

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



**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)**

**ANNOUNCEMENT OF 2019 ANNUAL RESULTS**

**FINANCIAL HIGHLIGHTS**

	<b>Year ended 31 December</b>		
	<b>2019</b>	2018	Changes
Sales volume ( <i>tonnes</i> )			
— Self-manufactured steel products	<b>8.93 million</b>	10.45 million	(14.6%)
— Trading of steel products	<b>0.09 million</b>	0.08 million	12.5%
	<b>9.02 million</b>	10.53 million	(14.3%)
Revenue (RMB)			
— Sales of self-manufactured steel products	<b>30.28 billion</b>	35.68 billion	(15.1%)
— Sales of properties	<b>0.10 billion</b>	0.19 billion	(46.2%)
— Trading of iron ore and steel products and others	<b>12.63 billion</b>	4.91 billion	157.2%
	<b>43.01 billion</b>	40.78 billion	5.5%
Gross profit (RMB)			
— Sales of self-manufactured steel products	<b>3,826 million</b>	6,602 million	(42.0%)
— Sales of properties	<b>19 million</b>	72 million	(73.6%)
— Trading of iron ore and steel products and others	<b>306 million</b>	117 million	161.5%
	<b>4,151 million</b>	6,791 million	(38.9%)
Gross profit per tonne (RMB)			
— Sales of self-manufactured steel products	<b>428</b>	632	(32.3%)

\* For identification purposes only

	Year ended 31 December		
	2019	2018	Changes
EBITDA <sup>1</sup> (RMB)	<b>5,331 million</b>	7,619 million	(30.0%)
EBITDA margin	<b>12.4%</b>	18.7%	N/A
EBIT <sup>2</sup> (RMB)	<b>4,134 million</b>	6,459 million	(36.0%)
EBIT margin	<b>9.6%</b>	15.8%	N/A
Profit before income tax (RMB)	<b>4,065 million</b>	6,299 million	(35.5%)
Profit for the year (RMB)	<b>3,267 million</b>	4,861 million	(32.8%)
Profit attributable to owners of the Company (RMB)	<b>3,210 million</b>	4,782 million	(32.9%)
Basic earnings per share (RMB)	<b>0.86</b>	1.31	(34.4%)
Final dividends per share (HK\$)	<b>0.09</b>	0.11	(18.2%)
Special dividends per share (HK\$)	–	0.07	(100.0%)
Total dividends per share for the year <sup>5</sup> (HK\$)	<b>0.24</b>	0.37	(35.1%)
Return on equity <sup>3</sup>	<b>17.4%</b>	30.5%	N/A
	As at 31 December		
	2019	2018	Changes
Total assets (RMB)	<b>35.41 billion</b>	29.61 billion	19.6%
Net assets value per share (exclude non-controlling interests) (RMB)	<b>5.24</b>	4.68	12.0%
Debt-to-capital ratio <sup>4</sup>	<b>28.9%</b>	15.9%	N/A

<sup>1</sup> China Oriental Group Company Limited (the “**Company**”) defines EBITDA as profit for the year 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 year ended 31 December 2019, there were no adjustments of non-recurring items in the calculation (2018: RMB34 million).

<sup>2</sup> The Company defines EBIT as profit for the year before finance costs — net, income tax expense and non-recurring items. During the year ended 31 December 2019, there were no adjustments of non-recurring items in the calculation (2018: RMB34 million).

<sup>3</sup> 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 year.

<sup>4</sup> Debt-to-capital ratio is calculated as total debt divided by total capital. Total debt includes current and non-current borrowings, lease liabilities and loans from related parties. Total capital includes non-current borrowings, non-current lease liabilities and equity attributable to owners of the Company.

<sup>5</sup> Total dividends per share for the year include interim dividend of HK\$0.10 per share and special dividend of HK\$0.05 per share (2018: HK\$0.19 per share).

The board (the “**Board**”) of directors (the “**Director(s)**”) of the Company is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2019 together with the comparative figures as follows:

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Year ended 31 December	
		2019	2018
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	3	<b>43,014,224</b>	40,782,302
Cost of sales	4	<b>(38,863,112)</b>	(33,991,503)
<b>Gross profit</b>		<b>4,151,112</b>	6,790,799
Other income	5	<b>187,139</b>	35,394
Distribution costs	4	<b>(82,321)</b>	(85,817)
Administrative expenses	4	<b>(647,678)</b>	(735,705)
(Provision for)/reversal of impairment on financial assets, net	4	<b>(5,231)</b>	218,371
Other expenses	4	<b>(27,484)</b>	(23,148)
(Losses)/gains from derivative financial instruments	6	<b>(111,661)</b>	29,872
Other gains — net	7	<b>619,796</b>	231,311
<b>Operating profit</b>		<b>4,083,672</b>	6,461,077
Finance income	8	<b>73,748</b>	35,721
Finance costs	8	<b>(143,330)</b>	(161,315)
Finance costs — net		<b>(69,582)</b>	(125,594)
Impairment loss on investment in an associate		—	(34,122)
Share of results of associates and a joint venture		<b>50,704</b>	(1,941)
<b>Profit before income tax</b>		<b>4,064,794</b>	6,299,420
Income tax expense	9	<b>(797,869)</b>	(1,438,899)
<b>Profit for the year</b>		<b>3,266,925</b>	4,860,521
<b>Profit attributable to:</b>			
Owners of the Company		<b>3,210,309</b>	4,781,678
Non-controlling interests		<b>56,616</b>	78,843
		<b>3,266,925</b>	4,860,521
<b>Earnings per share for profit attributable to owners of the Company</b> (expressed in RMB per share)			
— Basic earnings per share	10	<b>RMB0.86</b>	RMB1.31
— Diluted earnings per share	10	<b>RMB0.86</b>	RMB1.31

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
<b>Profit for the year</b>	<b>3,266,925</b>	4,860,521
Other comprehensive income:		
<i>Item that may be reclassified subsequently to profit or loss</i>		
Fair value (losses)/gains on debt investments at fair value through other comprehensive income	(6,960)	5,735
<i>Item that will not be reclassified subsequently to profit or loss</i>		
Fair value gains on equity investments at fair value through other comprehensive income	14,516	–
<i>Item reclassified to profit or loss</i>		
Transfer of fair value gains previously credited to reserve to statement of profit or loss upon disposal of debt investments at fair value through other comprehensive income	–	(2,635)
	<u>7,556</u>	<u>3,100</u>
<b>Total comprehensive income for the year</b>	<b><u>3,274,481</u></b>	<b><u>4,863,621</u></b>
<b>Attributable to:</b>		
Owners of the Company	3,217,865	4,784,778
Non-controlling interests	56,616	78,843
	<u>3,274,481</u>	<u>4,863,621</u>

## CONSOLIDATED BALANCE SHEET

		As at 31 December	
	Note	2019	2018
		RMB'000	RMB'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Leasehold land and land use rights	12	–	181,499
Property, plant and equipment	12	9,586,054	7,559,747
Right-of-use assets	12	278,442	–
Investment properties	12	125,667	187,184
Intangible assets	12	1,039,546	129,647
Investment in associates and a joint venture		136,072	121,858
Financial assets at fair value through other comprehensive income		720,468	487,376
Financial assets at fair value through profit or loss	19	211,620	243,120
Prepayments, deposits and other receivables	13	1,812,460	729,364
Loan receivables	17	200,000	720,000
Deferred income tax assets		278,838	270,989
<b>Total non-current assets</b>		<b>14,389,167</b>	<b>10,630,784</b>
<b>Current assets</b>			
Properties under development and held for sale	14	116,639	168,790
Inventories	15	4,093,435	3,107,511
Trade receivables	16	1,201,005	661,951
Prepayments, deposits and other receivables	13	1,616,370	1,439,935
Amounts due from related parties		127,544	185,906
Prepaid current income tax		36,864	29,176
Loan receivables	17	1,014,000	40,328
Notes receivable — bank acceptance notes	18	1,517,684	1,364,128
Derivative financial instruments		2,513	2,157
Financial assets at fair value through other comprehensive income		30,637	–
Financial assets at fair value through profit or loss	19	3,347,778	6,567,243
Restricted bank balances		1,082,560	527,542
Cash and cash equivalents		4,630,945	2,845,229
Structured bank deposits	20	2,200,100	2,037,900
<b>Total current assets</b>		<b>21,018,074</b>	<b>18,977,796</b>
<b>Total assets</b>		<b>35,407,241</b>	<b>29,608,580</b>
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital		380,628	380,628
Share premium		3,532,234	3,532,234
Other reserves		1,610,422	1,473,735
Retained earnings		13,978,397	12,020,989
		19,501,681	17,407,586
<b>Non-controlling interests</b>		<b>321,814</b>	<b>273,962</b>
<b>Total equity</b>		<b>19,823,495</b>	<b>17,681,548</b>

## CONSOLIDATED BALANCE SHEET (CONTINUED)

		As at 31 December	
		2019	2018
		<i>RMB'000</i>	<i>RMB'000</i>
	<i>Note</i>		
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings		1,318,699	162,000
Lease liabilities		90,661	–
Deferred revenue		162,265	120,136
Deferred income tax liabilities		32,147	21,283
		<hr/>	<hr/>
<b>Total non-current liabilities</b>		<b>1,603,772</b>	<b>303,419</b>
<b>Current liabilities</b>			
Trade payables	21	5,048,774	4,157,453
Accruals and other current liabilities		2,394,627	2,087,437
Contract liabilities	3(c)	1,457,738	1,629,944
Amounts due to related parties		48,047	59,118
Current income tax liabilities		411,828	1,070,382
Lease liabilities		15,155	–
Derivative financial instruments		16,859	15,778
Borrowings		4,579,905	2,603,357
Dividends payable		7,041	144
		<hr/>	<hr/>
<b>Total current liabilities</b>		<b>13,979,974</b>	<b>11,623,613</b>
<b>Total liabilities</b>		<b>15,583,746</b>	<b>11,927,032</b>
		<hr/> <hr/>	<hr/> <hr/>
<b>Total equity and liabilities</b>		<b>35,407,241</b>	<b>29,608,580</b>
		<hr/> <hr/>	<hr/> <hr/>

## SELECTED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 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 (“**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 (the “**Stock Exchange**”) 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 sales 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.

These consolidated financial statements are presented in thousands of units of RMB, unless otherwise stated. These consolidated financial statements have been approved for issue by the Board on 31 March 2020.

### 2. BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“**HKFRS**”) issued by Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the disclosure requirements of the Hong Kong Companies Ordinance Cap 622. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets at fair value through other comprehensive income, financial assets at fair value through profit or loss and derivative financial instruments, which are carried at fair value.

The preparation of consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

#### (a) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2019:

- |  |  |
|--|--|
| • 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            |
| • Annual Improvements to HKFRS “2015–2017 Cycle” |  |

The Group had to change its accounting policies following the adoption of HKFRS 16. For details, please refer to Note 2(c). The other amendments listed above did not have any significant impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

**(b) New standards and interpretations not yet adopted by the Group**

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:

		<b>Effective for annual periods beginning on or after</b>
Amendments to HKAS 1 and HKAS 8	Definition of Material	1 January 2020
Amendments to HKFRS 3	Definition of a Business	1 January 2020
Amendments to HKAS 39, HKFRS 7 and HKFRS 9	Hedge Accounting	1 January 2020
Revised Conceptual Framework	Revised Conceptual Framework for Financial Reporting	1 January 2020
HKFRS 17	Insurance Contracts	1 January 2021
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

**(c) Changes in accounting policy**

This note explains the impact of the adoption of HKFRS 16 “Leases” (“**HKFRS 16**”) on the Group’s financial information.

