

## **An Announcement of COOEC on Adjusting 2020 Wealth Management Quota of Self-Owned Funds and Scope of Wealth Management Products**

### **Important notes**

**The Board of Directors and all directors of the Company guarantee that this announcement contains no false records, misleading statements or major omissions, and undertake joint and several liabilities for the authenticity, accuracy and integrity of the announcement.**

Important contents:

- Adjustment of the amount of the Company's 2020 entrusted wealth management: The wealth management quota of self-owned funds was adjusted from not exceeding RMB 4 billion into not exceeding RMB 5.5 billion; The one-day highest balance of entrusted wealth management products of temporarily idle raised funds was unchanged, namely not exceeding RMB 600 million.
- Adjustment of wealth management scope of self-owned funds: The money market funds with high security and favorable liquidity were included into the wealth management and investment scope of self-owned funds.
- Entrusted party in entrusted wealth management: state-owned large-scale commercial bank, fund management company (the Company's management layer was authorized to select qualified professional financial institution as the entrusted party).
- Name of entrusted wealth management products: principal-protected bank wealth management products, money market funds.
- Term of entrusted wealth management: The validity period of the resolution started from the date when it was reviewed and passed by the board meeting until December 31, 2020. The maximum term of a single wealth management product shall not exceed 12 months.
- Review procedure executed: The resolution was reviewed and passed by the Board of Directors and the Board of Supervisors of the Company, and independent directors gave their definite consent. It was not necessary to submit the resolution to the general meeting of shareholders for review.

It was agreed on the 21<sup>st</sup> Meeting of the 6<sup>th</sup> Board of Directors, which was held on December 20, 2019, to authorize the Company's management layer to use temporarily idle self-owned funds not exceeding RMB 4 billion and temporarily idle raised funds not exceeding RMB 600 million to invest principal-protected bank wealth management products with high security and favorable liquidity. The authorization will become valid since it was reviewed and passed on the board meeting until December 31, 2020. The quotas can be recycled within validity period of the resolution.

According to 2020 funds forecasting, it was planned to adjust the wealth management quota of self-owned funds from not exceeding RMB 4 billion into not exceeding RMB 5.5 billion. The one-day highest balance of entrusted wealth management products of temporarily idle raised funds was unchanged, namely not exceeding RMB 600 million. Furthermore, to diversity cash management tools, further improve differentiated and layered liquidity management ability and increase contributions to benefits, it was planned to include money market funds with high security and favorable liquidity into the investment scope of wealth management products of self-owned funds. The above was reviewed and passed on the 24<sup>th</sup> Meeting of the 6<sup>th</sup> Board of Directors convened on June 23, 2020.

### **I. Overview of entrusted wealth management**

#### **(I) Objective of entrusted wealth management**

On the precondition of ensuring the construction progress of equity investment projects, satisfying daily production and management requirements and guaranteeing fund security, the Company will use some

idle raised funds and some idle self-owned funds to purchase principal-protected bank products and money market funds, as this can improve the utilization efficiency of temporarily idle funds, increase the Company's revenues and seek for more returns on investment for the Company's shareholders.

## **(II) Sources of funds**

The sources of the funds are self-owned circulating funds and temporarily idle raised funds.

The Company estimated that the highest fund balance would be RMB 7 billion (including balance of bank wealth management products with redemption period not expired) in 2020, where the highest amount of self-owned funds would be RMB 6.8 billion (including balance of bank wealth management products with redemption period not expired) and that of idle raised funds (including balance of bank wealth management products with redemption period not expired) would be RMB 618 million in 2020.

The aforementioned favorable fund balance provides advantageous conditions for the Company to use temporarily idle self-owned funds not exceeding RMB 5.5 billion and temporarily idle raised funds not exceeding 600 million to invest principal-protected bank wealth management products and money market funds.

## **(III) The Company's internal control of entrusted wealth management-related risks**

### **1. Investment risk**

The funds used by the Company to invest principal-protected bank wealth management products and money market funds are temporarily idle funds, which will not influence the Company's requirement for daily turnover of funds, normal operation of its main business or its input into equity investment projects. At present the Company is under steady financial situation, and the utilization of the corresponding funds will not impact the development of its daily business and will help to increase the revenues of the idle funds.

