RISUN

China Risun Group Limited
中國旭陽集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1907

2019 INTERIM REPORT

Contents

Corporate Information

COMPANY NAME

China Risun Group Limited

STOCK CODE

1907

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Mr. Ho Pui Lam Joseph

COMPANY SECRETARY

Mr. Ho Pui Lam Joseph *(FCPA)*

COMPANY DIRECTORS

EXECUTIVE DIRECTORS：

Mr. Yang Xuegang *(Chairman & Chief Executive Officer)*
Mr. Zhang Yingwei
Mr. Han Qinliang
Mr. Wang Fengshan
Mr. Wang Nianping
Mr. Yang Lu

INDEPENDENT NON-EXECUTIVE DIRECTORS：

Mr. Kang Woon
Mr. Yu Kwok Kuen Harry
Mr. Wang Yinping

AUDIT COMMITTEE

Mr. Yu Kwok Kuen Harry *(Chairman)*
Mr. Kang Woon
Mr. Wang Yinping

REMUNERATION COMMITTEE

Mr. Kang Woon *(Chairman)*
Mr. Yu Kwok Kuen Harry
Mr. Wang Yinping

NOMINATION COMMITTEE

Mr. Yang Xuegang *(Chairman)*
Mr. Kang Woon
Mr. Yu Kwok Kuen Harry

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PRINCIPAL BANKERS

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HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
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183 Queen's Road East
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Financial Highlights

HIGHLIGHTS

- Revenue for the six months ended June 30, 2019 was approximately RMB10,123.8 million, representing an increase of approximately 0.28% as compared with the corresponding period in 2018;

- Profit attributable to owners of the Company for the six months ended June 30, 2019 was approximately RMB841.7 million, representing an increase of approximately 21.4% as compared with the corresponding period in 2018;

- Basic earnings per share of the Company for the six months ended June 30, 2019 was RMB22.14 cents, representing an increase of approximately 1.7% as compared with the corresponding period in 2018; and

- Subsequent to the end of the current interim period, the Board determined to declare an interim dividend of HK6.89 cents (equivalent to approximately RMB6.18 cents) per share, with total dividend amount of HK$281,748,000 (equivalent to approximately RMB252,762,000) (2018: Nil).

OVERVIEW

We are an integrated coke, coking chemical and refined chemical producer and supplier in China. The Group was the world's largest independent producer and supplier of coke by volume in 2018, according to Frost & Sullivan (Beijing) Inc., Shanghai Branch Co. ("Frost & Sullivan"), an independent global consulting firm. We also held leading positions in a number of refined chemical sectors in China or globally. According to Frost & Sullivan, the Group was the largest producer of industrial-naphthalene-based phthalic anhydride and coke-oven-gas-based methanol by volume in China in 2018. The Group was also the largest coking crude benzene processor and the fifth largest coal tar processor by volume globally in 2018.

In 2019, under the background of global political turmoil and further unstable economic growth, the China's economy still maintained a moderate growth. Both the coking industry and the refined chemical industry experienced continuous promising production and operation sentiment which was driven by policy implementation in supply-side reform, elimination of outdated production capacity and also a number of them in environmental protection by the PRC government, recovery of the iron and steel industry and as well as the consumption growth in the PRC.

In view of the operating results in 2019 and our future development needs, as well as sharing our results with shareholders, the Board determined to declare an interim dividend of RMB6.18 cents per share, with a total amount RMB252,762,000 for the interim period of 2019.

BUSINESS REVIEW

In 2019, the Group recognized an existing business as a separate business segment, which is our operation management services business segment. This recognition is based on the continuous effort by our management in sourcing and negotiating new operation and management projects in different provinces in the PRC. During the six months ended June 30, 2019 (the "Reporting Period") and up to the date of this interim report, we entered into two new operating management agreements with independent third parties in Shandong and Inner Mongolia, respectively. Below consists of our four business segments:

1) Coke and coking chemicals manufacturing: the production and sale of coke and a series of coking chemicals from externally sourced coking coals processed at the Group's coking facilities;

2) Refined chemicals manufacturing: the purchase of coking chemicals from the Group's coke and coking chemicals manufacturing segment and third parties, and processing such coking chemicals into refined chemical products at the Group's refined chemicals facilities, as well as marketing and selling such refined chemicals;

3) Operation management services: the sale of coke, coking chemicals and refined chemicals related to the commissioned processing by the third-party plants and the management services provided to the third-party plants; and

4) Trading: the sourcing of coke, coking chemicals and refined chemicals from third parties and the marketing, sale and distribution of such coal chemicals.

BUSINESS REVIEW (CONTINUED)

The Group's business model is based on a vertically integrated production chain in which we use our coking by-products to manufacture refined chemical products. We believe that our integrated business model and the scale of our business help:

- improving production efficiency and achieve synergies through centralized and unified management,
- reducing exposure to market volatility and price fluctuations,
- diversifying our customer base, and
- securing a stable and reliable supply of raw materials for our refined chemical products.

The Group's vertically integrated business model and our experience of more than 20 years in the coal chemical industry production chain allow us to tap into the downstream refined chemical markets. With an aim of strengthening our leading position as a global coke and refined chemical producer and supplier, we continue the development of our operations through operation management services. A brief description of two operation management services entered into during the Reporting Period and up to the date of this interim report are as follows:

1) Shandong Project: approximately 980,000 tonnes of coke and approximately 500,000 tonnes of refined chemicals; and

2) Inner Mongolia Project: approximately 960,000 tonnes of coke (the Group provided sales service of coke, coke particles and other products).

Investments in the aforesaid projects were funded by the Company's internal resources, but neither of them had used the proceeds raised from the global offering of the Company (the "Global Offering").

Apart from the development of our operation management services, we started setup of a company incorporated in Japan during the Reporting Period to expand our trading business overseas. Up to the date of this interim report, the setup is still under processing.

The above development strategies are deployed based on our competitive advantages through integrated business model and are to diversify the risks in relation to the fact that all our current operation bases are in Hebei Province, the PRC. We foresee that the requirement of environmental protection in terms of outdated production capacity will become stricter.

BUSINESS REVIEW (CONTINUED)

The following table sets forth sales by volume to external parties of our principal products for the periods indicated:

	Six months ended June 30, 2019	Year ended December 31, 2018
	(thousand tons, except coke oven gas in thousand cubic meters)	
Coke and coking chemicals production		
Coke	**2,573.0**	5,159.6
Coal tar(1)	**7.2**	14.6
Coke oven gas(2)	**26,868.6**	37,904.0
Crude benzene(3)	**6.2**	3.6
Refined chemicals production		
Carbon material chemicals		
Coal tar pitch	**176.0**	282.0
Industrial naphthalene(4)	**9.4**	3.7
Carbon black oil	**75.9**	153.8
Phthalic anhydride	**68.6**	111.8
Anthracene oil	**70.1**	121.2
Alcohol-ether chemicals		
Methanol	**183.8**	315.0
DME	**24.2**	65.9
Aromatic chemicals		
Benzene	**176.0**	375.7
Caprolactam	**55.2**	115.8
Toluene and xylene	**46.4**	94.9
Trading		
Coal	**1,013.1**	1,066.9
Coke	**259.1**	756.2

Notes:

(1) We produce and sell a portion of our coal tar internally for further processing and production of refined chemicals.

(2) We produce and sell a portion all of our coke oven gas internally for further processing and production of refined chemicals.

(3) We produce and sell a portion of our crude benzene internally for further processing and production of refined chemicals.

(4) We produce and sell a substantial portion of our industrial naphthalene internally for further processing and production of phthalic anhydride.

BUSINESS REVIEW (CONTINUED)

The following table sets forth the average selling prices (net of VAT) for sales to external parties of our principal products for the periods indicated:

	For the first six months of 2019 Average selling price	2018 Average selling price
	(RMB/ton, except coke oven gas in RMB/cubic meter)	
Coke and coking chemicals production		
Coke	**1,762.0**	1,827.4
Coal tar[1]	**2,725.9**	2,903.4
Coke oven gas[2]	**0.6**	0.6
Crude benzene[3]	**2,612.2**	3,948.7
Refined chemicals production		
Carbon material chemicals		
Coal tar pitch	**3,398.4**	3,378.7
Industrial naphthalene[4]	**3,697.8**	4,497.3
Carbon black oil	**2,896.3**	2,955.2
Phthalic anhydride	**5,430.6**	5,843.5
Anthracene oil	**2,941.0**	2,991.3
Alcohol-ether chemicals		
Methanol	**1,882.9**	2,296.8
DME	**3,017.9**	3,595.1
Aromatic chemicals		
Benzene	**3,820.0**	5,450.2
Caprolactam	**11,417.9**	13,668.1
Toluene and xylene	**4,496.6**	4,972.6
Trading		
Coal	**933.7**	793.0
Coke	**1,481.6**	1,948.6

Notes:

(1) We produce and sell a portion of our coal tar internally for further processing and production of refined chemicals.

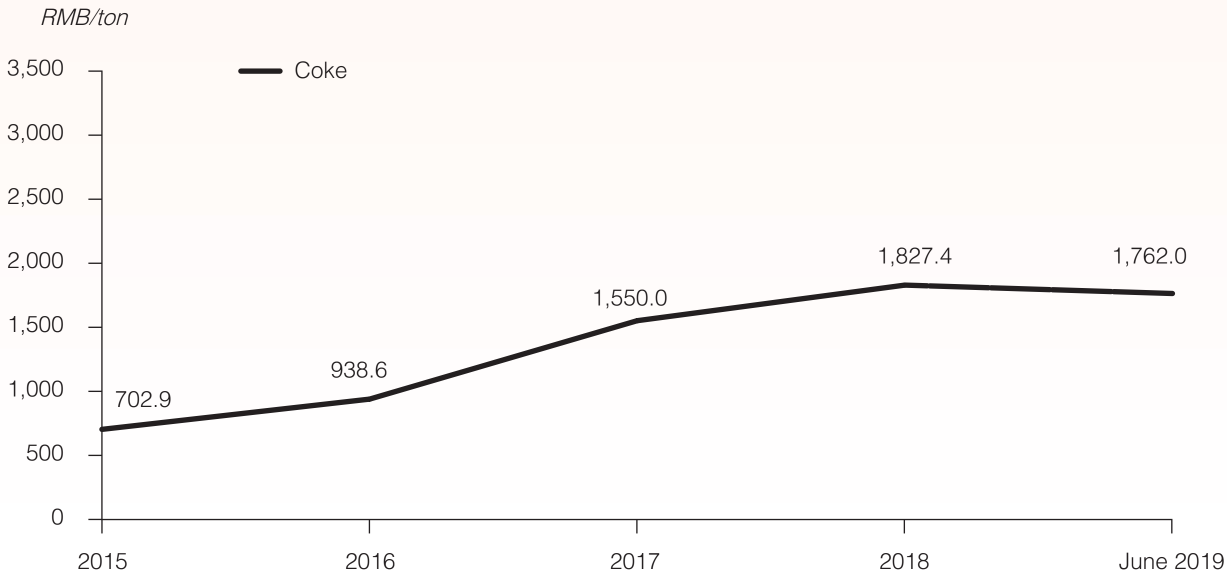
(2) We produce and sell a portion all of our coke oven gas internally for further processing and production of refined chemicals.

(3) We produce and sell a portion of our crude benzene internally for further processing and production of refined chemicals.

