yet generated. Such capital commitments were mainly used for purchases of property, plant and equipment, and investment.

Liquidity and financial resources

Our principal sources of funds have been, and we expect to continue to utilize, cash generated from operations, 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, 2020, our cash and cash equivalents were RMB70,698 million, among which, RMB, CHF, USD, EUR, HKD and other currencies accounted for 36%, 29%, 18%, 4%, 4% and 9%, respectively, while the amount as of December 31, 2019 was RMB62,340 million, among which, RMB, CHF, USD, EUR, HKD and other currencies accounted for 31%, 30%, 20%, 3%, 6% and 10%, respectively. It is our policy to place our cash in interest-bearing principal-protected demand deposits or short-term deposits in 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 our capital expenditures with bank loans, other loans and corporate bonds at appropriate scales 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

	As of June 30, 2020	As of June 30, 2019
Bank loans		
– Unsecured loans	35,425	35,226
– Guaranteed loans	23,975	22,178
– Collateralised loans	10,973	11,214
Other loans		
– Unsecured loans	2,750	2,750
– Guaranteed loans	3,989	5,455
– Collateralised loans	1,682	817
Corporate bonds		
– Unsecured	62,409	55,075
– Guaranteed	–	103
– Convertible bonds	5,234	5,087
	146,437	137,905
Less: non-current portion	(93,265)	(85,704)
Current portion	53,172	52,201

As of June 30, 2020, among our total borrowings, 52% was denominated in RMB (December 31, 2019: 55%), 31% was denominated in USD (December 31, 2019: 29%) and 17% was denominated in other currencies (December 31, 2019: 16%). If categorized by whether the interest rates were fixed or not, the fixed interest rates borrowings and the floating interest rates borrowings accounted for 64% and 36% of our total borrowings, respectively, while as of December 31, 2019 accounted for 69% and 31%, respectively. The increase of indebtedness was driven by the build-up of cash reserve under the uncertainty imposed by COVID-19 and the ensuing macroeconomic conditions.

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

Unit: RMB million

	As of June 30, 2020	As of December 31, 2019
Within 1 year	53,172	52,201
After 1 year but within 2 years	31,670	23,015
After 2 years but within 5 years	50,488	50,879
After 5 years	11,107	11,810
	146,437	137,905

As of June 30, 2020, we had the following major corporate bonds outstanding:

Issuer	Type of bonds	Currency	Issuance date	Term	Principal amount
The Company	Corporate bonds	RMB	November 30, 2012	10 years	RMB1,984 million
The Company	Corporate bonds	RMB	July 6, 2016	5 years	RMB1,500 million
The Company	Corporate bonds	RMB	July 6, 2016	10 years	RMB2,000 million
The Company	Corporate bonds	RMB	July 5, 2017	5 years	RMB2,500 million
The Company	Corporate bonds	RMB	January 31, 2018	5 years	RMB1,000 million
The Company	Corporate bonds	RMB	June 29, 2018	3 years	RMB1,600 million
The Company	Corporate bonds	RMB	December 3, 2018	5 years	RMB1,500 million
The Company	Corporate bonds	RMB	January 15, 2019	3 years	RMB2,000 million
The Company	Corporate bonds	RMB	January 15, 2019	5 years	RMB1,000 million
The Company	Corporate bonds	RMB	June 21, 2019	5 years	RMB2,000 million
The Company	Private placement bonds	RMB	September 25, 2019	1 years	RMB1,000 million
The Company	Corporate bonds	RMB	October 18, 2019	3 years	RMB1,600 million
The Company	Corporate bonds	RMB	June 3, 2020	3 years	RMB1,800 million
Lenovo	Medium term notes	USD	March 16, 2017	5 years	USD500 million
Lenovo	Medium term notes	USD	March 29, 2018	5 years	USD750 million
Lenovo	Convertible bonds	USD	January 24, 2019	5 years	USD675 million
Lenovo	Medium term notes	USD	April 24, 2020 and May 12, 2020	5 years	USD1,000 million
Zhengqi Financial	Corporate bonds	RMB	September 27, 2019	3 years	RMB600 million
Zhengqi Financial	Corporate bonds	RMB	December 20, 2019	3 years	RMB300 million
JC Finance & Leasing	Asset backed securities	RMB	June 23, 2017	3-4 years	RMB182 million
JC Finance & Leasing	Asset backed securities	RMB	January 30, 2018	2-3 years	RMB63 million
JC Finance & Leasing	Asset backed securities	RMB	November 27, 2018	1-2 years	RMB108 million
JC Finance & Leasing	Corporate bonds	RMB	September 6, 2019	2 years	RMB400 million
JC Finance & Leasing	Asset backed securities	RMB	October 16, 2019	1-3 years	RMB325 million
JC Finance & Leasing	Corporate bonds	RMB	November 21, 2019	2 years	RMB300 million

Issuer	Type of bonds	Currency	Issuance date	Term	Principal amount
JC Finance & Leasing	Private placement bonds	RMB	January 22, 2020	2 years	RMB400 million
JC Finance & Leasing	Asset backed securities	RMB	March 13, 2020	1-2 years	RMB122 million
JC Finance & Leasing	Asset backed securities	RMB	March 26, 2020	2 years	RMB121 million
BIL	Bank subordinate bonds	EUR	June 8, 2016	12 years	EUR50 million
BIL	Bank subordinate bonds	USD	October 18, 2016	12 years	USD100 million
BIL	Medium term notes	JPY	December 19, 2002	20 years	JPY500 million
BIL	Medium term notes	EUR	2013 to 2020	2-20 years	EUR2,344 million
BIL	Medium term notes	USD	2018 to 2020	2-5 years	USD48 million
BIL	Medium term notes	CHF	2016 to 2019	6-6.5 years	CHF250 million
Joyvio Agriculture	Convertible bonds	USD	June 14, 2019	5 years	USD125 million

The annual interest rates of our bonds listed above as of June 30, 2020 ranged from 0% to 7.50%.

As of June 30, 2020, the Company had undrawn banking facilities of RMB91.6 billion. The Company has entered into formal or informal cooperation agreements with various major banks in China. According to these agreements, those banks granted general banking facilities to support the Company's capital needs. Utilization of such banking facilities is subject to the prior approval of individual projects from these banks in accordance with banking regulations of China.

Current ratio and net debt to equity ratio

	As of June 30, 2020	As of December 31, 2019
Current ratio (times)	0.8	0.7
Net debt to equity ratio	83.9%	82.3%

Current ratio

Current ratio is the ratio of current assets over current liabilities at the end of each financial period. Our current ratio at the end of the Reporting Period increased as compared with December 31, 2019. The current ratio of less than one was mainly as a result of consolidation of BIL into our consolidated financial statements. Unlike other non-banking entities, which require separate presentation of current and non-current assets and liabilities on their financial statements, BIL adopts financial statement presentation prevailing in the banking sector whereby liquidity metrics are different from other non-banking entities, relieving itself from the requirement to present current and non-current assets and liabilities on its separate financial statements. We made the current and non-current classification in order to ensure uniform accounting policies of Legend Holdings for consolidation purpose only, which may not faithfully depict the liquidity characteristics of the banking sector in general and BIL in particular. As at the end of the Reporting Period, BIL maintained robust operations, and its Core Equity Tier 1 ratio stood at 12.79%. Though the current ratio was less than one, we are confident to honor maturing debts when they are due, in consideration of our operating cash flow forecast, and the undrawn credit facilities of the Company and our subsidiaries.

Net debt to equity ratio

Net debt to equity ratio is the percentage ratio of the net debts (total borrowings less cash and cash equivalents) over the total equity at the end of each financial period. The increase in the net debt to equity ratio at the end of the Reporting Period as compared with that as of December 31, 2019 was mainly due to the changes in our total equity.

Pledged assets

As of June 30, 2020, we pledged the assets of RMB20.2 billion (December 31, 2019: RMB16.8 billion) for obtaining borrowings.

Contingencies

Our contingencies primarily comprise (i) guarantees we provided in respect of the borrowings provided by commercial banks and other financial institutions to associates and third parties for their business needs; and (ii) financial guarantees to third parties provided by our subsidiaries in the financial services businesses for their borrowings from certain financial institutions.