To manage its wealth, the Company will select state-owned large-scale commercial banks and fund management companies with their publicly offered funds management scales ranking top as its entrusted parties. The Company will purchase principal-protected bank wealth management products with low short and medium-term risks and risk-controllable money market funds with high security and favorable liquidity.

Although bank wealth management products and money market funds belong to low-risk investments, the financial market may go through great macro-economic impacts, and the impact caused by market fluctuations to return on investment shall not be excluded.

### **2. Risk control measures**

- (1) The Company's Financial Management Department will timely analyze and track the investment orientation of wealth management products and project progress. Finding any risk factor which may influence the Company's fund security in evaluation, the Department will immediately take corresponding measures to control investment risks.
- (2) The Company's Financial Management Department will set up ledgers to manage wealth management products, establish complete accounts and do financial accounting work of fund utilization well.
- (3) Independent directors and the Board of Supervisors have the right to supervise and check the fund utilization, and they may recruit a professional institution to audit the funds when necessary.
- (4) In accordance with related stipulations of Shanghai Stock Exchange, the Company will disclose the investment of entrusted wealth management products and the corresponding gains and losses by means of periodical report, and semi-annual and annual special report on raised funds.

## **II. Specific circumstances of the entrusted wealth management**

### **(I) Quota of fund utilization**

Adjustment of wealth management amount: The Company's 2020 wealth management quota of self-owned funds was adjusted from not exceeding RMB 4 billion into not exceeding RMB 5.5 billion; The one-day highest balance of entrusted wealth management products of temporarily idle raised funds was unchanged, namely not exceeding RMB 600 million.

### **(II) Varieties of wealth management products**

Adjustment of scope of wealth management products: Besides investing bank wealth management products with high security, favorable liquidity, principal protection agreement and a term not exceeding 12 months, money market funds with high security and favorable liquidity were included into the investment scope of wealth management products this time.

Relative subjects of wealth management products have no association with the Company, so no associated transaction is constituted.

### (III) Validity period of the resolution

The resolution will take effect since it was reviewed and passed on the board meeting until December 31, 2020.

### (IV) Term of investment

The maximum term of a single wealth management product will not exceed 12 months.

### (V) Mode of implementation

Within the scope of quota, the Company's Board of Directors authorizes the management layer to exercise the investment decision-making power, including but not limited to: selecting qualified professional financial institution as the entrusted party, confirming the amount and term of entrusted wealth management, selecting varieties of entrusted wealth management products, signing contracts and agreement, etc. The concrete investment activities will be organized and implemented by financial manager, and concretely handled by Zhuhai subsidiary and the Company's Financial Management Department according to the abovementioned requirements.

### (VI) Risk control analysis

What are purchased by the Company using temporarily idle funds within the scope of authorized quota are principal-protected financial products from state-owned large-scale commercial banks and money market funds from fund management companies with publicly offered funds management scales ranking top, and the risk level is relatively low. The Company's Financial Management Department will timely analyze and track the investment orientation of wealth management products and project progress. Finding any risk factor which may influence the Company's fund security in evaluation, the Department will immediately take corresponding measures to control investment risks.

## III. Transferees of entrusted wealth management

In order to control risks, all transferees of wealth management products, which will be purchased by the Company in the future 12 months, will be selected from state-owned large-scale commercial banks and fund management companies with publicly offered funds management scales ranking top, none of which will have any association with the Company.

## IV. Influence on the Company

The recent financial status of the Company is as follows:

Unit: yuan

Item	March 31, 2020	December 31, 2019
Total assets	30,786,010,008.69	31,856,542,935.10
Total liabilities	8,432,276,757.86	9,183,707,123.78
Net assets attributable to shareholders of listed company	22,340,640,337.05	22,660,640,434.49
Item	January-March, 2020	January-March, 2019
Net cash flow generated from operating activities	-531,314,150.18	-47,723,710.00

The Company uses some idle funds to purchase principal-protected bank wealth management products and money market funds on the precondition of ensuring the construction progress of equity investment projects, satisfying its daily production and operation requirements and guaranteeing fund security, as this will help to improve the utilization efficiency of temporarily idle funds, increase the Company's revenues and seek for more returns on investment for the Company's shareholders.

There is no behavior of changing the use of raised funds in disguised form or any circumstance of damaging the interests of the Company and shareholders.