(4) We produce and sell a substantial portion of our industrial naphthalene internally for further processing and production of phthalic anhydride.

BUSINESS REVIEW (CONTINUED)

The Average Selling Prices of our Coke, 2015 - June 2019



Our products are priced largely at the prevailing market prices, which were primarily driven by demand of coke from iron and steel industry and government policies to eliminate outdated capacity and enhance environmental protection standards.

BUSINESS PROSPECTS

Looking forward to the second half of 2019, the Group will continue to increase our market share by ways of operation management services together with merger and acquisition. Within the operation management services, the Group developed a new cooperative model in the Inner Mongolia Project and will continue to explore different ways to promote the operation management services. The aim is to maintain our leading position in the coke, coking chemical and refined chemical market, making use of our brand advantages and enhancing our coverage of sales and marketing network as well as our business expansion strategies.

The Group will also enhance the production capacity of self-owned facilities and improve the environmental protection facilities. We will start the construction of (1) 300,000 tonnes of styrene in Tangshan Production Base and (2) a coke dry-quenching project in our Dingzhou Production Base in the second half of 2019.

BUSINESS PROSPECTS (CONTINUED)

Development, performance and status of the business of the Company

The following table sets forth the Group's financial ratios as at the dates and for the years indicated:

	For the six months ended June 30,	
	2019	2018
Financial indicators		
Gross profit margin[(1)]	**14.0%**	13.5%
Net profit margin[(2)]	**8.4%**	6.9%
EBITDA margin[(3)]	**15.5%**	14.7%
Return on equity[(4)]	**26.2%**	42.9%

	As at June 30, 2019	As at December 31, 2018
Gearing ratio[(5)]	**1.2x**	1.9x

Notes:

(1) Calculated by dividing gross profit by revenue for the period.

(2) Calculated by dividing profit by revenue for the period.

(3) Calculated by dividing EBITDA by revenue for the period.

(4) Calculated by dividing profit attributable to owners of the Company for the annualized period by equity attributable to owners of the Company as of the end of the period.

(5) Calculated by dividing total interest-bearing borrowings by total equity as of the end of the year/period.

FINANCIAL REVIEW

The following table sets forth our total revenue and gross profit by business segment (excluding our inter-segment revenue):

	For the six months ended June 30, 2019				
	Coke and coking chemicals manufacturing	**Refined chemicals manufacturing**	**Operation management services**	**Trading**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
Total revenue	**4,635,989**	**3,459,766**	**541,142**	**1,486,941**	**10,123,838**
Gross profit	**869,142**	**472,229**	**45,652**	**25,510**	**1,412,533**

	For the six months ended June 30, 2018				
	Coke and coking chemicals manufacturing	Refined chemicals manufacturing	Operation management services	Trading	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Total revenue	4,197,192	4,002,972	420,252	1,475,156	10,095,572
Gross profit	785,020	511,255	5,411	62,229	1,363,915

The following discussion addresses the principal trends that have affected our results of operations during the Reporting Period:

(a) Revenue

Revenue for the six months ended June 30, 2019 remained stable with mild improvement to RMB10,123.8 million compared with RMB10,095.6 million for the six months ended June 30, 2018.

Revenue from coke and coking chemicals manufacturing business increased by 10.5% from RMB4,197.2 million for the six months ended June 30, 2018 to RMB4,636.0 million for the six months ended June 30, 2019, primarily due to an increase in sales volume and the average selling price of coke from RMB1,688.4 per ton for the six months ended June 30, 2018 to RMB1,762.0 per ton for the six months ended June 30, 2019.

Revenue from refined chemical manufacturing business decreased by 13.6% from RMB4,003.0 million for the six months ended June 30, 2018 to RMB3,459.8 million for the six month ended 30 June, 2019, primarily due to a decrease in the unit sales price of benzene and caprolactam sold during the period.

Revenue from the operation management services business increased by 28.8% from RMB420.2 million for the six months ended June 30, 2018 to RMB541.1 million for the six months ended June 30, 2019, primarily due to the increase in number of customers of our operation management services.

FINANCIAL REVIEW (CONTINUED)

(a) Revenue (Continued)

Revenue from the trading business increased by 0.8% from RMB1,475.2 million for the six months ended June 30, 2018 to RMB1,486.9 million for the six months ended June 30, 2019, primarily as a result of increased import trading volume of coal from overseas.

(b) Cost of sales

Cost of sales for the six months ended June 30, 2019 decreased from RMB8,731.7 million to RMB8,711.3 million primarily due to the decrease of refined chemical sales, partially offset by the increase of production in coke and coking chemical manufacturing business and business growth in operation management services.

Cost of sales from the coke and coking chemical manufacturing business increased by 10.4% from RMB3,412.2 million for the six months ended June 30, 2018 to RMB3,766.8 million for the six months ended June 30, 2019, primarily due to an increase in market prices for coking coal and an increase in the volume of coke sold.

Cost of sales from the refined chemical manufacturing business decreased by 14.4% from RMB3,491.7 million for the six months ended June 30, 2018 to RMB2,987.5 million for the six months ended June 30, 2019, primarily due to a decrease in the price of the crude benzene purchased during the same period.

Cost of sales from the operation management services business increased by 19.5% from RMB414.9 million for the six months ended June 30, 2018 to RMB495.6 million for the six months ended June 30, 2019, primarily due to an increase in cost in connection with the new operation management service customers.

Cost of sales from the trading business increased by 3.4% from RMB1,412.9 million for the six months ended June 30, 2018 to RMB1,461.4 million for the six months ended June 30, 2019, primarily as a result of increased procurement price and volume of coking coal.

(c) Gross profit and gross profit margin

The Group's total gross profit increased by approximately RMB48.6 million, or 3.6%, to approximately RMB1,412.5 million for the six months ended June 30, 2019, from approximately RMB1,363.9 million for the six months ended June 30, 2018. Gross profit margin increased to 14.0% for the six months ended June 30, 2019, from 13.5% for the six months ended June 30, 2018.

Gross profit from the coke and coking chemical manufacturing business increased by 10.7% from RMB785.0 million for the six months ended June 30, 2018 to RMB869.2 million for the six months ended June 30, 2019. Gross profit margin for the coke and coking chemical manufacturing business remained stable at 18.7% for the six months ended June 30, 2018 and 2019.

Gross profit from the refined chemical manufacturing business decreased by 7.6% from RMB511.3 million for the six months ended June 30, 2018 to RMB472.3 million for the six months ended June 30, 2019. Gross profit margin for the refined chemical manufacturing business increased from 12.8% for the six months ended June 30, 2018 to 13.7% for the six months ended June 30, 2019.

FINANCIAL REVIEW (CONTINUED)

(c) Gross profit and gross profit margin (Continued)

Gross profit from the operation management services business increased from RMB5.3 million for the six months ended June 30, 2018 to RMB45.5 million for the six months ended June 30, 2019. Gross profit margin for the operation management services increased from 1.3% for the six months ended June 30, 2018 to 8.4% for the six months ended June 30, 2019, primarily because of the higher gross profit margin of the business in connection with the new operation management service customers.

Gross profit from the trading business decreased by 59.1% from RMB62.3 million for the six months ended June 30, 2018 to RMB25.5 million for the six months ended June 30, 2019. Gross profit margin for the trading business decreased from 4.2% for the six months ended June 30, 2018 to 1.7% for the six months ended June 30, 2019, primarily due to the change of trading stock composition.

(d) Other income

The Group's other income consist primarily of interest income, income from production waste sales and Government grants received from several government authorities as subsidies for the Group's contribution to the environment protection, energy conservation recycling resources, relocation, purchase of land use rights and infrastructure construction. Other income decreased by 18.5% from RMB95.5 million for the six months ended 30 June, 2018 to RMB77.8 million for the six month ended 30 June, 2019, mainly because of drop in interest income due to decrease in interest income from related parties.

(e) Other gains and losses

The Group's other gains and losses consist primarily of fair value gain/(loss) on future contracts and listed equity securities, gain/(loss) on foreign exchange and gain on disposal of property, plant and equipment and prepaid lease payments. The Group had other gains of RMB98.8 million for the six months ended June 30, 2019, compared to gain of RMB21.4 million for the six months ended June 30, 2018. The change is primarily due to (i) a fair value gain on futures contracts at financial assets at fair value through profit or loss of RMB34.1 million for the six months ended June 30, 2019, compared to a gain of RMB0.8 million for the six months ended June 30, 2018; and (ii) gain on disposal of property, plant and equipment and prepaid lease payments of RMB53.6 million for the six months ended June 30, 2019.

(f) Impairment losses reversed (recognized), net

The amount in current period mainly included write back of impairment loss on account receivables recognized in previous periods. The amount decreased by 2.3% from RMB30.8 million for the six months ended June 30, 2018 to RMB30.1 million for the six months ended 30 June, 2019.

(g) Selling and distribution expenses

Selling and distribution expenses increased by 10.4% from RMB358.2 million for the six months ended June 30, 2018 to RMB395.6 million for the six months ended June 30, 2019, primarily due to an increase in transportation expenses.

FINANCIAL REVIEW (CONTINUED)

(h) Listing expenses

The Group's listing expenses increased by approximately RMB4.2 million, or 36.2%, to approximately RMB15.8 million for the six months ended June 30, 2019, from approximately RMB11.6 million for the six months ended June 30, 2018, as the listing expenses increased around the date on which the shares of the Company were listed on the Stock Exchange (the "Listing Date").

(i) Finance costs

Finance cost primarily consist of interest expenses on bank loans, other loans and finance expenses on discount of bills receivables. The Group's finance cost decreased by 35.1% from RMB325.2 million for the six months ended 30 June, 2018 to RMB210.9 million for the six months ended 30 June, 2019. The decrease was mainly due to a decrease in finance expenses on bill receivables discounted and bank loans.

(j) Share of results of associates

Share of results of associates decreased by 65.3% from RMB40.7 million for the six months ended June 30, 2018 to RMB14.1 million for the six months ended June 30, 2019, representing a decrease in share of profits from Cabot Risun Chemical (Xingtai) Co., Ltd.. The profit of Cabot Risun Chemical (Xingtai) Co., Ltd. decreased resulted from a decrease in product sales.

(k) Share of results of a joint venture

Share of results of a joint venture increased by 23.0% from RMB157.1 million for the six months ended June 30, 2018 to RMB193.2 million for the six months ended June 30, 2019, representing an increase in the shared profit of Hebei China Coal Risun Coking Limited.

(l) Profit before taxation

As a result of the foregoing factors, the profit before taxation increased by approximately RMB181.6 million, or 21.1%, to approximately RMB1,041.7 million for the six months ended June 30, 2019 from approximately RMB860.1 million for the six months ended June 30, 2018.

(m) Income tax expense

The Group incurred income tax expense of approximately RMB188.2 million for the six months ended June 30, 2019 and approximately RMB160.5 million for the six months ended June 30, 2018 respectively at effective tax rates of 18.1% and 18.7%. The increase in income tax expense is due to an increase in profit before taxation of about RMB181.6 million.