We evaluated the financial positions of financial guarantees provided in connection with our financial services businesses periodically and made provisions accordingly. As of June 30, 2020 and December 31, 2019, the provision made by us was RMB127 million and RMB116 million respectively.

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

	<i>Unit: RMB million</i>	
	As of June 30, 2020	As of December 31, 2019
Financial guarantee of guarantee business	11,061	10,736
Other guarantees		
– Related parties	3,598	3,768
– Unrelated parties	640	4,221

The guarantee balance to unrelated parties are mainly related to real estate business, which was disposed in historic period during the validity period of such guarantee, and the counter-guarantees had been obtained from the guaranteed companies correspondingly.

Fluctuations in exchange rates and any relevant hedging

We operate internationally and are exposed to foreign currency risks arising from various currency exposures, primarily with respect to USD, RMB, EUR and CHF. 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 risks, and, when necessary, enter into forward exchange contracts to mitigate the foreign currency risks as appropriate.

Dividend

The Board did not recommend the payment of an interim dividend for the six months ended June 30, 2020 (six months ended June 30, 2019: Nil).

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

As of June 30, 2020, the Group had approximately 83,329 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 its core management members and general employees taking into consideration market competitiveness which is compatible with the business features of the Company:

In respect of the Company's core management members ("Senior 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 Senior Management of the Company is determined by the Board based on the overall performance of the Company and the job duties undertaken by the Senior Management and their performance. The Company will then determine their performance results according to the Company's performance and the performance appraisal of Senior Management taking into consideration their achievements of performance objectives. Annual remuneration comprises annual basic salaries (determined based on the duties undertaken by Senior Management) and target bonus (calculated on the basis of a certain proportion of the basic salaries of Senior Management with reference to the overall performance of the Company and performance appraisal of Senior Management). Benefits include basic social benefits and supplemental benefits of the Company.

In respect of the general 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 appraisals and the level of their capabilities. Target bonus is determined based on a certain proportion of the employees' basic salaries and taking into consideration the annual operating results of the Company and the results of annual performance appraisals and evaluations of employees. 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.

Meanwhile, in order to attract and motivate talents to create values for the sustainable development of the Company, the 2016 and 2019 mid-term to long-term incentive schemes were approved by the general meetings of the Company respectively, and all matters in relation to the implementations of such schemes were delegated to the Board and the remuneration committee of the Board (as the case may be) or their delegated representatives.

The remuneration for independent non-executive Directors is determined based on the time devoted, workload, duties undertaken thereby and prevailing market level. The remuneration committee reviews the remuneration for independent non-executive directors on a regular basis.

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

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

For the six months ended June 30, 2020

		Unaudited	
		Six months ended June 30,	
		2020	2019
	Note	RMB'000	RMB'000
Sales of goods and services	5	<u>182,682,444</u>	<u>176,965,946</u>
Interest income		3,056,147	3,451,113
Interest expense		<u>(872,946)</u>	<u>(1,106,259)</u>
Net interest income		<u>2,183,201</u>	<u>2,344,854</u>
Total revenue	5	184,865,645	179,310,800
Cost of sales and services	7	<u>(152,521,501)</u>	<u>(147,156,701)</u>
Gross profit		<u>32,344,144</u>	<u>32,154,099</u>
Selling and distribution expenses	7	(9,401,129)	(10,158,941)
General and administrative expenses	7	(17,898,756)	(15,675,144)
Impairment losses for financial assets	7	(992,602)	(531,805)
Investment income and gains	6	2,954,741	2,057,784
Other gains/(losses)		353,548	(21,471)
Finance income	8	350,934	536,154
Finance costs	8	(3,105,479)	(3,180,018)
Share of (loss)/profit of associates and joint ventures accounted for using the equity method	5	<u>(1,332,557)</u>	<u>401,788</u>
Profit before income tax		3,272,844	5,582,446
Income tax expense	9	<u>(1,068,287)</u>	<u>(980,494)</u>
Profit for the period		<u>2,204,557</u>	<u>4,601,952</u>

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT (CONTINUED)*For the six months ended June 30, 2020*

		Unaudited	
		Six months ended June 30,	
		2020	2019
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Profit attributable to:			
– Equity holders of the Company		637,337	2,664,556
– Perpetual securities holders		189,039	181,991
– Other non-controlling interests		1,378,181	1,755,405
		<u>2,204,557</u>	<u>4,601,952</u>
Earnings per share for the profit attributable to the equity holders of the Company (expressed in RMB per share)			
Basic earnings per share	<i>10</i>	<u>0.27</u>	<u>1.14</u>
Diluted earnings per share	<i>10</i>	<u>0.27</u>	<u>1.12</u>
Dividends	<i>19</i>	<u>777,556</u>	<u>706,869</u>

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME
For the six months ended June 30, 2020

	Unaudited	
	Six months ended June 30,	
	2020	2019
	RMB'000	RMB'000
Profit for the period	2,204,557	4,601,952
Other comprehensive (loss)/income:		
Items that will not be reclassified to income statement		
Change in fair value of equity securities measured at fair value through other comprehensive income, net of taxes	(473,097)	106,321
Share of other comprehensive (loss)/income of associates using equity accounting, net of taxes	(5,564)	65,219
Remeasurements of post-employment benefit obligation, net of taxes	(248,348)	(156,775)
Items that may be reclassified subsequently to income statement		
Change in fair value of debt securities measured at fair value through other comprehensive income, net of taxes	(27,454)	15,239
Currency translation differences	(2,078,918)	381,273
Share of other comprehensive loss of associates using equity accounting, net of taxes	(61,736)	(71,979)
Fair value change on cash flow hedges, net of taxes	(3,342)	(175,356)
Other comprehensive (loss)/income for the period, net of taxes	(2,898,459)	163,942
Total comprehensive (loss)/income for the period	(693,902)	4,765,894
Attributable to:		
– Equity holders of the Company	(556,707)	2,834,634
– Perpetual securities holders	189,039	181,991
– Other non-controlling interests	(326,234)	1,749,269
	(693,902)	4,765,894

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

As at June 30, 2020

		Unaudited As at June 30, 2020 RMB'000	Audited As at December 31, 2019 RMB'000
	Note		
ASSETS			
Non-current assets			
Property, plant and equipment		23,992,925	23,927,948
Right-of-use assets		7,215,357	7,265,904
Investment properties	11	12,550,432	12,316,171
Intangible assets		69,360,326	70,021,402
Consumable biological assets		266,129	286,658
Associates and joint ventures using equity accounting	5	17,595,641	19,258,345
Associates measured at fair value through profit or loss	5	18,617,441	17,404,859
Financial assets at fair value through other comprehensive income		10,244,116	10,969,080
Financial assets at fair value through profit or loss		8,027,334	8,394,224
Loans to customers		77,506,994	82,212,421
Loans to credit institutions		701,898	690,241
Derivative financial assets		330,045	505,099
Other financial assets at amortised cost		54,301,879	48,052,348
Deferred income tax assets		18,231,287	17,507,825
Other non-current assets		10,864,374	11,849,898
		329,806,178	330,662,423

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET (CONTINUED)

As at June 30, 2020

		Unaudited As at June 30, 2020 RMB'000	Audited As at December 31, 2019 RMB'000
	Note		
Current assets			
Inventories		38,656,390	30,166,081
Consumable biological assets		1,700,002	1,615,243
Properties under development		750,607	656,674
Accounts and notes receivables	12	60,689,859	74,180,577
Prepayments, other receivables and other current assets	13	40,460,858	43,691,837
Loans to customers		55,569,742	47,993,361
Loans to credit institutions		6,740,605	6,725,571
Derivative financial assets		1,203,117	2,377,292
Financial assets at fair value through profit or loss		14,405,507	11,496,627
Financial assets at fair value through other comprehensive income		544,538	364,768
Other financial assets at amortised cost		4,517,447	2,466,904
Restricted deposits		11,190,416	9,075,991
Bank deposits		800,000	262,286
Cash and cash equivalents		70,698,362	62,339,559
		<u>307,927,450</u>	<u>293,412,771</u>
Total assets		<u>637,733,628</u>	<u>624,075,194</u>

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET (CONTINUED)