The Group has adopted HKFRS 16 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 rules 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” (“**HKAS 17**”). 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) Practical expedients applied*

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

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review — there were no onerous contracts as at 1 January 2019;
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- excluding initial direct costs for the measurement of the right-of-use assets at the date of initial application; and
- using hindsight in determining the lease term where the contract contains options to extend or terminate 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 HK(IFRIC) 4 “Determining whether an Arrangement contains a Lease”.

(ii) *Measurement of lease liabilities*

	<i>RMB'000</i>
Operating lease commitments disclosed as at 31 December 2018	131,888
Discounted using the lessee’s incremental borrowing rate as at the date of initial application	94,436
Less: short-term leases not recognised as a liability	<u>(9,112)</u>
Lease liabilities recognised as at 1 January 2019	85,324
Add: reclassification of leasehold land and land use rights	<u>181,499</u>
Right-of-use assets recognised as at 1 January 2019	<u><u>266,823</u></u>
Of lease liabilities are:	
Current lease liabilities	3,622
Non-current lease liabilities	<u>81,702</u>
	<u><u>85,324</u></u>

(iii) *Measurement of right-of-use assets*

The right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 1 January 2019.

(iv) *Adjustments recognised in the balance sheet on 1 January 2019*

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

- Right-of-use assets — increase by approximately RMB266,823,000
- Leasehold land and land use rights — decrease by approximately RMB181,499,000
- 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.

(v) *Lessor accounting*

The Group did not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of HKFRS 16.

### 3. SALES AND SEGMENT INFORMATION

#### (a) Sales

The Group is principally engaged in the manufacture and sales of iron and steel products, trading of steel products and iron ore and real estate business. Sales recognised for the years ended 31 December 2019 and 2018 were as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Sales		
— H-section steel products	12,084,633	12,440,612
— Iron ore	10,986,474	3,345,394
— Strips and strip products	8,069,055	11,554,034
— Rebar	4,539,062	7,318,931
— Sheet piling	2,863,994	2,158,645
— Billets	1,707,982	1,120,929
— Cold rolled sheets and galvanised sheets	1,360,682	1,412,960
— Real estate	104,549	194,222
— Others	1,297,793	1,236,575
	<u>43,014,224</u>	<u>40,782,302</u>

#### (b) 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 sales of iron and steel products and trading of steel products and iron ore; and
- (ii) Real estate — Development and sales 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 annual financial statements.

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

	Year ended 31 December 2019		
	Iron and steel RMB'000	Real estate RMB'000	Total RMB'000
<b>Revenue</b>	<u>42,909,675</u>	<u>104,549</u>	<u>43,014,224</u>
<b>Segment results:</b>			
<b>Operating profit</b>	<b>4,066,976</b>	<b>16,696</b>	<b>4,083,672</b>
Finance costs — net	(64,042)	(5,540)	(69,582)
Share of results of associates and a joint venture	<u>50,704</u>	<u>—</u>	<u>50,704</u>
Profit before income tax			<b>4,064,794</b>
Income tax expense			<u>(797,869)</u>
<b>Profit for the year</b>			<b><u>3,266,925</u></b>
<b>Other profit or loss items</b>			
Depreciation and amortisation	<u>1,195,399</u>	<u>1,492</u>	<u>1,196,891</u>
<b>Capital expenditure</b>	<u>4,293,022</u>	<u>452</u>	<u>4,293,474</u>
	Year ended 31 December 2018		
	Iron and steel RMB'000	Real estate RMB'000	Total RMB'000
<b>Revenue</b>	<u>40,588,080</u>	<u>194,222</u>	<u>40,782,302</u>
<b>Segment results:</b>			
<b>Operating profit</b>	<b>6,404,759</b>	<b>56,318</b>	<b>6,461,077</b>
Finance costs — net	(124,617)	(977)	(125,594)
Impairment loss on investment in an associate	(34,122)	—	(34,122)
Share of results of associates and a joint venture	<u>(1,941)</u>	<u>—</u>	<u>(1,941)</u>
Profit before income tax			6,299,420
Income tax expense			<u>(1,438,899)</u>
<b>Profit for the year</b>			<b><u>4,860,521</u></b>
<b>Other profit or loss items</b>			
Depreciation and amortisation	<u>1,158,805</u>	<u>1,459</u>	<u>1,160,264</u>
<b>Capital expenditure</b>	<u>838,407</u>	<u>6</u>	<u>838,413</u>

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, loan receivables, properties under development and held for sale, prepayments, deposits and other receivables, inventories, trade 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 deferred revenue, amounts due to related parties, trade payables, contract liabilities, accruals and other current liabilities and lease liabilities.

The segment assets and liabilities as at 31 December 2019 were as follows:

	<b>Iron and steel</b> <i>RMB'000</i>	<b>Real estate</b> <i>RMB'000</i>	<b>Elimination</b> <i>RMB'000</i>	<b>Total</b> <i>RMB'000</i>
<b>Segment assets</b>	<u>28,153,021</u>	<u>779,713</u>	<u>(354,311)</u>	<u>28,578,423</u>
Segment assets for reportable segments				28,578,423
<b>Unallocated:</b>				
Deferred income tax assets				278,838
Financial assets at fair value through other comprehensive income				751,105
Financial assets at fair value through profit or loss				3,559,398
Derivative financial instruments				2,513
Structured bank deposits				2,200,100
Prepaid current income tax				<u>36,864</u>
Total assets per balance sheet				<u><u>35,407,241</u></u>
<b>Segment liabilities</b>	<u>9,034,917</u>	<u>536,661</u>	<u>(354,311)</u>	<u>9,217,267</u>
Segment liabilities for reportable segments				9,217,267
<b>Unallocated:</b>				
Current income tax liabilities				411,828
Current borrowings				4,579,905
Non-current borrowings				1,318,699
Derivative financial instruments				16,859
Dividends payable				7,041
Deferred income tax liabilities				<u>32,147</u>
Total liabilities per balance sheet				<u><u>15,583,746</u></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>
<b>Segment assets</b>	<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
<b>Unallocated:</b>				
Deferred income tax assets				270,989
Financial assets at fair value through other comprehensive income				487,376
Financial assets at fair value through profit or loss				6,810,363
Derivative financial instruments				2,157
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>
<b>Segment liabilities</b>	<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
<b>Unallocated:</b>				
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>

**(c) Liabilities related to contracts with customers**

The Group has recognised following liabilities related to contracts with customers:

	<b>As at 31 December</b>	
	<b>2019</b>	2018
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Iron and steel	<b>1,432,776</b>	1,541,512
Real estate	<b>24,962</b>	88,432
Total contract liabilities	<u><b>1,457,738</b></u>	<u>1,629,944</u>

The following table shows how much of the revenue recognised for the year ended 31 December 2019 and 2018 related to carried-forward contract liabilities:

	<b>Year ended 31 December</b>	
	<b>2019</b>	2018
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Iron and steel	<b>1,541,512</b>	1,440,144
Real estate	<b>88,432</b>	56,695
Total revenue	<u><b>1,629,944</b></u>	<u>1,496,839</u>

#### 4. EXPENSES BY NATURE

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Employee benefit expense	1,118,634	1,087,756
Changes in inventories of finished goods and work in progress	(68,793)	294,401
Raw materials used and cost of goods sold for trading	35,362,477	29,858,023
Cost of properties sold	85,600	122,459
Utilities	1,526,999	1,667,953
Depreciation of property, plant and equipment (Note 12)	1,158,046	1,131,372
Amortisation of intangible assets (Note 12)	12,469	11,550
Amortisation of leasehold land and land use rights (Note 12)	–	5,812
Depreciation of investment properties (Note 12)	8,608	11,530
Depreciation of right-of-use assets (Note 12)	17,768	–
Provision for impairment of trade receivables (Note 16)	10,126	17,873
Reversal of impairment of prepayments, deposits and other receivables (Note 13)	(4,895)	(234,035)
Reversal of impairment of loan receivables (Note 17)	–	(2,209)
Tax	134,432	154,179
Research and technical consulting fee	80,065	113,269
Rental fee	8,051	181,570
Auditors' remuneration		
— Audit services	4,550	4,538
— Non-audit services	570	2,281
Export fee	4,188	6,622
Others	166,931	182,858
Total	<u>39,625,826</u>	<u>34,617,802</u>

#### 5. OTHER INCOME

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Interest income from loan receivables	89,094	4,985
Dividend income from financial assets at fair value through other comprehensive income	82,092	6,319
Interest income from financial assets at fair value through other comprehensive income	5,278	8,279
Rental income from investment properties	10,645	15,783
Others	30	28
Total	<u>187,139</u>	<u>35,394</u>

## 6. (LOSSES)/GAINS FROM DERIVATIVE FINANCIAL INSTRUMENTS

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Investment (losses)/gains from foreign currency forward contracts (a)	(19,639)	18,559
Investment gains/(losses) from foreign currency, interest rate and iron ore swap contracts (b)	1,646	(252)
Investment (losses)/gains from iron ore, rebar and alloy future contracts (c)	(94,095)	11,565
Investment gains from rebar and coke future option contracts (d)	427	–
Total	<u>(111,661)</u>	<u>29,872</u>

- (a) As at 31 December 2019, realised losses amounted to RMB17.3 million and unrealised losses amounted to RMB2.3 million (2018: realised gains amounted to RMB33.4 million and unrealised losses amounted to RMB14.8 million) were derived from foreign currency forward contracts. A derivative financial liability of RMB2.3 million was recognised on balance sheet as at 31 December 2019 accordingly.
- (b) As at 31 December 2019, realised gains amounted to RMB1.6 million (2018: unrealised losses amounted to RMB0.3 million) was derived from foreign currency, interest rate and iron ore swap contracts.
- (c) As at 31 December 2019, realised losses amounted to RMB82.0 million and unrealised losses amounted to RMB12.1 million (2018: realised gains amounted to RMB10.1 million and unrealised gains amounted to RMB1.5 million) were derived from iron ore, rebar and alloy future contracts. A derivative financial asset of RMB2.5 million and a derivative financial liability of RMB14.6 million were recognised on balance sheet as at 31 December 2019 accordingly.
- (d) As at 31 December 2019, realised gains amounted to RMB0.4 million was derived from rebar and coke future option contracts.

## 7. OTHER GAINS — NET

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Government grants	82,260	147,609
Fair value gains/(losses) of financial assets at fair value through profit or loss	210,754	(3,416)
Investment income from financial assets at fair value through profit or loss	227,330	203,646
Gains on disposal of financial assets at fair value through other comprehensive income	–	2,635
Investment income from structured bank deposits	44,503	–
Gains/(losses) on disposal of property, plant and equipment	119,925	(214,734)
(Losses)/gains on disposal of investment property	(7,017)	2,529
Gains of raw materials and by-products	16,790	15,890
Other foreign exchange gains — net	13,040	32,603
Losses on derecognition of notes receivable	(116,970)	–
Others, net	29,181	44,549
Total other gains — net	<u>619,796</u>	<u>231,311</u>

## 8. FINANCE INCOME AND COSTS

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Interest expenses		
— borrowings	(135,955)	(89,923)
— discount of notes receivable	—	(44,601)
— lease liabilities	(4,790)	(11,688)
Net foreign exchange losses on borrowings and dividends payable	(51,965)	(17,443)
	<u>(192,710)</u>	<u>(163,655)</u>
Finance costs	(192,710)	(163,655)
Less: amounts capitalised as qualifying assets	49,380	2,340
	<u>(143,330)</u>	<u>(161,315)</u>
Total finance costs	(143,330)	(161,315)
Interest income		
— bank deposits	69,127	29,552
— other receivables and amounts due from related parties	4,621	6,169
	<u>73,748</u>	<u>35,721</u>
Total finance income	73,748	35,721
Finance costs — net	<u>(69,582)</u>	<u>(125,594)</u>

## 9. INCOME TAX EXPENSE

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Current income tax		
— PRC enterprise income tax (the “EIT”)	772,928	1,544,702
— Singapore profit tax	21,926	3,369
Deferred income tax	3,015	(109,172)
	<u>797,869</u>	<u>1,438,899</u>

The Company was incorporated in Bermuda as an exempted company with limited liability under the Companies Act 1981 of Bermuda and, accordingly, is exempted from payment of Bermuda income tax.

