

*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)**

**INTERIM RESULTS ANNOUNCEMENT**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2020**

**FINANCIAL HIGHLIGHTS**

	<b>For the six months ended 30 June</b>		
	<b>2020</b>	2019	<b>Changes</b>
Sales volume ( <i>tonnes</i> )			
– Self-manufactured steel products	<b>3.64 million</b>	4.60 million	(20.8%)
– Trading of steel products	<b>0.06 million</b>	0.04 million	50.0%
	<b>3.70 million</b>	4.64 million	(20.3%)
Revenue ( <i>RMB</i> )			
– Sales of self-manufactured steel products	<b>11.63 billion</b>	15.72 billion	(26.0%)
– Sales of properties	<b>0.01 billion</b>	0.05 billion	(87.7%)
– Trading of iron ore and steel products and others	<b>5.38 billion</b>	5.28 billion	1.9%
	<b>17.02 billion</b>	21.05 billion	(19.1%)
Gross profit ( <i>RMB</i> )			
– Sales of self-manufactured steel products	<b>1,056 million</b>	2,115 million	(50.1%)
– Sales of properties	<b>5 million</b>	8 million	(37.5%)
– Trading of iron ore and steel products and others	<b>170 million</b>	230 million	(26.1%)
	<b>1,231 million</b>	2,353 million	(47.7%)
Gross profit per tonne ( <i>RMB</i> )			
– Sales of self-manufactured steel products	<b>290 yuan</b>	460 yuan	(37.0%)

\* For identification purposes only

	For the six months ended 30 June		Changes
	2020	2019	
EBITDA <sup>1</sup> (RMB)	<b>1,516 million</b>	2,814 million	(46.1%)
EBITDA <sup>1</sup> margin	<b>8.9%</b>	13.4%	N/A
EBIT <sup>2</sup> (RMB)	<b>981 million</b>	2,213 million	(55.7%)
EBIT <sup>2</sup> margin	<b>5.8%</b>	10.5%	N/A
Profit before income tax (RMB)	<b>939 million</b>	2,146 million	(56.2%)
Profit for the period (RMB)	<b>786 million</b>	1,688 million	(53.4%)
Profit for the period attributable to owners of the Company (RMB)	<b>775 million</b>	1,666 million	(53.5%)
Basic earnings per share (RMB)	<b>0.21 yuan</b>	0.45 yuan	(53.3%)
Interim dividend per share (HK\$)	<b>0.05 dollar</b>	0.10 dollar	(50.0%)
Special dividend per share (HK\$)	<b>0.02 dollar</b>	0.05 dollar	(60.0%)
Return on equity <sup>3</sup>	<b>3.9%</b>	9.3%	N/A
	As at		
	<b>30 June</b>	31 December	
	<b>2020</b>	2019	Changes
Total assets (RMB)	<b>43.28 billion</b>	35.41 billion	22.2%
Net assets value per share (exclude non-controlling interests) (RMB)	<b>5.39 yuan</b>	5.24 yuan	2.9%
Debt-to-capital ratio <sup>4</sup>	<b>54.1%</b>	28.9%	N/A

<sup>1</sup> China Oriental Group Company Limited (the “Company”) defines EBITDA as profit for the period before finance costs — net, income tax expense, amortisation, depreciation and non-recurring items. During the six months ended 30 June 2020, there were no adjustments of non-recurring items in the calculation (2019 corresponding period: nil).

<sup>2</sup> The Company defines EBIT as profit for the period before finance costs — net, income tax expense and non-recurring items. During the six months ended 30 June 2020, there were no adjustments of non-recurring items in the calculation (2019 corresponding period: nil).

<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 period.

<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.

The board (the “**Board**”) of directors (the “**Director(s)**”) of the Company is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2020 (the “**Period**”) together with the comparative figures for the corresponding period in 2019. PricewaterhouseCoopers, the Company’s auditor, has conducted its review on the unaudited condensed consolidated interim financial information for the six months ended 30 June 2020 in accordance with the Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<i>Note</i>	Six months ended 30 June	
		2020	2019
		<i>RMB'000</i>	<i>RMB'000</i>
		<b>Unaudited</b>	
Revenue	4	<b>17,020,579</b>	21,050,676
Cost of sales		<b>(15,789,472)</b>	(18,697,567)
<b>Gross profit</b>		<b>1,231,107</b>	2,353,109
Distribution costs		<b>(39,086)</b>	(34,437)
Administrative expenses		<b>(299,929)</b>	(297,976)
Provision for impairment on financial assets, net		<b>(8,759)</b>	(4,017)
Other expenses		<b>(23,438)</b>	(16,540)
Other income	6	<b>81,906</b>	118,597
Other gains – net	6	<b>33,988</b>	85,767
<b>Operating profit</b>	6	<b>975,789</b>	2,204,503
Finance income	7	<b>81,563</b>	29,147
Finance costs	7	<b>(123,213)</b>	(95,582)
Share of results of associates and a joint venture		<b>5,344</b>	8,214
<b>Profit before income tax</b>		<b>939,483</b>	2,146,282
Income tax expense	8	<b>(153,020)</b>	(458,684)
<b>Profit for the period</b>		<b>786,463</b>	1,687,598

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
(continued)

		<b>Six months ended 30 June</b>	
		<b>2020</b>	<b>2019</b>
	<i>Note</i>	<b>RMB'000</b>	<b>RMB'000</b>
		<b>Unaudited</b>	
<b>Other comprehensive income:</b>			
<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		<b>(4,182)</b>	2,358
<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		<b>116,376</b>	–
<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		<b>(629)</b>	–
<b>Total comprehensive income for the period</b>		<b>898,028</b>	1,689,956
<b>Profit for the period attributable to:</b>			
– Owners of the Company		<b>774,970</b>	1,666,210
– Non-controlling interests		<b>11,493</b>	21,388
		<b>786,463</b>	1,687,598
<b>Total comprehensive income attributable to:</b>			
– Owners of the Company		<b>886,535</b>	1,668,568
– Non-controlling interests		<b>11,493</b>	21,388
		<b>898,028</b>	1,689,956
<b>Earnings per share for profit attributable to owners of the Company for the period</b> (express in RMB per share)			
– Basic	9	<b>RMB0.21</b>	RMB0.45
– Diluted	9	<b>RMB0.21</b>	RMB0.45

## INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

		As at 30 June 2020 <i>RMB'000</i> Unaudited	As at 31 December 2019 <i>RMB'000</i> Audited
	<i>Note</i>		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	11	9,875,013	9,586,054
Right-of-use assets		268,371	278,442
Investment properties	11	122,236	125,667
Intangible assets	11	3,547,985	1,039,546
Investment in associates and a joint venture		139,374	136,072
Financial assets at fair value through other comprehensive income		787,655	720,468
Financial assets at fair value through profit or loss	16	169,249	211,620
Prepayments, deposits and other receivables	15	1,246,801	1,812,460
Long-term bank deposits		1,300,000	–
Loan receivables	17	–	200,000
Deferred income tax assets		280,218	278,838
		<b>17,736,902</b>	<b>14,389,167</b>
<b>Total non-current assets</b>			
<b>Current assets</b>			
Financial assets at fair value through other comprehensive income		82,063	30,637
Properties under development and held for sale	12	231,587	116,639
Inventories	13	4,201,467	4,093,435
Trade receivables	14	656,937	1,201,005
Prepayments, deposits and other receivables	15	2,192,852	1,616,370
Financial assets at fair value through profit or loss	16	5,518,230	3,347,778
Amounts due from related parties		132,043	127,544
Prepaid current income tax		30,681	36,864
Loan receivables	17	1,101,994	1,014,000
Notes receivable – bank acceptance notes	18	1,480,093	1,517,684
Derivative financial instruments		3,121	2,513
Restricted bank balances		2,081,172	1,082,560
Cash and cash equivalents		4,882,075	4,630,945
Structured bank deposits	19	2,951,600	2,200,100
		<b>25,545,915</b>	<b>21,018,074</b>
<b>Total current assets</b>			
		<b>43,282,817</b>	<b>35,407,241</b>
<b>Total assets</b>			

**INTERIM CONDENSED CONSOLIDATED BALANCE SHEET** *(continued)*

		As at <b>30 June 2020</b>	As at 31 December 2019
	<i>Note</i>	<b>RMB'000</b> <b>Unaudited</b>	<b>RMB'000</b> <b>Audited</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		1,721,987	1,610,422
Retained earnings		14,446,579	13,978,397
		<u>20,081,428</u>	<u>19,501,681</u>
<b>Non-controlling interests</b>		<b>325,643</b>	<b>321,814</b>
		<u>20,407,071</u>	<u>19,823,495</u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	20	2,922,669	1,318,699
Lease liabilities		87,903	90,661
Deferred revenue		155,741	162,265
Deferred income tax liabilities		43,701	32,147
		<u>3,210,014</u>	<u>1,603,772</u>
<b>Total non-current liabilities</b>			
<b>Current liabilities</b>			
Trade payables	21	5,557,280	5,048,774
Accruals and other current liabilities		2,528,188	2,394,627
Contract liabilities		1,436,369	1,457,738
Amounts due to related parties		52,556	48,047
Current income tax liabilities		329,048	411,828
Lease liabilities		15,195	15,155
Derivative financial instruments		10,198	16,859
Borrowings	20	9,422,389	4,579,905
Dividends payable		314,509	7,041
		<u>19,665,732</u>	<u>13,979,974</u>
<b>Total current liabilities</b>		<b>19,665,732</b>	<b>13,979,974</b>
		<u>22,875,746</u>	<u>15,583,746</u>
<b>Total liabilities</b>		<b>22,875,746</b>	<b>15,583,746</b>
		<u>43,282,817</u>	<u>35,407,241</u>
<b>Total equity and liabilities</b>		<b>43,282,817</b>	<b>35,407,241</b>

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	Unaudited	
Net cash generated from/(used in) operating activities	229,235	(311,201)
Net cash (used in)/generated from investing activities	(5,869,331)	170,501
Net cash generated from financing activities	<u>5,873,010</u>	<u>1,011,056</u>
<b>Net increase in cash and cash equivalents</b>	<b>232,914</b>	<b>870,356</b>
Effect of foreign exchange rate changes	18,216	1,607
Cash and cash equivalents, beginning of period	<u>4,630,945</u>	<u>2,845,229</u>
<b>Cash and cash equivalents, end of period</b>	<b><u>4,882,075</u></b>	<b><u>3,717,192</u></b>

## SELECTED NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 1. GENERAL INFORMATION

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

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

The Company together with its subsidiaries are hereinafter collectively referred to as the Group. The Group is principally engaged in the manufacture and 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.

This condensed consolidated interim financial information was presented in RMB thousand, unless otherwise stated. This condensed consolidated interim financial information was approved for issue by the Board of Directors on 31 August 2020.

### 2. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2020 has been prepared in accordance with Hong Kong Accounting Standards (“**HKAS**”) 34, “Interim financial reporting”. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2019, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) except for the adoption of new and amended standards as disclosed in Note 3.

### 3. SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2019, as described in those annual financial statements.

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

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

- HKAS 1 and HKAS 8 (Amendments) “Definition of Material”
- HKFRS 3 (Amendments) “Definition of a Business”
- Revised Conceptual Framework for Financial Reporting
- HKFRS 9, HKAS 39 and HKFRS 7 (Amendments) “Interest Rate Benchmark Reform”
- HKFRS 16 (Amendments) “COVID-19 — Related Rent Concessions”

The Group has early adopted Amendment to HKFRS 16: COVID-19 — Related Rent Concessions ahead of its effective date and applied the practical expedient to all its COVID-19 — related rent concessions from 1 January 2020.