As at June 30, 2020

		Unaudited As at June 30, 2020 RMB'000	Audited As at December 31, 2019 RMB'000
	Note		
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital		2,356,231	2,356,231
Reserves		56,746,366	58,181,008
Total equity attributable to equity holders of the Company		59,102,597	60,537,239
Perpetual securities		8,361,897	8,161,897
Other non-controlling interests		27,798,502	28,149,657
Put option written on non-controlling interests	16(c)(1)	(5,024,368)	(5,024,368)
Total equity		90,238,628	91,824,425
LIABILITIES			
Non-current liabilities			
Borrowings	17	93,264,628	85,704,024
Lease liabilities		3,262,604	3,355,772
Amounts due to credit institutions		12,618,846	4,235,307
Amounts due to customers		5,624,977	4,634,959
Derivative financial liabilities		2,969,740	2,518,477
Deferred revenue		6,795,959	6,040,154
Retirement benefit obligations		3,371,717	3,112,233
Provisions	18	2,270,411	2,193,198
Financial liabilities at fair value through profit or loss		8,319,957	8,154,983
Deferred income tax liabilities		7,772,095	7,583,124
Other non-current liabilities	16	10,538,299	11,085,065
		156,809,233	138,617,296

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET (CONTINUED)

As at June 30, 2020

		Unaudited As at June 30, 2020 RMB'000	Audited As at December 31, 2019 RMB'000
	Note		
Current liabilities			
Trade and notes payables	14	69,298,816	73,068,967
Other payables and accruals	15	80,308,479	82,962,737
Amounts due to credit institutions		21,341,765	19,960,243
Amounts due to customers		146,514,111	143,699,602
Financial liabilities at fair value through profit or loss		2,328,220	2,044,184
Derivative financial liabilities		1,753,912	2,786,684
Provisions	18	5,395,089	5,430,413
Advance from customers		1,612,954	2,090,890
Deferred revenue		6,240,116	5,928,919
Income tax payables		1,907,726	2,712,254
Lease liabilities		812,677	747,777
Borrowings	17	53,171,902	52,200,803
		<u>390,685,767</u>	<u>393,633,473</u>
Total liabilities		<u>547,495,000</u>	<u>532,250,769</u>
Total equity and liabilities		<u>637,733,628</u>	<u>624,075,194</u>
Net current liabilities		<u>(82,758,317)</u>	<u>(100,220,702)</u>
Total assets less current liabilities		<u>247,047,861</u>	<u>230,441,721</u>

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY *For the six months ended June 30, 2020*

	Unaudited													
	Attributable to the equity holders of the Company													
	Share capital RMB'000	Share premium RMB'000	Statutory surplus reserve RMB'000	Revaluation reserve RMB'000	Share-based compensation reserve RMB'000	Shares held for share scheme RMB'000	Hedging reserve RMB'000	Exchange reserve RMB'000	Other reserve RMB'000	Retained earnings RMB'000	Perpetual securities RMB'000	Other non-controlling interests RMB'000	Put option written on non-controlling interests RMB'000	Total RMB'000
As at January 1, 2020	2,356,231	11,281,940	509,779	425,351	2,828,713	(259,154)	(29,754)	(1,952,459)	3,344,138	42,032,454	8,161,897	28,149,657	(5,024,368)	91,824,425
Profit for the period	-	-	-	-	-	-	-	-	-	637,337	189,039	1,378,181	-	2,204,557
Other comprehensive (loss)/income	-	-	-	(214,272)	-	-	-	-	-	-	-	(286,279)	-	(500,551)
Fair value change on financial assets at fair value through other comprehensive income	-	-	-	(72,873)	-	-	-	-	-	-	-	5,573	-	(67,300)
Share of other comprehensive (loss)/income of associates using equity accounting	-	-	-	-	-	-	(31,490)	-	-	-	-	28,148	-	(3,342)
Fair value change on cash flow hedges	-	-	-	-	-	-	-	(786,291)	-	-	-	(1,292,627)	-	(2,078,918)
Currency translation differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Remeasurements of post-employment benefit obligations	-	-	-	-	-	-	-	-	(89,118)	-	-	(159,230)	-	(248,348)
Total comprehensive (loss)/income for the period	-	-	-	(287,145)	-	-	(31,490)	(786,291)	(89,118)	637,337	189,039	(326,234)	-	(693,902)
Total transactions with owners, recognised directly in equity	-	-	-	(3,094)	-	-	-	-	-	-	-	(7,539)	-	(10,633)
Disposal of subsidiaries	-	-	-	-	-	-	-	-	(252,158)	-	-	(695,208)	-	(947,366)
Transaction with other non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	65,664	-	65,664
Contribution from other non-controlling interests	-	-	-	-	-	-	-	-	-	-	200,000	-	-	200,000
Issuance of perpetual securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer to reserve	-	-	-	-	-	-	-	-	(16,887)	11,380	-	6,171	-	664
Share of other reserve of associates	-	-	-	-	-	-	-	-	19,723	-	-	(972)	-	18,751
Share-based compensation	-	-	-	-	273,845	58,717	-	-	-	-	-	619,256	-	951,818
Purchase of shares under share scheme	-	-	-	-	-	(148,690)	-	-	-	-	-	-	-	(148,690)
Dividend declared	-	-	-	-	-	-	-	-	-	(777,556)	-	(7,481)	-	(785,037)
Distribution to perpetual securities holders	-	-	-	-	-	-	-	-	-	(43,215)	(189,039)	(4,812)	-	(237,066)
Total transactions with owners, recognised directly in equity	-	-	-	(3,094)	273,845	(89,973)	-	-	(249,322)	(809,391)	10,961	(24,921)	-	(891,895)
As at June 30, 2020	2,356,231	11,281,940	509,779	135,112	3,102,558	(349,127)	(61,244)	(2,738,750)	3,005,698	41,860,400	8,361,897	27,798,502	(5,024,368)	90,238,628

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY (CONTINUED)
For the six months ended June 30, 2020

	Unaudited													
	Attributable to the equity holders of the Company													
	Share capital RMB'000	Share premium RMB'000	Statutory surplus reserve RMB'000	Revaluation reserve RMB'000	Share-based compensation reserve RMB'000	Shares held for share scheme RMB'000	Hedging reserve RMB'000	Exchange reserve RMB'000	Other reserve RMB'000	Retained earnings RMB'000	Perpetual securities RMB'000	Other non-controlling interests RMB'000	Put option written on non-controlling interests RMB'000	Total RMB'000
As at January 1, 2019	2,356,231	11,281,940	460,852	(134,422)	2,456,936	(196,352)	22,443	(2,241,850)	3,903,548	39,563,428	6,807,157	23,762,430	(5,024,368)	83,017,973
Profit for the period	-	-	-	-	-	-	-	-	-	2,664,556	181,991	1,755,405	-	4,601,952
Other comprehensive income/(loss)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fair value change on financial assets at fair value through other comprehensive income	-	-	-	162,798	-	-	-	-	-	-	-	(41,238)	-	121,560
Share of other comprehensive income/(loss) of associates using equity accounting	-	-	-	538	-	-	(59,329)	-	-	-	-	(7,298)	-	(6,760)
Fair value change on cash flow hedges	-	-	-	-	-	-	-	-	-	-	-	(116,027)	-	(175,356)
Currency translation differences	-	-	-	-	-	-	-	112,588	-	-	-	268,685	-	381,273
Remeasurements of post-employment benefit obligations	-	-	-	-	-	-	-	-	(46,517)	-	-	(110,258)	-	(156,775)
Total comprehensive income/(loss) for the period	-	-	-	163,336	-	-	(59,329)	112,588	(46,517)	2,664,556	181,991	1,749,269	-	4,765,894
Transfer to retained earnings	-	-	-	9,089	-	-	-	-	-	(9,089)	-	-	-	-
Total transactions with owners, recognised directly in equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	321,475	-	321,475
Disposal of subsidiaries	-	-	-	(526)	-	-	-	-	-	-	-	(70,007)	-	(70,533)
Transaction with other non-controlling interests	-	-	-	-	-	-	-	-	(391,219)	-	-	(303,975)	-	(695,194)
Contribution from other non-controlling interests	-	-	-	-	-	-	-	-	-	1,024,234	-	1,024,234	-	1,024,234
Issuance of convertible bonds	-	-	-	-	-	-	-	-	151,487	-	-	369,050	-	520,537
Transfer to reserve	-	-	-	-	-	-	-	-	(8,067)	9,577	-	196	-	1,706
Share of other reserve of associates	-	-	-	-	-	-	-	-	(52,471)	-	-	-	-	(52,471)
Share-based compensation	-	-	-	-	143,957	17,730	-	-	-	(51,616)	-	326,870	-	488,557
Interest on contingent convertible bond	-	-	-	-	-	-	-	-	-	(57,392)	-	(5,776)	-	(57,392)
Dividend declared	-	-	-	-	-	-	-	-	-	(706,869)	-	(8,850)	-	(715,719)
Distribution to perpetual securities holders	-	-	-	-	-	-	-	-	-	-	(181,991)	-	-	(181,991)
Total transactions with owners, recognised directly in equity	-	-	-	(526)	143,957	17,730	-	-	(300,270)	(748,908)	(181,991)	1,653,217	-	583,209
As at June 30, 2019	2,356,231	11,281,940	460,852	37,477	2,600,893	(178,622)	(36,886)	(2,129,262)	3,556,761	41,469,987	6,807,157	27,164,916	(5,024,368)	88,367,076

