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

GLOBAL OFFERING

Sole Sponsor

國泰君安國際
GUOTAI JUNAN INTERNATIONAL

Sole Global Coordinator

國泰君安國際
GUOTAI JUNAN INTERNATIONAL

Joint Bookrunners

國泰君安國際 GUOTAI JUNAN INTERNATIONAL
安信國際 ESSENCE INTERNATIONAL
光大新鴻基 EVERBRIGHT SUN HUNG KAI
海通國際 HAITONG
建银国际 CCB International
茂宸證券有限公司 MASON SECURITIES LIMITED
CRÉDIT AGRICOLE CORPORATE & INVESTMENT BANK

IMPORTANT: *If you are in any doubt about any of the contents of this prospectus, you should seek independent professional advice.*

RISUN

China Risun Group Limited
中國旭陽集團有限公司

(Incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	:	600,000,000 Shares (subject to the Over-allotment Option)
Number of Hong Kong Public Offer Shares	:	60,000,000 Shares (subject to adjustment)
Number of International Placing Shares	:	540,000,000 Shares (subject to adjustment and the Over-allotment Option)
Maximum Offer Price	:	HK$3.18 per Share, plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)
Nominal value	:	HK$0.10 per Share
Stock code	:	1907

Sole Sponsor

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Sole Global Coordinator

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茂宸證券有限公司 MASON SECURITIES LIMITED
CRÉDIT AGRICOLE CORPORATE & INVESTMENT BANK

Joint Lead Managers

國泰君安國際 GUOTAI JUNAN INTERNATIONAL
安信國際 ESSENCE INTERNATIONAL
光大新鴻基 EVERBRIGHT SUN HUNG KAI
海通國際 HAITONG
建银国际 CCB International
茂宸證券有限公司 MASON SECURITIES LIMITED
CRÉDIT AGRICOLE CORPORATE & INVESTMENT BANK
原銀證券 YUANYIN SECURITIES LIMITED
長雄證券有限公司 EVER-LONG SECURITIES COMPANY LIMITED
SBI China Capital

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

A copy of this prospectus, having attached thereto the documents specified in the section headed "Documents to be Delivered to the Registrar of Companies and Available for Inspection" in Appendix VII, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance. The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other documents referred to above.

The Offer Price is expected to be determined by agreement between the Sole Global Coordinator (on behalf of the Underwriters) and our Company on or around Tuesday, March 5, 2019 and, in any event, on or before Wednesday, March 13, 2019. The Offer Price will not be more than HK$3.18 per Offer Share and is expected to be not less than HK$2.76 per Offer Share, unless otherwise announced. Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum Offer Price of HK$3.18 per Hong Kong Offer Share, plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price as finally determined is less than HK$3.18 per Offer Share.

If, for any reason, our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) are unable to reach agreement on the Offer Price on or before Wednesday, March 13, 2019, the Global Offering will not proceed and will lapse.

The Sole Global Coordinator (on behalf of the Underwriters) may, where considered appropriate, based on the level of interest expressed by prospective professional and institutional investors during the book-building process, and with the consent of our Company, reduce the number of Offer Shares and/or the indicative Offer Price range below that stated in this prospectus (which is HK$2.76 to HK$3.18) at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such case, notices of the reduction in the number of Offer Shares and/or the indicative Offer Price range will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering. Such notices will also be available on the website of the Stock Exchange at **www.hkexnews.hk** and on the website of our Company at **www.risun.com**. Further details are set forth in the sections headed "Structure of the Global Offering" and "How to Apply for Hong Kong Public Offer Shares" in this prospectus.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus, including the risk factors set out in the section headed "Risk Factors" in this prospectus.

Prospective investors of the Hong Kong Public Offer Shares should note that the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to subscribe, and to procure subscribers for, the Hong Kong Public Offer Shares, are subject to termination by the Sole Global Coordinator (on behalf of the Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. Such grounds are set out in the section headed "Underwriting – Underwriting Arrangements and Expenses – Hong Kong Underwriting Agreement – Grounds for termination" in this prospectus. It is important that you refer to that section for further details.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities laws in the United States and may not be offered, sold, pledged or transferred within the United States. There will be no public offer of the securities of our Company in the United States.

February 28, 2019

If there is any change in the following expected timetable of the Global Offering, we will issue an announcement in Hong Kong to be published on the websites of the Stock Exchange at ***www.hkexnews.hk*** *and our Company at* ***www.risun.com****.*

Hong Kong Public Offering commences and **WHITE** and **YELLOW** Application Forms available from . . . . 9:00 a.m. on Thursday, February 28, 2019

Latest time to complete electronic applications under **HK eIPO White Form** service through the designated website **www.hkeipo.hk**[2] . . . . 11:30 a.m. on Tuesday, March 5, 2019

Application lists of the Hong Kong Public Offering open[3] . . . . 11:45 a.m. on Tuesday, March 5, 2019

Latest time to lodge **WHITE** and **YELLOW** Application Forms and giving **electronic applications instructions** to HKSCC[4] . . . . 12:00 noon on Tuesday, March 5, 2019

Latest time to complete payment of **HK eIPO White Form** applications by effecting internet banking transfer(s) or PPS payment transfer(s) . . . . 12:00 noon on Tuesday, March 5, 2019

Application lists of the Hong Kong Public Offering close[3] . . . . 12:00 noon on Tuesday, March 5, 2019

Expected Price Determination Date[5] . . . . on or around Tuesday, March 5, 2019

(1) Announcement of:

- the Offer Price;
- an indication of the level of interest in the International Placing;
- the level of applications in the Hong Kong Public Offering; and
- the basis of allocation of the Hong Kong Public Offer Shares to be published on the websites of the Stock Exchange at **www.hkexnews.hk** and our Company at **www.risun.com**[6] on or before . . . . Thursday, March 14, 2019

(2) Announcement of results of allocations in the Hong Kong Public Offering (including successful applicants' identification document numbers or business registration numbers, where appropriate) to be available through a variety of channels including the websites of the Stock Exchange at **www.hkexnews.hk** and our Company's website at **www.risun.com**[6] from . . . . Thursday, March 14, 2019

Results of allocations for the Hong Kong Public Offering will be available at **www.tricor.com.hk/ipo/result** with a "search by ID" function . . . . Thursday, March 14, 2019

Despatch/collection of Share certificates in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offering on[7] & [9] . . . . Thursday, March 14, 2019

Despatch/collection of **HK eIPO White Form** e-Auto Refund payment instructions/refund cheques in respect of wholly or partially unsuccessful application on[8] & [9] . . . . Thursday, March 14, 2019

Dealings in Shares on the Stock Exchange expected to commence on . . . . Friday, March 15, 2019

Notes:

(1) All times and dates refer to Hong Kong local time and date, except as otherwise stated.

(2) You will not be permitted to submit your application through the designated website at **www.hkeipo.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

(3) If there is a tropical cyclone warning signal number 8 or above, or a "black" rainstorm warning at any time between 9:00 a.m. and 12:00 noon on Tuesday, March 5, 2019, the application lists will not open on that day. See "How to Apply for Hong Kong Public Offer Shares – 10. Effect of Bad Weather on the Opening of the Application Lists" in this prospectus for further details.

(4) Applicants who apply for Hong Kong Public Offer Shares by giving **electronic application instructions** to HKSCC should see "How to Apply for Hong Kong Public Offer Shares – 6. Applying by Giving Electronic Application Instructions to HKSCC via CCASS" in this prospectus for further details.

(5) The Price Determination Date is expected to be on or around Tuesday, March 5, 2019 and, in any event, not later than Wednesday, March 13, 2019. If, for any reason, the Offer Price is not agreed between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company, the Global Offering will not proceed and will lapse.

(6) None of the website or any of the information contained on the website forms part of this prospectus.

(7) **Share certificates are expected to be issued on Thursday, March 14, 2019 but will only become valid provided that the Share Offer has become unconditional in all respects and neither of the Underwriting Agreements has been terminated in accordance with its respective terms, which is scheduled to be at around 8:00 a.m. on Friday, March 15, 2019. Investors who trade Shares on the basis of publicly available allocation details before the receipt of Share certificates and before they become valid do so entirely of their own risk.**

(8) **e-Auto Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications and in respect of wholly or partially successful applications if the Offer Price is less than the price per Offer Share payable on application. Part of your Hong Kong identity card number/ passport number, or, if you are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data would also be transferred to a third party to facilitate your refund. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong identity card number/passport number may lead to delay in encashment of your refund cheque or may invalidate your refund cheque. Further information is set out in the section headed "How to Apply for Hong Kong Public Offer Shares" in this prospectus.**

Applicants who apply through the **HK eIPO White Form** service and paid their applications monies through a single bank account may have refund monies (if any) despatched to their application payment bank account, in the form of e-Auto Refund payment instructions. Applicants who apply through the **HK eIPO White Form** service and paid their application monies through multiple bank accounts may have refund monies (if any) despatched to the address as specified in their application instructions to the **HK eIPO White Form** Service Provider, in the form of refund cheques, by ordinary post at their own risk.

(9) Applicants who apply for 1,000,000 Hong Kong Public Offer Shares or more may collect Share certificates (if applicable) and/or refund cheques (if applicable) in person and may do so from our Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Thursday, March 14, 2019 or any other date as notified by us in the newspapers as the date of dispatch of Share certificate/e-Auto Refund payment instructions/refund cheques. Applications being individuals who are eligible for personal collection must not authorize any other person to make their collection on their behalf. Applicants being corporations who are eligible for personal collection must attend by sending their authorized representatives each bearing a letter of authorization from his corporation stamped with the corporation's chop. Both individuals and authorized representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong. Applicants who have applied on **YELLOW** Application Forms may collect their refund cheques (if applicable), in person but may not collect their Share certificates, which will be deposited into CCASS for credit of their designated CCASS Participants' stock accounts or CCASS Investor Participant stock accounts, as appropriate. Uncollected Share certificates and refund cheques will be dispatched by ordinary post to the addresses specified in the relevant applications at the applicant's own risk. Further information is set out in the section headed "How to Apply for Hong Kong Public Offer Shares" in this prospectus.

You should read carefully the sections headed "Underwriting", "Structure of the Global Offering" and "How to Apply for Hong Kong Public Offer Shares" of this prospectus for details relating to the structure of the Global Offering, procedures on the applications for Hong Kong Public Offer Shares and the expected timetable, including conditions, effect of bad weather and the despatch of refund monies and Share certificates.

IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by us solely in connection with the Hong Kong Public Offering and the Hong Kong Public Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Public Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offering. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong and no action has been taken to permit the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorized by us, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Co-Manager, the Underwriters, any of our or their respective directors or any other person or party involved in the Global Offering.

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This summary aims to give you an overview of the information contained in this prospectus. As it is a summary, it does not contain all of the information that may be important to you and is qualified in its entirety by, and should be read in conjunction with, the full text of this prospectus. You should read this prospectus in its entirety before you decide to invest in the Shares. There are risks associated with any investment. Some of the particular risks in investing in the Shares are set out in the section headed "Risk Factors" in this prospectus. You should read that section carefully before you decide to invest in the Shares.

OVERVIEW

We are an integrated coke, coking chemical and refined chemical producer and supplier in China. We were the world's largest independent producer and supplier of coke[(1)] by volume in 2017, according to Frost & Sullivan. We also held leading positions in a number of refined chemical sectors in China or globally. According to Frost & Sullivan, we were the largest producer of industrial-naphthalene-based phthalic anhydride and coke-oven-gas-based methanol by volume in China in 2017. We were also the largest coking crude benzene processor and the fifth largest coal tar processor by volume globally in 2017.

Our Vertically Integrated Business Model

Our business model is based on a vertically integrated production chain in which we use our coking by-products to manufacture refined chemicals. We believe that our integrated business model and the scale of our business help: (i) improve production efficiency and achieve synergies through centralized and unified management, (ii) reduce exposure to market volatility and price fluctuations, (iii) diversify our customer base, and (iv) secure a stable and reliable supply of raw materials for our products.

Our vertically integrated business model and more than 20 years of experience in the coal chemical industry production chain allow us to tap into the downstream refined chemical markets.

Our Performance

We mainly market our products in China. During the Track Record Period, we generated almost all of our revenue in China, with a majority of our revenue generated from our customers registered in Hebei province, Tianjin, Jiangsu province and Shandong province. For details of our revenue by major geographical locations in the PRC, please refer to the section headed "Financial Information – Description of Key Income Statement Line Items – Revenue – Revenue by geographical location". Our total revenue increased from RMB9,993.1 million in 2015 to RMB12,216.6 million in 2016 and further to RMB18,658.3 million in 2017, representing a CAGR of 36.6%. Our revenue increased from RMB14,536.9 million for the nine months ended September 30, 2017 to RMB15,656.7 million for the nine months ended September 30, 2018, representing growth of 7.7%. Our profit attributable to owners of the Company increased 110.0% from RMB359.3 million in 2016 to RMB754.7 million in 2017, compared to a loss of RMB507.1 million in 2015. The loss in 2015 primarily resulted from a downturn in the iron and steel industry in China from 2011 which also induced a downturn in coke production and demand for coking coal. The market recovered in 2016 and 2017, mainly due to the elimination of coking enterprises with low production capacity driven by government policies and regulations, and the recovery of the iron and steel industry. Our profit attributable to owners of the Company increased from RMB532.6 million for the nine months ended September 30, 2017 to RMB1,453.5 million for the nine months ended September 30, 2018, representing growth of 172.9%. Our growth was primarily a result of increases in selling prices, which were driven by the increased demand of coke resulting from the recovery of the iron and steel industry and the decreased supply resulting from government policies of elimination of outdated production capacity and environmental protection.

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(1) An independent producer and supplier of coke is a coke producer and supplier that is not owned by one or more iron and steel enterprises.

Our share of results of associates and joint ventures contributed to our financial performance, with our share of results of joint ventures accounting for a significant portion of our profit during the Track Record Period. For further details, please refer to the sections headed "Business – CNC Risun Coking", "Financial Information – Description of Key Income Statement Line Items – Share of results of associates" and "Financial Information – Description of Key Income Statement Line Items – Share of results of joint ventures" in this prospectus.

COMPETITIVE STRENGTHS

We believe that our success is attributable to our following key strengths: (i) we are the world's largest independent producer and supplier of coke by volume and hold leading positions in a number of refined chemical sectors in China or globally; (ii) we have maintained long-term relationships with our major customers and suppliers; (iii) we have a vertically integrated business model; (iv) our production bases are well located and enjoy transportation advantages; (v) we use advanced production technologies and comprehensive environmental protection systems; (vi) we have adopted automation and information systems, which has improved our operation and management efficiency; and (vii) we have a stable and experienced management team.

Please refer to the section headed "Business – Competitive Strengths" in this prospectus for detailed information.

BUSINESS STRATEGIES

We aim to strengthen our globally leading position as an integrated producer and supplier of coke, coking chemicals and refined chemicals. To achieve this objective, we intend to pursue the following strategies: (i) we plan to further expand our business operation and production capacity; (ii) we plan to explore market opportunities to provide operation management and technology output services and expand our business through acquisitions and joint ventures; (iii) we plan to further develop and strengthen long-term business relationships with our major customers and suppliers; (iv) we aim to expand our domestic and international trading business; (v) we plan to improve our energy-efficiency, environmental protection and operation safety standards; and (vi) we plan to further improve our core competitive strengths through automation and information technologies.

Please refer to the section headed "Business – Business Strategies" in this prospectus for detailed information.

OUR BUSINESS SEGMENTS

We operate in three business segments, namely: (i) coke and coking chemicals; (ii) refined chemicals; and (iii) trading. The following table sets forth a breakdown of our total revenue by business segment (excluding our inter-segment revenue), each expressed in an absolute amount and as a percentage of our total revenue, for the periods indicated:

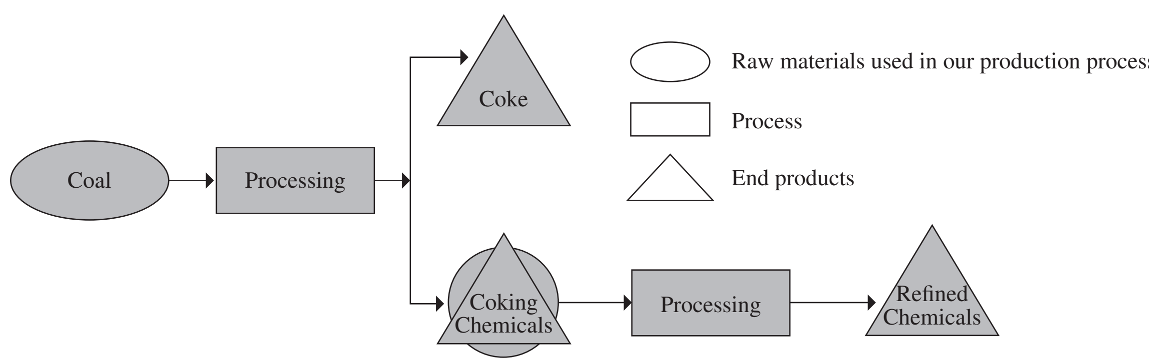
	Year ended December 31,						Nine months ended September 30,			
	2015		2016		2017		2017		2018	
	(RMB in millions, except for percentages)									
							(Unaudited)			
Coke and coking chemicals	3,752.7	37.6%	4,882.9	40.0%	7,875.6	42.2%	6,175.7	42.5%	7,118.2	45.5%
Refined chemicals	4,205.6	42.0%	5,268.2	43.1%	8,375.5	44.9%	6,344.8	43.6%	6,425.2	41.0%
Trading	2,034.8	20.4%	2,065.5	16.9%	2,407.2	12.9%	2,016.4	13.9%	2,113.3	13.5%
Total revenue	9,993.1	100.0%	12,216.6	100.0%	18,658.3	100.0%	14,536.9	100.0%	15,656.7	100.0%

The following table breaks down our gross profit and gross margin by business segment:

	Year ended December 31,						Nine months ended September 30,			
	2015		2016		2017		2017		2018	
	(RMB in millions, except for percentages)						(Unaudited)			
Coke and coking chemicals	29.9	0.8%	596.5	12.2%	1,173.7	14.9%	921.9	14.9%	1,605.1	22.5%
Refined chemicals	396.6	9.4%	298.2	5.7%	750.8	9.0%	505.4	8.0%	755.5	11.8%
Trading	88.7	4.4%	78.7	3.8%	80.7	3.4%	90.5	4.5%	96.9	4.6%
Total	**515.2**	**5.2%**	**973.4**	**8.0%**	**2,005.2**	**10.7%**	**1,517.8**	**10.4%**	**2,457.5**	**15.7%**

OUR PRODUCTS

Our main products are coke and refined chemicals. We also produce coking chemical products, mainly coal tar, coke oven gas and crude benzene. Our coking chemical products are by-products from the production of coke and are mainly used as raw materials for the production of our refined chemical products. We have a broad product portfolio of refined chemical products.



CUSTOMERS AND SALES

Our major customers for coke are from the iron and steel industry in the PRC. Our major customers for refined chemical products are manufacturers and trading companies in the chemical industry in the PRC. Our major customers for our trading business are companies in the iron and steel, non-ferrous metals, coking and chemical industries. Our end customers may purchase directly from us or purchase through their affiliated trading arms. During the years ended December 31, 2015, 2016 and 2017 and the nine months ended September 30, 2017 and 2018, our sales to customers who are not end users of our products, amounted to RMB1,815.4 million, RMB2,543.6 million, RMB3,113.8 million, RMB2,510.2 million and RMB2,989.2 million, respectively, representing 18.2%, 20.8%, 16.7%, 17.3% and 19.1% of our revenue for the respective years/periods. Through our industry experience of more than 20 years, we have developed a stable customer base and maintained long-term cooperation relationships with our major customers. Some of them have maintained business relationships with us for more than five years.

For the years ended December 31, 2015, 2016 and 2017 and the nine months ended September 30, 2018, sales to our single largest customer amounted to RMB554.9 million, RMB846.5 million, RMB1,275.1 million and RMB836.6 million, respectively, representing 5.6%, 6.9%, 6.8% and 5.3% of our total revenue for each respective period. For the same periods, sales to our five largest customers amounted to RMB2,088.3 million, RMB2,208.8 million, RMB3,888.7 million and RMB2,822.3 million, respectively, representing 20.9%, 18.1%, 20.9% and 18.1% of our total revenue for each respective period.

RAW MATERIALS AND SUPPLIERS

The principal raw material used for coke and coking chemical production is coking coal, which includes hard coking coal, fat coal, gas coal, 1/3 coking coal and lean coal. During the Track Record Period, we sourced most of our coking coal from external suppliers mainly in Shanxi province and Hebei province. For the years ended December 31, 2015, 2016 and 2017 and the nine months ended September 30, 2017 and 2018, raw material costs for the coke and coking chemical segment accounted for 84.6%, 86.6%, 89.6%, 91.2% and 91.8% of the cost of production for the same segment, respectively.

Crude benzene, coal tar and coke oven gas are the principal raw materials for the production of our refined chemical products. These raw materials are either by-products of our coking process or sourced externally. For the years ended December 31, 2015, 2016 and 2017 and the nine months ended September 30, 2017 and 2018, raw material costs for the refined chemical segment accounted for 81.7%, 82.5%, 83.0%, 84.6% and 84.6% of the cost of production for the same segment, respectively.

We maintain long-term cooperative relationships with our major suppliers. Some of them have maintained business relationships with us for more than five years. For the years ended December 31, 2015, 2016 and 2017 and the nine months ended September 30, 2018, purchases from our single largest supplier amounted to RMB677.2 million, RMB658.0 million, RMB873.5 million and RMB525.5 million, representing 7.1%, 5.9%, 5.2% and 4.0% of our cost of sales, respectively. For the same periods, purchases from our five largest suppliers amounted to RMB1,966.7 million, RMB1,830.8 million, RMB2,398.6 million and RMB1,817.0 million, representing 20.7%, 16.3%, 14.4% and 13.8% of our cost of sales, respectively.

PRODUCTION FACILITIES

We have four production bases in Hebei province: Xingtai Production Base, Dingzhou Production Base, Tangshan Production Base and Cangzhou Production Base. At these four production bases, we have four coke and coking chemical production lines, seven carbon material chemical production lines, five alcohol-ether chemical production lines and six aromatic chemical production lines. In addition, CNC Risun Coking, our joint venture, has four coke and coking chemical production lines and one alcohol-ether chemical production line in our Xingtai Production Base. Jinniu Risun Chemicals, our associate, has one alcohol-ether chemical production line in our Xingtai Production Base. Cabot Risun Chemicals, our associate, has one carbon material chemical production line in our Xingtai Production Base.

For further details of our production lines and capacities, please refer to the section headed "Business – Production Facilities and Capacities" in this prospectus. For a description of our relationship with CNC Risun Coking, see "Business – CNC Risun Coking" in this prospectus.

ENVIRONMENTAL PROTECTION

We consider environmental protection as one of our primary duties. We are highly committed to resource utilization and environmental protection throughout our production cycles. We have constructed facilities and adopted a number of environmentally responsible measures to reduce the impact of our operations on the environment. For example, we have installed filtration and absorption equipment, coke oven gas desulphurization units, low pressure dust collectors, and wastewater and sewage treatment systems. For further details, please refer to the section headed "Business – Environmental, Health and Safety Matters" in this prospectus.

The key to our environmental protection measures is our resource recovery and re-utilization. During our coking process, we recover and re-utilize valuable coking by-products, from which we manufacture our refined chemical products. With our vertically integrated business model, we also re-utilize the heat from our production processes and re-use wastewater and other fluids after appropriate treatment.

We incurred RMB36.0 million, RMB81.0 million, RMB86.5 million and RMB43.8 million in operating expenses in environmental protection in the years ended December 31, 2015, 2016 and 2017, and the nine months ended September 30, 2018, respectively. Our PRC legal advisors, Jingtian & Gongcheng, have advised us that our operations comply with environmental laws and regulations of the PRC in all material respects and that we had obtained all material permits in respect of environmental protection during the Track Record Period and up to the Latest Practicable Date. For further details, please refer to the sections headed "Business – Overview – Environmental Protection" and "Business – Competitive Strengths – We use advanced production technologies and comprehensive environmental protection systems" in this prospectus.

SUMMARY OF OPERATIONAL INFORMATION

The following table sets forth an overview of the production and processing capacities and utilization rates of our production lines by product type for the periods indicated:

	Year ended December 31,						Nine months ended September 30,			
	2015		2016		2017		2017		2018	
	Production/ processing capacity[1]	Utilization rate[2]	Production/ processing capacity[1]	Utilization rate[2]	Production/ processing capacity[1]	Utilization rate[2]	Production/ processing capacity[1]	Utilization rate[2]	Production/ processing capacity[1]	Utilization rate[2]
	(thousand tons, except for percentages)									
Coke[3]	3,920	119.0%	3,920	119.5%	3,920	116.6%	2,940	123.3%	2,940	116.5%
Carbon material chemicals	463	118.8%	590	125.5%	590	132.9%	443	135.7%	444	137.3%
Alcohol-ether chemicals	600	94.5%	600	82.8%	600	86.1%	450	91.0%	450	78.3%
Aromatic chemicals	500	101.7%	533	108.3%	700	109.7%	525	116.8%	525	121.0%

Notes:

1. Annual production/processing capacity is defined as the total volume of products that the production lines are designed to produce/process annually, calculated on the basis of operating at 8,000 hours per year according to industry practice and 100% loading.

2. Utilization rate equals actual production or processing volume for the relevant period divided by annual/nine-month capacity as of the end of each relevant period.

3. Calculated on a dry basis.

4. The actual loading rate of production lines can reach 120% of designed capacity, which is in line with industry practice. In addition, the over-utilization occurred because (i) our actual operating hours exceeded 8,000 hours per year, and (ii) for certain products, we have adopted new technologies to increase operating efficiency and production volume.

NON-COMPLIANCE

Substantially all of our business operations are in the PRC. During the Track Record Period and up to the Latest Practicable Date, except as disclosed below, we were in compliance with relevant laws and regulations in all material respects, and had obtained all necessary licenses, permits and certificates that are material in respect of our business in the PRC.

During the years ended December 31, 2015 and 2016 and the nine months ended September 30, 2017 (the "**Non-compliance Period**"), eight of our PRC subsidiaries entered into bank acceptance bills agreements (the "**Credit Agreements**") with 22 commercial banks in the PRC (the "**Endorsing Banks**"). During such period, the aggregate amount of bank acceptance bills issued was greater than the sum of the actual underlying transactions, and such excess amount of bank acceptance bills issued by 13 of the Endorsing Banks to six Relevant Subsidiaries without actual underlying transactions (the "**Non-compliant Bill Financing Arrangements**"). Upon becoming aware of such non-compliance and upon the advice of our professional advisors, the Relevant Subsidiaries have ceased conducting such Non-compliant Bill Financing Arrangements since October 1, 2017. We had fully repaid all of the non-compliant bank acceptance bills issued in the Non-Compliance Period before September 30, 2018. In addition, our Group has been operating in compliance with the PRC Negotiable Instruments Law for more than 12 months as of the Latest Practicable Date. The Directors believe that the Non-compliant Bill Financing Arrangements did not have a material impact on the Group's operations and financial performance. For further details, please refer to the sections headed "Business – Regulatory Compliance" and "Business – Internal Control" in this prospectus.

SUMMARY OF CONSOLIDATED FINANCIAL INFORMATION

The following tables set forth summary consolidated financial information of our Group. We have derived the consolidated financial information for the years ended December 31, 2015, 2016 and 2017 and the nine months ended September 30, 2017 and 2018 from the Accountants' Report in Appendix I to this prospectus. The summary consolidated financial information should be read together with, and is qualified in its entirety by reference to, the consolidated financial information as set forth in the Accountants' Report in Appendix I to this prospectus, including the related notes.