The subsidiaries directly held by the Company were incorporated in British Virgin Islands (“BVI”) with limited liability under the International Business Companies Act Chapter 291 and, accordingly, are exempted from payment of BVI income tax.

No Hong Kong profits tax has been provided since the Company and the subsidiaries traded or incorporated in Hong Kong do not have assessable taxable profits during the year ended 31 December 2019 after utilising accumulated tax losses (2018: nil).



China Oriental Singapore Pte. Limited (“**China Oriental Singapore**”) has been awarded the “Global Trader Programme” status since 1 April 2011 and continued to be awarded from 1 January 2019 for 5 years. Income from qualifying transactions will be taxed at the concessionary corporate tax rate of 10%, subject to China Oriental Singapore meeting certain terms and conditions as stated in the letter issued by International Enterprise Singapore.

The PRC EIT is calculated based on the statutory profit of subsidiaries incorporated in the Mainland China in accordance with the PRC tax laws and regulations, after adjustments on certain income and expense items which are non-taxable or non-deductible for income tax purposes. The EIT rate applicable to the subsidiaries incorporated in the Mainland China is 25% (2018: 25%) except for Zhongjin Finance Leasing Company Limited (“**Zhongjin Leasing**”).

Zhongjin Leasing qualified as a key encouraged industry enterprise and was established in an economically difficult zone. Approved by local tax authority in 2017, Zhongjin Leasing was entitled to a four-year full tax exemption, from 2017 to 2020. As at 31 December 2019, the effective tax rate of Zhongjin Leasing was nil (2018: nil).

According to the applicable PRC tax regulations, dividends distributed by a company established in the Mainland China to a foreign investor with respect to profits derived after 1 January 2008 are generally subject to withholding tax (“**WHT**”) at rate of 10%. If a foreign investor incorporated in Hong Kong meets the conditions and requirements under the double taxation treaty arrangement entered into between the Mainland China and Hong Kong, the relevant rate of WHT will be reduced from 10% to 5%. During the year ended 31 December 2019, the distribution of dividends among Hebei Jinxi Iron and Steel Group Company Limited (“**Jinxi Limited**”) and certain foreign subsidiaries of the Group was subject to WHT at rate of 5%.

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 23.77% (2018: 24.93%) to respective profits of the consolidated entities for the years ended 31 December 2019 and 2018 as follows:

	<b>Year ended 31 December</b>	
	<b>2019</b>	2018
	<b>RMB’000</b>	RMB’000
Profit before taxation	<b>4,064,794</b>	6,299,420
Taxation calculated at statutory tax rate	<b>966,394</b>	1,570,294
Tax exemption of a subsidiary established in specific area	<b>(123,977)</b>	(124,725)
Temporary differences and tax losses for which no deferred income tax asset was recognised	<b>10,314</b>	26,941
Reversal of withholding tax on investment in an associate	–	(10,237)
Withholding tax on dividends from subsidiaries	<b>102,044</b>	120,662
Utilisation of previously unrecognised tax losses and temporary differences	<b>(54,538)</b>	(90,069)
Withholding tax on intra-group interest	<b>527</b>	277
Effect of non-taxable income	<b>(99,954)</b>	(57,653)
Effect of non-deductible expenses	<b>2,061</b>	3,409
Deductible investment in environmental protection equipment	<b>(5,002)</b>	–
	<b>797,869</b>	1,438,899

## 10. 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 year.

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Profit attributable to owners of the Company	3,210,309	4,781,678
Weighted average number of ordinary shares in issue ( <i>thousands</i> )	3,722,569	3,655,434
Basic earnings per share ( <i>RMB per share</i> )	<u>0.86</u>	<u>1.31</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. For the year ended 31 December 2018, the Company has one category of dilutive potential ordinary shares: share options. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options. As at 31 December 2019 and 2018, the Company did not have any dilutive potential ordinary share.

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Profit attributable to owners of the Company	<u>3,210,309</u>	<u>4,781,678</u>
Weighted average number of ordinary shares in issue used in calculating basic earnings per share ( <i>thousands</i> )	3,722,569	3,655,434
Adjustments for options ( <i>thousands</i> )	<u>–</u>	<u>4,738</u>
Weighted average number of ordinary shares and potential ordinary shares issued as the denominator in calculating diluted earnings per share ( <i>thousands</i> )	<u>3,722,569</u>	<u>3,660,172</u>
Diluted earnings per share ( <i>RMB per share</i> )	<u>0.86</u>	<u>1.31</u>

## 11. DIVIDENDS

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Interim, paid (a) (b)	504,428	613,395
Final, paid (c)	–	574,170
Final, proposed (d)	306,118	–

- (a) 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. The proposed dividend was paid during the year ended 31 December 2019.
- (b) 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.
- (c) 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. This proposed dividend was approved by the shareholders of the Company on the Annual General Meeting of the Company dated 3 June 2019 and was paid during the year ended 31 December 2019.
- (d) At the Board meeting held on 31 March 2020, the Board proposed a final dividend of HK\$335.0 million (approximately RMB306.1 million), representing HK\$0.09 per ordinary share in respect of the year ended 31 December 2019.

## 12. CAPITAL EXPENDITURE

	Leasehold land and land use rights RMB'000	Property, plant and equipment RMB'000	Right-of-use assets RMB'000	Investment properties RMB'000	Intangible assets RMB'000
<b>Year ended 31 December 2019</b>					
Closing carrying amount as at 31 December 2018	181,499	7,559,747	–	187,184	129,647
Change in accounting policy — HKFRS 16 (Note 2(c)(ii))	(181,499)	–	266,823	–	–
Opening carrying amount as at 1 January 2019	–	7,559,747	266,823	187,184	129,647
Additions	–	3,341,719	29,387	–	922,368
Disposals	–	(157,366)	–	(52,909)	–
Depreciation and amortisation (Note 4)	–	(1,158,046)	(17,768)	(8,608)	(12,469)
Closing carrying amount as at 31 December 2019	–	9,586,054	278,442	125,667	1,039,546

	Leasehold land and land use rights <i>RMB'000</i>	Property, plant and equipment <i>RMB'000</i>	Investment properties <i>RMB'000</i>	Intangible assets <i>RMB'000</i>
<b>Year ended 31 December 2018</b>				
<b>Opening carrying amount as at 1 January 2018</b>	187,311	8,160,582	238,920	94,132
Additions	–	838,300	–	47,065
Transfer from completed properties held for sale	–	–	5,553	–
Disposals	–	(307,763)	(45,759)	–
Depreciation and amortisation ( <i>Note 4</i> )	(5,812)	(1,131,372)	(11,530)	(11,550)
<b>Closing carrying amount as at 31 December 2018</b>	<u>181,499</u>	<u>7,559,747</u>	<u>187,184</u>	<u>129,647</u>

### 13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 December	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
<b>Non-current</b>		
Prepayments for purchase of long-term assets	<b>1,690,315</b>	922,796
Less: impairment provision ( <i>Note 4</i> )	<b>(234,235)</b>	(234,235)
Prepayments for purchase of long-term assets — net	<b>1,456,080</b>	688,561
Deposits for purchase of right-of-use assets	<b>300,000</b>	–
Lease receivables	<b>56,380</b>	40,803
	<b>1,812,460</b>	729,364
<b>Current</b>		
Prepayments for purchase of inventories	<b>858,233</b>	949,849
Other receivables	<b>428,316</b>	379,729
Less: impairment provision ( <i>Note 4</i> )	<b>(198,621)</b>	(203,516)
Other receivables — net	<b>229,695</b>	176,213
Prepaid tax	<b>130,628</b>	139,285
Deposits	<b>335,940</b>	161,279
National debt reverse repurchase	<b>35,100</b>	–
Prepaid expenses	<b>13,136</b>	9,610
Lease receivables	<b>13,638</b>	3,699
	<b>1,616,370</b>	1,439,935
	<b>3,428,830</b>	2,169,299

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

#### 14. PROPERTIES UNDER DEVELOPMENT AND HELD FOR SALE

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Properties under development comprise:		
— Land use rights	38,942	—
Completed properties held for sale	77,697	168,790
	<u>116,639</u>	<u>168,790</u>

The properties under development and held for sale are all located in the PRC. The related land use rights are on leases of 40 to 70 years.

#### 15. INVENTORIES

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Raw materials and materials in-transit	2,855,933	1,938,802
Work-in-progress	798,335	653,016
Finished goods	466,989	547,665
Less: impairment provision	(27,822)	(31,972)
Inventories — net	<u>4,093,435</u>	<u>3,107,511</u>

As at 31 December 2019, no inventories (2018: RMB34 million) was pledged as security for the Group's notes payable (Note 21) and borrowings.

The cost of inventories recognised in cost of sales for the year ended 31 December 2019 amounted to RMB38,778 million (2018: RMB33,899 million).

## 16. TRADE RECEIVABLES

	<b>As at 31 December</b>	
	<b>2019</b>	2018
	<b>RMB'000</b>	<b>RMB'000</b>
Trade receivables	<b>1,267,867</b>	719,790
Less: impairment provision for trade receivables ( <i>Note 4</i> )	<b>(66,862)</b>	(57,839)
	<hr/>	<hr/>
Trade receivables — net	<b><u>1,201,005</u></b>	<b><u>661,951</u></b>

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

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 1 year.

As at 31 December 2019 and 2018, the ageing analysis of the gross amount of trade receivables based on invoiced date was as follows:

	<b>As at 31 December</b>	
	<b>2019</b>	2018
	<b>RMB'000</b>	<b>RMB'000</b>
Within 3 months	<b>1,158,789</b>	585,975
4–6 months	<b>12,633</b>	50,772
7–12 months	<b>34,982</b>	19,237
Over 1 year	<b>61,463</b>	63,806
	<hr/>	<hr/>
	<b><u>1,267,867</u></b>	<b><u>719,790</u></b>

As at 31 December 2019, trade receivables amounting to RMB502 million (2018: RMB117 million) were secured by letters of credit issued by third party customers.

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

## 17. LOAN RECEIVABLES

	As at 31 December	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
<b>Non-current</b>		
Long-term loan receivables (a)	<u>200,000</u>	<u>720,000</u>
<b>Current</b>		
Short-term loan receivables (b)	1,058,791	85,119
Less: impairment provision (c) (Note 4)	<u>(44,791)</u>	<u>(44,791)</u>
	<u>1,014,000</u>	<u>40,328</u>
Total loan receivables, net of provision	<u><u>1,214,000</u></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 31 December 2019, long-term loan receivables of RMB200 million were secured by pledge of shares of a listed company held by the borrowers, interest bearing at rates of 8.0% per annum and with repayment terms of 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 pledge 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 RMB1,059 million as at 31 December 2019 comprised of various loans with residual repayment terms within 1 year and with individual amount ranging from RMB0.3 million to RMB300 million. The loans were secured by pledge of certain land use rights and listed and unlisted shares of the borrowers or guarantors of the borrowers and were guaranteed by related parties of the borrowers, interest bearing at rates ranging from 8.0% to 18.0% per annum.

Loan receivables of RMB85 million as at 31 December 2018 comprised of various loans with repayment terms within 1 year and with individual amount ranging from RMB5 million to RMB40 million. The loans were secured by pledge of certain property, plant and equipment, land use rights and equity shares of the borrowers or guarantors of the borrowers or other parties, interest bearing at rates ranging from 12.0% to 24.0% per annum.