(n) Profit for the period

For the six months ended June 30, 2019, the Group recorded a net profit of approximately RMB853.5 million, which represented an increase of approximately 22.0% as compared to the net profit of approximately RMB699.6 million for the six months ended June 30, 2018.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's primary uses of cash are operating costs, capital expenditures and repayment of debts in the PRC. To date, the Group has funded the investments and operations principally with cash from operations and debt financing from banks and other financial institutions. The Group believes that the liquidity requirements will be satisfied through a combination of cash flows generated from the operating activities, bank loans and other borrowings, and the net proceeds from the Global Offering. Any significant decrease in the demand for, or pricing of, the products and services, or a significant decrease in the availability of bank loans, may adversely impact the liquidity. As at June 30, 2019, cash and cash equivalents held by the Group were mainly cash in the banks and on hand denominated in RMB and deposits denominated in RMB that are readily convertible into cash.

The following table sets forth the cash flows for the periods indicated:

	For the six months ended June 30,	
	2019	2018
	RMB'000	*RMB'000*
Net cash generated from operating activities	**117,197**	841,536
Net cash generated from (used in) investing activities	**908,771**	(1,128,027)
Net cash (used in) generated from financing activities	**(290,152)**	205,379
Net increase (decrease) in cash and cash equivalents	**735,816**	(81,112)
Cash and cash equivalents at end of the period	**1,494,932**	519,338

(a) Net cash generated from operating activities

For the six months ended June 30, 2019, our net cash generated from operating activities was approximately RMB117.2 million and was less than our net cash generated from operating activities for the six months ended June 30, 2018 of approximately RMB841.5 million, primarily due to the significant decrease in the variance of working capital such as trade and other payables and contract liabilities as compared with the previous period, offset by the increase in profit.

(b) Net cash generated from (used in) investing activities

For the six months ended June 30, 2018, our net cash used in investing activities was approximately RMB1,128.0 million and our net cash generated from investing activities was approximately RMB908.8 million for the six months ended June 30, 2019. The variance was primarily due to the change in the balance of restricted bank deposits, from a net increase of RMB733.5 million to a net decrease of RMB1,017.0 million.

LIQUIDITY AND FINANCIAL RESOURCES (CONTINUED)

(c) Net cash (used in) generated from financing activities

For the six months ended June 30, 2018, our net cash generated from financing activities was approximately RMB205.4 million and our net cash used in financing activities was approximately RMB290.2 million for the six months ended June 30, 2019, primarily due to the significant decrease in interest-bearing borrowings for the six months ended June 30, 2019, offset by the net proceeds from the Global Offering.

1.2 Indebtedness

As of June 30, 2019 and December 31, 2018, our gearing ratios were approximately 1.2x and 1.9x, respectively. Our gearing ratio decreased primarily because of the increase in the equity and the decrease in interest-bearing borrowings. Our gearing ratio was calculated based on dividing interest-bearing borrowings by total equity as of the end of the respective date.

(a) Borrowings

The following table shows our bank and other loans as at the dates indicated:

	As at June 30, 2019 **RMB** ***in millions***	As at December 31, 2018 *RMB* *in millions*
Bank loan, secured	**3,141.8**	3,201.5
Bank loan, unsecured	**1,286.6**	1,334.5
Other loans, secured	**763.8**	815.7
Other loans, unsecured	**400.3**	260.0
Discounted bills financing	**2,300.7**	3,278.5
Total	**7,893.2**	8,890.2

Bank and other borrowings denominated in currencies other than the functional currencies of respective entities are set out below:

	As at June 30, 2019 **RMB** ***in millions***	As at December 31, 2018 *RMB* *in millions*
Denominated in USD	**68.1**	375.9
Denominated in EUR	**116.9**	117.4

The total borrowings decreased by approximately RMB997.0 million, or 11.2%, to approximately RMB7,893.2 million as of June 30, 2019 from RMB8,890.2 million as of December 31, 2018, primarily due to the decrease in discounted bills financing.

LIQUIDITY AND FINANCIAL RESOURCES (CONTINUED)

(c) Net cash (used in) generated from financing activities (Continued)

1.2 Indebtedness (Continued)

(b) Lease liabilities/Obligations under finance leases

Our Group had the following total future minimum lease payments under several finance lease arrangement regarding certain of our production equipment with licensed financial institutions as at the dates indicated:

	As at June 30, 2019 *RMB in millions*	As at December 31, 2018 *RMB in millions*
Within one year	**7.6**	24.5
After 1 year but within 2 years	**21.6**	0.8
After 2 years but within 5 years	**37.8**	–
Less: total future interest expenses	**(4.2)**	(0.8)
	62.8	24.5

The average lease term under these finance lease arrangements is five years, with fixed annual interest rates underlying all obligations ranging from 4.6% to 9.6%.

OFF-BALANCE SHEET ARRANGEMENTS

As of June 30, 2019, the Group did not have any significant outstanding off-balance sheet guarantees, interest rate swap transactions, foreign currency and commodity forward contracts or other off-balance sheet arrangements. The Group does not engage in trading activities involving non-exchange traded contracts. In the course of the business operations, the Group does not enter into transactions involving, or otherwise form relationships with, unconsolidated entities or financial partnerships that are established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposed.

CONTINGENT LIABILITIES

Details of contingent liabilities during the six months ended June 30, 2019 are set out in Note 19(e) to the condensed consolidated financial statements.

FOREIGN EXCHANGE RISK AND MANAGEMENT

The Group maintained some of the capital denominated in foreign currency other than the functional currency of the Group's entities, mainly U.S. dollars and Hong Kong dollars. Fluctuations in exchange rate would influence the reserve in foreign currencies to a certain extent and the Company is exploring and discussing measures to respond to foreign exchange risk. However, the Company does not expect any foreign exchange risk that will have material adverse impact on the Group's profitability or results of operations.

SHARE OPTION SCHEME

The Company's share option scheme (the "Share Option Scheme") was adopted pursuant to a written resolution passed by the shareholders on February 21, 2019 for the primary purpose of providing the people and the parties working for the interests of the Group with an opportunity to obtain an equity interest in the Company, thus linking their interest with the interests of the Group and thereby providing them with an incentive to work better for the interests of the Group.

Up to June 30, 2019, no options were granted to Directors, eligible employees and other outside third parties under the Share Option Scheme.

FUTURE PLANS AND USE OF PROCEEDS

An analysis comparing the section headed "Future plans and use of proceeds" as set out in the prospectus of the Company dated February 28, 2019 ("Prospectus") with our actual business progress for the period from March 15, 2019, being the Listing Date, to June 30, 2019 (the "Relevant Period") is set out below.

The net proceeds from the Global Offering were approximately HK$1,864.0 million. During the Relevant Period, the net proceeds from the Global Offering had been applied as follows:

	Proposed use of net proceeds in the Prospectus *(HK$ million)*	Actual use of net proceeds during the Relevant Period *(HK$ million)*	Unused net proceeds as at June 30, 2019 *(HK$ million)*	Estimated timetable
Debt repayments	745.6	735.0	10.6	December 2019
Investment plans	559.2	–	559.2	December 2020
Environmental Protection Plans and System Upgrade	372.8	7.2	365.6	December 2021
Working capital	186.4	140.8	45.6	December 2020
Total	1,864.0	883.0	981.0	

EMPLOYEE AND REMUNERATION POLICES

As at June 30, 2019, the Group employed a total of 3,627 employees as compared to 3,574 employees as at December 31, 2018. During the Reporting Period, the staff costs of the Group were RMB200,057,000 (for the six months ended June 30, 2018: RMB175,097,000).

The Company's remuneration policy is set out by the Remuneration Committee on the basis of the employees' merit, qualifications and competence. The emoluments of the Directors are set by the Remuneration Committee, having regard to among others, salaries paid by comparable companies as well as time commitment and responsibilities and employment conditions of the Group.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at June 30, 2019, the interests of Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were notified to the Company and The Stock Exchange of Hong Kong Limited (The "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange pursuant to the required standard of dealings by Directors as referred to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to The Rules Governing the Listing of Securities on The Stock Exchange (the "Listing Rules"), were as follows:

Name	Capacity/Nature of interest	Number of issued ordinary shares held	Approximate percentage of the issued share capital of the Company
Director			
Mr. Yang Xuegang[(1)]	Interest of a controlled corporation	3,116,074,928(L)	76.2%

(L) denotes long positions

Note:

1. Texson Limited ("Texson") is wholly-owned by Mr. Yang. Accordingly, Mr. Yang is deemed to be interested in the shares of the Company held by Texson. In addition, Texson holds 27,469.38308 class A non-redeemable participating shares in First Milestone SPC ("First Milestone") and as such, is deemed to be interested in the shares of the Company held by First Milestone.

Save as disclosed above, none of the Directors and the chief executive of the Company nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at June 30, 2019.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at June 30, 2019, according to the register of interests required to be kept by the Company under Section 336 of the SFO other than the interests disclosed above in respect of Directors and chief executive of the Company, the following parties had interests in shares of the Company, as notified to the Company and The Stock Exchange, as follows:

Name of shareholders	Capacity/Nature of interest	Number of issued ordinary shares held	Approximate percentage of the issued share capital of the Company
First Milestone[1][2]	Beneficial owner	849,408,259(L)	20.8%
Texson[1]	Beneficial owner	2,266,666,669(L)	55.4%
	Interest of a controlled corporation	849,408,259(L)	20.8%
China Cinda Asset Management Co., Ltd.[2][3]	Interest of a controlled corporation	857,816,259(L)	21.0%
China Cinda (HK) Holdings Company Limited[2][3]	Interest of a controlled corporation	849,408,259(L)	20.8%
	Beneficial owner	8,408,000(L)	0.2%
Sino-Rock Investment Management Company Limited[2]	Interest of a controlled corporation	849,408,259(L)	20.8%
Cinda Sino-Rock Investment Limited[2]	Interest of a controlled corporation	849,408,259(L)	20.8%
Sinostone Capital Management (Overseas) Company Limited[2]	Interest of a controlled corporation	849,408,259(L)	20.8%

(L) denotes long positions

Notes:

(1) Texson holds 27,469.38308 class A non-redeemable participating shares in First Milestone and as such, is deemed to be interested in the shares of the Company held by First Milestone.

(2) Sinostone Capital Management (Overseas) Company Limited holds 100% management shares in First Milestone. Sinostone Capital Management (Overseas) Company Limited is wholly-owned by Cinda Sino-Rock Investment Limited, which in turn is wholly owned by Sino-Rock Investment Management Company Limited. China Cinda (HK) Holdings Company Limited indirectly holds 48.28% interests in Sino-Rock Investment Management Company Limited, and is wholly-owned by China Cinda Asset Management Co., Ltd.. Accordingly, each of Sinostone Capital Management (Overseas) Company Limited, Cinda Sino-Rock Investment Limited, Sino-Rock Investment Management Company Limited, China Cinda (HK) Holdings Company Limited and China Cinda Asset Management Co., Ltd. is deemed to be interested in the shares of the Company held by First Milestone.

(3) China Cinda (HK) Holdings Company Limited is wholly-owned by China Cinda Asset Management Co., Ltd.. Accordingly, China Cinda Asset Management Co., Ltd. is deemed to be interested in the shares of the Company held by China Cinda (HK) Holdings Company Limited.

Save as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at June 30, 2019.

COMPETING INTERESTS

None of the Directors or controlling shareholders of the Company nor their respective associates (as defined under the Listing Rules) had any interest in a business that competes or may compete with the business of the Group.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended June 30, 2019, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any shares of the Company.