Our consolidated financial information was prepared in accordance with IFRS.

Summary of Consolidated Statements of Profit or Loss and Other Comprehensive Income

	Year ended December 31,			Nine months ended September 30,	
	2015	2016	2017	2017	2018
			(RMB in millions)		
				(Unaudited)	
Revenue from contracts with customers	9,993.1	12,216.6	18,658.3	14,536.9	15,656.7
Cost of sales	(9,477.9)	(11,243.2)	(16,653.1)	(13,019.1)	(13,199.2)
Gross profit	515.2	973.4	2,005.2	1,517.8	2,457.5
Other income	180.3	224.4	212.6	171.2	141.9
Other gains/(losses)	70.8	356.1	(34.6)	(45.9)	90.4
Impairment losses, net of reversal	(23.3)	(22.5)	(3.2)	(4.0)	30.5
Selling and distribution expenses	(527.6)	(546.3)	(700.2)	(557.2)	(549.2)
Administrative expenses	(223.9)	(225.1)	(283.8)	(208.8)	(240.8)
Finance costs	(485.5)	(528.3)	(624.2)	(470.3)	(496.1)
Listing expenses	–	–	(11.7)	–	(17.6)
Share of results of associates	(4.1)	30.7	60.3	46.9	69.7
Share of results of joint ventures	(82.7)	128.4	225.5	202.0	334.4
(Loss)/profit before taxation	(580.8)	390.8	845.9	651.7	1,820.7
Income tax credit/(expense)	73.7	(35.8)	(80.3)	(117.9)	(345.6)
(Loss)/profit for the year/period attributable to:					
Owners of the Company	(507.1)	359.3	754.7	532.6	1,453.5
Non-controlling interests	–	(4.3)	10.9	1.2	21.6
	(507.1)	355.0	765.6	533.8	1,475.1
Other comprehensive (expense)/income for the year/period	(41.6)	(39.6)	21.3	16.1	(26.6)
Total comprehensive (expense)/income for the year/period	(548.7)	315.4	786.9	549.9	1,448.5
Total comprehensive (expense)/income for the year/period attributable to owners of the Company	(548.7)	319.7	776.0	548.7	1,426.9

Our total revenue increased from RMB9,993.1 million in 2015 to RMB12,216.6 million in 2016 and further to RMB18,658.3 million in 2017, representing a CAGR of 36.6%. Our revenue increased from RMB14,536.9 million for the nine months ended September 30, 2017 to RMB15,656.7 million for the nine months ended September 30, 2018, representing growth of 7.7%. Our gross profit increased by 88.9% from RMB515.2 million in 2015 to RMB973.4 million in 2016 and further increased by 106.0% to RMB2,005.2 million in 2017. Our gross profit increased by 61.9% from RMB1,517.8 million for the nine months ended September 30, 2017 to RMB2,457.5 million for the nine months ended September 30, 2018. Our profit attributable to owners of the Company increased 110.0% from RMB359.3 million in 2016 to RMB754.7 million in 2017, compared to a loss of RMB507.1 million in 2015. Our profit attributable to owners of the Company increased from RMB532.6 million for the nine months ended September 30, 2017 to RMB1,453.5 million for the nine months ended September 30, 2018, representing growth of 172.9%. The increases in our total revenue, gross profit, profit attributable to owners of the Company and the change from a loss to profit attributable to owners of the Company were mainly due to increases in the sale prices of our products. Please refer to the section headed "Financial Information" in this prospectus for more details.

Summary of Consolidated Statements of Financial Position

	As of December 31,			As of September 30,
	2015	2016	2017	2018
	(RMB in millions)			
Non-current assets	10,149.9	11,866.4	12,393.9	12,716.4
Current assets	6,503.3	9,273.3	9,445.2	10,051.8
Total assets	16,653.2	21,139.7	21,839.1	22,768.2
Non-current liabilities	1,007.9	2,583.9	2,778.1	2,078.7
Current liabilities	13,768.4	15,844.1	15,951.3	16,622.2
Total liabilities	14,776.3	18,428.0	18,729.4	18,700.9
Net current liabilities	(7,265.1)	(6,570.8)	(6,506.1)	(6,570.4)
Share capital	80.6	80.6	80.6	87.1
Reserves	1,796.3	2,548.7	2,935.8	3,872.7
Total equity	1,876.9	2,711.7	3,109.7	4,067.3
Total liabilities and equity	16,653.2	21,139.7	21,839.1	22,768.2

Summary of Consolidated Statements of Cash Flows

	Year ended December 31,			Nine months ended September 30,	
	2015	2016	2017	2017	2018
	(RMB in millions)				
				(Unaudited)	
Net cash generated from operating activities	976.0	331.0	2,462.6	2,150.4	2,102.9
Net cash used in investing activities	(1,175.8)	(1,040.0)	(267.2)	(834.3)	(859.5)
Net cash generated from/(used in) financing activities	7.4	651.8	(1,750.9)	(1,021.6)	(1,178.1)
Net (decrease)/increase in cash and cash equivalents	(192.4)	(57.2)	444.5	294.5	65.3
Cash and cash equivalent at the end of the year/period	213.2	156.6	600.0	450.5	667.3

Non-IFRS Measure

We use EBITDA, a non-IFRS financial measure, in evaluating our operating results and for financial and operational decision-making purposes. EBITDA, as we present it, represents (loss)/profit before taxation, adding finance cost and total depreciation and amortization after capitalization. The Directors believe that EBITDA helps identify underlying trends in our business that could otherwise be distorted by the effect of non-operating expenses (e.g. taxation and finance costs) and also non-cash expenses (e.g. depreciation and amortization) that we include in profit for the year/period. We believe that EBITDA provides useful information about our results of operations, enhances the overall understanding of our past performance and future prospects and allows for greater visibility with respect to key metrics used by our management in its financial and operational decision-making. The table below sets forth a reconciliation of our (loss)/profit before taxation to EBITDA for the periods indicated:

	Year ended December 31,			Nine months ended September 30,	
	2015	**2016**	**2017**	**2017**	**2018**
	(RMB in millions)				
(Loss)/profit before taxation	**(580.8)**	**390.8**	**845.9**	**651.7**	**1,820.7**
Finance costs	485.5	528.3	624.2	470.3	496.1
Total depreciation and amortization after capitalization	405.7	558.9	571.5	446.9	459.0
EBITDA	**310.4**	**1,478.0**	**2,041.6**	**1,568.9**	**2,775.8**

Key Financial Ratios

The following table sets forth our key financial ratios for the years/periods and as of the dates indicated.

	Year ended/As of December 31,			Nine months ended/ As of September 30,
	2015	**2016**	**2017**	**2018**
Gross profit margin	5.2%	8.0%	10.7%	15.7%
Net profit margin	(5.1%)	2.9%	4.1%	9.4%
Net profit margin (excluding listing expenses)	(5.1%)	2.9%	4.2%	9.5%
EBITDA margin	3.1%	12.1%	10.9%	17.7%
Return on equity	(27.0%)	13.7%	25.0%	48.9%
Return on total assets	(3.0%)	1.7%	3.5%	8.6%
Current ratio	0.5	0.6	0.6	0.6
Quick ratio	0.4	0.5	0.5	0.6
Net debt to equity ratio	3.9	4.1	3.2	2.1
Gearing ratio[1]	4.0	4.1	3.4	2.3

Notes:

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

(2) For further details on our key financial ratios, please refer to the section headed "Financial Information – Key Financial Sections" in this prospectus.

Our high gearing ratio was primarily due to our large amount of bank and other loans. See "Financial Information – Gearing ratio" for more details.

Net Current Liabilities

We had net current liabilities of RMB7,265.1 million, RMB6,570.8 million, RMB6,506.1 million and RMB6,570.4 million as of December 31, 2015, 2016 and 2017 and September 30, 2018, respectively. Our net current liabilities position during the Track Record Period mainly reflected our use of short-term borrowings to fund working capital and capital expenditures. As of December 31, 2018, we had net current liabilities of RMB6,267.2 million. We plan to apply approximately 40% (approximately HK$668.8 million) of the listing proceeds to repay existing debts. For more details on our plan to repay existing debts, please refer to the section headed "Future Plans and Use of Proceeds – Use of Proceeds" in this prospectus. After such repayment, we will continue to have net current liabilities.

Working Capital

Based on historical renewal rates as well as terms of renewal in our credit facility agreements and communications with the relevant banks, our Directors believe at least 60% of bank loans and certain other bank facilities as of September 30, 2018 can be successfully renewed upon maturity. The Directors are of the view that, taking into consideration our current cash and cash equivalents, anticipated cash flow from operations, proceeds from the Global Offering and the availability of our unutilized banking facilities amounting to RMB4,531.2 million as of the Latest Practicable Date, of which RMB2,000.0 million is with conditions to be determined by a bank, and assuming that approximately 60% of bank loans and certain other bank facilities as of September 30, 2018 will be successfully renewed upon maturity, we have sufficient financial resources to meet our capital expenditure requirements and liabilities as and when they fall due for at least the next 12 months from the date of this prospectus.

DIVIDEND POLICY

We declared dividends of nil, RMB891.1 million, nil and nil in respect of the years ended December 31, 2015, 2016 and 2017 and the nine months ended September 30, 2018, respectively. We declared the dividend of RMB891.1 million in cash in respect of the year ended December 31, 2016 in April 2018. Such dividend has been fully paid as of January 31, 2019. We are in compliance with relevant laws and regulations with respect to the dividend declared in April 2018. Since October 1, 2018 and up to the Latest Practicable Date, we have not declared or distributed any dividends or determined any dividend payout ratio. The recommendation of payment and the amount of any future dividends will be at the absolute discretion of our Board and the amount of any dividends actually distributed to our Shareholders will depend on our results of operations, cash flows, financial condition, payments by our subsidiaries of cash dividends to us, our future prospects and other factors that our Directors consider important. We expect to distribute no less than 30% of our annual distributable earnings in every subsequent year as dividends. For further details, please refer to the section headed "Financial Information – Dividend Policy" in this prospectus.

OUR CONTROLLING SHAREHOLDERS

Immediately after the Global Offering and Capitalization Issue (assuming that the Over-allotment Option or any options that may be granted under the Share Option Scheme are not exercised), our Company will be owned as to 56.7% by Texson. Texson is wholly-owned by Mr. Yang, and Mr. Yang is therefore deemed to be intereted in the Shares held by Texson. Accordingly, Texson and Mr. Yang will continue to be Controlling Shareholders of our Company upon Listing.

For further details about our Controlling Shareholders and our key business relationships with them, please refer to the sections headed "Relationship with our Controlling Shareholders" and "Connected Transactions" in this prospectus.

PRE-IPO INVESTMENTS

The Company entered into subscription agreements with four Pre-IPO Investors for 80,394,096 newly issued Shares in the Company and Texson transferred part of its shareholding in the Company to First Milestone. A summary of the transactions is set out below:

	Erie Investments	Net Gain	Century Best	China Oriental Group	First Milestone
Date of investment agreement	February 22, 2018	February 22, 2018	May 7, 2018	June 13, 2018	September 20, 2018
Date of settlement of investment amount	February 27, 2018	February 27, 2018	May 15, 2018	June 20, 2018	September 20, 2018
Ownership percentage as of the Listing Date(1)	1.1%	0.6%	3.2%	2.2%	21.2%
Price per Share(2)	RMB1.4634	RMB1.4634	RMB1.4634	RMB1.4634	N/A(4)
Discount to the Offer Price(3)	42.85%	42.85%	42.85%	42.85%	N/A(4)

Notes:

1. Assuming the Over-allotment Option and any options that may be granted under the Share Option Scheme are not exercised.

2. The price per Share is calculated on a fully diluted basis taking into account the Capitalization Issue.

3. The discount to the Offer Price is calculated based on the assumption that the Offer Price is HK$2.97 per Share, being the mid-point of the indicative Offer Price range of HK$2.76 to HK$3.18.

4. Texson transferred 240,512,078 Shares to First Milestone in consideration of the issuance of 27,469.38308 class A non-redeemable participating shares in First Milestone to Texson, with a value of RMB2,400,000,000.

Upon completion of the Global Offering (assuming the Over-allotment Option or any options that may be granted under the Share Option Scheme are not exercised), other than First Milestone which will be a substantial shareholder of the Company, the Pre-IPO Investors, all of whom are independent third parties, will collectively hold 283,925,072 Shares or 7.1% of the enlarged issued share capital of the Company, which will count towards the public float.

For details of the Pre-IPO Investments, please refer to the section headed "History, Reorganization and Corporate Structure – Pre-IPO Investments" in this prospectus.

PROPERTY VALUATION

According to the property valuation report prepared by Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("**JLL**"), an independent valuer we engaged, as set forth in Appendix IV to this prospectus, the market value of the properties we owned and leased to an independent third party as of December 31, 2018 was RMB5,785.7 million. For further details on our properties, please see the section headed "Business – Properties" in, and the section headed "Property Valuation" in Appendix IV to this prospectus. For risks associated with the assumptions made in the valuation of our properties, please refer to the section headed "Risk Factors – Risks Relating to Our Business and Industry – Our property valuation may be different from the actual realizable value and may be uncertain or subject to change" in this prospectus.

RECENT DEVELOPMENTS

The average selling price of our coke increased from RMB1,787.6 per ton (net of VAT) for the nine months ended September 30, 2018 to RMB2,023.0 per ton (net of VAT) for the three months ended December 31, 2018, based on our unaudited management accounts for the three months ended December 31, 2018. Our business, total revenue and gross profit have continued to grow since September 30, 2018. Based on our unaudited management accounts for the three months ended December 31, 2018, our unaudited revenue and gross profit for the three months ended December 31, 2018 were comparatively higher than those for the same period in 2017 due to larger spreads between the selling prices of our products and the procurement prices of raw materials.

In November 2018, we entered into an operation management and technology output service agreement with an independent third-party company, which is a producer of refined chemical products located in Shanxi province ("**Company AA**"). For further details on our agreement with Company AA, please see the section headed "Business – Operation Management and Technology Output Services".

As of September 30, 2018, we had amounts due from related parties (non-trade nature) controlled by Mr. Yang in the amount of RMB1,607.6 million. In December 2018 and January 2019, three subsidiaries of the Company entered into 18 deeds of assignment with third-party creditors and certain related parties controlled by Mr. Yang. Pursuant to these deeds of assignment, an aggregate amount of RMB900.4 million owed by us to the third-party creditors was assigned to related parties controlled by Mr. Yang and offset against amounts due from these related parties controlled by Mr. Yang. We have been advised by our PRC legal advisors, Jingtian & Gongcheng, that these deeds of assignment are legally binding and in compliance with the PRC Contract Law. Accordingly, we derecognized trade payables, payables for construction in progress and amounts due from related parties (non-trade nature) of RMB200.0 million, RMB700.4 million and RMB900.4 million, respectively. In December 2018 and January 2019, the remaining non-trade amounts due from related parties controlled by Mr. Yang have been fully settled in cash.

As of September 30, 2018, the outstanding balance of our loan to Jingfu Coal Mining was RMB30.9 million. In January 2019, Xuyang Holding and a subsidiary of the Company entered into a deed of assignment, pursuant to which our rights relating to the loan were assigned and transferred to Xuyang Holding. We have been advised by our PRC legal advisors, Jingtian & Gongcheng, that the deed of assignment is legally binding and in compliance with the PRC Contract Law. Xuyang Holding paid us RMB30.9 million in cash on January 28, 2019.

PROFIT ESTIMATE FOR THE YEAR ENDED DECEMBER 31, 2018

We have prepared the following profit estimate for the year ended December 31, 2018.

Estimated consolidated profit attributable to owners of the Company (1)(3)	Not less than RMB2,022 million (approximately HK$2,345 million)
Unaudited pro forma estimated earnings per Share (2)(3)	Not less than RMB0.519 (approximately HK$0.602)

Notes:

(1) The bases on which the above profit estimate has been prepared are summarized in Appendix III to this prospectus. Our Directors have prepared the estimated consolidated profit attributable to the owners of the Company for the year ended December 31, 2018 based on the audited consolidated results for the nine months ended September 30, 2018 and the unaudited consolidated results based on management accounts of the Group for the remaining three months ended December 31, 2018.

(2) The calculation of the unaudited pro forma estimated earnings per Share is based on the estimated consolidated results attributable to the owners of the Company for the year ended December 31, 2018 and the weighted average number of ordinary shares in issue during the year ended December 31, 2018, assuming that a total of 3,893,008,315 Shares had been in issue during the entire year, taking into consideration the Capitalization Issue and the 600,000,000 new Shares to be issued under the Global Offering which have been assumed to have been issued on January 1, 2018. The calculation of the estimated earnings per Share does not take into account any Shares which may be issued upon the exercise of options that may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandates for the allotment and issue or repurchase of Shares referred to in Appendix VI to this prospectus.

(3) The estimated consolidated profit attributable to owners of the Company and the unaudited pro forma estimated earnings per Share are converted into Hong Kong dollars at the exchange rate of RMB1.00 to HK$1.15994, the exchange rate set by the PBOC prevailing on February 18, 2019. No representation is made that the RMB amounts have been, could have been or may be converted into Hong Kong dollars, or vice versa, at that rate.

See "Appendix III – Profit Estimate for the year ended December 31, 2018" to this prospectus for more details.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that there has been no material adverse change in our financial or trading position, business, industry or market environment in which we operate since September 30, 2018 and up to the date of this prospectus.

RISK FACTORS

There are certain risks and other factors involved in our operations and the Global Offering, which can be categorized into: (i) risks relating to our business and industry; (ii) risks relating to the PRC and the Cayman Islands; and (iii) risks relating to the Global Offering. We believe that the following are some of the major risks that we face: (i) we are vulnerable to any significant downturn in the PRC and the global iron and steel industry and chemical industry; (ii) we are susceptible to the cyclical nature of coal markets; (iii) we are vulnerable to fluctuations in coal and coke prices; (iv) we have net current liabilities, high gearing ratio and indebtedness of a large amount. Our business may be adversely affected if we fail to maintain sufficient working capital and liquidity; (v) CNC Risun Coking may contribute less profit to us or even incur losses in the future and we may not continue to manage its daily operations; (vi) our business may be adversely impacted by changes in the policies and regulations of the PRC government, particularly those relating to our industry, environmental protection and overcapacity in the coke and coking chemical industry; and (vii) unstable supplies of raw materials that meet our standards could impair our operations and adversely affect our profitability, results of operations and reputation. For more details, please refer to the section headed "Risk Factors" in this prospectus.

OFFERING STATISTICS

The statistics in the following table are based on the assumptions that: (i) the Global Offering is completed and 600,000,000 Shares are newly issued in the Global Offering; and (ii) the Over-allotment Option for the Global Offering is not exercised, details of which we set out in "Unaudited Pro Forma Financial Information" in Appendix II to this prospectus.

	Based on an Offer Price of HK$2.76 per Share	**Based on an Offer Price of HK$3.18 per Share**
Market capitalization of our Shares	HK$11,040 million	HK$12,720 million
Unaudited pro forma adjusted consolidated net tangible assets per Share	RMB1.31 (HK$1.52)	RMB1.36 (HK$1.58)

FUTURE PLANS AND USE OF PROCEEDS

The net proceeds of the Global Offering (after deducting the relevant expenses) are estimated to be approximately HK$1,672.1 million before any exercise of the Over-allotment Option, assuming an Offer Price of HK$2.97 per Share, being the mid-point of the stated range of the Offer Price of between HK$2.76 and HK$3.18 per Share. If the Over-allotment Option is exercised in full, we estimate that the additional net proceeds to our Company from the offering of these additional Shares will be approximately HK$259.3 million, after deducting the relevant expenses, assuming an Offer Price of HK$2.97 per Share. We intend to apply the net proceeds from the Global Offering (assuming the Over-allotment Option is not exercised) in the following manner:

- Approximately 40% (approximately HK$668.8 million) of the net proceeds of the Global Offering will be used to repay our existing debts. We will continue to have net current liabilities after the repayment of our existing debts;

- Approximately 30% (approximately HK$501.6 million) of the net proceeds of the Global Offering will be used to acquire, strategically invest in, and develop our strategic operation and management services to, third-party coke and refined chemical producers in China;

- Approximately 20% (approximately HK$334.4 million) of the net proceeds of the Global Offering will be used to improve our environmental protection facilities and measures, and upgrade our automation and information systems; and

- Approximately 10% (approximately HK$167.2 million) of the net proceeds of the Global Offering will be used for working capital.

For more details on our plans of using proceeds of the Global Offering, please refer to the section headed "Future Plans and Use of Proceeds" in this prospectus.

LISTING EXPENSES

The estimated total listing expenses (based on the mid-point of our indicative price range for the Global Offering and assuming that the Over-allotment Option is not exercised and all discretionary incentive fees in the Global Offering are paid in full) in relation to the Global Offering are approximately RMB94.8 million (including underwriting commission), consisting of approximately RMB54.3 million that is directly attributable to the issue of new Shares to the public and accounted for as a deduction from equity, approximately RMB29.3 million that was recognized in our consolidated statements of profit or loss and other comprehensive income before September 30, 2018, and RMB11.2 million to be recognized in our consolidated statements of profit or loss and other comprehensive income after September 30, 2018, respectively. Our Directors do not expect these expenses to materially impact our results of operations for the year ended December 31, 2018.

QUALIFICATIONS FOR LISTING

Pursuant to Rule 8.05 of the Listing Rules, we must satisfy one of the three tests in relation to: (i) profit; (ii) market capitalization, revenue and cash flow; or (iii) market capitalization and revenue requirements. We are able to satisfy the market capitalization, revenue and cash flow test pursuant to Rule 8.05(2) of the Listing Rules.

In this prospectus, unless the context otherwise requires, the following expressions shall have the following meanings.

"Accountants' Report"	the report issued by the Reporting Accountants, the text of which is set out in Appendix I to this prospectus
"Anneng Thermal Power"	Xingtai Xuyang Anneng Thermal Power Co., Ltd. (邢台旭陽安能熱力有限公司), a limited liability company established in the PRC on November 13, 2014, and is owned as to 50.0% by Anneng Technology Co., Ltd. (安能科技股份有限公司), an independent third party, and 50.0% by our joint venture company, CNC Risun Coking
"Application Form(s)"	**WHITE** application form(s), **YELLOW** application form(s) and **GREEN** applications form(s) or, where the context so requires, any of them
"Articles" or "Articles of Association"	the articles of association of the Company conditionally adopted on February 21, 2019, which will become effective upon the Listing Date, as amended from time to time, a summary of which is set out in Appendix V to this prospectus
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Audit Committee"	the audit committee of the Board
"Beijing Risun Hongye"	Beijing Risun Hongye Chemicals Co., Ltd (北京旭陽宏業化工有限公司), a limited liability company established in the PRC on February 2, 2008, and is owned as to 50.0%, 25.0% and 25.0% by our subsidiaries Xingtai Risun Coal Chemicals, Dingzhou Tianlu New Energy and Hebei Risun Coking, respectively, and an indirect wholly-owned subsidiary of our Company
"Board" or "Board of Directors"	our board of Directors
"Bohai Rim Area"	the area which includes Hebei province, Liaoning province, Shandong province, Beijing and Tianjin
"Business Day" or "business day"	a day on which banks in Hong Kong are generally open for normal banking business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
"BVI"	the British Virgin Islands

"Cabot Risun Chemicals"	Cabot Risun Chemical (Xingtai) Co., Ltd. (卡博特旭陽化工(邢台)有限公司), a limited liability company established in the PRC on June 23, 2011 and owned as to 60.0% by Cabot (China) Limited (卡博特(中國)投資有限公司), an independent third party, and 40.0% by our subsidiary, Risun Chemicals. It is an associate of our Company
"CAGR"	compound annual growth rate
"Cangzhou Production Base"	our production base in Cangzhou, where the refined chemical facilities directly owned by our subsidiary, Cangzhou Risun Chemicals, are located
"Cangzhou Risun Chemicals"	Cangzhou Risun Chemicals Limited (滄州旭陽化工有限公司), a limited liability company established in the PRC on June 27, 2011 and owned as to 89.92% by our Group and 10.08% by Yingde Gases HK. Cangzhou Risun Chemicals is an indirect non-wholly-owned subsidiary of our Company
"Cangzhou Senxu Port"	Cangzhou Senxu Port Services Limited (滄州森旭港務有限公司), a limited liability company established in the PRC on May 9, 2016 and owned as to 45.0% by Cangzhou Port Group Co., Ltd. (滄州港務集團有限公司), 20.0% by Sen Yue International Energy Chemical Co., Ltd. (森嶽(無棣)國際能源化工有限公司), both independent third parties, and 35.0% by our subsidiary, Cangzhou Risun Chemicals. It is an associate of our Company
"Capitalization Issue"	the issue of Shares to be made upon capitalization of an amount standing to the credit of the share premium account of our Company as referred to in the section headed "Statutory and General Information – 1. Further Information about our Group – (c) Resolutions of our Shareholders passed on February 21, 2019" in Appendix VI to this prospectus
"Cayman Companies Law" or "Companies Law"	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant

"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual, joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"CCIA"	the China Coking Industry Association (中國煉焦行業協會), an association composed of representatives from the PRC coking industry
"China" or "PRC"	the People's Republic of China, but for the purpose of this prospectus and for geographical reference only and except where the context requires, references in this prospectus to "China" and the "PRC" do not include Hong Kong, Macau and Taiwan
"CNC Risun Coking"	Hebei CNC Risun Coking Limited (河北中煤旭陽焦化有限公司), a limited liability company established in the PRC on November 21, 2003 and owned as to 45.0% by our subsidiary, Xingtai Risun Trading, 45.0% by China Coal and Coke Holdings Limited (中煤焦化控股有限責任公司), an independent third party, and 10.0% by Delong Steel Limited (德龍鋼鐵有限公司), a wholly-owned subsidiary of Delong Holdings Limited, a company listed on the Main Board of the Singapore Exchange Securities Trading Limited (stock code: SGX: BQO) and an independent third party. CNC Risun Coking is a joint venture company of our Company
"Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"Co-Manager"	Lead Securities (HK) Limited
"Companies Ordinance" or "Hong Kong Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended or supplemented from time to time
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended and supplemented from time to time

"Company", "our Company", "the Company", "we" or "us"	China Risun Group Limited (中國旭陽集團有限公司) (formerly known as China Risun Coal Chemicals Group Limited (中國旭陽煤化工集團有限公司)), an exempted company incorporated in the Cayman Islands with limited liability on November 8, 2007 under the Companies Law
"connected person"	has the meaning ascribed thereto in the Listing Rules
"Controlling Shareholder(s)"	has the meaning ascribed thereto in the Listing Rules and, unless the context otherwise requires, means each of Texson and Mr. Yang in this prospectus
"CRC"	China Risun Coking Group Limited (中國旭陽焦化集團有限公司) (formerly known as Wiseday Limited), a company incorporated in the BVI with limited liability on February 19, 2004 and transferred by way of continuation to the Cayman Islands and registered by way of continuation as a Cayman Islands exempted company on June 17, 2005, and the former holding company of our Group. CRC was dissolved on September 28, 2012
"Deed of Indemnity"	the deed of indemnity dated February 20, 2019 entered into by the Controlling Shareholders with and in favor of our Company (for itself and as trustee for each of the other members of our Group), a summary of which is set out in the section headed "Statutory and General Information – 5. Other Information – (a) Deed of Indemnity" in Appendix VI to this prospectus
"Deed of Non-competition"	the deed of non-competition entered into between our Company and the Controlling Shareholders dated February 20, 2019, containing the undertakings as described in the section headed "Relationship with Our Controlling Shareholders – Deed of Non-competition" in this prospectus in favor of our Group
"Dingzhou Production Base"	our production base in Dingzhou, where the refined chemical facilities owned by our subsidiary, Dingzhou Tianlu New Energy and the coking facilities owned by our subsidiary, Hebei Risun Coking, are located
"Dingzhou Tianlu New Energy"	Dingzhou Tianlu New Energy Limited (定州天鷺新能源有限公司), a limited liability company established in the PRC on April 9, 2007 and an indirect wholly-owned subsidiary of our Company