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the six months ended June 30, 2020

	Unaudited	
	Six months ended June 30,	
	2020	2019
	RMB'000	RMB'000
Cash flows from operating activities		
Cash generated from operations	19,863,210	3,482,125
Income tax paid	(3,094,214)	(2,247,117)
Net cash generated from operating activities	16,768,996	1,235,008
Cash flows from investing activities		
Purchases of property, plant and equipment, and intangible assets	(3,701,572)	(3,817,021)
Proceeds from sale of property, plant and equipment, and intangible assets	160,637	121,375
Purchases of financial assets at fair value through profit or loss	(6,345,092)	(2,926,154)
Proceeds from the disposal of financial assets at fair value through profit or loss	5,294,809	2,647,477
Dividends from financial assets at fair value through profit or loss	128,176	283,613
Capital injection in associates measured at fair value through profit or loss	(844,710)	(569,737)
Distributions from associates measured at fair value through profit or loss	1,373,403	827,704
Acquisition of and capital injection in associates and joint ventures using equity accounting	(128,819)	(79,138)
Proceeds from disposal of associates using equity accounting	27,848	835,906
Dividends from associates using equity accounting	354,399	156,114
Purchase of financial assets at fair value through other comprehensive income	(463,906)	(32,387)
Disposal of financial assets at fair value through other comprehensive income	263,188	22,064
Dividends from financial assets at fair value through other comprehensive income	44	532
Purchase of financial assets at amortized cost	(44,632)	–
Acquisition of subsidiaries, net of cash acquired	(65,593)	(294,997)
Disposal of subsidiaries, net of cash disposed	32,862	144,899
Loans granted to related parties and third parties	(821,170)	(586,657)
Repayment of contingent consideration and deferred consideration	(1,035,965)	–
Interest received	238,031	180,751
(Increase)/decrease in bank deposits over 3 months	(488,249)	380,623
Advance from/(prepayment to) proposed transactions	620,121	(6,337,546)
Net cash used in investing activities	(5,446,190)	(9,042,579)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS (CONTINUED)
For the six months ended June 30, 2020

	Unaudited	
	Six months ended June 30,	
	2020	2019
	RMB'000	RMB'000
Cash flows from financing activities		
Proceeds from borrowings	42,244,327	53,610,019
Repayments of borrowings	(50,595,898)	(55,472,964)
Repayments of lease liabilities	(440,852)	(287,554)
Issue of convertible bonds, net of issuance costs	–	5,355,250
Issue of other bonds, net of issuance costs	9,651,719	5,511,261
Issue of convertible preferred shares	–	2,031,150
Capital contributions from non-controlling interests	348,933	1,067,004
Distribution to perpetual securities holders	(189,039)	(181,991)
Distribution to other non-controlling interests	(16,642)	(2,023)
Transaction with other non-controlling interests	(771,628)	(1,001,128)
Interest paid	(3,510,714)	(3,649,655)
Net cash (used in)/generated from financing activities	(3,279,794)	6,979,369
Net increase/(decrease) in cash and cash equivalents	8,043,012	(828,202)
Cash and cash equivalents at beginning of the period	62,339,559	60,023,193
Exchange gains on cash and cash equivalents	315,791	57,505
Cash and cash equivalents at the end of the period	70,698,362	59,252,496

1. GENERAL INFORMATION

Legend Holdings Corporation (the “Company”) is a joint stock company with limited liability under Company Law of the People’s Republic of China (“PRC”). It was incorporated in November 1984 under the name of Chinese Academy of Sciences Computer Technology Research Institute New Technology Development Company (中國科學院計算技術研究所新技術發展公司), as an enterprise owned by the whole people (全民所有制企業). Since then, the Company has completed a series of reorganizations and was converted into a joint stock limited liability company on February 18, 2014, the registered capital is RMB2,356 million now. 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) information technology (“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 mainly offers services including banking, short-term financing, financial leasing, insurance brokerage services, third party payment, internet finance, property insurance and other related business services; (c) innovative consumption and services industry, which operates mainly to provide medical and health services, car rental business and education for kids; (d) agriculture and food industry, which is mainly engaged in the production and selling of salmon, planting and selling of premium fruit and tea products, producing and selling Chinese liquor, supplying seafood and accessory products and liquor direct sales chain, etc.; and (e) advanced manufacturing and professional services industry, which includes new chemical materials R&D, production and selling services, logistics services and aviation logistics related business services.

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

2. BASIS OF PREPARATION

Affected by the COVID-19 Pandemic (“Pandemic”), the global macro economy has declined and capital market volatility has increased. Management has assessed the potential cash generation of the Group, the liquidity of the Group, existing funding available to the Group, credit limit of the Group and mitigating actions which have been and may be taken to reduce discretionary spend and other operating cash outflows to ensure the security and stability of the Group’s overall cash flows. On the basis of these assessments, we have determined that, at the date on which the Announcement of Interim Results were authorised for issue, the use of the going concern basis of accounting to prepare the Interim Financial Statements is appropriate.

This unaudited condensed consolidated interim financial information for the six months ended June 30, 2020 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, 2019 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 for the year ended December 31, 2019, except as described below.

3.1 New standards and interpretations adopted

The following amended and annual improved standards are mandatory for the first time for the Group’s financial year beginning on January 1, 2020 and are applicable for the Group:

- Amendments to IAS 1 and IAS 8 – Definition of Material
- Amendments to IFRS 3 – Definition of a Business
- Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest Rate Benchmark Reform
- Revised Conceptual Framework for Financial Reporting

3. ACCOUNTING POLICIES (CONTINUED)

3.1 New standards and interpretations adopted (Continued)

The amendments to IFRS 9, IAS 39 and IFRS 7 provide a temporary relief which enables hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate. The interest rate benchmark reform (the “reform”) would result in hedge ineffectiveness and potential hedge accounting termination. Such hedge accounting termination could have led to reclassification of amounts in the cash flow hedge reserve to profit or loss and cessation of fair value hedge accounting of fixed rate debt. The amendments avoid disruption to the Group’s existing cash flow and fair value hedge accounting relationships that would otherwise be directly impacted by the reform.

Amendments to IFRS and IAS effective for the financial year beginning on January 1, 2020 do not have a material impact on the Group’s Interim Financial Information.

In addition, the Group has elected to early adopt the amendments to IFRS 16 Leases on COVID-19 Related Rent Concessions on 1 January 2020. These amendments provide lessees with practical relief during the Pandemic and are effective for annual reporting periods beginning on or after 1 June 2020. The impact on this adoption do not have a material impact on the Group’s Interim Financial Information.

3.2 New standards and interpretations not yet adopted

The following are new standards and amendments to standards that have been issued but are not yet effective for the financial year beginning on January 1, 2020 and have not been early adopted.