There is no circumstance of purchasing any wealth management product in large amount under large liabilities.

The Company's fund balance (including balance of bank wealth management products with redemption period not expired) at the beginning of 2020 was RMB 5.802 billion, and that (including balance of bank wealth management products with redemption period not expired) at the end of 2020 is estimated to reach RMB 6.8 billion. So far, there are totally 11 bank wealth management products already paid but with redemption period not expired, and the total amount is RMB 3.9 billion. The Company uses temporarily idle funds to purchase wealth management products, so this will not impact its main business. According to the latest accounting standard, the Company lists the wealth management products it purchases in the balance sheet as "other current assets". Belonging to current assets, they will not generate any influence on financial indexes such as asset-liability ratio, liquidity ratio and quick ratio. So far, the Company has purchased 4 principal-protected bank wealth management products with the wealth management quota of raised funds not exceeding RMB 600 million in a rolling way, where 3 products are already due and earnings totaling RMB 8 million are redeemed; The Company has purchased 16 principal-protected bank wealth management products with wealth management quota of self-owned funds not exceeding RMB 4 billion, where 6 are already due and earnings totaling 23 million are redeemed. Therefore, the total return on investment reaches RMB 31 million, accounting for 106.90% of net profits attributable to shareholders of listed company in 2019. The earnings generated by the Company by using temporarily idle raised funds to purchase wealth management products belong to return on investment and cash flow generated by investment activities, so they will not impact operational cash flow.

## **V. Risk warning**

- (I) The financial market may go through great macro-economic impacts, and the impact caused by market fluctuations to return on investment shall not be excluded.
- (II) The Company will moderately get involved at the right time according to economic situation and the change of financial market, so the actual return on investment is unpredictable.
- (III) Risks may exist in related business operations of the purchased bank wealth management products and money market funds.

## **VI. Execution of decision-making procedure, the Board of Directors and independent directors**

### **(I) Decision-making procedure executed**

A Proposal on Adjusting the Company's 2020 Wealth Management Quota of Self-Owned Funds and Scope of Wealth Management Products was reviewed and passed on the 24<sup>th</sup> Meeting of the 6<sup>th</sup> Board of Directors convened on June 23, 2020, when the Company's independent directors and the Board of Supervisors gave their definite consent to the Proposal, and related decision-making and review procedures were legitimate. As the wealth management quota of raised funds or scope of wealth management did not experience any change, no opinion was needed from any sponsor institution. The matter did not need being reviewed by the general meeting of shareholders.

### **(II) Special opinions**

#### **1. Opinions of independent directors**

- (1) On the precondition of guaranteeing normal operation and fund security, the Company would use idle self-owned funds not exceeding RMB 5.5 billion to purchase principal-protected bank wealth management products and money market funds. This would help to improve the fund utilization efficiency, acquire certain returns on investment and elevate the overall performance level of the Company.

- (2) It was agreed to adjust the Company's 2020 wealth management quota of self-owned funds from not exceeding RMB 4 billion into not exceeding RMB 5.5 billion.
- (3) It was agreed to include money market funds with high security and favorable liquidity into the investment scope of wealth management products.

## 2. Opinions of the Board of Supervisors

On the precondition of conforming to national laws and regulations and guaranteeing security of investment funds, the Company would use temporarily idle self-owned funds not exceeding RMB 5.5 billion and temporarily idle raised funds not exceeding RMB 600 million to purchase principal-protected bank wealth management products and money market funds. This would help to improve the fund utilization efficiency and would not influence the construction of fund-raising projects or utilization of raised funds. This investment conformed to the interests of the Company and all shareholders without any circumstance of damaging the interests of the Company and all shareholders especially minority shareholders. The related review procedure conformed to laws and regulations and related stipulations in Articles of Association.

It was agreed to adjust the Company's 2020 wealth management quota of self-owned funds from not exceeding RMB 4 billion into not exceeding RMB 5.5 billion, and include money market funds with high security and favorable liquidity into the investment scope of wealth management products.