"Director(s)"	the director(s) of our Company
"EIT Law"	the Law of Enterprise Income Tax of the PRC (《中華人民共和國企業所得稅法》) amended and implemented on February 24, 2017 and the Implementation Rules of the Law of Enterprise Income Tax of the PRC (《中華人民共和國企業所得稅法實施條例》) issued on December 6, 2007 and implemented on January 1, 2008
"Environmental Protection Law"	the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》) amended on April 24, 2014 and effective from January 1, 2015
"Executive Director(s)"	the executive Director(s) of the Company
"First Milestone"	First Milestone SPC, a segregated portfolio company with limited liability incorporated in the Cayman Islands established on August 20, 2018, which holds First Milestone I SP, a segregated portfolio. Texson held 27,469.38308 class A non-redeemable participating shares in First Milestone
"Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.
"Frost & Sullivan Report"	the market research report on the coke, coking chemicals and refined chemicals industry prepared by Frost & Sullivan and commissioned by us
"FVTPL"	fair value through profit or loss
"GDP"	gross domestic product
"Global Offering"	the Hong Kong Public Offering and the International Placing
"Golden Sino"	Golden Sino Enterprises Limited (富中企業有限公司), a company incorporated in the BVI with limited liability on November 1, 2007 and a direct wholly-owned subsidiary of our Company
"**GREEN** Application Form(s)"	the application form(s) to be completed by the **HK eIPO White Form** Service Provider

"Group", "our Group" or "the Group"	our Company and its subsidiaries, or where the context so requires, in respect of the period before our Company became the holding company of its present subsidiaries, such subsidiaries as if they were the subsidiaries of our Company at the time
"HBCCIA"	Hebei Coking and Chemical Industry Association (河北省焦化行業協會), an association composed of representatives from the coking and coal chemical industries
"Hebei Risun Coking"	Hebei Risun Coking Limited (河北旭陽焦化有限公司), a limited liability company established in the PRC on October 30, 2003 and an indirect wholly-owned subsidiary of our Company
"**HK eIPO White Form**"	the application for Hong Kong Public Offer Shares to be issued in the applicant's own name by submitting applications online through the designated website of **HK eIPO White Form** at **www.hkeipo.hk**
"**HK eIPO White Form** Service Provider"	the **HK eIPO White Form** service provider designated by our Company or specified on the designated website **www.hkeipo.hk**
"HK$" or "Hong Kong dollars" or "HK dollars" or "cents"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
"HKFRS"	the Hong Kong Financial Reporting Standards and the amendments and interpretations issued by the Hong Kong Institute of Certified Public Accountants
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Branch Share Registrar"	Tricor Investor Services Limited

"Hong Kong Public Offer Shares"	the 60,000,000 Shares initially offered by our Company for subscription pursuant to the Hong Kong Public Offering (subject to adjustments as described in the section headed "Structure of the Global Offering" in this prospectus)
"Hong Kong Public Offering"	the offer of the Hong Kong Public Offer Shares for subscription by the public in Hong Kong at the Offer Price on the terms and conditions described in this prospectus and the Application Forms
"Hong Kong Risun"	China Risun Group (Hong Kong) Limited (中國旭陽集團(香港)有限公司) (formerly known as Risun Coal Chemicals Group Limited (旭陽煤化工集團有限公司) and Sky Hero Resources Limited (天雄資源有限公司)), a company incorporated in Hong Kong with limited liability on March 5, 2007 and an indirect wholly-owned subsidiary of our Company
"Hong Kong Stock Exchange" or "Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Hong Kong Underwriters"	the underwriters of the Hong Kong Public Offering listed in the section headed "Underwriting – Underwriters – Hong Kong Underwriters" in this prospectus
"Hong Kong Underwriting Agreement"	the underwriting agreement dated February 27, 2019 relating to the Hong Kong Public Offering and entered into among our Company, the Controlling Shareholders, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Co-Manager and the Hong Kong Underwriters as further described in the section headed "Underwriting – Underwriting Arrangements and Expenses – Hong Kong Underwriting Agreement" in this prospectus
"IFRS"	International Financial Reporting Standards, amendments and interpretations issued by the International Accounting Standards Board
"Independent Non-executive Director(s)"	the independent non-executive Director(s) of the Company

"independent third party(ies)"	person(s) or company(ies) and their respective ultimate beneficial owner(s), who/which, to the best of our Directors' knowledge, information and belief, having made all reasonable enquiries, is/are not connected with our Company or our connected persons as defined under the Listing Rules
"Internal Control Consultant"	SHINEWING Risk Services Limited
"International Placing"	the offer and sale of the International Placing Shares by our Company through the International Underwriters at the Offer Price to professional, institutional and other investors as described in the section headed "Structure of the Global Offering" in this prospectus
"International Placing Shares"	the 540,000,000 Shares being initially offered in the International Placing together with, where relevant, any additional Shares which may be sold pursuant to the exercise of the Over-allotment Option (subject to adjustments as described in the section headed "Structure of the Global Offering" in this prospectus)
"International Underwriters"	the international underwriters for the International Placing, that are expected to enter into the International Underwriting Agreement to underwrite the International Placing
"International Underwriting Agreement"	the underwriting agreement expected to be entered into on or around March 5, 2019 by, among others, our Company, the Controlling Shareholders, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Co-Manager and the International Underwriters in respect of the International Placing, as further described in the section headed "Underwriting – Underwriting Arrangements and Expenses – International Underwriting Agreement" in this prospectus

"Jingfu Coal Mining"	Yangmei Group Shouyang Jingfu Coal Company Limited (陽煤集團壽陽景福煤業有限公司), a limited liability company established in the PRC on June 27, 1992, and owned as to 70.0% by Yang Quan Coal Industry (Group) Co., Ltd. (陽泉煤業(集團)股份有限公司), a company established in the PRC, whose shares are listed on the Shanghai Stock Exchange (stock code: 600348) and an independent third party, and 30.0% by our subsidiary, Hebei Risun Coking. It is an associate of our Company
"Jinniu Risun Chemicals"	Hebei Jinniu Risun Chemicals Limited (河北金牛旭陽化工有限公司), a limited liability company established in the PRC on March 28, 2008 and owned as to 50.0% by our subsidiary, Xingtai Risun Trading and 50.0% by Hebei Jinniu Chemical Industry Co., Ltd. (河北金牛化工股份有限公司), a company established in the PRC, whose shares are listed on the Shanghai Stock Exchange (stock code: 600722), and an independent third party. Jinniu Risun Chemicals is an associate of our Company
"Joint Bookrunners"	Guotai Junan Securities (Hong Kong) Limited, Essence International Securities (Hong Kong) Limited, China Everbright Securities (HK) Limited, Haitong International Securities Company Limited, CCB International Capital Limited, Mason Securities Limited and Crédit Agricole Corporate and Investment Bank, Hong Kong branch
"Joint Lead Managers"	Guotai Junan Securities (Hong Kong) Limited, Essence International Securities (Hong Kong) Limited, China Everbright Securities (HK) Limited, Haitong International Securities Company Limited, CCB International Capital Limited, Mason Securities Limited, Crédit Agricole Corporate and Investment Bank, Hong Kong branch, Yuanyin Securities Limited, Ever-Long Securities Company Limited and SBI China Capital Financial Services Limited
"Labor Contract Law"	the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》) amended on December 28, 2012 and effective from July 1, 2013
"Latest Practicable Date"	February 18, 2019, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information contained in this prospectus

"Listing"	the listing of our Shares on the Main Board of the Stock Exchange
"Listing Committee"	the Listing Committee of the Stock Exchange
"Listing Date"	the date, expected to be on or about March 15, 2019 on which dealings in the Shares first commence on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended, supplemented or otherwise modified from time to time)
"Macau"	the Macao Special Administrative Region of the PRC
"Main Board"	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with GEM of the Stock Exchange
"Memorandum" or "Memorandum of Association"	the memorandum of association of our Company conditionally adopted on February 21, 2019, which will become effective upon the Listing Date, as amended from time to time, a summary of which is set out in Appendix V to this prospectus
"MIIT"	Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部)
"MOFCOM"	Ministry of Commerce of the PRC (中華人民共和國商務部)
"Mr. Yang"	Mr. Yang Xuegang (楊雪崗), an Executive Director, the chairman of the Board, chief executive officer and one of our Controlling Shareholders
"Mrs. Yang"	Ms. Lu Xiaomei (路小梅), the spouse of Mr. Yang
"NDRC"	National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
"Nomination Committee"	the nomination committee of the Board

"Non-compliant Bill Financing Arrangements"	the non-compliant bill financing arrangements made between the Endorsing Banks and the Relevant Subsidiaries during the Track Record Period, as detailed in the section headed "Business – Regulatory Compliance – The Group's Non-compliant Bill Financing Arrangements" in this prospectus
"NPC"	National People's Congress of the PRC (中華人民共和國全國人民代表大會)
"Offer Price"	the final offer price per Offer Share in Hong Kong dollars (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) of not more than HK$3.18 and expected to be not less than HK$2.76, at which Hong Kong Public Offer Shares are to be subscribed for and to be determined in the manner further described in the section headed "Structure of the Global Offering – Pricing of the Global Offering" in this prospectus
"Offer Share(s)"	the Hong Kong Public Offer Shares and the International Placing Shares together with, where relevant, any additional Shares to be offered pursuant to the exercise of the Over-allotment Option
"Over-allotment Option"	the option expected to be granted by our Company to the International Underwriters, exercisable by the Sole Global Coordinator (on behalf of the International Underwriters) pursuant to the International Underwriting Agreement for up to 30 days from the day following the last day for the lodging of applications under the Hong Kong Public Offering, to require our Company to allot and issue up to an aggregate of 90,000,000 additional Shares at the Offer Price (representing in aggregate 15% of the initial number of Offer Shares available under the Global Offering) to cover over-allocations in the International Placing, if any, further details of which are described in the section headed "Structure of the Global Offering" in this prospectus
"PBOC"	People's Bank of China (中國人民銀行), the central bank in China
"PRC GAAP"	generally accepted accounting principles in the PRC

"PRC government" or "State"	the central government of the PRC, including all governmental subdivisions (including provincial, municipal and other regional or local government entities) and its organs or, as the context requires, any of them
"Pre-IPO Investment(s)"	the pre-IPO investments in the Company undertaken by the Pre-IPO Investors, details of which are set out in the section headed "History, Reorganization and Corporate Structure – Pre-IPO Investments" in this prospectus
"Pre-IPO Investor(s)"	Erie Investments Limited, Net Gain Holdings Limited, Century Best Investments Limited, China Oriental Group Company Limited and First Milestone
"Price Determination Date"	the date, expected to be on or around March 5, 2019, on which the Offer Price is determined, or such later time as the Sole Global Coordinator (on behalf of the Underwriters) and our Company may agree, but in any event no later than March 13, 2019
"Prospectus"	this prospectus being issued in connection with the Hong Kong Public Offering
"Qingdao Research Institute"	Qingdao Institute of Bioenergy and Bioprocess Technology, Chinese Academy of Sciences (中國科學院青島生物能源與過程研究所)
"R&D"	research and development
"Regulation S"	Regulation S under the U.S. Securities Act
"Remuneration Committee"	the remuneration committee of the Board
"Reorganization"	the reorganization arrangements undergone by our Group in preparation for the listing of the Shares on the Stock Exchange, which are more particularly described in the section headed "History, Reorganization and Corporate Structure" in this prospectus
"Risun Chemicals"	Risun Chemicals Limited (旭陽化工有限公司), a limited liability company established in the PRC on January 8, 2010 and an indirect wholly-owned subsidiary of our Company

"Risun Global"	Risun Global Limited (旭陽國際有限公司) (formerly known as Good City (Hong Kong) Limited (益城(香港)有限公司)), a limited liability company incorporated in Hong Kong on July 19, 2013 and an indirect wholly-owned subsidiary of our Company
"RMB" or "Renminbi"	the lawful currency of the PRC
"Ruyang Tianlu Energy"	Ruyang Tianlu Energy Limited (汝陽天鷺能源有限公司), a company established in the PRC with limited liability on May 31, 2018 owned as to 55% by Beijing Risun Hongye and 45% by Luoyang Yuru Trading Limited (洛陽御儒貿易有限公司), an independent third party. It is an indirect non-wholly-owned subsidiary of our Company
"SAFE"	State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"SAT"	State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
"Series A Shares"	184,581,828 series A shares with a nominal value of HK$0.10 each in the share capital of the Company issued on February 15, 2008 and converted into Shares on April 4, 2018
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO" or "Securities and Futures Ordinance"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
"Share Option Scheme"	the share option scheme conditionally adopted by the Company on February 21, 2019, the principal terms of which are summarized in the section headed "Statutory and General Information – 4. Share Option Scheme" in Appendix VI to this prospectus
"Shareholder(s)"	holder(s) of our Shares
"Shares"	ordinary shares with a nominal value of HK$0.10 each in the share capital of our Company
"Sole Global Coordinator"	Guotai Junan Securities (Hong Kong) Limited

"Sole Sponsor"	Guotai Junan Capital Limited
"Stabilizing Manager"	Guotai Junan Securities (Hong Kong) Limited
"State Council"	State Council of the PRC (中華人民共和國國務院)
"Stock Borrowing Agreement"	the stock borrowing agreement to be entered into between Texson and the Stabilizing Manager on or around the Price Determination Date
"subsidiary" or "subsidiaries"	has the meaning ascribed thereto under the Companies Ordinance
"substantial shareholder"	has the meaning ascribed thereto in the Listing Rules
"Takeovers Code"	the Codes on Takeovers and Mergers and Share Buy-backs
"Tangshan Production Base"	the production base in Tangshan, where the refined chemical facilities owned by our subsidiary, Tangshan Risun Chemicals are located
"Tangshan Risun Aromatics"	Tangshan Risun Aromatic Hydrocarbon Limited (唐山旭陽芳烴產品有限公司), a limited liability company established in the PRC on December 8, 2017 and an indirect wholly-owned subsidiary of our Company
"Tangshan Risun Chemicals"	Tangshan Risun Chemicals Limited (唐山旭陽化工有限公司), a limited liability company established in the PRC on October 17, 2008 and an indirect wholly-owned subsidiary of our Company
"Tangshan Risun Phthalic Anhydride"	Tangshan Risun Phthalic Anhydride Products Limited (唐山旭陽苯酐產品有限公司), a limited liability company established in the PRC on December 16, 2016 and was an indirect wholly-owned subsidiary of our Company prior to its dissolution on October 19, 2018
"Texson"	Texson Limited (泰克森有限公司), a company incorporated in the BVI on February 19, 2004 and wholly-owned by Mr. Yang. It is one of our Controlling Shareholders
"Track Record Period"	the period comprising the three financial years ended December 31, 2015, 2016 and 2017 and the nine months ended September 30, 2018

"U.S. Securities Act"	the U.S. Securities Act of 1933, as amended and supplemented or otherwise modified from time to time, and the rules and regulations promulgated thereunder
"Underwriters"	the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"United States" or "U.S."	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US$", "USD" or "U.S. dollars"	United States dollars, the lawful currency for the time being of the United States
"VAT"	value-added tax
"Warrantors"	the Company, the Controlling Shareholders and the Executive Directors
"**WHITE** Application Form(s)"	the application form(s) for use by the public who require(s) such Hong Kong Public Offer Shares to be issued in the applicant's own name
"Xi Gan Railway"	Xixiaozhao-Ganqimaodu Railway Limited (西甘鐵路有限責任公司), a limited liability company established in the PRC on December 7, 2009 and owned as to 62.0% by China Railway Hohhot Group Co., Ltd. (中國鐵路呼和浩特局集團有限公司), 10.0% by Inner Mongolia Mengtai Coal and Electric Group Co., Ltd. (內蒙古蒙泰煤電集團有限公司), 10.0% by Bayannao'er City Hengtong Logistics International Co., Ltd. (巴彥淖爾市亨通物流國際有限責任公司), 5.0% by Inner Mongolia Haotong Energy Joint Stock Co., Ltd. (內蒙古浩通能源股份有限公司), 5.0% by Salim Wanye (Shanghai) Enterprises Co., Ltd. (三林萬業(上海)企業集團有限公司), 2.0% by Wuyuan County Longshengyuan Development & Investment Co., Ltd. (五原縣隆盛源開發投資有限責任公司) and 1.0% by Inner Mongolia Yidong Coal Distribution and Marketing Co., Ltd. (內蒙古伊東煤炭運銷有限責任公司), all of which are independent third parties, and 5.0% by our subsidiary, Beijing Risun Hongye

"Xingtai Production Base"	the production base in Xingtai, where the coking facilities owned by our joint venture company, CNC Risun Coking, and refined chemical facilities owned by our subsidiaries, Xingtai Risun Coal Chemicals, Xingtai Risun Chemicals and our associates, Jinniu Risun Chemicals and Cabot Risun Chemicals are located
"Xingtai Risun Chemicals"	Xingtai Risun Chemicals Limited (邢台旭陽化工有限公司), a limited liability company established in the PRC on March 17, 2014 and an indirect wholly-owned subsidiary of our Company
"Xingtai Risun Coal Chemicals"	Xingtai Risun Coal Chemicals Limited (邢台旭陽煤化工有限公司), a limited liability company established in the PRC on April 7, 2006 and an indirect wholly-owned subsidiary of our Company
"Xingtai Risun Trading"	Xingtai Risun Trading Limited (邢台旭陽貿易有限公司) (formerly known as Xingtai Risun Coking Limited (邢台旭陽焦化有限公司)), a limited liability company established in the PRC on May 12, 1995 and an indirect wholly-owned subsidiary of our Company
"Xuyang Group"	Xuyang Holding and its subsidiaries
"Xuyang Holding"	Xuyang Holding Limited (旭陽控股有限公司) (formerly known as Xuyang Coking Holding Limited (旭陽焦化控股有限公司) and Tianlu Industrial Holding Limited (天鷺實業控股有限公司)), a limited liability company established in the PRC on August 4, 2004 and owned as to 99.0% by Mr. Yang and 1.0% by Mrs. Yang
"Xuyang Mining"	Xuyang Supply Chain Management Limited (旭陽供應鏈管理有限公司) (formerly known as Xuyang Mining Co., Ltd. (旭陽礦業有限公司)), a limited liability company established in the PRC on August 6, 2008 and wholly-owned by Xuyang Holding
"**YELLOW** Application Form(s)"	the application form(s) for use by the public who require(s) such Hong Kong Public Offer Shares to be deposited directly into CCASS

"Yingde Gases HK"	Yingde Gases (Hong Kong) Company Limited (盈德氣體香港有限公司), a limited liability company established in Hong Kong on June 20, 2007 wholly-owned by Yingde Gases Investment Limited, and which, apart from holding 10.08% of the equity interest in Cangzhou Risun Chemicals, is an independent third party
"%"	per cent

The English translation of the PRC entities, enterprises, nationals, facilities, regulations in Chinese or another language included in this prospectus is for identification purposes only. To the extent there is any inconsistency between the Chinese names of the PRC entities, enterprises, nationals, facilities, regulations and their English translations, the Chinese names shall prevail.

This glossary contains certain definitions and other terms related to our business and used in this prospectus. Such terms and their meanings may not correspond to standard industry definitions or usage.

"1/3 coking coal"	a type of coking coal with medium volatility and high binding ability (stickiness)
"ammonium sulfate"	a white rhombic solid which can be produced by the direct reaction between ammonia gas and sulfuric acid
"anthracene"	a white crystalline solid that can be obtained from anthracene oil or crude oil
"anthracene oil"	a green and yellow oily liquid distilled from coal tar at a temperature ranging from 300˚C to 360˚C and the principal source of anthracene
"benzene"	a colorless and highly flammable liquid which can be distilled from organic minerals such as crude oil (known as petroleum pure benzene) and crude benzene derived from coking by-products (known as coking pure benzene). Benzene is mainly used as an intermediate to make other chemicals. Its most widely produced derivatives include styrene, which is used to make polymers and plastics, phenol for resins and adhesives, and cyclohexane, which is used in the manufacture of nylon
"blending"	mixing coals in predetermined and controlled quantities or proportions to achieve chemical or physical characteristics to produce optimal coke products
"caprolactam"	a white crystallized solid at normal temperature used to produce nylon, fibers and plastics
"carbon black"	a fine carbon powder made by burning hydrocarbons incompletely and mainly used as a reinforcing filler in tires and other rubber products
"carbon black oil"	produced through the mixture of anthracene oil and medium-temperature coal tar pitch, a sticky fluid and raw material for the production of carbon black

"carbonization"	the destructive distillation of coal; the carbonization of coal is primarily carried out commercially for the production of coke for the iron and steel industry's blast furnaces. The process involves heating coking coal in the absence of air to a temperature of around 1,000°C. This process is carried out in a coking chamber. The gases and liquids evolved during the process can be used on site or sold as plant products
"charging"	the process of filling a coke oven with coking coal
"coal cake"	cake of coal produced after compression in the stamp-charging process and inserted into coking chambers
"coal tar"	a brown or black liquid with high viscosity from the destructive distillation of coal, a by-product of the transformation of coal into coke
"coal tar pitch"	produced from the change of components (such as the increase of macromolecular components and the elevation of aromatic degree) after the heat treatment of medium-temperature coal tar pitch
"coke or metallurgical coke"	the solid product obtained from the carbonization of coal, principally coking coal, at high temperature. Globally, metallurgical coke is the main type of coke produced and is used mainly in the iron and steel industry as a key input in the production of iron and steel. Metallurgical coke is categorized under three different grades, depending on whether the coke meets the necessary industry quality specifications (based on size, strength, ash and sulfur content)
"coke oven"	an oven used for coking
"coke oven gas"	raw coke oven gas that has been purified, which is mainly constituted of hydrogen and methane
"coking"	the process of producing coke using coal
"coking chamber"	the enclosed space within a coke oven in which the carbonization of the coking coals takes place
"coking chemicals"	crude benzene, coal tar, coke oven gas and other chemicals generated in the coking process

"coking coal"	bituminous coal specified in volatility and binding ability, used as raw materials in the metallurgy industry to produce met coke and others
"crude steel"	steel at its first stage of solidification, i.e. ingots and continuously cast semi-finished products
"cubic meters" or "m^3"	the cubic meters (symbol m^3) is the unit of volume derived from the International System of Units. It is the volume of a cube with edges one meter in length
"cyclohexane"	an flammable colorless liquid mainly applied to the production of adipic acid and caprolactam
"cyclohexanone"	a colorless oil and a chemical intermediate generally used as an industrial solvent, and in the production of cyclohexanone resins, caprolactam and nylon
"destructive distillation"	the process of heating complex organic substances in the absence of air so that they break down into a mixture of volatile products, which are condensed and collected
"distillation"	the process of boiling a liquid and condensing and collecting the vapor. The liquid collected is the distillate
"DME"	dimethyl ether, a chemical derived from methanol
"dry coke"	the state of coke after determining and removing the moisture of the analysis sample of coke through a standard testing method
"fat coal"	a type of coking coal with medium to medium-high volatility and the strongest binding ability (stickiness) among the various types of coking coals
"gas coal"	a type of coking coal with high volatility; the use of gas coal in the coke production process enables more gas and chemical by-products to be recovered, compared to the various types of coking coal
"hard coking coal"	a type of coking coal that is widely recognized in the coking industry as the best type of coal for coke making, due to its binding and volatility qualities

"hydrocarbon"	in organic chemistry, a hydrocarbon is an organic compound consisting entirely of hydrogen and carbon
"ISO"	the International Organization for Standardization, the worldwide federation of national standardization bodies
"ISO 14001:2004 Environmental Management System"	a standard under ISO for environmental management which is primarily concerned with compliance with legal requirements to minimize the harmful effects on the environment caused by an organization's activities and which sets requirements for what an organization must do to manage processes influencing the impact of its activities on the environment
"ISO 9001:2008 Quality Management System" or "ISO 9001:2015 Quality Management System"	a standard under ISO which specifies the requirements for quality management systems for any organization that needs to demonstrate its ability to consistently provide products that meet its requisite standards
"lean coal"	a type of coking coal with low binding ability; less gas and chemical by-products are recovered when lean coal is used in the coke production process as compared to fat coal. Lean coal is used as one of the raw materials in the production of coke
"light oil"	a coal tar fraction obtained from distillation with a boiling range of lower than 170°C used as a source of chemicals such as benzene, toluene and phenol
"liquid ammonia"	a colorless liquid mainly applied to the production of fertilizers. It may also be used as the raw material for the production of other chemical products
"methanol"	a colorless and volatile liquid with alcohol odor produced from coke oven gas
"moisture content"	the degree of moisture in coking coals which affects the length of time in which the coking coal has to be heated or carbonized in the coke oven
"naphthalene"	a white crystalline substance from distillation of coal tar with temperature ranging from 210°C to 230°C

"OHSAS 28001:2001 Occupational Health and Safety Management System"	GB/T 28001-2001 is a set of standards relating to health and safety management systems created by a number of the world's leading national standards bodies, certification bodies, and specialist consultancies, and the certification of which may be obtained through the China Quality Certification Center, a specialized certification body recognized by the relevant PRC governmental departments
"petrochemicals"	organic chemicals derived from petroleum or natural gas
"phenol"	a white crystalline solid which is extracted from petroleum and coal tar, primarily used to synthesize plastics and related materials
"phenol oil"	a colorless transparent or yellowish liquid, which is the coal tar fraction generated through coal tar distillation when heated to 170°C to 210°C
"phthalic anhydride"	a white solid substance applied to mass production of plastics
"pig iron"	the iron material extracted from iron ore in the iron smelting process
"quenching"	rapid cooling of hot coke following carbonization
"raw coke oven gas"	a gas produced by the destructive distillation of coal
"refined chemicals"	chemicals derived and refined from coking chemicals
"refining"	the process of purifying substances or extracting substances from mixtures
"SNG"	synthetic natural gas, extracted or generated from coal or coke oven gas, which can be used as high quality fuel and raw material for chemical production
"sq.m."	square meter(s)
"stamp-charging"	the process of using mechanical rammers to compact coking coal blends in order to increase their density and solidity and to form coal cakes which are placed into coke ovens

"sulfur content"	sulfur contained in coal which affects the characteristics of coal
"sulfuric acid"	a colorless oily liquid generally used for ore processing, fertilizer manufacturing, oil refining, wastewater processing and chemical synthesis
"toluene"	a colorless, aromatic and volatile liquid hydrocarbon
"ton"	metric unit of weight, one metric ton equals 1,000 kilograms
"utilization rate"	actual production or processing volume for the relevant period divided by the capacity for the relevant period as of the end of the relevant period
"volatility"	the amount of volatile matter in coal, expressed as a percentage of the weight of coal. Volatile matter refers to substances, other than water, that are driven off as gas or vapor when coal is heated under certain prescribed conditions. In coal, volatile matter is determined by heating the coal to around 1,000°C under carefully controlled conditions and measuring the weight loss, excluding weight of moisture driven off at 105°C
"wash oil"	a product distilled from coal tar, used as an ancillary raw material in the coke production process
"xylene"	also known as dimethylbenzene, it is a generic term for a group of three aromatic hydrocarbon isomers, essentially benzene derivatives
"°C"	degrees celsius

This prospectus includes forward-looking statements. All statements other than statements of historical fact contained in this prospectus, including, without limitation, those regarding our future financial position, our strategies, plans, objectives, goals, targets and future developments in the markets where we participate or seek to participate, and any statements preceded by, followed by or that include the words "believe", "expect", "estimate", "predict", "aim", "intend", "will", "may", "plan", "consider", "anticipate", "seek", "should", "could", "would", "continue", or similar expressions or the negative thereof, are forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Important factors that could cause our actual performance or achievements to differ materially from those expressed in forward-looking statements include, among other things, the following:

- changes in the general operating environment of the coal chemical industry in the PRC;
- changes in the governmental policies, laws or regulations of the PRC, in particular those affecting the coal chemical industry;
- effects of intensifying competition in the coal chemical industry in the PRC;
- various business opportunities that we may pursue;
- the performance of financial markets in Hong Kong and the PRC;
- our future debt levels and capital needs;
- changes in our strategy, plans, objectives and goals;
- our ability to identify, measure, monitor and control risks in our business, including our ability to improve our overall risk profile and risk management practice;
- general economic, market and business conditions in the PRC and other countries; and
- other risk factors discussed in this prospectus as well as other factors beyond our control.