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

A number of new standards and amendments to standards and interpretations that are relevant to the Group but not yet effective for the financial year beginning at 1 January 2020 and have not been early adopted by the Group are as follows:

		<b>Effective for annual periods beginning on or after</b>
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2023
HKAS 16 (Amendments)	Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022
HKAS 37 (Amendments)	Onerous Contracts — Cost of Fulfilling a Contract	1 January 2022
HKFRS 3 (Amendments)	Reference to the Conceptual Framework	1 January 2022
HKFRS 17	Insurance Contracts	1 January 2023
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
Annual Improvements to HKFRS Standards 2018–2020		1 January 2022

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

**4. REVENUE**

The Group is principally engaged in the manufacture and sales of iron and steel products, trading of steel products and iron ore and real estate business. Sales recognised for the six months ended 30 June 2020 and 2019 were as follows:

	<b>Six months ended 30 June</b>	
	<b>2020</b>	<b>2019</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>Unaudited</b>	<b>Unaudited</b>
Sales:		
– Iron ore	<b>4,667,168</b>	4,295,453
– H-section steel products	<b>4,609,807</b>	6,140,899
– Billets	<b>1,883,542</b>	384,800
– Rebar	<b>1,865,504</b>	2,287,859
– Sheet piling	<b>1,626,392</b>	1,586,527
– Strips and strip products	<b>1,339,310</b>	4,847,080
– Cold rolled sheets and galvanised sheets	<b>495,417</b>	612,864
– Real estate	<b>5,722</b>	46,603
– Others	<b>527,717</b>	848,591
	<b>17,020,579</b>	21,050,676

## 5. SEGMENT INFORMATION

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

Based on these reports, the chief operating decision-maker considers the business from a business perspective. From a business perspective, the chief operating 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 operating decision-maker assesses the performance of the operating segments based on a measure of revenue and operating profit. This measurement is consistent with that in the consolidated financial statements for the year ended 31 December 2019.

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

	<b>Six months ended 30 June 2020</b>		
	<b>Iron and steel</b> <i>RMB'000</i>	<b>Real estate</b> <i>RMB'000</i> Unaudited	<b>Total</b> <i>RMB'000</i>
<b>Revenue</b>	<u>17,014,857</u>	<u>5,722</u>	<u>17,020,579</u>
<b>Segment results:</b>			
<b>Operating profit</b>	972,792	2,997	975,789
Finance (costs)/income – net	(49,032)	7,382	(41,650)
Share of results of associates and a joint venture	5,344	–	<u>5,344</u>
Profit before income tax			939,483
Income tax expense			<u>(153,020)</u>
<b>Profit for the period</b>			<u><u>786,463</u></u>
<b>Other profit or loss items</b>			
Depreciation and amortisation	<u>531,742</u>	<u>3,010</u>	<u>534,752</u>
<b>Capital expenditure</b>	<u><u>3,362,106</u></u>	<u><u>96</u></u>	<u><u>3,362,202</u></u>

	Six months ended 30 June 2019		
	Iron and steel	Real estate	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
		Unaudited	
<b>Revenue</b>	<u>21,004,073</u>	<u>46,603</u>	<u>21,050,676</u>
<b>Segment results:</b>			
<b>Operating profit</b>	2,201,447	3,056	2,204,503
Finance (costs)/income – net	(69,700)	3,265	(66,435)
Share of results of associates and a joint venture	8,214	–	<u>8,214</u>
Profit before income tax			2,146,282
Income tax expense			<u>(458,684)</u>
<b>Profit for the period</b>			<u><u>1,687,598</u></u>
<b>Other profit or loss items</b>			
Depreciation and amortisation	<u>600,622</u>	<u>684</u>	<u>601,306</u>
<b>Capital expenditure</b>	<u>1,971,836</u>	<u>42</u>	<u>1,971,878</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 property, plant and equipment, right-of-use assets, investment properties, intangible assets, investment in associates and a joint venture, properties under development and held for sale, inventories, trade receivables, prepayments, deposits and other receivables, loan receivables, amounts due from related parties, notes receivable, long-term bank deposits, restricted bank balances and cash and cash equivalents.

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

The segment assets and liabilities as at 30 June 2020 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>Unaudited</b>			
<b>Segment assets</b>	<u>33,040,716</u>	<u>1,024,867</u>	<u>(605,583)</u>	<u>33,460,000</u>
Segment assets for reportable segments				33,460,000
<b>Unallocated:</b>				
Deferred income tax assets				280,218
Financial assets at fair value through other comprehensive income				869,718
Financial assets at fair value through profit or loss				5,687,479
Derivative financial instruments				3,121
Structured bank deposits				2,951,600
Prepaid current income tax				<u>30,681</u>
Total assets per balance sheet				<u><u>43,282,817</u></u>
<b>Segment liabilities</b>	<u>9,746,643</u>	<u>692,172</u>	<u>(605,583)</u>	<u>9,833,232</u>
Segment liabilities for reportable segments				9,833,232
<b>Unallocated:</b>				
Current income tax liabilities				329,048
Current borrowings				9,422,389
Non-current borrowings				2,922,669
Derivative financial instruments				10,198
Dividends payable				314,509
Deferred income tax liabilities				<u>43,701</u>
Total liabilities per balance sheet				<u><u>22,875,746</u></u>

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

	Iron and steel <i>RMB'000</i>	Real estate <i>RMB'000</i>	Elimination <i>RMB'000</i>	Total <i>RMB'000</i>
	Audited			
<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>

## 6. OPERATING PROFIT

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

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	Unaudited	Unaudited
Depreciation of property, plant and equipment ( <i>Note 11</i> )	(513,905)	(585,457)
Depreciation of right-of-use assets	(10,071)	(5,548)
Amortisation of intangible assets ( <i>Note 11</i> )	(6,961)	(5,857)
Depreciation of investment properties ( <i>Note 11</i> )	(3,815)	(4,444)
Provision for impairment of trade receivables	(979)	(2,700)
Provision for impairment of prepayments, deposits and other receivables	(7,780)	(1,317)
Other income		
– Interest income from loan receivables	64,342	42,582
– Dividend income from financial assets at fair value through other comprehensive income	10,225	65,845
– Rental income from investment properties	5,313	5,804
– Interest income from financial assets at fair value through other comprehensive income	2,026	4,366
Other gains – net		
– Government grants	30,586	45,945
– Investment income from financial assets at fair value through profit or loss	55,151	101,527
– Fair value gains from financial assets at fair value through profit or loss	100,002	83,745
– Investment losses from derivative financial instruments	(33,394)	(127,179)
– Fair value losses from derivative financial instruments	(7,078)	(21,458)
– Investment income from structured bank deposits	2,463	–
– (Losses)/gains on disposal of property, plant and equipment	(30,021)	1,956
– Losses on derecognition of notes receivable	(84,425)	–
– Losses on disposal of investment properties	–	(4,206)
	<u>(17,000)</u>	<u>(1,317)</u>

## 7. FINANCE INCOME AND COSTS

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	Unaudited	Unaudited
Interest expenses on borrowings	(170,694)	(95,805)
Interest expenses on lease liabilities	(2,351)	(2,034)
Net foreign exchange losses on borrowings and dividends payable	(18,972)	(2,172)
	<u>(192,017)</u>	<u>(100,011)</u>
Total finance costs	(192,017)	(100,011)
Less: amounts capitalised on qualifying assets	68,804	4,429
	<u>(123,213)</u>	<u>(95,582)</u>
Finance costs	(123,213)	(95,582)
Finance income	81,563	29,147
	<u>(41,650)</u>	<u>(66,435)</u>
Finance costs – net	(41,650)	(66,435)

For the six months ended 30 June 2020, a capitalisation rate of 4.70% (2019: 4.99%) was used, representing the average borrowing cost of the loans relating to financing the construction of property, plant and equipment.

## 8. INCOME TAX EXPENSE

	<b>Six months ended 30 June</b>	
	<b>2020</b>	2019
	<b>RMB'000</b>	RMB'000
	<b>Unaudited</b>	Unaudited
Current income tax		
– PRC enterprise income tax	<b>132,971</b>	483,217
– Singapore profit tax	<b>9,875</b>	8,623
	<u><b>142,846</b></u>	<u>491,840</u>
Deferred income tax		
– PRC enterprise income tax	<b>10,174</b>	(33,156)
	<u><b>153,020</b></u>	<u>458,684</u>

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 22.39% (2019: 24.68%) to respective profits of the consolidated entities for the six months ended 30 June 2020 and 2019 as follows:

	<b>Six months ended 30 June</b>	
	<b>2020</b>	2019
	<b>RMB'000</b>	RMB'000
	<b>Unaudited</b>	Unaudited
Profit before taxation	<u><b>939,483</b></u>	<u>2,146,282</u>
Taxation calculated at statutory tax rate	<b>210,366</b>	529,655
Tax exemption of a subsidiary established in specific area	<b>(50,267)</b>	(62,484)
Temporary differences and tax losses for which no deferred income tax asset was recognised	<b>15,283</b>	22,072
Utilisation of previously unrecognised tax losses and temporary differences	<b>(14,009)</b>	(17,372)
Withholding tax of intra-group dividend income and interest income	<b>16,648</b>	32,145
Effect of non-taxable income	<b>(32,968)</b>	(42,600)
Additional deduction of environmental equipments	–	(5,002)
Effect of non-deductible expenses	<b>7,967</b>	2,270
	<u><b>153,020</b></u>	<u>458,684</u>

## 9. EARNINGS PER SHARE

### Basic

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

	Six months ended 30 June	
	2020	2019
	Unaudited	Unaudited
Profit attributable to owners of the Company ( <i>RMB'000</i> )	774,970	1,666,210
Weighted average number of ordinary shares in issue ( <i>thousands of shares</i> )	3,722,569	3,722,569
Basic earnings per share ( <i>RMB per share</i> )	<u>0.21</u>	<u>0.45</u>

### Diluted

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

As at 30 June 2020 and 2019, the Group did not have any dilutive potential ordinary share.

## 10. DIVIDENDS

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	Unaudited	Unaudited
Interim, paid ( <i>a</i> )	–	504,429
Final, proposed and approved ( <i>b</i> )	–	306,788
Interim, proposed ( <i>c</i> )	<u>230,665</u>	<u>–</u>

- (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 31 March 2020, the Board proposed a final dividend of HK\$335.0 million (approximately RMB306.8 million), representing HK\$0.09 per ordinary share in respect of the year ended 31 December 2019. The proposed dividend was approved by the shareholders of the Company on the annual general meeting of the Company dated 5 June 2020 and paid on 15 July 2020.
- (c) At the Board meeting held on 31 August 2020, the Board proposed an interim dividend of HK\$186.1 million (approximately RMB164.8 million), representing HK\$0.05 per ordinary share and a special dividend of HK\$74.5 million (approximately RMB65.9 million), representing HK\$0.02 per ordinary share in respect of the six months ended 30 June 2020.



## 11. CAPITAL EXPENDITURE

	Property, plant and equipment <i>RMB'000</i>	Investment properties <i>RMB'000</i> Unaudited	Intangible assets <i>RMB'000</i>
<b>Six months ended 30 June 2020</b>			
Opening carrying amount as at 1 January 2020	9,586,054	125,667	1,039,546
Additions (a)	846,418	–	2,515,400
Transfer from completed properties held for sale	–	384	–
Disposals	(43,554)	–	–
Depreciation and amortisation (Note 6)	(513,905)	(3,815)	(6,961)
<b>Closing carrying amount as at 30 June 2020</b>	<b>9,875,013</b>	<b>122,236</b>	<b>3,547,985</b>
<b>Six months ended 30 June 2019</b>			
Opening carrying amount as at 1 January 2019	7,559,747	187,184	129,647
Additions (a)	1,073,941	–	897,937
Disposals	(26,916)	(30,997)	–
Disposal of a subsidiary	(216)	–	–
Depreciation and amortisation (Note 6)	(585,457)	(4,444)	(5,857)
<b>Closing carrying amount as at 30 June 2019</b>	<b>8,021,099</b>	<b>151,743</b>	<b>1,021,727</b>

- (a) The additions of intangible assets during the six months ended 30 June 2020 and 2019 mainly represented the acquired iron and steel production capacity for supplementing the Group's equipment upsizing and Fangchenggang project.