IAS 37 (Amendments)	Onerous contracts – Cost of fulfilling a contract ⁽¹⁾
IAS 16 (Amendments)	Property, plant and equipment: Proceeds before Intended Use ⁽¹⁾
IFRS 3 (Amendments)	Reference to the conceptual framework ⁽¹⁾
IAS 1 (Amendments)	Classification of liabilities as current or non-current ⁽¹⁾
IFRS 17	Insurance Contracts ⁽²⁾
IFRS 10 and IAS 28 (Amendments)	Consolidated financial statements and investments in associates ⁽³⁾
Annual improvements to IFRS Standards 2018-2020 Cycle	⁽¹⁾

(1) Effective for the accounting period beginning on January 1, 2022

(2) Effective for the accounting period beginning on January 1, 2023

(3) Applicable to reporting periods commencing on or after the given date

3. ACCOUNTING POLICIES (CONTINUED)

3.2 New standards and interpretations not yet adopted (Continued)

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

Impact of new standard released not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for the financial year beginning on January 1, 2020 and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is still in progress.

4. ESTIMATES

The preparation of condensed consolidated interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. In preparing this condensed consolidated interim financial information, the sources of the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty came from the significant judgements that applied in the preparation of the annual financial statements of the Group for the year ended December 31, 2019 and particular consideration of the impact of the Pandemic on making relevant accounting estimates in different situation. Although the estimates and assumptions made by management has contemplated current and expected future conditions including but not limited to the impact to the index of the Group's operations, profit and cash flow arising from the Pandemic and the potential impacts of different monetary, fiscal and government policy responses aimed at reviving the economies on the Group, the actual results may differ from these estimates.

5. SEGMENT INFORMATION

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

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

5. SEGMENT INFORMATION (CONTINUED)

The Group identifies 6 reportable segments as follows:

- IT segment, which is mainly engaged in the development, manufacturing and marketing high-quality and easy-to-use for technology products and services for customers and enterprises;
- Financial services segment, which mainly offers services including banking, short-term financing, financial leasing, insurance brokerage services, third party payment, internet finance, property insurance and other related business services;
- Innovative consumption and services segment, which operates mainly to provide medical and health services, car rental business and education for kids;
- Agriculture and food segment, which is mainly engaged in the production and selling of salmon, planting and selling of premium fruit and tea products, producing and selling Chinese liquor, supplying seafood and accessory products and liquor direct sales chain, etc.;
- Advanced manufacturing and professional services segment, which includes new chemical materials R&D, production and selling services, logistics services and aviation logistic related business services;
- Financial investments segment, which is engaged in investment in PE funds and VC 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 investment properties, property, plant and equipment, intangible assets, right-of-use 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 and profit attributable to equity holders of the Company.

5. SEGMENT INFORMATION (CONTINUED)

Revenue and Profit

Six months ended June 30, 2020

	Unaudited						
	Strategic investments			Advanced			
	IT RMB'000	Financial services RMB'000	Innovative consumption and services RMB'000	Agriculture and food RMB'000	manufacturing and professional services RMB'000	Financial investments RMB'000	Unallocated RMB'000
						Elimination RMB'000	Total RMB'000
Segment revenue							
Sales/provide services to external customers	168,273,002	2,004,937	262,739	8,964,478	2,767,700	409,588	-
Net interest income	-	2,183,201	-	-	-	-	-
Inter-segment sales/provide services	-	-	-	-	-	3,442	-
Total	168,273,002	4,188,138	262,739	8,964,478	2,767,700	413,030	184,865,645
Segment results							
Profit/(loss) before income tax	2,878,998	1,069,112	(1,780,175)	(257,836)	506,276	1,861,172	-
Income tax (expense)/credit	(697,250)	(288,412)	75,559	63,208	(42,601)	(429,967)	-
Profit/(loss) for the period	2,181,748	780,700	(1,704,616)	(194,628)	463,675	1,431,205	2,204,557
Profit/(loss) attributable to equity holders of the Company	565,998	730,443	(1,643,694)	(58,213)	369,551	1,426,779	637,337
Other segment information:							
Depreciation and amortisation	(3,620,770)	(242,496)	(51,885)	(216,104)	(198,856)	(8,792)	(4,344,365)
Impairment loss for non-current assets	-	-	(370,000)	-	-	(11,222)	(381,222)
Investment income and gains (Note 6)	531,395	830,888	(22,855)	(3,055)	11,239	1,727,329	2,954,741
Finance income (Note 8)	126,575	19,031	139	14,038	8,621	3,945	350,934
Finance costs (Note 8)	(1,421,949)	(250,370)	(18,195)	(217,483)	(80,908)	(197,714)	(3,105,479)
Share of (loss)/profit of associates and joint ventures accounted for using the equity method/(i)	(59,068)	268,875	(1,275,770)	59,386	236,502	(562,482)	(1,332,557)
Material non-cash items other than depreciation and amortisation	(925,257)	-	-	-	-	(58,717)	(983,974)
Capital expenditure	4,150,289	275,146	113,188	360,624	166,243	600	5,068,036

(i) During six months ended June 30, 2020, the loss of Share of associates and joint ventures accounted for using the equity method of innovative consumption and services segment is mainly attributed to the CAR Inc. recognized large amount of impairment loss in the period.

5. SEGMENT INFORMATION (CONTINUED)

Revenue and Profit (Continued)

Six months ended June 30, 2019

	Strategic investments						Unaudited		
	IT RMB'000	Financial services RMB'000	Innovative consumption and services RMB'000	Agriculture and food RMB'000	Advanced manufacturing and professional services RMB'000	Financial investments RMB'000	Unallocated RMB'000	Elimination RMB'000	Total RMB'000
Segment revenue									
Sales/provide services to external customers	163,997,976	1,997,635	429,063	7,491,125	2,725,932	324,215	-	-	176,965,946
Net interest income	-	2,344,854	-	-	-	-	-	-	2,344,854
Inter-segment sales/provide services	-	-	-	-	-	434	-	(434)	-
Total	163,997,976	4,342,489	429,063	7,491,125	2,725,932	324,649	-	(434)	179,310,800
Segment results									
Profit/(loss) before income tax	2,846,122	1,374,265	2,100	300,755	393,068	1,546,587	(880,823)	372	5,582,446
Income tax (expense)/credit	(642,276)	(251,997)	(7,775)	(59,852)	(54,699)	(184,101)	220,206	-	(980,494)
Profit/(loss) for the period	2,203,846	1,122,268	(5,675)	240,903	338,369	1,362,486	(660,617)	372	4,601,952
Profit/(loss) attributable to equity holders of the Company	598,192	1,042,514	(13,649)	112,273	235,806	1,349,665	(660,617)	372	2,664,556
Other segment information:									
Depreciation and amortisation	(3,003,730)	(224,475)	(31,202)	(83,741)	(181,366)	(28,862)	(10,742)	-	(3,564,118)
Investment income and gains (Note 6)	207,048	436,680	18,164	41,615	64,272	1,290,005	-	-	2,057,784
Finance income (Note 8)	161,111	14,142	175	17,679	8,673	(2,004)	422,841	(86,463)	536,154
Finance costs (Note 8)	(1,467,378)	(235,756)	(16,627)	(108,522)	(114,808)	(179,791)	(1,143,599)	86,463	(3,180,018)
Share of (loss)/profit of associates and joint ventures accounted for using the equity method	(47,495)	264,747	(41,630)	34,306	70,659	120,829	-	372	401,788
Material non-cash items other than depreciation and amortisation	(798,052)	-	-	-	-	(17,730)	-	-	(815,782)
Capital expenditure	3,326,320	306,903	2,843	111,896	156,448	19,836	5,789	-	3,930,035

5. SEGMENT INFORMATION (CONTINUED)

Assets and liabilities

As at June 30, 2020

	Unaudited						
	Strategic investments						
	IT RMB'000	Financial services RMB'000	Innovative consumption and services RMB'000	Agriculture and food RMB'000	Advanced manufacturing and professional services RMB'000	Financial investments RMB'000	Total RMB'000
Segment assets	222,406,534	286,806,827	5,503,617	24,157,073	11,136,739	70,347,718	637,733,628
Segment liabilities	204,894,598	250,632,659	923,934	15,192,285	5,373,467	11,463,619	547,495,000
Associates and joint ventures using equity accounting	616,086	8,287,373	2,588,146	1,627,536	1,599,221	2,877,279	17,595,641
Associates measured at fair value through profit or loss	-	386,328	-	-	-	18,231,113	18,617,441