- (c) As at 31 December 2019, provisions amounting to RMB45 million (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

	<b>As at 31 December</b>	
	<b>2019</b>	2018
	<b>RMB'000</b>	<i>RMB'000</i>
Notes receivable — bank acceptance notes	<b>1,517,684</b>	1,364,128

As at 31 December 2019, notes receivable amounting to approximately RMB62 million (2018: RMB66 million) was pledged as security for the Group's notes payable (Note 21) and nil (2018: RMB80 million) was pledged as security for the Group's borrowings.

The settlement of the notes receivable was guaranteed by banks with maturity dates within 1 year and the credit risks in respect of the notes receivable are considered to be low.

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

	<b>As at 31 December</b>	
	<b>2019</b>	2018
	<b>RMB'000</b>	<i>RMB'000</i>
Within 3 months	<b>1,272,301</b>	1,024,523
4–6 months	<b>242,487</b>	339,605
7–12 months	<b>2,896</b>	–
	<b>1,517,684</b>	1,364,128

## 19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<b>As at 31 December</b>	
	<b>2019</b>	2018
	<b>RMB'000</b>	<i>RMB'000</i>
<b>Non-current</b>		
Equity investment	<b>211,620</b>	243,120
<b>Current</b>		
Money market funds	<b>897,667</b>	4,863,936
Financial investment products	<b>840,687</b>	1,211,991
Bond market funds	<b>342,028</b>	230,551
Investment funds	<b>532,634</b>	208,028
Listed bond investments	<b>546,123</b>	–
Listed equity interests	<b>188,639</b>	52,737
	<b>3,347,778</b>	6,567,243
Total	<b>3,559,398</b>	6,810,363



## 20. STRUCTURED BANK DEPOSITS

	<b>As at 31 December</b>	
	<b>2019</b>	2018
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Financial assets at amortised cost	<b>1,300,100</b>	1,037,900
Financial assets at fair value through profit or loss	<b>900,000</b>	1,000,000
	<hr/>	<hr/>
Total	<b><u>2,200,100</u></b>	<u>2,037,900</u>

As at 31 December 2019, the structured bank deposits represented financial instruments placed by the Group in various banks in Mainland China for a term within 1 year. The structured bank deposits are principal-protected, among which amounts of approximately RMB1,300 million are recorded in financial assets at amortised cost as their interests link to SHIBOR and amounts of RMB900 million are recorded in financial assets at fair value through profit or loss as their interests link to LIBOR and BFIX EUR/USD. 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 31 December 2019, structured bank deposits amounting to RMB1,200 million (2018: RMB1,000 million) were pledged as security for issuing notes payable (Note 21) of the Group.

## 21. TRADE PAYABLES

	<b>As at 31 December</b>	
	<b>2019</b>	2018
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Account payables	<b>2,030,988</b>	2,048,214
Notes payable	<b>3,017,786</b>	2,109,239
	<hr/>	<hr/>
	<b><u>5,048,774</u></b>	<u>4,157,453</u>

As at 31 December 2019, all notes payable represented bank acceptance notes, of which RMB59 million (2018: nil) were secured by certain notes receivable (Note 18), RMB1,606 million (2018: RMB1,010 million) were secured by certain restricted bank balances, RMB1,211 million (2018: RMB1,000 million) were secured by certain structured bank deposits (Note 20), RMB142 million (2018: nil) were secured by certain restricted bank balances, certain right-of-use assets and certain property, plant and equipment, nil (2018: RMB26 million) was secured by certain inventories (Note 15) and certain restricted bank balances and nil (2018: RMB73 million) was secured by certain restricted bank balances and certain notes receivable (Note 18).

As at 31 December 2019 and 2018, the ageing analysis of the trade payables was as follows:

	<b>As at 31 December</b>	
	<b>2019</b>	2018
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Within 3 months	<b>3,731,575</b>	3,249,807
4–6 months	<b>509,290</b>	592,692
7–9 months	<b>647,832</b>	148,008
10–12 months	<b>15,563</b>	28,431
Over 1 year	<b>144,514</b>	138,515
	<hr/>	<hr/>
	<b><u>5,048,774</u></b>	<u>4,157,453</u>

## 22. COMMITMENTS

### (a) Capital commitments

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Purchase of property, plant and equipment		
— Contracted but not provided for	2,643,877	1,824,782
— Authorised but not contracted for	2,985,217	238,701
	<u>5,629,094</u>	<u>2,063,483</u>

### (b) Commitments to properties under development

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Purchase of properties under development	<u>39,387</u>	<u>—</u>

### (c) Operating lease commitments

#### (i) As lessor

The investment properties are leased to tenants under operating leases with various arrangements of rental payments. The minimum lease payments receivable on leases of investment properties are as follows:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Within one year	7,542	6,411
Between one and two years	7,265	6,278
Between two and three years	6,531	5,853
Between three and four years	6,130	4,600
Between four and five years	4,714	3,958
Later than five years	8,387	8,891
	<u>40,569</u>	<u>35,991</u>

(ii) *As lessee*

The Group leases various lands and offices under non-cancellable operating leases expiring within six months to nineteen years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

From 1 January 2019, the Group has recognised right-of-use assets for these leases, except for short-term and low-value leases.

	<b>As at 31 December</b>	
	<b>2019</b>	<b>2018</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Within one year	–	10,308
Later than one year and no later than five years	–	31,579
Later than five years	–	90,001
	<u>–</u>	<u>131,888</u>

### 23. POST BALANCE SHEET EVENTS

The novel coronavirus disease (“**COVID-19**”) epidemic was spreading out since January 2020, imposing a material adverse impact on the overall economy and every industry in China. The Group has carried out a series of prevention measures, such as arranging shift work for staff, controlling the number of staff in office, performing production line maintenance earlier than original plan, etc., to effectively protect the health of staff and to ensure production safety. For the steel industry, the downstream construction enterprises were having different degrees of delay in resumption of work after Chinese New Year, and the Chinese Government was imposing logistics control to prevent the spread of the epidemic. Hence, there were increase in social inventory and decrease in steel prices. On the other hand, it is expected that the Chinese Government will continue strengthening infrastructure facility investment to reduce the impact of COVID-19 epidemic on the economy. The Group will closely monitor the development of COVID-19 epidemic, and continue to assess the impact of the epidemic on the financial position and operating results of the Group as well as to take proactive measures as appropriate. As at the date on which this set of consolidated financial statements were authorised to issue, the assessment is still in progress.

## **SCOPE OF WORK OF PRICEWATERHOUSECOOPERS**

The financial figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2019 have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2019. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

Looking back 2019, PRC iron and steel industry sustained the correction from the fourth quarter of 2018. Although there was continuous occurrence of trade disputes in the international markets (particularly between China and the United States), the domestic infrastructure construction and the real estate development investment, etc. still strived to stay stable and positive. The overall steel prices during 2019 were close to those of last year. According to the announcement of the Ministry of Industry and Information Technology of the People's Republic of China ("MIIT"), the national production volume of pig iron, crude steel and steel products were 809 million tonnes, 996 million tonnes and 1,205 million tonnes respectively in 2019, representing an increase of 5.3%, 8.3% and 9.8% respectively from 2018. On the other hand, due to the impact from the events such as dam collapse in Brazil and cyclone in Australia during the first half of the year, the iron ore supply dropped and price was rising. The Platts 62% Iron Ore Price Index went up to a high point of 126 as at the beginning of July 2019 from the level of 72 as at the beginning of the year and spiralled down after. Hence, the overall steel industry profits went down. At the same time, 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 that the profit of the overall steel industry went down from the peak of the last two years, it still maintained at a sound level.

With this background, the Group, through persistently pursuing efficiency enhancement and cost control, etc., enhanced the operation efficiency and sustainability. At the same time, due to the increase in the average price of iron ore, the effect on the production volume resulting from the regularisation and strengthening of multiple environmental protection production restrictions (the Group faced higher requirements of production restriction in 2019), as well as the implementation of the Equipment Upsizing Project of the Group as mentioned hereinafter, the Group has actively adopted flexible purchase and production management to reduce the impact of these challenges on the operation. Under these factors, the Group's production cost increased and the gross profit decreased during the year. The Group's annual results also dropped comparing with those of last year. Benefiting from the rise of the trading business of the steel products and iron ore, the revenue was approximately RMB43.01 billion for the year ended 31 December 2019, representing an increase of approximately 5.5% as compared with that of last year. Comparing with last year, the average selling price of self-manufactured steel products slightly decreased by approximately 0.6% to approximately RMB3,391 per tonne, and due to the aforesaid factors, the gross profit decreased by approximately 42.0% to approximately RMB3.83 billion, and the profit of the Group for the year still reached

approximately RMB3.27 billion, representing a decrease of approximately 32.8% over the profit of approximately RMB4.86 billion of last year. EBITDA of the Group decreased from approximately RMB7.62 billion of last year to approximately RMB5.33 billion. Basic earnings per share still reached RMB0.86 per share (2018: RMB1.31 per share).

In July 2019, the Company was ranked the 221<sup>st</sup> in the top 2019 Fortune China 500 companies. Also 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 awarded the “National May Day Labor Award” by the All-China Federation of Trade Unions. In January 2020, the Company’s Chairman of the Board and Chief Executive Officer, Mr. HAN Jingyuan, was awarded “The First China Financial and Economic Forum and The 70<sup>th</sup> Anniversary of the Founding of the People’s Republic of China (PRC)’s 70 Figures with Economic Merits”.

Based on the results of 2019 and considering the future development needs, as well as for sharing of the outstanding results of the Group with the shareholders of the Company (the “**Shareholders**”), the Board proposed a distribution of 2019 final dividend of HK\$0.09 per ordinary share.

With respect to the steel business, the Group continued to invest substantially to enhance the competitiveness and economic efficiency of its products as well as to promote environmental protection. These efforts include establishing research centres to promote product development, improving production facilities to enhance efficiency, 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 established a Chinese National Engineering Research Centre for Steel Construction (Prefabricated Steel Construction Building Research Institute) with the Central Research Institute of Building and Construction Company Limited in Jinxi Limited. In response to government policy requirements, the Group started the equipment upsizing project in 2019, 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 carried out the construction of the branch-line railways for transportation of materials and inventories for its business (the “**Branch-line Railways Project**”). The Branch-line Railways Project will be used to connect the Group’s facilities with the railway transportation hub system and ports nearby, replacing trucks for the transportation of raw materials and products after completion, which will also help the Group to promote energy conservation and emission reduction going forward. It is expected that the Equipment Upsizing Project and the Branch-line Railways Project will be completed before the year end of 2020. Currently, the annual steelmaking capacity of the Group maintains at approximately 10 million tonnes. In 2019, the Group sold approximately 3.55 million tonnes of self-manufactured H-section steel products and kept securing its leading position in the H-section steel market of China.

On 3 September 2019, Jinxi Limited entered into the investment agreement with the Fangchenggang City Government in relation to the investment in the Fangchenggang Economic and Technological Development Zone. The terms of the investment agreement include the acquisition of land use right through the bidding process, and the land will be used by the Group for the establishment of a production base of H-section steel and sheet piling, which could be extended to the development of prefabricated steel construction building industry (the “**Fangchenggang Project**”). The annual iron and steel production capacity of the Fangchenggang Project is estimated to amount to approximately 10 million tonnes. The Fangchenggang Project will be developed in two phases. The total investment cost for the first phase is estimated to be approximately RMB22 billion. After entering into the investment agreement, the Group has completed acquisition of accumulated annual iron production capacity of approximately 2.35 million tonnes and annual steel production capacity of approximately 3.05 million tonnes with Chengde Zhaofeng Iron and Steel Group Company Limited\* (承德兆豐鋼鐵集團有限公司) and Tianjin Tianzhong Giant Heavy Industry Co., Ltd.\* (天津市天重江天重工有限公司) successively in 2019. Moreover, the Board of the Group has completed the feasibility study of the first phase of the Fangchenggang Project before the end of 2019 as well as obtained all directors’ unanimous voting for the resolution of the Fangchenggang Project.