CORPORATE GOVERNANCE PRACTICES

Pursuant to the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules which sets out the principles of good corporate governance and the code provisions (the "Code Provisions"), the Company has applied all the Code Provisions as set out in the CG Code and has complied with the applicable Code Provisions throughout the period from the Listing Date to June 30, 2019, except for the Code Provisions A.2.1 of the CG Code. as follows:

In accordance with paragraph A.2.1 of the CG Code, the roles of the chairman and chief executive officer should be separated and should not be held by the same person. Mr. Yang Xuegang is the chairman and chief executive officer of the Company. With extensive experience in the coke, coking chemicals and refined chemicals industries, Mr. Yang is responsible for the overall management and business development, the operations of the subsidiaries of the Company and their corresponding production facilities and human resources of the Group, and has been instrumental to the Group's growth and business expansion since its establishment in 1995. The Board considers that vesting the roles of chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for and communication with the Group. The balance of power and authority is ensured by the operation of the senior management and the Board, which comprises experienced and high caliber individuals. The Board currently comprises of six executive Directors (including Mr. Yang) and three independent non-executive Directors and therefore has a strong independence element in its composition.

The Board will examine and review, from time to time, the Company's corporate governance practices and operations in order to meet the relevant provisions under the Listing Rules and to protect the shareholders' interests.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its model code for securities transactions by the Directors and relevant employees.

Specific enquiries have been made of all the Directors and they have confirmed that they have complied with the relevant Model Code throughout the period from the Listing Date to June 30, 2019.

The Company's employees, who are likely to be in possession of unpublished inside information of the Company, are subject to the Model Code. No incident of non-compliance of the Model Code by the employees was noted by the Company throughout the period from the Listing Date to June 30, 2019.

CLOSURE OF REGISTER OF MEMBERS

The record date for qualifying to receive the proposed interim dividend is November 7, 2019. In order to determine the right of shareholders entitled to receive the proposed interim dividend, the register of members of the Company will also be closed from November 5, 2019 to November 7, 2019, both days inclusive, during which period the registration of transfer of shares will be suspended. In order to qualify for the interim dividend, all properly completed share transfer forms 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 November 4, 2019. The expected interim dividend payment date will be on or before November 29, 2019.

AUDIT COMMITTEE

The Company has established the audit committee (the "Audit Committee") which comprises three members, all being Independent non-executive Directors, namely Mr. Yu Kwok Kuen Harry (Chairman), Mr. Kang Woon and Mr. Wang Yinping.

This interim report, including the unaudited consolidated interim results and the accounting principles and practices adopted by the Group, has been reviewed by the Audit Committee in accordance with Listing Rules. The Audit Committee has also discussed auditing, risk management, internal control and financial statement matters, including the review of the consolidated financial statements of the Group for the current interim period.

PUBLICATION OF INTERIM REPORT ON THE WEBSITES OF THE COMPANY AND THE STOCK EXCHANGE

This interim report is published on the respective website of the Company at www.risun.com and the Stock Exchange at www.hkexnews.hk. The interim report of the Company for the six months ended June 30, 2019 will be despatched to the shareholders of the Company and will also be made available on the above websites in due course.

By order of the Board
China Risun Group Limited
Yang Xuegang
Chairman

Report on Review of Condensed Consolidated Financial Statements

Deloitte. 德勤

TO THE BOARD OF DIRECTORS OF CHINA RISUN GROUP LIMITED
(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of China Risun Group Limited (formerly known as "China Risun Coal Chemicals Group Limited", the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 28 to 70, which comprise the condensed consolidated statement of financial position as of June 30, 2019 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" ("ISRE 2410") issued by the International Auditing and Assurance Standards Board. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

OTHER MATTER

The comparative condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period ended June 30, 2018 and the relevant explanatory notes included in these condensed consolidated financial statements have not been reviewed in accordance with ISRE 2410.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
August 19, 2019

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Six Months ended June 30, 2019

		Six months ended June 30,	
		2019	2018
		RMB'000	*RMB'000*
	Notes	**(Unaudited)**	(Unaudited)
Revenue from contracts with customers	4	**10,123,838**	10,095,572
Cost of sales and services		**(8,711,305)**	(8,731,657)
Gross profit		**1,412,533**	1,363,915
Other income	5	**77,832**	95,476
Other gains and losses		**98,791**	21,381
Impairment losses reversed (recognized), net		**30,052**	30,784
Selling and distribution expenses		**(395,632)**	(358,160)
Administrative expenses		**(162,454)**	(154,265)
Listing expenses		**(15,835)**	(11,635)
Profit from operations		**1,045,287**	987,496
Finance costs	6	**(210,880)**	(325,177)
Share of results of associates		**14,119**	40,654
Share of results of a joint venture		**193,181**	157,142
Profit before taxation	7	**1,041,707**	860,115
Income tax expense	8	**(188,181)**	(160,539)
Profit for the period		**853,526**	699,576
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translating foreign operations		**15,711**	2,726
Other comprehensive income for the period		**15,711**	2,726
Total comprehensive income for the period		**869,237**	702,302
Profit for the period attributable to:			
Owners of the Company		**841,741**	693,425
Non-controlling interests		**11,785**	6,151
		853,526	699,576

		Six months ended June 30,	
		2019	2018
		RMB'000	*RMB'000*
	Notes	**(Unaudited)**	(Unaudited)
Total comprehensive income for the period attributable to:			
Owners of the Company		**857,452**	696,151
Non-controlling interests		**11,785**	6,151
		869,237	702,302
Earnings per share *(RMB cents)*	10		
Basic		**22.14**	21.78
Diluted		**22.14**	N/A

Condensed Consolidated Statement of Financial Position

At June 30, 2019

	Notes	June 30, 2019 RMB'000 (Unaudited)	December 31, 2018 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	11	9,283,602	9,406,195
Right-of-use assets	11	1,268,816	–
Prepaid lease payments		–	1,099,735
Goodwill		31,808	31,808
Intangible assets		75,598	74,425
Interests in associates		405,930	451,311
Interests in a joint venture		1,046,667	853,486
Financial assets at fair value through profit or loss ("FVTPL")	12	208,731	76,017
Other long term receivables and prepayments		90,823	63,060
Deferred tax assets		276,074	289,249
Restricted bank balances	15	50,000	128,000
		12,738,049	12,473,286
Current assets			
Inventories		1,189,099	1,009,035
Income tax prepayments		–	3,787
Other receivables	13	1,558,340	1,021,464
Trade and bills receivables measured at fair value through other comprehensive income ("FVTOCI")	13	1,438,577	3,179,295
Prepaid lease payments		–	27,378
Amounts due from related parties	19(c)	189,663	675,244
Financial assets at FVTPL	12	1,809	286
Restricted bank balances	15	2,514,253	3,453,297
Cash and cash equivalents		1,494,932	759,037
		8,386,673	10,128,823

	Notes	June 30, 2019 RMB'000 (Unaudited)	December 31, 2018 RMB'000 (Audited)
Current liabilities			
Financial liabilities at FVTPL	12	3,161	448
Trade and other payables	16	4,176,773	6,528,943
Contract liabilities		900,682	1,074,689
Dividends payable	9	626,588	–
Income tax payable		317,236	388,842
Bank and other loans	17	7,135,161	7,618,022
Lease liabilities/obligations under finance leases		7,148	23,616
Amounts due to related parties	19(c)	435,125	779,512
		13,601,874	16,414,072
Net current liabilities		(5,215,201)	(6,285,249)
Total assets less current liabilities		7,522,848	6,188,037
Non-current liabilities			
Bank and other loans	17	758,033	1,272,195
Lease liabilities/obligations under finance leases		55,672	936
Deferred income		68,099	68,703
Trade and other payables	16	–	68,314
Deferred tax liabilities		98,671	64,866
		980,475	1,475,014
NET ASSETS		6,542,373	4,713,023
CAPITAL AND RESERVES			
Share capital	18	354,699	87,123
Reserves		6,075,444	4,516,717
Total equity attributable to owners of the Company		6,430,143	4,603,840
Non-controlling interests		112,230	109,183
TOTAL EQUITY		6,542,373	4,713,023

Condensed Consolidated Statement of Changes in Equity

For the Six Months Ended June 30, 2019

	Attributable to owners of the Company									
	Share capital *RMB'000* *(Note 18)*	Share premium *RMB'000*	Merger reserve *RMB'000*	Reserve fund *RMB'000*	Safety fund *RMB'000*	Foreign currency translation reserve *RMB'000*	Retained profits *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
Balance at December 31, 2018 (Audited)	**87,123**	**475,949**	**384,869**	**222,268**	**34,978**	**(38,486)**	**3,437,139**	**4,603,840**	**109,183**	**4,713,023**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**841,741**	**841,741**	**11,785**	**853,526**
Other comprehensive income	**–**	**–**	**–**	**–**	**–**	**15,711**	**–**	**15,711**	**–**	**15,711**
Net transfer to safety fund	**–**	**–**	**–**	**–**	**1,574**	**–**	**(1,574)**	**–**	**–**	**–**
Issue of new shares in the Public Offer *(Note 18)*	**59,028**	**1,589,903**	**–**	**–**	**–**	**–**	**–**	**1,648,931**	**–**	**1,648,931**
Transaction costs directly attributable to the issue of new shares	**–**	**(53,492)**	**–**	**–**	**–**	**–**	**–**	**(53,492)**	**–**	**(53,492)**
Capitalization issue *(Note 18)*	**208,548**	**(208,548)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Dividends recognized as distribution *(Note 9)*	**–**	**(426,588)**	**–**	**–**	**–**	**–**	**(200,000)**	**(626,588)**	**–**	**(626,588)**
Dividends to a non-controlling shareholder	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(8,738)**	**(8,738)**
Balance at June 30, 2019 (Unaudited)	**354,699**	**1,377,224**	**384,869**	**222,268**	**36,552**	**(22,775)**	**4,077,306**	**6,430,143**	**112,230**	**6,542,373**
Balance at January 1, 2018 (Audited)	80,600	70,433	384,869	207,916	35,006	(20,775)	2,253,943	3,011,992	93,319	3,105,311
Profit for the period	–	–	–	–	–	–	693,425	693,425	6,151	699,576
Other comprehensive income	–	–	–	–	–	2,726	–	2,726	–	2,726
Ordinary shares issued *(Note 18)*	6,523	405,516	–	–	–	–	–	412,039	–	412,039
Net transfer to safety fund	–	–	–	–	3,421	–	(3,421)	–	–	–
Dividends to the immediate holding company	–	–	–	–	–	–	(891,148)	(891,148)	–	(891,148)
Balance at June 30, 2018 (Unaudited)	87,123	475,949	384,869	207,916	38,427	(18,049)	2,052,799	3,229,034	99,470	3,328,504

Condensed Consolidated Statement of Cash Flows

For the Six Months Ended June 30, 2019

	Six months ended June 30,	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Net cash generated from operating activities	**117,197**	841,536
Net cash generated from/(used in) investing activities		
Purchase of property, plant and equipment	**(514,175)**	(418,727)
Proceeds from disposal of property, plant and equipment	**11,412**	43,436
Purchase of prepaid lease payments	**–**	(3,464)
Proceeds from disposal of right-of-use assets/prepaid lease payments	**86,518**	92,137
Purchase of intangible assets	**(8,246)**	(720)
Purchase of financial assets at FVTPL	**(125,000)**	–
Interest received	**38,371**	51,100
Government grants received	**1,848**	–
Dividends received from a joint venture	**–**	72,959
Dividends received from associates	**59,500**	–
Placement of restricted bank deposits	**(3,818,296)**	(4,850,920)
Withdrawal of restricted bank deposits	**4,835,340**	4,117,417
(Increase)/decrease in amounts due from related parties	**391,499**	(231,245)
Advanced to a third party	**(50,000)**	–
	908,771	(1,128,027)
Net cash (used in)/generated from financing activities		
Interest paid	**(225,978)**	(314,059)
Net proceeds from issue of shares	**1,595,439**	412,039
Dividend paid to the immediate holding company	**(467,533)**	–
Dividend paid to a non-controlling shareholder	**(2,000)**	–
Proceeds from new bank and other loans	**4,908,083**	3,830,748
Repayment of bank and other loans	**(6,076,040)**	(3,705,995)
Repayment of leases liabilities/obligations under finance leases	**(22,123)**	(15,602)
Increase/(decrease) in amounts due to related parties	**–**	(1,752)
	(290,152)	205,379
Net increase/(decrease) in cash and cash equivalents	**735,816**	(81,112)
Cash and cash equivalents at the beginning of the period	**759,037**	599,987
Effect of foreign exchange rate changes	**79**	463
Cash and cash equivalents at the end of the period	**1,494,932**	519,338

Notes to the Condensed Consolidated Financial Statements

For the Six Months ended June 30, 2019

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on November 8, 2007 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. On July 23, 2018, the Company changed its name from China Risun Coal Chemicals Group Limited to China Risun Group Limited. The shares of the Company have been successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on March 15, 2019.