As at December 31, 2019

	Audited						
	Strategic investments						
	IT RMB'000	Financial services RMB'000	Innovative consumption and services RMB'000	Agriculture and food RMB'000	Advanced manufacturing and professional services RMB'000	Financial investments RMB'000	Total RMB'000
Segment assets	230,079,324	271,977,672	7,007,349	24,377,626	10,717,469	64,298,547	624,075,194
Segment liabilities	211,873,438	237,030,758	685,499	14,893,080	5,390,756	10,165,691	532,250,769
Associates and joint ventures using equity accounting	444,705	7,737,831	4,204,811	1,951,471	1,412,772	3,506,755	19,258,345
Associates measured at fair value through profit or loss	-	401,079	-	-	-	17,003,780	17,404,859

5. SEGMENT INFORMATION (CONTINUED)

The amount of its revenue and non-current assets from external customers broken down by location of the customers is shown in the tables below:

(a) Revenue from external customers

	Unaudited	
	Six months ended June 30,	
	2020	2019
	RMB'000	RMB'000
China	46,512,340	45,229,545
Asia-Pacific region excluding China	37,107,256	37,556,127
Europe/Middle east/Africa	48,448,436	41,008,500
Americas	52,797,613	55,516,628
Total	<u>184,865,645</u>	<u>179,310,800</u>

(b) Non-current assets

	Unaudited	Audited
	As at	As at
	June 30,	December 31,
	2020	2019
	RMB'000	RMB'000
China	56,701,641	56,010,874
Asia-Pacific region excluding China	14,904,421	15,304,799
Europe/Middle east/Africa	14,746,245	15,323,879
Americas	28,634,376	29,280,753
Total	<u>114,986,683</u>	<u>115,920,305</u>

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.

6. INVESTMENT INCOME AND GAINS

	Unaudited	
	Six months ended June 30,	
	2020	2019
	RMB'000	RMB'000
Gains on disposal/dilution of associates	221,679	145,155
Gains on disposal of subsidiaries	10,470	151,174
Fair value gains and dividend income from associates measured at fair value through profit or loss	1,563,655	672,226
Fair value gains and dividend income from financial assets at fair value through profit or loss	1,166,685	946,037
Others	(7,748)	143,192
	2,954,741	2,057,784

7. EXPENSES BY NATURE

	Unaudited	
	Six months ended June 30,	
	2020	2019
	RMB'000	RMB'000
Cost of inventories sold	141,893,239	138,612,344
Employee benefit expense	19,145,342	16,635,228
Office and administrative expense	2,278,259	2,664,414
Advertising costs	1,521,962	2,967,704
Depreciation and amortisation	4,344,365	3,564,118
Impairment loss for loan to customers	856,175	375,672
Impairment loss for other financial assets	136,427	156,133
Impairment loss for non-current assets	381,222	–
Customer support service	2,262,357	1,659,538
Consultancy and professional fees	984,361	887,247
Labs and testing	548,210	343,968
Lease expense	22,835	47,933
Business tax and surcharge and other taxes	336,887	422,416
Transportation expense	441,672	310,128
Inventory write-down	310,830	429,195
Other expenses (i)	5,349,845	4,446,553
	180,813,988	173,522,591

- (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.

8. FINANCE INCOME AND COSTS

	Unaudited	
	Six months ended June 30,	
	2020	2019
	RMB'000	RMB'000
Interests expense (i):		
– Bank loans and overdrafts	1,070,383	1,107,991
– Other loans	336,571	408,033
– Bonds	1,006,870	986,273
– Lease liabilities	92,998	79,466
Factoring costs	507,677	499,832
Interest costs on contingent considerations and put option liability	90,980	95,024
Commitment fee	–	3,399
Finance costs	<u>3,105,479</u>	<u>3,180,018</u>
Finance income (i):		
– Interest income on bank deposits and money market funds	(138,889)	(288,697)
– Interest income on loans to related parties	(58,477)	(38,498)
– Interest income on loans to unrelated parties	(153,568)	(208,959)
Finance income	<u>(350,934)</u>	<u>(536,154)</u>
Net finance costs	<u>2,754,545</u>	<u>2,643,864</u>

- (i) Finance income and costs do not include income and costs from subsidiaries which are engaged in micro-loan business and banking business. Interest income and expense generated from micro-loan business are displayed in “interest income” and “cost of sale and service” in the condensed consolidated interim income statement. Interest income and expense generated from banking business are displayed in “interest income” and “interest expense” in the condensed consolidated interim income statement.

9. INCOME TAX EXPENSE

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

	Unaudited	
	Six months ended June 30,	
	2020	2019
	RMB'000	RMB'000
Current income tax		
Current income tax on profits for the period	1,554,007	1,913,927
Land appreciation tax	132,728	–
	1,686,735	1,913,927
Deferred income tax	(618,448)	(933,433)
Income tax expense	1,068,287	980,494

The Group has been granted certain tax concessions by tax authorities in China and overseas whereby the subsidiaries operating in the respective jurisdictions are entitled to tax concessions.

10. 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 excluding shares held for the share incentive plan.

	Unaudited	
	Six months ended June 30,	
	2020	2019
Basic earnings attributable to equity holders of the Company (<i>RMB'000</i>)	637,337	2,664,556
Diluted impact on earnings (<i>RMB'000</i>) (i)	(2,448)	(23,100)
Diluted earnings attributable to the equity holders of the Company (<i>RMB'000</i>)	634,889	2,641,456
Weighted average number of issued ordinary shares (<i>thousands</i>)	2,356,231	2,356,231
Less weighted average number of shares held for share incentive plan (<i>thousands</i>)	(21,538)	(12,293)
Weighted average number of issued ordinary shares for calculating basic earnings per share (<i>thousands</i>)	2,334,693	2,343,938
Potential dilutive effect arising from shares incentive plan (<i>thousands</i>) (ii)	6,961	12,293
Weighted average number of issued ordinary shares for calculating diluted earnings per share (<i>thousands</i>) (ii)	2,341,654	2,356,231
Earnings per share		
– Basic (<i>RMB per share</i>)	0.27	1.14
– Diluted (<i>RMB per share</i>)	0.27	1.12

(i) Diluted impact on earnings is due to the effect of three categories of dilutive instruments, namely bonus warrants, mid-long term incentive awards and convertible bonds. Diluted earnings per share is calculated by adjusting earnings attributable to the equity holders of the Company.

(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 share incentive plan. 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 share option and the subscription rights attached to outstanding unexercised 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 and share option, with the difference being adjusted in arriving at the weighted average number of shares for diluted earnings per share.

11. INVESTMENT PROPERTIES

	Unaudited	
	Six months ended June 30,	
	2020	2019
	RMB'000	RMB'000
At beginning of the period	12,316,171	11,707,510
Additions	222,071	5,941
Fair value gains	5,492	102,254
Disposals	(1,054)	–
Transfer from property, plant and equipment	7,636	–
Exchange adjustment	116	–
At the end of the period	12,550,432	11,815,705

The Group's investment properties are all situated in the Chinese Mainland. All the investment properties are rented out under operating leases. All signed lease contracts are less than 50 years.

Investment properties held by the Group were mainly revalued as at June 30, 2020 and December 31, 2019 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 valuation are derived using the income capitalisation method. There were no changes to the valuation techniques compared with the comparable period.

As at June 30, 2020 and December 31, 2019, 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 gains/(losses) condensed consolidated interim income statement.

12. ACCOUNTS AND NOTES RECEIVABLES

	Unaudited	Audited
	As at	As at
	June 30,	December 31,
	2020	2019
	RMB'000	RMB'000
Trade receivables	55,293,923	68,327,059
Notes receivables	274,987	674,195
Receivables arising from finance leases	6,107,009	6,052,222
Less: provision for impairment	(986,060)	(872,899)
Accounts and notes receivables – net	60,689,859	74,180,577

Credit terms of Lenovo, a subsidiary of the Company, granted to the customers is around 0-120 days while other segments do not have specific credit terms.