## 12. PROPERTIES UNDER DEVELOPMENT AND HELD FOR SALE

	As at 30 June 2020 <i>RMB'000</i> Unaudited	As at 31 December 2019 <i>RMB'000</i> Audited
Properties under development comprise:		
— Land use rights	151,279	38,942
Completed properties held for sale	80,308	77,697
	<b>231,587</b>	<b>116,639</b>

### 13. INVENTORIES

	As at 30 June 2020 <i>RMB'000</i> Unaudited	As at 31 December 2019 <i>RMB'000</i> Audited
Raw materials and materials in-transit	3,186,319	2,855,933
Work-in-progress	508,326	798,335
Finished goods	533,561	466,989
Less: impairment provision	(26,739)	(27,822)
	<u>4,201,467</u>	<u>4,093,435</u>

### 14. TRADE RECEIVABLES

	As at 30 June 2020 <i>RMB'000</i> Unaudited	As at 31 December 2019 <i>RMB'000</i> Audited
Trade receivables	724,778	1,267,867
Less: impairment provision for trade receivables	(67,841)	(66,862)
	<u>656,937</u>	<u>1,201,005</u>

As at 30 June 2020 and 31 December 2019, the carrying amount of the Group's trade receivables approximated their fair values.

The credit policy usually adopted by the Group for the sales of products to customers is to deliver goods either upon receipt in cash or upon receipt of bank acceptance notes with the maturity dates within 1 year.

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

	As at 30 June 2020 <i>RMB'000</i> Unaudited	As at 31 December 2019 <i>RMB'000</i> Audited
Within 3 months	606,183	1,158,789
4–6 months	27,069	12,633
7–12 months	30,089	34,982
Over 1 year	61,437	61,463
	<u>724,778</u>	<u>1,267,867</u>

As at 30 June 2020, trade receivables amounting to approximately RMB41 million (31 December 2019: RMB502 million) were guaranteed by third party customers' letters of credit.

## 15. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 30 June 2020 <i>RMB'000</i> Unaudited	As at 31 December 2019 <i>RMB'000</i> Audited
<b>Non-current</b>		
Prepayments for purchase of long-term assets	904,669	1,690,315
Less: impairment provision	<u>(234,235)</u>	<u>(234,235)</u>
Prepayments for purchase of long-term assets – net	670,434	1,456,080
Deposits for purchase of right-of-use assets	500,000	300,000
Lease receivables	<u>76,367</u>	<u>56,380</u>
	<u>1,246,801</u>	<u>1,812,460</u>
<b>Current</b>		
Prepayments for purchase of inventories	<u>1,212,598</u>	<u>858,233</u>
Other receivables	434,986	428,316
Less: impairment provision	<u>(206,364)</u>	<u>(198,621)</u>
Other receivables – net	<u>228,622</u>	<u>229,695</u>
Deposits	393,584	335,940
Prepaid tax	231,054	130,628
Prepaid expenses	91,879	13,136
Lease receivables	19,915	13,638
National debt reverse repurchase	<u>15,200</u>	<u>35,100</u>
	<u>2,192,852</u>	<u>1,616,370</u>
	<u>3,439,653</u>	<u>3,428,830</u>

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

	As at 30 June 2020 <i>RMB'000</i> Unaudited	As at 31 December 2019 <i>RMB'000</i> Audited
<b>Non-current</b>		
Listed equity interests	<u>169,249</u>	<u>211,620</u>
<b>Current</b>		
Money market funds	2,216,054	897,667
Financial investment products	1,082,338	840,687
Listed bond investments	791,784	546,123
Investment funds	394,248	532,634
Listed equity interests	279,329	188,639
Bond market funds	<u>754,477</u>	<u>342,028</u>
	<u>5,518,230</u>	<u>3,347,778</u>
Total	<u>5,687,479</u>	<u>3,559,398</u>

## 17. LOAN RECEIVABLES

	As at 30 June 2020 <i>RMB'000</i> Unaudited	As at 31 December 2019 <i>RMB'000</i> Audited
<b>Non-current</b>		
Long-term loan receivables (a)	–	200,000
<b>Current</b>		
Short-term and current portion of long-term loan receivables (a)	1,146,785	1,058,791
Less: impairment provision (b)	(44,791)	(44,791)
	<u>1,101,994</u>	<u>1,014,000</u>
Total loan receivables, net of provision	<u>1,101,994</u>	<u>1,214,000</u>

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

- (a) Loan receivables of RMB1,147 million as at 30 June 2020 comprised various loans with residual repayment terms within 1 year and with individual amount ranging from RMB9 million to RMB298 million. The loans were secured by the pledge of certain land use rights and shares of listed and unlisted companies held by 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.

Long-term loan receivables of RMB200 million as at 31 December 2019 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.

Short-term loan receivables of RMB1,059 million as at 31 December 2019 comprised 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 the pledge of certain land use rights and shares of listed and unlisted companies held by 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.

- (b) As at 30 June 2020, provisions amounting to RMB45 million (31 December 2019: 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

	As at 30 June 2020 <i>RMB'000</i> Unaudited	As at 31 December 2019 <i>RMB'000</i> Audited
Notes receivable – bank acceptance notes	<u>1,480,093</u>	<u>1,517,684</u>

As at 30 June 2020, notes receivable amounting to RMB69 million (31 December 2019: RMB62 million) was pledged as security for issuing notes payable (Note 21).

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

As at 30 June 2020 and 31 December 2019, the ageing analysis of notes receivable was as follows:

	As at 30 June 2020 <i>RMB'000</i> Unaudited	As at 31 December 2019 <i>RMB'000</i> Audited
Within 3 months	1,167,229	1,272,301
4-6 months	292,304	242,487
7-12 months	<u>20,560</u>	<u>2,896</u>
	<u>1,480,093</u>	<u>1,517,684</u>

## 19. STRUCTURED BANK DEPOSITS

	As at 30 June 2020 <i>RMB'000</i> Unaudited	As at 31 December 2019 <i>RMB'000</i> Audited
Financial assets at fair value through profit or loss	2,300,000	900,000
Financial assets at amortised cost	<u>651,600</u>	<u>1,300,100</u>
	<u>2,951,600</u>	<u>2,200,100</u>

As at 30 June 2020, the structured bank deposits represented financial instruments placed by the Group in various banks in the Mainland China for fixed terms within 1 year. The structured bank deposits are principal-protected, among which amounts of RMB2,300 million (31 December 2019: RMB900 million) are recorded in financial assets at fair value through profit or loss as their interests link to LIBOR and BFIX EUR/USD and amounts of RMB652 million (31 December 2019: RMB1,300 million) are recorded in financial assets at amortised cost as their interests link to SHIBOR. Considering the principal-protected nature or short-term maturity of the deposits, the Directors are of the view that the structured bank deposits are held for cash management purpose.

As at 30 June 2020, structured bank deposits amounting to RMB1,700 million (31 December 2019: RMB1,200 million) were pledged as security for issuing notes payable (Note 21) of the Group.

## 20. BORROWINGS

	As at 30 June 2020 <i>RMB'000</i> Unaudited	As at 31 December 2019 <i>RMB'000</i> Audited
<b>Non-current</b>		
Bank borrowings, unsecured	<u>2,922,669</u>	<u>1,318,699</u>
<b>Current</b>		
Bank borrowings		
Secured (a)	2,129,119	168,130
Unsecured	<u>7,273,270</u>	<u>4,391,775</u>
	<u>9,402,389</u>	<u>4,559,905</u>
Other borrowings, unsecured	<u>20,000</u>	<u>20,000</u>
	<u>9,422,389</u>	<u>4,579,905</u>
Total borrowings	<u><u>12,345,058</u></u>	<u><u>5,898,604</u></u>

The borrowings of the Group as at 30 June 2020 were composed as follows:

- (a) The secured bank borrowings as at 30 June 2020, totaling RMB2,129 million were secured by property, plant and equipment of approximately RMB8 million, right-of-use assets with carrying amount of approximately RMB24 million, restricted bank balances of approximately RMB600 million and long-term bank deposits of RMB1,300 million.

The secured bank borrowings as at 31 December 2019, totaling RMB168 million were secured by property, plant and equipment of approximately RMB8 million, right-of-use asset with carrying amount of approximately RMB25 million and restricted bank balances of approximately RMB18 million.

As at 30 June 2020 and 31 December 2019, the Group's borrowings were repayable as follows:

	Bank borrowings		Other borrowings	
	As at 30 June 2020 <i>RMB'000</i> Unaudited	As at 31 December 2019 <i>RMB'000</i> Audited	As at 30 June 2020 <i>RMB'000</i> Unaudited	As at 31 December 2019 <i>RMB'000</i> Audited
Within 1 year	9,402,389	4,559,905	20,000	20,000
Between 1 and 2 years	1,582,169	533,127	–	–
Between 2 and 5 years	1,287,500	728,572	–	–
Over 5 years	<u>53,000</u>	<u>57,000</u>	–	–
	<u><u>12,325,058</u></u>	<u><u>5,878,604</u></u>	<u><u>20,000</u></u>	<u><u>20,000</u></u>

## 21. TRADE PAYABLES

	As at 30 June 2020 <i>RMB'000</i> Unaudited	As at 31 December 2019 <i>RMB'000</i> Audited
Account payables	1,948,543	2,030,988
Notes payable	3,608,737	3,017,786
	<u>5,557,280</u>	<u>5,048,774</u>

As at 30 June 2020, all notes payable represented bank acceptance notes were secured by restricted bank balances of approximately RMB1,197 million, certain notes receivable (Note 18) and certain structured bank deposits (Note 19).

As at 31 December 2019, all notes payable represented bank acceptance notes were secured by restricted bank balances of approximately RMB1,001 million, certain notes receivable (Note 18), certain structured bank deposits (Note 19) and certain inventories.

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

	As at 30 June 2020 <i>RMB'000</i> Unaudited	As at 31 December 2019 <i>RMB'000</i> Audited
Within 3 months	1,512,121	1,680,894
4–6 months	199,058	109,026
7–9 months	67,434	80,991
10–12 months	55,153	15,563
Over 1 year	114,777	144,514
	<u>1,948,543</u>	<u>2,030,988</u>

As at 30 June 2020 and 31 December 2019, the ageing analysis of the notes payables was as follows:

	As at 30 June 2020 <i>RMB'000</i> Unaudited	As at 31 December 2019 <i>RMB'000</i> Audited
Within 3 months	1,746,892	2,050,681
4–6 months	991,845	400,264
7–9 months	870,000	566,841
	<u>3,608,737</u>	<u>3,017,786</u>

## 22. CAPITAL COMMITMENTS

	As at 30 June 2020 <i>RMB'000</i> Unaudited	As at 31 December 2019 <i>RMB'000</i> Audited
Purchase of property, plant and equipment		
– Contracted but not provided for	2,212,389	2,643,877
– Authorised but not contracted for	1,371,857	2,985,217
	<u>3,584,246</u>	<u>5,629,094</u>

## 23. EVENTS OCCURRING AFTER THE REPORTING PERIOD

Pursuant to an equity transfer agreement dated 7 June 2020, entered into by Hebei Jinxi Iron and Steel Group Company Limited (“**Jinxi Limited**”), an indirect non-wholly owned subsidiary of the Company and the controlling shareholder of Qingdao Huijintong Power Equipment Company Limited (“**HJT**”), Jinxi Limited conditionally agreed to acquire 43,240,235 shares of HJT, representing approximately 15% of the issued shares of HJT at a consideration of approximately RMB639 million. The acquisition was completed on 16 July 2020 and upon completion of the acquisition, Jinxi Limited held, directly and indirectly, approximately 30% of the issued shares of HJT in aggregate and has significant influence over the entity.