The ultimate holding company and immediate holding company of the Company is Texson Limited ("Texson", the "Ultimate Holding Company"), a company incorporated in the British Virgin Islands (the "BVI"), and ultimately controlled by Mr. Yang Xuegang (the "Ultimate Controlling Shareholder").

The Company's operating subsidiaries are engaged in the production, sale and distribution of coke, coking chemicals and refined chemicals. The condensed consolidated financial statements of the Company and its subsidiaries (collectively referred to the "Group") are presented in Renminbi ("RMB"), which is the same as the functional currency of the Company.

2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 (IAS 34) *Interim Financial Reporting* issued by the International Accounting Standards Board as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange.

Going concern

At June 30, 2019, the Group had net current liabilities of RMB5,215,201,000. The directors of the Company (the "Directors") are of the opinion that, taking into consideration the availability of unutilized banking facilities of the Group amounting to RMB5,462,890,000 at the report date, of which RMB2,000,000,000 is with conditions to be determined by a bank, and the assumption that approximately 40% of bank loans and other bank facilities at June 30, 2019 will be successfully renewed upon maturity, the Group has sufficient financial resources to meet its capital expenditure requirements and liabilities as and when they fall due for the next twelve months from the date of this report. Accordingly, the condensed consolidated financial statements are prepared on a going concern basis.

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

Other than changes in accounting policies resulting from application of new and amendments to International Financial Reporting Standards ("IFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended June 30, 2019 are the same as those presented in the Group's annual financial statements for the year ended December 31, 2018.

Application of new and amendments to IFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to IFRSs which are mandatory effective for the annual period beginning on or after January 1, 2019 for the preparation of the Group's condensed consolidated financial statements:

IFRS 16	*Leases*
IFRIC 23	*Uncertainty over Income Tax Treatments*
Amendments to IFRS 9	*Prepayment Features with Negative Compensation*
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*
Amendments to IFRSs	*Annual Improvements to IFRS Standards 2015–2017 Cycle*

Except as described below, the application of the new and amendments to IFRSs in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

3.1 Impacts and changes in accounting policies of application on IFRS 16 Leases

The Group has applied IFRS 16 for the first time in the current interim period. IFRS 16 superseded IAS 17 Leases ("IAS 17"), and the related interpretations.

3.1.1 Key changes in accounting policies resulting from application of IFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of IFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

3.1 Impacts and changes in accounting policies of application on IFRS 16 Leases (Continued)

3.1.1 Key changes in accounting policies resulting from application of IFRS 16 (continued)

As a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group also applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Right-of-use assets

Except for short-term leases and leases of low value assets, the Group recognizes right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

3.1 Impacts and changes in accounting policies of application on IFRS 16 Leases (Continued)

3.1.1 Key changes in accounting policies resulting from application of IFRS 16 (continued)

As a lessee (continued)

Right-of-use assets (continued)

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Lease liabilities

At the commencement date of a lease, the Group recognizes and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

3.1 Impacts and changes in accounting policies of application on IFRS 16 Leases (Continued)

3.1.1 Key changes in accounting policies resulting from application of IFRS 16 (continued)

As a lessee (continued)

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 Income Taxes requirements to the right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognized at initial recognition and over the lease terms due to application of initial recognition exemption.

As a lessor

Allocation of consideration to components of a contract

Effective on January 1, 2019, the Group applies IFRS 15 Revenue from Contracts with Customers ("IFRS 15") to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

3.1 Impacts and changes in accounting policies of application on IFRS 16 Leases (Continued)

3.1.1 Key changes in accounting policies resulting from application of IFRS 16 (continued)

As a lessor (continued)

Refundable rental deposits

Refundable rental deposits received are accounted under IFRS 9 Financial Instruments ("IFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Sublease

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sub-lease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

Lease modification

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

3.1.2 Transition and summary of effects arising from initial application of IFRS 16

Definition of a lease

The Group has elected the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC-Int 4 Determining whether an Arrangement contains a Lease and not apply this standards to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after January 1, 2019, the Group applies the definition of a lease in accordance with the requirements set out in IFRS 16 in assessing whether a contract contains a lease.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

3.1 Impacts and changes in accounting policies of application on IFRS 16 Leases (Continued)

3.1.2 Transition and summary of effects arising from initial application of IFRS 16 (continued)

As a lessee

The Group has applied IFRS 16 retrospectively at the date of initial application, January 1, 2019. No difference at the date of initial application is recognized in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under IFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under IAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. elected not to recognize right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

ii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application.

On transition, the Group has made the following adjustments upon application of IFRS 16:

As at January 1, 2019, the Group recognized additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by applying IFRS 16.C8(b)(ii) transition.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

3.1 Impacts and changes in accounting policies of application on IFRS 16 Leases (Continued)

3.1.2 Transition and summary of effects arising from initial application of IFRS 16 (continued)

As a lessee (continued)

	Note	At January 1, 2019 RMB'000
Operating lease commitments disclosed as at December 31, 2018		2,457
Lease liabilities discounted at relevant incremental borrowing rates		2,262
Less: Recognition exemption – short-term leases		121
Recognition exemption – low value assets		2,141
Lease liabilities relating to operating leases recognized upon application of IFRS 16		–
Add: Obligations under finance leases recognized at December 31,2018	(b)	24,552
Lease liabilities as at January 1, 2019		24,552
Analyzed as		
Current		23,616
Non-current		936
		24,552

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

3.1 Impacts and changes in accounting policies of application on IFRS 16 Leases (Continued)

3.1.2 Transition and summary of effects arising from initial application of IFRS 16 (continued)

As a lessee (continued)

The carrying amount of right-of-use assets as at January 1, 2019 comprises the following:

	Notes	At January 1, 2019 RMB'000
Right-of-use assets relating to operating leases recognized upon application of IFRS 16		–
Reclassified from prepaid lease payments	(a)	1,127,113
Amounts included in property, plant and equipment under IAS 17		
– Assets previously under finance leases	(b)	117,104
		1,244,217
By class:		
Leasehold lands		1,127,113
Machinery and equipment		117,104
		1,244,217

(a) Upfront payments for leasehold lands in the PRC were classified as prepaid lease payments as at December 31, 2018. Upon application of IFRS 16, the current and non-current portion of prepaid lease payments amounting to RMB27,378,000 and RMB1,099,735,000 respectively were reclassified to right-of-use assets.

(b) In relation to assets previously accounted for under finance leases, the Group recategorized the carrying amounts of the relevant assets which were still under lease as at January 1, 2019 amounting to RMB117,104,000 as right-of-use assets. In addition, the Group reclassified the obligations under finance leases of RMB23,616,000 and RMB936,000 to lease liabilities as current and non-current liabilities respectively at January 1, 2019.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

3.1 Impacts and changes in accounting policies of application on IFRS 16 Leases (Continued)

3.1.2 Transition and summary of effects arising from initial application of IFRS 16 (continued)

As a lessee (continued)

The following adjustments were made to the amounts recognized in the condensed consolidated statement of financial position at January 1, 2019. Line items that were not affected by the changes have not been included.

	Notes	Carrying amounts previously reported at December 31, 2018 RMB'000	Adjustments RMB'000	**Carrying amounts under IFRS 16 at January 1, 2019 RMB'000**
Non-current Assets				
Property, plant and equipment	(b)	9,406,195	(117,104)	**9,289,091**
Prepaid lease payments	(a)	1,099,735	(1,099,735)	**–**
Right-of-use assets		–	1,244,217	**1,244,217**
Current Assets				
Prepaid lease payments	(a)	27,378	(27,378)	**–**
Current Liabilities				
Lease liabilities	(b)	–	23,616	**23,616**
Obligations under finance leases	(b)	23,616	(23,616)	**–**
Non-current Liabilities				
Lease liabilities	(b)	–	936	**936**
Obligations under finance leases	(b)	936	(936)	**–**

Note: For the purpose of reporting cash flows from operating activities under indirect method for the six months ended June 30, 2019, movements in working capital have been computed based on opening statement of financial position as at January 1, 2019 as disclosed above.

4. REVENUE AND SEGMENT INFORMATION

Information was reported to the executive directors, being the chief operating decision maker (the "CODM"). During the six months ended June 30, 2019, the fact that CODM identified a new reportable operating segment namely "operation management service", the Group reorganized its internal reporting structure in order to refine resource reallocation and assessment of segment performance, which resulted in changes to the composition of its reportable segments. Accordingly, the segment information reported for the prior period has been represented to reflect the newly reportable segment.

Specifically, the Group's reportable segments under IFRS 8 are as follows:

- Coke and coking chemicals manufacturing segment: the production and sale of coke and a series of coking chemicals from externally sourced coking coals processed at the Group's coking facilities;

- Refined chemicals manufacturing segment: the purchase of coking chemicals from the Group's coke and coking chemicals manufacturing segment and third parties, and processing such coking chemicals into refined chemical products at the Group's refined chemicals facilities, as well as marketing and selling such refined chemicals;

- Operation management service: the sale of coke, coking chemicals and refined chemicals related to the commissioned processing by the third-party plants and the management services provided to the third-party plants; and

- Trading segment: the sourcing of coke, coking chemicals and refined chemicals from third parties and the marketing, sale and distribution of such coal chemicals.

The accounting policies of the reportable segments are the same as the Group's accounting policies.