As at June 30, 2020 and December 31, 2019, the ageing analysis of the trade receivables based on invoice date was as follows:

	Unaudited	Audited
	As at	As at
	June 30,	December 31,
	2020	2019
	RMB'000	RMB'000
Up to 3 months	49,970,887	63,806,776
3 to 6 months	3,124,952	3,451,460
6 months to 1 year	1,628,873	692,826
1 to 2 years	291,197	70,697
2 to 3 years	44,353	85,900
Over 3 years	233,661	219,400
	55,293,923	68,327,059

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

13. PREPAYMENTS, OTHER RECEIVABLES AND OTHER CURRENT ASSETS

	Unaudited As at June 30, 2020 RMB'000	Audited As at December 31, 2019 RMB'000
Receivables from parts subcontractors	12,502,477	12,285,245
Prepayments	9,989,665	13,171,594
Prepaid tax	5,739,634	6,180,642
Amounts due from related parties	2,288,737	2,632,897
Advance to suppliers	3,320,325	3,580,451
Deposits receivable	459,174	431,472
Advance to employees	79,210	79,198
Adjustment fot in-transit products	86,717	255,667
Interest receivable	298,110	352,532
Others	5,985,584	4,978,944
	40,749,633	43,948,642
Less: provision for impairment	(288,775)	(256,805)
	40,460,858	43,691,837

14. TRADE AND NOTES PAYABLES

	Unaudited As at June 30, 2020 RMB'000	Audited As at December 31, 2019 RMB'000
Trade payables	58,381,908	63,621,683
Notes payables	10,916,908	9,447,284
	<u>69,298,816</u>	<u>73,068,967</u>

As at June 30, 2020 and December 31, 2019, the ageing analyses of the trade payables based on invoice date were as follows:

	Unaudited As at June 30, 2020 RMB'000	Audited As at December 31, 2019 RMB'000
0-30 days	33,326,194	37,318,099
31-60 days	12,441,499	14,777,989
61-90 days	7,461,461	6,861,640
91 days-1 year	5,034,784	4,552,263
Over 1 year	117,970	111,692
	<u>58,381,908</u>	<u>63,621,683</u>

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

15. OTHER PAYABLES AND ACCRUALS

	Unaudited As at June 30, 2020 RMB'000	Audited As at December 31, 2019 RMB'000
Payable to parts subcontractors	32,754,981	32,479,903
Allowance for billing adjustment (i)	12,298,139	14,402,853
Accrued expenses	8,532,091	8,477,974
Payroll payable	5,227,491	5,683,132
Other taxes payable	2,608,744	3,401,064
Collection of factoring payments	2,229,327	189,299
Transferred loans to be redeemed	1,841,044	2,651,587
Social security payable	1,090,727	809,281
Interest payable	799,517	770,850
Deposits payable	594,509	779,600
Royalty payable	526,156	629,860
Deferred consideration (iii)	389,952	437,373
Amount due to related parties (ii)	233,793	961,906
Contingent consideration (iii)	–	816,257
Others	11,182,008	10,471,798
	80,308,479	82,962,737

- (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, 2020 and December 31, 2019, the amounts due to related parties are unsecured and interest-free.
- (iii) Pursuant to the completion of business combinations, the Group is required to pay in cash to the then respective shareholders/sellers contingent consideration and deferred consideration according to the relevant conditions in contracts reached with the respective shareholders/sellers, as Note 16(a). The contingent consideration was paid in May 2020.

16. OTHER NON-CURRENT LIABILITIES

	Unaudited As at June 30, 2020 RMB'000	Audited As at December 31, 2019 RMB'000
Deferred consideration (a)	177,497	174,907
Government incentives and grants received in advance (b)	862,550	804,662
Written put option liability (c)	7,106,655	6,913,037
Long-term payables	1,673,407	2,460,697
Others	718,190	731,762
	10,538,299	11,085,065

(a) Deferred consideration and contingent consideration

Pursuant to the completion of a business combination, the Group is required to pay in cash to the then respective shareholders/sellers contingent consideration and deferred considerations with reference to certain performance indicators as written in the respective agreements with those then shareholders/sellers. The contingent considerations are subsequently re-measured as a result of change in the expected performance at each balance sheet date, with any resulting gain or loss recognized in the condensed consolidated interim income statement. Deferred consideration is subsequently carried at amortised cost.

As at June 30, 2020 and December 31, 2019, the potential undiscounted amounts of future payments in respect of the contingent and deferred considerations that the Group could be required to make to the respective shareholders/sellers under the arrangements are as follows:

	Unaudited As at June 30, 2020	Audited As at December 31, 2019
Joint venture with NEC Corporation	USD25 million	USD25 million
Fujitsu Limited ("Fujitsu")	NA	JPY2.55 billion to JPY12.75 billion
Hebei Hengshui Laobaigan Precision Capital S.A.	NA EUR21 million	Nil to RMB530 million EUR47 million

16. OTHER NON-CURRENT LIABILITIES (CONTINUED)

(b) Government incentives and grants received in advance

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.

(c) Written put option liability

The financial liability that may become payable under the put option is initially recognized at present value of redemption within other non-current liabilities with a corresponding charge directly to equity. The put option liability shall be re-measured as a result of the change in the expected performance of the relevant entities with any resulting gain or loss recognized in the condensed consolidated interim 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.

- (1) 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. Both options will be exercisable following the fifth anniversary of the date of completion (after 2, May 2023). 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.

Pursuant to the option agreement entered into between a wholly-owned subsidiary of Lenovo and Hefei Yuan Jia Start-up Investment LLP (“Yuan Jia”), which holds 99.31% interest in Hefei Zhi Ju Sheng Bao Equity Investment Co., Ltd. (合肥智聚晟寶股權投資有限公司, “ZJSB”), Lenovo and Yuan Jia are respectively granted call and put options which entitle Lenovo to purchase from Yuan Jia, or Yuan Jia to sell to Lenovo, the 99.31% interest in ZJSB. The call and put options will be exercisable at any time after August 31, 2022 and August 31, 2021 respectively. The exercise price for the call and put options will be determined in accordance with the joint venture agreement, and up to a maximum of RMB2,300 million (approximately USD334 million).

- (2) Pursuant to the contract of Chinese foreign equity joint venture (“the Contract”) entered into between the Company, Joyvio Group and Saturn Agriculture Investment Co., Limited (“Saturn”), the Company granted Saturn the put option which entitles Saturn to sell its whole or a part of interest in Joyvio Group (“the put option”), upon the occurrence of certain conditions specified in the Contract. The exercise price for the put option will be determined in accordance with the contract and up to maximum of RMB1.55 billion.

17. BORROWINGS

	Unaudited As at June 30, 2020 RMB'000	Audited As at December 31, 2019 RMB'000
Bank loans		
– Unsecured loans	35,425,305	35,225,694
– Guaranteed loans	23,974,676	22,177,816
– Collateralised loans	10,972,377	11,213,988
Other loans(i)		
– Unsecured loans	2,750,000	2,750,001
– Guaranteed loans	3,988,838	5,455,230
– Collateralised loans	1,681,923	816,718
Corporate bonds		
– Unsecured	62,409,065	55,075,391
– Guaranteed	–	103,000
– Convertible bonds	5,234,346	5,086,989
	146,436,530	137,904,827
Less: current portion	(53,171,902)	(52,200,803)
Non-current portion	93,264,628	85,704,024

Borrowings are repayable as follows:

	Unaudited As at June 30, 2020 RMB'000	Audited As at December 31, 2019 RMB'000
Within 1 year	53,171,902	52,200,803
After 1 year but within 2 years	31,669,250	23,014,910
After 2 years but within 5 years	50,488,498	50,878,958
After 5 years	11,106,880	11,810,156
	146,436,530	137,904,827

(i) Other loans are mainly loans from non-banking financial institutions.