Additional factors that could cause actual performance or achievements to differ materially include, but are not limited to, those discussed in the section headed "Risk Factors" and elsewhere in this prospectus. We caution you not to place undue reliance on forward-looking statements, which reflect our view only as of the date of this prospectus. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set out in this section.

You should carefully consider, in addition to other information contained in this prospectus, the risks and uncertainties below before investing in the Offer Shares. We are incorporated under the laws of the Cayman Islands and our business and most of our assets are located in the PRC. Risks associated with investing in our Offer Shares are not typical of investments in the capital stock of companies incorporated and/or engaging in business in Hong Kong, the United States and other jurisdictions. The materialization of any of the risks and uncertainties described below could materially and adversely affect our business, results of operations, financial condition or the trading price of the Offer Shares, and could cause you to lose all or part of your investment.

Our operations are subject to a number of risks. Many of these risks are beyond our control and can be categorized into: (i) risks relating to our business and industry; (ii) risks relating to the PRC and the Cayman Islands; and (iii) risks relating to the Global Offering.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

We are vulnerable to any significant downturn in the PRC and global iron and steel industry and chemical industry

Coke, our main product, is a key raw material used in the production of iron and steel. Our refined chemicals are raw materials used in the chemical industry. Accordingly, the coking industry substantially relies on demand from the iron and steel industry and chemical industry.

Our business and prospects substantially depend on the demand for our coke by iron and steel producers, and the demand for our refined chemical products by downstream chemical manufacturers in the PRC. Our Directors believe that iron and steel producers and chemical manufacturers will remain the most important customers for our coke and refined chemical products in the foreseeable future.

Coke and refined chemical products demand fluctuated from 2011 to mid-2018 and may continue to fluctuate in the future. Domestic and global demand for coke and refined chemical products from iron and steel producers and downstream chemical manufacturers could decline in the future. If the iron and steel market or the chemical market, either domestic or global, deteriorates, then our business, results of operations and financial condition may be materially and adversely affected.

We are susceptible to the cyclical nature of coal and coke markets

We derive coke from the carbonization of coking coals, while we generate refined chemical products from coking chemical products that we produce internally or source externally. Accordingly, our business, results of operations and financial condition substantially depend on the prices we pay for our coking coals and the stability of coking coal supplies.

We price our coke by reference to, among other factors, prices charged by our suppliers in our procurement of coking coals, which are influenced by changes in supply and demand in the domestic and international coking coal markets. Historically, prices in the domestic and international markets for coking coals have varied based on supply and demand. Such fluctuations are caused by numerous factors beyond our control, including:

- cyclical economic conditions in the PRC and other parts of the world;
- a decrease in the supply of coking coals due to interruptions to coal mining operations and logistics as a result of natural disasters and safety related issues;
- competition from other energy sources, such as oil and gas, and new energy;
- the rate of development, growth and expansion in industries with high demand for coking coals, such as the iron and steel industry;
- the influence on domestic coking coal prices by the PRC government through restrictions on small-scale coal mines and also tighter environmental protection policies; and
- transportation capacity and logistics costs.

If coal prices increase, we may not be able to pass such increased costs to our customers, particularly if our competitors can better manage their costs and achieve a pricing advantage compared to us. If we fail to manage our costs in response to increasing coal prices, our margins and competitiveness will be negatively impacted, which could materially and adversely affect our business, results of operations and financial condition.

We are vulnerable to fluctuations in coal and coke prices

Our coke is priced largely at the prevailing market price and by reference to various other factors applicable to individual customers. In the past few years, the market price of coke has fluctuated significantly. From 2011 to 2015, the average selling price of our coke declined which was in line with the declining trend of the market price of coke. The price of our coke has increased since 2015. However, the price of our coke and the market prices of coke may not be stable or even decline in the future.

Given the relatively fixed manufacturing costs that we incur, we are particularly sensitive to movements in the market prices of coking coal and our coke and the changes in the spread between these prices. Although the factors affecting changes in the price of coking coal overlap to a certain extent with those affecting changes in the prices of our coke, trends in the market price of coking coal and our coke may not always be correlated. In addition, changes in the price of coking coal may lag behind changes in the price of our coke, and we may not be able to lower our cost of coking coal immediately when the coke price drops, or vice versa. Any increase in the market price of coking coal without a corresponding increase in the market price of our coke, or any decrease in the market price of our coke without a corresponding decrease in the market price of coking coal, could materially and adversely affect our business, financial condition and results of operations.

We have net current liabilities, high gearing ratio and indebtedness of a large amount. Our business may be adversely affected if we fail to maintain sufficient working capital and liquidity

We used a significant amount of cash in our business, principally for the procurement of raw materials, construction and acquisition of properties, production facilities and equipment as well as the repayment of our borrowings. We have historically relied on short-term and long-term borrowings to fund a portion of our working capital and capital expenditure, and expect to do so in the future. As of December 31, 2015, 2016 and 2017 and September 30, 2018, due to our high levels of short-term borrowings, capital expenditures, interest payments and payments of our trade and other payables, we recorded net current liabilities of RMB7,265.1 million, RMB6,570.8 million, RMB6,506.1 million and RMB6,570.4 million, respectively. Our gearing ratio was 4.0, 4.1, 3.4 and 2.3 as of December 31, 2015, 2016 and 2017 and September 30, 2018, respectively. As of September 30, 2018, we had total bank and other loans of RMB8,692.9 million, 79.1%, or RMB6,879.6 million, of which were due within one year or on demand. These borrowings are primarily short-term loans from banks in the PRC to satisfy our working capital and capital expenditure needs.

Our ability to fund our operations and meet our debt obligations largely depends on our ability to generate sufficient revenues from our operations or maintain sufficient cash and financing. We may experience liquidity problems in the future. In recent years, the PBOC has implemented stringent capital reserve requirements for banks to curb surging lending levels. Furthermore, the outbreak of a sovereign debt crisis, a banking crisis or other financial disruption may significantly restrict our ability to obtain financing in the capital markets or from financial institutions on commercially reasonable terms, or at all. The introduction of credit tightening measures in the PRC will impair our ability to obtain bank borrowings if we experience liquidity problems.

We cannot assure you that additional financing will be available in amounts or on terms acceptable to us, if at all. If we encounter difficulties in funding our operations, our ability to respond to changing market conditions and expand our business through mergers or acquisitions may be limited. This also increases our vulnerability to adverse economic and industry conditions and place us at a disadvantage compared to competitors who have lower debt obligations. Failure to meet our debt obligations could result in the imposition of penalties, including increases in interest rates, acceleration of our repayment, trigger of cross-default clauses of other financing agreements, or even bankruptcy. We may not be able to procure alternative sources of liquidity to fund our needs. In such situations, we may be forced to sell assets, seek additional capital or seek to restructure or refinance our indebtedness, which may not be successful or provide sufficient remedial measures. Our business, results of operations and financial condition may be materially and adversely affected, and we may not be able to expand our business as expected.

CNC Risun Coking may contribute less profit to us or even incur losses in the future and we may not continue to manage its daily operations

Our joint venture, CNC Risun Coking, incurred a loss in the year ended December 31, 2015. Our share of the results of CNC Risun Coking was a loss of RMB17.6 million for the year ended December 31, 2015, which represented 3.5% of our total net loss attributable to owners of the Company in 2015. CNC Risun Coking was profitable for the years ended December 31, 2016 and 2017 and the nine months ended September 30, 2017 and 2018, and our share of the results of CNC Risun Coking was shared profit of RMB137.8 million, RMB225.5 million, RMB202.0 million and RMB334.4 million, respectively, representing 38.4%, 29.9%, 37.9% and 23.0% of our profit attributable to owners of the Company, respectively, for the same periods. CNC Risun Coking's main product is coke and its operation results are subject to the similar factors applicable to our operation results. CNC Risun Coking may contribute less profit to us or even incur losses in the future, which will have an adverse impact on our working capital and cash flow. Any significant decline of the production volume of CNC Risun Coking may materially and adversely affect our market share.

As of the Latest Practicable Date, Xingtai Risun Trading, CNC Coke and Delong Steel owned 45.0%, 45.0% and 10.0% of the equity interests in CNC Risun Coking, respectively. The interests of CNC Coke and Delong may diverge from our own. CNC Coke and Delong Steel have been cooperative with us in handling matters with respect to the business of CNC Risun Coking. We cannot assure you, however, that they will continue to act in a cooperative manner in the future. We cannot assure you that we can continue to manage CNC Risun Coking's daily operations. In addition, if we have a material dispute with the other shareholders in CNC Risun Coking, or if one of the shareholders in CNC Risun Coking suffers financial or other difficulties and is unable to perform its obligations, the business of CNC Risun Coking could be adversely affected.

Any of the foregoing events, including matters relating to the operation of the business of CNC Risun Coking, failure to meet capital expenditure or working capital requirements, loss of major customers or suppliers, or changes in the laws and regulations in the PRC that adversely affect our arrangements with other shareholders in CNC Risun Coking, could materially and adversely affect our results of operations and financial condition.

Our gains on re-measurement of the interest in a joint venture and disposal of certain of our assets are non-recurring in nature

We recorded significant gains on re-measurement of the interest in a joint venture and disposal of certain of our assets during the Track Record Period. For instance, our gain on re-measurement of the interest in a joint venture and disposal of prepaid lease payment amounted to RMB88.9 million and RMB80.8 million, respectively, for the year ended December 31, 2016. Because such gains are non-recurring in nature, we may not record similar gains in the future, which may materially affect our future financial results.

Fluctuations in our share of profit of associates and joint ventures may affect our overall financial performance, and there are liquidity risks associated with our investments in associates and joint ventures

We generated a significant portion of our profit from share of profit of associates and joint ventures during the Track Record Period. For the years ended December 31, 2016 and 2017 and the nine months ended September 30, 2017 and 2018, our aggregate share of profit of associates and joint ventures amounted to approximately RMB159.1 million, RMB285.8 million, RMB248.9 million and RMB404.1 million, respectively, which represented approximately 44.8%, 37.3%, 46.6% and 27.4% of our profit for the respective periods. Our ownership in associates and joint ventures is accounted for using the equity method, which means that our share of profit and loss of associates and joint ventures is included in our consolidated financial statements. The contribution of associates and joint ventures to our profit may fluctuate, as may the distributions that we may receive from such entities, which could have a material adverse effect on our business, results of operations, financial condition and prospects.

In addition, there are liquidity risks associated with our investments in associates and joint ventures. Investments in associates and joint ventures may not be as liquid as other investment products. Although profit of associates and joint ventures is reported under equity accounting, we may not generate cash flow from our investments in associates and joint ventures if such entities do not declare dividends.

Our business may be adversely impacted by changes in the policies and regulations of the PRC government, particularly those relating to our industry, environmental protection and overcapacity in the coke and coking chemical industry

Coke and coal chemical producers in the PRC are subject to extensive laws, regulations and government policies. The liabilities, costs, obligations and requirements associated with these laws, regulations and government policies may be significant and our operations may be disrupted, suspended or ceased. In particular, the PRC government has been strengthening environmental protection controls and enforcement in recent years to alleviate the environmental impact of coke production. These laws and regulations impose fines for pollution and operations that are deemed unsafe and allow local government authorities to impose fines, limit production or close any facility that violates environmental and safety laws and regulations or causes serious damage to the environment or human health and safety.

As our coal chemical operations produce gaseous emissions, wastewater and solid waste materials, any failures by us to control the use of, or to adequately restrict the discharge of, hazardous substances could subject us to potential significant monetary damages, fines or administrative, civil or criminal sanctions. Such failures could also disrupt, limit or even suspend our operations. In addition, we will be responsible for clean-up if our operations result in contamination at our production facilities. We may incur substantial costs for such clean-up, which may materially and adversely affect our business, results of operations and financial condition.

In order to improve ambient air quality, the PRC central government identified key regions, including the Beijing-Tianjin-Hebei region and surrounding areas, and required the local government to carry out air pollution prevention and control actions. In autumn and winter and periods of special events, the local government may request enterprises in high-emission industries, such as steel, building materials, coking, non-ferrous metals and chemicals industries, to limit days of production or suspend production. These limitations, measures and actions may materially and adversely affect our production volume, business and results of operations.

Furthermore, pursuant to the Environmental Protection Tax Law of the PRC and related implementing regulations, enterprises that discharge taxable pollutants directly to the environment are subject to an environmental protection tax based on the pollutant discharged. Polluters who pay the environmental protection tax are not exempt from liability for failing to prevent and control pollution, paying compensation for the pollution made or other liabilities under laws and regulations. The tax rate of the environmental protection tax applicable to us may increase in the future. If we cannot pass this tax expense or increase in such tax expense to our customers, our business, results of operations and financial condition may be materially and adversely affected.

We may face tighter scrutiny from the public or environmental groups, which may affect our ability to obtain funding

As we operate in the coke and coking chemical industry, we generate pollutants during our production process, including smoke, fumes, solid waste, wastewater and dust. Therefore, we may face tighter scrutiny from the public or various environmental groups. Our operations and future construction of production facilities may cause public objection. We cannot assure you that we will manage community relationships to our mutual advantage. Opposition from the public or environment groups could cause delays, interruptions or even cancellation of our operations or construction of production facilities, and may affect investor confidence in us or affect banks or other lenders in their evaluation of our business. As a result, our ability to obtain funding may be affected and we may not have sufficient resources to conduct our business as projected. Please see "– We may not be able to meet our capital expenditure requirements" for further details.

We may experience increasing difficulties in obtaining funding from financial institutions as financial institutions may have or may have been developing internal policies which forbid lending to fossil fuel related businesses

In recent years, the PRC government has been strengthening environmental protection controls, and banks and other financial institutions may consider the environmental protection performance of borrowers when extending financing. Financial institutions may have or may have been developing internal policies that forbid lending to companies in industries that may have potential negative impacts on the environment. Fossil fuel related businesses, such as coke and coking chemical businesses, may face increased scrutiny from banks and other financial institutions. We may experience increasing difficulties in obtaining funding from banks or financial institutions and we may not have sufficient resources to conduct our business as projected. Please see "– We may not be able to meet our capital expenditure requirements" for further details.

Unstable supplies of raw materials that meet our standards could impair our operations and adversely affect our profitability, results of operations and reputation

If our supply of raw materials is interrupted or reduced or the quality of these raw materials fluctuates, we may incur additional costs to acquire the required raw materials to maintain our production schedules and commitments to our customers. If we cannot identify alternative sources of raw materials when needed, or obtain sufficient raw materials when required, the resulting loss of production volume could adversely impact our ability to deliver products to our customers in a timely manner, which would harm our reputation, business, results of operations and financial condition.

In addition, our customers require coke that meets certain benchmark qualitative specifications, including ash and sulphur content and mechanical strength. In order to produce coke that meets these qualitative specifications, we require that the coal supplied to us meets certain benchmark qualitative specifications stipulated by us. If we fail to use coal of appropriate standards as feedstock, we may be unable to produce coke and coking chemical products and refined chemical products that meet customer requirements, which, in turn, may lead customers to reject our products and claim for damages. If this were to happen, our business, results of operations and financial condition could be materially and adversely affected.

Fluctuations in the prices of crude oil may adversely affect the demand and prices for our refined chemicals and the prices at which we sell them

We produce, sell and trade various refined chemicals. Globally, certain types of refined chemicals, such as benzene derived from crude benzene, are becoming more commonly accepted as cost-competitive substitutes for benzene from petroleum.

We believe the prices of most of our refined chemical products are positively correlated to the prices of crude oil. Historically, the price of crude oil has been volatile. Fluctuations in the price of crude oil affect the selling prices of our refined chemical products, which, in turn, may adversely affect our profit margins.

A decline in crude oil price generally leads to a decline in prices for petroleum products. Consequently, consumers of petroleum products are less likely to seek substitute products. Such a trend may materially and adversely affect our business, results of operations and financial condition.

We may not be able to compete effectively against other coke and coking chemical suppliers and refined chemical suppliers and may not be able to maintain our leading positions in the coke and coking chemical market and refined chemical market

The China coke and coking chemical market and refined chemical market are highly competitive. Competition in the coke and coking chemical industry and refined chemical industry is based on many factors, including:

- the quality and stability in the supply of raw materials;
- product quality, characteristics and costs;
- coal blending and chemical refining capabilities;
- sales network;
- finance cost and working capital;
- compliance in environment protection requirements;
- technology and know-how; and
- production processes, facilities and equipment.

We compete in the domestic and international markets with other coke and refined chemical suppliers. Certain competitors may have greater financial and other resources than we do. Many of our current and potential competitors, particularly international competitors, have significantly greater financial, technical, manufacturing, marketing and other resources than we do and may be able to devote greater resources to the development, production, distribution, promotion and sale of their products. We may have a higher or similar production unit costs as those of our competitors and we may not have a production unit cost advantage over our competitors.

We expect competition in our industry to intensify in the future. There can be no assurance that we can stay competitive due to improvements by our competitors or other factors. If we cannot maintain or improve our competitiveness and fail to maintain our leading positions in the coke and coking chemical market and refined chemical market, our business, results of operations or financial condition may be materially and adversely affected. Increased competition may lead to lower sales and increased inventory, which may result in downward price pressure on our products and adversely affect our business, financial condition, operating results and prospects. Our ability to successfully compete in our industry will be fundamental to our future success in existing and new markets and our market share. There can be no assurance that we will be able to compete successfully in our markets. If our competitors provide products at more competitive prices, we may be unable to maintain existing customers or attract new customers.

Global market fluctuations and economic conditions may materially and adversely affect our business, results of operations and financial condition

The global financial markets experienced significant disruptions in 2008 and the US, European and other economies went into recession. The recovery from the lows of 2008 and 2009 was uneven and the global financial markets are facing new challenges, including the escalation of the European sovereign debt crisis since 2011, the hostilities in the Ukraine, the end of quantitative easing by the U.S. Federal Reserve and the economic slowdown in the Eurozone in 2014. It is unclear whether these challenges will be contained and what effects they each may have. There is considerable uncertainty over the long-term effects of the expansionary monetary and fiscal policies that have been adopted by the central banks and financial authorities of some of the world's leading economies, including China's. Economic conditions in China are sensitive to global economic conditions. Recently there have been signs that the rate of China's economic growth is declining. Any prolonged slowdown in China's economic development might lead to tighter credit markets, increased market volatility, sudden drops in business and market confidence and dramatic changes in business and demand. A slowdown in the global economy, particularly the Chinese economy, could reduce demand for our products and materially and adversely affect our business, results of operations and financial condition.

Our business could be adversely affected by trade tariffs or other trade barriers

In March 2018, U.S. President Trump announced the imposition of tariffs on steel and aluminum entering the United States and in June 2018 announced further tariffs targeting goods imported from China. Recently both China and the U.S. have each imposed tariffs indicating the potential for further trade barriers. Although we do not currently export any products to the United States, it is not yet clear what impact these tariffs may have or what actions other governments, including the PRC government, may take in retaliation. Many Chinese companies in our downstream markets became subject to additional tariffs collected by the U.S. Customs and Border Protection beginning on July 6, 2018. These tariffs could potentially decrease the demand for our products and materially and adversely affect our business, financial condition and results of operations. In addition, these developments could have a material adverse effect on global economic conditions and the stability of global financial markets which may affect our ability to obtain financing and the cost at which we obtain financing. Any of these factors could have a material adverse effect on our business, financial condition and results of operations.

Any shortage of reliable and adequate transportation capacity and any material increase in transportation costs could materially and adversely affect our business, results of operations and financial condition

We transport raw materials and our products to and from our production facilities primarily by rail and road. Due to the limited transport capacity of, and the large transportation demands on, the PRC national railway system, the allocation of transport capacity is subject to regulatory decisions. We may not be able to satisfy our transportation requirements in the future.

Transportation services by rail and road are subject to disruption for a variety of reasons, including insufficient railway transport capacity and equipment, labor disputes or strikes, natural disasters and severe weather conditions. Disruptions in the transportation systems we use for these or any other reasons could adversely affect our ability to receive raw materials and deliver products to our customers on a timely basis, which may materially and adversely affect our business, results of operations and financial condition.

In addition, we rely on a number of third party road transportation companies to transport raw materials and our products. Under our contracts, transportation companies are typically responsible for accidents or other incidents with respect to transport trucks or drivers, or any loss of, or damage to, the goods delivered. However, we might not be able to recover our lost profits, or be compensated if there is any such loss.

In addition, if transportation fees increase in the future, we may not be able to pass these increases on to our customers. Any significant increase in our transportation costs could reduce our margins and profitability and could negatively affect the competitiveness of our products. This may, in turn, materially and adversely affect our business, results of operations and financial condition.

We may experience shortages and price fluctuations in electricity and/or water supply

We consume substantial amounts of electricity and water in connection with the production of our products. During the Track Record Period, we contracted with independent third parties for electricity and water supply at our production facilities.

We expect demand for electricity and water to increase as our production and processing capacities increase and our business grows. Any shortages or disruptions in electricity or water supply could lead to prolonged production shutdowns and increased costs related to the recommencement of operations.

Insufficient electricity or a reduced water supply may force us to limit or delay production, which could materially and adversely affect our business, results of operations and financial condition. Any significant increase in electricity or water prices will increase production costs and may materially and adversely affect our business, results of operations and financial condition.

Our operating results have fluctuated significantly during the Track Record Period and may continue to fluctuate

Our operating results during the Track Record Period were, and we expect that they will continue to be, subject to significant fluctuations. We recorded a net loss attributable to owner of the Company of RMB507.1 million for the year ended December 31, 2015, while our net profit attributable to owner of the Company amounted to RMB359.3 million, RMB754.7 million, RMB532.6 million and RMB1,453.5 million for the years ended December 31, 2016 and 2017 and the nine months ended September 30, 2017 and 2018, respectively. For detailed reasons for such fluctuations, please refer to the section headed "Financial Information" in this prospectus. Material factors affecting our operating results include:

- production capacity and sales volume;
- selling prices of our products and procurement prices of our raw materials;
- relationships with our customers and suppliers;
- access to and cost of financing;
- competition; and
- government policies and the enforcement of environmental laws.

Due to the factors mentioned above and other risks discussed in this section, many of which are beyond our control, our operating results may fluctuate from period to period. We cannot assure you we will continue to be profitable in the future. We may incur losses in the future, which will adversely impact our working capital, total assets, shareholders' equity and cash flow.

We are exposed to risks of inventory obsolescence

As of December 31, 2015, 2016 and 2017 and September 30 2018, we had RMB311.1 million, RMB761.2 million, RMB807.5 million and RMB715.1 million of inventories, respectively, accounting for 4.8%, 8.2%, 8.5% and 7.1% of our total current assets as of such dates, respectively. The market value of our inventories may decrease. If the cost of inventories is greater than their recoverable value at the end of a period, we mark our inventory to market value and record an impairment loss.

If we fail to manage inventories efficiently or if we encounter unanticipated decreases in our selling prices, we may be subject to declines in the value of our inventory or significant inventory write-downs or write-offs. The occurrence of any of the above may materially and adversely affect our results of operations and financial condition.

We are exposed to counterparty risks in our contracts

We have entered into a number of contractual arrangements, including sales contracts and framework agreements with our customers and purchase contracts with our suppliers. If our counterparties do not duly perform their obligations under the relevant contracts or the framework agreements, our business, results of operations and financial condition could be materially and adversely affected.

We provided allowance for our doubtful debts of RMB117.9 million, RMB126.3 million, RMB104.6 million and RMB102.6 million in relation to our trade receivables, and RMB66.5

million, RMB80.7 million, RMB74.1 million and RMB47.5 million in relation to our other receivables as of December 31, 2015, 2016 and 2017 and September 30, 2018, respectively. For more details, please refer to the sections headed "Financial Information – Certain Balance Sheet Items – Trade and bills receivable" and "Financial Information – Certain Balance Sheet Items – Other receivables" in this prospectus. If our allowance for doubtful debts in relation to our trade receivables and other receivables is not sufficient to cover actual losses, our business, financial condition and results of operations could be materially and adversely affected.

We may not be able to anticipate trends in market demand and prices of our products, which may materially and adversely affect our trading business

We have established trading companies in the PRC and Hong Kong to develop our trading capabilities. We mainly trade with domestic customers in the iron and steel, non-ferrous metals, coking and chemical industries. Our ability to benefit from our trading business depends on a number of factors, many of which are beyond our control. For instance, if we fail to correctly anticipate price trends for our trading products or demand from our customers in downstream industries, we may not achieve the margins we expect from trading such products or maintain inventories of our trading products at the levels we expect. In 2015, 2016 and 2017 and the nine months ended September 30, 2017 and 2018, the gross profit margin of our trading business segment was 4.4%, 3.8%, 3.4%, 4.5% and 4.6%, respectively. Any adverse development in, or our failure to manage, these factors effectively may materially and adversely affect our business, results of operations and financial condition.

We are exposed to fair value change for financial assets at fair value through profit or loss and valuation uncertainty due to the use of unobservable inputs

During the Track Record Period, our FVTPL primarily included futures contracts, unlisted equity investments, a structure trust product, listed equity securities and a wealth management product. Our fair value gains on financial assets at FVPTL amounted to RMB44.0 million, RMB171.2 million and RMB111.1 million for the years ended December 31, 2015 and 2016 and the nine months ended September 30, 2018, respectively, compared to a fair value loss of RMB15.2 million in 2017. Such fair value gains or loss was mainly attributable to the fair value changes of futures contracts. The fair value gains on future contracts at FVTPL amounted to RMB44.0 million, RMB171.2 million and RMB84.2 million for the years ended December 31, 2015 and 2016 and the nine months ended September 30, 2018, respectively, representing 100%, 100% and 75.8% of the total fair value gains of financial assets at FVTPL for the respective periods, compared to a fair value loss of RMB12.5 million in 2017, representing 82.5% of the total fair value losses of financial assets at FVTPL in 2017.

We commenced futures transactions for coal, coke and refined chemicals in 2013. Our futures transactions are primarily subject to (i) market risks, where actual price movements differ from our expectations, leading to losses on our futures transactions; and (ii) counterparty risks, where our counterparties default on physical settlement when the relevant futures contracts are due for performance. In addition, the PRC futures and derivatives market is relatively immature and does not provide sufficient means to fully hedge against volatile spot selling prices of our products. This may make it difficult for us to reduce our exposure to fluctuations in prices. In addition, the futures and derivatives that we use may not be as effective as we expect for hedging purposes. Fair value changes on our financial assets at FVPTL, and in particular, futures contracts, could adversely affect our financial position.