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

The following is an analysis of the Group's results, assets and liabilities by reportable segments:

	Six months ended/as at June 30, 2019				
	Coke and Coking Chemicals Manufacturing *RMB'000* (Unaudited)	Refined Chemicals Manufacturing *RMB'000* (Unaudited)	Operation Management Services *RMB'000* (Unaudited)	Trading *RMB'000* (Unaudited)	Total *RMB'000* (Unaudited)
Sales of goods to external customers					
Sale of coke and coking chemicals	4,635,989	–	349,231	–	4,985,220
Sale of refined chemicals	–	3,459,766	169,548	–	3,629,314
Trading	–	–	–	1,486,941	1,486,941
Management services	–	–	22,363	–	22,363
	4,635,989	3,459,766	541,142	1,486,941	10,123,838
Inter-segment revenue	507,231	84,300	6,947	–	598,478
Reportable segment revenue	5,143,220	3,544,066	548,089	1,486,941	10,722,316
Reportable segment profit	748,447	337,627	44,548	(10,609)	1,120,013
Listing expenses					(15,835)
Unallocated head office and corporate expenses					(62,471)
Consolidated profit before taxation					1,041,707
Other information:					
Share of results of associates	(3,657)	17,776	–	–	14,119
Share of result of a joint venture	193,181	–	–	–	193,181

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

	Six months ended/as at June 30, 2018 (represented)				
	Coke and Coking Chemicals Manufacturing *RMB'000* (Unaudited)	Refined Chemicals Manufacturing *RMB'000* (Unaudited)	Operation Management Services *RMB'000* (Unaudited)	Trading *RMB'000* (Unaudited)	Total *RMB'000* (Unaudited)
Sales of goods to external customers					
Sale of coke and coking chemicals	4,197,192	–	33,564	–	4,230,756
Sale of refined chemicals	–	4,002,972	385,745	–	4,388,717
Trading	–	–	–	1,475,156	1,475,156
Management services	–	–	943	–	943
	4,197,192	4,002,972	420,252	1,475,156	10,095,572
Inter-segment revenue	470,493	47,823	–	–	518,316
Reportable segment revenue	4,667,685	4,050,795	420,252	1,475,156	10,613,888
Reportable segment profit	554,656	371,422	2,109	(13,513)	914,674
Listing expenses					(11,635)
Unallocated head office and corporate expenses					(42,924)
Consolidated profit before taxation					860,115
Other information:					
Share of results of associates	815	39,839	–	–	40,654
Share of result of a joint venture	157,142	–	–	–	157,142

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment assets

	June 30, 2019 RMB'000 (Unaudited)	December 31, 2018 RMB'000 (Audited) (represented)
Coke and coking chemicals manufacturing	8,554,698	8,821,591
Refined chemicals manufacturing	8,505,669	9,231,144
Operation management services	210,583	123,559
Trading	3,607,234	4,339,127
Total reportable segment assets	20,878,184	22,515,421

Segment liabilities

	June 30, 2019 RMB'000 (Unaudited)	December 31, 2018 RMB'000 (Audited) (represented)
Coke and coking chemicals manufacturing	5,388,079	7,080,816
Refined chemicals manufacturing	5,707,157	6,244,154
Operation management services	101,857	81,401
Trading	2,758,445	3,983,065
Total reportable segment liabilities	13,955,538	17,389,436

5. OTHER INCOME

	Six months ended June 30	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest income	**38,371**	69,532
Production waste sales	**13,890**	7,644
Government grants *(note)*	**17,360**	11,171
Others	**8,211**	7,129
	77,832	95,476

Note: Government grants were received from several local government authorities as subsidies for the environmental protection, energy conservation, resources recycling , plant relocation, infrastructure construction and land purchase.

6. FINANCE COSTS

	Six months ended June 30	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest on bank loans	**116,680**	152,945
Interest on other loans from licensed financial institutions	**37,499**	41,513
Finance expenses on bills receivable discounted	**67,934**	138,460
Finance charges on lease liabilities/obligations under finance leases	**1,364**	1,934
	223,477	334,852
Less: Amount capitalized under construction in progress *(note)*	**(12,597)**	(9,675)
	210,880	325,177

Note: The finance costs were capitalized at annual rates of 4.57%-9.20% per annum during the six months ended June 30, 2019 (during the six months ended June 30, 2018: 4.79%-8.86%).

7. PROFIT BEFORE TAXATION

Profit for the period has been arrived at after crediting (charging) the following items:

	Six months ended June 30	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment	**289,216**	285,358
Depreciation of right-of-use assets	**23,819**	–
Amortization of prepaid lease payments	**–**	13,102
Amortization of intangible assets	**7,073**	3,947
Total depreciation and amortization	**320,108**	302,407
Capitalized in inventories	**(283,308)**	(260,140)
Capitalized in construction in progress	**(1,620)**	(3,841)
	35,180	38,426
Gain on disposal of:		
– property, plant and equipment	**52,474**	581
– prepaid lease payments	**–**	1,932
– right-of-use assets	**1,107**	–
	53,581	2,513
Net gain arising from financial assets/ liabilities at FVTPL	**48,982**	15,186
Net exchange (loss) gain	**(10,904)**	6,312
Cost of inventories recognized as an expense	**8,777,846**	8,742,802

8. INCOME TAX EXPENSE

	Six months ended June 30	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current tax		
PRC income tax for the period	**141,201**	143,393
Deferred tax charge	**46,980**	17,146
	188,181	160,539

Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group did not earn any income subject to any income tax in these jurisdictions during the reporting period.

No provision for Hong Kong Profits Tax is made for the current interim period and the last period as the Group had no assessable profits in Hong Kong for those periods.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate applicable for PRC group entities is 25% for the reporting period.

Certain subsidiaries of the Company operating in the PRC are eligible for tax holiday and concession. Pursuant to the relevant tax rules and regulation in PRC, revenue from comprehensive utilization of resources ("資源綜合利用") is eligible for additional tax deduction.

9. DIVIDENDS

During the current period, a final dividend of HK$0.1744 (equivalent to approximately RMB0.1532) per share in respect of the year ended December 31, 2018 was declared and payable to the owners of the Company. The aggregate amount of the final dividend payable amounted to RMB626,588,000 as at June 30, 2019.

On April 9, 2018, the Company declared dividends in respect of 2016 of RMB1.01 per shares for an aggregate amount of RMB891,148,000 to the Ultimate Holding Company.

Subsequent to the end of the current interim period, the Directors have determined that an interim dividend of HK6.89 cents (equivalent to approximately RMB6.18 cents) per share, with total amount of HK$281,748,000 (equivalent to approximately RMB252,762,000) (2018: Nil).

10. EARNINGS PER SHARE

Basic and diluted earnings per share for the six months ended June 30, 2019 and basic earnings per share for the six months ended June 30, 2018 are calculated by dividing the profit attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the year on the assumption that the capitalization issue of 2,437,281,476 shares as set out in note 18 had been effective on January 1, 2018.

The calculation of the basic and diluted earnings per share attributable to the ordinary shareholders of the Company is based on the following data:

	Six months ended June 30	
	2019	2018
Earnings		
Profit attributable to the owners of the Company *(RMB'000)*	**841,741**	693,425
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**3,801,767,956**	3,184,243,287
Effect of dilutive potential ordinary shares:		
– over-allotment options	**233,341**	N/A
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**3,802,001,297**	N/A
Basic earnings per share *(RMB cents)*	**22.14**	21.78
Diluted earnings per share *(RMB cents)*	**22.14**	N/A

No diluted earnings per share for the six months ended June 30, 2018 was presented as there were no potential ordinary shares in issue during this period.

11. PROPERTY, PLANT AND EQUIPMENT, RIGHT-OF-USE ASSETS

During the current interim period, the Group acquired property, plant and equipment amounting to approximately RMB460 million (six months ended June 30, 2018: RMB514 million), and disposed property, plant and equipment with carrying amount of approximately RMB177 million (six months ended June 30, 2018: RMB43 million).

The Group has carried out a compensable relocation of one of its plants between locations in Dingzhou City pursuant to the local government's arrangement. The Group has shut down and begun dismantling the old plant after the new plant was completed and commenced operation in November 2018. The land and property, plant and equipment were handed over to the local government according to the dismantlement progress. During the current interim period, certain portion of the land use right and relevant property, plant and equipment with carrying amounts of RMB13,381,000 and RMB154,848,000, respectively were taken over by the local government. The Group recognized a compensation receivable amounting to RMB240,532,000 on the disposal date based on the sale and purchase agreement as well as the valuation report of property, plant and equipment approved by local authority, and a net gain on disposal amounting to RMB72,303,000.

After the Directors' due assessment on the recovery of the carrying amounts of the remaining land and property, plant and equipment, a disposal gain will be recognized after the public auction of the land use right, of when a separate sale and purchase agreement will be signed. As at June 30, 2019, the carrying amounts of the remaining land and property, plant and equipment in the old plant are amounting to RMB1,507,000 and RMB18,816,000, respectively.

During the current interim period, the Group entered a long-term commissioned processing contract with a third-party refined chemicals business and concluded that such commissioned processing contract constitutes a lease as the Group controls the use of the full capacity of identified assets under the contract throughout the contract term. The Group initially recognized right-of-use assets and lease liability amounting to RMB60,391,000 and RMB60,391,000, respectively.

Details of the pledged property, plant and equipment and right-of-use assets are set out in note 22.

12. FINANCIAL ASSETS/LIABILITIES AT FVTPL

	June 30, 2019 *RMB'000* (Unaudited)	December 31, 2018 *RMB'000* (Audited)
Non-current assets		
Listed equity securities *(note a)*	**52,934**	51,017
Unlisted equity investment *(note b)*	**30,000**	25,000
Private equity investment fund *(note c)*	**50,000**	–
Wealth management product *(note d)*	**75,797**	–
	208,731	76,017
Current assets		
Held-for-trading non-derivative financial assets	**1,809**	286
Current liabilities		
Futures contracts *(note e)*	**(3,161)**	(448)
	207,379	75,855

Notes:

a. On September 22, 2017, the Group subscribed for 13,000,000 H shares of Henan Jinma Energy Company Limited as a cornerstone investor. The fair value was RMB52,934,000 as at June 30, 2019 (2018: RMB51,017,000), and a gain of RMB1,917,000 arising on change in fair value of the listed equity securities during the six months ended June 30, 2019 (the six months ended June 30, 2018: RMB17,297,000).

b. The unlisted equity investments represent equity investments in unlisted entities established in the PRC. The Group hold 5% equity interests in 西甘鐵路有限責任公司("Xi Gan Railway Limited"). The fair value was RMB30,000,000 as at June 30, 2019 (2018: RMB25,000,000) and a gain of RMB5,000,000 arising on change in fair value of the unlisted equity investment during the six months ended 30 June 2019 (the six months ended 30 June 2018: nil).

c. On June 27, 2019, the Group subscribed the 3% registered capital of an investment fund focusing on the modern logistics industry as the limited partner. The investment principal amounted to RMB50,000,000.

d. On May 9, 2019, the Group subscribed for two non principal-protected wealth management products governed by the licensed financial institutions through a trust company. The wealth management products invest mainly in coke-related futures contracts and all mature on May 9, 2024 The total investment principal amounted to RMB75,000,000. The fair value of the wealth management products was RMB75,797,000 on June 30, 2019, and a gain of RMB797,000 arising on change in fair value of the wealth management product.

e. During the six months ended June 30, 2019, the Group entered into certain futures contracts of coke, coking coal, and chemical products with licensed futures trading companies to mitigate its risk associated with the prices of its coke, coking coal, and chemical products sold without applying hedge accounting, and recognized a gain of RMB34,108,000 arising on changes in fair value of these financial instruments in the profit or loss during the six months ended June 30, 2019 (the six months ended June 30, 2018: RMB768,000).