18. PROVISIONS

	Unaudited				
	Warranties	Environmental	Restructuring	Other	Total
	<i>RMB'000</i>	<i>restoration</i>	<i>RMB'000</i>	<i>Provisions</i>	<i>RMB'000</i>
		<i>RMB'000</i>		<i>RMB'000</i>	
As at January 1, 2020	7,147,940	243,651	47,995	184,025	7,623,611
Provision made	2,841,190	77,205	6,651	38,504	2,963,550
Amount utilised/Unused amounts reversed	(2,833,545)	(65,889)	(28,174)	(31,647)	(2,959,255)
Exchange adjustment	27,672	5,382	410	4,130	37,594
At end of the period	<u>7,183,257</u>	<u>260,349</u>	<u>26,882</u>	<u>195,012</u>	<u>7,665,500</u>
Non-current portion	<u>(1,911,281)</u>	<u>(235,464)</u>	<u>(11,647)</u>	<u>(112,019)</u>	<u>(2,270,411)</u>
As at June 30, 2020	<u>5,271,976</u>	<u>24,885</u>	<u>15,235</u>	<u>82,993</u>	<u>5,395,089</u>
As at January 1, 2019	6,984,047	251,859	254,925	146,049	7,636,880
Provision made	2,459,696	64,333	8,404	40,283	2,572,716
Amount utilised/Unused amounts reversed	(2,804,145)	(78,734)	(115,243)	(27,634)	(3,025,756)
Exchange adjustment	12,699	4,903	(1,419)	254	16,437
At end of the period	<u>6,652,297</u>	<u>242,361</u>	<u>146,667</u>	<u>158,952</u>	<u>7,200,277</u>
Non-current portion	<u>(1,719,555)</u>	<u>(224,837)</u>	<u>(14,204)</u>	<u>(81,449)</u>	<u>(2,040,045)</u>
As at June 30, 2019	<u>4,932,742</u>	<u>17,524</u>	<u>132,463</u>	<u>77,503</u>	<u>5,160,232</u>

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

18. PROVISIONS (CONTINUED)

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.

Other provisions are mainly related to financial guarantees, loan commitments and litigation by the Group.

19. DIVIDENDS

The Board did not recommend the payment of any interim dividend in respect of the six months ended June 30, 2020 (six months ended June 30, 2019: Nil).

At the Company's annual general meeting held on June 12, 2020, the profit distribution plan of the Company for the year ended December 31, 2019 to distribute a final dividend of RMB0.33 (before tax) per ordinary Share, totally approximately RMB778 million was considered and approved. The dividend was paid on July 15, 2020.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

For the six months ended June 30, 2020, 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.

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, 2020 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.

DEFINITIONS

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

“associate(s)”	for the purpose of this announcement, all entities over which the Group has significant influence. Significant influence represents the power to participate in the financial and operational policy decision of the investees, but without control or joint control rights over these policies
“Better Education”	Better Education Group Corporation (三育教育集團股份有限公司), an exempted limited liability company incorporated under the laws of Cayman Islands, and our subsidiary
“BIL”	Banque Internationale à Luxembourg S.A., a credit institution registered in Luxembourg in the form of a limited liability company (société anonyme) and our subsidiary
“Board”	board of directors of the Company
“Bybo Dental”	Taikang Bybo Dental Group Co., Ltd. (泰康拜博醫療集團有限公司) (formerly known as Bybo Dental Group Co., Ltd. (拜博醫療集團有限公司), a limited liability company incorporated under the laws of the PRC, and our associate
“CAR”	CAR Inc., an exempted company incorporated in the Cayman Islands with limited liability and listed on the Main Board of the Hong Kong Stock Exchange (Stock Code:699), and our associate
“Company” or “Legend Holdings”	Legend Holdings Corporation (聯想控股股份有限公司), a joint stock limited liability company incorporated under the laws of PRC and its overseas listed shares are listed on the Main Board of the Hong Kong Stock Exchange (Stock Code: 03396)
“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
“EAL”	Eastern Air Logistics Co., Ltd. (東方航空物流股份有限公司), a limited liability company incorporated under the laws of the PRC, and our associate
“EOD”	ethylene oxide derivatives
“EVA”	ethylene-vinylacetate copolymer

“Funglian Group”	Funglian Holdings Co., Ltd. (豐聯酒業控股集團有限公司), a limited liability company incorporated under the laws of the PRC
“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. It is 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 Share(s)”	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 HKD
“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)
“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”	Huawen Food Co., Ltd. (華文食品股份有限公司), a joint stock limited liability company incorporated under the laws of the PRC and our associate
“Hyundai Insurance”	Hyundai Insurance (China) Company Limited (現代財產保險(中國)有限公司) a joint stock 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 joint stock limited liability company incorporated under the laws of the PRC, the shares of which are listed on the ChiNext board on Shenzhen Stock Exchange (A Share Stock Code: 300268), and a subsidiary of Joyvio Group
“Joyvio Group” or “Joyvio”	Joyvio Group Co., Ltd. (佳沃集團有限公司), a limited liability company incorporated under the laws of the PRC, and our wholly-owned subsidiary
“Kaola Technology”	Tibet Kaola Science & Technology Development Co., Ltd. (西藏考拉科技發展有限公司), a limited liability company incorporated under the laws of the PRC, and our subsidiary
“KB Food”	KB Food International Holding (Pte.) Limited, a limited liability company established under the laws of Singapore, and our subsidiary
“Lakala Payment”	Lakala Payment Corporation (拉卡拉支付股份有限公司) (formerly known as Lakala Payment Co., Ltd. (拉卡拉支付有限公司), a joint stock 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

“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 Advanced Materials”	Levima Advanced Materials Corporation (聯泓新材料科技股份有限公司) (formerly known as Levima New Materials Limited (聯泓新材料有限公司)), a joint stock limited liability company incorporated under the laws of the PRC, 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 joint stock limited liability company incorporated under the laws of the PRC, our associate, and listed on the NEEQS in 2016
“Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange, as amended, supplemented or otherwise modified from time to time
“N/A”	not applicable
“NEEQS”	National Equities Exchange and Quotations System (全國中小企業股份轉讓系統), a platform established for the sale of existing shares or private placing of new shares by SMEs
“neurology specialist”	the collective term of the clinical discipline studying organic and functional diseases of central nervous system (brain, spinal cord). Clinically, the correspondent branch is neurosurgery and neurology depending on the types of disease and treatment methods
“Nine Masters”	Nine Masters (Shanghai) Catering Service Co., Ltd. (九橙(上海)餐飲服務有限公司), a limited liability company incorporated under the laws of the PRC and a subsidiary of Joyvio Group
“ordinary shares” or “shares”	ordinary shares issued by the Company
“PE”	private equity

“PIC”	Pension Insurance Corporation
“PP”	polypropylene
“PRC” or “China”	the People’s Republic of China excluding, for the purpose of this announcement, Hong Kong, Macau and Taiwan
“Qingdao Starfish”	China Starfish Co., Ltd. (青島國星食品股份有限公司), a joint stock limited liability company incorporated under the laws of the PRC, and a subsidiary of Joyvio Agriculture
“Raycom Property”	Raycom Property Investment Co., Ltd. (融科物業投資有限公司), a limited liability company incorporated under the laws of the PRC, and our wholly-owned subsidiary
“Raycom Real Estate”	Raycom Real Estate Development Co., Ltd. (融科智地房地產股份有限公司), a joint stock limited liability company incorporated under the laws of the PRC, and our subsidiary
“Reporting Period”	for the six months ended June 30, 2020
“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
“Shareholders”	holders of the shares of the Company
“SME(s)”	small and medium-sized enterprise(s)
“SOE”	State-owned enterprise
“subsidiary”	has the meaning ascribed thereto under the Listing Rules
“Supervisor(s)”	the supervisor(s) of the Company
“Taikang Life Insurance”	Taikang Life Insurance Co., Ltd. (泰康人壽保險有限責任公司)
“TMT”	technology, media and telecom

“UCAR”	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
“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
“VA”	vinyl acetate
“Xinguojiayuan”	Shenzhen Xinguojiayuan Modern Agriculture Co., Ltd. (深圳市鑫果佳源現代農業有限公司), a limited liability company incorporated under the laws of the PRC and a subsidiary of Joyvio Group
“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 Corporation (正奇金融控股股份有限公司) (formerly known as Zhengqi Anhui Financial Holdings Co., Ltd. (正奇安徽金融控股有限公司)), a joint stock limited liability company incorporated under the laws of the PRC, and our subsidiary
“%”	percentage

By order of the Board
Legend Holdings Corporation
NING Min
Chairman

Hong Kong, August 27, 2020

As at the date of this announcement, the Executive Directors of the Company are Mr. NING Min and Mr. LI Peng; the Non-executive Directors are Mr. ZHU Linan, Mr. ZHAO John Huan, Mr. WU Lebin and Mr. SUO Jishuan; and the Independent Non-executive Directors are Mr. MA Weihua, Mr. ZHANG Xuebing, Ms. HAO Quan and Mr. YIN Jian'an.

In case of any discrepancies between the English version and the Chinese version of this announcement, the Chinese version shall prevail.