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CHINA ORIENTAL GROUP COMPANY LIMITED
中國東方集團控股有限公司*
(incorporated in Bermuda with limited liability)
(Stock Code: 581)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2019**

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June		
	2019	2018	Changes
Sales volume (tonnes)			
– Self-manufactured steel products	4.60 million	5.67 million	(18.9%)
– Trading of steel products	0.04 million	0.04 million	–
	4.64 million	5.71 million	(18.7%)
Revenue (RMB)			
– Sale of self-manufactured steel products	15.72 billion	19.25 billion	(18.4%)
– Sale of properties	0.05 billion	0.08 billion	(43.3%)
– Others	5.28 billion	2.14 billion	146.7%
	21.05 billion	21.47 billion	(1.9%)
Gross profit (RMB)			
– Sale of self-manufactured steel products	2,115 million	3,826 million	(44.7%)
– Sale of properties	8 million	23 million	(65.2%)
– Others	230 million	117 million	96.6%
	2,353 million	3,966 million	(40.7%)
Gross profit per tonne (RMB)			
– Sale of self-manufactured steel products	460 yuan	675 yuan	(31.9%)

* For identification purposes only

	For the six months ended 30 June		
	2019	2018	Changes
EBITDA¹ (RMB)	2,814 million	4,428 million	(36.4%)
EBITDA¹ margin	13.4%	20.6%	N/A
EBIT² (RMB)	2,213 million	3,946 million	(43.9%)
EBIT² margin	10.5%	18.4%	N/A
Profit before income tax (RMB)	2,146 million	3,914 million	(45.2%)
Profit for the period (RMB)	1,688 million	3,018 million	(44.1%)
Profit for the period attributable to owners of the Company (RMB)	1,666 million	2,959 million	(43.7%)
Basic earnings per share (RMB)	0.45 dollar	0.81 dollar	(44.4%)
Interim dividend per share (HK\$)	0.10 dollar	0.19 dollar	(47.4%)
Special dividend per share (HK\$)	0.05 dollar	–	N/A
Return on equity ³	9.3%	19.6%	N/A
	As at		
	30 June	31 December	
	2019	2018	Changes
Total assets (RMB)	32.41 billion	29.61 billion	9.5%
Net assets value per share (exclude non-controlling interests) (RMB)	4.96 yuan	4.68 yuan	6.0%
Debt-to-capital ratio ⁴	19.9%	15.9%	N/A

¹ China Oriental Group Company Limited (the “**Company**”) defines EBITDA as profit for the period before finance costs-net, income tax expense, amortisation of intangible assets, amortisation of leasehold land and land use rights, depreciation and non-recurring items. During the period, there are no adjustments of non-recurring items in the calculation.

² The Company defines EBIT as profit for the period before finance costs-net, income tax expense and non-recurring items. During the period, there are no adjustments of non-recurring items in the calculation.

³ Return on equity is calculated as profit attributable to owners of the Company divided by the average of the beginning and ending balances of the equity attributable to owners of the Company for that period.

⁴ Debt-to-capital ratio is calculated as total debt divided by total capital. Total debt includes current and non-current borrowings and loans from related parties. Total capital includes non-current borrowings and its equity attributable to owners of the Company.

The board (the “**Board**”) of directors (the “**Director(s)**”) of the Company is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2019 together with the comparative figures for the corresponding period in 2018. PricewaterhouseCoopers, the Company’s auditor, has conducted its review on the unaudited condensed consolidated interim financial information for the six months ended 30 June 2019 in accordance with the Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Six months ended 30 June	
		2019	2018
	Note	RMB'000	RMB'000
		Unaudited	
Revenue	4	21,050,676	21,468,688
Cost of sales		(18,697,567)	(17,502,604)
Gross profit		2,353,109	3,966,084
Distribution costs		(34,437)	(38,594)
Administrative expenses		(297,976)	(333,614)
(Provision for)/reversal of impairment on financial assets, net		(4,017)	123,027
Other expenses		(16,540)	(12,019)
Other income	6	118,597	18,499
Other gains – net	6	85,767	227,948
Operating profit	6	2,204,503	3,951,331
Finance income	7	29,147	18,056
Finance costs	7	(95,582)	(49,597)
Share of results of associates and a joint venture		8,214	(5,719)
Profit before income tax		2,146,282	3,914,071
Income tax expense	8	(458,684)	(896,121)
Profit for the period		1,687,598	3,017,950
Other comprehensive income:			
<i>Item that may be reclassified subsequently to profit or loss</i>			
Fair value gains on financial assets at fair value through other comprehensive income		2,358	937
Total comprehensive income for the period		1,689,956	3,018,887

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(continued)

		Six months ended 30 June	
		2019	2018
Note		RMB'000	RMB'000
		Unaudited	
Profit for the period attributable to:			
	– owners of the Company	1,666,210	2,958,934
	– non-controlling interests	21,388	59,016
		<u>1,687,598</u>	<u>3,017,950</u>
Total comprehensive income attributable to:			
	– owners of the Company	1,668,568	2,959,871
	– non-controlling interests	21,388	59,016
		<u>1,689,956</u>	<u>3,018,887</u>
Earnings per share for profit attributable to owners of the Company for the period <i>(express in RMB per share)</i>			
	– basic	9 <u>RMB0.45</u>	<u>RMB0.81</u>
	– diluted	9 <u>RMB0.45</u>	<u>RMB0.81</u>

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

		30 June 2019 <i>RMB'000</i> Unaudited	31 December 2018 <i>RMB'000</i> Audited
	<i>Note</i>		
ASSETS			
Non-current assets			
Leasehold land and land use rights	11	178,594	181,499
Property, plant and equipment	11	8,021,099	7,559,747
Right-of-use assets	3(a)	82,681	–
Investment properties	11	151,743	187,184
Intangible assets	11	1,021,727	129,647
Investment in associates and a joint venture		130,072	121,858
Financial assets at fair value through other comprehensive income		415,928	487,376
Financial assets at fair value through profit or loss	16	–	243,120
Prepayments, deposits and other receivables	15	1,076,206	729,364
Loan receivables	17	950,000	720,000
Deferred income tax assets		319,392	270,989
Total non-current assets		12,347,442	10,630,784
Current assets			
Financial assets at fair value through other comprehensive income		13,861	–
Properties held for sale	12	132,607	168,790
Inventories	13	3,763,308	3,107,511
Trade receivables	14	878,750	661,951
Prepayments, deposits and other receivables	15	1,775,985	1,439,935
Financial assets at fair value through profit or loss	16	5,410,760	6,567,243
Amounts due from related parties		125,860	185,906
Prepaid current income tax		21,211	29,176
Loan receivables	17	134,328	40,328
Notes receivable – bank acceptance notes	18	1,529,761	1,364,128
Derivative financial instruments		1,176	2,157
Restricted bank balances		364,876	527,542
Cash and cash equivalents		3,717,192	2,845,229
Structured bank deposits	19	2,190,000	2,037,900
Total current assets		20,059,675	18,977,796
Total assets		32,407,117	29,608,580

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (*continued*)

		30 June 2019	31 December 2018
	<i>Note</i>	RMB'000	RMB'000
		Unaudited	Audited
EQUITY			
Equity attributable to owners of the Company			
Share capital		380,628	380,628
Share premium		3,532,234	3,532,234
Other reserves		1,430,462	1,473,735
Retained earnings		13,113,029	12,020,989
		18,456,353	17,407,586
Non-controlling interests		299,141	273,962
Total equity		18,755,494	17,681,548
LIABILITIES			
Non-current liabilities			
Borrowings		751,352	162,000
Lease liabilities	3(a)	83,649	–
Deferred revenue		161,035	120,136
Deferred income tax liabilities		36,530	21,283
Total non-current liabilities		1,032,566	303,419
Current liabilities			
Trade payables	20	4,641,610	4,157,453
Accruals and other current liabilities		2,044,718	2,087,437
Contract liabilities		1,589,464	1,629,944
Amounts due to related parties		55,827	59,118
Current income tax liabilities		464,912	1,070,382
Lease liabilities	3(a)	3,709	–
Financial liabilities at fair value through profit or loss		165,962	–
Derivative financial instruments		22,886	15,778
Borrowings		3,025,075	2,603,357
Dividends payable		604,894	144
Total current liabilities		12,619,057	11,623,613
Total liabilities		13,651,623	11,927,032
Total equity and liabilities		32,407,117	29,608,580

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
	Unaudited	
Net cash (used in)/generated from operating activities	(311,201)	1,906,353
Net cash generated from/(used in) investing activities	170,501	(1,922,752)
Net cash generated from/(used in) financing activities	1,011,056	(1,063,690)
Net increase/(decrease) in cash and cash equivalents	870,356	(1,080,089)
Effect of foreign exchange rate changes	1,607	5,689
Cash and cash equivalents, beginning of period	2,845,229	2,766,396
Cash and cash equivalents, end of period	3,717,192	1,691,996

SELECTED NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. GENERAL INFORMATION

China Oriental Group Company Limited (the “Company”) was incorporated in Bermuda on 3 November 2003 as an exempted company with limited liability under the Companies Act 1981 of Bermuda as a result of a group reorganisation. The address of the Company’s registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

The Company’s shares have been listed on The Stock Exchange of Hong Kong Limited since 2 March 2004.

The Company together with its subsidiaries are hereinafter collectively referred to as the Group. The Group is principally engaged in the manufacture and sale of iron and steel products, trading of steel products and iron ore and real estate business. The Group has manufacturing plants in Hebei Province and Guangdong Province of the People’s Republic of China (the “PRC”) and sells mainly to customers located in the PRC. The Group also carries out property development business which is mainly in the PRC.

This condensed consolidated interim financial information was presented in RMB thousand, unless otherwise stated. This condensed consolidated interim financial information was approved for issue by the Board of Directors on 29 August 2019.

2. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2019 has been prepared in accordance with Hong Kong Accounting Standards (“HKAS”) 34 “Interim financial reporting”. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2018, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) except for the adoption of new and amended standards as disclosed in note 3.

3. SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2018, as described in those annual financial statements.

(a) New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies accordingly. None of which has significant financial impact to the Group except for HKFRS 16:

- HKFRS 16 “Leases”
- HK (IFRIC) 23 “Uncertainty over income tax treatments”
- HKFRS 9 (Amendments) “Prepayment features with negative compensation”
- HKAS 28 (Amendments) “Long-term interests in associates and joint ventures”
- HKAS 19 (Amendments) “Plan amendment, curtailment or settlement”

The Group leases various lands in the Mainland China. Rental contracts are typically made for fixed periods but may have extension options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed payments (including in-substance fixed payments).

The lease payments are discounted using incremental borrowing rate of the Group which the Group would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability; and
- any lease payments made at or before the commencement date.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. The Group has not leased any low-value assets during the six months ended 30 June 2019.

Extension options are included in the land leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension options held are exercisable only by the Group and not by the respective lessor. None of the extension option was exercised during the six months ended 30 June 2019.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option. Extension options are only included in the lease term if the lease is reasonably certain to be extended.

The Group has adopted HKFRS 16 "Leases" from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the simplified transition approach in the standard. The reclassifications and the adjustments arising from the new leasing standards are therefore recognised in the opening balance sheet on 1 January 2019.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as ‘operating leases’ under the principles of HKAS 17 “Leases”. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of 1 January 2019 in each territory or region where the lease assets are located. The weighted average discount rate applied to the lease liabilities on 1 January 2019 was 4.82%.

	<i>RMB’000</i>
Operating lease commitments disclosed as at 31 December 2018	131,888
Less: short-term leases recognised on a straight-line basis as expense	(9,437)
	<u>122,451</u>
Discounted using the lessee’s incremental borrowing rate at the date of initial application, lease liabilities recognised as at 1 January 2019	<u>85,324</u>
Of which are:	
Current lease liabilities	3,622
Non-current lease liabilities	<u>81,702</u>
	<u>85,324</u>

The right-of-use assets were measured at the amount equal to the lease liabilities, adjusted by the amount of any prepaid rental expenses relating to that lease recognised in the balance sheet as at 1 January 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets relate to the following type of assets:

	30 June 2019 <i>RMB’000</i> Unaudited	1 January 2019 <i>RMB’000</i> Unaudited
Leasehold land and land use rights	<u>82,681</u>	<u>85,324</u>

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

Right-of-use assets — increase by approximately RMB85,324,000

Lease liabilities (current portion) — increase by approximately RMB3,622,000

Lease liabilities (non-current portion) — increase by approximately RMB81,702,000

There was no impact on retained earnings on 1 January 2019.

(i) *Impact on segment disclosures and profit*

Segment profit for the six months ended 30 June 2019 decreased while segments assets and segment liabilities as at 30 June 2019 increased as a result of the change in accounting policy. The following segments were affected by the change in policy:

	Segment profit RMB'000	Segment assets RMB'000	Segment liabilities RMB'000
Iron and steel	<u>(606)</u>	<u>82,883</u>	<u>83,489</u>

(ii) *Practical expedients applied*

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Group relied on its assessment made applying HKAS 17 and HKFRIC 4 determining whether an arrangement contains a lease.

(b) *New standards and interpretations not yet adopted*

A number of new standards and amendments to standards and interpretations that are relevant to the Group but not yet effective for the financial year beginning at 1 January 2019 and have not been early adopted by the Group are as follows:

		Effective for annual periods beginning on or after
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined
Amendments to HKAS 1 and HKAS 8	Definition of material	1 January 2020
Amendments to HKFRS 3	Definition of a business	1 January 2020
Revised Conceptual Framework	Revised conceptual framework for financial reporting	1 January 2020
HKFRS 17	Insurance contracts	1 January 2021

The Group is assessing the full impact of the new standards, new interpretations and amendments to standards and interpretations.

4. REVENUE

The Group is principally engaged in the manufacture and sale of iron and steel products, trading of steel products and iron ore and real estate business. Sales recognised for the six months ended 30 June 2019 and 2018 were as follows:

	Six months ended 30 June	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
	Unaudited	Unaudited
Sales:		
– H-section steel products	6,140,899	6,557,260
– Strips and strip products	4,847,080	6,147,231
– Iron ore	4,295,453	1,098,170
– Rebar	2,287,859	4,464,755
– Sheet piling	1,586,527	910,978
– Cold rolled sheets and galvanised sheets	612,864	655,936
– Billets	384,800	663,036
– Real estate	46,603	82,258
– Others	848,591	889,064
	<u>21,050,676</u>	<u>21,468,688</u>

5. SEGMENT INFORMATION

The chief decision-maker has been identified as the management committee, which comprises all executive directors and top management. The chief decision-maker reviews the Group's internal reporting in order to assess performance and allocate resources.

Based on these reports, the chief decision-maker considers the business from a business perspective. From a business perspective, the chief decision-maker assesses the performance of the iron and steel and the real estate segments.

- (i) Iron and steel – Manufacture and sale of iron and steel products, and trading of steel products and iron ore; and
- (ii) Real estate – Development and sale of properties.

The chief decision-maker assesses the performance of the operating segments based on a measure of revenue and operating profit. This measurement is consistent with that in the consolidated financial statements for the year ended 31 December 2018.

The segment information provided to the chief decision-maker for the reportable segments for the period was as follows:

	Six months ended 30 June 2019		
	Iron and steel RMB'000	Real estate RMB'000 Unaudited	Total RMB'000
Revenue	21,004,073	46,603	21,050,676
Segment results:			
Operating profit	2,201,447	3,056	2,204,503
Finance (costs)/income – net	(69,700)	3,265	(66,435)
Share of results of associates and a joint venture	8,214	–	8,214
Profit before income tax			2,146,282
Income tax expense			(458,684)
Profit for the period			1,687,598
Other profit or loss items			
Depreciation and amortisation	600,622	684	601,306
Capital expenditure	1,971,836	42	1,971,878
	Six months ended 30 June 2018		
	Iron and steel RMB'000	Real estate RMB'000 Unaudited	Total RMB'000
Revenue	21,386,430	82,258	21,468,688
Segment results:			
Operating profit	3,927,241	24,090	3,951,331
Finance (costs)/income – net	(33,458)	1,917	(31,541)
Share of results of associates and a joint venture	(5,719)	–	(5,719)
Profit before income tax			3,914,071
Income tax expense			(896,121)
Profit for the period			3,017,950
Other profit or loss items			
Depreciation and amortisation	481,358	765	482,123
Capital expenditure	472,741	6	472,747

Segment assets are those operating assets that are employed by a segment in its operating activities. Segment assets are determined after deducting related allowance that is reported as direct offsets in the balance sheet. Segment assets consist primarily of leasehold land and land use rights, property, plant and equipment, right-of-use assets, investment properties, intangible assets, investment in associates and a joint venture, properties held for sale, inventories, trade receivables, prepayments, deposits and other receivables, loan receivables, amounts due from related parties, notes receivable, restricted bank balances and cash and cash equivalents.