## MANAGEMENT DISCUSSION AND ANALYSIS

Looking back at the first half of 2020, the iron and steel industry in the People's Republic of China (the "PRC") has been relatively volatile during these six months. Although China reached the Phase One of China-US Economic and Trade Agreement with the United States on 16 January 2020, there was continuous occurrence of trade disputes in the international markets (particularly between China and the United States). Such tensions, coupled with the outbreak of coronavirus disease 2019 ("COVID-19") since January 2020, have imposed a material adverse impact on the overall economy in China, and taken a heavy toll on the global economy, resulting in a rapidly waning business environment. The upstream and downstream of the iron and steel industry were affected by the spread of the pandemic and related prevention measures. Suspension of operation and production in downstream construction, manufacturing of machines, etc. in light of quarantine and lockdown measures affected the demand for iron and steel from end-users and led to a decrease in steel prices. At the same time, the pandemic abroad also affected the supply of iron ore, resulting in rising iron ore prices. On the other hand, as the pandemic has been brought under control through the proactive prevention and control measures imposed by the Chinese government, all sectors started to resume operation progressively in March and April 2020 and production and profit of the iron and steel industry gradually returned to stable levels. For the policy with respect to the iron and steel industry, on 23 January 2020, the National Development and Reform Commission of the People's Republic of China ("NDRC") and the Ministry of Industry and Information Technology of the People's Republic of China ("MIIT") jointly issued the "Notice on Regarding Completing the Steel Capacity Swaps and Project Filing Works" and associated interpretation ("**Notice on Steel Capacity Swaps**"), which pointed out that in order to prevent the recurrence of excessive production capacity and promote high quality development of the industry, the Chinese government is suspending the iron and steel production capacity swaps and project filing, carrying out self-inspection on the existing iron and steel production capacity swap projects, formulating relevant policy documents and strengthening thorough implementation and urging inspection. To sum up, the production volume of iron and steel in the PRC remained at a high level. According to the announcement of MIIT, the national production volumes of pig iron, crude steel and steel products in the first half of 2020 were 433 million tonnes, 499 million tonnes and 606 million tonnes, respectively, representing an increase of 2.2%, 1.4% and 2.7% from the corresponding period in 2019, respectively.

With this background, the Company and its subsidiaries (the "**Group**"), through persistently pursuing efficiency enhancement and cost control, etc., enhanced the operating efficiency and sustainability. At the same time, given the impact on production volumes and gross profit of the Group by the COVID-19 pandemic, delayed demand for steel due to suspension of construction, implementation of various production restrictions by the government, as well as the implementation of the Equipment Upsizing Project of the Group as mentioned hereinafter, the Group has been actively adopting flexible production management to reduce the impact on the operation from these challenges, including active production reduction, introduction of a series of preventive measures for the COVID-19 pandemic, etc. Due to these factors, the Group's gross profit decreased during the Period. The Group's interim results also dropped compared with the corresponding period of last year. The revenue was approximately RMB17.02 billion for the six months ended 30 June 2020, representing a decrease of approximately 19.1% as compared with the corresponding period of last year. Comparing with that of the corresponding period of last year, the average selling price of self-manufactured steel products decreased by approximately 6.6% to approximately RMB3,191 per tonne, and due to the aforesaid factors the gross profit decreased by approximately 50.1% to

approximately RMB1.06 billion. The net profit of the Group for the period amounted to approximately RMB786 million, representing a decrease of approximately 53.4% from the profit of approximately RMB1.69 billion of the corresponding period of last year. EBITDA of the Group decreased from approximately RMB2.81 billion of the corresponding period of last year to approximately RMB1.52 billion. Basic earnings per share still reached RMB0.21 per share (2019 corresponding period: RMB0.45 per share).

In July 2020, the Company was ranked the 223rd in the top 2020 Fortune China 500 companies. In March 2020, Hebei Jinxi Iron and Steel Group Company Limited (“**Jinxi Limited**”), the Group’s 97.6% indirect non-wholly owned subsidiary, was elected as “Top 100 Quality Trustworthy Benchmarking and Demonstration Enterprises in China” by the China Association for Quality Inspection. In June 2020, Jinxi Limited was awarded the title of “2019 Leading Entity of National Occupational Skill Testing of Metallurgical Industry” by Occupational Skill Testing Authority of Metallurgical Industry.

Based on the results of first half of 2020 and with regard to the requirements of future development, as well as for sharing of the outstanding results of the Group with the shareholders of the Company (the “**Shareholders**”), the board of the Company (the “**Board**” or “**Director(s)**”) proposed distribution of 2020 interim dividend of HK\$0.05 per ordinary share and special dividend of HK\$0.02 per ordinary share.

With respect to the iron and steel business, the Group continued to invest substantially to enhance the competitiveness and economic efficiency of its products as well as environmental protection. These efforts include establishing scientific research centres to promote product research and 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 has been leading nationwide since 2009. In response to government policy requirements, the Group has commenced an equipment upsizing project since 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 started building the branch-line railways for transportation of materials and inventories for the business of the Group (the “**Branch-line Railway Project**”). The Branch-line Railway Project will be used to connect the Group’s facilities with the railway transportation hub system and ports nearby, replacing trucks for raw materials and products transportation after completion, which will also help the Group promote energy conservation and emission reduction going forward. Currently, the first phase of the Equipment Upsizing Project, namely building a new blast furnace with a capacity of approximately 2,000 cubic meters and a new converter furnace with a capacity of approximately 150 tonnes, has been completed and production was commenced in June 2020, while the second phase of the project is expected to be completed and production to be commenced in the third quarter this year. While the Branch-line Railway Project is expected to be completed before the year end of 2020, the Group is now in the process of obtaining relevant approvals for the Branch-line Railway Project and the date of commencement of key construction work of the Branch-line Railway Project will subject to the progress of obtaining such approvals. The annual steel products production capacity of the Group currently maintains at approximately 10 million tonnes. During the first half of 2020, the Group sold approximately 1.45 million tonnes of self-manufactured H-section steel products, and kept securing its leading position in the H-section steel market of China.

In September 2019, Jinxi Limited entered into an 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 completion of the first phase of development of the Fangchenggang Project, the annual steel products production volume of the first phase of the Fangchenggang Project is currently estimated to amount to approximately 6.5 million tonnes. After entering into the investment agreement, the Group has acquired accumulated annual iron production capacity of approximately 2.35 million tonnes and annual steel production capacity of approximately 3.05 million tonnes. 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. Due to the impacts of COVID-19 pandemic and pending approvals from relevant authorities, the progress of the Fangchenggang Project has been slowed down and there may be delay in completion of the Fangchenggang Project. After the release of the new policy, the Group will continue to evaluate its impact on the Fangchenggang Project.

With respect to the real estate business, the Group was dedicated in promoting the adoption of green structural development construction apart from developing traditional real estate projects. In various projects in Tangshan City and Suzhou of the Group, the sales and delivery of most units were completed in the past years. In the first half of 2020, the 4th phase of the Donghu Bay project in Tangshan City has commenced construction, while the Group contracted two projects in Guangxi, namely the Jinxi Meishu Hall and Jinxi Xijiang Bay project, and are expected to commence construction in 2020 and 2021, respectively. For the six months ended 30 June 2020, the Group recorded a revenue and operating profit from its real estate business of approximately RMB5.7 million and RMB3.0 million respectively.

During the first half of 2020, the revenue and gross profit arising from trading of steel products and iron ore of the Group were approximately RMB4.86 billion (2019 corresponding period: approximately RMB4.45 billion) and approximately RMB77 million (2019 corresponding period: approximately RMB93 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

For the six months ended 30 June 2020, the Group's total sales volume was approximately 3.64 million tonnes (2019 corresponding period: approximately 4.60 million tonnes), representing a decrease of approximately 20.8%. Export to foreign countries contributed revenue of RMB295 million (2019 corresponding period: RMB145 million), representing approximately 2.5% (2019 corresponding period: 0.9%) of revenue from sales of self-manufactured steel products.

The sales volume breakdown during the period was as follows:

	For the six months ended 30 June				Changes
	2020		2019		in sales
	Sales volume		Sales volume		volume
	('000 tonnes)		('000 tonnes)		Increase/ (Decrease)
H-section steel products	1,452	39.9%	1,779	38.7%	(18.4%)
Strips and strip products	439	12.0%	1,505	32.7%	(70.8%)
Cold rolled sheets and galvanised sheets	113	3.1%	136	2.9%	(16.9%)
Billets	620	17.0%	112	2.4%	453.6%
Rebar	609	16.7%	674	14.7%	(9.6%)
Sheet piling	411	11.3%	394	8.6%	4.3%
Total	<u>3,644</u>	<u>100%</u>	<u>4,600</u>	<u>100%</u>	<u>(20.8%)</u>

## Revenue

Revenue for the six months ended 30 June 2020 was RMB11,628 million (2019 corresponding period: RMB15,716 million), representing a decrease of approximately 26.0%.

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

	For the six months ended 30 June		2019		Changes in	
	2020	Average	Revenue	Average	Revenue	Average
	Revenue	selling price	Revenue	selling price	Revenue	selling price
	(RMB million)	(RMB/tonne)	(RMB million)	(RMB/tonne)	Increase/(Decrease)	
	Unaudited		Unaudited			
H-section steel products	4,600	3,169	6,086	3,421	(24.4%)	(7.4%)
Strips and strip products	1,316	2,998	4,847	3,220	(72.8%)	(6.9%)
Cold rolled sheets and galvanised sheets	478	4,212	581	4,284	(17.7%)	(1.7%)
Billets	1,772	2,859	341	3,043	419.6%	(6.0%)
Rebar	1,854	3,044	2,274	3,375	(18.5%)	(9.8%)
Sheet piling	1,608	3,915	1,587	4,023	1.3%	(2.7%)
Total/Combined	<u>11,628</u>	<u>3,191</u>	<u>15,716</u>	<u>3,416</u>	<u>(26.0%)</u>	<u>(6.6%)</u>

The decrease in revenue from self-manufactured steel products was primarily due to the decrease in sales volume of the Group's products and the decrease in average selling price of the Group's products by 6.6% to RMB3,191 per tonne for the six months ended 30 June 2020 from RMB3,416 per tonne for the corresponding period in 2019. The decrease in average selling price and decrease in sales volume of the Group's products was mainly due to the impact of the COVID-19 pandemic, delayed demand for steel due to suspension of construction, implementation of various production restrictions by the government, as well as the implementation of the Equipment Upsizing Project of the Group.

## Cost of Sales and Gross Profit

The gross profit for the six months ended 30 June 2020 was approximately RMB1,056 million (2019 corresponding period: approximately RMB2,115 million), representing a decrease of approximately 50.1%. Gross profit margin was 9.1% (2019 corresponding period: 13.5%).