With respect to the real estate business, the Group was dedicated to promoting green structural development construction apart from developing traditional real estate projects. The various projects in Tangshan City and Suzhou of the Group continued to sell and deliver in 2019, and recorded a stable revenue contribution, which will facilitate the stable development of the real estate business of the Group. The Group obtained a land for the 4<sup>th</sup> phase of the Donghu Bay Project in Tongshan City through the bidding process in September 2019. The area was approximately 31,000m<sup>2</sup>, with gross floor area of approximately 57,000m<sup>2</sup>. The construction will start in 2020. During 2019, the Group recorded a revenue and operating profit from its real estate business of approximately RMB105 million and RMB17 million respectively.

During 2019, the revenue and gross profit arising from trading of steel products and iron ore of the Group were approximately RMB11.39 billion (2018: approximately RMB3.67 billion) and approximately RMB153 million (2018: gross loss of approximately RMB27 million) respectively.

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*

In 2019, the total sales volume was 8,929,000 tonnes (2018: 10,453,000 tonnes), representing a decrease of approximately 14.6%.

The sales volume breakdown during the year was as follows:

	2019		2018		Changes in
	Sales volume		Sales volume		sales volume
	('000 tonnes)		('000 tonnes)		Increase/ (Decrease)
H-section steel products	3,547	39.7%	3,675	35.2%	(3.5%)
Strips and strip products	2,507	28.1%	3,505	33.5%	(28.5%)
Billets	523	5.9%	360	3.4%	45.3%
Cold rolled sheets and galvanised sheets	299	3.3%	310	3.0%	(3.5%)
Rebar	1,343	15.0%	2,109	20.2%	(36.3%)
Sheet piling	710	8.0%	494	4.7%	43.7%
Total	<u>8,929</u>	<u>100%</u>	<u>10,453</u>	<u>100%</u>	<u>(14.6%)</u>

During the year of 2019, the Group's production capacity was approximately 10 million tonnes per annum.

## Revenue

Revenue in 2019 was RMB30,278 million (2018: RMB35,679 million), representing a decrease of approximately 15.1%. Export to foreign countries contributed revenue of RMB206 million (2018: RMB290 million), representing approximately 0.7% (2018: 0.8%) of revenue from sales of self-manufactured steel products.

The sales breakdown and average selling price by product (excluding value added tax) during the year were as follows:

	2019		2018		Changes	
	Revenue (RMB million)	Average selling price (RMB/ tonne)	Revenue (RMB million)	Average selling price (RMB/ tonne)	Revenue Increase/(Decrease)	Average selling price Increase/(Decrease)
H-section steel products	12,024	3,390	12,392	3,371	(3.0%)	0.6%
Strips and strip products	8,027	3,202	11,527	3,289	(30.4%)	(2.6%)
Billets	1,587	3,032	1,113	3,087	42.6%	(1.8%)
Cold rolled sheets and galvanised sheets	1,284	4,296	1,390	4,482	(7.6%)	(4.1%)
Rebar	4,511	3,359	7,296	3,459	(38.2%)	(2.9%)
Sheet piling	2,845	4,008	1,961	3,973	45.1%	0.9%
Total/combined	<u>30,278</u>	<u>3,391</u>	<u>35,679</u>	<u>3,413</u>	<u>(15.1%)</u>	<u>(0.6%)</u>

The decrease in revenue from self-manufactured steel products was primarily due to a decrease in the sales volume of the Group's products by 14.6% to approximately 8.9 million tonnes in 2019 from approximately 10.5 million tonnes in 2018 and a slight decrease in average selling price by 0.6% to RMB3,391 per tonne in 2019 from RMB3,413 per tonne in 2018. The decrease in the sales volume of the Group's products was mainly due to the reduced output volume under various environmental protection production restriction policies and the implementation of the Equipment Upsizing Project as well as 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 consolidated gross profit in 2019 was RMB3,826 million (2018: RMB6,602 million), representing a decrease of approximately 42.0%.

Average unit cost per tonne, gross profit per tonne and gross profit margin during the year were as follows:

	2019			2018		
	Average unit cost (RMB/tonne)	Gross profit per tonne (RMB)	Gross profit margin	Average unit cost (RMB/tonne)	Gross profit per tonne (RMB)	Gross profit margin
H-section steel products	2,891	499	14.7%	2,762	609	18.1%
Strips and strip products	2,728	474	14.8%	2,608	681	20.7%
Billets	2,805	227	7.5%	2,800	287	9.3%
Cold rolled sheets and galvanised sheets	4,135	161	3.7%	4,391	91	2.0%
Rebar	3,159	200	6.0%	2,731	728	21.0%
Sheet piling	3,401	607	15.1%	3,349	624	15.7%
Combined	<u>2,963</u>	<u>428</u>	<u>12.6%</u>	<u>2,781</u>	<u>632</u>	<u>18.5%</u>

In 2019, gross profit per tonne of the Group's products decreased to RMB428 from RMB632 in 2018, reflecting a decrease of 32.3%. In 2019, gross profit margin decreased to 12.6% from 18.5% 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 ore), decrease in the average selling price and decrease in the sales volume of the Group's steel products in 2019.

### ***Property Development***

For the year ended 31 December 2019, the revenue from real estate business of the Group amounted to approximately RMB105 million. The gross floor area of properties delivered was approximately 17,000 m<sup>2</sup>. The average selling price of properties delivered was approximately RMB6,000 per m<sup>2</sup>.

As at 31 December 2019, the Group had the following project under construction with a GFA approximately 57,000 m<sup>2</sup>:

No.	City	Property project	Phase of project	GFA under construction (m <sup>2</sup> )	Estimated time of completion
1	Tangshan	Donghu Bay	Phase 4	57,000	2021

The above project is expected to be completed in 2021 and will contribute a stable revenue and profits to our Group.

## FUTURE PROSPECTS

Looking into 2020, China reached the Phase One of China-US Economic and Trade Agreement with the United States on 16 January 2020. The trade disputes and the risk of slowdown in the economic growth were eased. On 23 January 2020, the National Development and Reform Commission of the People's Republic of China (“**NDRC**”) and MIIT jointly issued the “Notice on Regarding Completing the Steel Capacity Swaps and Project Filing Works” and associated interpretation (“**Notice on Steel Capacity Swaps**”). In the document, it pointed out that China's steel industry over accomplished the cap of the goal of resolving the excessive steel capacity in the nationwide 13th Five-Year Plan two years ahead by the end of 2018. The capacity utilisation rate returned to a reasonable range. However, some production capacity swap projects were with issues of incomplete production capacity swap procedures, taking the opportunity to expand production capacity, etc.. In order to prevent new excessive production capacity and promote high quality development of the industry, the Chinese Government is suspending the steel production capacity swap and project filing, carrying out self-inspection on the existing steel production capacity swap projects, formulating relevant policy documents and strengthening thorough implementation and urging inspection. At the same time, the novel coronavirus disease (**COVID-19**) epidemic was spreading out since January 2020, imposing a material adverse impact on the overall economy and every industry in China. The Group has carried out a series of prevention measures, such as arranging shift work for staff, controlling the number of staff in office, performing production line maintenance earlier than original plan, etc., to effectively protect the health of staff and to ensure production safety. For the steel industry, the downstream construction enterprises were having different degrees of delay in resumption of work after Chinese New Year, and the Chinese Government was imposing logistics control to prevent the spread of the epidemic. Hence, there were increase in social inventory and decrease in steel prices. On the other hand, it is expected that the Chinese Government will continue strengthening infrastructure facility investment to reduce the impact of COVID-19 epidemic on the economy. It is expected that after the turnaround of the epidemic, the economic activities will recover faster. In addition, the Chinese Government has been proactively preventing the risk of supply and demand imbalance in the steel industry in advance. It is expected to bring along more substantiable and healthier development to the steel industry in the long run. To summarise, despite the unstable and uncertain business environment, it is expected that the overall iron and steel industry will stay prudently optimistic in 2020.

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..

In view of the aforementioned Notice on Steel Capacity Swaps issued by the NDRC and MIIT, the Group is observing the release of a new steel production swap policy by the NDRC. After the release of the new policy, the Group will continue to evaluate its impact on the Fangchenggang Project. 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 (particularly downstream) corporate mergers and acquisitions, etc., so as to achieve

sustainable development. At the same time, the Group will also from time to time evaluate to increase the dividend distributions in appropriate circumstances to reward the Shareholders for their 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 16 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.

## **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 31 December 2019, the Group had unutilised banking facilities of approximately RMB4.2 billion (2018: RMB4.7 billion).

As at 31 December 2019, the current ratio of the Group, representing current assets divided by current liabilities, was 1.5 (2018: 1.6) and the gearing ratio, representing total liabilities divided by total assets, was 44.0% (2018: 40.3%).

As at 31 December 2019, the cash and cash equivalents of the Group amounted to approximately RMB4,631 million (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 Structure**

As at 31 December 2019, borrowings of RMB4,946 million of the Group bore fixed interest rates ranged from 2.02% to 6.86% per annum and borrowings of RMB953 million of the Group bore floating rates ranged from 3.80% to 4.99% 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 31 December 2019, the notional amounts of these derivative instruments amounted to nil.

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, lease liabilities and loans from related parties. The Group regards its non-current borrowings, non-current lease liabilities and equity attributable to owners of the Company as its total capital. As at 31 December 2019, the debt-to-capital ratio of the Group was 28.9% (2018: 15.9%).

The consolidated interest expenses and capitalised interest in 2019 amounted to RMB141 million (2018: RMB146 million). The interest coverage (divide profit for the year before finance costs — net and income tax expense by total interest expenses) was 29.4 times (2018: 43.9 times).

## **Commitments**

As at 31 December 2019, the Group had total commitments of RMB5,668 million (2018: RMB2,195 million). It is estimated the commitments will be financed by the Group's internal resources and available banking facilities.

## **Guarantee and Contingent Liabilities**

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

## **Pledge of Assets**

As at 31 December 2019, the net book value of the Group's leasehold land and land use rights amounting to approximately RMB25 million (2018: RMB53 million), property, plant and equipment amounting to approximately RMB8 million (2018: RMB645 million), inventories amounting to nil (2018: approximately RMB34 million), notes receivable amounting to approximately RMB62 million (2018: approximately RMB146 million), structured bank deposits amounting to RMB1,200 million (2018: RMB1,000 million) and restricted bank balances amounting to approximately RMB1,083 million (2018: approximately RMB528 million) had been pledged as securities for the Group's notes payable issuing, banking borrowings and letters 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 ore and the relevant products from overseas suppliers, which is 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 the continuous fluctuation of the RMB exchange rate against USD, during the year ended 31 December 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 in 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 a final dividend of HK\$335.0 million (approximately RMB306.1 million), representing HK\$0.09 per ordinary share in respect of the year ended 31 December 2019 to the shareholders of the Company whose names appear on the register of members of the Company at the close of business on Friday, 19 June 2020. The final dividend, payable on or around Wednesday, 15 July 2020, is subject to approval of the shareholders of the Company at the forthcoming Annual General Meeting of the Company (the "AGM") to be held on Friday, 5 June 2020.

## **Post Balance Sheet Events**

Save as disclosed in this announcement, there are no events to cause material impact on the Group from the balance sheet date to the date of this announcement that should be disclosed.