Segment liabilities are those operating liabilities that result from the operating activities of a segment. Segment liabilities consist primarily of lease liabilities, deferred revenue, amounts due to related parties, trade payables, contract liabilities and accruals and other current liabilities.

The segment assets and liabilities as at 30 June 2019 were as follows:

	Iron and steel	Real estate	Elimination	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	Unaudited			
Segment assets	<u>23,577,456</u>	<u>543,158</u>	<u>(85,825)</u>	<u>24,034,789</u>
Segment assets for reportable segments				24,034,789
Unallocated:				
Deferred income tax assets				319,392
Financial assets at fair value through other comprehensive income				429,789
Financial assets at fair value through profit or loss				5,410,760
Derivative financial instruments				1,176
Structured bank deposits				2,190,000
Prepaid current income tax				<u>21,211</u>
Total assets per balance sheet				<u>32,407,117</u>
Segment liabilities	<u>8,420,256</u>	<u>245,581</u>	<u>(85,825)</u>	<u>8,580,012</u>
Segment liabilities for reportable segments				8,580,012
Unallocated:				
Current income tax liabilities				464,912
Current borrowings				3,025,075
Non-current borrowings				751,352
Financial liabilities at fair value through profit or loss				165,962
Derivative financial instruments				22,886
Dividends payable				604,894
Deferred income tax liabilities				<u>36,530</u>
Total liabilities per balance sheet				<u>13,651,623</u>

The segment assets and liabilities as at 31 December 2018 were as follows:

	Iron and steel <i>RMB'000</i>	Real estate <i>RMB'000</i>	Elimination <i>RMB'000</i>	Total <i>RMB'000</i>
		Audited		
Segment assets	<u>19,263,674</u>	<u>784,124</u>	<u>(77,179)</u>	<u>19,970,619</u>
Segment assets for reportable segments				19,970,619
Unallocated:				
Deferred income tax assets				270,989
Financial assets at fair value through other comprehensive income				487,376
Derivative financial instruments				2,157
Financial assets at fair value through profit or loss				6,810,363
Structured bank deposits				2,037,900
Prepaid current income tax				<u>29,176</u>
Total assets per balance sheet				<u><u>29,608,580</u></u>
Segment liabilities	<u>7,775,971</u>	<u>355,296</u>	<u>(77,179)</u>	<u>8,054,088</u>
Segment liabilities for reportable segments				8,054,088
Unallocated:				
Current income tax liabilities				1,070,382
Current borrowings				2,603,357
Non-current borrowings				162,000
Derivative financial instruments				15,778
Dividends payable				144
Deferred income tax liabilities				<u>21,283</u>
Total liabilities per balance sheet				<u><u>11,927,032</u></u>

6. OPERATING PROFIT

The operating profit of the Group has been credited/(charged) by the following items.

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	Unaudited	Unaudited
Depreciation of property, plant and equipment (<i>Note 11</i>)	(585,457)	(467,442)
Depreciation of right-of-use assets	(2,643)	–
Amortisation of intangible assets (<i>Note 11</i>)	(5,857)	(5,777)
Amortisation of leasehold land and land use rights (<i>Note 11</i>)	(2,905)	(2,905)
Depreciation of investment properties (<i>Note 11</i>)	(4,444)	(5,999)
Provision for impairment of trade receivables	(2,700)	(13,684)
(Provision for)/reversal of impairment of prepayments, deposits and other receivables	(1,317)	149,107
Reversal of impairment of a loan receivable	–	2,209
Other income		
– Dividend income from financial assets at fair value through other comprehensive income	65,845	6,319
– Interest income from loan receivables	42,582	–
– Rental income from investment properties	5,804	8,663
– Interest income from financial assets at fair value through other comprehensive income	4,366	2,162
Other gains – net		
– Government grants	45,945	113,043
– Investment income from financial assets at fair value through profit or loss	101,527	96,719
– Fair value gains/(losses) from financial assets at fair value through profit or loss	83,745	(1,730)
– Investment (losses)/income from derivative financial instruments	(127,179)	1,471
– Fair value (losses)/gains from derivative financial instruments	(21,458)	12,654
– Gains on disposal of property, plant and equipment	1,956	2,308
– (Losses)/gains on disposal of investment properties	(4,206)	2,989

7. FINANCE INCOME AND COSTS

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	Unaudited	Unaudited
Interest expenses	(95,805)	(43,300)
Lease liabilities	(2,034)	(4,255)
Net foreign exchange losses on borrowings	(2,172)	(3,212)
Total finance costs	(100,011)	(50,767)
Less: amounts capitalised on qualifying assets	4,429	1,170
Finance costs	(95,582)	(49,597)
Finance income	29,147	18,056
Finance costs – net	(66,435)	(31,541)

For the six months ended 30 June 2019, a capitalisation rate of 4.99% (2018: 3.60%) was used, representing the average borrowing cost of the loans relating to financing the construction of property, plant and equipment.

8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	Unaudited	Unaudited
Current income tax		
– PRC enterprise income tax	483,217	879,217
– Singapore profit tax	8,623	1,388
	491,840	880,605
Deferred income tax		
– PRC enterprise income tax	(33,156)	15,516
	458,684	896,121

The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the weighted average applicable tax rate of 24.68% (2018: 24.71%) to respective profits of the consolidated entities for the six months ended 30 June 2019 and 2018 as follows:

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	Unaudited	Unaudited
Profit before taxation	2,146,282	3,914,071
Taxation calculated at statutory tax rate	529,655	966,997
Tax exemption of a subsidiary established in specific area	(62,484)	(61,926)
Temporary differences and tax losses for which no deferred income tax asset was recognised	22,072	23,723
Utilisation of previously unrecognised tax losses and temporary differences	(17,372)	(56,379)
Withholding tax of intra-group dividend income and interest income	32,145	42,372
Effect of non-taxable income	(42,600)	(21,414)
Additional deduction of environmental equipments	(5,002)	–
Effect of non-deductible expenses	2,270	2,748
	458,684	896,121

9. EARNINGS PER SHARE

Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period.

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	Unaudited	Unaudited
Profit attributable to owners of the Company	1,666,210	2,958,934
Weighted average number of ordinary shares in issue (<i>thousands</i>)	3,722,569	3,646,738
Basic earnings per share (<i>RMB per share</i>)	<u>0.45</u>	<u>0.81</u>

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

As at 30 June 2019 and 2018, the Group did not have any dilutive potential ordinary share.

10. DIVIDENDS

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	Unaudited	Unaudited
Interim, paid (<i>a</i>)	–	613,395
Final, proposed and approved (<i>b</i>)	–	574,170
Interim, proposed (<i>c</i>)	<u>504,429</u>	<u>–</u>

- (a) At the board meeting held on 29 August 2018, the Board proposed an interim dividend of HK\$707.3 million (approximately RMB613.4 million), representing HK\$0.19 per ordinary share in respect of the six months ended 30 June 2018. The proposed dividend was paid during the year ended 31 December 2018.
- (b) At the board meeting held on 28 March 2019, the Board proposed a final dividend of HK\$405.2 million (approximately RMB348.5 million), representing HK\$0.11 per ordinary share and a special dividend of HK\$262.5 million (approximately RMB225.7 million), representing HK\$0.07 per ordinary share in respect of the year ended 31 December 2018. The proposed dividend was approved by the shareholders of the Company on the annual general meeting of the Company dated 3 June 2019.
- (c) At the board meeting held on 29 August 2019, the Board proposed an interim dividend of HK\$372.3 million (approximately RMB336.3 million), representing HK\$0.10 per ordinary share and a special dividend of HK\$186.1 million (approximately RMB168.1 million), representing HK\$0.05 per ordinary share in respect of the six months ended 30 June 2019.

11. CAPITAL EXPENDITURE

	Property, plant and equipment <i>RMB'000</i>	Leasehold land and land use rights <i>RMB'000</i>	Investment properties <i>RMB'000</i>	Intangible assets <i>RMB'000</i>
		Unaudited		
Six months ended 30 June 2019				
Opening carrying amount as at 1 January 2019	7,559,747	181,499	187,184	129,647
Additions (a)	1,073,941	–	–	897,937
Disposals	(26,916)	–	(30,997)	–
Disposal of a subsidiary	(216)	–	–	–
Depreciation and amortisation (Note 6)	(585,457)	(2,905)	(4,444)	(5,857)
Closing carrying amount as at 30 June 2019	8,021,099	178,594	151,743	1,021,727
Six months ended 30 June 2018				
Opening carrying amount as at 1 January 2018	8,160,582	187,311	238,920	94,132
Additions	467,204	–	5,469	74
Disposals	(62,488)	–	(19,902)	–
Depreciation and amortisation (Note 6)	(467,442)	(2,905)	(5,999)	(5,777)
Closing carrying amount as at 30 June 2018	8,097,856	184,406	218,488	88,429

(a) The additions of intangible assets during the six months ended 30 June 2019 mainly represented the acquired iron and steel production capacity for supplementing the Group's equipment upsizing.

12. PROPERTIES HELD FOR SALE

	30 June 2019 <i>RMB'000</i> Unaudited	31 December 2018 <i>RMB'000</i> Audited
Completed properties held for sale	132,607	168,790

13. INVENTORIES

	30 June 2019 <i>RMB'000</i> Unaudited	31 December 2018 <i>RMB'000</i> Audited
Raw materials and materials in-transit	2,523,399	1,938,802
Work-in-progress	856,114	653,016
Finished goods	415,109	547,665
Less: impairment provision	(31,314)	(31,972)
Inventories – net	3,763,308	3,107,511

As at 30 June 2019, no inventory (31 December 2018: net book value of RMB34 million) was pledged as security for the Group's notes payable (Note 20) and bank borrowings.

14. TRADE RECEIVABLES

	30 June 2019 RMB'000 Unaudited	31 December 2018 RMB'000 Audited
Trade receivables	939,289	719,790
Less: impairment provision for trade receivables	(60,539)	(57,839)
Trade receivables – net	<u>878,750</u>	<u>661,951</u>

As at 30 June 2019 and 31 December 2018, the carrying amount of the Group's trade receivables approximated their fair values.

The credit policy usually adopted by the Group for the sales of products to customers is to deliver goods either upon receipt in cash or upon receipt of bank acceptance notes with the maturity dates within six months.

As at 30 June 2019 and 31 December 2018, the ageing analysis of trade receivables based on invoice date were as follows:

	30 June 2019 RMB'000 Unaudited	31 December 2018 RMB'000 Audited
Within 3 months	758,972	585,975
4–6 months	48,039	50,772
7–12 months	60,475	19,237
Over 1 year	71,803	63,806
	<u>939,289</u>	<u>719,790</u>

As at 30 June 2019, trade receivables amounting to approximately RMB388 million (31 December 2018: RMB117 million) were guaranteed by third party customers' letters of credit.

15. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2019 RMB'000 Unaudited	31 December 2018 RMB'000 Audited
Non-current		
Prepayments for purchase of property, plant and equipment	1,261,411	922,796
Less: impairment provision	(234,235)	(234,235)
	<u>1,027,176</u>	<u>688,561</u>
Prepayments for purchase of property, plant and equipment – net		
	<u>1,027,176</u>	<u>688,561</u>
Lease receivables	49,030	40,803
	<u>1,076,206</u>	<u>729,364</u>
Current		
Prepayments for purchase of inventories	1,219,258	949,849
	<u>1,219,258</u>	<u>949,849</u>
Other receivables	381,598	379,729
Less: impairment provision	(204,833)	(203,516)
	<u>176,765</u>	<u>176,213</u>
Other receivables – net		
	<u>176,765</u>	<u>176,213</u>
Deposits	199,385	161,279
Prepaid tax	158,493	139,285
Prepaid expenses	17,226	9,610
Lease receivables	4,858	3,699
	<u>1,775,985</u>	<u>1,439,935</u>
	<u>2,852,191</u>	<u>2,169,299</u>

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2019 RMB'000 Unaudited	31 December 2018 RMB'000 Audited
Non-current		
Equity investment	–	243,120
Current		
Money market funds	2,394,058	4,863,936
Financial investment products	1,030,648	1,211,991
Listed bond investments	752,503	–
Investment funds	676,761	208,028
Listed equity interest	317,330	52,737
Bond market funds	236,960	230,551
National debt reverse repurchase	2,500	–
	<u>5,410,760</u>	<u>6,567,243</u>
	<u>5,410,760</u>	<u>6,810,363</u>

17. LOAN RECEIVABLES

	30 June 2019 RMB'000 Unaudited	31 December 2018 RMB'000 Audited
Non-current		
Long-term loan receivables (a)	<u>950,000</u>	<u>720,000</u>
Current		
Short-term loan receivables (b)	179,119	85,119
Less: impairment provision (c)	<u>(44,791)</u>	<u>(44,791)</u>
	<u>134,328</u>	<u>40,328</u>
Total loan receivables, net of provision	<u>1,084,328</u>	<u><u>760,328</u></u>

The Group provided loans to third parties. The details of the loans are set out below:

- (a) As at 30 June 2019, long-term loan receivables of RMB950 million comprised of various loans with individual amount ranging from RMB50 million to RMB300 million. The loan receivables of RMB900 million were secured by pledge of shares of listed companies held by the borrowers or guarantors of the borrowers, among which RMB300 million were secured by pledge of shares of Jiangsu Shentong Valve Co., Ltd., a related party of the Group, and the remaining RMB50 million were secured by the pledge of land use rights, interest bearing at rates ranging from 8.0% to 16.0% per annum and with repayment terms ranging from 1 to 2 years.

As at 31 December 2018, long-term loan receivables of RMB720 million comprised of various loans with individual amount ranging from RMB20 million to RMB300 million. The loan receivables of RMB700 million and RMB20 million were secured by pledged of shares of listed and unlisted companies held by the borrowers or guarantors of the borrowers respectively, interest bearing at rates ranging from 8.0% to 9.0% per annum and with repayment terms of 2 years.

- (b) Loan receivables of RMB179 million (31 December 2018: RMB85 million) as at 30 June 2019 comprised of various loans with residual repayment terms within 1 year and with individual amount ranging from RMB5 million to RMB74 million (31 December 2018: RMB5 million to RMB40 million). The loans were secured by the pledge of certain property, plant and equipment, land use rights and equity shares of the borrowers or guarantors of the borrowers or other parties, and interest bearing at rates ranging from 12.0% to 24.0% (31 December 2018: 12.0% to 24.0%) per annum.
- (c) As at 30 June 2019, provisions amounting to RMB45 million (31 December 2018: RMB45 million) were made on the loan receivables given that the borrowers were in significant financial difficulty and had defaulted in scheduled payments and there was significant uncertainty of recovering the loan receivables by the enforcement of mortgage rights.

The fair values of loan receivables approximated their carrying amounts as at the balance sheet date, as the impact of discounting is not significant.

18. NOTES RECEIVABLE – BANK ACCEPTANCE NOTES

	30 June 2019 RMB'000 Unaudited	31 December 2018 RMB'000 Audited
Notes receivable – bank acceptance notes	<u>1,529,761</u>	<u>1,364,128</u>

As at 30 June 2019, notes receivable amounting to RMB60 million (31 December 2018: RMB66 million) was pledged as security for issuing notes payable (Note 20).

As at 30 June 2019, no notes receivable (31 December 2018: RMB80 million) was pledged as security for the Group's borrowing.

The settlement of the notes receivable was guaranteed by banks with maturity dates within 1 year. The notes receivable can be convertible into cash and cash equivalents by paying discounting interests and the credit risks in respect of the notes receivable are considered to be low.

As at 30 June 2019 and 31 December 2018, the ageing analysis of notes receivable were as follows:

	30 June 2019 RMB'000 Unaudited	31 December 2018 RMB'000 Audited
Within 3 months	1,006,252	1,024,523
4-6 months	513,409	339,605
7-12 months	10,100	–
	<u>1,529,761</u>	<u>1,364,128</u>

19. STRUCTURED BANK DEPOSITS

	30 June 2019 RMB'000 Unaudited	31 December 2018 RMB'000 Audited
Financial assets at fair value through profit or loss	1,100,000	1,000,000
Financial assets at amortised cost	<u>1,090,000</u>	<u>1,037,900</u>
	<u>2,190,000</u>	<u>2,037,900</u>

As at 30 June 2019, the structured bank deposits represented financial instruments placed by the Group in various banks in Mainland China for fixed terms within 1 year. The structured bank deposits are principal-protected, among which amounts of RMB1,090.0 million (31 December 2018: RMB1,037.9 million) are recorded in financial assets at amortised cost as their interests link to SHIBOR and amounts of RMB1,100.0 million (31 December 2018: RMB1,000.0 million) are recorded in financial assets at fair value through profit or loss as their interests link to LIBOR. Considering the principal-protected nature or short term maturity of the deposits, the Directors are of the view that the structured bank deposits are held for cash management purpose.