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

	For the six months ended 30 June					
	2020			2019		
	Average unit cost (RMB)	Gross profit per tonne (RMB)	Gross profit margin	Average unit cost (RMB)	Gross profit per tonne (RMB)	Gross profit margin
H-section steel products	2,809	360	11.4%	2,866	555	16.2%
Strips and strip products	2,778	220	7.3%	2,756	464	14.4%
Cold rolled sheets and galvanised sheets	4,102	110	2.6%	4,122	162	3.8%
Billets	2,658	201	7.0%	2,659	384	12.6%
Rebar	2,912	132	4.3%	3,186	189	5.6%
Sheet piling	3,382	533	13.6%	3,422	601	14.9%
Combined	<u>2,901</u>	<u>290</u>	<u>9.1%</u>	<u>2,956</u>	<u>460</u>	<u>13.5%</u>

Gross profit per tonne of the Group's products decreased to RMB290 for the six months ended 30 June 2020 from RMB460 for the corresponding period in 2019, reflecting a substantial decrease of 37.0%. Gross profit margin decreased to 9.1% for the six months ended 30 June 2020 from 13.5% for the corresponding period in 2019. The decrease in gross profit margin was primarily due to the decrease in the average selling price, which was greater than the decrease in the average unit cost, and decrease in sales volume of the Group's steel products during the six months ended 30 June 2020.

### Property Development

For the six months ended 30 June 2020, the revenue from real estate business of the Group amounted to approximately RMB6 million.

As at 30 June 2020, 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

In the first half of 2020, the Group contracted two projects in Guangxi, namely the Jinxi Meishu Hall and Jinxi Xijiang Bay project, construction for which is expected to commence in 2020 and 2021, respectively.

The above projects are expected to be completed from 2021 and will contribute stable revenue and profits to our Group.

## FUTURE PROSPECTS

Looking into the second half of 2020, as the tension between China and the United States will sustain and given the impacts on the operation of real economy by the evolving COVID-19 pandemic, vast uncertainties loom over the global business environment. Meanwhile, due to the proactive preventive and control measures adopted by the Chinese government, the COVID-19 pandemic was brought under control and various industries resumed operation in an orderly manner in March and April 2020. Production and profitability of the iron and steel industry have also gradually stabilised, while the operation and sales of the Group steadily recovered to the levels before the COVID-19 pandemic in May and June 2020. With an increase in infrastructure investments, stable development of the real estate industry, resumption of machinery manufacturing, etc., it is expected that demand in the iron and steel industry will remain solid. In addition, the Chinese government has taken proactive prevention measures to counter the risk of supply-demand imbalance in the iron and steel industry in advance, which is anticipated to bring about more sustainable and healthier development to the iron and steel industry in the long run. It is expected that the NDRC may update the “Implementation Measures of Capacity Swaps in Iron and Steel Industry” in the near future, to which the Group will pay close attention for evaluating its impact on the Group’s Fangchenggang Project.

On 16 July 2020, Jinxi Limited completed the acquisition of Qingdao Huijintong Power Equipment Company Limited (青島匯金通電力設備股份有限公司) (“HJT”), upon which, Jinxi Limited holds, directly and indirectly, approximately 30% of the issued shares of HJT in aggregate. HJT is principally engaged in the research and development, manufacturing, and sales of electric power transmission facilities, and it currently operates a manufacturing plant in Shandong Province of China with an annual production capacity of approximately 250,000 tonnes. HJT is a current downstream customer of the Group as section steel products are one of the major raw materials for manufacturing steel power transmission towers. The potential downstream integration is expected to secure more steady demand for the Group’s section steel products, provide greater insight into downstream customers’ needs and generate synergies through streamlining resources management.

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..

Currently, the Group retains a relatively large amount of cash and resources within the Group in order to cope with future development needs. The Group is also proactively considering a wide variety of possibilities, including horizontal and vertical (in particular, downstream) corporate mergers and acquisitions, etc., while exploring different financing channels, so as to achieve sustainable development. At the same time, the Group will also from time to time evaluate the possibility to increase dividend distributions under appropriate circumstances to reward the Shareholders’ support for the Group.

Since its listing in 2004, the Group has been continuously expanding its business scale as well as diversifying its iron and steel product categories and business portfolio. For the past 16 years (since listing), the Group's overall steel products 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's business will continue to develop towards the goal of establishing the largest manufacturing base for section steel in the world, and to explore the possibility of extending to upstream and downstream sectors in the industry, in order to become a sizable enterprise with distinctive products. The Group will strive to take full advantage of the current solid financial condition and efficient management model to drive forward the continuous development of the Group and to maximise the Shareholders' value.

## **HUMAN RESOURCES AND REMUNERATION POLICIES**

As at 30 June 2020, the Group had a workforce of approximately 9,400 permanent staff and approximately 1,200 temporary staff. The staff cost included basic salaries and benefits. Staff benefits included discretionary bonus, medical insurance plans, pension scheme, unemployment insurance plan, maternity insurance plan and the fair value of the share options, etc.. According to the Group's remuneration policy, employees' package is based on productivity and/or sales performance, and is consistent with the Group's quality control and cost control targets.

## **FINANCIAL REVIEW**

### **Liquidity and Financial Resources**

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

As at 30 June 2020, the Group had unutilised banking facilities of approximately RMB4.3 billion (31 December 2019: approximately RMB4.2 billion).

As at 30 June 2020, the current ratio of the Group, representing current assets divided by current liabilities, was 1.3 times (31 December 2019: 1.5 times) and the gearing ratio, representing total liabilities divided by total assets, was 52.9% (31 December 2019: 44.0%).

As at 30 June 2020, the cash and cash equivalents of the Group amounted to approximately RMB4,882 million (31 December 2019: approximately RMB4,631 million).

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



## **Capital Structures**

As at 30 June 2020, borrowings of RMB11,051 million of the Group bore fixed interest rates ranged from 0.95% to 6.86% per annum and borrowings of RMB1,294 million of the Group bore floating rates ranged from 3.80% to 5.55% per annum. The Group's exposure to changes in market interest rates was considered to be limited. The total borrowings of the Group increased by approximately RMB6,446 million which was due to the active expansion of financing support with banks in order to support the daily operation and future demands for capital for business development.

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 30 June 2020, the debt-to-capital ratio of the Group was 54.1% (31 December 2019: 28.9%).

The consolidated interest expenses and capitalised interest for the six months ended 30 June 2020 amounted to approximately RMB173 million (2019 corresponding period: approximately RMB98 million). The interest coverage ratio (divide earnings before finance costs – net and income tax expense by total interest expenses) was 5.7 times (2019 corresponding period: 22.6 times).

## **Capital Commitments**

As at 30 June 2020, the Group had capital commitments of approximately RMB3,584 million (31 December 2019: RMB5,629 million). It is estimated that the capital commitments will be financed by the Group's internal resources and available banking facilities.

## **Guarantees and Contingent Liabilities**

As at 30 June 2020, the Group had no contingent liabilities (31 December 2019: nil).

## **Pledge of Assets**

As at 30 June 2020, the net book value of the Group's leasehold land and land use right amounting to approximately RMB24 million (31 December 2019: approximately RMB25 million), property, plant and equipment amounting to approximately RMB8 million (31 December 2019: approximately RMB8 million), notes receivable amounting to approximately RMB66 million (31 December 2019: approximately RMB62 million), structured bank deposits amounting to RMB1,700 million (31 December 2019: RMB1,200 million) and restricted bank balances amounting to approximately RMB3,381 million (31 December 2019: approximately RMB1,083 million) had been pledged as securities for the Group's notes payable issuing, bank borrowings and letter of credit issuing.

## **Exchange Risks**

Foreign exchange risk is the risk to the Group's financial conditions and results of operations arising from movements of foreign exchange rates. The Group mainly operates in the Mainland China with most of the transactions denominated and settled in RMB. The Group's foreign exchange risk primarily arises from the procurement of iron ores and the relevant products from overseas suppliers and the Group's foreign currency borrowings, which are denominated and settled in USD. Foreign exchange rates fluctuate in reaction to the macro-economic performance of different countries and fund flows between countries arising from trade or capital commitments. In view of continuous fluctuation of the RMB exchange rate against USD, during the six months ended 30 June 2020, the Group has entered into certain foreign currency forward contracts so as to reduce the impact of the volatility of the RMB exchange rate against USD. The Group also reviewed and rearranged its monetary assets to mitigate the impact from the change of RMB to USD exchange rate.

## **Iron Ore Swaps**

In view of the significant fluctuation of iron ore price during the six months ended 30 June 2020, the Group has entered into certain iron ore swap contracts so as to reduce the impact of the volatility of the iron ore price on the Group. The Group uses a combination of iron ore derivatives to achieve the above purpose.

## **Dividend**

The Board proposed an interim dividend of HK\$186.1 million (approximately RMB164.8 million), representing HK\$0.05 per ordinary share and a special dividend of HK\$74.5 million (approximately RMB65.9 million), representing HK\$0.02 per ordinary share in respect of the six months ended 30 June 2020 to the shareholders of the Company whose names appear on the register of members of the Company at the close of business on Friday, 18 September 2020. The interim and special dividend will be payable on or around Friday, 23 October 2020.

The Board proposed a final dividend of HK\$335.0 million (approximately RMB306.8 million), representing HK\$0.09 per ordinary share in respect of the year ended 31 December 2019. The proposed dividend was approved by the shareholders of the Company on the annual general meeting of the Company dated 5 June 2020 and paid on 15 July 2020.

## **Events Occurring after the Reporting Period**

Pursuant to an equity transfer agreement dated 7 June 2020, entered into by Jinxi Limited, an indirect non-wholly owned subsidiary of the Company and the controlling shareholder of HJT, Jinxi Limited conditionally agreed to acquire 43,240,235 shares of HJT, representing approximately 15% of the issued shares of HJT at a consideration of approximately RMB639 million. The acquisition was completed on 16 July 2020 and upon completion of the acquisition, Jinxi Limited held, directly and indirectly, approximately 30% of the issued shares of HJT in aggregate and has significant influence over the entity.

## Financial Assets at Fair Value Through Profit or Loss

As at 30 June 2020, the Group held financial assets at fair value through profit or loss of approximately RMB5,687 million, particulars of which are set out below:

### Money Market Funds

Name of the financial assets	Number of units held as at 30 June 2020 ( <i>'000</i> )	Investment cost as at 30 June 2020 ( <i>RMB'000</i> )	Fair value as at 30 June 2020 ( <i>RMB'000</i> )	Realised investment income/(loss) for the six months ended 30 June 2020 ( <i>RMB'000</i> )
<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	521,764	521,764	521,764	3,603
Harvest HuoQiBao Monetary Market Fund*				
嘉實活期寶貨幣市場基金	868	868	868	224
Harvest Monetary Market Fund*				
嘉實貨幣市場基金	155,195	155,195	155,195	698
<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	166,438	166,438	166,438	1,355
Bosera Cash Pot Money Market Fund				
博時現金寶貨幣市場基金	69,521	69,521	69,521	483
Bosera Security Cash Pot Money Market Fund				
博時外服貨幣市場基金	8,179	8,179	8,179	140
<b>China Minsheng Banking Corp., Ltd.</b>				
<b>中國民生銀行股份有限公司</b>				
HwaBao Cash Pot Monetary Market Fund*				
華寶現金寶貨幣市場基金	116	116	116	436
Minsheng JiaYin Cash Pot Monetary Market Fund*				
民生加銀現金寶貨幣市場基金	–	–	–	381
China Southern TianTianLi Monetary Market Fund*				
南方天天利貨幣市場基金	484	484	484	552
Harvest Monetary Market Fund*				
嘉實貨幣市場基金	–	–	–	711
<b>Bank of Communications Co., Ltd.</b>				
<b>交通銀行股份有限公司</b>				
HwaBao Cash Pot Monetary Market Fund*				
華寶現金寶貨幣市場基金	18	18	18	365
Aegon-Industrial Monetary Market Securities Investment Fund*				
興全貨幣市場證券投資基金	105,365	105,365	105,365	2,276
China Southern TianTianLi Monetary Market Fund*				
南方天天利貨幣市場基金	30,215	30,215	30,215	215