## VII. Utilization of the Company's self-owned funds or raised funds in recent twelve months as of this announcement

Amount: ten thousand yuan

No.	Type of wealth management product	Actual investment amount	Actual recovered principal	Actual income	Amount of unrecovered principal
1	Bank wealth management product purchased with self-owned funds	50,000.00	50,000.00	1,002.97	
2	Bank wealth management product purchased with self-owned funds	30,000.00	30,000.00	572.24	
3	Bank wealth management product purchased with self-owned funds	50,000.00	50,000.00	483.49	
4	Bank wealth management product purchased with self-owned funds	50,000.00	50,000.00	955.19	
5	Bank wealth management product purchased with self-owned funds	50,000.00	50,000.00	471.05	
6	Bank wealth management product purchased with self-owned funds	50,000.00	50,000.00	907.21	
7	Bank wealth management product purchased with self-owned funds	60,000.00	60,000.00	1,107.79	
8	Bank wealth management product purchased with	30,000.00	30,000.00	286.12	

	self-owned funds				
9	Bank wealth management product purchased with self-owned funds	50,000.00	50,000.00	461.62	
10	Bank wealth management product purchased with self-owned funds	24,000.00	24,000.00	214.94	
11	Bank wealth management product purchased with self-owned funds	60,000.00	60,000.00	551.31	
12	Bank wealth management product purchased with self-owned funds	50,000.00	50,000.00	459.42	
13	Bank wealth management product purchased with self-owned funds	50,000.00	50,000.00	605.35	
14	Bank wealth management product purchased with self-owned funds	30,000.00	30,000.00	284.26	
15	Bank wealth management product purchased with self-owned funds	50,000.00	50,000.00	535.99	
16	Bank wealth management product purchased with self-owned funds	50,000.00			50,000.00
17	Bank wealth management product purchased with self-owned funds	80,000.00			80,000.00
18	Bank wealth management product purchased with self-owned funds	40,000.00	40,000.00	383.87	
19	Bank wealth management product purchased with self-owned funds	40,000.00	40,000.00	367.92	
20	Bank wealth management product purchased with self-owned funds	20,000.00			20,000.00
21	Bank wealth management product purchased with self-owned funds	15,000.00			15,000.00
22	Bank wealth management product purchased with self-owned funds	35,000.00			35,000.00

23	Bank wealth management product purchased with self-owned funds	49,000.00			49,000.00
24	Bank wealth management product purchased with self-owned funds	20,000.00			20,000.00
25	Bank wealth management product purchased with self-owned funds	40,000.00			40,000.00
26	Bank wealth management product purchased with self-owned funds	40,000.00			40,000.00
27	Bank wealth management product purchased with self-owned funds	20,000.00			20,000.00
28	Bank wealth management product purchased with raised funds	20,000.00	20,000.00	196.80	
29	Bank wealth management product purchased with raised funds	10,000.00	10,000.00	95.97	
30	Bank wealth management product purchased with raised funds	30,000.00	30,000.00	281.78	
31	Bank wealth management product purchased with raised funds	20,000.00	20,000.00	181.67	
32	Bank wealth management product purchased with raised funds	10,000.00	10,000.00	88.94	
33	Bank wealth management product purchased with raised funds	30,000.00	30,000.00	266.04	
34	Bank wealth management product purchased with raised funds	20,000.00	20,000.00	58.00	
35	Bank wealth management product purchased with raised funds	36,000.00	36,000.00	271.14	
36	Bank wealth management product purchased with raised funds	21,000.00	21,000.00	186.23	
37	Bank wealth management product purchased with raised	36,000.00	36,000.00	324.50	

	funds				
38	Bank wealth management product purchased with raised funds	21,000.00			21,000.00
	Total	1,387,000.00	997,000.00	11,601.80	390,000.00
The maximum one-day investment amount in recent 12 months				430,000.00	
The maximum one-day investment amount in recent 12 months/net assets in recent one year (%)				18.97%	
Accumulated income from entrusted wealth management in recent 12 months/net profits in recent one year (%)				405.00%	
Wealth management amount already used at present				390,000.00	
Unused wealth management amount				70,000.00	
Total wealth management amount				460,000.00	

### VIII. Documents for future reference

- (I) Resolutions of the 24<sup>th</sup> Meeting of the 6<sup>th</sup> Board of Directors;
- (II) Opinions of the Company's independent directors;
- (III) Resolutions of the 18<sup>th</sup> Meeting of the 6<sup>th</sup> Board of Supervisors.

Announcement is hereby given.

Board of Directors of COOEC

June 23, 2020