As at 30 June 2019, structured bank deposits amounting to RMB1,500 million (31 December 2018: RMB1,000 million) were pledged as security for issuing notes payable (Note 20) of the Group.

20. TRADE PAYABLES

	30 June 2019 RMB'000 Unaudited	31 December 2018 RMB'000 Audited
Account payables	2,359,011	2,048,214
Notes payable	2,282,599	2,109,239
	<u>4,641,610</u>	<u>4,157,453</u>

As at 30 June 2019, all notes payable represented bank acceptance notes were secured by restricted bank balances of approximately RMB226 million, certain notes receivable (Note 18) and certain structured bank deposits (Note 19).

As at 31 December 2018, all notes payable represented bank acceptance notes were secured by restricted bank balances of approximately RMB398 million, certain notes receivable (Note 18), certain structured bank deposits (Note 19) and certain inventories (Note 13).

As at 30 June 2019 and 31 December 2018, the ageing analysis of the account payables based on invoice date were as follows:

	30 June 2019 RMB'000 Unaudited	31 December 2018 RMB'000 Audited
Within 3 months	1,915,402	1,706,068
4–6 months	207,935	127,192
7–9 months	32,823	48,008
10–12 months	71,449	28,431
Over 1 year	131,402	138,515
	<u>2,359,011</u>	<u>2,048,214</u>

As at 30 June 2019 and 31 December 2018, the ageing analysis of the notes payables were as follows:

	30 June 2019 RMB'000 Unaudited	31 December 2018 RMB'000 Audited
Within 3 months	1,044,897	1,543,739
4–6 months	237,702	465,500
7–9 months	1,000,000	100,000
	<u>2,282,599</u>	<u>2,109,239</u>

21. CAPITAL COMMITMENTS

	30 June 2019 RMB'000 Unaudited	31 December 2018 RMB'000 Audited
Purchase of property, plant and equipment		
– Contracted but not provided for	1,193,392	1,824,782
– Authorised but not contracted for	98,321	238,701
	<u>1,291,713</u>	<u>2,063,483</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Looking back first half of 2019, PRC iron and steel industry sustained the correction from the fourth quarter of last year. Although there was continuous occurrence of trade disputes in the international markets (particularly between China and United States), the domestic infrastructure construction and the real estate development investment, etc. still strived to stay stable and positive. The steel price during the period was close to the corresponding period of last year. According to the announcement of Ministry of Industry and Information Technology of People's Republic of China, the national production volume of pig iron, crude steel and steel products were 404 million tonnes, 492 million tonnes and 587 million tonnes respectively, representing an increase of 7.9%, 9.9% and 11.4% on corresponding period respectively. On the other hand, due to dam collapse in Brazil and cyclone in Australia, the iron ore supply dropped and price rose sharply. The Platts 62% Iron Ore Price Index went up to close to 120 as at end of June 2019 from the level of 72 as at the beginning of the year. Hence, the overall steel industry profits went down. At the same moment, under the backdrop of continuous implementation of the "Supply-Side-Reform" Policy together with the implementation of multiple environmental protection policies including the winter production restriction policy by the Chinese Government, despite the profit of the overall steel industry went down, it still maintained at a sound level.

With this background, the Group, through continuously and proactively conforming with the Chinese government policies, persistently pursuing efficiency enhancement and cost control as well as implementing environmental protection equipment upgrades, etc., enhanced the profit margin and sustainability. At the same time, due to the price increase of iron ore, and facing the regularisation and strengthening of environmental protection production restrictions in Tangshan City (the Group was facing a higher requirement of production restriction during the first half of 2019), the Group has been adopting flexible purchase management and production management to reduce the impact on the operation from these challenges. Furthermore, due to the Equipment Upsizing Project as mentioned hereinafter, certain production equipment of the Group required the adjustment of the remaining life of depreciation and additionally incurred depreciation expenses of approximately RMB183 million during the first half of 2019. Under these factors, the production cost increased and gross profit decreased during the period. The Group's interim results also dropped comparing with corresponding period of last year. The revenue was approximately RMB21.1 billion for the six months ended 30 June 2019, representing a decrease of approximately 1.9% as compared with that of the corresponding period last year. Comparing with that of the corresponding period last year, the average selling price of self-manufactured iron and steel products slightly increased by approximately 0.6% to approximately RMB3,416 per tonne, and due to the aforesaid factors the gross profit decreased by approximately 44.7% to approximately RMB2.12 billion, and the profit of the Group for the period still reached approximately RMB1.69 billion, representing a decrease of approximately 44.1% over the profit of approximately RMB3.02 billion of the corresponding period last year. EBITDA of the Group decreased from approximately RMB4.43 billion of corresponding period last year to approximately RMB2.81 billion. Basic earnings per share reached RMB0.45 per share (corresponding period of 2018: RMB0.81 per share).

In August 2019, the Group was named as one of the "2019 Top 50 Board of Directors — China" by Fortune China and Aon Hewitt jointly. In April 2019, Hebei Jinxi Iron and Steel Group Company Limited ("**Jinxi Limited**"), the Group's 97.6% indirect non-wholly owned subsidiary, was elected as "National May Day Labor Award" by All-China Federation of Trade Unions.

Based on the results of first half of 2019, reserving fund for future development and the capital expenditure requirements such as the Equipment Upsizing Project and Branch-line Railways as mentioned hereinafter, for sharing of the outstanding results of the Group with the shareholders of the Company (the “**Shareholders**”), the Board proposed a distribution of 2019 interim dividend of HK\$0.10 per ordinary share and special dividend of HK\$0.05 per ordinary share.

With respect to the steel business, the Group continued to invest substantially to and endeavored to enhance the competitiveness and economic efficiency of its products as well as environmental protection. These efforts include improving production facilities to enhance efficiency, developing diversified and high-end products, increasing the proportion of products with high added-value and investing in various projects to reduce emissions. The Group’s section steel production volume had been leading nationwide since 2009, and it continually participated in drafting the country’s section steel standards, as well as implementation of establishment of a Chinese National Engineering Research Centre for Steel Construction (Prefabricated Steel Construction Building Research Institute) with Central Research Institute of Building and Construction Company Limited in Jinxi Limited. The Group has completed multiple environmental protection projects since 2018, all processes including sintering, ironmaking, steelmaking, steel rolling, etc., comply with ultra-low emission standard, and passed the acceptance of the Tangshan City Government. In response to government policy requirements, the Group is driving the equipment upsizing project forward, to build certain new production facilities, including two new blast furnaces with capacity of approximately 2,000 cubic meters each and two new converter furnaces with capacity of approximately 150 tonnes each (the “**New Facilities**”) as replacements for blast furnace(s) with capacity of 1,000 cubic meters or below and converter furnace(s) with capacity of 100 tonnes or below (the “**Equipment Upsizing Project**”). Furthermore, the Group also proactively carried out building the branch-line railways for transportation of materials and inventories for the business (the “**Branch-line Railways**”). The Branch-line Railways will be used to connect our facilities with the railway transportation hub system and ports nearby, replacing trucks for raw materials and products transportation after completion, which will also help the Group to promote energy conservation and emission reduction going forward. Through continuous optimisation of the production efficiency in previous years, the annual steelmaking capacity of the Group still maintained at approximately 10 million tonnes. During the first half of 2019, the Group sold approximately 1.78 million tonnes of self-manufactured H-section steel products, and kept securing its leading position in the H-section steel market of the Mainland China.

With respect to the real estate business, the Group was dedicated in promoting green structural development construction apart from developing traditional real estate projects. The on-going sales and delivery of the various projects in Tangshan City and Suzhou of the Group recorded a stable revenue and profit contribution, which will facilitate the stable development of the real estate business of the Group. During the six months ended 30 June 2019, the Group recorded a revenue and operating profit from its real estate business of approximately RMB46.6 million and RMB3.1 million respectively.

During the first half of 2019, the revenue and gross profit arising from trading of steel products and iron ore of the Group were approximately RMB4.45 billion (corresponding period of 2018: approximately RMB1.25 billion) and approximately RMB93 million (corresponding period of 2018: gross loss of approximately RMB19 million) respectively.

In order to diversify its business, the Group has also set up Dongfang Jingyuan Electron Limited and its related subsidiaries to develop core technologies for semiconductor chip design and manufacturing process optimisation/equipment. Since 2017, the Group obtained grant from the Chinese Government and will continue to explore the development potential of this project.

Finally, with the excellent results of the Group, the Board would like to take this opportunity to express the heartfelt gratitude to the Shareholders for the continuous support, as well as appreciation to the staff for the dedication and contribution. The Company will diligently create greater value for its Shareholders.

BUSINESS REVIEW

Sales Analysis on Self-manufactured Steel Products

Sales volume

For the six months ended 30 June 2019, the Group's total sales volume was approximately 4.60 million tonnes (2018 corresponding period: approximately 5.67 million tonnes), representing a decrease of approximately 18.9%. Export to foreign countries contributed revenue of RMB145 million (2018 corresponding period: RMB242 million), representing approximately 0.9% (2018 corresponding period: 1.3%) of revenue from sales of self-manufactured steel products.

The sales volume breakdown during the period was as follows:

	For the six months ended 30 June				
	2019		2018		Changes
	Sales volume		Sales volume		in sales
	('000 tonnes)		('000 tonnes)		volume
					Increase/ (Decrease)
H-section steel products	1,779	38.7%	1,893	33.4%	(6.0%)
Strips and strip products	1,505	32.7%	1,863	32.9%	(19.2%)
Cold rolled sheets and galvanised sheets	136	2.9%	143	2.5%	(4.9%)
Billets	112	2.4%	213	3.7%	(47.4%)
Rebar	674	14.7%	1,360	24.0%	(50.4%)
Sheet piling	394	8.6%	199	3.5%	98.0%
Total	4,600	100%	5,671	100%	(18.9%)

Revenue

Revenue for the six months ended 30 June 2019 was RMB15,716 million (2018 corresponding period: RMB19,252 million), representing a decrease of approximately 18.4%.

The breakdown of revenue and average selling price by product (excluding value-added tax) during the period were as follows:

	For the six months ended 30 June		2018		Changes in	
	2019	Average	2018	Average	Revenue	Average
	Revenue	selling price	Revenue	selling price	Revenue	selling price
	(RMB million)	(RMB/tonne)	(RMB million)	(RMB/tonne)	Increase/(Decrease)	
	Unaudited		Unaudited			
H-section steel products	6,086	3,421	6,552	3,460	(7.1%)	(1.1%)
Strips and strip products	4,847	3,220	6,147	3,301	(21.1%)	(2.5%)
Cold rolled sheets and galvanised sheets	581	4,284	637	4,472	(8.8%)	(4.2%)
Billets	341	3,043	655	3,074	(47.9%)	(1.0%)
Rebar	2,274	3,375	4,448	3,270	(48.9%)	3.2%
Sheet piling	1,587	4,023	813	4,078	95.2%	(1.3%)
Total/Combined	15,716	3,416	19,252	3,395	(18.4%)	0.6%

The decrease in revenue from self-manufactured steel products was primarily due to the decrease in the sales volume of the Group's products, partially offset by the increase in the average selling price of the Group's products by 0.6% to RMB3,416 per tonne for the six months ended 30 June 2019 from RMB3,395 per tonne for the corresponding period in 2018. The increase in average selling price and decrease in sales volume of the Group's products was mainly due to shift in product mix and reduced output volume under various production restriction policies during the first half of 2019 and disposal of Tianjin Oriental Jiangtian Section Steel Sales Company Limited* (天津市東方江天型鋼銷售有限公司) in June 2018.

Cost of Sales and Gross Profit

The gross profit for the six months ended 30 June 2019 was approximately RMB2,115 million (2018 corresponding period: approximately RMB3,826 million), representing a decrease of approximately 44.7%. Gross profit margin was 13.5% (2018 corresponding period: 19.9%).

Average unit cost and gross profit per tonne during the period were as follows:

	For the six months ended 30 June					
	Average unit cost (RMB)	2019 Gross profit per tonne (RMB)	Gross profit margin	Average unit cost (RMB)	2018 Gross profit per tonne (RMB)	Gross profit margin
H-section steel products	2,866	555	16.2%	2,755	705	20.4%
Strips and strip products	2,756	464	14.4%	2,530	771	23.4%
Cold rolled sheets and galvanised sheets	4,122	162	3.8%	4,416	56	1.3%
Billets	2,659	384	12.6%	2,832	242	7.9%
Rebar	3,186	189	5.6%	2,597	673	20.6%
Sheet piling	3,422	601	14.9%	3,678	400	9.8%
Combined	<u>2,956</u>	<u>460</u>	<u>13.5%</u>	<u>2,720</u>	<u>675</u>	<u>19.9%</u>

Gross profit per tonne of the Group's products decreased to RMB460 for the six months ended 30 June 2019 from RMB675 for the corresponding period in 2018, reflecting a substantial decrease of 31.9%. Gross profit margin decreased to 13.5% for the six months ended 30 June 2019 from 19.9% for the corresponding period in 2018. The decrease in gross profit margin was primarily due to the increase in the average unit cost (primary due to rising price of raw materials, in particular iron ores) greater than the increase in the average selling price and decrease in sales volume of the Group's steel products during the six months ended 30 June 2019.

Property Development

For the six months ended 30 June 2019, the revenue from sales of properties held for sale of the Group amounted to approximately RMB47 million. The GFA of properties delivered was 6,464 m². The average selling price of properties delivered was approximately RMB7,200 per m².

As at 30 June 2019, the Group had no project under construction.

FUTURE PROSPECTS

Looking into second half of 2019, it is expected that the steel and iron ore prices will continue to fluctuate. Up to the mid of August 2019, the iron ore prices decreased for approximately 24% comparing to the high point as at end of June 2019. This will help the steel industry to reduce the cost. According to press release issued by the National Development and Reform Commission of the People's Republic of China, China had completed reduction of steel production capacity by approximately 145 million tonnes accumulatively in 2018. The goal in net reduction of crude steel production capacity by 100 to 150 million tonnes during 2016–2020 as set out in the “Adjustment and Upgrading Plan for the Iron and Steel Industry (2016–2020)” was basically accomplished two years ahead. Furthermore, according to the “Opinion on resolving the overcapacity and overcoming difficulties and achieving development for the iron and steel industry” issued by the State Council of the PRC, it is expected that the work focus of supply-side structural reform of the iron and steel industry will steer from resolving overcapacity to optimising structure of the existing production capacity, layout adjustment and mergers and acquisitions starting from 2019. On the other hand, China's environmental protection production restriction policy has gradually become regularised. In April 2019, Ministry of Ecology and Environment and other departments of the People's Republic of China jointly published the “Opinions on Driving Implementation of Ultra Low Emission in Steel Industry”, nailing down to push forward for the ultra-low emission transformation of existing steel enterprises in Beijing, Tianjin, Hebei and surrounding regions, Yangtze River Delta and the Fenhe and Weihe plain (together, the “**Key Regions**”), striving steel enterprises in the Key Regions with about 60% of capacity completing the transformation before the end of 2020. At the meantime, confronting with the China-US trade disputes and the risk of slowdown in the economic growth, the State Council has promulgated in advance the local government new debt limit of RMB1.39 trillion for the current year in January 2019. This will facilitate promoting the growth in investment of infrastructure projects, bringing stable demand for the iron and steel industry, and balancing the impact of the international trade disputes leading to potential decrease in demand for iron and steel products from real estate and other downstream industries. To summarise, despite the unstable and uncertain international environment and economy, it is expected that the overall iron and steel industry will stay prudently optimistic in the second half of the year.

Under such backdrop, the Group will proactively follow the Chinese Government's policies, and plan to maintain its competitiveness and gain a prominent position in the industry by continuously improving the production efficiency and cost, developing and increasing the high value-added products, expanding its market share, enhancing internal management and optimising the utilisation of internal resources as well as continuously improving the facilities etc..

The Group completed an overhaul of blast furnace by the end of May 2019, and confirmed driving the Equipment Upsizing Project and the Branch-line Railways, expecting both projects to be finished before end of 2020. On the other hand, due to impact from strengthening of environmental protection production restriction (50% of sintering, blast furnace and converter furnace was restricted in July 2019, 20% of sintering was restricted in August 2019) and multiple equipment transformation work were being carried out simultaneously, it is expected the production volume for 2019 may be less than 10 million tonnes. Currently, the Group retains a relatively large amount of cash and resources within the Group in order to cope with the future development needs. The Group is proactively considering a wide variety of possibilities, including horizontal and vertical corporate mergers and acquisitions as well as setting up new plants, etc., so as to achieve sustainable development. The Group is working hard on the forefront work of a development project, with positive development at the moment. It is expected that it could be announced after confirmation in the second half of this year. At the same time, the Group will also from time to time evaluate to increase the dividends distributions in appropriate circumstances to reward for the Shareholders' support to the Group.