COVID-19 epidemic was spreading out since January 2020, imposing a material adverse impact on the overall economy and every industry in China. The Group has carried out a series of prevention measures, such as arranging shift work for staff, controlling the number of staff in office, performing production line maintenance earlier than original plan, etc., to effectively protect the health of staff and to ensure production safety. For the steel industry, the downstream construction enterprises were having different degrees of delay in resumption of work after Chinese New Year, and the Chinese Government was imposing logistics control to prevent the spread of the epidemic. Hence, there were increase in social inventory and decrease in steel prices. On the other hand, it is expected that the Chinese Government will continue strengthening infrastructure facility investment to reduce the impact of COVID-19

epidemic on the economy. The Group will closely monitor the development of COVID-19 epidemic, and continue to assess the impact of the epidemic on the financial position and operating results of the Group as well as to take proactive measures as appropriate. As at the date of this announcement, the assessment is still in progress.

## Financial Assets at Fair Value Through Profit or Loss

As at 31 December 2019, the Group held financial assets at fair value through profit or loss of approximately RMB3,559 million, particulars of which are set out below:

### Money Market Funds

Name of the financial assets	Number of units held as at 31 December 2019 ('000)	Investment cost as at 31 December 2019 (RMB'000)	Fair value as at 31 December 2019 (RMB'000)	Realised investment income/(loss) for the year ended 31 December 2019 (RMB'000)
<b>Harvest Fund Management Company Limited</b>				
<b>嘉實基金管理有限公司</b>				
Harvest Express Monetary Market Fund*				
嘉實快線貨幣市場基金	160,033	160,033	160,276	15,879
Harvest HuoQiBao Monetary Market Fund*				
嘉實活期寶貨幣市場基金	7,080	7,080	7,080	836
Harvest ZengYiBao Monetary Market Fund*				
嘉實增益寶貨幣市場基金	–	–	–	530
Harvest Monetary Market Fund*				
嘉實貨幣市場基金	30,329	30,329	30,357	5,219
<b>Bosera Asset Management Company Limited</b>				
<b>博時基金管理有限公司</b>				
Bosera Hehui Money Market Fund				
博時合惠貨幣市場基金	142,083	142,083	142,083	5,032
Bosera Cash Pot Money Market Fund				
博時現金寶貨幣市場基金	3,038	3,038	3,038	8,228
Bosera Security Cash Pot Money Market Fund				
博時外服貨幣市場基金	39	39	39	1,326
<b>China Minsheng Banking Corp., Ltd.</b>				
<b>中國民生銀行股份有限公司</b>				
HuaBao Cash Pot Monetary Market Fund*				
華寶現金寶貨幣市場基金	21,280	21,280	21,280	458
Minsheng JiaYin Cash Pot Monetary Market Fund*				
民生加銀現金寶貨幣市場基金	27,127	27,127	27,127	149
China Southern TianTianLi Monetary Market Fund*				
南方天天利貨幣市場基金	16,207	16,207	16,207	932
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	34,627	34,627	34,662	132
Others	–	–	–	97
<b>China Construction Bank Corporation</b>				
<b>中國建設銀行股份有限公司</b>				
E Fund Day Cash Income Money Market Fund*				
易方達天天增利貨幣市場基金	–	–	–	132
Others	–	–	–	4

Name of the financial assets	Number of units held as at 31 December 2019 ( '000)	Investment cost as at 31 December 2019 (RMB'000)	Fair value as at 31 December 2019 (RMB'000)	Realised investment income/(loss) for the year ended 31 December 2019 (RMB'000)
<b>Bank of Communications Co., Ltd.</b>				
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	–	–	–	2,760
Aegon-Industrial Monetary Market Securities Investment Fund*				
興全貨幣市場證券投資基金	141,826	141,826	141,826	6,802
China Southern TianTianLi Monetary Market Fund*				
南方天天利貨幣市場基金	–	–	–	3,915
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	–	–	–	1,303
Others	–	–	–	389
<b>China Asset Management Company Limited</b>				
華夏基金管理有限公司				
HuaXia Cash ZengLi Security Investment Fund*				
華夏現金增利證券投資基金	–	–	–	493
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	–	–	–	2,155
HuaXia Monetary Market Fund*				
華夏貨幣市場基金	–	–	–	1,176
Others	–	–	–	84
<b>ZhongRong Fund Management Company Limited</b>				
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	103,838	103,838	103,838	12,234
<b>China Southern Asset Management Company Limited</b>				
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	72,522	72,522	72,522	10,050
China Southern Cash ZengLi Fund*				
南方現金增利基金	–	–	–	2,270
<b>Aegon-Industrial Fund Management Company Limited</b>				
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	10,106	10,106	10,106	5,003
<b>HwaBao WP Fund Management Company Limited</b>				
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	–	–	–	4,305

Name of the financial assets	Number of units held as at 31 December 2019 ( '000)	Investment cost as at 31 December 2019 (RMB'000)	Fair value as at 31 December 2019 (RMB'000)	Realised investment income/(loss) for the year ended 31 December 2019 (RMB'000)
<b>China Universal Asset Management Company Limited</b>				
匯添富基金管理股份有限公司				
China Universal Money Market Fund*				
匯添富貨幣市場基金	-	-	-	3,826
<b>Agricultural Bank of China Limited</b>				
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	-	-	-	1,410
<b>E Fund Management Co., Ltd.</b>				
易方達基金管理有限公司				
E Fund Cash Enhance Income Money Market Fund				
易方達現金增利貨幣市場基金	101,467	101,467	101,467	1,467
Others	-	-	-	431
<b>HFT Investment Management Co., Ltd.</b>				
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	2,288	2,288	2,288	5,102
<b>China Merchants Bank</b>				
招商銀行				
Aegon-Industrial Monetary Market Securities Investment Fund*				
興全貨幣市場證券投資基金	7,732	7,732	7,732	579
<b>Minsheng Royal Fund Management Co., Ltd.</b>				
民生加銀基金管理有限公司				
Minsheng JiaYin Cash Pot Monetary Market Fund*				
民生加銀現金寶貨幣市場基金	-	-	-	106
<b>E Fund Management (HK) Co., Limited</b>				
E Fund (HK) US Dollar Money Market Fund				
Others	15,066	15,066	15,066	440

## 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\* (嘉實快線貨幣市場基金) 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), Bosera Cash Pot Money Market Fund (博時現金寶貨幣市場基金) and Bosera Security Cash Pot Money Market Fund (博時外服貨幣市場基金) 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)*

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 based on securing safety and liquidity of assets as fundamental principles, striving on the basis of full evaluation of factors such as domestic and foreign macroeconomic trends 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 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)*

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 a remaining term of 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 deposits, bank deposits with a term of within 1 year (including 1 year), bonds with a remaining term of within 397 days (including 397 days), central bank notes with a term of within 1 year (including 1 year), bond repurchases with a term of 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.

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 a remaining term of 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 a remaining term of 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.

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

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 a remaining term of 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., is 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 a remaining term of within 397 days (including 397 days), central bank notes with a term of within 1 year (including 1 year), bond repurchases with a term of 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 (匯添富基金管理股份有限公司)*

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 a remaining term of 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 a remaining term of 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 Cash Enhance Income Money Market Fund (易方達現金增利貨幣市場基金) 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. 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 a remaining term of 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.

*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 investments cover 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 a remaining term of 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.

*China Merchants Bank (招商銀行)*

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 a remaining term of within 397 days (including 397 days), central bank notes with a term of within 1 year (including 1 year), bond repurchases with a term of 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.

*Minsheng Royal Fund Management Co., Ltd. (民生加銀基金管理有限公司)*

Minsheng JiaYin Cash Pot Monetary Market Fund\* (民生加銀現金寶貨幣市場基金)'s investment will be 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

trends as well as monetary fiscal policy changes etc.. It scientifically forecasts future interest rate trends as well as screens for the best and optimises allocation of financial instruments within the investment scope and performs active investment portfolio management.

### *E Fund Management (HK) Co., Limited*

E Fund (HK) US Dollar Money Market Fund's sole objective is to invest in short-term deposits and debt securities. The fund seeks to achieve a return in US Dollars in line with prevailing money market rates, with primary considerations of both capital security and liquidity. The fund seeks to achieve its investment objective by investing primarily (i.e. not less than 70% of its net asset value ("NAV")) in US Dollars-denominated and settled short-term deposits and debt securities issued by governments, quasi-governments, international organisations and financial institutions. The fund may invest up to 30% of its NAV in non USD-denominated deposits and debt securities. The fund may invest in commercial papers, certificates of deposits and commercial bills. Debt securities invested by the fund include but are not limited to government bonds, fixed and floating rate bonds. The fund will only invest in debt securities rated investment grade (BBB-/Baa3) or above by an independent rating agency, e.g. Fitch, Moody's and Standard & Poor's. A short-term debt security is considered investment grade if its credit rating is A-3 or higher by Standard & Poor's or F3 or higher by Fitch Ratings or P-3 or higher by Moody's or equivalent rating as rated by one of the international credit rating agencies.

### **Financial Investment Products**

Name of the financial assets	Number of units held as at 31 December 2019 ( <i>'000</i> )	Investment cost as at 31 December 2019 ( <i>RMB '000</i> )	Fair value as at 31 December 2019 ( <i>RMB '000</i> )	Realised investment income/(loss) for the year ended 31 December 2019 ( <i>RMB '000</i> )
<b>China Minsheng Banking Corp., Ltd.</b>				
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	- <sup>1</sup>	3,570	3,570	1,446
Others	- <sup>1</sup>	4,000	4,000	39
<b>China Construction Bank Corporation</b>				
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	- <sup>1</sup>	39,953	39,953	49
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	- <sup>1</sup>	2,700	2,700	113
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	- <sup>1</sup>	10,100	10,100	378
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	-	-	-	82
Others	- <sup>1</sup>	2,050	2,050	3
<b>Agricultural Bank of China Limited</b>				
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	-	-	-	556



Name of the financial assets	Number of units held as at 31 December 2019 ('000)	Investment cost as at 31 December 2019 (RMB'000)	Fair value as at 31 December 2019 (RMB'000)	Realised investment income/(loss) for the year ended 31 December 2019 (RMB'000)
<b>China Merchants Bank</b>				
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	-	-	-	34
China Merchants Bank-ZhaoZhaoJin (Multi-Stable) Financial Investment Plan*				
招商銀行-朝招金(多元穩健型)理財計劃	-1	49,500	49,500	65
<b>Bank of Communications Co., Ltd.</b>				
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	99,053	99,053	3,393
<b>CSC Financial Co., Ltd.</b>				
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
<b>China International Capital Corporation Limited</b>				
中國國際金融股份有限公司				
ZhongJinDingYi No.10 Sole Asset Management Plan*				
中金鼎益10號單一資產管理計劃	380,833	380,833	399,761	882
ZhongJinXinYi No.1 Collective Asset Management Plan*				
中金鑫益1號集合資產管理計劃	48,400	50,000	50,000	1,505
<b>AVIC Trust Company Limited</b>				
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	70,000	70,000	4,653
<b>CCB Trust Co., Ltd.</b>				
建信信託有限責任公司				
LiXin #22 Combined Investment Fund Trust Plan*				
立信22號集合資金信託計劃	-1	10,000	10,000	320
HaiYun YangFan #3 Combined Investment Fund Trust Plan*				
海韻揚帆3號集合資金信託計劃	-1	100,000	100,000	1,979
<b>Ping An Bank Co., Ltd.</b>				
平安銀行股份有限公司				
Ping An Bank TianTianLi Guaranteed RMB Company Investment Product*				
平安銀行天天利保本人民幣公司理財產品	-	-	-	185
<b>Bank of Nanjing Co., Ltd.</b>				
南京銀行股份有限公司				
"RiRi JuJin #1501" RMB Investment Product*				
「日日聚金1501期」人民幣理財產品	-	-	-	382
Others	-	-	-	5,230

Note:

- 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 Banking 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 investment 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 those 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, debentures, 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 ratios of each type of the assets are: 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 an 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 (including 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 (including 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 was invested by the Group on 21 December 2018. The investment was bearing a 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 have been fully settled with an 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%).