For financial reporting purposes, fair value measurements are categorized into level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety. The valuations of level 3 financial assets at FVTPL are subject to uncertainties due to the use of unobservable inputs. During the Track Record Period, the fair value of certain of our financial assets at FVTPL were categorized as level 3 of fair value measurement, including the fair value of unlisted equity securities, which were determined using the price-to-book ratio of comparable listed companies and a liquidity discount rate, and the fair value of a structured trust product, which was determined using the net asset value of the underlying investments. When estimating fair value of our level 3 financial assets at FVTPL using the above valuation techniques, we consider unobservable inputs include, among other things, net asset value of underlying investments and the liquidity discount rate. Changes in these unobservable inputs will affect the estimated fair value of our level 3 financial assets at FVTPL at the end of each of the financial reporting year/period and therefore, these assets will face uncertainties in accounting estimation. Our financial position and results of operations could be adversely affected if our determinations turn out to be inaccurate.

We are subject to certain restrictive covenants and risks associated with our debt financing terms that may limit or otherwise adversely affect our business, financial condition, results of operations and prospects

We are subject to restrictive covenants in loan agreements with certain banks. These covenants may restrict or adversely affect our business, results of operations, financial condition and prospects, including our ability to finance our operations through additional loan facilities. Our failure to meet any payment obligations or comply with these restrictive covenants or any financial ratio contained therein may constitute an event of default under these loan agreements.

In the event of any breach of covenants or default under these loan agreements, the lenders may accelerate payment of all or any part of the loans under such loan agreements, and cross-default clauses of other financing agreements may be triggered. During the Track Record Period, we have not breached any financial covenants relating to bank loans.

We may not be able to comply with all of the covenants set out in the loan agreements in the future. In the event of any default under our loan agreements where the lender chooses to accelerate the payment of all or any part of the loan under such loan agreements, our business, results of operations, financial condition, and prospects may be materially and adversely affected.

We had Non-compliant Bill Financing Arrangements during the Track Record Period and such transactions were not in compliance with relevant PRC laws

During the Track Record Period, we had Non-compliant Bill Financing Arrangements with certain PRC commercial banks that involved the issuance of bank acceptance bills without underlying transactions. See "Business – Regulatory Compliance – The Group's Non-compliant Bill Financing Arrangements" for further details. We have ceased conducting the Non-compliant Bill Financing Arrangements since October 1, 2017, and we had fully repaid all of the non-compliant bank acceptance bills issued in the Non-compliant Period before September 30, 2018. We have undertaken to take all actions set out in the paragraphs headed "Business – Regulatory Compliance – The Group's Non-compliant Bill Financing Arrangements – Our undertakings to prevent the occurrence of future non-compliant bill financing arrangements – Other undertakings". We cannot assure you that the relevant regulatory authorities will not impose penalties on us retroactively for the previous Non-compliant Bill Financing Arrangements. Any such penalties could adversely affect our business, financial condition and results of operations.

We may not be able to meet our capital expenditure requirements

Our growth depends to a significant extent on the implementation of our business strategies and plans. An important part of these plans is the expansion of our production capabilities to meet anticipated market demand for these products. The expansion of our production capabilities generally requires substantial capital expenditures. These capital expenditures consist of expenditures on property, plant, equipment and land use rights.

For the years ended December 31, 2015, 2016 and 2017 and the nine months ended September 30, 2018, our capital expenditures, as represented by addition of property, plant and equipment and land use right, were RMB614.9 million, RMB594.6 million, RMB837.2 million and RMB849.9 million, respectively. We expect to continue to incur significant capital expenditures in 2018 and 2019.

We plan to seek equity or debt financing to finance a portion of our capital expenditures. Such financing might not be available to us in a timely manner or on terms that are acceptable, or at all. Our ability to obtain financing to carry out our business plan is subject to a number of factors, including general market conditions and investor acceptance of our business plan. These factors may make the timing, amount, terms and conditions of such financing unattractive or such financing may not be available. If we are unable to raise sufficient funds, we will have to significantly reduce our spending, delay or cancel our planned activities or substantially change our business strategies. We might not be able to obtain any funding, and we might not have sufficient resources to conduct our business as projected. If we fail to secure sufficient cash flow from our operations or external financing to fund the capital expenditures required for our expansion plans, the expansion of our production capabilities may be adversely affected.

In addition, our future capital needs and other business reasons could require us to sell additional equity or debt securities or obtain additional credit facilities. The sale of additional equity or equity-linked securities could dilute our shareholders. The incurrence of indebtedness would result in increased debt service obligations and could result in operating and financing covenants that would restrict our operations or our ability to pay dividends to our shareholders.

We might not be able to sustain our high growth rate and may not be able to successfully manage our growth and implement our business expansion plans

Our total revenue increased from RMB9,993.1 million in 2015 to RMB12,216.6 million in 2016 and further to RMB18,658.3 million in 2017, representing a CAGR of 36.6%. Our future operating results depend on our ability to manage our expansion and growth successfully. Risks that we face in undertaking the expansion include, among others:

- managing a larger organization with a greater number of employees;
- controlling expenses and investments in anticipation of expanded operations;
- establishing or expanding design, manufacturing, sales and service facilities;
- implementing and enhancing administrative infrastructure, systems and processes; and
- addressing new markets and potentially unforeseen challenges as they arise.

We may not be able to successfully execute our development plans and sustain our high growth rate. Any failure to manage our growth effectively could materially and adversely affect our business, prospects, results of operations and financial condition.

Third party companies who receive our operation management and technology output services may fail to obtain licenses, approvals or permits or fail to comply with laws, regulations and policies

Through our operation management and technology output services, we participate in the operation of production facilities of third party companies. However, we are not able to control the actions of these companies. We normally require the third party companies to secure all necessary licenses, approvals and permits and to comply with all applicable laws, regulations and policies, such as regulations relating to safety and environmental protection. If the third party companies fail to obtain any license, approvals or permits or fail to comply with any law, regulations or policies, they may be subject to fines or the suspension or even the cessation of operations, which could materially and adversely affect our business, financial condition and results of operations. Our reputation may also suffer. As disclosed in the section headed "Business – Operation Management and Technology Output Services", we sell raw materials to Company X which its crude benzene hydro-refining facility uses to manufacture products and by-products, which Company X then sells to us. Upon Company X's request, we also provide operation management services to Company X. Company X's operations and production have been suspended since April 2018 as the local government requested it to upgrade environmental protection facilities of production lines that did not produce products for us. Consequently, our provision of services to Company X has been affected.

We are or may be subject to risks associated with strategic alliances or acquisitions

We have entered into and may in the future enter into strategic alliances, including joint ventures or minority equity investments, with various third parties. These alliances could subject us to a number of risks, including risks associated with sharing proprietary information, non-performance by the counter-party, failure of our counter-party to comply with applicable laws and regulations and increased expenses in establishing new strategic alliances, any of which may materially and adversely affect our business. We may have limited ability to monitor or control the actions of these third parties and, to the extent any of these strategic third parties suffers negative publicity or harm to their reputation from events relating to their business, we may also suffer negative publicity or harm to our reputation by virtue of our association with any such third party.

In addition, although we have no current acquisition plans, if appropriate opportunities arise, we may acquire additional assets, products, technologies or businesses that we believe are complementary to our business. In addition to possible shareholder approval, we may have to obtain approvals and licenses from relevant government authorities for the acquisitions and to comply with applicable PRC laws and regulations, which could result in delays and increased costs. Furthermore, past and future acquisitions and the subsequent integration of new assets and businesses into our own require significant attention from our management and could result in a diversion of resources from our existing business, which in turn could have an adverse effect on our operations. Acquired assets or businesses may not generate the financial results we expect. Acquisitions could result in the use of substantial amounts of cash, potentially dilutive issuances of equity securities, significant goodwill impairment charges, amortization expenses for other intangible assets and exposure to liabilities of the acquired business. Moreover, the costs of identifying and consummating acquisitions may be significant.

Our deferred tax assets may not be fully realizable

As of December 31, 2015, 2016 and 2017 and September 30, 2018, we had total deferred tax assets of RMB185.5 million, RMB254.8 million, RMB340.5 million and RMB289.1 million, respectively. We had accumulated unused tax loss of RMB797.0 million, RMB1,160.4 million, RMB1,115.1 million and RMB840.3 million as of December 31, 2015, 2016 and 2017 and September 30, 2018, respectively, available for offset against future profits for the following five consecutive years which will expire in 2020, 2021, 2022 and 2023, respectively.

Deferred tax assets are recognized if it is probable that all of the deferred tax assets will be realized through the recovery of taxes previously paid and/or future taxable income. If we fail to fully realize our deferred tax assets, our business, results of operations and financial condition may be adversely affected.

We may be adversely affected by significant downtime at our facilities for repair and maintenance

We anticipate downtime for routine repairs and maintenance at our production facilities. The time and cost required for repairs and maintenance could exceed our expectations depending on a number of factors. These factors include whether we can perform a required repair on-site, the extent of damage, the availability of replacement components and the capacity of our third-party repair and maintenance service providers. In addition to routine repair and maintenance, we may need to make extraordinary or extensive repairs to our facilities due to catastrophic events, substantial damage or other unexpected events or component failures.

Our facilities could experience prolonged or significant downtime or reduction in capacity, and our operations could be materially disrupted. For certain damage to equipment, the relevant equipment may need to be transported to the original supplier for repair and specialized components may need to be commissioned, which may take several months.

Any significant downtime at our facilities may reduce our total output and utilization, or result in breach or termination of agreements with our customers. Any of these outcomes could adversely affect our business, results of operations, financial condition and prospects.

Failure to achieve sufficient utilization of our facilities may adversely affect our earnings

Almost all of our production facilities have been, or will be, built to a specified capacity in accordance with investment or concession agreements with local governments. A number of factors may affect the utilization of our facilities, including operating hours and efficiency of the facilities, and could lower the output of the facilities. For example, the utilization hours and conversion efficiency of our coking facilities would be adversely impacted by a shortage of coking coal supply or reduction in the quality of coking coal.

Utilization could also be adversely affected by damage, overhauls or regulatory inspections, whether scheduled or ad hoc. The facilities we operate may not be able to achieve the forecasted utilization of their capacity, which may adversely affect our business, results of operations, financial condition and prospects.

We may not be able to adapt to constantly changing technologies

Our success and competitiveness depend on our ability to adapt to constantly changing technologies. Suitable technologies are critical for ensuring safety, efficiency and minimizing environmental impact. These technologies may evolve, and we may not be able to keep up with changes in technology in a timely manner or at reasonable costs.

Changes in governmental regulations and industry standards may impose more stringent performance or environmental requirements with respect to operating efficiency, emissions and discharges. These changes may require us to adopt new technologies, perform equipment upgrades or improve our existing technologies. These changes could also require substantial investments and increase our operating and research and development costs.

We may adopt advanced technologies, including mature technologies available in China and overseas. If we fail to adapt to constantly changing technologies, we may not be able to maintain or improve our competitive position, which could materially and adversely affect our business, results of operations, financial condition and prospects.

Our business depends substantially on the continuing efforts of our executive officers, key employees and qualified personnel, and our operations may be severely disrupted if we lose their services

Our success depends substantially on the continued efforts of our executive officers and key employees. We rely on the expertise and experience of Mr. Yang, our founder, chief executive officer and chairman of our Board. If one or more of our executive officers or key employees were unable or unwilling to continue their services with us, we might not be able to replace them easily, in a timely manner, or at all. We cannot assure you that we will be able to attract or retain qualified staff or other highly skilled employees. In addition, individuals with sufficient training may not be available to hire, and we will need to expend significant time and expense training the employees we hire. Furthermore, our ability to train and integrate new employees into our operations may not meet the growing demands of our business, which may materially and adversely affect our ability to grow our business and our results of operations.

If any of our executive officers or key employees terminates his or her services with us, our business may be severely disrupted, our financial condition and results of operations may be materially and adversely affected and we may incur additional expenses to recruit, train and retain qualified personnel. We have not obtained any “key person” insurance on our key personnel. If any of our executive officers or key employees joins a competitor or forms a competing company, we may lose customers, know-how and key professionals and staff members. Each of our executive officers and key employees has entered into non-compete agreement with us. However, if any dispute arises between our executive officers or key employees and us, the non-competition provisions contained in their non-compete agreements may not be enforceable, especially in China, where these executive officers reside, on the ground that we may have not provided adequate compensation to them for their non-competition obligations, which is required under relevant PRC laws.

Our business involves inherent operating risks and occupational hazards and we have limited insurance coverage to adequately cover all such risks and hazards

Our raw materials, production processes and products are potentially destructive and dangerous in unexpected, uncontrolled or catastrophic circumstances including fire, explosions, operating hazards, natural disasters and major equipment failures. We cannot assure you that our employees, third-party service providers or their employees will strictly adhere to our safety guidelines. The abovementioned problems, interruptions and accidents, including property damage, severe personal injuries or fatalities, could occur in the future. We may not have sufficient, or any, insurance coverage to cover such losses. We may need to bear uninsured losses in excess of insured limits. On October 12, 2018, an accident occurred in our Dingzhou Production Base. As of the Latest Practicable Date, to the best of our Directors' knowledge, the investigation by the relevant local authorities was still ongoing. If we are held responsible for the accident, we may be obligated to pay civil compensation for tort liability and be subject to administrative penalties.

In addition, we do not obtain any insurance coverage against product liability claims. A successful liability claim against us due to injuries caused by our products could materially and adversely affect our financial condition, results of operations and reputation. In addition, we do not have any business disruption insurance. Any business disruption event could result in substantial cost to us and diversion of our resources. If such event occurs, our business, results of operations and financial condition may be materially and adversely affected.

Our business may be adversely affected by any negative publicity about the coal chemical industry and our competitors and business partners in the PRC

The coal chemical industry in general and our competitors and business partners in the PRC have in the past and may continue to receive negative media coverage in relation to environment protection or production safety. If such events occur, our reputation may be adversely affected because we operate in the coal chemical industry or because our operations are similar to those of our competitors and business partners. If we fail to distinguish ourselves from our competitors and business partners, our business, results of operations or financial condition may be materially and adversely affected.

We are subject to inspections, examinations, inquiries or audits by PRC regulatory authorities, which may result in fines, penalties or other legal repercussions, and we must obtain production and operating licenses, permits and registration certificates for our operations

As a company with substantially all of its operations in the PRC, we are subject to periodic inspections, examinations, inquiries and audits by PRC regulatory authorities in accordance with PRC laws and regulations. Inspections, examinations and audits by PRC regulatory authorities could result in fines, other penalties or actions that may materially and adversely affect our business, results of operations, financial condition and reputation.

We must obtain and comply with production and operating licenses, permits and registration certificates for our products and environmental permits for our operations. We may not successfully renew or comply with our licenses, permits and registration certificates, which could adversely affect our business, results of operations or financial condition.

We operate in the PRC coking industry, which is undergoing a period of restructuring, and we may fail to capitalize on opportunities for expansion during this period

The PRC coking industry is highly fragmented with a large number of small coke producers. In 2017, according to Frost & Sullivan, approximately 50 coke producers out of approximately 600 in total had annual coke production volume of over two million tons in China, and the top five independent coking enterprises had a total market share of 7.1% in China.

The growth of China's coking industry has been influenced by the PRC government's industrial policies. The NDRC issued a directive entitled the Entry Conditions of Coking Industry (《焦化行業准入條件》) in 2004 to set a higher standard for the industry. The MIIT revised this directive in 2014 to raise entry barriers in the PRC coking industry and improve the operational efficiency and environmental practices of the industry that effectively restrict the over-expansion of small-scale coking enterprises in the PRC.

The Directors believe that there could be significant consolidation in the PRC coking industry among our competitors, and our competitors could develop alliances that could gain significant market share. According to Frost & Sullivan, approximately 200 coke producers in the PRC as of September 30, 2018 were integrated with their iron and steel operations. If more customers in the iron and steel industry integrate coke production into their operations or increase their level of coke production, then the demand for the coke we produce may decrease. In such event, our business, results of operations and financial condition may be materially and adversely affected.

Our ability to benefit from our expansion through highly selective investments in various coking and refined chemical businesses also depends on a number of factors, many of which are beyond our control. These factors include whether there are any suitable targets for investment and the effective and successful integration of any assets or business that we may acquire. Any adverse development in, or our failure to effectively manage, any of these factors may materially and adversely affect our business, results of operations and financial condition.

Our production and sale of new products may subject us to market risks

Since our establishment, we have extended our production chain and strived to enrich our product portfolio. The production and sale of new products may subject us to market risks, including potential difficulties in operating in a new industry or different operational requirements, regulatory schemes and trade controls, with which we may not be familiar and which may require us to obtain and comply with new governmental or regulatory consents or approvals. Our production and sale of new products may not be successful, which may materially and adversely affect our business, results of operations and financial condition.

We may be involved in disputes or legal and other proceedings arising out of our operations

We may be involved in disputes with various parties, including local governments, suppliers or customers. These disputes may lead to legal or other proceedings and may result in substantial costs, delays in our development and operating schedule and the diversion of resources and management's attention, regardless of the outcome.

We may also have disagreements with regulatory authorities, which may subject us to administrative proceedings and unfavorable decisions that result in penalties or delay or disrupt the development and operation of our facilities. In such cases, our reputation, business, results of operations, financial condition and prospects could be materially and adversely affected.

Resolution of disputes with any governmental entities may be costly and difficult. Any disputes with governmental entities could lead to termination of our investment or concession agreements with the governments for our projects. It may also take a substantially longer time to resolve such disputes than to resolve disputes with private counterparties.

Our remedies for contractual breaches by governmental counterparties may be limited or unavailable because the contractual parties are public entities, making it difficult and time consuming to enforce claims against them through legal proceedings. If the governmental entities change or terminate any contract with us, our business, results of operations, financial condition and prospects may be materially and adversely affected.

The interests of our Controlling Shareholders may not always coincide with the best interests of our other Shareholders

Following completion of the Global Offering (without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option or the exercise of any options which may be granted under the Share Option Scheme), Mr. Yang, our Company's ultimate Controlling Shareholder, will be interested in an aggregate of approximately 77.9% of the Shares. The interests of the Controlling Shareholders may not always coincide with the other Shareholders' best interests.

The Controlling Shareholders will exert significant influence over our actions, including decisions regarding mergers, consolidations and the sale of all or substantially all of our assets, the election of Directors and other significant corporate actions. This concentration of ownership may discourage, delay or prevent a change in control of our Company, which could deprive our Shareholders of an opportunity to receive a premium for their Shares in a sale of our Company or may reduce the market price of our Shares. These actions may be taken even if they are opposed by our other Shareholders, including those who purchase Shares in the Global Offering. As a result, the Controlling Shareholders could exercise such influence in a manner that is contrary to the best interests of the other Shareholders.

We may need to defend ourselves against intellectual property rights infringement claims, which may be time-consuming and may cause us to incur substantial costs

Companies, organizations or individuals, including our competitors, may hold or obtain patents, trademarks or other proprietary rights that would prevent, limit or interfere with our ability to make, use, develop, sell or market our products, which could make it more difficult for us to operate our business. From time to time, we may receive communications from holders of patents or trademarks regarding their proprietary rights. Companies holding patents or other intellectual property rights may bring suits alleging infringement of such rights or otherwise assert their rights or urge us to purchase licenses from them. In the event of a successful claim of infringement against us and our failure or inability to obtain a license to the infringed technology or other intellectual property right, our business, prospects, operating results and financial condition could be materially and adversely affected. In addition, any litigation or claims, whether or not with merit, could result in substantial costs, negative publicity and diversion of resources and management attention.

We may not be able to prevent others from unauthorized use of our intellectual property, which could harm our business and competitive position

We regard our trademarks, brand name, patents, proprietary technologies, know-how and processes and similar intellectual property as critical to our success. We rely on trademark and patent law, trade secret protection and confidentiality and license agreements with our employees and others to protect our proprietary rights. Failure to maintain or protect these rights could harm our business. In addition, any unauthorized use of our intellectual property by third parties may adversely affect our current and future revenues and our reputation.

Implementation and enforcement of PRC intellectual property-related laws have historically been deficient and ineffective. Accordingly, protection of intellectual property rights in China may not be as effective as in other countries. Furthermore, policing unauthorized use of proprietary technology is difficult and expensive. We rely on a combination of patent, copyright, trademark and trade secret laws and restrictions on disclosure to protect our intellectual property rights. Despite our efforts to protect our proprietary rights, third parties may attempt to copy or otherwise obtain and use our intellectual property or seek court declarations that they do not infringe our intellectual property rights. Monitoring unauthorized use of our intellectual property is difficult and costly, and we cannot assure you that the steps we have taken or will take will prevent misappropriation of our intellectual property. From time to time, we may have to resort to litigation to enforce our intellectual property rights, which could result in substantial costs and diversion of our resources.

We are subject to anti-corruption, anti-bribery, anti-money laundering, financial and economic sanctions and similar laws, and noncompliance with such laws could adversely affect our business, results of operations, financial condition and reputation

We are subject to anti-corruption, anti-bribery, anti-money laundering, financial and economic sanctions and similar laws and regulations in various jurisdictions in which we operate. The anti-corruption laws and regulations strictly prohibit bribery of government officials. A violation of these laws or regulations could adversely affect our business, results of operations, financial condition and reputation.

We have direct or indirect interactions with officials and employees of government agencies and state-owned affiliated entities in the ordinary course of business. We have also entered into joint ventures and other business partnerships with state-owned or affiliated entities. These interactions subject us to an increased level of compliance-related concerns. We are in the process of implementing policies and procedures designed to ensure compliance by us and our Directors, officers, employees, representatives, consultants, agents and business partners with applicable anti-corruption, anti-bribery, anti-money laundering, financial and economic sanctions and similar laws and regulations. However, our policies and procedures may not be sufficient and our Directors, officers, employees, representatives, consultants, agents, and business partners could engage in improper conduct for which we may be held responsible.

Non-compliance with anti-corruption, anti-bribery, anti-money laundering or financial and economic sanctions laws could subject us to whistleblower complaints, adverse media coverage, investigations, and severe administrative, civil and criminal sanctions, collateral consequences, remedial measures and legal expenses, all of which could materially and adversely affect our business, results of operations, financial condition and reputation. In addition, changes in economic sanctions laws in the future could adversely impact our business and investments in our shares.

We face risks related to health epidemics, natural disasters and other outbreaks, which could significantly disrupt our operations

Our business could be adversely affected by the effects of epidemics. In recent years, there have been outbreaks of epidemics in China and globally. Our business operations could be disrupted if any of our employees are suspected of having H1N1 flu, avian flu or another epidemic, since it could require our employees to be quarantined and/or our production facilities to be disinfected. In addition, our results of operations could be adversely affected to the extent that the outbreak harms the Chinese economy in general.

We are also vulnerable to natural disasters and other calamities. Natural disasters or other unanticipated catastrophic events, including power interruptions, water shortages, storms, fires, flood, earthquakes and terrorist attacks, could significantly impair our ability to manufacture our products and operate our business. Our facilities and certain equipment located in these facilities would be difficult to replace and could require substantial replacement lead-time. Catastrophic events may also destroy any inventory located in our facilities.

Our property valuation may be different from the actual realizable value and may be uncertain or subject to change

The property valuation report set out in Appendix IV on the appraised value of our properties is based on a number of assumptions which are subjective and uncertain. Assumptions used by JLL in the valuation report include (among other things) that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.

Some assumptions used by JLL to arrive at the appraised value of the property may be inaccurate. Therefore, our property valuation should not be treated as actual realizable value or a forecast of realizable value. Unforeseeable changes in our properties and national or local economic conditions may affect the value of such properties. Over-reliance on the relevant value of such properties appraised by JLL is not advisable.

RISKS RELATING TO THE PRC AND THE CAYMAN ISLANDS

Political, economic and legal developments in the PRC could affect our business

The political, economic and legal systems in the PRC differ from those in Hong Kong and many other jurisdictions. Although the Chinese economy has been transitioning from a planned economy to a more market-oriented economy for over 30 years, the PRC government has retained significant control over economic growth by owning a substantial portion of productive assets, allocating resources, controlling capital investment, reinvestment and foreign exchange, setting monetary policies and offering preferential treatment to certain industries or companies.

In recent years, the PRC government has implemented economic reforms emphasizing the use of market forces to drive economic development, the reduction of state ownership of productive assets and the establishment of sound corporate governance. Changes in the PRC's political, economic and social conditions, laws, regulations and policies may materially and adversely affect our business, results of operations and financial condition.

Although China has been one of the world's fastest growing economies in recent years as measured by the GDP growth, China may not be able to sustain such a high growth rate. For example, the GDP growth rate of China decreased from 7.3% in 2014 to 6.8% in the first half of 2018. China's GDP growth rate is expected to continue declining.

The global economy may deteriorate and adversely impact the Chinese economy. Any significant slowdown in the Chinese economy could materially and adversely affect our operations. In particular:

- Any slowdown in the economy may result in reduced demand for steel or chemical products or may adversely impact our customers' financial condition, which in turn would reduce demand for our products;
- We may not be able to raise additional capital on favorable terms, or at all; and

- Trade and capital flows may further contract as a result of protectionist measures in certain markets, which could cause a further slowdown in economies and materially and adversely affect our business and prospects.

Concerns over liquidity issues, geopolitical issues, the availability and cost of credit and the unemployment rate have resulted in adverse market conditions in China. In addition, consumer, corporate and government spending, business investment, capital market volatility and inflation all affect the business and economic environment and the growth of the coal and steel industries. These factors could materially and adversely affect our business, results of operations and financial condition.

The interpretation and enforcement of PRC laws and regulations involve uncertainties

Many laws and regulations in the PRC are promulgated in broad principles. The PRC government has gradually implemented rules and refined and modified these laws and regulations. The interpretation of PRC laws and regulations may be influenced by policies that reflect domestic political and social changes.

As central or local government agencies have recently adapted many laws, regulations and legal requirements, their implementation, interpretation and enforcement may involve uncertainty due to the lack of established practices for reference. In addition, the legal system in the PRC is a civil law system.

Unlike common law systems, prior court decisions have limited value as precedents in civil law systems. Depending on the government agency or how an application or a case is presented to such agency, we may receive less favorable interpretations of law than our competitors.

Any litigation in the PRC may be protracted and result in substantial legal costs and diversion of resources and management attention. As the PRC legal system develops, the promulgation of new laws or refinement and modification of existing laws may adversely affect foreign investors. Changes in legislation or the interpretation thereof may have a material and adverse effect upon our business, results of operations and financial condition.

Under the EIT Law, we may be classified as a PRC resident enterprise, which could result in unfavorable tax consequences to us and our shareholders and have a material adverse effect on our results of operations and the value of your investment

Under the EIT Law, effective 2008, an enterprise established outside China with "de facto management bodies" within China is considered a "resident enterprise" for PRC enterprise income tax purposes and is generally subject to a uniform 25% enterprise income tax rate on its worldwide income. In 2009, SAT issued the Notice Regarding the Determination of PRC-Controlled Overseas Incorporated Enterprises as PRC Tax Resident Enterprise on the Basis of De Facto Management Bodies ("**SAT Circular 82**"), which provides certain specific criteria for determining whether the "de facto management body" of a PRC-controlled enterprise that is incorporated offshore is located in China. Further to SAT Circular 82, the SAT issued the

Administrative Measures for Enterprise Income Tax of PRC-Controlled Offshore Incorporated Resident Enterprises (Trial) ("**SAT Bulletin 45**"), effective 2011, to provide more guidance on the implementation of SAT Circular 82. SAT Bulletin 45 clarified certain issues in the areas of resident status determination, post-determination administration and competent tax authorities' procedures.