Name of the financial assets	Number of units held as at 30 June 2020 ( <i>'000</i> )	Investment cost as at 30 June 2020 ( <i>RMB'000</i> )	Fair value as at 30 June 2020 ( <i>RMB'000</i> )	Realised investment income/(loss) for the six months ended 30 June 2020 ( <i>RMB'000</i> )
<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	275,506	275,506	275,506	2,668
<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	87,501	87,501	87,501	981
<b>Aegon-Industrial Fund Management Company Limited</b>				
興証全球基金管理有限公司				
Aegon-Industrial Monetary Market Securities Investment Fund*				
興全貨幣市場證券投資基金	250,063	250,063	250,063	1,413
<b>HwaBao WP Fund Management Company Limited</b>				
華寶基金管理有限公司				
HwaBao Cash Pot Monetary Market Fund*				
華寶現金寶貨幣市場基金	30,043	30,043	30,043	169
<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	107,785	107,785	107,785	1,318
E Fund Day Wealth Management Money Market Fund				
易方達天天理財貨幣市場基金	65	65	65	65
Others	5,001	5,001	5,001	1
<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	21,013	21,013	21,013	2,594
<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	67,534	67,534	67,534	302
Others	33,110	33,110	33,110	95
<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	352	352	352	82

Name of the financial assets	Number of units held as at 30 June 2020 ( <i>'000</i> )	Investment cost as at 30 June 2020 ( <i>RMB'000</i> )	Fair value as at 30 June 2020 ( <i>RMB'000</i> )	Realised investment income/(loss) for the six months ended 30 June 2020 ( <i>RMB'000</i> )
<b>HuaAn Fund Management Co., Ltd.</b>				
華安基金管理有限公司				
HuaAn Cash Pot Money Market Fund*				
華安現金寶貨幣市場基金	525	525	525	525
<b>UBS SDIC Fund Management Co., Ltd.</b>				
國投瑞銀基金管理有限公司				
UBS SDIC QianDuoBao Money Market Fund				
國投瑞銀錢多寶貨幣市場基金	57,599	57,599	57,599	533
<b>E Fund Management (HK) Co., Limited</b>				
易方達資產管理（香港）有限公司				
E Fund (HK) US Dollar Money Market Fund				
易方達（香港）美元貨幣市場基金	- <sup>1</sup>	105,720	106,371	11
<b>Da Cheng International Asset Management Co., Ltd.</b>				
大成國際資產管理有限公司				
Da Cheng Money Market Fund				
大成貨幣市場基金	- <sup>1</sup>	105,920	106,514	-
<b>Others</b>	<b>8,909</b>	<b>8,909</b>	<b>8,909</b>	<b>9</b>

*Note:*

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

## 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 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)*

HwaBao 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, 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.

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.

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

HwaBao 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.

*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.

*Aegon-Industrial Fund Management Company Limited (興証全球基金管理有限公司)*

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.

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

HwaBao 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.



*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) and E Fund Day Wealth Management Money Market Fund (易方達天天理財貨幣市場基金) utilise 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, they strive to achieve investment returns higher than the performance benchmark. Their 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.

*HuaAn Fund Management Co., Ltd. (華安基金管理有限公司)*

HuaAn Cash Pot Money Market Fund\* (華安現金寶貨幣市場基金) determines the allocation ratios of different kinds of money market instruments and carries out active portfolio management according to market situation and capacity of investable varieties, on the basis of rigorous in-depth research analysis, comprehensively considering macroeconomic situation, market funds directions, credit ratings of debentures, credit quality of agreement deposits counterparties and the return rate of each type of the assets, etc.. On the basis of safeguarding fund asset's security and liquidity, it strives to create stable return for investors. The fund 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.

*UBS SDIC Fund Management Co., Ltd. (國投瑞銀基金管理有限公司)*

UBS SDIC QianDuoBao Money Market Fund (國投瑞銀錢多寶貨幣市場基金) carries out active investment portfolio management through mainly adopting liquidity management strategy and asset allocation strategy, as well as utilising trading strategies appropriately. Through in-depth analysis of factors of macroeconomic situation, fiscal and monetary policy and capital demand and supply situation of short-term capital market participants, etc., it makes reasonable estimates on short-term interest rate trends, and executes asset allocation strategy of mainly adjusting average duration of investment portfolio accordingly. When the expected short-term interest rates assume a downward trend, the fund will focus on allocating short-term financial instruments with relatively longer duration; otherwise, it will focus on allocating financial instruments with relatively shorter duration. The fund mainly invests in the following financial instruments, cash; bank deposits, bond repurchases, central bank notes, interbank deposits with a term of within 1 year (including 1 year); bonds, debt financing instruments of non-financial institutions, asset-backed securities with 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.

*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) 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 net asset value 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.

*Da Cheng International Asset Management Co., Ltd.*

Da Cheng Money Market Fund seeks to achieve a return in US Dollars in line with a combination of RMB, HK Dollars and US Dollars 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) in RMB-denominated, HK Dollars-denominated and US Dollars-denominated and settled short-term deposits and high-quality monetary market instruments issued by governments, quasi-governments, international organisations and financial institutions. The asset allocation of the fund will change according to the manager's view of market conditions and the international investment trends and environment. The manager will compare the yield spread of monetary market instruments denominated in the different currencies (RMB, HK Dollars and US Dollars), and will take into consideration factors such as currency risk, liquidity, costs, timing of execution and the relative attractiveness of individual securities and issuers in the market. The fund may invest in commercial papers, certificates of deposits and commercial bills. The aggregate value of the fund's holding of instruments and deposits issued by a single entity will not exceed 10% of the total net asset value of the fund except under specified circumstances.

## Financial Investment Products

Name of the financial assets	Number of units held as at 30 June 2020 ('000)	Investment cost as at 30 June 2020 (RMB'000)	Fair value as at 30 June 2020 (RMB'000)	Realised investment income/(loss) for the six months ended 30 June 2020 (RMB'000)
<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	-1	3,500	3,500	234
Others	-1	3,000	3,000	51
<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	-1	4,500	4,500	112
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	-1	15,250	15,250	17
QianYuan — RiXinYueYi (Daily) Open-end RMB Financial Investment Product*				
乾元 — 日鑫月溢 (按日) 開放式資產組合型人民幣理財產品	-1	18,500	18,500	2,014
CCB Wealth “RuiXin” Institution Exclusive 1 Month Interval Financial Investment Product*				
建信理財“睿鑫”機構專享1個月定期理財產品	-1	50,000	50,000	-
Others	-1	11,720	11,720	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	-1	86,310	86,310	988
<b>China Merchants Bank</b>				
招商銀行				
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	1,200	1,200	554
<b>Bank of Communications Co., Ltd.</b>				
交通銀行股份有限公司				
“YunTong Fortune • JiuJiuYangLao” RiYing*				
“蘊通財富•久久養老”日盈	-1	133,793	133,793	2,244

Name of the financial assets	Number of units held as at 30 June 2020 ( '000)	Investment cost as at 30 June 2020 (RMB'000)	Fair value as at 30 June 2020 (RMB'000)	Realised investment income/(loss) for the six months ended 30 June 2020 (RMB'000)
<b>CSC Financial Co., Ltd.</b>				
中信建投證券股份有限公司				
CSC Funds — GuYiLian No. 11 Assembled Assets Management Plan*				
中信建投基金 — 固益聯11號集合資產管理計劃	98,952	100,000	99,565	—
<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	—	—	—	5,787
ZhongJinXinYi No.1 Collective Asset Management Plan*				
中金鑫益1號集合資產管理計劃	24,369	25,000	25,000	1,522
<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	— <sup>1</sup>	80,000	80,000	3,074
<b>CCB Trust Co., Ltd.</b>				
建信信託有限責任公司				
HaiYun YangFan #3 Combined Investment Fund Trust Plan*				
海韻揚帆3號集合資金信託計劃	—	—	—	470
Others	— <sup>1</sup>	30,000	30,000	359
<b>Lujiazui International Trust Co., Ltd.</b>				
陸家嘴國際信託有限公司				
Lujiazui Trust — ZhaoQi Assembled Funds Trust Plan*				
陸家嘴信託 — 招齊集合資金信託計劃	— <sup>1</sup>	50,000	50,000	—
<b>China Credit Trust Co., Ltd.</b>				
中誠信託有限責任公司				
China Credit Trust ChengRong No. 34 Assembled Funds Trust Plan*				
中誠信託誠融34號集合資金信託計劃	— <sup>1</sup>	50,000	50,000	—
<b>Hebei Tangshan Rural Commercial Bank Co., Ltd.</b>				
河北唐山農村商業銀行股份有限公司				
“FengHuang WenYing” Assemble Wealth No.2020005*				
“鳳凰穩盈”聚富2020005號	— <sup>1</sup>	370,000	370,000	—
<b>ZhongRong International Trust Co., Ltd.</b>				
中融國際信託有限公司				
ZhongRong — XinRui #1 Structural Assembled Funds Trust Plan*				
中融 — 鑫瑞1號結構化集合資金信託計劃	— <sup>1</sup>	50,000	50,000	—

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., Ltd. (中國民生銀行股份有限公司)*

Feifan Asset Management TianYiJin Financial Investment Product A\* (非凡資產管理天溢金對公機構A款) 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 mainly invest in interbank bond market negotiable bonds, money market funds, bond funds in asset allocations, fund accounts 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 central bank notes, 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%).

CCB Wealth “RuiXin” Institution Exclusive 1 Month Interval Financial Investment Product\* (建信理財“睿鑫”機構專享1個月定開理財產品) adheres to the idea of value investment. Through management of asset portfolio, it achieves balance between the product’s security, liquidity and profitability. The product invests in the following financial instruments: 1. fixed income assets, including national debts, financial bonds, central bank notes, debentures, corporate bonds, private placement financing debt instruments, convertible bonds, exchangeable bonds, short term financing bonds, medium term notes, ultra short term financing bonds, asset securitisation products (asset-backed securities, asset-backed notes), bond funds, fixed income securities of securities companies, non-standardised debt assets and other fixed income assets meeting compliance requirements issued and traded in inter-bank markets and exchanges; 2. cash assets, including cash, bank deposits, interbank deposits, large-denomination negotiable certificates of deposits, monetary market funds, bond repurchases and other cash type assets meeting compliance requirements; 3. equity assets, including equities, equity funds (not including stock-pledged repurchases) and other equity type assets meeting compliance requirements; 4. other assets meeting compliance requirements. The investment ratios of each type of the assets are: the ratio for fixed income assets and cash assets is 80%–100%; the ratio for other assets is 0%–20%. The market value of a single security or a single publicly offered securities investment fund held by the product shall not exceed 10% of the net asset value of the product.

*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)*

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 instruments 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 repurchases, 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\* (“蘊通財富 • 久久養老”日盈) 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 Funds — GuYiLian No. 11 Assembled Assets Management Plan\* (中信建投基金 — 固益聯11號集合資產管理計劃) pursues steady appreciation of the entrusted assets under the premises of effective risk control. The investments are fixed income assets which mainly comprised of debentures of short to medium duration. It carefully utilises leverage and strives for achieving stable portfolio return. The plan’s investment scope covers 1. bonds: include national debts, central bank notes, financial bonds, local government debts, corporate debts, debentures (including public and private issued debentures), short term financing bonds, ultra short-term financing bonds, medium term notes, private placement financing debt instruments, subordinated bonds of securities companies, hybrid capital bonds, convertible bonds (including private varieties), exchangeable bonds (including private varieties), products for securitisation of publicly listed companies/credit assets (not investing in inferior grade), asset-backed notes (not investing in inferior grade). The above investment subjects include perpetual varieties; 2. deposits: include saving deposits, fixed deposits, deposit receipts, agreement deposits, interbank deposits; 3. repurchases: bond repurchases, bond reverse repurchases, including pledge-style repurchase transactions in exchanges; 4. derivatives: national debt futures; 5. publicly offered funds: money market funds and public bond funds (The aforesaid public funds include public funds managed by China Fund Management Co., Ltd.)