Since its listing in 2004, the Group has been continuously expanding its business as well as diversifying its iron and steel product categories and business portfolio. During the last 15 years (since being listed), the Group's overall iron and steel production capacity has increased to approximately 10.0 million tonnes per annum from approximately 3.1 million tonnes per annum at the time of the listing. Categories of the steel products include H-section steel, sheet piling, strips and strip products, billets, cold rolled sheets and galvanised sheets as well as rebars. The Group is continuously developing products of different series and specifications to meet the market needs. Moreover, the H-section steel products manufactured by the Group maintain its leading position in China. The Group will continue to develop its business towards the direction of the largest base for section steel production in the world, and to explore the industry's expansion through upstream and downstream integration in order to become a sizable enterprise with distinctive products. The Group will strive to take the full advantage of the current solid financial condition and efficient management to intensify the continuous development of the Group and to maximise the Shareholders' value.

HUMAN RESOURCES AND REMUNERATION POLICIES

As at 30 June 2019, the Group had a workforce of approximately 9,400 permanent staff and approximately 1,400 temporary staff. The staff cost included basic salaries and benefits. Staff benefits included discretionary bonus, medical insurance plans, pension scheme, unemployment insurance plan, maternity insurance plan and the fair value of the share options, etc.. According to the Group's remuneration policy, employees' package is based on productivity and/or sales performance, and is consistent with the Group's quality control and cost control targets.

FINANCIAL REVIEW

Liquidity and Financial Resources

In order to sustain a stable financial status, the Group closely monitors its liquidity and financial resources.

As at 30 June 2019, the Group had unutilised banking facilities of approximately RMB6.0 billion (31 December 2018: approximately RMB4.7 billion).

As at 30 June 2019, the current ratio of the Group, representing current assets divided by current liabilities, was 1.6 times (31 December 2018: 1.6 times) and the gearing ratio, representing total liabilities divided by total assets, was 42.1% (31 December 2018: 40.3%).

As at 30 June 2019, the cash and cash equivalents of the Group amounted to approximately RMB3,717 million (31 December 2018: approximately RMB2,845 million).

After considering its cash and cash equivalents as well as the banking facilities currently available to the Group, it is believed that the Group has sufficient capital to fund its future operations and for general business expansion and development.

Capital Structures

As at 30 June 2019, borrowings of RMB2,045 million of the Group bore fixed interest rates ranged from 2.64% to 6.00% per annum and borrowings of RMB1,731 million of the Group bore floating rates ranged from 4.27% to 8.00% per annum. The Group's exposure to changes in market interest rates was considered to be limited. The Group also entered into certain foreign currency and interest rate swap contracts to manage its exposure to foreign currency exchange rates and interest rates fluctuation. As at 30 June 2019, the notional amounts of these derivative instruments amounted to approximately RMB196 million (31 December 2018: RMB196 million).

The Group monitors its capital on the basis of the debt-to-capital ratio. This ratio is calculated as total debt divided by total capital. Total debt includes current and non-current borrowings and loans from related parties. The Group regards its non-current borrowings and its equity attributable to owners of the Company as its total capital. As at 30 June 2019, the debt-to-capital ratio of the Group was 19.9% (31 December 2018: 15.9%).

The consolidated interest expenses and capitalised interest for the six months ended 30 June 2019 amounted to approximately RMB98 million (2018 corresponding period: approximately RMB48 million). The interest coverage ratio (divide earnings before finance costs – net and income tax expense by total interest expenses) was 22.6 times (2018 corresponding period: 83.0 times).

Capital Commitments

As at 30 June 2019, the Group had capital commitments of approximately RMB1,292 million (31 December 2018: RMB2,063 million). It is estimated that the capital commitments will be financed by the Group's internal resources and available banking facilities.

Guarantees and Contingent Liabilities

As at 30 June 2019, the Group had no contingent liabilities (31 December 2018: nil).

Pledge of Assets

As at 30 June 2019, the net book value of the Group's leasehold land and land use right amounting to approximately RMB25 million (31 December 2018: approximately RMB53 million), property, plant and equipment amounting to approximately RMB4 million (31 December 2018: approximately RMB645 million), inventories amounting to nil (31 December 2018: approximately RMB34 million), notes receivable amounting to approximately RMB60 million (31 December 2018: approximately RMB146 million), structured bank deposits amounting to RMB1,500 million (31 December 2018: RMB1,000 million) and restricted bank balances amounting to approximately RMB365 million (31 December 2018: approximately RMB528 million) had been pledged as securities for the Group's notes payable issuing, bank borrowings and letter of credit issuing.

Exchange Risks

Foreign exchange risk is the risk to the Group's financial conditions and results of operations arising from movements of foreign exchange rates. The Group mainly operates in the Mainland China with most of the transactions denominated and settled in RMB. The Group's foreign exchange risk primarily arises from the procurement of iron ores and the relevant products from overseas suppliers and the Group's foreign currency borrowings, which are denominated and settled in USD. Foreign exchange rates fluctuate in reaction to the macro-economic performance of different countries and fund flows between countries arising from trade or capital commitments. In view of continuous fluctuation of the RMB exchange rate against USD, during the six months ended 30 June 2019, the Group has entered into certain foreign currency forward contracts so as to reduce the impact of the volatility of the RMB exchange rate against USD. The Group also reviewed and rearranged its monetary assets to mitigate the impact from the change of RMB to USD exchange rate.

Iron Ore Swaps

In view of the significant fluctuation of iron ore price during the six months ended 30 June 2019, the Group has entered into certain iron ore swap contracts so as to reduce the impact of the volatility of the iron ore price on the Group. The Group uses a combination of iron ore derivatives to achieve the above purpose.

DIVIDEND

The Board proposed an interim dividend of HK\$372.3 million (approximately RMB336.3 million), representing HK\$0.10 per ordinary share and a special dividend of HK\$186.1 million (approximately RMB168.1 million), representing HK\$0.05 per ordinary share in respect of the six months ended 30 June 2019 to the shareholders of the Company whose names appear on the register of members of the Company at the close of business on Wednesday, 18 September 2019. The interim and special dividend will be payable on or around Thursday, 10 October 2019.

The Board proposed a final dividend of HK\$405.2 million (approximately RMB348.5 million), representing HK\$0.11 per ordinary share and a special dividend of HK\$262.5 million (approximately RMB225.7 million), representing HK\$0.07 per ordinary share in respect of the year ended 31 December 2018. The proposed dividend was approved by the shareholders of the Company on the annual general meeting of the Company dated 3 June 2019 and paid on 6 August 2019.

Financial Assets at Fair Value Through Profit or Loss

As at 30 June 2019, the Group held financial assets at fair value through profit or loss of approximately RMB5,411 million, particulars of which are set out below:

Money Market Funds

Name of the financial assets	Number of units held as at 30 June 2019 (‘000)	Investment cost as at 30 June 2019 (RMB‘000)	Fair value as at 30 June 2019 (RMB‘000)	Realised investment income/(loss) for the six months ended 30 June 2019 (RMB‘000)
Harvest Fund Management Company Limited 嘉實基金管理有限公司				
Harvest Express Monetary Market Fund* (嘉實快錢貨幣市場基金)	403,753	403,753	404,331	10,434
Harvest HuoQiBao Monetary Market Fund* (嘉實活期寶貨幣市場基金)	15,159	15,159	15,159	611
Harvest ZengYiBao Monetary Market Fund* (嘉實增益寶貨幣市場基金)	—	—	—	362
Harvest Monetary Market Fund* (嘉實貨幣市場基金)	72,527	72,527	72,618	3,856
Bosera Asset Management Company Limited 博時基金管理有限公司				
Bosera Hehui Money Market Fund (博時合惠貨幣市場基金)	212,727	212,727	212,742	2,680
Bosera Cash Pot Money Market Fund (博時現金寶貨幣市場基金)	210	210	210	6,853
China Minsheng Banking Corp., Ltd. 中國民生銀行股份有限公司				
Minsheng JiaYin Cash ZengLi Monetary Market Fund* (民生加銀現金增利貨幣市場基金)	—	—	—	—
HuaBao Cash Pot Monetary Market Fund* (華寶現金寶貨幣市場基金)	—	—	—	207
Minsheng JiaYin Cash Pot Monetary Market Fund* (民生加銀現金寶貨幣市場基金)	—	—	—	22
China Southern Cash ZengLi Fund* (南方現金增利基金)	—	—	—	—
China Southern TianTianLi Monetary Market Fund* (南方天天利貨幣市場基金)	83	83	83	856
Bosera Cash Pot Money Market Fund (博時現金寶貨幣市場基金)	—	—	—	—
Harvest Monetary Market Fund* (嘉實貨幣市場基金)	—	—	—	5
Others	—	—	—	21
China Construction Bank Corporation 中國建設銀行股份有限公司				
CCB Principal Profit Raise Money Market Fund (建信現金添利貨幣市場基金)	—	—	—	4
E Fund Day Cash Income Money Market Fund* (易方達天天增利貨幣市場基金)	5,078	5,078	5,081	62

Name of the financial assets	Number of units held as at 30 June 2019 (‘000)	Investment cost as at 30 June 2019 (RMB‘000)	Fair value as at 30 June 2019 (RMB‘000)	Realised investment income/(loss) for the six months ended 30 June 2019 (RMB‘000)
Bank of Communications Co., Ltd.				
交通銀行股份有限公司				
HuaBao Cash Pot Monetary Market Fund*				
(華寶現金寶貨幣市場基金)	340	340	340	1,149
Aegon-Industrial Monetary Market Securities Investment Fund*				
(興全貨幣市場證券投資基金)	114,010	114,010	114,010	1,677
GuangFa TianTianLi Monetary Market Fund*				
(廣發天天利貨幣市場基金)	—	—	—	—
E Fund Swift Wealth Management Money Market Fund				
(易方達財富快線貨幣市場基金)	—	—	—	82
E Fund Day Wealth Management Money Market Fund				
(易方達天天理財貨幣市場基金)	—	—	—	—
Fullgoal Listed Money Market Fund				
(富國收益寶交易型貨幣市場基金)	—	—	—	8
China Southern TianTianLi Monetary Market Fund*				
(南方天天利貨幣市場基金)	72,338	72,338	72,338	2,388
China Universal Money Market Fund*				
(匯添富貨幣市場基金)	—	—	—	4,423
ABC-CA Money Market Fund				
(農銀匯理貨幣市場證券投資基金)	799	799	812	1,011
UBS SDIC Qianduobao Money Market Fund				
(國投瑞銀錢多寶貨幣市場基金)	—	—	—	118
ICBC CS Salary Monetary Market Fund*				
(工銀瑞信薪金貨幣市場基金)	—	—	—	139
ICBC CS Monetary Market Fund*				
(工銀瑞信貨幣市場基金)	—	—	—	42
ZhongRong Cash ZengLi Monetary Market Fund*				
(中融現金增利貨幣市場基金)	—	—	—	—
China Asset Management Company Limited				
華夏基金管理有限公司				
HuaXia TianLi Monetary Market Fund*				
(華夏天利貨幣市場基金)	—	—	—	31
HuaXia WoLi Monetary Market Fund*				
(華夏沃利貨幣市場基金)	—	—	—	75
HuaXia Cash ZengLi Security Investment Fund*				
(華夏現金增利證券投資基金)	—	—	—	633
HuaXia Cash Pot Monetary Market Fund*				
(華夏現金寶貨幣市場基金)	—	—	—	324
Wealth Treasure Money Market Fund				
(華夏財富寶貨幣市場基金)	—	—	—	2,187
HuaXia Monetary Market Fund*				
(華夏貨幣市場基金)	—	—	—	981
ZhongRong Fund Management Company Limited				
中融基金管理有限公司				
ZhongRong Cash ZengLi Monetary Market Fund*				
(中融現金增利貨幣市場基金)	302,439	302,439	302,439	5,835
China Southern Asset Management Company Limited				
南方基金管理股份有限公司				
China Southern TianTianLi Monetary Market Fund*				
(南方天天利貨幣市場基金)	373,963	373,963	373,963	5,418
China Southern Cash ZengLi Fund*				
(南方現金增利基金)	90,520	90,520	90,621	1,830

Name of the financial assets	Number of units held as at 30 June 2019 (<i>'000</i>)	Investment cost as at 30 June 2019 (<i>RMB'000</i>)	Fair value as at 30 June 2019 (<i>RMB'000</i>)	Realised investment income/(loss) for the six months ended 30 June 2019 (<i>RMB'000</i>)
Aegon-Industrial Fund Management Company Limited				
興全基金管理有限公司				
Aegon-Industrial Monetary Market Securities Investment Fund* (興全貨幣市場證券投資基金)	243,214	243,214	243,214	2,372
HuaBao WP Fund Management Company Limited				
華寶基金管理有限公司				
HuaBao Cash Pot Monetary Market Fund* (華寶現金寶貨幣市場基金)	131,917	131,917	132,022	3,426
China Universal Asset Management Company Limited				
匯添富基金管理有限公司				
China Universal Money Market Fund* (匯添富貨幣市場基金)	133,037	133,037	133,203	1,737
Agricultural Bank of China Limited				
中國農業銀行股份有限公司				
ABC-CA Money Market Fund (農銀匯理貨幣市場證券投資基金)	95,761	95,761	95,786	770
E Fund Management Co., Ltd.				
易方達基金管理有限公司				
E Fund Swift Wealth Management Money Market Fund (易方達財富快線貨幣市場基金)	15,317	15,317	15,330	214
HFT Investment Management Co., Ltd.				
海富通基金管理有限公司				
HFT TianYi Money Market Fund* (海富通添益貨幣市場基金)	102,161	102,161	102,161	376
Others	7,595	7,595	7,595	442

Investment strategies of money market funds

Harvest Fund Management Company Limited (嘉實基金管理有限公司)

Harvest Express Monetary Market Fund* (嘉實快綫貨幣市場基金) tracks and analyses changes in market funds and investors trading behaviors and combines macro and micro studies to formulate its investment strategies. It seeks to achieve higher current returns while satisfying safety and liquidity needs.

Harvest HuoQiBao Monetary Market Fund* (嘉實活期寶貨幣市場基金) determines the average remaining period (long/medium/short) and distribution of its portfolio assets according to macroeconomic indicators (including mainly market capital supply and demand, interest rate levels and market expectations, inflation rates, GDP Growth rates, money supplies, employment rates, international market interest rate level and exchange rate, etc.). It determines the investment ratios of each investment asset in the portfolio based on the liquidity nature of each asset (including mainly average daily trading volume, trading platforms, holdings of institutional investors, amount of repurchases and pledges, etc.). It determines portfolio risk level based on investment assets’ credit rating and collaterals provided.

Harvest ZengYiBao Monetary Market Fund* (嘉實增益寶貨幣市場基金) tracks and analyses changes in market funds and investors trading behaviors and combines macro and micro studies to formulate its investment strategies. It seeks to achieve higher current returns while satisfying safety and liquidity needs.

Harvest Monetary Market Fund* (嘉實貨幣市場基金) determines the remaining period (long/medium/short) and distribution of its portfolio assets according to macroeconomic indicators (including mainly interest rate levels, inflation rates, GDP Growth rates, money supplies, employment rate level, international market interest rate level and exchange rate, etc.). It determines the investment ratios of each investment asset in the portfolio based on the liquidity nature of each asset (including mainly average daily trading volume, trading platforms, holdings of institutional investors, amount of repurchases and pledges, subdivision and conversion progress). It determines portfolio risk level based on bonds' credit rating and collaterals provided.

Bosera Asset Management Company Limited (博時基金管理有限公司)

Bosera Hehui Money Market Fund (博時合惠貨幣市場基金) and Bosera Cash Pot Money Market Fund (博時現金寶貨幣市場基金) adopt active management style investment strategy. Subject to interest rate risk control, striving to minimise fund net asset value fluctuation risk and satisfying liquidity, they seek to maximise the fund return.

China Minsheng Banking Corp., Ltd. (中國民生銀行股份有限公司)

Minsheng JiaYin Cash ZengLi Monetary Market Fund* (民生加銀現金增利貨幣市場基金) will be that based on premises of fully controlling fund asset risks and maintaining fund asset liquidity, to pursue investment return exceeding performance benchmarks and striving to realise fund asset stable appreciation. The overall asset allocation strategy is being mainly reflected in: (1) according to macroeconomics trend, currency policies, short term money market condition, etc., factors to perform comprehensive judgement on short-term interest rate trend; (2) according to aforesaid judgement, to formulate interest expectation and dynamically adjust fund investment portfolio's average remaining terms.