According to SAT Circular 82, an offshore incorporated enterprise controlled by a PRC enterprise or a PRC enterprise group will be considered as a PRC tax resident enterprise by virtue of having its "de facto management body" in China and will be subject to PRC enterprise income tax on its worldwide income only if all of the following conditions are met: (a) the senior management and core management departments in charge of its daily operations function have their presence mainly in China; (b) its financial and human resources decisions are subject to determination or approval by persons or bodies in China; (c) its major assets, accounting books, company seals, and minutes and files of its board and shareholders' meetings are located or kept in China; and (d) more than half of the enterprise's directors or senior management with voting rights habitually reside in China. SAT Bulletin 45 specifies that when provided with a copy of a PRC tax resident determination certificate from a resident PRC controlled offshore incorporated enterprise, the payer should not withhold 10% income tax when paying the PRC-sourced dividends, interest and royalties to the PRC controlled offshore incorporated enterprise.

Although SAT Circular 82 and SAT Bulletin 45 only apply to offshore incorporated enterprises controlled by PRC enterprises or PRC enterprise groups and not those controlled by PRC individuals or foreigners, the determination criteria set forth therein may reflect the SAT's general position on how the term "de facto management body" could be applied in determining the tax resident status of offshore enterprises, regardless of whether they are controlled by PRC enterprises, individuals or foreigners.

In addition, the SAT issued the Announcement of the State Administration of Taxation on Issues concerning the Determination of Resident Enterprises Based on the Standards of Actual Management Institutions in January 2014 to provide more guidance on the implementation of SAT Circular 82. This bulletin further provides that, among other things, an entity that is classified as a "resident enterprise" in accordance with the circular shall file the application for classifying its status of residential enterprise with the local tax authorities where its main domestic investors are registered. From the year in which the entity is determined to be a "resident enterprise," any dividend, profit and other equity investment gain shall be taxed in accordance with the enterprise income tax law and its implementing rules.

If the PRC tax authorities determine that we or any of our non-PRC subsidiaries is a PRC resident enterprise for PRC enterprise income tax purposes, then we or any such non-PRC subsidiary could be subject to PRC tax at a rate of 25% on its world-wide income, which could materially affect our financial performance. In addition, we will also be subject to PRC enterprise income tax reporting obligations.

If the PRC tax authorities determine that our company is a PRC resident enterprise for PRC enterprise income tax purposes, gains realized on the sale or other disposition ordinary shares may be subject to PRC tax, at a rate of 10% in the case of non-PRC enterprises or 20% in the case of non-PRC individuals (in each case, subject to the provisions of any applicable tax treaty), if such gains are deemed to be from PRC sources. Any such tax may reduce the returns on your investment in our ordinary shares.

There are significant uncertainties under the EIT Law relating to the withholding tax liabilities of our PRC subsidiaries, and dividends payable by our PRC subsidiaries to our offshore subsidiaries may not qualify to enjoy certain treaty benefits

Under the EIT Law and its implementation rules, the profits of a foreign-invested enterprise generated through operations, which are distributed to its immediate holding company outside China, will be subject to a withholding tax rate of 10%. Pursuant to a special arrangement between Hong Kong and China, such rate may be reduced to 5% if a Hong Kong resident enterprise owns more than 25% of the equity interest in the PRC company. Under the Notice of the State Administration of Taxation on Issues regarding the Administration of the Dividend Provision in Tax Treaties promulgated in 2009, the taxpayer needs to satisfy certain conditions to enjoy the benefits under a tax treaty. These conditions include: (i) the taxpayer must be the beneficial owner of the relevant dividends, and (ii) the corporate shareholder to receive dividends from the PRC subsidiaries must have met the direct ownership thresholds during the 12 consecutive months preceding the receipt of the dividends. Further, the SAT promulgated the Notice on How to Understand and Recognize the "Beneficial Owner" in Tax Treaties in 2009, which limits the "beneficial owner" to individuals, enterprises or other organizations normally engaged in substantive operations, and sets forth certain detailed factors in determining "beneficial owner" status.

Entitlement to a lower tax rate on dividends according to tax treaties or arrangements between the PRC central government and governments of other countries or regions is subject to the Administrative Measures for Non-Resident Taxpayers to Enjoy Treatments under Tax Treaties, which provides that non-resident enterprises are not required to obtain pre-approval from the relevant tax authority in order to enjoy the reduced withholding tax. Instead, non-resident enterprises and their withholding agents may, by self-assessment and on confirmation that the prescribed criteria to enjoy the tax treaty benefits are met, directly apply the reduced withholding tax rate, and file necessary forms and supporting documents when performing tax filings, which will be subject to post-tax filing examinations by the relevant tax authorities. As a result, we cannot assure you that we will be entitled to any preferential withholding tax rate under tax treaties for dividends received from our PRC subsidiaries.

Heightened scrutiny over acquisitions by tax authorities in the PRC may negatively impact our operations, our acquisition or restructuring strategy or the value of your investment in us

In February 2015, the SAT issued the Announcement of the SAT on Several Issues concerning the Enterprise Income Tax on Income from the Indirect Transfer of Assets by

Non-Resident Enterprises (國家稅務總局關於非居民企業間接轉讓財產企業所得稅若干問題的公告) ("**SAT Circular 7**"). SAT Circular 7 provided comprehensive guidelines relating to, and also heightened the PRC tax authorities' scrutiny over, indirect transfers by a non-resident enterprise of taxable assets in the PRC.

Under SAT Circular 7, PRC tax authorities may reclassify the nature of an indirect transfer of taxable assets in the PRC, when a non-resident enterprise transfers taxable assets in the PRC indirectly by disposing of equity interests in an overseas holding company directly or indirectly holding such taxable assets in the PRC. PRC tax authorities may disregard the existence of the overseas holding company and reclassify the transaction as a direct transfer of the PRC enterprise without any other reasonable commercial purpose. Although SAT Circular 7 contains certain exemptions, it is unclear whether any exemptions under SAT Circular 7 will be applicable to the transfer of our Shares or to any future acquisition by us outside of China involving taxable assets in the PRC, or whether the PRC tax authorities will apply SAT Circular 7 to any such transaction. Therefore, the PRC tax authorities may deem any transfer of our Shares by our Shareholders that are non-resident enterprises, or any future acquisitions by us outside of the PRC involving taxable assets in the PRC, to be subject to the foregoing regulations, which may subject our Shareholders or us to additional PRC tax reporting obligations or tax liabilities.

The SAT Circular on the Source of Deduction of Income Tax for Non-resident Enterprises (國家稅務總局關於非居民企業所得稅源泉扣繳有關問題的公告) ("**SAT Circular 37**"), effective on December 1, 2017 and abolished certain provisions in SAT Circular 7. Pursuant to SAT Circular 37, where the party responsible to deduct such income tax did not or was unable to make such deduction, the non-resident enterprise receiving such income should declare and pay the taxes that should have been deducted to the relevant tax authority.

We have conducted and may conduct acquisitions involving changes in corporate structures. Historically, certain past shareholders transferred our shares to current shareholders. PRC tax authorities could, at their discretion, adjust any capital gains and impose tax return filing obligations on us or require us to assist their investigation of such acquisitions. Any PRC tax imposed on a transfer of our Shares or any adjustment of such gains would result in additional costs and negatively impact the value of your investment in us.

Our Company is a holding company that relies on dividends from our subsidiaries for funding

We are a holding company incorporated in the Cayman Islands and operate our core business primarily through our subsidiaries in the PRC. Therefore, the availability of funds to pay dividends to our Shareholders and to service our indebtedness depends on dividends from these subsidiaries. Any debts or losses that our subsidiaries incur may impair their ability to pay dividends or other distributions to us.

As a result, our ability to pay dividends or other distributions and to service our indebtedness will be restricted. PRC laws require that dividends be paid only out of net profit calculated according to PRC's generally accepted accounting principles, which differ from those in other jurisdictions, including IFRS and HKFRS. PRC laws also require foreign-invested PRC enterprises and PRC incorporated companies, such as our PRC subsidiaries, to set aside part of their net profit as statutory reserves. These statutory reserves are not available for distribution as cash dividends.

In addition, restrictive covenants in bank credit facilities, convertible bond instruments or other agreements that we or our subsidiaries may enter into in the future, may also restrict the ability of our PRC subsidiaries to make distributions to us. These restrictions may adversely affect our ability to pay dividends to our Shareholders and to service our indebtedness.

You may experience difficulty in effecting service of process upon us, our Directors or executive officers that reside in the PRC or enforcing judgments of non-PRC courts against us or them in the PRC

We were incorporated in the Cayman Islands. We operate our business predominantly in China and substantially all of our assets are located in China. Furthermore, most of our Directors and executive officers are either PRC citizens or residents, and substantially all of the assets of those persons are located in the PRC. It may be difficult for investors to effect service of process upon those persons within the PRC or to enforce any judgments obtained from non-PRC courts against them or us in the PRC. China has not entered into treaties providing for the reciprocal recognition and enforcement of judgments of courts with the Cayman Islands, the United States, the United Kingdom, Japan and many other countries. Therefore, recognition and enforcement in China of judgments of a court in any of these jurisdictions in relation to any matter not subject to a binding arbitration provision may be difficult or impossible. In addition, the legal requirements for bringing an action against a company by a shareholder in the PRC may significantly differ from those in Hong Kong or other jurisdictions where investors may be located. As a result, shareholders may not enjoy the same rights as pursuant to the laws of Hong Kong or such other jurisdictions.

Most of our revenue is denominated in Renminbi, which is not freely convertible for capital account transactions

We need to exchange our Renminbi reserves into foreign currency to pay dividends to our Shareholders. However, most of our revenue is denominated in Renminbi. Under PRC foreign exchange rules and regulations, payments of current account items, including profit distributions, interest payments and operation-related expenditures, may be made in foreign currencies without prior approval but are subject to procedural requirements.

Strict foreign exchange control continues to apply to capital account transactions. These transactions must be approved by or registered with SAFE and repayments of loan principal, distributions of return on direct capital investment and investments in negotiable instruments are also subject to restrictions. Accordingly, we might not be able to meet all of our foreign currency obligations or to remit profits out of the PRC.

We may be subject to penalties, including restriction on our PRC subsidiaries' ability to distribute profits to us, if our PRC resident shareholders or beneficial owners fail to comply with applicable PRC foreign exchange regulations

SAFE issued the Notice on Relevant Issues Relating to Domestic Residents' Investment and Financing and Round-Trip Investment through Special Purpose Vehicles (關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知) ("**Circular 37**"), which took effect in 2014. Circular 37 requires PRC residents, including PRC individuals and institutions, to register with SAFE or its local branches before they inject assets or purchase equity interests in an offshore special purpose vehicle which is directly established or controlled by the PRC residents for the purpose of overseas investment and financing.

In addition, such PRC residents must update their foreign exchange registrations with SAFE when the offshore special purpose vehicle undergoes material events relating to any change of basic information (including any change of such PRC individual resident shareholder, name and term of business operation of the offshore special purpose vehicle), increases or decreases in investment amount, share transfers or exchanges, or mergers or division by the individual resident shareholder.

In 2015, SAFE issued Circular of the State Administration of Foreign Exchange on Relevant Issues Concerning Foreign Exchange Administration in Further Simplifying and Improving Foreign Exchange Administration Policies on Direct Investments (國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知) ("**Circular 13**"), which simplifies the registration requirements of Circular 37 by allowing PRC residents to register with designated banks rather than SAFE or its local branches. If any PRC resident holding an interest in an offshore special purpose vehicle fails to fulfill the foreign exchange registration requirements, the PRC subsidiaries of that offshore special purpose vehicle may be prohibited from distributing their profits and dividends to their offshore parent company or carrying out other cross-border foreign exchange activities. The offshore special purpose vehicle may also be restricted from contributing additional capital to its PRC subsidiaries.

Due to the uncertainty concerning the reconciliation of Circular 37 and Circular 13 with other approval requirements, it remains unclear how Circular 37 and any future legislation concerning offshore investment or cross-border transactions will be interpreted, amended and implemented by the PRC government. Any failure by our PRC Shareholders to comply with Circular 37 and Circular 13 may result in the prohibition of distributions or contributions from capital reductions, share transfers or liquidations of our PRC subsidiaries and may affect our ownership structure, acquisition strategy, operations and ability to pay dividends to our Shareholders.

Failure to comply with the abovementioned SAFE registration requirements could result in liability of the PRC residents under PRC laws for evasion of foreign exchange controls. As such, our business, financial condition and results of operations as well as our ability to pay dividends or make other distributions to our Shareholders may be materially and adversely affected.

Fluctuations in exchange rates could have a material and adverse effect on our results of operations and the value of your investment

The value of Renminbi against the U.S. dollar, Hong Kong dollar and other currencies is affected by changes in China's political and economic conditions and by China's foreign exchange policies, among other things. In July 2005, the PRC government changed its decades-old policy of pegging the value of the Renminbi to the U.S. dollar, and the exchange rate between Renminbi and the U.S. dollar has since fluctuated, and at times significantly and unpredictably. With the development of the foreign exchange market and progress towards exchange rate liberalization and Renminbi internationalization, the PRC government may in the future announce further changes to the exchange rate system and the Renminbi could appreciate or depreciate significantly in value against the U.S. dollar. It is difficult to predict how market forces or PRC or U.S. government policy may impact the exchange rate between Renminbi and the U.S. dollar in the future.

There remains significant international pressure on the PRC government to adopt an even more flexible currency policy, which could result in a further and more significant appreciation of the Renminbi against the U.S. dollar or other currencies. Further appreciation of the Renminbi against these currencies may lead to a decline in the revenues of our overseas operations. Fluctuations in exchange rates may adversely affect the value, translated or converted into foreign currencies, of our net assets, earnings and any declared dividends.

There are limited hedging instruments available in China to reduce our exposure to exchange rate fluctuations between the Renminbi and other currencies. To date, we have not entered into any hedging transactions in an effort to reduce our exposure to foreign currency exchange risk. While we may decide to enter into hedging transactions in the future, the availability and effectiveness of these hedges may be limited and we may not be able to adequately hedge our exposure or at all.

The use of Renminbi converted from foreign currency capital contributions is subject to applicable PRC foreign exchange regulations and our ability to use such capital contributions may be restricted

We may transfer funds to our PRC subsidiaries or finance our PRC subsidiaries by Shareholders' capital contributions after completion of the Global Offering. Any loans to our PRC subsidiaries, which are foreign-invested enterprises, cannot exceed statutory limits, and must be registered with SAFE or its local counterparts.

Furthermore, any capital contributions we make to our PRC subsidiaries must be approved by or filed for record with the MOFCOM or its local counterparts. We may not complete these government procedures on a timely basis, if at all. If we fail to comply with such procedures, our ability to provide loans or capital contributions to our PRC subsidiaries in a timely manner may be impaired, which could materially and adversely affect our liquidity and ability to fund and expand our business.

Pursuant to the Circular on Reforming the Administration Measures on Conversion of Foreign Exchange Registered Capital of Foreign-invested Enterprises (國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知) ("**Circular 19**") and the Circular of the State Administration of Foreign Exchange on Reforming and Regulating the Management Policies Regarding the Settlement under Capital Account (國家外匯管理局關於改革和規範資本項目結匯管理政策的通知) ("**Circular 16**") promulgated by SAFE, foreign-invested enterprises are allowed to settle foreign exchange capital into Renminbi on a discretionary basis. Furthermore, where foreign-invested enterprises are engaged in equity investment in the PRC, they must comply with the regulations on reinvestment in the PRC. It is uncertain how PRC authorities will interpret, apply and enforce Circular 19 and Circular 16 and whether these regulations will be effective in unlocking the restrictions on foreign exchange capital settlement.

Changes in laws governing our relationship with our employees, including the Labor Contract Law of the PRC, may increase our operating costs and adversely affect our results of operation

The Labor Contract Law of the PRC, imposes onerous requirements in terms of the signing labor contracts, paying remuneration, stipulating probation and penalties and dissolving labor contracts. It also requires the terms of employment contracts to be in writing within one month of the commencement of an employment relationship, which may make hiring temporary workers more difficult. As a result of these regulations, we expect our labor costs to increase, as the continued success of our business depends significantly on our ability to attract and retain qualified personnel.

The Labor Contract Law of the PRC and its implementation rules may also limit our ability to change our employment and labor practices in a timely and cost-effective manner. In addition, as the interpretation and implementation of these regulations are still evolving, our employment practice may not at all times be deemed compliant with the regulations. If we are subject to severe penalties or incur significant liabilities in connection with labor disputes or investigations, our business and results of operations may be adversely affected.

Inflation in the PRC could negatively affect our growth and profitability

The PRC economy has experienced rapid growth in recent years. Such growth can lead to growth in money supply and rising inflation. If prices for our products rise at a rate that is insufficient to compensate for the rise in our costs due to inflation, our business and financial performance may be materially and adversely affected.

The PRC government has imposed controls on bank credit, limits on loans for fixed assets and restrictions on state bank lending in the past in order to control inflation. Such austerity policies can lead to a slowing of economic growth and could materially and adversely affect our business, growth and profitability.

You may face difficulties in protecting your interests under the laws of the Cayman Islands

Our corporate affairs are governed by, among other things, the Memorandum and Articles of Association of the Company, the Companies Law and the common law of the Cayman Islands. The rights of Shareholders to take action against our Directors, actions by minority shareholders and the fiduciary responsibilities of our Directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as that from English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders differ in some respects from those in other jurisdictions. These differences mean that the remedies available to our minority Shareholders may differ from those they would have under the laws of Hong Kong or other jurisdictions. For detailed information, please refer to the section headed "Appendix V – Summary of the Constitution of our Company and Cayman Islands Company Law" to this prospectus.

RISKS RELATING TO THE GLOBAL OFFERING

There has been no existing public market for the Shares and market price may fluctuate and be lower than the Offer Price

Prior to the Global Offering, there has been no public market for the Shares. The initial Offer Price range to the public for the Shares was the result of negotiations between us and the Sole Global Coordinator (for itself and on behalf of the Underwriters), and the Offer Price may differ significantly from the market price for the Shares following the Global Offering.

We have applied to the Stock Exchange for the listing of, and permission to deal in, the Shares. However, a listing on the Stock Exchange does not guarantee that an active trading market for the Shares will develop, or if it does develop, be sustained following the Global Offering or that the market price of the Shares will not decline following the Global Offering.

The initial price to the public of the Offer Shares is expected to be determined on or around Tuesday, March 5, 2019 and, in any event, not later than Wednesday, March 13, 2019. However, the Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be several days after the Price Determination Date.

As a result, investors may not be able to sell or otherwise deal in the Shares during that period. Accordingly, Shareholders are subject to the risk that the price of the Shares when trading begins could be lower than the Offer Price as a result of adverse market conditions or other adverse developments that may occur between the time of sale and the time trading begins.

The liquidity, trading volume and market prices of the Shares following the Global Offering may be volatile

The price and trading volume of the Shares may be highly volatile. Factors that could cause the market price of the Shares to change include:

- variations in our revenues, earnings and cash flows;
- announcements of new investments, strategic alliances or acquisitions;
- unexpected business interruptions resulting from natural disasters or power shortages;
- major changes in our key personnel or senior management;
- our inability to obtain or maintain regulatory approval for our operations;
- our inability to compete with our competitors effectively;
- political, economic, financial and social developments;
- changes in environment protection laws and policies;
- fluctuations in market prices for our products; or
- fluctuations in market prices for our raw materials, in particular coking coals.

Any such developments may result in large and sudden changes in the volume and price at which the Shares will trade. Our Share price may not accurately represent our long term value, and period-to-period comparisons may not be meaningful due to the above reasons. No assurance can be given that our operating results will meet the expectations of market analysts or our investors. If we fail to meet their expectations, our Share price might decline.

In addition, shares of other public companies with significant operations and assets in the PRC have experienced substantial price volatility in the past. The Shares might be subject to changes in price that may not be directly related to or otherwise reflect our financial or business performance.

There may be dilution of shareholding or restrictions on our operations as a result of additional fund raising

We may need to raise additional funds to finance the expansion of our existing operations or new acquisitions. If we raise additional funds by issuing new equity or equity-linked securities other than on a pro rata basis to existing Shareholders, the percentage ownership of our Shareholders in us may be diluted, Shareholders may experience subsequent dilution and/or such securities may have rights, preferences and privileges senior to the Shares.

Alternatively, if we meet such funding requirements using additional debt financing, such debt financing arrangements may:

- limit our ability to pay dividends or require us to seek consent from our creditors for the payment of dividends;
- increase our vulnerability to general adverse economic and industry conditions;
- require us to dedicate a substantial portion of our cash flows to service our debt, reducing the availability of our cash flow to fund capital expenditures, working capital requirements and other general corporate needs; and
- limit our flexibility in planning for, or reacting to, changes in our business and industry.

Future sales of Shares or major divestments of Shares by any major Shareholder could adversely affect our Share price.

The sale of a significant number of Shares after the Global Offering, or the perception that these sales may occur, could adversely affect the market price of the Shares. The Shares beneficially owned by certain of our Shareholders are subject to certain lock-up periods. Those Shareholders, or the beneficial owners of the Shares, could dispose of these Shares following the expiration of the lock-up periods, or any Shares they may own in the future.

Any major disposal of Shares by the Controlling Shareholders or any of the Pre-IPO Investors or their assignees may cause the market price of the Shares to fall. Moreover, these disposals may make it more difficult for us to issue new Shares at a time and price we deem appropriate, limiting our ability to raise capital.

Substantial future sales or the expectation of substantial sales of our Shares could lower the price of our Shares

Sales of substantial amount of Shares after the completion of the Global Offering, or the perception that these sales could occur, could adversely affect the price of our Shares. There will be 4,000,000,000 Shares outstanding immediately following the Global Offering, assuming the Over-allotment Option and any options that may be granted under the Share Option Scheme are not exercised. Our Controlling Shareholder has agreed that any Shares held by him will be subject to a lock-up after the Listing. Please refer to the section headed "Underwriting – Underwriting Arrangements and Expenses" in this prospectus for more information. However, the Underwriters may release these Shares from these restrictions at any time and such Shares will be freely tradable after the expiry of the lock-up period. Shares which are not subject to a lock-up arrangement represent approximately 32% of the total issued share capital immediately following the Global Offering (assuming no exercise of the Over-allotment Option) and will be freely tradable immediately following the Global Offering.

We may not be able to declare dividends in the future

Our Company was incorporated in 2007. It declared a cash dividend for 2016 of RMB891.1 million in April 2018. Such dividend has been fully paid as of January 31, 2019. For details of our dividend policy, please refer to the section headed "Financial Information – Dividend Policy" in this prospectus.

The amount of dividends our Company has paid historically is not indicative of our future performance or the amount of dividends we may pay in the future. Future dividends may not be declared or paid at all. Dividends to be declared by us will be subject to the recommendation of the Directors after taking into account various factors, including our earnings, financial condition, cash requirements and liquidity, our constitutional documents, applicable laws and other relevant factors.

The Stock Exchange has granted us waivers from compliance with certain requirements of the Listing Rules. Our Shareholders will not have the benefit of the Listing Rules that are so waived. These waivers could be revoked, exposing us and our Shareholders to additional legal and compliance obligations

We have applied for, and the Stock Exchange has granted us, a number of waivers from compliance with the Listing Rules. Please refer to the section headed "Waivers from Compliance with the Listing Rules" in this prospectus for further details. The Stock Exchange could revoke any of these waivers or impose conditions on any of them. If any of these waivers were to be revoked or subject to conditions, we may be subject to additional compliance obligations, incur additional compliance costs and face uncertainties arising from issues of multijurisdictional compliance, all of which could adversely affect our Shareholders and us.

Statistics contained in this prospectus are derived from third parties and official governmental sources and may not be reliable

We have obtained certain facts and statistics included in this prospectus from third parties and official publications generally believed to be reliable. While the Directors have taken reasonable care to ensure that the facts and statistics are accurately reproduced from such sources, we have not independently verified them. Therefore, the Directors and all parties involved in the Global Offering make no representation as to the correctness or accuracy of the third party and official governmental statistics presented in this prospectus.

The third party and official governmental statistics presented in this prospectus may not be accurate or comparable with official governmental statistics produced for other economies, and you should not unduly rely upon them. Third party and official governmental statistics in this prospectus may not be stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere.

There are risks associated with forward-looking statements contained in this prospectus

This prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. For details of these forward-looking statements, including the associated risks, please refer to the section headed "Forward-looking Statements" in this prospectus.

No reliance should be placed on any information contained in press articles or other media regarding us and the Global Offering

We may be subject to press and media coverage prior to the publication of this prospectus, and subsequent to the date of this prospectus but prior to the completion of the Global Offering. Press reports and other media coverage may include certain financial information, industry comparisons, profit forecasts and other information about us that does not appear in this prospectus.

You should rely solely upon the information contained in this prospectus and the Application Forms in making your investment decision regarding the Global Offering. We do not accept any responsibility for, and make no representation as to, the accuracy or completeness of any information reported by the press or other media, nor the fairness or appropriateness of any forecasts, views or opinions expressed by the press or other media regarding us or the Global Offering.

Accordingly, prospective investors should not rely on any such information, reports or publications in making their investment decisions regarding the Global Offering. By applying to purchase our Shares in the Global Offering, you will be deemed to have agreed that you will not rely on any information other than that contained in this prospectus and the Application Forms.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus includes particulars given in compliance with the Companies Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) (as amended) and the Listing Rules for the purpose of giving information to the public with regard to our Group. Our Directors collectively and individually accept full responsibility for the accuracy of the information contained in this prospectus. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in this prospectus misleading.

INFORMATION ON THE GLOBAL OFFERING

The Hong Kong Public Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorized to give any information in connection with the Global Offering or to make any representation not contained in this prospectus and the Application Forms, and any information or representation not contained herein and therein must not be relied upon as having been authorized by our Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Co-Manager, the Underwriters, any of their respective directors, agents, employees or advisors or any other party involved in the Global Offering.

Neither the delivery of this prospectus nor any offering, sale or delivery made in connection with the Offer Shares should, under any circumstances, constitute a representation that there has not been any change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as of any date subsequent to the date of this prospectus.

Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure of the Global Offering" in this prospectus, and the procedures for applying for Hong Kong Public Offer Shares are set out in the section headed "How to Apply for Hong Kong Public Offer Shares" in this prospectus and in the relevant Application Forms.

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. For applicants under the Hong Kong Public Offering, this prospectus and the Application Forms set out the terms and conditions of the Hong Kong Public Offering.

The Listing is sponsored by the Sole Sponsor. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to us and the Sole Global Coordinator (on behalf of the Underwriters) agreeing on the Offer Price. An International Underwriting Agreement relating to the International Placing is expected to be entered into on or around Tuesday, March 5, 2019, subject to the Offer Price being agreed.

If, for any reason, our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) are unable to reach an agreement on the Offer Price on or before Wednesday, March 13, 2019, the Global Offering will not proceed and will lapse. For full information about the Underwriters and the underwriting arrangements, please see the section headed "Underwriting" in this prospectus.

RESTRICTIONS ON OFFER AND SALE OF THE OFFER SHARES

Each person acquiring the Hong Kong Public Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by his acquisition of the Offer Shares to, confirm that he is aware of the restrictions on offers of the Offer Shares described in this prospectus and the relevant Application Forms.

No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than in Hong Kong, or the distribution of this prospectus and/or Application Forms in any jurisdiction other than Hong Kong. Accordingly, this prospectus and/or Application Forms may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Listing Committee for the granting of the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering.

No part of our Company's share or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the Stock Exchange are expected to commence at 9:00 a.m. on Friday, March 15, 2019. The Shares will be traded in board lots of 1,000 Shares each. The stock code of the Shares will be 1907.

ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, our Shares and we comply with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Investors should seek the advice of their stockbroker or other professional advisors for details of the settlement arrangements as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

REGISTER OF MEMBERS AND STAMP DUTY

Our Company's principal register of members will be maintained by our principal registrar, Conyers Trust Company (Cayman) Limited, in the Cayman Islands and our Company's Hong Kong register of members will be maintained by our Hong Kong Branch Share Registrar, Tricor Investor Services Limited, in Hong Kong.

All Offer Shares will be registered on the Hong Kong register of members of our Company in Hong Kong. Dealings in the Shares registered on our Hong Kong register of members will be subject to Hong Kong stamp duty.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposal of, and dealing in our Shares (or exercising rights attached to them). None of us, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Co-Manager, the Underwriters, any of their respective directors or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchase, holding or disposal of, dealing in, or the exercise of any rights in relation to, our Shares.

OVER-ALLOTMENT AND STABILIZATION

Details of the arrangement relating to the Over-allotment Option and stabilization are set out under the section headed "Structure of the Global Offering" in this prospectus.

PROCEDURES FOR APPLICATION FOR HONG KONG PUBLIC OFFER SHARES

The procedures for applying for Hong Kong Public Offer Shares are set out in the section headed "How to Apply for Hong Kong Public Offer Shares" in this prospectus and on the relevant Application Forms.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure of the Global Offering" in this prospectus.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. Translated English names of Chinese laws and regulations, governmental authorities, departments, entities (including certain of our subsidiaries), institutions, natural persons, facilities, certificates, titles and the like included in this prospectus and for which no official English translation exists are unofficial translations for identification purposes only. In the event of any inconsistency, the Chinese name prevails.

ROUNDING

Unless otherwise stated, all the numerical figures are rounded to one decimal place.

Any discrepancies in any table or chart between totals and sums of amounts listed therein are due to rounding.

EXCHANGE RATE CONVERSION

Solely for your convenience, unless otherwise specified, this prospectus contains translations of certain RMB amounts into Hong Kong dollars, RMB amounts into U.S. dollars, and Hong Kong dollars into U.S. dollars using the following exchange rates:

- RMB0.86211 to HK$1.00 (being the median exchange rate set by the PBOC on February 18, 2019);

- RMB6.7680 to US$1.00 (being the noon buying rate in the City of New York for cable transfers as certified by the Federal Reserve Bank of New York on February 15, 2019); and

- HK$7.8477 to US$1.00 (being the noon buying rate in the City of New York for cable transfers as certified by the Federal Reserve Bank of New York on February 15, 2019).

No representation is made that any amounts in RMB, US$ or HK$ can be or could have been converted at the rates above or any other rates at the relevant dates or at all.

In preparation for the Listing, our Company has applied for the following waivers from strict compliance with the relevant provisions of the Listing Rules:

WAIVER IN RELATION TO CONNECTED TRANSACTIONS

Our Company has entered into, and expect to continue after the Listing, certain transactions which will constitute non-exempt continuing connected transactions under the Listing Rules upon the Listing. Our Company has applied to the Stock Exchange for, and has been granted, a waiver from strict compliance with the announcement requirement under Chapter 14A of the Listing Rules in respect of these non-exempt continuing connected transactions. For further details, please refer to the section headed "Connected Transactions" in this prospectus.

WAIVER IN RELATION TO MANAGEMENT PRESENCE

Rule 8.12 of the Listing Rules requires our Company to have a sufficient management presence in Hong Kong. This normally means that at least two of our Company's Executive Directors must be ordinarily resident in Hong Kong. Since our Company's core operations are outside Hong Kong, and all of our Executive Directors ordinarily reside in the PRC, our Company does not have, and for the foreseeable future will not have, sufficient management presence in Hong Kong for the purpose of satisfying the requirements of the Listing Rules.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with Rule 8.12 of the Listing Rules on the condition that the following arrangements be made for maintaining regular communication with the Stock Exchange:

(a) our Company has appointed Mr. Han Qinliang, an Executive Director and Mr. Ho Pui Lam Joseph, our company secretary as our Company's authorized representatives under Rule 3.05 of the Listing Rules to serve as our Company's principal channel of communication with the Stock Exchange. Mr. Ho Pui Lam Joseph ordinarily resides in Hong Kong. Our Company has provided the Stock Exchange with their contact details. They can be readily contactable to deal promptly with inquiries from the Stock Exchange, and will also be available to meet with the Stock Exchange to discuss any matters on short notice. As and when the Stock Exchange wishes to contact the Directors on any matter, each of our Company's authorized representatives will have the means to contact all of the Directors promptly at all times;

(b) our Company has required all Directors to provide our Company's authorized representatives with: (i) their respective office phone numbers, mobile phone numbers, fax numbers and e-mail addresses; and (ii) the phone numbers of their places of accommodation if they expect to travel or otherwise be out of office;

(c) our Company has provided the Stock Exchange with the contact details of our Directors (including their respective office phone numbers, mobile phone numbers, fax numbers and e-mail addresses) to facilitate the communication with the Stock Exchange. Furthermore, each Director who does not ordinarily reside in Hong Kong has confirmed that he possesses or is able to apply for valid travel documents to visit Hong Kong and is able to meet with the relevant members of the Stock Exchange upon reasonable notice;

(d) in accordance with Rule 3A.19 of the Listing Rules, our Company has appointed Guotai Junan Capital Limited as our Company's compliance advisor, to act as an additional channel of communication with the Stock Exchange for the period commencing on the Listing Date and ending on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of the financial results for the first full financial year commencing after the Listing Date. Our Company's compliance advisor will have access at all times to our Company's authorized representatives, Directors and other officers to ensure that it is in a position to respond promptly to any inquiries or requests from the Stock Exchange concerning our Company. In addition, our Company's compliance advisor will also advise on the on-going compliance requirements and other issues arising under the Listing Rules and other applicable laws and regulations in Hong Kong (as amended and supplemented from time to time) after the Listing Date; and

(e) our Company will retain a Hong Kong legal advisor to advise our Company on on-going compliance requirements and other issues arising under the Listing Rules and other applicable laws and regulations in Hong Kong (as amended and supplemented from time to time) after the Listing.

WAIVER IN RELATION TO PUBLIC FLOAT

Rule 8.08(1) of the Listing Rules requires that there must be an open market in the securities for which listing is sought, which normally means that the minimum public float of a listed issuer must at all times be at least 25% of the issuer's total issued share capital. Pursuant to Rule 8.08(1)(d) of the Listing Rules, the Stock Exchange may, subject to certain conditions and at its discretion, accept a lower percentage of public float between 15% and 25% in case of issues with an expected market capitalization of over HK$10,000,000,000 at the time of listing, where the Stock Exchange is satisfied that (i) the number of shares concerned; and (ii) the extent of their distribution would enable the market to operate properly with a lower public float.

Based on the Offer Price of HK$2.76 (being the low end of the stated range of the Offer Price) per Share and assuming the Over-allotment Option will not be exercised, we expect that our market capitalization will not be less than HK$10,000,000,000. We have applied to the Stock Exchange, and the Stock Exchange has granted us, a waiver that the minimum public float requirement under Rule 8.08(1)(a) of the Listing Rules be reduced and the minimum percentage of the Shares from time to time held by the public to be the highest of:

(a) 22.1%, being the percentage of Shares of the total issued share capital of our Company to be held by the public immediately after completion of the Global Offering (assuming the Over-allotment Option or any options that may be granted under the Share Option Scheme are not exercised); or

(b) such percentage of Shares of the enlarged issued share capital of our Company to be held by the public after the exercise of the Over-allotment Option (or any options that may be granted under the Share Option Scheme).

In order to support the application of this waiver, our Company has confirmed to the Stock Exchange that (i) we will make appropriate disclosure of the lower prescribed percentage of public float in this prospectus; and (ii) confirm sufficiency of public float in our successive annual reports after the Listing.

FINANCIAL INFORMATION INCLUDED IN THIS PROSPECTUS

According to Rule 4.04(1) of the Listing Rules, the Accountants' Report must include the results of our Group in respect of each of the three financial years immediately preceding the issue of this prospectus or such shorter period as may be acceptable to the Stock Exchange.

Section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance requires this prospectus to state the matters specified in Part I and set out the reports specified in Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, subject always to the provisions contained in Part III of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance. Under paragraph 27 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, our Company is required to include in this prospectus a statement as to the gross trading income or sales turnover (as may be appropriate) of our Company in respect of each of the three financial years immediately preceding the issue of this prospectus. Under paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, our Company is required to include in this prospectus a report by our auditors with respect to, among other things, profits and losses and assets and liabilities of our Group in respect of each of the three financial years immediately preceding the issue of this prospectus.

The Accountants' Report on the historical financial information of our Group for each of the three years ended December 31, 2015, 2016 and 2017 and the nine months ended September 30, 2018 has been prepared and is set out in Appendix I to this prospectus. Pursuant to the relevant requirements set forth above, our Company is required to produce three full years of audited accounts for the years ended December 31, 2016, 2017 and 2018. However, an application was made to the Stock Exchange for a waiver from strict compliance with the requirements under Rule 4.04(1) of the Listing Rules, and such waiver was granted by the Stock Exchange on the condition that: (i) this prospectus will be issued on or before February 28, 2019 and our Company will be listed on the Stock Exchange on or before March 31, 2019; (ii) this prospectus contains the profit estimate for the year ended December 31, 2018 and our Directors' statement that after performing all due diligence work which they consider appropriate, there has been no material and adverse change to our financial and trading positions or prospects, with specific reference to our trading results from October 1, 2018 to December 31, 2018; and (iii) our Company obtains a certificate of exemption from the SFC for exemption from strict compliance with paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

An application has also been made to the SFC for a certificate of exemption from strict compliance with the requirements under paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, and a certificate of exemption has been granted by the SFC under section 342A(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance on the conditions that (i) particulars of the exemption are set out in this prospectus; and (ii) this prospectus will be issued on or before February 28, 2019, and the Company will be listed on the Stock Exchange on or before March 31, 2019.

The applications to the Stock Exchange for a waiver and to the SFC for a certificate of exemption were made on the grounds that strict compliance with the above requirements would be unduly burdensome and waiver and exemption from strict compliance would not prejudice the interests of the investing public as:

(a) there would not be sufficient time for our Company and the reporting accountants of our Company to finalize the audited financial statements for the year ended December 31, 2018 for inclusion in this prospectus;

(b) after performing all due diligence work which they consider appropriate, our Directors and the Sole Sponsor herein confirm that there has been no material adverse change to our financial and trading positions or prospects between October 1, 2018 and December 31, 2018, and there has been no event since October 1, 2018 up to the Latest Practicable Date which would materially affect the information shown in the Accountants' Report, the profit estimate for the year ended December 31, 2018, the section headed "Financial Information" in this prospectus and other parts of this prospectus; and

(c) our Directors and the Sole Sponsor are of the view that the Accountants' Report covering the three years ended December 31, 2015, 2016 and 2017 and the nine months ended September 30, 2018, together with the profit estimate for the year ended December 31, 2018, both included in this prospectus, provide the potential investors with adequate and reasonably up-to-date information in the circumstances to form a view on the track record and earnings trend of our Company; and our Directors confirm that all information which is necessary for the investing public to make an informed assessment of our business, assets and liabilities, financial position, trading position, management and prospects has been included in this prospectus. Further, our Company will comply with Rules 13.46(2) and 13.49(1) of the Listing Rules in respect of the publication of annual results and annual report for the year ended December 31, 2018.

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. Yang Xuegang (楊雪崗)	Room 601, Unit 1, Building 25 Wanquan Xinxinjiayuan Haidian District Beijing, PRC	Chinese
Mr. Zhang Yingwei (張英偉)	Room 2405, Floor 24, Building 1 Court 2, Li Ze Road Fengtai District Beijing, PRC	Chinese
Mr. Han Qinliang (韓勤亮)	Room 2705, Building 3 Fuze Yuan, Yihai Huayuan Fengtai District Beijing, PRC	Chinese
Mr. Wang Fengshan (王風山)	Room 1303, Building 2 Court 2, Hengfu Zhong Street Fengtai District Beijing, PRC	Chinese
Mr. Wang Nianping (王年平)	Room 501, Floor 5, Unit 2 Building 3, Court 6 Zifang Yuan 6 Fangzhuang Fengtai District Beijing, PRC	Chinese
Mr. Yang Lu (楊路)	Room 601, Unit 1, Building 25 Wanquan Xinxinjiayuan Haidian District Beijing, PRC	Chinese

Name	Address	Nationality
Independent Non-Executive Directors		
Mr. Kang Woon (康洹)	Flat D, G/F, Tower 6 6 Grandeur Road, Parc Oasis Yau Yat Chuen, Kowloon Hong Kong	British
Mr. Yu Kwok Kuen Harry (余國權)	Flat B, 8/F, Tower 3 Redhill Peninsula 18 Pak Pat Shan Road Hong Kong	Chinese
Mr. Wang Yinping (王引平)	2101, 1B, Building 2 Huacheng, Dongcheng District Beijing, PRC	Chinese

For more information on our Directors, please refer to the section headed "Directors, Senior Management and Employees" in this prospectus.

PARTIES INVOLVED IN THE GLOBAL OFFERING

Sole Global Coordinator	**Guotai Junan Securities (Hong Kong) Limited** 27/F, Low Block Grand Millennium Plaza 181 Queen's Road Central Hong Kong
Sole Sponsor	**Guotai Junan Capital Limited** 27/F, Low Block Grand Millennium Plaza 181 Queen's Road Central Hong Kong
Joint Bookrunners and Joint Lead Managers	**Guotai Junan Securities (Hong Kong) Limited** 27/F, Low Block Grand Millennium Plaza 181 Queen's Road Central Hong Kong **Essence International Securities (Hong Kong) Limited** 39/F., One Exchange Square Central, Hong Kong **China Everbright Securities (HK) Limited** 24/F, Lee Garden One 33 Hysan Avenue Causeway Bay, Hong Kong **Haitong International Securities Company Limited** 22/F, Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong **CCB International Capital Limited** 12/F, CCB Tower 3 Connaught Road Central Central, Hong Kong **Mason Securities Limited** 19/F, Lee Garden Three 1 Sunning Road Causeway Bay, Hong Kong

Crédit Agricole Corporate and Investment Bank, Hong Kong branch
Floor 27, Two Pacific Place
88 Queensway
Hong Kong

Joint Lead Managers

Yuanyin Securities Limited
Room 2201, 22/F
No. 238 Des Voeux Road Central
Hong Kong

Ever-Long Securities Company Limited
Rooms 1101–02 & 1111–12
11/F, Wing On Centre
111 Connaught Road Central
Sheung Wan, Hong Kong

SBI China Capital Financial Services Limited
Unit A2, 32/F United Centre
95 Queensway
Hong Kong

Co-Manager

Lead Securities (HK) Limited
Unit A, 23/F, The Wellington
198 Wellington Street
Sheung Wan, Hong Kong

Legal Advisors to Our Company

As to Hong Kong and U.S. law:
Latham & Watkins LLP
18/F, One Exchange Square
8 Connaught Place
Central
Hong Kong

As to PRC law:
Jingtian & Gongcheng
34/F, Tower 3, China Central Place
77 Jinguo Road
Chaoyang District
Beijing, PRC

	As to Cayman Islands law: **Conyers Dill & Pearman** Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Legal Advisors to the Sole Sponsor and the Underwriters	*As to Hong Kong and U.S. law:* **Dechert** 31/F, Jardine House One Connaught Place Central Hong Kong *As to PRC law:* **Global Law Office** 15/F & 20/F, Tower 1, China Central Place No. 81 Jianguo Road Chaoyang District Beijing, PRC
Reporting Accountants and Independent Auditor	**Deloitte Touche Tohmatsu** *Certified Public Accountants* 35/F, One Pacific Place 88 Queensway Hong Kong
Independent Property Valuer	**Jones Lang LaSalle Corporate Appraisal and Advisory Limited** 7th Floor, One Taikoo Place 979 King's Road Hong Kong
Independent Industry Consultant	**Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.** Suite 1018, Tower B 500 Yunjin Road Xuhui District Shanghai, PRC

Internal Control Consultant	**SHINEWING Risk Services Limited** 43/F, The Lee Gardens 33 Hysan Avenue Causeway Bay Hong Kong
Compliance Advisor	**Guotai Junan Capital Limited** 27/F, Low Block Grand Millennium Plaza 181 Queen's Road Central Hong Kong
Receiving Bankers	**Bank of China (Hong Kong) Limited** 1 Garden Road Hong Kong

Registered office	Cricket Square Hutchins Drive, P.O. Box 2681 Grand Cayman, KY1-1111 Cayman Islands
Corporate headquarters	Building 4, Block 5 ABP Area, No. 188, South 4th Ring Road West Fengtai District Beijing, PRC 100070
Principal place of business in Hong Kong	Suite 2303, COFCO Tower No. 262 Gloucester Road Hong Kong
Company's website	**http://www.risun.com** (The contents on this website do not form part of this prospectus)
Company Secretary	Mr. Ho Pui Lam Joseph, *FCPA* 12/F, Coin Organize Building 67C Waterloo Road, Ho Man Tin Kowloon, Hong Kong
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
Authorized representatives (for the purpose of the Listing Rules)	Mr. Han Qinliang Room 2705, Building 3 Fuze Yuan, Yihai Huayuan Fengtai District Beijing, PRC Mr. Ho Pui Lam Joseph 12/F, Coin Organize Building 67C Waterloo Road, Ho Man Tin Kowloon, Hong Kong

Hong Kong Branch Share Registrar and transfer office	**Tricor Investor Services Limited** Level 22, Hopewell Centre 183 Queen's Road East Hong Kong
Cayman share registrar and transfer office	**Conyers Trust Company (Cayman) Limited** Cricket Square, Hutchins Drive, P.O. Box 2681 Grand Cayman, KY1-1111 Cayman Islands
Principal bankers	**Industrial and Commercial Bank of China Limited** Xingtai Qiaodong Branch No. 220 Zhong Xing East Street Xingtai, Hebei Province PRC
	China Construction Bank Corporation Bohai New Area Branch Shigang Road, Bohai New Area Cangzhou, Hebei Province PRC
	China Citic Bank Dingzhou Branch No. 172 Xingding Road Dingzhou, Hebei Province PRC
	Shanghai Pudong Development Bank Yong Ding Road Branch No. 51 Yong Ding Road Haidian District Beijing, PRC

*The information and statistics in this section have been extracted, in part, from official government publications and a market research report prepared by Frost & Sullivan (the "**Frost & Sullivan Report**") and commissioned by us. We believe that these are appropriate sources for such information and statistics and we have exercised reasonable care in extracting and reproducing such information and statistics. We have no reason to believe that such information and statistics are false or misleading or that any fact has been omitted that would render such information false or misleading. None of our Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Co-Manager, the Underwriters or their respective directors, advisors and affiliates has independently verified such information and statistics. Accordingly, none of our Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Co-Manager, the Underwriters or their respective directors, advisors and affiliates or any other party involved in the Global Offering makes any representation as to the accuracy of such information and statistics, which may be inaccurate, incomplete, out-of-date or inconsistent with other information compiled within or outside the PRC. Accordingly, the information should not be unduly relied upon.*

SOURCE OF INFORMATION

In connection with the Global Offering, we engaged Frost & Sullivan, an independent global consulting firm, to conduct a detailed analysis of, and report on, the Chinese macro-economy and the Chinese coking coal market, coke market, iron and steel market, coking chemical and refined chemical markets and coal, coke and coking chemical trading markets. We have included certain information from the Frost & Sullivan Report in this section. In connection with the market research services provided, we have paid a fee of approximately RMB500,000 to Frost & Sullivan.

Frost & Sullivan has prepared the Frost & Sullivan Report based on detailed primary research which involved discussing the status of the industry with leading industry participants and industry experts as well as secondary research. This research involved reviewing company reports, independent research reports and data where available based on Frost & Sullivan's own research database.

Frost & Sullivan has adopted the following assumptions when some information is not available or falls outside the scope of its expertise: (i) the Chinese economy is likely to maintain steady growth in the next decade; (ii) China's social, economic and political environment is likely to remain stable in the forecast period; and (iii) market drivers such as increasing urbanization, policy support from governments and a growing economy will continue. While Frost & Sullivan has adopted assumptions based upon careful consideration of known factors, these assumptions may be incorrect.

The Frost & Sullivan Report also contains significant information directly derived from secondary sources or based on other third-party information. In preparing the Frost & Sullivan Report, Frost & Sullivan has confirmed that it has carried out research using Frost & Sullivan's standard market research methodology to enhance the credibility and accuracy of the forecasts.

The steps used in the research process include (i) the collection of information and data from various sources to form the basis for forecast, (ii) analysis of data for the understanding and insight on market trends and development, (iii) identification of market growth drivers and market constraints, (iv) integration of opinions through industry participants' and experts' interviews and discussions, and (v) verification of data and forecasts by cross-checking against other available data and information before finalization of the report.

CHINA MACRO ECONOMY OVERVIEW

Nominal GDP Growth

China has experienced rapid economic growth since adopting the "Reform and Opening-up" policy in the late 1970s, and has been the world's second largest economy in terms of GDP since 2010. According to the National Bureau of Statistics of China, nominal Chinese GDP grew at a CAGR of approximately 9.3% from 2011 to 2017. In addition, according to the International Monetary Fund, nominal Chinese GDP is forecasted to grow at a CAGR of approximately 8.2% from 2017 to 2022, and real Chinese GDP is expected to grow at a CAGR of approximately 6.1% during the same period.

Total Fixed Asset Investments

Total fixed asset investments in China have grown significantly in recent years and are expected to continue growing. From 2011 to 2017, total fixed asset investments in China increased from approximately RMB31.1 trillion to RMB64.1 trillion, representing a CAGR of approximately 12.8%, according to the National Bureau of Statistics of China. Total fixed asset investments in China are expected to reach approximately RMB100.7 trillion by the end of 2022, with a CAGR of approximately 9.4% from 2017, according to Frost & Sullivan.

CHINA COKING COAL MARKET ANALYSIS

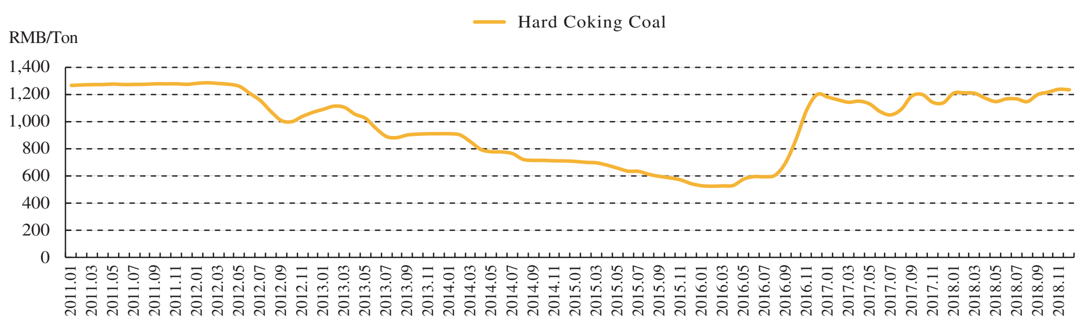
Supply and Demand of Coking Coal in China

Coking coal is mainly used to produce coke, which is in turn primarily used to produce pig iron and crude steel. Due to a downturn in the steel industry in China from 2011 to 2015, coke production volume and the demand of coking coal also experienced a downturn during the same period. However, the consumption of coking coal rebounded from 2016 due to a rebound in coke production in China and is expected to further grow. With steady growth in coke production in China, coking coal consumption is expected to grow at a CAGR of approximately 2.6% from 2017 to 2022, according to Frost & Sullivan.

The geographical distribution of coking coal reserves is uneven in China. According to Frost & Sullivan, the production volume of coking coal in Shanxi province, Hebei province, and Shandong province accounted for 41.2%, 11.3%, and 9.4%, of the total production volume in China in 2017, respectively.

Price Analysis of Coking Coal in China

The average price of hard coking coal decreased from RMB1,262.6 per ton in January 2011 to RMB537.7 per ton in December 2015, mainly due to overcapacity. Starting in May 2016, the price of hard coking coal began to recover, reaching approximately RMB1,195.9 per ton in December 2016, and was approximately RMB1,230.4 per ton in December 2018. The following graph sets forth the average price of hard coking coal in the PRC from January 2011 to December 2018:



Source: Frost & Sullivan

The prices of other coking coals have followed a similar trend. All prices in this section are net of VAT.

CHINA COKE MARKET ANALYSIS

Coke is mainly used in the iron and steel industry. The value chain in the coke industry consists of three key segments, namely, upstream mining of coking coal, mid-stream coke production, and downstream iron and steel industry and chemical industry.

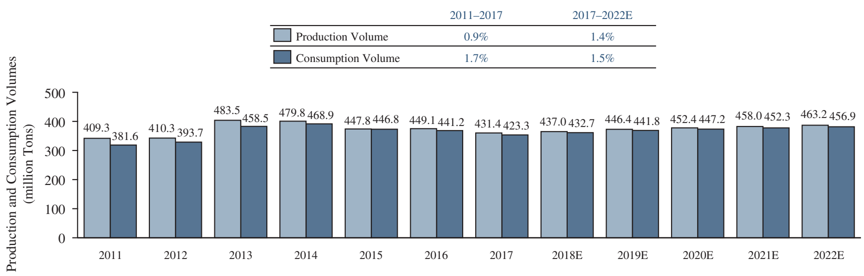
The coke industry as a whole shows severe problems of overcapacity and low concentration in China. Profit margins of coke producers in China are affected both by upstream coal mining enterprises and downstream iron and steel manufacturers. The coke industry suffers from regional concentration, inter-regional transport bottlenecks and relatively low production capacity utilization rates, especially for small to medium-sized coking enterprises.

Supply and Demand of Coke in China

China ranks first in the world in terms of coke production volume. Coke production in China accounted for approximately 70% of total coke production volume in the world in 2017. From 2011 to 2017, coke production in China increased from approximately 409.3 million tons to 431.4 million tons, with a CAGR of approximately 0.9%. However, coke production decreased by approximately 7.4% from 2013 to 2015 and approximately 3.9% from 2016 to 2017, due to the downturn in the steel market, limitation in production volume and the elimination of outdated production facilities. Due to further macro-economic developments and the gradual recovery of the steel market, coke production in China is expected to grow slowly to reach approximately 463.2 million tons in 2022.

After recession of coke industry in 2015 and 2016, coke consumption rebounded to approximately 423.3 million tons in 2017, representing a CAGR of approximately 1.7% from 2011 to 2017. Driven by consolidation in the steel industry, growth in the real estate market and increased investment in infrastructure, coke consumption in China is likely to reach approximately 456.9 million tons in 2022. The following chart shows coke production and consumption in the PRC for the years indicated:

Production and Consumption Volumes of Coke Market (PRC), 2011–2022E



Sources: National Bureau of Statistics of China, Frost & Sullivan

There is an imbalance in the geographic supply and demand of coke in China, with production primarily in northern China and consumption primarily in northern and eastern China. According to Frost & Sullivan, the production volume of coke in Shanxi province, Hebei province and Shandong province accounted for 19.4%, 11.2% and 9.1% of the total production volume in China in 2017, respectively. And the consumption volume of coke in Hebei province, Jiangsu province and Shandong province accounted for 20.4%, 11.5% and 10.2% of the total consumption volume in China in 2017, respectively.