*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; bond repurchases, bond reverse repurchases; 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 asset investment 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. (建信信托有限責任公司)*

HaiYun YangFan #3 Combined Investment Fund Trust Plan\* (海韻揚帆3號集合資金信託計劃) 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..

*Lujiazui International Trust Co., Ltd. (陸家嘴國際信託有限公司)*

Lujiazui Trust — ZhaoQi Assembled Funds Trust Plan\* (陸家嘴信託 — 招齊集合資金信託計劃) is with a maturity of 59 days and maturing on 24 July 2020. The expected annualised return rate is 5.2%. The trust fund is used to provide debt financing to the borrower (Shangjun Business Factoring (Shanghai) Company Limited, with principal business of export factoring, domestic factoring, consulting service related to commercial factoring, credit risk management platform development), with guarantee by Shanghai Shimao Jianshe Co., Ltd. (“**Shimao Jianshe**”). Shimao Jianshe is a wholly owned subsidiary of Shimao Property Holdings Ltd. (“**Shimao Property**”), and is the most important property development business platform of Shimao Property onshore. Shimao Property was founded in 1994 and was listed on the Main Board of the Stock Exchange of Hong Kong Limited (“**Stock Exchange**”) (“**Main Board**”) (stock code: 813) in July 2006. Its principal business is property development, investment and hotel operation in PRC. It was ranked ninth in sales amongst Chinese real estate companies in 2019. The investment principal and interests were fully settled upon maturity.

*China Credit Trust Co., Ltd. (中誠信託有限責任公司)*

China Credit Trust ChengRong No. 34 Assembled Funds Trust Plan\* (中誠信託誠融34號集合資金信託計劃) acquired the claims of accounts receivable which were meeting certain standards held by Shengjing Guoxin (Beijing) Ecology Garden Company Ltd. (“**Shengjing Guoxin**”) (the principal business is design and construction of landscaping and related services). If the amount of accumulated actual receipts of accounts receivable is below the amount of the trustee’s expected receipts of accounts receivable, Shengjing Guoxin shall repurchase the accounts receivable from the trustee in an amount same with the difference of the aforesaid amount (“**Repurchase Obligation**”). The top up obligation of the balance of the Repurchase Obligation is guaranteed by Sino-Ocean Holding Group (China) Limited. Sino-Ocean Holding Group (China) Limited is a wholly owned subsidiary of Sino-Ocean Group Holdings Limited (“**Sino-Ocean Group**”). Sino-Ocean Group was founded in 1993 and was listed on the Main Board of the Stock Exchange (stock code: 3377) in September 2007. Its principal business is residential and integrated development, real estate development and operation, business collaboration and customer service. The investment principal and interests were fully settled in July 2020.

*Hebei Tangshan Rural Commercial Bank Co., Ltd. (河北唐山農村商業銀行股份有限公司)*  
*(“Tangshan Rural Commercial Bank”)*

“FengHuang WenYing” Assemble Wealth No. 2020005\* (“鳳凰穩盈”聚富2020005號) is a floating return, capital protected wealth management product issued by Tangshan Rural Commercial Bank. The term is 157 days, with an expected annualised rate of return of 4.0% and risk rating of extremely low risk. The raised funds will be invested and managed by the wealth managing bank collectively. The investing scope and ratio are purchasing bonds of 10%–100% and 0%–10% of depositing and deposit funds (interbank borrowings, interbank deposits, etc.) of 0%–10%.

*ZhongRong International Trust Co., Ltd. (中融國際信託有限公司)*

Through investment in debts, equities, usufructs, debt plus equity, etc., ZhongRong — XinRui #1 Structural Assembled Funds Trust Plan\* (中融 — 鑫瑞1號結構化集合資金信託計劃) invests its trust funds to high-quality enterprises and projects of high-quality industries such as civil projects, energy, etc.. Or by means of joining the limited partnership as a limited partner, investing in trust beneficial rights, etc., it invests in other projects and products with controllable risks. The investee’s domicile shall locate in economically developed regions or in regions supported by the national policy such as midwest region, northeast industrial zone, etc.. The enterprises shall possess characteristics of having sufficiently large domestic market in industry, low industry concentration, high demand of internationalisation, etc.. The enterprises shall possess good growth and continuous profitability, be established on a certain scale, and have steady cashflows. The investment principal and interests were fully settled in July 2020.

## Listed Bond Investments

Name of the financial assets	Number of units	Investment	Fair value	Realised
	held as at	cost as at	as at	investment
	30 June	30 June	30 June	income/(loss)
	2020	2020	2020	for the
	('000)	(RMB'000)	(RMB'000)	six months ended
				30 June
				2020
				(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	10,653	221,712	216,709	(1,586)
<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	832	100,000	100,690	2,085
<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	1,945	170,061	172,373	3,137
<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	2,820	295,000	296,103	-
<b>Others</b>	69	5,955	5,909	231

## 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 class’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 the higher of 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 wrongly 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; and 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, lowering market risk and pursuing higher return at the same time. The investment scope includes stocks issued and listed on the Shanghai or Shenzhen Stock Exchange (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.

ZhongJinDingYi No. 10 Sole Asset Management Plan\* (中金鼎益10號單一資產管理計劃)'s objective is stable return. Under the premises of strictly controlling risk and securing liquidity safety, the plan pursues continuous and steady appreciation of the entrusted asset during the entrusted period. The plan is a sole asset management plan in fixed income category. The investment scope of entrusted assets 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; bond repurchases, bond reverse repurchases; 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.

## Investment Funds

Name of the financial assets	Number of units held as at 30 June 2020 ( <i>'000</i> )	Investment cost as at 30 June 2020 ( <i>RMB'000</i> )	Fair value as at 30 June 2020 ( <i>RMB'000</i> )	Realised investment income/(loss) for the six months ended 30 June 2020 ( <i>RMB'000</i> )
<b>Shanghai QiuSheng Assets 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	139,654	(3,323)
<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	48,000	48,000	48,000	–
<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	–	–	–	(3,020)
<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	31,625	(3,513)
<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	15,940	20,643	23,034	(1,410)
<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	8,671	9,998	11,935	–
<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	100,000	100,000	100,000	3,953
<b>Beijing Yuhua Fund Management Co., Ltd.</b>				
北京譽華基金管理有限公司				
Yuhua Key & Core Technology (Tangshan) Equity Investment Fund (Limited Partnership)*				
譽華硬科技（唐山）股權投資基金（有限合伙）	20,000	20,000	20,000	–
<b>Others</b>	20,000	20,000	20,000	105



## Investment strategies of investment funds

*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 and judges the interest rate trend and comprehensively considers different investment products' profitability, liquidity and risk traits, thereby performing active management to the fund's asset portfolio; (iii) other strategies — according to market changes and manager's judgement, it invests in the contracted investment products, investment instruments, etc., within the fund's investment scope striving to realise fund asset steady appreciation.

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

Eternal Grand Collective Private 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), stocks 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 agreements 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 with 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.

*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 class'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 higher of 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 (揚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 invest 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 RMB200 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 (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..

*Beijing Yuhua Fund Management Co., Ltd. (北京譽華基金管理有限公司)*

Yuhua Key & Core Technology (Tangshan) Equity Investment Fund (Limited Partnership)\* (譽華硬科技(唐山)股權投資基金(有限合伙)) realizes capital appreciation of the fund and creates satisfactory investment return for investors by carrying out equity or equity related investments. The fund gives priority to investing in enterprises in Tangshan and enterprises importing related technology industry to Tangshan, and mainly invests in emerging industry with large development potential such as new generation information technology, high-end equipment manufacturing, new materials, etc..

## Listed Equity Interests

Name of the financial assets	Number of units held as at 30 June 2020 ('000)	Investment cost as at 30 June 2020 (RMB'000)	Fair value as at 30 June 2020 (RMB'000)	Realised investment income/(loss) for the six months ended 30 June 2020 (RMB'000)
Chinacity EDU Fund I L.P.	approximately 8.63 million shares <sup>1</sup>	89,358	244,801	–
China Risun Group Limited	approximately 87.58 million shares <sup>2</sup>	128,161	169,249	3,327
Others	1,811	30,555	34,528	(249)

### 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 30 June 2020, 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 of the Stock Exchange on 28 March 2019 with stock code 1797.

*China Risun Group Limited (“Risun Group”)*

During the year ended 31 December 2018, the Company subscribed for approximately 24.80 million shares of Risun Group, representing approximately 2.58% of its enlarged registered capital, at a cash consideration of approximately RMB128 million. As at 30 June 2020, 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 of the Stock Exchange on 15 March 2019 with stock code 1907.

**Bond Market Funds**

Name of the financial assets	Number of units held as at 30 June 2020 (‘000)	Investment cost as at 30 June 2020 (RMB’000)	Fair value as at 30 June 2020 (RMB’000)	Realised investment income/(loss) for the six months ended 30 June 2020 (RMB’000)
<b>Sculptor Capital Management, Inc.</b>				
Sculptor Institutional Income Overseas Fund, L.P.	–	–	–	9,080
<b>Invesco Hong Kong Limited</b>				
Invesco Global Investment Grade Corporate Bond Fund	– <sup>1</sup>	69,945	73,263	–
<b>SPDB International Investment Management Limited</b>				
Pu Yin Hong Kong Multipurpose Fund	– <sup>1</sup>	106,972	106,479	–
<b>Prudence Investment Management (Hong Kong) Limited</b>				
Prudence Enhanced Income Fund	– <sup>1</sup>	106,481	107,069	–
<b>China Universal Asset Management Company Limited</b>				
匯添富基金管理股份有限公司				
China Universal Short Term Bond Securities Investment Fund*				
匯添富短債債券型證券投資基金	100,000	100,000	100,000	–
<b>Shanghai Huaxia Fortune CCI Capital Ltd.</b>				
上海華夏財富投資管理有限公司				
Huaxia Short Term Bond Securities Investment Fund*				
華夏短債債券型證券投資基金	100,000	100,000	100,000	–
<b>Da Cheng Fund Management Co., Ltd.</b>				
大成基金管理有限公司				
Da Cheng JingAn Short Term Financing Bond Securities Investment Fund*				
大成景安短融債券型證券投資基金	100,000	100,000	100,000	–
<b>Lombarda China Fund Management Co., Ltd.</b>				
中歐基金管理有限公司				
Lombarda China Short Term Bond Securities Investment Fund*				
中歐短債債券型證券投資基金	100,000	100,000	100,000	4,125
<b>E Fund Management (HK) Co., Limited</b>				
E Fund (HK) Select Bond Fund	– <sup>1</sup>	62,110	67,666	–
Others	–	–	–	2,575

*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. (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.