HuaBao Cash Pot Monetary Market Fund* (華寶現金寶貨幣市場基金)'s investment strategy is (1) according to research macroeconomic indicators and interest rate changing trend, to determine the investment portfolio average duration; (2) while satisfying condition of investment portfolio average duration, to fully consider relevant product's return, liquidity and credit rating, to determine the portfolio allocation; (3) utilising modern financial analysis methodology and tools, in order to optimise the portfolio allocation result and to realise appreciation of the portfolio; (4) adopting methodologies of balanced distribution, rolling investment and optimising term allocation etc., to enhance the liquidity management; and (5) with real time monitoring of interest change of each product, to catch risk-free arbitrage opportunity.

Minsheng JiaYin Cash Pot Monetary Market Fund* (民生加銀現金寶貨幣市場基金)'s investment will be that based on securing safety and liquidity of assets as fundamental principle, striving on the basis of full evaluation of factors such as domestic and foreign macroeconomic trend as well as monetary fiscal policy changes etc., it scientifically forecasts future interest rate trend as well as screens for the best and optimises allocation of financial instruments within the investment scope and performs active investment portfolio management.

China Southern Cash ZengLi Fund* (南方現金增利基金)'s objective of asset allocation is to consider stable investment returns on the basis of fully satisfying liquidity. The fund's strategic asset allocation portion, mainly including market interest rate forecast and fund portfolio's average remaining term level etc., are being determined by the investment decision committee according to the macroeconomic situation and future money supply judgement. The fund's tactical asset allocation portion, mainly including trading market and choice of investment product, timing in critical period, repurchase arbitrage, choice of undervalued central bank bills and short-term debts etc., will be adjusted for the asset allocation ratio by the fund manager according to the market situation at the material time and the market environment changes, full utilisation of the company's research resources and financial engineering techniques, so as to achieve optimising allocation effect.

China Southern TianTianLi Monetary Market Fund* (南方天天利貨幣市場基金) adopts active management style investment strategy. On the basis of controlling interest rate risk, trying to minimise the fund's net asset value fluctuation risk and satisfying liquidity, it enhances the fund return.

Bosera Cash Pot Money Market Fund (博時現金寶貨幣市場基金) adopts active management style for investment strategy. On the basis of interest rate risk control, striving to minimise fund net asset value fluctuation risk and satisfying liquidity, it seeks to maximise the fund returns.

Harvest Monetary Market Fund* (嘉實貨幣市場基金) determines the remaining period (long/medium/short) and distribution of its portfolio assets according to macroeconomic indicators (including mainly interest rate levels, inflation rates, GDP Growth rates, money supplies, employment rate level, international market interest rate level and exchange rate, etc.). It determines the investment ratios of each investment asset in the portfolio based on the liquidity nature of each asset (including mainly average daily trading volume, trading platforms, holdings of institutional investors, amount of repurchases and pledges, subdivision and conversion progress). It determines portfolio risk level based on bonds' credit rating and collaterals provided.

China Construction Bank Corporation (中國建設銀行股份有限公司)

CCB Principal Profit Raise Money Market Fund (建信現金添利貨幣市場基金) determines the allocation ratio of fund assets between each class of assets such as debentures, bank deposits etc., according to the comprehensive judgement on macroeconomic operation status, policies situation, credit situation, interest rate trends, money demand and supply changes etc., as well as combining with each class of assets' liquidity traits, risk and rewards, valuation level traits, and makes dynamic adjustment when appropriate. For choice of individual securities, the fund will comprehensively utilise methodology of yield curve analysis, liquidity analysis, credit risk analysis, etc., to evaluate investment value of individual securities and to find out individual securities with relative values.

E Fund Day Cash Income Money Market Fund* (易方達天天增利貨幣市場基金) will perform active management on the fund portfolio. On the basis of in-depth research of domestic and foreign macroeconomic trend, monetary policy changing trend, money demand and supply situation as well as comprehensively considering each class of assets' return, liquidity and risk traits, it strives to achieve investment returns higher than the performance benchmark. Its investment scope covers financial instruments with good liquidity, including cash; bank deposits, bond repurchases, central bank notes, interbank deposits with a term of within 1 year (including 1 year); bonds, debt financing instruments of non-financial institutions, asset-backed securities with remaining term within 397 days (including 397 days), as well as other monetary market instruments with good liquidity approved by the related law and regulations, the China Securities Regulatory Commission and the People's Bank of China.

Bank of Communications Co., Ltd (交通銀行股份有限公司)

HuaBao Cash Pot Monetary Market Fund* (華寶現金寶貨幣市場基金)'s investment strategy is (1) according to research macroeconomic indicators and interest rate changing trend, to determine the investment portfolio average duration; (2) while satisfying condition of investment portfolio average duration, to fully consider relevant product's return, liquidity and credit rating, to determine the portfolio allocation; (3) utilising modern financial analysis methodology and tools, in order to optimise the portfolio allocation result and to realise appreciation of the portfolio; (4) adopting methodologies of balanced distribution, rolling investment and optimising term allocation etc., to enhance the liquidity management; and (5) with real time monitoring of interest change of each product, to catch risk-free arbitrage opportunity.

Aegon-Industrial Monetary Market Securities Investment Fund* (興全貨幣市場證券投資基金) pursues steady cash returns through active stable investment in short term financial instrument of monetary market, seeking the best combination under risk and reward with a premise of securing safety of principal and adequate liquidity of assets. The fund comprehensively utilises multi-investment strategies of class configuration, target duration control, yield curve, choice of individual securities and arbitrage etc., to perform investment. The investment scope includes cash, call deposit, bank deposits with a term of within 1 year (including 1 year), bonds with remaining term within 397 days (including 397 days), central bank notes with term within 1 year (including 1 year), bond repurchases with term within 1 year (including 1 year), short term financing vouchers as well as other monetary market instruments with good liquidity approved by the China Securities Regulatory Commission and the People's Bank of China.

GuangFa TianTianLi Monetary Market Fund* (廣發天天利貨幣市場基金) analyses and judges the interest rate trend and yield curve changing trend on the basis of in-depth research of domestic and foreign macroeconomic trend, monetary policy changing trend, capital market supply and demand, and comprehensively considers different investment products' profitability, liquidity and risk traits, thereby performing active management to the fund's asset portfolio.

E Fund Swift Wealth Management Money Market Fund (易方達財富快線貨幣市場基金) utilises qualitative and quantitative analysis methodologies, through active investment in short term financial instruments and on the basis of effective control of investment risk and maintenance of high liquidity, it strives to achieve investment returns higher than the performance benchmark. Based on rigorous and in-depth research and analysis, the fund manager comprehensively considers market fund flow direction, credit quality of depositing banks, credit rating of credit bonds as well as returns rate standard of each class of assets, liquidity traits, etc., according to market situation and volume of variety available for investment, determines allocation ratio of each class of assets. The fund will carry out comparison on repurchase rate, short term bond returns rate, deposit interest rate, as well as on the basis of comprehensive analysis on funds, in order to judge room for rate arbitrage and determine leverage strategies.

E Fund Day Wealth Management Money Market Fund (易方達天天理財貨幣市場基金) utilises qualitative and quantitative analysis methodologies, through active investment in short term financial instruments, and on the basis of effective control of investment risk and maintenance of high liquidity, it strives to achieve investment returns higher than the performance benchmark. Investment scope covers financial instruments with good liquidity, including cash; bank deposits, bond repurchases, central bank notes, interbank deposits with a term of within 1 year (including 1 year); bonds, debt financing instruments of non-financial institutions, asset-backed securities with remaining term within 397 days (including 397 days), as well as other monetary market instruments with good liquidity approved by the related law and regulations, the China Securities Regulatory Commission and the People's Bank of China.

Fullgoal Listed Money Market Fund (富國收益寶交易型貨幣市場基金) adopts active management style investment strategy. By controlling the investment portfolio's average remaining term within 120 days, on the basis of controlling interest rate risk, trying to minimise the fund's net asset value fluctuation risk and satisfying liquidity, it enhances the fund returns. In the course of investment management, the fund manager will base on the principle of "combining qualitative and quantitative, combining conservative and active", and in accordance with short-term interest rate changes and market situation changes, adopt active investment strategy under control of average remaining term of investment portfolio.

China Southern TianTianLi Monetary Market Fund* (南方天天利貨幣市場基金) adopts active management style investment strategy, and on the basis of controlling interest rate risk, trying to minimise the fund's net asset value fluctuation risk and satisfying liquidity, it enhances the fund return.

China Universal Money Market Fund* (匯添富貨幣市場基金) integrates macro and micro analysis to formulate investment strategies. It strives to realise higher returns rate on the basis of satisfying safety and liquidity requirements. Using value analysis as basis, combining macro and micro, qualitative and quantitative, it realises value preservation and value add for investors through professional liquidity management. It invests in financial instruments allowed for investment under the related law and regulations and approved by regulators, including cash; bank deposits, bond repurchases, central bank notes, interbank deposits with a term of within 1 year (including 1 year); bonds, debt financing instruments of non-financial institutions, asset-backed securities with remaining term within 397 days (including 397 days), as well as other monetary market instruments with good liquidity approved by the China Securities Regulatory Commission and the People's Bank of China.

ABC-CA Money Market Fund (農銀匯理貨幣市場證券投資基金) will follow the basic rule of safety and liquidity as priority, through in-depth analysis of macroeconomics, policy environment, market situation and demand and supply of funds, it will scientifically estimate future interest rate trend, reasonably set investment portfolio's target duration and asset allocation ratios. At the same time, by comprehensively utilising various investment strategies of interest rate, duration, class, repurchases, liquidity management, etc., and on the basis of securing safety and liquidity, it strives to achieve investment returns exceeding the performance benchmarks. The fund investment targets are financial instruments with good liquidity, including (1) cash; (2) bank deposits, bond repurchases, central bank notes, interbank deposits with a term of within 1 year (including 1 year); (3) bonds, debt financing instruments of non-financial institutions, asset-backed securities with remaining term within 397 days (including 397 days); (4) other monetary market instruments with good liquidity approved by the China Securities Regulatory Commission and the People's Bank of China.

UBS SDIC Qianduobao Money Market Fund (國投瑞銀錢多寶貨幣市場基金) mainly adopts liquidity management strategy and asset allocation strategy, and by appropriately using trade strategies, carries out proactive investment portfolio management. The fund mainly invests in following financial instruments: cash; bank deposits, bond repurchases, central bank notes, interbank deposits with a term of within 1 year (including 1 year); bonds, debt financing instruments of non-financial institutions, asset-backed securities with remaining term within 397 days (including 397 days); other monetary market instruments with good liquidity approved by the China Securities Regulatory Commission and the People's Bank of China.

ICBC CS Salary Monetary Market Fund* (工銀瑞信薪金貨幣市場基金) will adopt proactive investment strategies such as interest rate strategy, credit strategy, relative value strategy, etc., under a premise of strict risk control, in order to explore and utilise investment opportunities from market imbalance and to realise portfolio value added. The fund mainly invests in instruments with good liquidity, including cash; bank deposits, bond repurchases, central bank notes, interbank deposits with a term of within 1 year (including 1 year); bonds, debt financing instruments of non-financial institutions, asset-backed securities with remaining term within 397 days (including 397 days); other monetary market instruments with good liquidity approved by the related law and regulations or the China Securities Regulatory Commission and the People's Bank of China.

ICBC CS Monetary Market Fund* (工銀瑞信貨幣市場基金) strives to achieve stable returns exceeding the fund performance benchmarks under the premises of maintaining fund assets and principals stable and good liquidity. The fund manager follows rigorous, scientific investment process, through professional separation of research area and establishing long term fundamental factors analysis, to formulate investment strategies and optimise portfolio, obtaining sustainable stable investment return. The fund mainly invests in financial instruments, including: (1) cash; (2) bank deposits, bond repurchases, central bank notes, interbank deposits with a term of within 1 year (including 1 year); (3) bonds, debt financing instruments of non-financial institutions, asset-backed securities with remaining term within 397 days (including 397 days); (4) other monetary market instruments with good liquidity approved by the China Securities Regulatory Commission and the People's Bank of China for monetary fund investment.

ZhongRong Cash ZengLi Monetary Market Fund* (中融現金增利貨幣市場基金) follows the macroeconomic trends, monetary policy, short-term capital market conditions and other factors to make comprehensive judgement on interest rate trend, and dynamically adjusts the average remaining maturity of the fund's investment portfolio based on interest rate expectations, and strives to achieve higher profitability while satisfying security and liquidity needs.

China Asset Management Company Limited (華夏基金管理有限公司)

HuaXia TianLi Monetary Market Fund* (華夏天利貨幣市場基金) and HuaXia WoLi Monetary Market Fund* (華夏沃利貨幣市場基金) determine the allocation ratio of fund assets between each class of assets such as debentures, bank deposits, monetary market funds, etc., according to the comprehensive judgement on macroeconomic operation status, policies situation, credit situation, interest rate trends, money demand and supply changes, etc., combining with each class of assets' liquidity traits, risk and rewards, valuation level traits, and make dynamic adjustment when appropriate. For choice of individual securities, the fund will comprehensively utilise methodology of yield curve analysis, liquidity analysis, credit risk analysis, etc., to evaluate investment value of individual securities and to find out individual securities with relative values.

HuaXia Cash ZengLi Security Investment Fund* (華夏現金增利證券投資基金) with active judgement of short-term interest rate changes, reasonable arrangement of terms, detail studies, and cautiously operates, so as to realise principal safety, liquidity and a relatively higher returns stably exceeding the benchmark. (1) Short-term interest rate is affected by factors such as monetary policy and short-term capital demand and supply etc.. Through active judgement on its trend and change, it is able to optimise term allocation, class and product allocation, so as to increase portfolio return. (2) Through reasonable term arrangement and maintaining portfolio's higher liquidity, it fulfils investors' liquidity requirements and prevents impact on the execution of investment strategy from change of scale. (3) Through detail studies and cautious operations and utilising multiple flexible strategies, it is able to fully utilise market opportunities and continuously accumulates returns.

HuaXia Cash Pot Monetary Market Fund* (華夏現金寶貨幣市場基金) and Wealth Treasure Money Market Fund (華夏財富寶貨幣市場基金) determine the allocation ratio of fund assets between various assets such as debentures, bank deposits, etc., according to the comprehensive judgement on macroeconomic operation status, policies situation, credit situation, interest rate trends, money demand and supply changes, etc., combining with each class of assets' liquidity traits, risk and rewards, valuation level traits, and make dynamic adjustment when appropriate. For choice of individual securities, the fund will comprehensively utilise methodology of yield curve analysis, liquidity analysis, credit risk analysis, etc., to evaluate investment value of individual securities and to find out individual securities with relative values.

HuaXia Monetary Market Fund* (華夏貨幣市場基金) will integrate monetary market interest rate forecast and cash demand arrangement, adopt cash flow management strategy for carrying out monetary market instrument investment, in order to achieve higher returns on the basis of safeguarding fund asset's security and liquidity. The fund invests in monetary market instruments with good liquidity, mainly includes: cash; bank deposits, bond repurchases, central bank notes, interbank deposits with a term of within 1 year (including 1 year); bonds, debt financing instruments of non-financial institutions, asset-backed securities with remaining term within 397 days (including 397 days); other financial instruments with good liquidity approved by the related law and regulations or the China Securities Regulatory Commission and the People's Bank of China.

ZhongRong Fund Management Company Limited (中融基金管理有限公司)

ZhongRong Cash Zengli Monetary Market Fund* (中融現金增利貨幣市場基金) follows the macroeconomic trends, monetary policy, short-term capital market conditions and other factors to make comprehensive judgement on interest rate trend, and dynamically adjusts the average remaining maturity of the fund's investment portfolio based on interest rate expectations, and strives to achieve higher profitability while satisfying security and liquidity needs.

China Southern Asset Management Company Limited (南方基金管理股份有限公司)

China Southern TianTianLi Monetary Market Fund* (南方天天利貨幣市場基金) adopts active management style investment strategy, and on the basis of controlling interest rate risk, trying to minimise the fund's net asset value fluctuation risk and satisfying liquidity, it enhances the fund return.

China Southern Cash ZengLi Fund* (南方現金增利基金)'s objective of asset allocation is to consider stable investment returns on the basis of fully satisfying liquidity. The fund's strategic asset allocation portion, mainly including market interest rate forecast and fund portfolio's average remaining term level etc., are being determined by the investment decision committee according to the macroeconomic situation and future money supply judgement. The fund's tactical asset allocation portion, mainly including trading market and choice of investment product, timing in critical period, repurchase arbitrage, choice of undervalued central bank bills and short-term debts etc., will be adjusted for the asset allocation ratio by the fund manager according to the market situation at the material time and the market environment changes, full utilisation of the company's research resources and financial engineering techniques, so as to achieve optimising allocation effect.