China Merchants Bank-ZhaoZhaoJin (Multi-Stable) Financial Investment Plan\* (招商銀行-朝招金(多元穩健型)理財計劃) is based on in-depth studying of domestic and foreign macroeconomic trends and impact of macroeconomic policies on the financial market. Through fixed income investment and trading strategies such as asset allocation, interest rate forecast strategies, carry trade, credit carry trade and short-term interest rate fluctuations, etc., the scheme effectively controls portfolio risk and provides customers with risk-matched returns. The scheme invests in the financial assets and financial instrument with higher credit ratings and good liquidity in the interbank and exchange markets, including but not limited to bonds, asset-backed securities, direct financing instruments for financial management, fund lending, reverse repurchase, bank deposits, interbank deposits, notes, brokerage income certificates, etc., and can invest through asset management plans such as trust plans and targeted asset management plans.

*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 a 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 an 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 a floating interest rate. After year end, the investment principal and interests have been fully settled with an annualised returns rate of 3.8% upon maturity.

*China International Capital Corporation Limited (中國國際金融股份有限公司)*

ZhongJinDingYi No.10 Sole Asset Management Plan\* (中金鼎益10號單一資產管理計劃)’s and ZhongJinXinYi No. 1 Collective Asset Management Plan\* (中金鑫益1號集合資產管理計劃)’s objective is stable return. Under the premises of strictly controlling risk and securing liquidity safety, the plans pursue continuous and steady appreciation of the entrusted asset during the entrusted period. The plans are sole asset management plans in fixed income category. The investment scope of entrusted assets covers (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; and (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 is 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 shall not exceed 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 scope is: 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 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 in projects which do not comply with the national industry policy, the investment policy or the macroeconomic control policy.

*CCB Trust Co., Ltd. (建信信託有限責任公司) (“CCB Trust”)*

LiXin #22 Combined Investment Fund Trust Plan\* (立信22號集合資金信託計劃) acquired legally owned trade receivables of China Construction Fourth Engineering Division Corp. Ltd. (“**China Construction Fourth Division**”) or its subsidiaries through factoring company. After the transfer was completed, CCB Trust becomes a new creditor of the receivables from Zunyi City Huichuan District Louhaiqing Tourism Development Investment Co., Ltd. (“**Louhai Tourism**”). Louhai Tourism is 100% owned by the Management Committee of Zunyi Economic and Technological Development Zone. During the life of the trust plan, the debtor pays interest on the receivables. Before the trust plan expires, the debtor repays the receivables as agreed. The trust plan guarantee includes: 1. Before the trust plan expires, the China Construction Fourth Division repurchases receivables that have not been repaid by the debtor to ensure the safe withdrawal of trust funds; 2. The accounting firm issues a special audit report to ensure the authenticity and validity of the receivables; 3. The debtor acknowledges the debt and promises to repay it according to the contract through the notice and receipt of the account receivable transfer. China Construction Fourth Division was established in 1962. Its business covers housing construction engineering, infrastructure, real estate development, construction investment, etc.. It is a backbone company directly under the “China Construction Co., Ltd.” (“**China Construction**”). China Construction was listed on the main board of the Shanghai Stock Exchange on 29 July 2009 and its stock code is 601668.

HaiYun YangFan #3 Combined Investment Fund Trust Plan\* (海韻揚帆3號集合資金信托計劃) is to collect the trust funds delivered by the client and use it to issue liquidity trust loan to Qingdao Jinshui Holding Group Co., Ltd. (“**Qingdao Jinshui**”) to obtain income. The credit enhancement measures include: 1. Balance top-up: Qingdao Ronghai State-owned Capital Investment and Operation Co., Ltd. (“**Qingdao Ronghai**”) provides an irrevocable balance top-up guarantee for the repayment of principal and interest of Qingdao Jinshui Trust Loan; 2. Supervision of fund usage: Qingdao Jinshui opened a special fund supervision account at the Licang Sub-branch of China Construction Bank in Qingdao to receive trust loans and ensure that the use of funds which meets the declared purpose. Qingdao Jinshui was established on 26 July 2010. Its main business sectors include commodity trading, infrastructure construction, asset operation and investment, etc.. The registered capital was RMB770 million as at 31 December 2019.

*Ping An Bank Co., Ltd. (平安銀行股份有限公司)*

Ping An Bank TianTianLi Guaranteed RMB Company Investment Product\* (平安銀行天天利保本人民幣公司理財產品) invests in bonds or money market instruments with higher credit ratings and better liquidity in the interbank market, including assets such as bond repurchase, lending, central bank bills, government bonds, financial bonds, and high credit rating corporate bonds (corporate bonds, short-term financing bonds, medium-term notes, etc.) etc..

*Bank of Nanjing Co., Ltd. (南京銀行股份有限公司)*

“RiRi JuJin #1501” RMB Investment Product\* (「日日聚金1501期」人民幣理財產品) invests government bonds, central bank bills, financial bonds, private placement bonds in the interbank bond market, and corporate bonds and medium-term notes with a credit rating not lower than AA-, short-term financing vouchers with a credit rating not lower than A-1, money market funds, interbank deposits and financial instruments of monetary market like repurchase, lending, etc..

## Listed Bond Investments

Name of the financial assets	Number of units	Investment	Fair value	Realised
	held as at	cost as at	as at	investment
	31 December	31 December	31 December	income/(loss)
	2019	2019	2019	for the
	('000)	(RMB'000)	(RMB'000)	year ended
				31 December
				2019
				(RMB'000)
<b>Beijing LeRui Asset Management Co., Ltd.</b>				
北京樂瑞資產管理有限公司				
LeRuiQiangZhai No. 27 Securities Investment Private				
Equity Fund*				
樂瑞強債27號證券投資私募基金	2,561	259,213	269,999	2,406
<b>Shanghai Longlife Investment Co., Ltd.</b>				
上海久期投資有限公司				
Longlife Jinxi Pure Bond No. 1 Private				
Equity Investment Fund*				
久期津西純債1號私募證券投資基金	1,229	107,000	112,620	–
<b>Shanghai JunXi Investment Management Co., Ltd.</b>				
上海君犀投資管理有限公司				
JunXi XiZhou No. 8 Private Equity Investment Fund*				
君犀犀舟8號私募證券投資基金	1,597	149,761	156,531	1,089
Others	58	6,791	6,973	536

## Investment strategies of listed bond investments

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

LeRuiQiangZhai No.27 Securities Investment Private Equity Fund\* (樂瑞強債27號證券投資私募基金) adopts a fixed income category allocation strategy to gain stable return, and through certain proportion of equity and derivative products asset allocation to enhance return. It uses fixed income assets such as good quality debentures as core assets to provide a safety cushion through stable return from bond interests. 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 the risk-return profile of the targeted assets it intended to invest in and the changes in market conditions, it dynamically adjusts the investment ratio within a 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 a top-down approach, realising achievement of higher investment return under the premise of bearing limited risks. The strategy considers the macroeconomic situation, financial market environment, market structure changes as well as financial instruments available for investment, supported by quantitative models, and it 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 a relatively better risk-reward profile, constructs an 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 Equity Investment Fund\* (久期津西純債1號私募證券投資基金) uses bonds 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, it strives 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 a strict risk limit according to basic return level, so as to control drawdown risk. Within the risk limit, it adopts the approach of adjusting the duration of bonds, searching for wrong priced debentures and fixed income assets' equity attributes, etc. to obtain excess return over basic return. The restrictions of the fund include 1. it 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.

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

JunXi XiZhou No.8 Private Equity Investment Fund\* (君犀犀舟8號私募證券投資基金) constructs its 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 the overall market valuation level, lower market risk and pursue higher return at the same time. The investment scope includes stocks issued and listed on the Shanghai or Shenzhen Stock Exchange (limited 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. it must not invest in funds without custodian or safekeeping financial institutions (commercial banks, securities companies); 2. it must not invest in partnership shares without filings in the Asset Management Association of China; 3. it 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. it must not participate in the 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 31 December 2019 ( '000)	Investment cost as at 31 December 2019 (RMB'000)	Fair value as at 31 December 2019 (RMB'000)	Realised investment income/(loss) for the year ended 31 December 2019 (RMB'000)
<b>Jiaxing FengJun Investment Management Co., Ltd.</b>				
嘉興灃浚投資管理有限公司				
FengHeXin FenJun JuJin#2 Structured Private Equity Investment Fund*				
灃合信灃浚聚金2號結構化私募投資基金				
	–	–	–	13,988
<b>Shanghai QiuSheng Asset Management Co., Ltd.*</b>				
上海秋晟資產管理有限公司				
QiuSheng Asset YanXi No. 1 Macro Hedging Private Equity Fund*				
秋晟資產言蹊1號宏觀對沖私募基金				
	106,850	107,000	110,323	15,098
<b>Jiu Ding Hua Xin (Beijing) Investment Fund Management Co., Ltd.</b>				
九鼎華信（北京）投資基金管理有限公司				
Jiu Ding Hua Xin YiGuan No. 2 Private Equity Investment Fund*				
九鼎華信億觀2號私募證券投資基金				
	–	–	–	750
<b>Eternal Grand Investment Management Co., Ltd.</b>				
深圳市恒泰融安投資管理有限公司				
Eternal Grand Collective Private Equity Investment Fund*				
恒泰融安集投私募證券投資基金				
	210,000	210,000	220,710	–
<b>Bosera Asset Management Company Limited</b>				
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	33,513	–
<b>HFT Investment Management Co., Ltd.</b>				
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	32,061	–

Name of the financial assets	Number of units held as at 31 December 2019 ( '000)	Investment cost as at 31 December 2019 (RMB'000)	Fair value as at 31 December 2019 (RMB'000)	Realised investment income/(loss) for the year ended 31 December 2019 (RMB'000)
<b>Huatai-Pinebridge Fund Management Co., Ltd.</b>				
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	30,856	–
<b>Beijing LeRui Asset Management Co., Ltd.</b>				
北京樂瑞資產管理有限公司				
LeRuiQiangZhai No. 27 Securities Investment Private Equity Fund*				
樂瑞強債27號證券投資私募基金	4,784	4,999	5,171	–
<b>Xinjiang Decent Zhiyuan Equity Investment Management Company Limited</b>				
新疆鼎信智遠股權投資管理有限公司				
DGW Kunyuan No. 1 Private Equity Investment Fund				
鼎信長城坤源1號私募股權投資基金	– <sup>1</sup>	100,000	100,000	–

Note:

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

## 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 Equity 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 an in-depth study of the domestic and foreign macroeconomic trend, monetary policy changing trend, capital market demand and supply situation, the fund will analyse the interest rate trend and comprehensively consider each investment product's profitability, liquidity and risk traits, and perform active management to the fund's asset portfolio.

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

QiuSheng Asset YanXi No.1 Macro Hedging Private Equity Fund\* (秋晟資產言蹊1號宏觀對沖私募基金) constructs its investment portfolio based on in-depth research, striving to realise continuous steady appreciation of the fund assets. Regarding the investment strategies, (i) for futures: 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) for equities: 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 Equity 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 scope covers 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 a 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 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 Equity 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 the 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 on the 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 opportunities in the stock market, ensuring asset protection and appreciation, realising the objective of beating absolute return benchmarks and providing a steady pension wealth management instrument for investors. The fund's investment scope covers 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 covers 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.