13. OTHER RECEIVABLES/TRADE AND BILLS RECEIVABLES MEASURED AT FVTOCI

	June 30, 2019 *RMB'000* **(Unaudited)**	December 31, 2018 *RMB'000* (Audited)
Trade receivables measured at FVTOCI	**675,855**	186,555
Bills receivables measured at FVTOCI	**762,722**	2,992,740
Trade and bills receivables measured at FVTOCI	**1,438,577**	3,179,295
Prepayments for raw materials	**1,094,920**	797,252
Other deposits, prepayments and other receivables	**128,871**	89,908
Receivables for relocation compensation *(Note 11)*	**242,532**	98,342
Loan receivables	**50,000**	–
Deductible input Value Added Tax and prepaid other taxes and charges	**65,188**	84,976
Less: impairment	**(23,171)**	(49,014)
Other receivables	**1,558,340**	1,021,461

The customers usually settle the sales by cash or bills. The credit period granted to the customers who settle in cash is usually no more than 30 days, except for certain customers granted to the credit period for no more than 180 days due to the good reputation, interest free with no collateral. Aging of trade receivables based on invoice dates, which approximated the respective revenue recognition dates, are as follows:

	June 30, 2019 *RMB'000* **(Unaudited)**	December 31, 2018 *RMB'000* (Audited)
Within one month	**527,974**	177,022
1 to 3 months	**127,565**	3,485
3 to 6 months	**19,140**	961
6 to 12 months	**1,176**	5,087
	675,855	186,555

14. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS AND OTHER ITEMS SUBJECT TO EXPECTED CREDITED LOSS ("ECL") MODEL

	June 30, 2019 ***RMB'000*** **(Unaudited)**	December 31, 2018 *RMB'000* (Audited)
Trade receivables	**41,250**	86,834
Other receivables	**2,792**	23,534
Amounts due from related parties	**415**	1,039
	44,457	111,407

The basis of determining the inputs and assumptions and the estimation techniques used in the condensed consolidated financial statements for the six months ended June 30, 2019 are the same as those followed in the preparation of the Group's annual financial statements for the year ended December 31, 2018.

During the current interim period, the Group recognized RMB7,580,000 impairment allowance and reversed the impairment allowance of RMB37,632,000 due to collection of relevant receivables.

During the current interim period, the Group has written off the impairment allowance of RMB36,898,000, in particular, a specific written-off of RMB36,222,000 has been made to an individual debtor due to its bankruptcy.

15. RESTRICTED BANK BALANCES

The carrying amounts of the Group's restricted bank balances placed to secure various liabilities of the Group are as follows:

	June 30, 2019 ***RMB'000*** **(Unaudited)**	December 31, 2018 *RMB'000* (Audited)
Restricted bank balances to secure:		
Bills payable *(note)*	**1,929,585**	2,505,852
Letters of credit	**190,149**	239,656
Futures contracts	**203,855**	148,158
Bank loans	**206,857**	661,972
Other loans	**33,807**	25,659
	2,564,253	3,581,297
Analyzed for reporting purpose as:		
Non-current assets	**50,000**	128,000
Current assets	**2,514,253**	3,453,297
	2,564,253	3,581,297

15. RESTRICTED BANK BALANCES (CONTINUED)

Note: Certain restricted bank balance were placed to secure bills issued among subsidiaries of the Group for intra-group transactions which have been discounted with full recourse to secure bank loans of RMB2,300,734,000 and RMB3,109,052,000 as at June 30, 2019 and December 31, 2018 respectively.

Restricted bank balances are deposited with banks mainly in the PRC and the remittance of these funds out of the PRC is subject to the exchange restrictions imposed by the PRC government. These bank deposits carry interest at market rates ranging from 0.30% to 1.95% per annum as at June 30, 2019 (December 31, 2018: 0.30% to 2.10%).

16. TRADE AND OTHER PAYABLES

	June 30, 2019	December 31, 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade payables	**1,292,765**	1,276,180
Payables to be settled by the endorsed bills receivable	**537,864**	2,596,558
Bills payable	**1,464,702**	1,504,737
Payables for construction in progress		
– interest-bearing	**–**	96,910
– non-interest-bearing	**551,191**	613,017
Other payables and accruals	**330,251**	509,855
	4,176,773	6,597,257
Analyzed for reporting purposes as:		
Current liabilities	**4,176,773**	6,528,943
Non-current liabilities	**–**	68,314
	4,176,773	6,597,257

16. TRADE AND OTHER PAYABLES (CONTINUED)

As at December 31, 2018, all trade and other payables are due within one year except for certain payables for construction in progress above due after more than one year. The average credit period on purchases of goods is 30 to 90 days.

The following is an aging analysis of trade payables based on the invoice date at the end of each of the reporting period:

	June 30, 2019 *RMB'000* **(Unaudited)**	December 31, 2018 *RMB'000* (Audited)
Within 3 months	**1,109,007**	967,908
3 to 6 months	**61,706**	88,071
6 to 12 months	**55,744**	135,241
1 – 2 years	**43,169**	50,109
2 – 3 years	**3,984**	2,324
More than 3 years	**19,155**	32,527
	1,292,765	1,276,180

17. BANK AND OTHER LOANS

During the current interim period, the Group received the proceeds of approximately RMB4,908,083,000 (six months ended June 30, 2018: RMB3,830,748,000) related to its renewed and newly obtained bank loans and made repayments amounting to approximately RMB5,906,604,000 (six months ended June 30, 2018: RMB3,705,995,000), with a net loss of foreign exchange rate changes of RMB1,498,000 (a net gain of six months ended June 30, 2018: RMB28,359,000). The loans bear interest at the range from 1.50% to 12.43% (December 31, 2018: 1.50% to 12.00%) per annum and are repayable in instalments over a period of 1 to 5 years. The proceeds were mainly used to finance the acquisition of property, plant and equipment.

Details of the assets pledged for securing the bank and other loans of the Group are set out in Note 22.

A Group's bank loan of RMB30,000,000 as at June 30, 2019 and December 31, 2018 is fully guaranteed by an independent guarantee company, and in the meantime, the Group provides counter guarantee to the independent guarantee company for this bank loan.

18. SHARE CAPITAL

	As at		As at	
	June 30, 2019 Number of shares	December 31, 2018 Number of shares	**June 30, 2019** ***HKD '000***	December 31, 2018 *HKD '000*
Authorized				
Shares of HKD0.10 each				
Authorized ordinary shares:				
At beginning of the period/year	**10,000,000,000**	9,815,418,172	**1,000,000**	981,542
Conversion *(note a)*	**–**	184,581,828	**–**	18,458
At end of the period/year	**10,000,000,000**	10,000,000,000	**1,000,000**	1,000,000
Authorized Series A shares:				
At beginning of the period/year	**–**	184,581,828	**–**	18,458
Conversion *(note a)*	**–**	(184,581,828)	**–**	(18,458)
At end of the period/year	**–**	–	**–**	–
Issued and fully paid of ordinary shares:				
At the beginning of the period/year	**962,718,524**	697,742,600	**96,272**	69,774
Conversion *(note a)*	**–**	184,581,828	**–**	18,458
Share issued *(note b & c)*	**690,000,000**	80,394,096	**69,000**	8,040
Capitalization of shares *(note c)*	**2,437,281,476**	–	**243,728**	–
At the end of the period/year	**4,090,000,000**	962,718,524	**409,000**	96,272
Issued and fully paid of Series A shares:				
At the beginning of the period/year	**–**	184,581,828	**–**	18,458
Conversion *(note a)*	**–**	(184,581,828)	**–**	(18,458)
At the end of the period/year	**–**	–	**–**	–

18. SHARE CAPITAL (CONTINUED)

	June 30, 2019	December 31, 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Presented in the consolidated statement of financial position as:		
At the beginning of the period/year	**87,123**	80,600
Share issued *(note c)*	**59,028**	6,523
Capitalization of shares *(note c)*	**208,548**	–
At the end of the period/year	**354,699**	87,123

Notes:

a. As at December 31, 2017, the authorized share capital of the Company was HKD1,000,000,000 by the creation of 10,000,000,000 shares of a par value of HKD0.10 each divided into 9,815,418,172 ordinary Shares and 184,581,828 Series A shares. Any Series A Shares may, at the option of the holder, be converted at any time into fully paid ordinary shares. One Series A share will be converted into one ordinary share subject to adjustment in dilutive events, if any. The holders of ordinary shares and Series A shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders meetings of the Company in accordance with the Company's Articles of Association. All ordinary shares and Series A shares rank pari passu in all respects. On April 4, 2018, the 184,581,828 Series A shares were converted to 184,581,828 ordinary shares.

b. On April 13, 2018, 12,664,064 and 6,332,032 ordinary shares of the Company were issued for cash of USD10,000,000 and HKD39,120,000 (equivalent to RMB94,721,000) to provide additional working capital to the Company.

   On May 15, 2018, 36,600,000 ordinary shares of the Company were issued for cash of USD29,845,000 (equivalent to RMB189,157,000) to provide additional working capital to the Company.

   On June 20, 2018, 24,798,000 ordinary shares of the Company were issued for cash of USD19,844,000 (equivalent to RMB128,161,000) to provide additional working capital to the Company.

c. On March 15, 2019 and April 4, 2019, the Company issued a total of 600,000,000 ordinary shares and 90,000,000 over-allotment ordinary shares of HKD0.1 each at HKD2.80 each for cash by way of public offer ("Public Offer"). Based on the offer price of HKD2.80 per share, the gross proceeds received by the Company was HKD1,932,000,000 (equivalent to RMB1,648,931,000). Upon listing of the Company's shares and pursuant to the written resolution of the shareholders passed on February 20, 2019, the capitalization of HKD243,728,147.60 (equivalent to RMB208,548,000) out of the share premium account of the Company in paying up in full at par 2,437,281,476 shares for allotment and issue to the qualifying shareholders of the Company.

19. RELATED PARTY TRANSACTIONS AND BALANCES

During the six months ended June 30, 2019 and 2018, transactions with the following parties are considered to be related party transactions:

Name of related party	Relationship with the Group
Mr. Yang Xuegang	Director and the Ultimate Controlling Shareholder
Ms. Lu Xiaomei	The wife of Mr. Yang Xuegang
Texson	Ultimate and immediate holding company
Xuyang Holding Limited *(note)*("Xuyang Holding") (旭陽控股有限公司)	Controlled by Mr. Yang Xuegang
Risun Supply Chain Management Limited *(note)* (旭陽供應鏈管理有限公司, formerly known as Risun Mining Co., Ltd. (前稱旭陽礦業有限公司))	Controlled by Mr. Yang Xuegang
Xingtai Xuyang Technology Co., Ltd. *(note)* (邢台旭陽科技有限公司)	Controlled by Mr. Yang Xuegang
Dingzhou Risun Technology Co., Ltd *(note)* (定州旭陽科技有限公司)	Controlled by Mr. Yang Xuegang
Hebei Xuyang Engineering Design Co., Ltd. *(note)* (河北旭陽工程設計有限公司, formerly known as Xuyang Engineering Co., Ltd (前稱旭陽工程有限公司))	Controlled by Mr. Yang Xuegang
Risun Chemicals Technology Research Co., Ltd. (旭陽化學技術研究院有限公司) *(note)*	Controlled by Mr. Yang Xuegang
Xingtai Tianlu Real Estate Development Co., Ltd. *(note)* (邢台天鷺房地產開發有限公司)	Controlled by Mr. Yang Xuegang
Beijing Zhengcheng Weiye Coal Coking Chemicals Limited *(note)* (北京正誠偉業煤焦化工有限公司)	Controlled by Mr. Yang Xuegang

19. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

Name of related party	Relationship with the Group
Tianjin Zhengcheng Import&Export Trade Co., Ltd. *(note)* ("Tianjin Zhengcheng") (天津正誠進出口貿易有限公司)	Under the significant influence of Mr. Yang Xuegang
Hebei China Coal Risun Coking Limited *(note)* ("CNC Risun Coking") (河北中煤旭陽焦化有限公司)	Joint venture of the Group
Hebei Jinniu Risun Chemicals Limited *(note)* ("Jinniu Risun Chemicals") (河北金牛旭陽化工有限公司)	Associate of the Group
Cabot Risun Chemicals (Xingtai) Co. Ltd. *(note)* ("Cabot Risun Chemicals") (卡博特旭陽化工(邢台)有限公司)	Associate of the Group
Yangmei Group Shouyang Jingfu Coal Co., Ltd. *(note)* ("Jingfu Coal") (陽煤集團壽陽景福煤業有限公司)	Associate of the Group

Note: The English translation of the names is for reference only. The official names of these entities are in Chinese.