Aegon-Industrial Fund Management Company Limited (興全基金管理有限公司)

Aegon-Industrial Monetary Market Securities Investment Fund* (興全貨幣市場證券投資基金) pursues steady cash returns through active stable investment in short term financial instrument of monetary market, seeking the best combination under risk and reward with a premise of securing safety of principal and adequate liquidity of assets. The fund comprehensively utilises multi-investment strategies of class configuration, target duration control, yield curve, choice of individual securities and arbitrage etc., to perform investment. The investment scope includes cash, call deposits, bank deposits with a term of within 1 year (including 1 year), bonds with remaining term within 397 days (including 397 days), central bank notes with term within 1 year (including 1 year), bond repurchases with term within 1 year (including 1 year), short term financing vouchers as well as other monetary market instruments with good liquidity approved by the China Securities Regulatory Commission and the People's Bank of China.

HuaBao WP Fund Management Company Limited (華寶基金管理有限公司)

HuaBao Cash Pot Monetary Market Fund* (華寶現金寶貨幣市場基金)'s investment strategy is (1) according to research macroeconomic indicators and interest rate changing trend, to determine the investment portfolio average duration; (2) while satisfying condition of investment portfolio average duration, to fully consider relevant product's return, liquidity and credit rating, to determine the portfolio allocation; (3) utilising modern financial analysis methodology and tools, in order to optimise the portfolio allocation result and to realise appreciation of the portfolio; (4) adopting methodologies of balanced distribution, rolling investment and optimising term allocation etc., to enhance the liquidity management; and (5) with real time monitoring of interest change of each product, to catch risk-free arbitrage opportunity.

China Universal Asset Management Company Limited (匯添富基金管理有限公司)

China Universal Money Market Fund* (匯添富貨幣市場基金) integrates macro and micro analysis to formulate investment strategies. It strives to realise higher returns rate on the basis of satisfying safety and liquidity requirements. Using value analysis as basis, combining macro and micro, qualitative and quantitative, it realises value preservation and value add for investors through professional liquidity management. It invests in financial instruments allowed for investment under the related law and regulations and approved by regulators, including cash; bank deposits, bond repurchases, central bank notes, interbank deposits with a term of within 1 year (including 1 year); bonds, debt financing instruments of non-financial institutions, asset-backed securities with remaining term within 397 days (including 397 days), as well as other monetary market instruments with good liquidity approved by the China Securities Regulatory Commission and the People's Bank of China.

Agricultural Bank of China Limited (中國農業銀行股份有限公司)

ABC-CA Money Market Fund (農銀匯理貨幣市場證券投資基金) will follow the basic rule of safety and liquidity as priority, through in-depth analysis of macroeconomics, policy environment, market situation and demand and supply of funds, it will scientifically estimate future interest rate trend, reasonably set investment portfolio's target duration and asset allocation ratios. At the same time, by comprehensively utilising various investment strategies of interest rate, duration, class, repurchases, liquidity management, etc., on the basis of securing safety and liquidity, it strives to achieve investment returns exceeding the performance benchmarks. The fund investment targets are financial instruments with good liquidity, including (1) cash; (2) bank deposits, bond repurchases, central bank notes, interbank deposits with a term of within 1 year (including 1 year); (3) bonds, debt financing instruments of non-financial institutions, asset-backed securities with remaining term within 397 days (including 397 days); (4) other monetary market instruments with good liquidity approved by the China Securities Regulatory Commission and the People's Bank of China.

E Fund Management Co., Ltd. (易方達基金管理有限公司)

E Fund Swift Wealth Management Money Market Fund (易方達財富快線貨幣市場基金) utilises qualitative and quantitative analysis methodologies, through active investment in short term financial instruments, and on the basis of effective control of investment risk and maintenance of high liquidity, it strives to achieve investment returns higher than the performance benchmark. Based on rigorous and in-depth research and analysis, the fund manager comprehensively considers market fund flow direction, credit quality of depositing banks, credit rating of credit bonds as well as returns rate standard of each class of assets, liquidity traits, etc. according to market situation and volume of variety available for investment, determines allocation ratio of each class of assets. The fund will carry out comparison on repurchase rate, short term bond returns rate, deposit interest rate, as well as on the basis of comprehensive analysis on funds, in order to judge room for rate, arbitrage and determine leverage strategies.

HFT Investment Management Co., Ltd. (海富通基金管理有限公司)

HFT TianYi Money Market Fund* (海富通添益貨幣市場基金) cautiously considers the profitability, liquidity and risk characteristics of different assets and strives to minimise different kinds of risk. Under the premises of controlling the investment portfolio with good liquidity, it gains a stable return for the investors. The major investment are financial instruments, include (1) cash; (2) bank deposits, bond repurchases, central bank notes, interbank deposits with a term of within 1 year (including 1 year); (3) bonds, debt financing instruments of non-financial institutions, asset-backed securities with remaining term within 397 days (including 397 days); (4) other monetary market instruments with good liquidity approved by the China Securities Regulatory Commission and the People's Bank of China.

Financial Investment Products

Name of the financial assets	Number of units held as at 30 June 2019 (‘000)	Investment cost as at 30 June 2019 (RMB‘000)	Fair value as at 30 June 2019 (RMB‘000)	Realised investment income/(loss) for the six months ended 30 June 2019 (RMB‘000)
China Minsheng Bank Corp., Ltd. 中國民生銀行股份有限公司 Feifan Asset Management TianYiJin Financial Investment Product A (非凡資產管理天溢金對公機構A款)	— ¹	13,370	13,370	1,168
China Construction Bank Corporation 中國建設銀行股份有限公司 QianYuan — TianTianYing Open-end RMB Financial Investment Product* (乾元 — 天天盈開放式資產組合型人民幣理財產品)	— ¹	1,000	1,000	—
QianYuan — Weekly Open-end Guaranteed Financial Investment Product* (乾元 — 周周利開放式資產組合型保本人民幣理財產品)	—	—	—	98
QianYuan — RiXinYueYi (Daily) Open-end RMB Financial Investment Product* (乾元 — 日鑫月溢(按日)開放式資產組合型人民幣 理財產品)	— ¹	5,900	5,900	191
QianYuan — DuiGongZunXiang (Daily Open-end) RMB Standard Asset Portfolio Non-capital Protected Floating Return Financial Investment Product* (乾元 — 對公尊享(按日開放型)人民幣標準資產組合型 非保本浮動收益型理財產品)	— ¹	200,000	200,000	—
Others	— ¹	4,600	4,600	3
Agricultural Bank of China Limited 中國農業銀行股份有限公司 Agricultural Bank of China BenLiFeng Daily Open-end RMB Financial Investment Product* (中國農業銀行「本利豐天天利」開放式人民幣 理財產品)	— ¹	6,110	6,110	370
China Merchants Bank 招商銀行 Utrust Trust — Jingxin No. 4 Specified Asset Usufruct Assembled Funds Trust Programme* (粵財信託 — 京信4號特定資產收益權集合資金 信託計劃)	—	—	—	2,282
China Merchants Bank RiRiYing Financial Investment Plan* (招商銀行日日盈理財計劃)	— ¹	18,100	18,100	3
Bank of Communications Co., Ltd. 交通銀行股份有限公司 YunTong Fortune • JiuJiuYangLao RiYing Financial Investment Product* (蘊通財富•久久養老日盈理財產品)	— ¹	127,028	127,028	933
CSC Financial Co., Ltd. 中信建投證券股份有限公司 14 Days National Debt Reverse Repurchase — GC014* (14天國債逆回購 — GC014)	—	—	—	176
CSC Fixed Income Securities “GuShouXin • WenXiang” “No. 2817” — 35 days* (中信建投收益憑證「固收鑫•穩享」【2817 號】 — 35天)	—	—	—	73

Name of the financial assets	Number of units held as at 30 June 2019 (‘000)	Investment cost as at 30 June 2019 (RMB’000)	Fair value as at 30 June 2019 (RMB’000)	Realised investment income/(loss) for the six months ended 30 June 2019 (RMB’000)
China International Capital Corporation Limited 中金國際金融股份有限公司				
ZhongJinXinYi Asset Management Plan* (中金鑫益資產管理計劃)	58,990	60,000	60,000	–
ZhongJinDingYi No.10 Sole Asset Management Plan* (中金鼎益10號單一資產管理計劃)	400,000	400,000	406,040	–
AVIC Trust Company Limited 中航信託股份有限公司				
AVIC TianQi#556 TianChengJuFu Combined Investment Fund Trust Plan* (中航信託•天啟556號天誠聚富投資基金集合資金信託計劃)	– ¹	170,000	170,000	873
Others	– ¹	18,500	18,500	992

Note:

1. Due to the nature of this type of financial assets, investment in financial investment products is presented by way of fair value instead of units.

Investment strategies of financial investment products

China Minsheng Bank Corp., Limited (中國民生銀行股份有限公司)

Feifan Asset Management TianYiJin Financial Investment Product A (非凡資產管理天溢金對公機構A款) adopts investments strategies with priority in security and liquidity while pursuing an appropriate level of returns. Accordingly, in order to meet safety and liquidity requirements, it will invest in interbank bond market circulation bonds, money market funds, bond funds in asset allocations, funds with investment target in bonds or broker-oriented asset management plans, bank deposits, bond repurchases, etc.. On this basis, it will conduct reasonable allocations of debt assets, equity assets, other assets or asset combinations that comply with regulatory requirements, so as to further increase the return level.

China Construction Bank Corporation (中國建設銀行股份有限公司) (“China Construction Bank”)

QianYuan — TianTianYing Open-end RMB Financial Investment Product* (乾元 — 天天盈開放式資產組合型人民幣理財產品) will invest in financial instruments such as PBOC bills, debentures, bank notes and trust financing interests on the interbank bond market, so as to enable funds to realise higher returns than that of deposits.

QianYuan — Weekly Open-end Guaranteed Financial Investment Product* (乾元 — 周周利開放式資產組合型保本人民幣理財產品) invests in bonds and monetary market instruments assets and debt assets of national debts, financial bonds, central bank notes, short term financing bonds of enterprises, ultra short-term financing bonds, medium term notes, corporate debts, bonds, private placement debts, reverse repurchase of bonds, money lending, due from banks, etc., as well as other assets meeting compliance requirements.

QianYuan — RiXinYueYi (Daily) Open-end RMB Financial Investment Product* (乾元 — 日鑫月溢(按日)開放式資產組合型人民幣理財產品) invests in equity assets, debt assets, debentures and monetary market instrument assets and other asset portfolio which are in compliance with the regulatory requirements. The investment ratio of each type of the asset is: equity assets (0%–70%), debt assets (0%–70%), debentures and monetary market instrument assets (30%–100%), other asset portfolio which are in compliance with the regulatory requirements (0%–70%).

QianYuan — DuiGongZunXiang (Daily Open-end) RMB Standard Asset Portfolio Non-capital Protected Floating Return Financial Investment Product* (乾元 — 對公尊享(按日開放型)人民幣標準資產組合型非保本浮動收益型理財產品) invests in: 1. cash type assets, including but not limited to saving deposits, fixed deposits, agreement deposits, etc.; 2. monetary market instrument assets, including but not limited to pledge-style repurchase agreement, sales and repurchase agreement, exchange agreement-style repurchase agreement, etc.; 3. monetary market funds; 4. standardised fixed income type assets which were public issue with external rating of above AA, including interbank deposits, national debts, central bank notes, financial bonds, corporate debts, debentures, medium term notes, short-term financing bonds, ultra short-term financing bonds in domestic market. The investment ratios of each type of the asset are: cash type assets (10%–100%), monetary market instruments (0%–90%), monetary market funds (0%–90%) and standardised fixed income type assets (0%–90%). China Construction Bank adheres to the idea of value investment, through management of asset portfolio achieving balance between the product's security, liquidity and profitability. The product's fundamental assets were selected and approved by China Construction Bank's internal approval process, reaching investment standard.

Agricultural Bank of China Limited (中國農業銀行股份有限公司)

Agricultural Bank of China BenLiFeng Daily Open-end RMB Financial Investment Product* (中國農業銀行「本利豐天天利」開放式人民幣理財產品) mainly invests in inter-bank and exchange market bonds, repurchases, borrowings (includes national debts, financial bonds, central bank notes, letter of credit with relatively higher credit rating, private placement financing debt instruments, convertible bonds, etc.), monetary market funds, bond funds, other funds in low risk category, low risk interbank fund business, non-standard debt assets (includes usufruct, entrusted debts, etc.), securities issued by asset managers as well as fixed income products issued by commercial banks or other qualified institutions. Among these, the ratio for investing in high liquidity assets (cash, repurchase, Sovereign and quasi-sovereign debts as well as mid-high rating letter of credit, etc.) is 60%–100%. The ratio of investment class of monetary market funds, bond funds, other funds in low risk category, low risk interbank fund business is approximately 10%–30%. Non-standard debt assets and other investment classes contribute approximately 0%–10%. The above investment ratio could be adjusted upwards or downwards by a range of 10%.

China Merchants Bank (招商銀行)

Utrust Trust — Jingxin No. 4 Specified Asset Usufruct Assembled Funds Trust Programme* (粵財信託 — 京信4號特定資產收益權集合資金信託計劃) (“**Jingxin No. 4**”) is a wealth management product issued by China Merchants Bank that invested by the Group on 21 December 2018. The investment was bearing floating returns rate and with a term of 62 days maturing on 21 February 2019. Jingxin No. 4 uses the usufruct of the receivable of remaining balance of real estate purchase of real estate projects as the transfer subject, with the seller of usufruct repurchasing upon maturity. At the same time, the real estate developer uses its deposits at China Merchants Bank as a pledge. The investment principal and interests has been fully settled with annualised returns rate of 5.2% upon maturity.

China Merchants Bank RiRiYing Financial Investment Plan* (招商銀行日日盈理財計劃) invests in all kinds of bonds issued in interbank and exchange market, as well as money lending, reverse repurchases, bank deposits, securities firm beneficiary certificates, trust plans, asset management plans, etc. and other financial assets complying with regulatory authorities requirements. The investment ratios are bond assets (20%–95%), money lending and reverse repurchases (0%–80%), bank deposits (0%–50%), securities firms beneficiary certificates, trust plans and targeted asset management plan (0%–70%) and other assets (0%–50%).

Bank of Communications Co., Ltd. (交通銀行股份有限公司)

YunTong Fortune • JiuJiuYangLao RiYing Financial Investment Product* (蘊通財富 • 久久養老日盈理財產品) adopts an investment strategy that prioritises safety and liquidity with consideration given to profitability. Its asset portfolio comprises a majority of assets such as bonds and money market instruments that have high liquidity and high investment grade, and strives to achieve stable returns through portfolio management.

CSC Financial Co., Ltd. (中信建投證券股份有限公司) (“CSC Financial”)

14 Days National Debt Reverse Repurchase — GC014* (14 天國債逆回購 — GC014) is a national debt reverse repurchase wealth management product with a pledge purchased from CSC Financial by the Group. It bears floating returns rate, with maturity of 14 days and maturing on 4 January 2019. CSC Financial used its national debt held as pledges. After year end, the investment principal and interests has been fully settled with annualised returns rate of 5.15% upon maturity.

CSC Fixed Income Securities “GuShouXin • WenXiang” “No. 2817” — 35 days* (中信建投收益憑證「固收鑫 • 穩享」【2817號】 — 35天) is issued by CSC Financial with principal guarantee for a term of 35 days with maturity on 1 February 2019, bearing floating interest rate. After year end, the investment principal and interests has been fully settled with annualised returns rate of 3.8% upon maturity.

ZhongJinXinYi Asset Management Plan* (中金鑫益資產管理計劃) uses stability as objective. Under the premises of strictly controlling risk and securing liquidity safety, the plan pursues continuous and steady appreciation of the entrusted asset during the entrusted period. The asset management plan will combine the top-down and bottom-up investment analysis methods, through analysis of macroeconomic operation status, national fiscal and monetary policies and fund environment of capital market, forecasts macroeconomic development trend and interest rate policy changes, and evaluates relative yields and major risks of bond market in the future time accordingly. On the basis of determining the overall liquidity requirement, liquidity strength level of investment products and strength of return creation ability of managed assets, it determines the allocation ratio of duration, category, etc., of fixed income assets. In selecting credit products, it sticks to principles of performing evaluation beforehand, cautious decision and close follow up afterwards for every invested bonds, selecting relatively higher yield bonds with controllable risk to carry out investment.