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

LeRuiQiangZhai No.27 Securities Investment Private Equity Fund\* (樂瑞強債27號證券投資私募基金) adopts a fixed income category allocation strategy to gain stable return, and through certain proportion of equity and derivative products asset allocation to enhance return. It uses fixed income assets such as good quality debentures as core assets to provide a safety

cushion through stable return from bond interests. 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 the risk-return profile of the targeted assets it intended to invest in and the changes in market conditions, it dynamically adjusts the investment ratio within a 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 a top-down approach, realising achievement of higher investment return under the premise of bearing limited risks. The strategy considers the macroeconomic situation, financial market environment, market structure changes as well as financial instruments available for investment, supported by quantitative models, and it 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 a relatively better risk-reward profile, constructs an 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.

*Xinjiang Decent Zhiyuan Equity Investment Management Company Limited (新疆鼎信智遠股權投資管理有限公司)*

DGW Kunyuan No. 1 Private Equity Investment Fund (鼎信長城坤源1號私募股權投資基金) mainly invests in the equity of Yangzhou Yuanrong Real Estate Co., Ltd (楊州源融置業有限公司) (“**Yangzhou Yuanrong**”). Under the premise of strictly controlling risks, the fund maximises the steady appreciation of the fund’s assets. During the idle period of funds, the fund may be invested in bank deposits (including time deposits, agreement deposits, etc.) and monetary funds. The expected duration of the fund is no more than two years. Yangzhou Yuanrong is a joint establishment of Jiangsu New Energy Real Estate Group Co., Ltd. (江蘇新能源置業集團有限公司) (“**New Energy Real Estate**”) and Sunac China Holdings Limited (融創中國控股有限公司) (“**Sunac China**”). It is currently developing the construction project of “Shuxiang Yipin” (書香一品) in the humanities community located at the intersection of Development West Road and Xiangyuan Road in Yangzhou High-tech Zone. New Energy Real Estate was established in May 1996 with a registered capital of RMB 200 million. Its business scope includes housing development (limited to the scope of construction of first-tier qualified enterprises), accommodation services, etc.. In 2005, it was approved by the Ministry of Construction to obtain first-class qualification for real estate development. It has successfully developed various real estate projects in Yangzhou, Beijing and Taixing. Sunac China was established in 2003 and was listed on the Main Board of The Stock Exchange of Hong Kong Limited (“**Stock Exchange**”) (“**Main Board**”) (stock code: 1918) in October 2010. Its business covers mid-to-high-end residential, cultural tourism, industrial real estate, commercial real estate, hotels, property services, production and distribution of cultural and entertainment content, film and television filming integration services, etc.. In addition, it was ranked fourth in sales amongst Chinese real estate companies in 2019.

## Listed Equity Interests

Name of the financial assets	Number of units held as at 31 December 2019 (‘000)	Investment cost as at 31 December 2019 (RMB‘000)	Fair value as at 31 December 2019 (RMB‘000)	Realised investment income/(loss) for the year ended 31 December 2019 (RMB‘000)
Chinacity EDU Fund I L.P.	approximately 8.63 million shares <sup>1</sup>	89,358	143,257	15,096
China Risun Group Limited* 中國旭陽集團有限公司	approximately 87.58 million shares <sup>2</sup>	128,161	211,620	18,879
<b>Beijing LeRui Asset Management Co., Ltd.</b> 北京樂瑞資產管理有限公司 LeRuiQiangZhai No.27 Securities Investment Private Equity Fund* 樂瑞強債27號證券投資私募基金	2,519	38,545	41,142	431
Jiangsu Shentong Valve Company Limited	–	–	–	11,883
Others	–	2,700	4,240	–

### Notes:

- The investment is indirectly held by a special purpose vehicle.
- 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 31 December 2019, the Company held approximately 0.92% 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 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 31 December 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)*

LeRuiQiangZhai No.27 Securities Investment Private Equity Fund\* (樂瑞強債27號證券投資私募基金) adopts a fixed income category allocation strategy to gain stable return, and through certain proportion of equity and derivative products asset allocation to enhance return. It uses fixed income assets such as good quality debentures as core assets to provide a safety cushion through stable return from bond interests. 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 the risk-return profile of the targeted assets it intended to invest in and the changes in market conditions, it dynamically adjusts the investment ratio within a 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 a top-down approach, realising achievement of higher investment return under the premise of bearing limited risks. The strategy considers the macroeconomic situation, financial market environment, market structure changes as well as financial instruments available for investment, supported by quantitative models, and it 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 a relatively better risk-reward profile, constructs an 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 year ended 31 December 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 31 December 2019 (‘000)	Investment cost as at 31 December 2019 (RMB‘000)	Fair value as at 31 December 2019 (RMB‘000)	Realised investment income/(loss) for the year ended 31 December 2019 (RMB‘000)
<b>Sculptor Capital Management, Inc. (Formerly known as “Och-Ziff Capital Management Group LLC”)</b> Sculptor Institutional Income Overseas Fund, L.P. (Formerly known as “OZ Institutional Income Overseas Fund, L.P.”)	– <sup>1</sup>	198,569	206,669	9,968
<b>Value Partners Hong Kong Limited</b> Value Partners Greater China High Yield Income Fund	–	–	–	1,470
<b>E Fund Management (HK) Co., Limited</b> E Fund (HK) Select Bond Fund	– <sup>1</sup>	62,110	64,733	269
<b>Invesco Hong Kong Limited</b> Invesco Global Investment Grade Corporate Bond Fund	– <sup>1</sup>	69,945	70,626	–

*Note:*

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

## Investment strategies of bond market funds

### *Sculptor Capital Management, Inc.*

Sculptor Institutional Income Overseas Fund, L.P. is the feeder fund for U.S. Tax Exempt and Non-U.S. investors of Sculptor Institutional Income Master Fund, L.P. (Formerly known as “OZ Institutional Income Master Fund, Ltd.”) (together, the “**Sculptor Fund**”). The Sculptor 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 Sculptor 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.

### *E Fund Management (HK) Co., Limited*

Through global investment in portfolios composed of investment-grade debt securities denominated in Renminbi, US Dollar, Euro or HK Dollar, the E Fund (HK) Select Bond Fund aims at generating stable income in addition to capital appreciation for the fund, thus achieving long-term capital growth. The fund may invest in the globally issued bonds denominated in US Dollar, Euro or HK Dollar, in which shall comprise of investment-grade bonds no less than 70% and high-yield bonds up to 30%. Currently, the fund mainly invests in the US Dollar bonds issued by Chinese enterprises. The main reason is that under the same rating and duration, the US Dollar bonds issued by Chinese enterprises offer significantly higher yields than bonds issued by enterprises in developed markets. The fund may gradually expand its investment to cover US Dollar bonds issued by Hong Kong enterprises and companies in other developed countries. The fund may also invest no more than 30% of capital in other public funds. In addition, it may engage in the trading of interest rates, credits and foreign exchange derivatives for hedging risks purpose.

### *Invesco Hong Kong Limited*

The objective of Invesco Global Investment Grade Corporate Bond Fund is to achieve income and long-term capital growth by investing primarily in high quality debt instruments issued by companies worldwide, including contingent convertibles. The fund may make significant use of derivatives (complex instruments) in order to (i) reduce the risk and/or generate additional capital or income and/or (ii) meet the fund's investment objectives by generating varying amounts of leverage (i.e. where the fund gains market exposure in excess of the net asset value of the fund). The fund is actively managed and is not constrained by a benchmark.

## **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.

## **ACCREDITATION FOR THE COMPANY AND ITS MANAGEMENT**

For the year ended 31 December 2019, the Company was awarded rank 221<sup>st</sup> in the top 2019 Fortune China 500 companies, as well as named as one of the "2019 Top 50 Board of Directors — China" by Fortune China and Aon Hewitt jointly. Jinxi Limited, a subsidiary of the Company, was awarded the "National May Day Labor Award" by the All-China Federation of Trade Unions. Furthermore, Jinxi Limited was awarded the "2019 Excellent Steel Enterprise Brand", "Building Material Most Technological Innovative Enterprise of China 2019", etc.. In January 2020, the Company's Chairman of the Board and Chief Executive Officer, Mr. HAN Jingyuan, was awarded "The First China Financial and Economic Forum and The 70<sup>th</sup> Anniversary of the Founding of the Peoples Republic of China's 70 Figures with Economic Merits"

## **HUMAN RESOURCES AND REMUNERATION POLICIES**

As at 31 December 2019, the Group had a workforce of approximately 9,400 and temporary staff of approximately 1,300. 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.. Effective from July 2008, the Group implemented a workers' injury insurance scheme and contributed 1.5% of the workers' wages to the Social Insurance Bureau. 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.

## **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 for the year ended 31 December 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 year ended 31 December 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 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 year ended 31 December 2019. During the year, 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 system 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 year ended 31 December 2019.

## **COMPLIANCE WITH RULES 3.10A OF THE LISTING RULES**

Following the appointment of Mr. Sanjay SHARMA as an Executive Director on 30 September 2019, the Board comprises ten members with six Executive Directors, one Non-executive Director and three Independent Non-executive Directors. As a result, the number of Independent Non-executive Directors falls below one-third of the Board as required under Rule 3.10A of the Listing Rules.

On 7 November 2019, the Company appointed Dr. TSE Cho Che, Edward (“**Dr. TSE**”) as an Independent Non-executive Director. Following the appointment of Dr. TSE, the Board comprises eleven members with six Executive Directors, one Non-executive Director and four Independent Non-executive Directors. As a result, the Company is in compliance with the requirement of the minimum number of independent non-executive directors prescribed under Rule 3.10A of the Listing Rules.

## **AUDIT COMMITTEE**

During the year ended 31 December 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 consolidated financial statements for the year ended 31 December 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 consolidated financial statements have been prepared in accordance with the applicable accounting standards, the Listing Rules and the statutory requirements and that adequate disclosures will be made in the 2019 annual report.

## **ANNUAL GENERAL MEETING**

The forthcoming AGM will be held on Friday, 5 June 2020. For the details, please refer to the notice of the AGM which will be published and dispatched to the shareholders of the Company as soon as practicable in accordance with the Company’s articles of association and the Listing Rules.

## **CLOSURE OF REGISTER OF MEMBERS**

### **(a) For determining the entitlement to attend and vote at the forthcoming AGM**

The register of members of the Company will be closed from Tuesday, 2 June 2020 to Friday, 5 June 2020 (both days inclusive), during which period no transfer of shares of the Company may be registered, for the purposes of ascertaining shareholders' entitlement to attend and vote at the forthcoming AGM. In order to be eligible to attend and vote at the forthcoming AGM, 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 Monday, 1 June 2020.

### **(b) For determining the entitlement to the final dividend**

The register of members of the Company will be closed from Wednesday, 17 June 2020 to Friday, 19 June 2020 (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 final dividend. The record date for the proposed final dividend shall be Friday, 19 June 2020. In order to qualify for the proposed final 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 Tuesday, 16 June 2020.

## **PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT FOR 2019**

The annual results announcement of the Company for the year ended 31 December 2019 is published on both the websites of the Company ([www.chinaorientalgroup.com](http://www.chinaorientalgroup.com)) and the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)). The annual report of the Company for the year ended 31 December 2019 will be dispatched to the shareholders of the Company and published on the aforesaid websites in due course.

## **APPRECIATION**

The Board would like to extend its heartfelt gratitude to all of its staff for their hard work and dedication to the Group, and to its shareholders for their continuous support and trust in the Company.

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

Hong Kong, 31 March 2020

*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, Mr. HAN Li and Mr. Sanjay SHARMA being the Executive Directors, Mr. Ondra OTRADOVEC being the Non-executive Director and Mr. WONG Man Chung, Francis, Mr. WANG Tianyi, Mr. WANG Bing and Dr. TSE Cho Che, Edward being the Independent Non-executive Directors.*