### *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.

### *SPDB International Investment Management Limited*

The principal investment objective of the Pu Yin Hong Kong Multipurpose Fund is to achieve capital appreciation and interest income in the medium to long term. The fund aims to achieve its investment objective by substantially investing in listed and unlisted bonds (including but not limited to senior bonds, subordinated bonds, preferred stocks and convertible bonds) issued or guaranteed by governments, government agencies, supranationals, companies and financial institutions, with investment-grades and non-investment grades by accredited rating agencies as well as non-rated bonds. “Investment-grade” means a rating of at least Baa3/BBB- by Moody’s Investors Service, Inc., Standard & Poor’s Ratings Services or Fitch Inc., or the equivalent rated by other internationally recognised credit rating agencies of similar standing at the time of purchase. In addition, the Company may invest in other private funds, mutual funds, bond funds and other fixed income collective investment schemes (including those managed or operated by the manager or any of its affiliates)), money market instruments (including but not limited to treasury bills, commercial papers, deposits, bills, certificates of deposits and money market funds), structured products, derivative instruments and other financial instruments. The fund will mainly invest in bonds with short to medium duration, with an average duration no more than five years (for bonds with embedded options (such as put or call options), the maturity of such bonds will be the embedded option’s exercisable date).

### *Prudence Investment Management (Hong Kong) Limited*

Prudence Enhanced Income Fund pursues stable income as well as capital appreciation, by mainly investing in corporate bonds, convertible bonds and listed equities issued by companies in Asia, with a focus on companies with significant business exposure to Greater China. The fund manager will focus on opportunities when the security is mis-priced and when the fund manager has a well-defined edge. The fund manager will make investment decisions aiming to achieve attractive absolute return within acceptable risk limits, through a flexible combination of sub-strategies. The fund manager will implement an effective investment process including research, trading, risk management and operations. The fund manager will enforce strict risk management to protect investors in the fund. Net borrowing is limited to less than or equal to 50% of assets under management of the fund.



*China Universal Asset Management Company Limited (匯添富基金管理股份有限公司)*

China Universal Short Term Bond Securities Investment Fund\* (匯添富短債債券型證券投資基金) determines asset class allocation and portfolio duration with top-down approach, by closely following the bond market operation status and risk-reward characteristics, and analysing the macroeconomic operation status and financial market operation trends. It also searches deeply for under-valued securities subjects, according to internal credit rating system. The fund's adopted investment strategies primarily cover asset class allocation strategy, interest rate strategy, credit strategy, etc.. On the basis of prudent investment, it strives to achieve steady appreciation of portfolio. The fund's investment scope covers financial instruments with good liquidity, including bonds (national bonds, central bank bills, financial bonds, corporate bonds, debentures, medium term notes, short term financing bonds, ultra short-term financing bonds, subordinated bonds, government supported bonds, government supported institutes bonds, local government bonds, small to medium enterprises' private placement bonds, the pure debt component of detachable convertible bonds, etc.), asset-backed securities, bond repurchases, interbank deposits, bank deposits (including agreement deposits, fixed deposits, etc.), money market instruments, national debt futures, as well as other financial instruments allowed for investment approved by the related law and regulations or the China Securities Regulatory Commission (but must comply with the China Securities Regulatory Commission's relevant regulations). The fund invests not less than 80% of the fund assets in bond assets, in which the investment in short term bonds shall not be less than 80% of non-cash assets.

*Shanghai Huaxia Fortune CCI Capital Ltd. (上海華夏財富投資管理有限公司)*

Huaxia Short Term Bond Securities Investment Fund\* (華夏短債債券型證券投資基金) pursues continuous and steady return under the premises of maintaining good liquidity of assets. The fund's investment scope covers financial instruments with good liquidity, including domestic legally issued and listed bonds (national debts, central bank bills, financial bonds, public issued subordinated bonds, local government debts, corporate debts, debentures, medium term notes, short term financing bonds, ultra short-term financing bonds, the pure debt component of detachable convertible bonds), asset-backed securities, bond repurchases, bank deposits, interbank deposits, money market instruments, national debt futures, as well as other financial instruments allowed for fund investment approved by the related law and regulations or the China Securities Regulatory Commission (but must comply with the China Securities Regulatory Commission's relevant regulations). The fund invests not less than 80% of the fund assets in bonds, in which the investment in short term bonds shall not be less than 80% of non-cash assets.

*Da Cheng Fund Management Co., Ltd. (大成基金管理有限公司)*

Da Cheng JingAn Short Term Financing Bond Securities Investment Fund\* (大成景安短融債券型證券投資基金) strives to achieve higher investment return while maintaining the characteristic of principal safety and high liquidity with great effort at the same time, through appropriate extending the duration of the fund's investment portfolio, higher ratio of investment in short term financing bonds as well as debenture bonds of shorter terms. The fund's investment scope covers financial instruments with good liquidity, including fixed income assets of national debts, central bank bills, local government debts, financial bonds, corporate debts, short term financing bonds, ultra short-term financing bonds, medium term notes, debentures, asset-backed securities, bond reverse repurchases, bank deposits, etc., as well as other financial instruments allowed for fund investment approved by the related law and regulations or the China Securities Regulatory Commission, but must comply with the China Securities Regulatory Commission's relevant regulations. The fund invests not less than 80% of the fund assets in bond assets, and the aggregate investment in short term bonds and ultra short-term financing bonds as well as medium term notes, debentures and corporate debts with a remaining term of within 1 year shall not be less than 80% of non-cash fund assets.

*Lombarda China Fund Management Co., Ltd. (中歐基金管理有限公司)*

Lombarda China Short Term Bond Securities Investment Fund\* (中歐短債債券型證券投資基金) utilises multiple strategies to carry out investment in bond asset portfolio. It determines bond portfolio duration allocation according to forecasted future market interest rate level and interest rate curve shape by basic valuation, economic environment and market risks evaluation. It carries out adjustment on portfolio terms allocation on the basis of determination of portfolio duration. Through research and related financial and non-financial analysis on macroeconomy and industry, it performs class allocation between different kinds of bond assets by "top-down approach", and picks individual security by "bottom-up approach". During the change of market return and individual security return, it utilises riding strategy, carry trade strategy, spread strategy, etc. flexibly to enhance portfolio return. The fund invests in financial instruments with good liquidity, including bonds (including national debts, local government debts, government supported institute bonds, financial bonds, corporate debts, debentures, central bank bills, medium term notes, short term financing bonds (including ultra short-term financing bonds), subordinated debts, the pure debt component of detachable convertible bonds, etc.), asset-backed securities, bond repurchases, bank deposits, interbank deposits, etc., and other financial instruments allowed for fund investment approved by the related law and regulations or the China Securities Regulatory Commission (but must comply with the China Securities Regulatory Commission's relevant regulations). The fund invests not less than 80% of the fund assets in bonds, and the investment in short term bonds shall not be less than 80% of non-cash fund assets.

## *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, which shall comprise 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.

### **Investment Strategy and Future Prospects**

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

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

### **PURCHASE, SALES OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

Neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2020.

## COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company acknowledges the importance of good corporate governance practices and believes that it is essential to the development of the Group and to safeguard the interests of the equity holders. The Directors are of the opinion that the Company has complied with the code provisions as set out in the Code on Corporate Governance Practices (the “**CG Code**”) in Appendix 14 to the Rules Governing the Listing of Securities (the “**Listing Rules**”) on the Stock Exchange throughout the six months ended 30 June 2020, save for the following deviations:

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

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

Under code provision A.5.5 of the CG Code, where the Board proposes a resolution to elect an individual as an independent non-executive director at a general meeting and the proposed independent non-executive director will be holding his seventh (or more) listed company directorship, the Company should set out in the circular to shareholders and/or explanatory statement accompanying the notice of the relevant general meeting the reasons why the Board believes such individual would still be able to devote sufficient time to the Board. It was an inadvertent omission that such reason was not disclosed in the circular of the Company dated 22 April 2020, as Mr. WONG Man Chung, Francis (“**Mr. Wong**”), who was holding his seventh (or more) listed company directorship, was proposed to be re-elected at the Company’s annual general meeting for 2020. Subsequently, the Company made a supplemental announcement on 12 May 2020 disclosing such reasons. Notwithstanding that Mr. Wong has served as directors for more than seven listed companies. (1) Mr. Wong is an independent non-executive director of the Company (first appointed on 25 August 2004). He is the chairman of the audit committee and remuneration committee and member of the

nomination committee of the Company. As an independent non-executive director with extensive experience and knowledge in accounting and auditing and in-depth understanding of the Company's operations and business, Mr. Wong has expressed objective views and given independent guidance to the Company over the years, and he has demonstrated a firm commitment to his role. For the period after Mr. Wong was last re-elected as an independent non-executive director of the Company on 31 May 2017, he had a 100% attendance rate at board meetings, committee meetings and general meetings of the Company; (2) further, Mr. Wong has confirmed that (i) none of his current commitments would require him to work intensively on a daily basis and (ii) he will continue to devote sufficient time for the discharge of his functions and responsibilities as an independent non-executive director of the Company. With his background and experience, Mr. Wong is fully aware of the responsibilities and expected time involvements with the Company. Based on the foregoing, the Board is of the view that Mr. Wong will be able to devote sufficient time to the Board; and (3) lastly, the nomination committee of the Company is satisfied that Mr. Wong has the requisite character, integrity and experience to continue fulfilling the role of an independent non-executive director. For all the reasons mentioned above, the Board considers the re-election of Mr. Wong as an independent non-executive director of the Company is in the best interest of the Company and Shareholders as a whole.

Under code provision C.2.5 of the CG Code and the related notes of the CG Code, the Company should have an internal audit function which generally carries out the analysis and independent appraisal of the adequacy and effectiveness of the Group's risk management and internal control systems. While the PRC internal audit function of the Company was established since January 2018, other internal audit function is merged with the finance function during the six months ended 30 June 2020. During the period, the Group conducted a review on the need for setting up an independent internal audit department. Taking into account the size and complexity of the operations of the Group, the Company considers that the existing organisation structure and the close supervision of the management could provide sufficient internal control and risk management for the Group. The audit committee of the Board and the Board regularly review the effectiveness of the internal control systems and the risk management of the Group. The Board will review the need to set up an independent internal audit function on an annual basis.

## **COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its own code for dealing in securities of the Company by the Directors. The Company has made specific enquiry of all Directors and all Directors have confirmed that they have complied with the required standard as set out in the Model Code during the six months ended 30 June 2020.

## **AUDIT COMMITTEE**

During the six months ended 30 June 2020, the audit committee of the Company ("**Audit Committee**") comprised three Independent Non-executive Directors, namely Mr. WONG Man Chung, Francis as the Chairman of the Audit Committee and Mr. WANG Tianyi and Mr. WANG Bing as the members of the Audit Committee.

The Audit Committee has reviewed the Group's condensed consolidated financial information for the six months ended 30 June 2020 and has also discussed the internal control, the accounting principles and practices adopted by the Group. The Audit Committee is of the opinion that the condensed consolidated financial information have been prepared in accordance with the applicable accounting standards, the Listing Rules and the statutory requirements and that adequate disclosures will be made in the 2020 interim report.

## **CLOSURE OF THE REGISTER OF MEMBERS**

The register of members of the Company will be closed from Wednesday, 16 September 2020 to Friday, 18 September 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 interim and special dividend. The record date for the proposed interim and special dividend shall be Friday, 18 September 2020. In order to qualify for the proposed interim and special dividend, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 15 September 2020.

## **PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2020**

The interim results announcement of the Company for the six months ended 30 June 2020 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 interim report of the Company for the six months ended 30 June 2020 will be dispatched to shareholders of the Company and published on the aforesaid websites in due course.

## **APPRECIATION**

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

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

Hong Kong, 31 August 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. HAN Li and Mr. Sanjay SHARMA being the Executive Directors, Mr. Ondra OTRADOVEC and Mr. ZHU Hao being the Non-executive Directors and Mr. WONG Man Chung, Francis, Mr. WANG Tianyi, Mr. WANG Bing and Dr. TSE Cho Che, Edward being the Independent Non-executive Directors.*