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Directors and the other highest paid employee, is as follows:

	Six months ended June 30	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Short-term employee benefits	**8,205**	4,201
Post-employment benefits	**170**	191
	8,375	4,392

The remuneration of key management is determined with reference to the performance of the Group and the individuals.

19. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(b) Transactions with related parties

	Six months ended June 30	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Purchases of goods from		
– related parties controlled by		
Mr. Yang Xuegang	**2,547**	4,509
– CNC Risun Coking	**372,335**	329,340
– Jinniu Risun Chemicals	**17,441**	32,827
Sales of goods to		
– related parties controlled by		
Mr. Yang Xuegang	**–**	40
– CNC Risun Coking	**108,199**	50,657
– Jinniu Risun Chemicals	**–**	1,577
– Cabot Risun Chemicals	**280,567**	261,476
Construction service and other service from		
– related parties controlled by		
Mr. Yang Xuegang	**10,209**	20,509
Provision of service to		
– Cabot Risun Chemicals	**4**	735
Interest received from		
– related parties controlled by		
Mr. Yang Xuegang	**–**	18,432
– CNC Risun Coking	**–**	3,360
Rental income from		
– related parties controlled by		
Mr. Yang Xuegang	**83**	219
– CNC Risun Coking	**95**	–

The above related party transactions were conducted in accordance with terms of the relevant agreements.

19. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(c) Balances with related parties

At the end of each reporting period, the Group had the following balances with related parties:

	June 30, 2019 *RMB'000* (Unaudited)	December 31, 2018 *RMB'000* (Audited)
Amounts due from related parties		
Non-trade nature		
– related parties controlled by Mr. Yang Xuegang	–	469,676
– Jingfu Coal	–	30,900
	–	500,576
Dividend receivable		
– CNC Risun Coking	164,145	164,145
Trade nature		
– related parties controlled by Mr. Yang Xuegang	–	274
– CNC Risun Coking	13,793	10,892
– Cabot Risun Chemicals	7,784	–
– Jinniu Risun Chemicals	4,356	396
	25,933	11,562

19. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(c) Balances with related parties (Continued)

Aging of amounts due from related parties-trade nature net of allowance for credit losses are as follows:

	June 30, 2019 *RMB'000* **(Unaudited)**	December 31, 2018 *RMB'000* (Audited)
Within one month	**5,177**	4,884
1 to 3 months	**20,756**	6,403
6 to 12 months	**–**	275
	25,933	11,562

	June 30, 2019 *RMB'000* **(Unaudited)**	December 31, 2018 *RMB'000* (Audited)
Amounts due to related parties		
Dividend payable		
– Texson	**–**	467,533
Trade nature		
– CNC Risun Coking	**384,329**	250,962
– related parties controlled by Mr. Yang Xuegang	**39,029**	53,948
– Cabot Risun Chemicals	**11,767**	7,069
	435,125	311,979
	435,125	779,512
Analyzed for reporting purposes as:		
Current liabilities	**435,125**	779,512

19. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(c) Balances with related parties (Continued)

Aging of amounts due to related parties-trade nature are as follows:

	June 30, 2019 RMB'000 (Unaudited)	December 31, 2018 RMB'000 (Audited)
Within one month	191,860	47,929
1 to 3 months	134,546	111,851
3 to 6 months	100,886	6,776
6 to 12 months	674	100
1–2 years	779	145,323
2–3 years	6,380	–
	435,125	311,979

(d) At the end of each reporting period, certain of the Group's bank and other loans, and bills payable including in trade and other payables were guaranteed by related parties:

	June 30, 2019 RMB'000 (Unaudited)	December 31, 2018 RMB'000 (Audited)
Bank and other loans, and bills payable guaranteed by Mr. Yang Xuegang:		
– secured	–	1,384,433
– unsecured	–	160,000
	–	1,544,433
Bank and other loans, and bills payable guaranteed by Mr. Yang Xuegang and Ms. Lu Xiaomei:		
– secured	–	2,096,050
– unsecured	–	200,000
	–	2,296,050
Bank and other loans, and bills payable guaranteed by related parties controlled by Mr. Yang Xuegang:		
– secured	–	1,291,435
	–	1,291,435

19. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(d) At the end of each reporting period, certain of the Group's bank and other loans, and bills payable including in trade and other payables were guaranteed by related parties: (Continued)

	June 30, 2019 *RMB'000* **(Unaudited)**	December 31, 2018 *RMB'000* (Audited)
Bank and other loans, and bills payable jointly guaranteed by related parties *(note)*:		
– secured	–	54,108
	–	54,108
Secured	–	4,826,027
Unsecured	–	360,000
	–	5,186,027

Note: Bank and other loans, and bills payable jointly guaranteed by related parties represent loans and bills payable which are jointly guaranteed by multiple related parties, including related parties controlled by Mr. Yang Xuegang and companies under significant influence of Mr. Yang Xuegang.

(e) At the end of the each reporting period, the maximum liabilities of the Group under guarantees issued to banks in respect of banking facilities granted to a joint venture and a related party were as follows:

	June 30, 2019 *RMB'000* **(Unaudited)**	December 31, 2018 *RMB'000* (Audited)
Financial guarantees issued to a joint venture	**980,000**	830,000
	980,000	830,000

As at June 30, 2019, the above guaranteed facilities amount utilized by the joint venture were RMB494,213,000 (December 31, 2018: RMB443,684,000), respectively. In the opinion of the Directors, the fair values of the financial guarantee contracts of the Group were insignificant at the date of issue of the financial guarantee and no provision is necessary at the end of each reporting period taking into account that the net realizable value of the pledged assets held by the banks exceed the facilities and credit granted to the relevant parties.

19. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(f) During the current interim period, two subsidiaries of the Company, certain related parties controlled by Mr. Yang Xuegang and a third-party creditor of the Group entered into deeds of assignment pursuant to which an amount of RMB109,077,000 owed by the Group to the creditor was assigned and offset against the amounts due from related parties. Accordingly the Group derecognized payables for construction in progress of RMB109,077,000 and the amounts due from related parties of RMB109,077,000. The remaining non-trade amounts due from related parties controlled by Mr. Yang Xuegang were fully settled by cash.

In addition, Xuyang Holding and a Group's subsidiary entered into a deed of assignment pursuant to which the amount due from Jingfu Coal amounting to RMB30,900,000 was transferred to Xuyang Holding, and Xuyang Holding settled the payable to the Group amounting to RMB30,900,000 by cash on January 28, 2019.

20. FINANCIAL INSTRUMENTS

Fair value measurements and valuation processes

The fair values of the Group's financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorized (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are based on quoted prices (unadjusted) in active market for identical assets or liabilities;

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

20. FINANCIAL INSTRUMENTS (CONTINUED)

The Group measures its following financial instruments at fair value at the end of each of the reporting period on a recurring basis:

	Fair value				
	As at				
	June 30, 2019 *RMB'000* **(Unaudited)**	December 31, 2018 *RMB'000* (Audited)	Fair value hierarchy	Valuation technique and key input	Significant unobservable input(s)
Financial assets					
Unlisted equity securities	**30,000**	25,000	Level 3	Fair values are estimated based on the comparable listed company's P/B ratio and a liquidity discount	Liquidity discount rate
Private equity investment fund	**50,000**	–	Level 2	Fair values are determined with reference to the recent transaction price of the investment	N/A
Bills receivable	**762,722**	2,992,740	Level 2	Fair values are estimated based on the present value of the contracted cash inflow at the discount rate that reflects the market credit risk	N/A
Trade receivables	**675,855**	186,555	Level 2	Fair values are estimated based on the present value of the contracted cash inflow at the discount rate that reflects the market credit risk	N/A
Wealth management product	**75,797**	–	Level 2	Fair values are determined with reference to the quoted prices provided by financial institutions	N/A
Listed equity securities	**52,934**	51,017	Level 1	Quoted bid prices in an active market	N/A
Held-for-trading non-derivative financial assets	**1,809**	286	Level 1	Quoted bid prices in an active market	N/A
Futures contracts	**3,161**	448	Level 1	Quoted bid prices in an active market	N/A

The Group's investments in unlisted equity securities which were classified as financial assets at FVTPL under level 3 hierarchy amounted to RMB30,000,000 as at June 30, 2019 under IFRS 9. The significant unobservable input is the liquidity discount rate. The higher liquidity discount rate, the lower fair value of the financial assets at FVTPL will be. A 5% increase/decrease in the liquidity discount rate, holding all other variables constant, the carrying amounts of the investments would decrease/increase by RMB1,307,000 as at June 30, 2019.

There were no transfers between level 1 and level 2 during the reporting period.

20. FINANCIAL INSTRUMENTS (CONTINUED)

Reconciliation of level 3 measurements

The following table represents the reconciliation of level 3 measurements throughout the reporting period.

	Unlisted equity securities *RMB'000*	Structured trust product *RMB'000*	Private equity investment fund *RMB'000*
At January 1, 2018 (Audited)	25,000	31,220	–
At June 30, 2018 (Unaudited)	25,000	31,220	–
At January 1, 2019 (Audited)	**25,000**	**–**	**–**
Subscription	**–**	**–**	**50,000**
Fair value change	**5,000**	**–**	**–**
At June 30, 2019 (Unaudited)	**30,000**	**–**	**50,000**

(i) Fair values of financial instruments carried at other than fair value

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the condensed consolidated financial statements approximate their fair values due to short maturity and floating interest rates, as appropriate.

21. COMMITMENTS

(a) Capital commitments outstanding at the end of each reporting period not provided for in the condensed consolidated financial statements were as follows:

	June 30, 2019 ***RMB'000*** **(Unaudited)**	December 31, 2018 *RMB'000* (Audited)
Capital expenditure in respect of		
– property, plant and equipment	**460,509**	128,404

22. PLEDGE OF ASSETS

At the end of each of the reporting period, certain Group's assets were pledged to secure bank and other loans and bills payable granted to the Group and their carrying amounts are as follows:

	June 30, 2019 *RMB'000* **(Unaudited)**	December 31, 2018 *RMB'000* (Audited)
Property, plant and equipment	**3,134,108**	3,354,204
Right-of-use assets	**831,298**	–
Prepaid lease payments	**–**	737,389
Inventories	**278,975**	236,184
Financial assets at FVTPL	**75,797**	–
Restricted bank deposits	**2,564,253**	3,581,297
	6,884,431	7,909,074