ZhongJinDingYi No.10 Sole Asset Management Plan* (中金鼎益10號單一資產管理計劃) uses stable return as objective. Under the premises of strictly controlling risk and securing liquidity safety, the plan pursues continuous and steady appreciation of the entrusted asset during the entrusted period. The plan is a sole asset management plan in fixed income category. The investment scope of entrusted assets is (1) fixed income assets: national debts, regular bonds of local governments, central bank notes, policy financial bonds, debentures (including non-public issued debentures), corporate debts, medium term notes, short term financing bonds, ultra short term financing bonds, asset-backed securities (not including subordinated tranche), asset-backed notes (not including subordinated tranche), private placement financing debt instruments, convertible bonds, exchangeable bonds listed in the exchange and interbank market; bonds repurchase, bonds reverse repurchase; (2) cash type assets: cash, bank deposits, interbank deposits, monetary market funds, etc.. The plan's investment restrictions include: 1. The bond issuer or debt rating shall not be lower than AA+; short term financing bonds of issuer rating shall not be lower than AA+; if there are no rating for ultra short term financing bonds, the issuer rating shall not be lower than AA+; regarding bonds with no issuer rating and no debt rating, unless there was written pre-approval of principal, it is not allowed to invest; 2. Interbank deposits issuers rating shall not be lower than AA+; 3. No conversion for investing in convertible bonds and exchangeable bonds; 4. The investment sum in convertible bonds and exchangeable bonds not exceeding 20% of the net asset value of the plan of previous day; 5. The plan's total asset value shall not exceed 200% of the plan's net asset value; 6. The plan cannot invest directly on credit assets of commercial banks; 7. Other investments restricted by relevant laws and regulations, national policies and contracted restrictions in the agreement.

AVIC Trust Company Limited (中航信託股份有限公司)

AVIC TianQi#556 TianChengJuFu Combined Investment Fund Trust Plan* (中航信託 • 天啟556號天誠聚富投資基金集合資金信託計劃) carries out diversified dynamic asset allocation of the trust investment asset with the principles of safety, efficiency and liquidity. The investment scopes are: bank deposits, interbank borrowings, reverse repurchase of bonds, monetary market funds, bond funds, exchange and interbank market bonds, etc. and other products that the trustee being confirmed in accordance with the trust deed. The asset under the trust shall not invest directly in secondary stock market, QDII products as well as high risk financial derivative products (including but not limited to stock index futures, stock futures, stock index forwards, stock forwards, etc.). It shall not invest projects which do not comply with the national industry policy, the investment policy and the macroeconomic control policy.

Listed Bond Investments

Name of the financial assets	Number of units held as at 30 June 2019 (‘000)	Investment cost as at 30 June 2019 (RMB‘000)	Fair Value as at 30 June 2019 (RMB‘000)	Realised investment income/(loss) for the six months ended 30 June 2019 (RMB‘000)
Beijing LeRui Asset Management Co., Ltd. (北京樂瑞資產管理有限公司)				
LeRuiQiangZhai No. 27 Securities Investment Private Fund* (樂瑞強債27號證券投資私募基金)	3,347	354,000	356,274	–
Shanghai Longlife Investment Co., Ltd. (上海久期投資有限公司)				
Longlife Jinxi Pure Bond No.1 Private Securities Investment Fund* (久期津西純債1號私募證券投資基金)	1,610	165,666	167,646	–
Shanghai JunXi Investment Management Co., Ltd. (上海君犀投資管理有限公司)				
JunXi XiZhou No.8 Private Securities Investment Fund* (君犀犀舟8號私募證券投資基金)	2,191	220,500	223,782	–
Others	46	4,798	4,801	85

Investment strategies of listed bond investments

Beijing LeRui Asset Management Co., Ltd. (北京樂瑞資產管理有限公司)

LeRui QiangZhai No.27 Securities Investment Private Fund* (樂瑞強債27號證券投資私募基金) adopts fixed income category allocation strategy to gain stable return, and through certain proportion of equity and derivative products asset allocation to enhance return. Using fixed income assets such as good quality debentures, etc. as core assets, through stable return from bond interests to accumulate safety cushion. On this basis, it starts to implement “large scale asset allocation strategy”, and further extend portfolio assets to more risky asset categories of equity, derivative products, etc.. According to risk-return profile of target assets intended to invest and market condition changes, it dynamically adjusts the investment ratio within range to strive for realisation of continuous stable profit of account. LeRui “large scale asset allocation strategy” carries out large scale asset allocation rotation by top-down approach, realising achievement of target of higher investment return under premise of bearing limited risk. The strategy considers macroeconomic situation, financial market environment, market structure changes as well as financial instruments available for investment, supported by quantitative models, comprehensively analyses market interest rate trend, capital market demand and supply, credit risk situation as well as stock market trend, and estimates each asset’s risk-reward characteristics in long, medium and short term. It carefully chooses large scale assets with relatively better risk-reward profile, constructs allocation strategy which reflects large scale asset rotation characteristics. Calculated by cost, the fund invests not less than 80% of the total value of fund’s asset in fixed income category assets and cash category assets, and not more than 20% of the total value of fund’s asset in equity category assets. Using issuer or debt rating as basis, it cannot invest in debentures with rating lower than AA or short term financing bonds with rating lower than A-1.

Shanghai Longlife Investment Co., Ltd. (上海久期投資有限公司)

Longlife Jinxi Pure Bond No.1 Private Securities Investment Fund* (久期津西純債1號私募證券投資基金) uses bonds category asset as major investment subject. During different economic cycles, from the three dimensions of interest rate (duration), credit, and fixed income to carry out asset allocation, striving to obtain steady return independent of economic cycle. In the aspect of risk control and strengthening return, it calculates the basic return from bond interest income. It sets strict risk limit according to basic return level, so as to control drawdown risk. Within risk limit, through the approach of adjusting bonds duration of position, mining wrong priced debentures and mining fixed income assets’ equity attributes, etc. to obtain excess return over basic return. The restrictions of the fund include 1. must not invest the fund assets in small to medium enterprises’ private placement debts; 2. debt or issuer ratings of corporate debts, debentures, convertible bonds, detachable convertible bond must be AA or above; debt rating of short term financing bonds of A-1 and issuer rating must be A+ or above; private exchangeable bonds can be without rating.

JunXi XiZhou No.8 Private Securities Investment Fund* (君犀犀舟8號私募證券投資基金) constructs investment portfolio on the basis of in-depth research. Under the premises of strictly controlling the investment risks, it strives to obtain long term stable investment return. The fund will carry out top-down approach asset allocation according to macroeconomic analysis and changes in overall market valuation level, lowering market risk and pursuing higher return at the same time. The investment scope includes stocks issued and listed on the Shanghai or Shenzhen Stock Exchange (limit to shares issued from the conversion of convertible bonds or exchangeable bonds only), bonds and asset-backed securities issued and traded in the Shanghai or Shenzhen Stock Exchange or interbank market, asset-backed notes issued and traded in interbank market, fixed income securities of securities companies, bond repurchases, pledge-style quoted repurchase agreement in the Shanghai or Shenzhen Stock Exchange, cash, bank deposits (including fixed deposits, agreement deposits, structured deposits and other bank deposits), publicly offered funds, bank financial investment products, asset management plans of securities companies, insurance companies and future companies, asset management plans for specific clients of fund managers, privately offered funds issued by privately offered securities investment fund manager who are registered and published on the official website of the Asset Management Association of China. The investment restrictions of the fund include: 1. must not invest in funds without custodian or safekeeping financial institutions (commercial banks, securities companies); 2. must not invest in partnership shares without filings in the Asset Management Association of China; 3. must not invest in subordinated share of structured financial product, and the priority rating of invested asset-backed securities and asset-backed notes shall be AAA; 4. the fund's total fund asset value shall not exceed 160% of fund net asset value; 5. must not participate in subscription of non-public issued shares in stock exchange; 6. the debt rating of invested debentures must be AA or above. If the invested debentures do not have a debt rating or their debt ratings do not reach AA or above, their issuer ratings shall be AA or above. Rate securities such as national debts, policy financial bonds, local debts, etc., are not restricted by ratings.

Investment Funds

Name of the financial assets	Number of units held as at 30 June 2019 (‘000)	Investment cost as at 30 June 2019 (RMB‘000)	Fair value as at 30 June 2019 (RMB‘000)	Realised investment income/(loss) for the six months ended 30 June 2019 (RMB‘000)
Jiaxing FengJun Investment Management Co., Ltd. (嘉興豐浚投資管理有限公司) FengHeXin FengJun JuJin#2 Structured Private Investment Fund* (豐合信豐浚聚金2號結構化私募投資基金)	200,000	200,000	201,752	14,738
Shanghai QiuSheng Assets Management Co., Ltd.* (上海秋晟資產管理有限公司) QiuSheng Asset YanXi No.1 Macro Hedge Private Fund* (秋晟資產言蹊1號宏觀對沖私募基金)	106,850	107,000	125,143	—
Jiu Ding Hua Xin (Beijing) Investment Fund Management Co., Ltd. (九鼎華信(北京)投資基金管理有限公司) Jiu Ding Hua Xin YiGuan No.2 Private Securities Investment Fund* (九鼎華信億觀2號私募證券投資基金)	50,000	50,000	50,000	—
Eternal Grand Investment Management Co., Ltd. (深圳市恒泰融安投資管理有限公司) Eternal Grand Collective Private Securities Investment Fund* (恒泰融安集投私募證券投資基金)	210,000	210,000	209,790	—
Bosera Asset Management Company Limited (博時基金管理有限公司) Bosera New Strategy Flexible-configuration Hybrid Fund (博時新策略靈活配置混合型證券投資基金)	26,600	30,000	30,071	—
HFT Investment Management Co., Ltd. (海富通基金管理有限公司) HFT Retirement Income Balanced Fund (海富通安頤收益混合型證券投資基金)	23,165	30,000	30,092	—
Huatai-Pinebridge Fund Management Co., Ltd. (華泰柏瑞基金管理有限公司) Huatai-PineBridge XinLi Flexible-configuration Commingled Securities Investment Fund* (華泰柏瑞新利靈活配置混合型證券投資基金)	29,112	30,000	29,913	—

Investment strategies of investment funds

Jiaxing FengJun Investment Management Co., Ltd. (嘉興豐浚投資管理有限公司)

FengHeXin FengJun JuJin#2 Structured Private Investment Fund* (豐合信豐浚聚金2號結構化私募投資基金) primarily through investing in trust plan beneficial rights and/or trust plans, strives to achieve steady appreciation of fund assets. Based on in-depth studying of domestic and foreign macroeconomic trend, monetary policy changing trend, capital market demand and supply situation, the fund will analyse and judge interest rate trend and comprehensively consider each investment products' profitability, liquidity and risk traits, and perform active management to the fund's asset portfolio.

Shanghai QiuSheng Assets Management Co., Ltd. (上海秋晟資產管理有限公司)*

QiuSheng Asset YanXi No.1 Macro Hedge Private Fund* (秋晟資產言蹊1號宏觀對沖私募基金) constructs investment portfolio based on in-depth research, striving to realise continuous steady appreciation of the fund assets. Regarding the investment strategies, (i) future strategy: through three dimensions of time, room and volatility, it addresses the issues of strategic term, strategic room for profit and volatility during the term respectively. First, according to macroeconomic analysis model, considering information in currency, investment, financing, interest rate, inflation, treasury, consumption, industry operation, import and export trade, etc., it carries out long cycle time series analysis, builds up co-integration model of each of the macroeconomic indicators under different economic cycles, studies and judges the macroeconomic operation situation. Second, according to own industry fixed asset investment, production output level as well as middle and downstream industries' output, sales, inventory situation of different commodities, it carries out evaluation to each of the commodities' supply and demand status and analyses strengths and weaknesses. At the same time, it makes an evaluation on the trade indicators such as future basis, monthly price difference, contract volume, margin deposit changes, etc., at transaction level, and finally it establishes arbitrage and hedging transaction model; (ii) equity strategy: through analysing factors such as company's industry policy direction, industry concentration, industry competition threshold, company technology level in the industry, company financial status, company product market share, company research and development expense, etc., it seeks for equity targets having product price bargaining power, production cost competitive advantages or having relatively higher development potential.

Jiu Ding Hua Xin (Beijing) Investment Fund Management Co., Ltd. (九鼎華信(北京)投資基金管理有限公司)

Jiu Ding Hua Xin YiGuan No.2 Private Securities Investment Fund* (九鼎華信億觀2號私募證券投資基金) strives for creating steady income and return for fund investors under the premises of strictly controlling investment risks. The fund's investment scopes are instruments with good liquidity, including domestic legally issued and listed stocks, new shares subscriptions, bonds, warrants, monetary market instruments, bank deposits, bank investment products, securities firms asset management products, stock index futures as well as other investment products approved by law and regulations or the China Securities Regulatory Commission for fund investment. The investment strategies include (i) equity asset investment strategy — according to china economic social structural changes and trend, it adopts top-down approach to invest in domestic legally issued and listed stocks, etc.; (ii) monetary

market instruments investment strategy — based on in-depth research of domestic and foreign macroeconomic trend, monetary policy changing trend, capital market supply and demand, it analyses and judges the interest rate trend and comprehensively considers different investment products' profitability, liquidity and risk traits, thereby performing active management to the fund's asset portfolio.; (iii) other strategies — according to market changes and manager's judgement, it invests in the contracted investment products, investment instruments, etc., within the fund's investment scope striving to realise fund asset steady appreciation.

Eternal Grand Investment Management Co., Ltd. (深圳市恒泰融安投資管理有限公司)

Eternal Grand Collective Private Securities Investment Fund* (恒泰融安集投私募證券投資基金) constructs investment portfolio based on in-depth research. Under the premises of strictly controlling the investment risks, it strives to obtain long term stable investment return. The fund will carry out quantitative hedging strategy according to macroeconomic analysis and overall market valuation level, at the same time participating in new share offline allotment of the Shanghai Stock Exchange including Science and Technology Innovation Board. It lowers market risk and pursues higher return at the same time. The investment scope includes stocks issued and listed on the Shanghai or Shenzhen Stock Exchange (including new share subscription), stock within the scope of stock for Stock Connect for Southbound Trading, depository receipts issued and listed on the Shanghai or Shenzhen Stock Exchange, preference shares issued and listed on stock exchange, bonds and asset-backed securities issued and trade in the Shanghai or Shenzhen Stock Exchange or interbank market, asset-backed notes issued and traded in interbank market, fixed income securities of securities companies, bond repurchases, pledge-style quoted repurchase agreement in the Shanghai or Shenzhen Stock Exchange, cash, bank deposits (including fixed deposits, agreement deposits, structured deposits and other bank deposits), interbank deposits, margin trading and short selling, refinancing securities lending (that is the fund use its holding securities as underlying of short sale lending to securities finance companies), stock index futures, commodities futures, national debts futures, stock options and commodities options listed in stock exchange and future exchange, warrants listed in stock exchange, contracts listed in Shanghai Gold Exchange, publicly offered funds and bank investment products.

Bosera Asset Management Company Limited (博時基金管理有限公司)

Bosera New Strategy Flexible-configuration Hybrid Fund (博時新策略靈活配置混合型證券投資基金) strives to obtain long term continuous stable investment return for fund holders, through organic combination of multiple investment strategies, under the premises of effective risk controls. The fund's investment targets are financial instruments with good liquidity, including equity financial instruments such as domestic legally issued and listed stocks (including Small and Medium Enterprise Board, Growth Enterprise Market and other stocks approved for listing by the China Securities Regulatory Commission), warrants, stock index futures, etc., as well as fixed income financial instruments such as bonds, etc., and other financial instruments approved by law and regulations or the China Securities Regulatory Commission for fund investment (must comply with the China Securities Regulatory Commission's relevant regulations). The fund's investment portfolio ratio is stock assets contributing 0%–95% of fund asset. The small to medium enterprises' private debts contributes not higher than 20% of the fund's net asset value. The fund's stock investment uses qualitative and quantitative analysis as basis, carrying out investment on the fundamental analysis.

HFT Investment Management Co., Ltd. (海富通基金管理有限公司)

HFT Retirement Income Balanced Fund (海富通安頤收益混合型證券投資基金) insists on flexible asset allocation. Based on strict control of downside risk, it actively grasps investment opportunity of stock market, ensuring asset protection and appreciation, realising objective of beating absolute return benchmarks, providing a steady pension wealth management instrument for investors. The fund's investment scope is financial instruments with good liquidity, including domestic legally issued and listed stocks (including Small and Medium Enterprise Board, Growth Enterprise Market and other stocks approved for listing by the China Securities Regulatory Commission), bonds, bank deposits, monetary market instruments, warrants, stock index futures as well as other financial instruments approved by law and regulations or the China Securities Regulatory Commission for fund investment (must comply with the China Securities Regulatory Commission's relevant regulations). The fund comprehensively utilises flexible and disciplined asset allocation strategies, segment allocation and individual stock selection strategies, return management and stop-loss strategies, etc., dynamically controlling the portfolio risk by utilising derivative products such as stock index futures, etc. at the same time. The fund's investment portfolio ratio is stock investment contributing 0%–95% of the fund assets.

Huatai-Pinebridge Fund Management Co., Ltd. (華泰柏瑞基金管理有限公司)

Huatai-Pinebridge XinLi Flexible-configuration Commingled Securities Investment Fund* (華泰柏瑞新利靈活配置混合型證券投資基金) pursues long term appreciation of fund assets, under the premises of effective risk control. It prospectively seizes rate of return of stock market, bond market and interbank market at different times, striving to create investment return higher than results benchmarks for the investors in the medium to long run. The fund's investment scope is financial instruments with good liquidity, including domestic legally issued and listed stocks (including Small and Medium Enterprise Board, Growth Enterprise Market and other stocks approved for listing by the China Securities Regulatory Commission), bonds, asset-backed securities, bond repurchases, bank deposits, monetary market instruments, stock index futures, warrants as well as other financial instruments approved by law and regulations or the China Securities Regulatory Commission for fund investment (must comply with the China Securities Regulatory Commission's relevant regulations). The fund is a commingled fund, with obtaining long term steady return as objective. When the stock market's overall valuation level seriously deviates from enterprises earning condition and expected growth rate, emerging obvious overvaluation, if its not timely adjusted could bring along potential capital losses for the fund unit holders, the fund will carry out large scale asset allocation adjustments, lowering stock asset ratio, raising other assets such as bonds, etc. ratio at the same time. The fund's stock asset investment ratio contributes 0%–95% of fund assets.

Listed Equity Interests

Name of the financial assets	Number of units held as at 30 June 2019 (‘000)	Investment cost as at 30 June 2019 (RMB’000)	Fair value as at 30 June 2019 (RMB’000)	Realised investment income/(loss) for the six months ended 30 June 2019 (RMB’000)
Chinacity EDU Fund I L.P.	approximately 11.23 million shares ¹	110,828	90,502	–
China Risun Group Limited* (中國旭陽集團有限公司)	approximately 87.58 million shares ²	128,161	204,625	–
Beijing LeRui Asset Management Co., Ltd. (北京樂瑞資產管理有限公司) LeRuiQiangZhai No. 27 Securities Investment Private Fund* (樂瑞強債27號證券投資私募基金)	1,155	23,297	22,203	–
Jiangsu Shentong Valve Company Limited	–	–	–	11,883

Notes:

1. The investment is indirectly held by a special purpose vehicle.
2. The number of shares held increased from approximately 24.80 million shares to approximately 87.58 million shares as a result of capitalisation issuance of China Risun Group Limited* on 1 February 2019.

Investment strategies of listed equity interests

Chinacity EDU Fund I L.P.

During the year ended 31 December 2018, the Company subscribed for approximately 1.57% of the enlarged registered capital of Koolearn Technology Holding Limited (“**Koolearn**”) through Chinacity EDU Fund I L.P., at a cash consideration of USD16.75 million. As at 30 June 2019, the Company held approximately 1.20% of the registered capital of Koolearn through Chinacity EDU Fund I L.P.. Koolearn’s operating entity is Beijing New Oriental Xuncheng Network Technology Inc., which was incorporated in 2005. Its first product released was the online education platform, Koolearn. Today, Koolearn develops into an online education platform providing education products for college, K-12, pre-school and institutional clients, from an initial pure online foreign examination preparation service provider. Koolearn was listed on the Main Board of The Stock Exchange of Hong Kong Limited (“**Stock Exchange**”) (“**Main Board**”) on 28 March 2019 with stock code 1797.

China Risun Group Limited (中國旭陽集團有限公司) (“Risun Group”)*

During the year ended 31 December 2018, the Company subscribed for approximately 24.80 million shares of Risun Group, representing approximately 2.58% of its enlarged registered capital, at a cash consideration of approximately RMB128 million. As at 30 June 2019, the Company held approximately 2.14% of the registered capital of Risun Group. Risun Group was incorporated in 1995. It has four large chemical industrial zones in Xingtai, Dingzhou, Tangshan and Cangzhou, with more than ten coal chemical subsidiaries and joint ventures. It is a large scale enterprise group with principal business of manufacturing, and domestic and foreign trading of coal chemical products. It is a leading enterprise in China’s coke and coal chemicals, also being one of the major suppliers of coke of the Group. Risun Group was listed on Main Board on 15 March 2019 with stock code 1907.

Beijing LeRui Asset Management Co., Ltd. (北京樂瑞資產管理有限公司)

LeRui QiangZhai No.27 Securities Investment Private Fund* (樂瑞強債27號證券投資私募基金) adopts fixed income category allocation strategy to gain stable return, and through certain proportion of equity and derivative products asset allocation to enhance return. Using fixed income assets such as good quality debentures, etc. as core assets, through stable return from bond interests to accumulate safety cushion. On this basis, it starts to implement “large scale asset allocation strategy”, and further extend portfolio assets to more risky asset categories of equity, derivative products, etc.. According to risk-return profile of target assets intended to invest and market condition changes, it dynamically adjusts the investment ratio within range to strive for realisation of continuous stable profit of account. LeRui “large scale asset allocation strategy” carries out large scale asset allocation rotation by top-down approach, realising achievement of target of higher investment return under premise of bearing limited risk. The strategy considers macroeconomic situation, financial market environment, market structure changes as well as financial instruments available for investment, supported by quantitative models, comprehensively analyses market interest rate trend, capital market demand and supply, credit risk situation as well as stock market trend, and estimates each asset’s risk-reward characteristics in long, medium and short term. It carefully chooses large scale assets with relatively better risk-reward profile, constructs allocation strategy which reflects large scale asset rotation characteristics. Calculated by cost, the fund invests not less than 80% of the total value of fund’s asset in fixed income category assets and cash category assets, and not more than 20% of the total value of fund’s asset in equity category assets. Using issuer or debt rating as basis, it cannot invest in debentures with rating lower than AA or short term financing bonds with rating lower than A-1.

Jiangsu Shentong Valve Company Limited (“Jiangsu Shentong”)

During the year ended 31 December 2018, the Group acquired certain amount of shares of Jiangsu Shentong. As at 31 December 2018, the Group held approximately 9.20 million shares of Jiangsu Shentong, representing approximately 1.89% of its issued capital, with a historical cost of cash consideration of approximately RMB53.9 million. All the shares held were sold during the six months ended 30 June 2019. Jiangsu Shentong is listed on the Shenzhen Stock Exchange (stock code 002438). It specialises in research, development, production and sale of novel special valves and is one of the suppliers of valves to the Group.

Bond Market Funds

Name of the financial assets	Number of units held as at 30 June 2019 (‘000)	Investment cost as at 30 June 2019 (RMB’000)	Fair value as at 30 June 2019 (RMB’000)	Realised investment income/(loss) for the six months ended 30 June 2019 (RMB’000)
Och-Ziff Capital Management Group LLC				
OZ Institutional Income Overseas Fund, L.P.	– ¹	198,569	205,094	2,609
Value Partners Hong Kong Limited				
Value Partners Greater China High Yield Income Fund	481	33,243	31,866	1,389

Note:

1. The investment is presented by way of fair value instead of units.

Investment strategies of bond market funds

Och-Ziff Capital Management Group LLC

OZ Institutional Income Overseas Fund, L.P. is the feeder fund for U.S. Tax Exempt and Non-U.S. investors of OZ Institutional Income Master Fund, Ltd. (together, the “**OZ Fund**”). The OZ Fund seeks to generate risk-adjusted returns across the market cycle by combining rigorous fundamental analysis and active portfolio management. In addition, in respect of the distribution tranches, it also intends to make quarterly distributions of all or a portion of the current income that includes cash dividends, interest and other similar cash proceeds. The OZ Fund’s investment objective is to invest on an unlevered basis predominantly in U.S. dollar-denominated senior secured loans, or participation interests therein, senior secured notes, second lien loans, unsecured loans, letters of credit and bonds issued by below-investment grade obligors, as well as other debt securities. The allocation of capital across industries and types of obligors will vary depending on market opportunities and other factors.

Value Partners Hong Kong Limited

Value Partners Greater China High Yield Income Fund seeks to provide capital appreciation for investors. In addition, in respect of the distribution classes, it also intends to pay monthly dividends equal to all or substantially all of the net income attributable to each of the distribution classes.

Value Partners Greater China High Yield Income Fund invests in a broadly diversified portfolio of debt securities with no fixed duration, term structure or industry sector weightings in the allocation of assets in Greater China. Selection of investments will be determined by the availability of attractive investment opportunities. It aims to achieve its investment objective by investing not less than 70% of its non-cash assets in a portfolio of debt securities issued by or fully guaranteed by (i) listed or unlisted corporations with their main operations (or majority of assets) in, or have their majority of their income derived from the Greater China Region, and (ii) governments and/or government related entities in the Greater China Region. The debt securities in which the fund may invest shall include, but are not limited to, convertible and non-convertible debt securities, fixed and floating rate bonds and high-yield bonds.

National Debt Reverse Repurchase

Name of the financial assets	Number of units held as at 30 June 2019 (‘000)	Investment cost as at 30 June 2019 (RMB‘000)	Fair value as at 30 June 2019 (RMB‘000)	Realised investment income/(loss) for the six months ended 30 June 2019 (RMB‘000)
Shanghai JunXi Investment Management Co., Ltd. (上海君犀投資管理有限公司)				
JunXi XiZhou No. 8 Private Securities Investment Fund* — National Debt Reverse Repurchase (君犀犀舟8號私募證券投資基金 — 國債逆回購)	— ¹	2,500	2,500	—

Note:

- The investment is presented by way of fair value instead of units.

Investment strategies of national debt reverse repurchase

Shanghai JunXi Investment Management Co., Ltd. (上海君犀投資管理有限公司)

JunXi XiZhou No. 8 Private Securities Investment Fund* — National Debt Reverse Repurchase (君犀犀舟8號私募證券投資基金 — 國債逆回購) constructs investment portfolio on the basis of in-depth research. Under the premises of strictly controlling the investment risks, it strives to obtain long term stable investment return. The fund will carry out top-down approach asset allocation according to macroeconomic analysis and changes in overall market valuation level, lowering market risk and pursuing higher return at the same time. The investment scope includes stocks issued and listed on the Shanghai or Shenzhen Stock Exchange (limit to shares issued from the conversion of convertible bonds or exchangeable bonds only), bonds and asset-backed securities issued and traded in the Shanghai or Shenzhen Stock Exchange or interbank market, asset-backed notes issued and traded in interbank market, fixed income securities of securities companies, bond repurchases, pledge-style quoted repurchase agreement in the Shanghai or Shenzhen Stock Exchange, cash, bank deposits (including fixed deposits, agreement deposits, structured deposits and other bank deposits), publicly offered funds, bank financial investment products, asset management plans of securities companies, insurance companies and future companies, asset management plans for specific clients of fund managers, privately offered funds issued by privately offered securities investment fund manager who are registered and published on the official website of the Asset Management Association of China. The investment restrictions of the fund include: 1. must not invest in funds without custodian or safekeeping financial institutions (commercial banks, securities companies); 2. must not invest in partnership shares without filings in the Asset Management Association of China; 3. must not invest in subordinated share of structured financial product, and the priority rating of invested asset-backed securities and asset-backed notes shall be AAA; 4. the fund’s total fund asset value shall not exceed 160% of fund net asset value; 5. must not participate in subscription of non-public issued shares in stock exchange; 6. the debt rating of invested debentures must be AA or above. If the invested debentures do not have a debt rating or their debt ratings do not reach AA or above, their issuer ratings shall be AA or above. Interest rate securities such as national debts, policy financial bonds, local debts, etc., are not restricted by ratings.

Investment Strategy and Future Prospects

The Group's investments in financial assets at fair value through profit or loss have been conducted on the premises that such investments would not affect the working capital of the Group or the daily operation of the Group's principal business. Such investments are conducive to improving the capital usage efficiency and generating investment returns from the Group's temporarily idle funds. Giving top priority to prevention of excessive risk, the Company implemented control and made prudent decisions in respect of such investments on the principle of protecting the interests of its shareholders as a whole and the Company. On one hand, the Company is able to generate a relatively higher returns from such investments than fixed-term bank deposits, while at the same time the Company is still able to retain flexibility in redeeming the investments whenever it foresees there is a cash need.

Subject to any unforeseeable changes in China's and global economic, political and social conditions, the Company currently expects that the Group will continue to make such investments as and where appropriate pursuant to the investment strategy mentioned above. It is currently expected that barring any unforeseeable circumstances, such investments would continue to generate additional returns for the Group.

PURCHASE, SALES OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2019.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company acknowledges the importance of good corporate governance practices and believes that it is essential to the development of the Group and to safeguard the interests of the equity holders. The Directors are of the opinion that the Company has complied with the code provisions as set out in the Code on Corporate Governance Practices (the "**CG Code**") in Appendix 14 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on the Stock Exchange throughout the six months ended 30 June 2019, save for the following deviations:

Under code provision A.2.1 of the CG Code, the role of chairman and chief executive officer should be separate and should not be performed by the same individual. Currently, Mr. HAN Jingyuan serves as the Chairman of the Board and the Chief Executive Officer of the Company. The Board believes that there is no immediate need to segregate the roles of Chairman and the Chief Executive Officer of the Company because the role of chief executive officer/general manager of the Company's major operating subsidiaries are performed by other persons. The Board will consider the segregation of the roles of the Chairman and the Chief Executive Officer of the Company in light of the future development of the operating activities or businesses of the Group.

Under code provision A.4.2 of the CG Code, all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after appointment. Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. Article 86(2) of the Bye-laws of the Company (the “**Bye-laws**”) provides that, amongst other things, the directors shall have the power from time to time and at any time to appoint any person as a director, either to fill a casual vacancy on the Board, or, subject to authorisation by the shareholders in general meeting, as an addition to the existing Board. Any director so appointed by the Board shall hold office until the next following annual general meeting of the Company and shall then be eligible for re-election at that meeting. In light of the Bye-laws, any director so appointed as aforesaid shall hold office until the next annual general meeting. This constitutes as a deviation from code provision of A.4.2 of the CG Code. Given the time between filling a casual vacancy and the next general meeting was generally too short to require a re-election, therefore the Company adopts the re-election to take place at the next annual general meeting instead. The Company believes that it is in the best interest of the Company’s shareholders to transact this ordinary course of business in the annual general meeting.

Under code provision C.2.5 of the CG Code and the related notes of the CG Code, the Company should have an internal audit function which generally carries out the analysis and independent appraisal of the adequacy and effectiveness of the Group’s risk management and internal control systems. While the PRC internal audit function of the Company was established since January 2018, other internal audit function is merged with the finance function during the six months ended 30 June 2019. During the period, the Group conducted a review on the need for setting up an independent internal audit department. Taking into account the size and complexity of the operations of the Group, the Company considers that the existing organisation structure and the close supervision of the management could provide sufficient internal control and risk management for the Group. The audit committee of the Board and the Board regularly review the effectiveness of the internal control systems and the risk management of the Group. The Board will review the need to set up an independent internal audit function on an annual basis.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as its own code for dealing in securities of the Company by the Directors. The Company has made specific enquiry of all Directors and all Directors have confirmed that they have complied with the required standard as set out in the Model Code during the six months ended 30 June 2019.

AUDIT COMMITTEE

During the six months ended 30 June 2019, the audit committee of the Company (“**Audit Committee**”) comprised three Independent Non-executive Directors, namely Mr. WONG Man Chung, Francis as the Chairman of the Audit Committee and Mr. WANG Tianyi and Mr. WANG Bing as the members of the Audit Committee.

The Audit Committee has reviewed the Group's condensed consolidated financial information for the six months ended 30 June 2019 and has also discussed the internal control, the accounting principles and practices adopted by the Group. The Audit Committee is of the opinion that the condensed consolidated financial information have been prepared in accordance with the applicable accounting standards, the Listing Rules and the statutory requirements and that adequate disclosures have been made in the interim report.

CLOSURE OF THE REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 16 September 2019 to Wednesday, 18 September 2019 (both days inclusive), during which period no transfer of shares of the Company may be registered, for the purposes of ascertaining shareholders' entitlement for the proposed interim and special dividend. The record date for the proposed interim and special dividend shall be Wednesday, 18 September 2019. In order to qualify for the proposed interim and special dividend, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Friday, 13 September 2019.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2019

The interim results announcement of the Company for the six months ended 30 June 2019 is published on both the websites of the Company (www.chinaorientalgroup.com) and the Stock Exchange (www.hkexnews.hk). The interim report of the Company for the six months ended 30 June 2019 will be dispatched to shareholders of the Company and published on the aforesaid websites in due course.

APPRECIATION

The Board would like to take this opportunity to extend its deepest gratitude to its staff for their hard work and dedication to the Group, and to its shareholders for their continuous trust and support in the Company.

By order of the Board
China Oriental Group Company Limited
Han Jingyuan
Chairman and Chief Executive Officer

Hong Kong, 29 August 2019

As at the date of this announcement, the Board of Directors of the Company comprises Mr. Han Jingyuan, Mr. Zhu Jun, Mr. Shen Xiaoling, Mr. Zhu Hao and Mr. Han Li being the Executive Directors, Mr. Ondra Otradovec being the Non-executive Director and Mr. Wong Man Chung, Francis, Mr. Wang Tianyi and Mr. Wang Bing being the Independent Non-executive Directors.