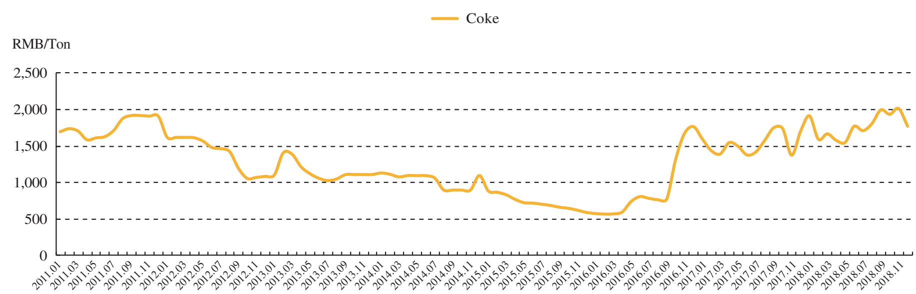
Coke Consumption by Downstream Applications

Coke is mainly used in the iron and steel industry, which represented 86.9% of total coke consumption in China in 2017. Iron and steel industrial production has fluctuated due to changes in market demand in recent years. In 2015, pig iron and crude steel production experienced a downward trend due to more stringent national industrial policies. The consumption of steel rebounded, primarily driven by the rebound of the real estate market since December 2015 and increase in PRC government overseas investment, such as projects encouraged by the “Belt and Road Initiative”.

Price Analysis of Coke

The average price of coke declined gradually from 2011 to 2015. The gradual decline mainly resulted from (i) a slowdown in the downstream iron and steel industry and (ii) continuing overcapacity in the coking industry. Since 2016, due to the increasing demand for coke and insufficient production capacity under the government pressure and restrictions on outdated production facilities which fail to meet environmental standards, the average price of coke gradually rebounded. In the second half of 2016, due to strict government policies limiting coal production capacity, the production of coal decreased significantly. The decrease resulted in a decline in hard coking coal inventory and supply and an increase in its market price. As a result, the price of coke increased accordingly. From 2017 to 2018, with a series of newly promulgated government policies on the elimination of outdated production capacity and environmental protection, as well as the increase in steel price, the monthly average price of coke fluctuated while maintaining a general trend of increase.

The following graph sets forth the average price of coke in the PRC from January 2011 to December 2018:



Source: Frost & Sullivan

China Coke Market Competitive Landscape Analysis

There are two main types of coking enterprises in China, coking enterprises owned by iron and steel enterprises and independent coking enterprises. Most coking enterprises in China are independent. Products produced by independent enterprises accounted for approximately 70.0% of total coke production volume in 2017. The coke industry in China was significantly fragmented as of 2017, with the top five independent coking enterprises holding an aggregate market share of 7.1%. There are approximately 600 coking enterprises in China, with only about 50 enterprises producing more than 2.0 million tons of coke in 2017. Of these 50 enterprises, approximately 30 are independent.

Competitive Landscape for Independent Coking Enterprises in the Global and PRC Markets

Independent coking producers and suppliers are relatively fragmented in the global coke market. The top five producers and suppliers accounted for an aggregate market share of approximately 5.0% and 5.2% based on production volume and supply volume, respectively, in 2017. We were the world's largest independent producer and supplier of coke based on production volume and supply volume in 2017. The table below sets out the market share of the top five independent coking producers and suppliers globally based on production volume and supply volume in 2017.

Independent coking enterprises in China are relatively fragmented. The top five producers accounted for an aggregate of 7.1% market share based on production volume in 2017 which was 431.4 million tons in 2017. We were the largest independent coking enterprise in China based on production volume. The table below sets out the market share of the top five independent coking enterprises in China based on production volume in 2017.

Ranking	Company	Background Information	Headquarters Location	Global Market Share as Supplier	Global Market Share as Producer	PRC Market Share as Producer
1	The Group	An integrated coke, coking chemical and refined chemical producer and supplier in the PRC	Beijing, the PRC	1.7%	1.4%	2.0%
2	Group A	A leading coke producer in the PRC which is also engaged in the businesses of mineral resources, clean energy and logistics	Shandong, the PRC	1.3%	1.3%	1.9%
3	Group B	A listed company in the PRC whose main products include coke, methyl alcohol, urea and LNG	Shaanxi, the PRC	0.8%	0.8%	1.2%
4	Group C	A listed company in the PRC engaged in the businesses of coal mining, coke and coking chemicals and clean energy such as hydrogen and LNG	Shanxi, the PRC	0.8%	0.8%	1.1%
5	Group D	A coking and new material enterprise whose integrated business covers coal mining, coke production, coal tar processing, electricity generation and international trade	Shanxi, the PRC	0.6%	0.7%	0.9%
Top five players				5.2%	5.0%	7.1%
Others				94.8%	95.0%	92.9%

Source: Frost & Sullivan

Note: The production volume and supply volume of the Group include products produced by the production lines of CNC Risun Coking.

Material PRC energy and environment policies and potential impact on the coke industry

According to Frost & Sullivan, the PRC government has recently adopted regulations and policies aimed at eliminating outdated production capacity, controlling emission of pollutants into the air or water and supporting the sustainable and healthy development of the coke industry. The Ministry of Industry and Information Technology issued the Coking Industry Entry Conditions (Revised in 2014) (《焦化行業准入條件(2014年修訂)》) ("**Entry Conditions**") which aim to promote the structural adjustment, transformation and upgrading of the coking industry. The Entry Conditions set out conditions that coking enterprises must satisfy before production, including conditions related to operational layout, technology and equipment, product quality, conservation of resources and energy, environmental protection, production safety, occupational health and technical advancement. According to the Thirteenth Five-Year Plan of the Coke Industry (《焦化行業「十三五」發展規劃綱要》) released by the China Coking Industry Association, more than 70% of coke production capacity must satisfy the Entry Conditions and the industry shall continue to eliminate outdated production capacity. These policies promote the industrial consolidation of the coke industry and are favourable for large coke enterprises. The PRC government has also put forward a coal-to-gas initiative in recent years. According to Frost & Sullivan, the coal-to-gas initiative has positive effects on the coke and coking chemical industry. The coal-to-gas initiative actively popularizes the usage of natural gas, especially for industrial enterprises. Under the widespread calls for use of natural gas, many coking enterprises have accelerated the construction of coke oven gas to liquid natural gas projects. In addition, the coal-to-gas initiative increases coking enterprises' awareness of environmental protection and propels them to explore the potential of utilizing coke oven gas to produce other products rather than discharging coke oven gas into the atmosphere directly.

Market Drivers

There are two major drivers of the coke market in China, according to Frost & Sullivan:

- *Government Policies and Regulations.* The PRC government has issued a series of regulations and policies to accelerate technological progress and innovation in the coking industry, promote industry consolidation and eliminate coking enterprises with outdated production facilities. For instance, the PRC government has introduced a series of environmental and legal measures to eliminate coking enterprises with low production capacity in accordance with the Entry Conditions. Other regulations which stipulate specific standards for coking enterprises include the Guidance Catalog of Industrial Structure Adjustment (產業結構調整指導目錄) and Emission Standard for Pollutants in Coking Chemical Industry (煉焦化學工業污染物排放標準).

- *Recovery of the Iron and Steel Industry.* The consumption of steel rebounded, primarily driven by the rebound of the real estate market since December 2015 and increase in PRC government overseas investment. As part of the "Belt and Road Initiative", the PRC government will make significant investments in the construction of infrastructure overseas, such as railways, ports and highways. Coke is one of the key raw materials used for the production of iron and steel. In addition, intelligent manufacturing and customization, which typically require higher quality coke products as raw materials, have been replacing mass production in the iron and steel production industry.

Entry Barriers

There are five major entry barriers to the coke market in China, according to Frost & Sullivan:

- *Regulations.* The main barrier to entry is the strict regulatory landscape, which attempts to eliminate outdated production capacity. The PRC government has ceased approving new coking production capacity.

- *Scale.* Strong market participants generally enjoy economies of scale and are more competitive in terms of costs, product quality and customer relationships.

- *Capital Investment.* The initial capital and operating investment required in the coke industry for equipment and raw material procurement, environmental protection treatment, and rental/construction of plants are significant for new entrants.

- *Sales Network and Customer Bases.* Key participants in the market generally have established a reliable and stable sales network and customer bases that remain difficult to replicate. Lack of a sales network and customer relationships is key barriers for new entrants to China's coke market.

- *Transportation.* Transportation represents a large proportion of coke producers' costs. Key participants in the coking industry, who have production facilities that directly connect to the public railway transportation network, enjoy significant transportation cost and time advantages.

Considering these factors above, we believe we have competitive advantages against new entrants and small companies in the coke industry.

Future Outlook

The future outlook for China's coke market is as follows:

- *Government Regulations.* The PRC government is actively promoting improvements in the industry to increase environmental protection, ensure the healthy development of the coke industry and increase its efficiency.

- *Industry Consolidation.* The coke market is also affected by government policies directed at the iron and steel industry. Coking enterprises are likely to accelerate their own technological upgrades for efficient and clean production, and to consolidate with other producers to benefit from scale. Independent coking enterprises are likely to form business partnerships with upstream or downstream industry participants to relieve pricing pressure that results from occupying the middle of the value chain.

- *Product Diversification and Vertical Integration.* By producing diversified coking chemical products, coking enterprises are likely to avoid product homogenization, and can strengthen competitiveness by offering high value downstream products. In the following years, many more coking enterprises are expected to focus on product diversification.

CHINA COKING CHEMICAL MARKET AND REFINED CHEMICAL MARKET ANALYSIS

Coking chemical products principally include crude benzene, coal tar and coke oven gas, which are by-products from the production of coke and may be used as raw materials in the production of refined chemical products including carbon material chemicals, alcohol-ether chemicals and aromatic chemicals. Refined chemical products have become important supplements to raw materials of the petrochemical industry. The refined chemical industry in China is highly fragmented.

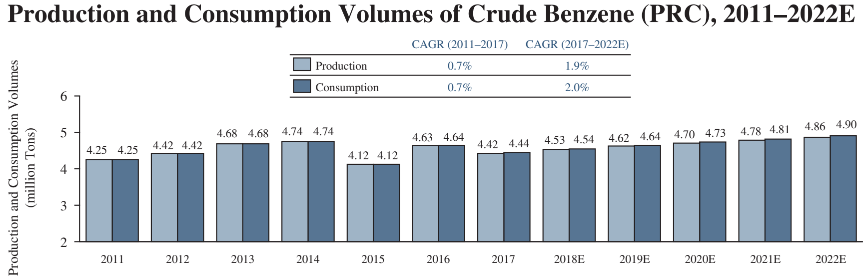
The consumption figures of coking chemical products and refined chemical products below refer to "apparent consumption" which equals annual output plus net import volume (i.e., import volume minus export volume).

Coking Chemical Industry

Supply and Demand of Crude Benzene in China

The following chart shows crude benzene production and consumption volumes in the PRC for the years indicated:

Production and Consumption Volumes of Crude Benzene (PRC), 2011–2022E

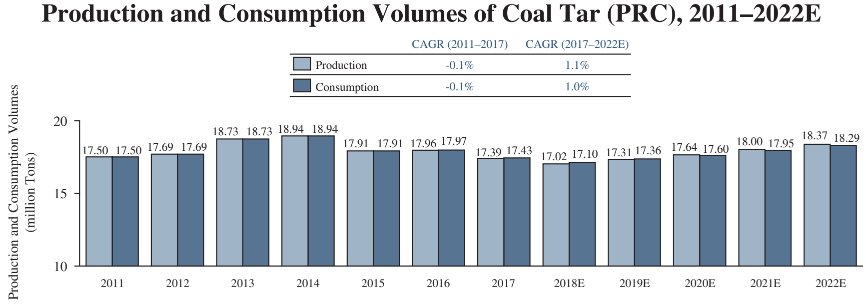


Source: Frost & Sullivan

Supply and Demand of Coal Tar in China

The following chart shows coal tar production and consumption volumes in the PRC for the years indicated:

Production and Consumption Volumes of Coal Tar (PRC), 2011–2022E



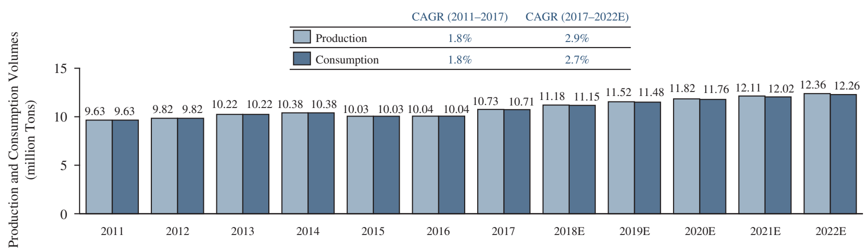
Source: Frost & Sullivan

Refined Chemicals

Supply and Demand of Carbon Material Chemicals in China – Coal Tar Pitch, Industrial-Naphthalene-Based Phthalic Anhydride and Anthracene Oil

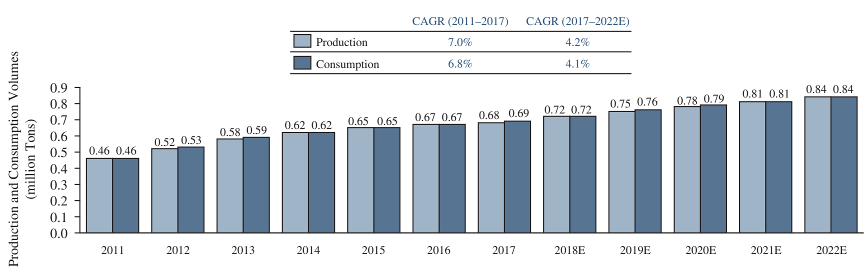
The following charts show production and consumption volumes for coal tar pitch, industrial-naphthalene-based phthalic anhydride and anthracene oil in the PRC in the years indicated:

Production and Consumption Volumes of Coal Tar Pitch (PRC), 2011–2022E



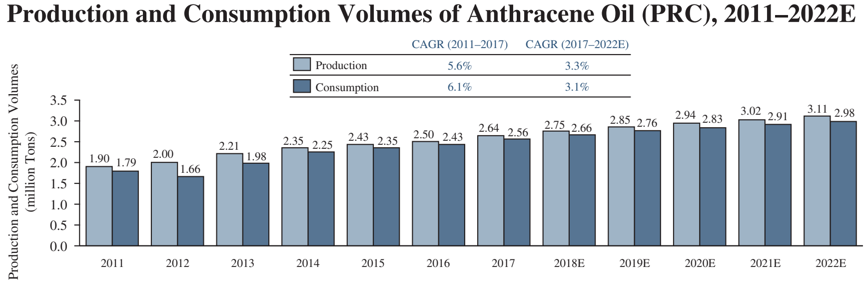
Source: Frost & Sullivan

Production and Consumption Volumes of Industrial-Naphthalene-Based Phthalic Anhydride (PRC), 2011–2022E



Source: Frost & Sullivan

Production and Consumption Volumes of Anthracene Oil (PRC), 2011–2022E

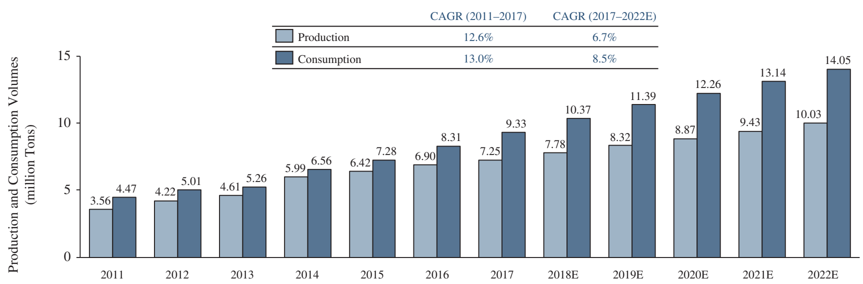


Source: Frost & Sullivan

Supply and Demand of Alcohol-ether Chemicals in China – Methanol

The coke oven gas obtained after processing raw coke oven gas can be further processed to produce methanol. The following charts show the production and consumption volumes for coke-oven-gas-based methanol in the PRC for the years indicated:

Production and Consumption Volumes of Coke-Oven-Gas-Based Methanol (PRC), 2011–2022E

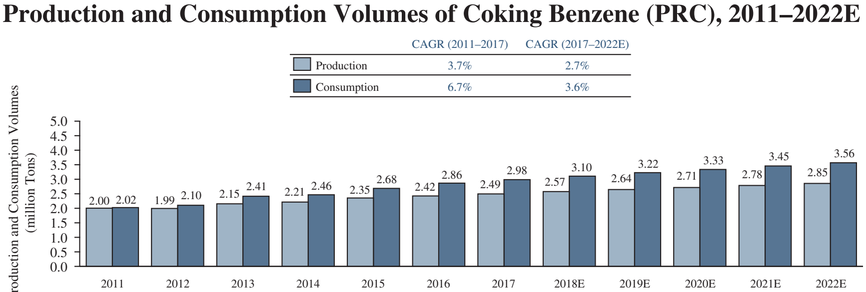


Source: Frost & Sullivan

Supply and Demand of Coking Benzene in China

Coking benzene can be refined from coking crude benzene, which is a by-product of the coking process. The following charts show production and consumption volumes of coking benzene in the PRC for the years indicated:

Production and Consumption Volumes of Coking Benzene (PRC), 2011–2022E

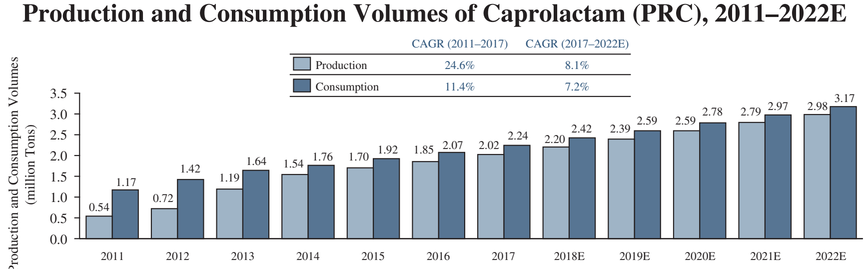


Source: Frost & Sullivan

Supply and Demand of Caprolactam

Almost all caprolactam produced are used for manufacturing Nylon 6. Nylon 6 is widely used in fibers and plastics.

Production and Consumption Volumes of Caprolactam (PRC), 2011–2022E



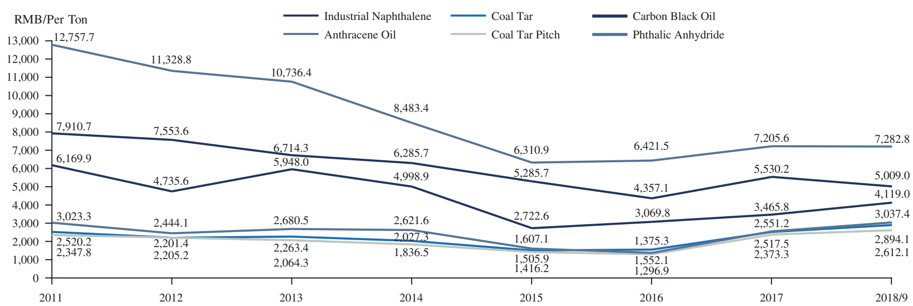
Source: Frost & Sullivan

Price Analysis of Refined Chemicals

The average price of refined chemicals is influenced by the downstream demand. The average price of industrial naphthalene fluctuated significantly over the past five years, while the average prices of other cabon material chemicals remained relatively stable. In addition, the average prices of alcohol-ether chemicals and aromatic chemicals are also influenced by the oil price. The average price of carbon material chemicals fluctuated over the past five years primarily due to the fluctuation of raw materials prices and market demand.

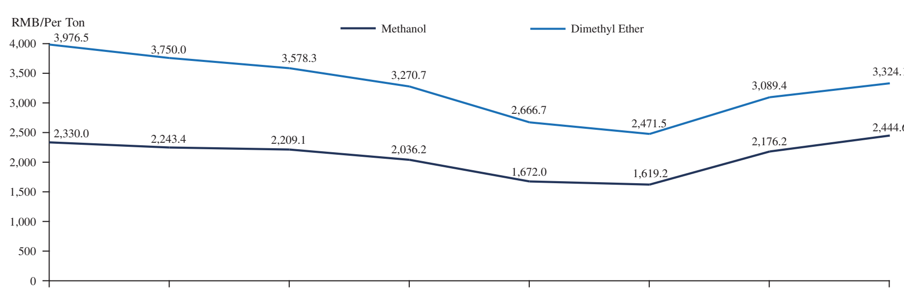
The following chart shows the average prices of certain carbon material chemicals, alcohol-ether chemicals and aromatic chemicals in the PRC for the years/periods indicated:

The Average Prices of Carbon Material Chemicals (PRC), 2011–September 2018



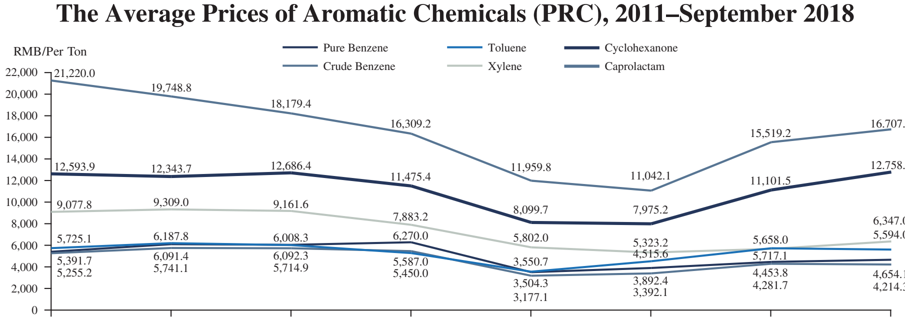
Source: Frost & Sullivan

The Average Prices of Alcohol-ether Chemicals (PRC), 2011–September 2018



Source: Frost & Sullivan

The Average Prices of Aromatic Chemicals (PRC), 2011–September 2018



Source: Frost & Sullivan

Global Competitive Landscape for Processing Coal Tar and Crude Benzene

In recent years, as China and India increased their coking production capacity, Asia has replaced North America to become the supply center of coking chemical products. In 2017, the total processing volume of coal tar and crude benzene reached 24.8 million tons and 6.9 million tons, respectively.

The global coal tar processing market is relatively fragmented, with the top five market producers accounting for an aggregate market share of 17.4% in 2017. In 2017, the Group had a market share of 2.6% and ranked fifth in the world.

Market Share of Enterprises by Processing Volume of Coal Tar (Global), 2017

Ranking	Company	Background Information	Headquarters Location	Market Share
1	Group E	A leading processor of coal tar with a main focus on producing carbon materials, including coal tar pitch, naphthalene and specialty pitch	Pennsylvania, U.S.	5.9%
2	Group F	A leading manufacturer of chemical raw materials made from coal tar, including calcination products, carbon black oils and naphthalene derivatives, which is also engaged in the businesses of logistics and trading	Castrop-Rauxel, Germany	3.2%
3	Group G	A listed company in Japan which is also engaged in the businesses of coking, coking chemicals and construction	Tokyo, Japan	3.0%
4	Group H	A leading coal tar processor whose main products include anthracene oil, phthalic anhydride and industrial naphthalene	Hebei, the PRC	2.7%
5	The Group	An integrated coke, coking chemical and refined chemical producer and supplier in the PRC	Beijing, the PRC	2.6%
Top five players globally				17.4%
Others				82.6%

Source: Frost & Sullivan

The global coking crude benzene processing market is also relatively fragmented, with the top five market producers accounting for an aggregate market share of 19.3% in 2017. In 2017, the Group had a market share of 6.9% and ranked first in the world.

Market Share of Enterprises by Processing Volume of Coking Crude Benzene (Global), 2017

Ranking	Company	Background Information	Headquarters Location	Market Share
1	The Group	An integrated coke, coking chemical and refined chemical producer and supplier in the PRC	Beijing, the PRC	6.9%
2	Group I	A coking company whose main products include coke, coal tar, methanol, xylene and toluene	Hebei, the PRC	3.7%
3	Group J	A producer of fine chemicals, including polyvinyl alcohol, butanediol and polyvinyl acetate	Shanxi, the PRC	3.5%
4	Group K	A listed company in the PRC which is also engaged in coal tar and coking crude benzene processing	Shanghai, the PRC	2.7%
5	Group L	A manufacturer of basic chemicals derived from crude benzene, such as benzene, toluene and mixed xylene	Gelsenkirchen, Germany	2.5%
Top five players globally				19.3%
Others				80.7%

Source: Frost & Sullivan

Competitive Landscape for Production of Coke-Oven-Gas-Based Methanol and Industrial-Naphthalene-Based Phthalic Anhydride

The Chinese coke-oven-gas-based methanol market for independent coking enterprises is relatively fragmented, with the top five producers accounting for an aggregate market share of 18.7% in 2017. In 2017, the Group had a market share of 4.7% and ranked first in China.

In contrast, the Chinese industrial-naphthalene-based phthalic anhydride market is relatively concentrated, with the top five producers accounting for an aggregate market share of 47.9% in 2017. In 2017, the Group had a market share of 17.8% and ranked first in China.

Market Share of Enterprises by Production Volume of Coke-Oven-Gas-based Methanol (PRC), 2017

Ranking	Company	Background Information	Headquarters Location	Market Share
1	The Group	An integrated coke, coking chemical and refined chemical producer and supplier in the PRC	Beijing, the PRC	4.7%
2	Group M	A producer of coke, methanol, coal tar and synthesis ammonia	Jiangsu, the PRC	3.9%
3	Group N	A company whose integrated business covers coal mining, coke and methanol production and processing of crude benzene and coal tar	Ningxia, the PRC	3.5%
4	Group O	A company whose main products include coke and methanol	Anhui, the PRC	3.4%
5	Group S	A company whose main products include coke, methanol, coal tar and crude benzene and which is also engaged in coal tar and crude benzene processing	Shandong, the PRC	3.2%
Top five players in China				18.7%
Others				81.3%

Source: Frost & Sullivan

Market Share of Enterprises by Production Volume of Industrial-Naphthalene-based Phthalic Anhydride (PRC), 2017

Ranking	Company	Background Information	Headquarters Location	Market Share
1	The Group	An integrated coke, coking chemical and refined chemical producer and supplier in the PRC	Beijing, the PRC	17.8%
2	Company P	A company engaged in the businesses of phthalic anhydride, toluene, xylene and phenol production	Liaoning, the PRC	8.3%
3	Group Q	A company focused on producing fine chemicals, such as phthalic anhydride, maleic anhydride, olefins and dioctyl phthalate	Shandong, the PRC	7.8%
4	Group R	A producer of phthalic anhydride	Jiangsu, the PRC	7.3%
5	Group H	A leading coal tar processor whose main products include anthracene oil, phthalic anhydride and industrial naphthalene	Hebei, the PRC	6.7%
Top five players in China				47.9%
Others				52.1%

Source: Frost & Sullivan

Material PRC energy and environment policies and potential impact on the coal chemical industry

According to Frost & Sullivan, the PRC government has adopted a number of regulations and policies aimed at the coal chemical industry, which includes the coking chemical and refined chemical industry, to raise entry thresholds, control pollutant emissions and encourage technological innovation. According to the Thirteenth Five-Year Plan Development Guide for the Modern Coal Chemical Industry (《現代煤化工「十三五」發展指南》) proposed by the China Petroleum and Chemical Federation in 2016, the coking chemical industry shall try to achieve 10 major technological breakthroughs to reduce water consumption by 10%, increase energy efficiency levels by 5% and reduce carbon dioxide emissions by 5% for each unit of industrial added value. In addition, the Environmental Entry Conditions for Modern Coal Chemical Projects (Trial Implementation) (《現代煤化工建設項目環境准入條件(試行)》) issued by the Ministry of Environmental Protection require coal chemical projects to be based in major development zones that are relatively rich in water resources, with relatively high environmental capacity and that conform with environmental protection planning policies. These conditions also encourage the coking chemical industry to use production technologies with high energy conversion efficiencies and that emit less pollutants as well as to ensure the relative stability of the quality of coal raw materials.

Market Drivers

There are three major market drivers for the coal chemical industry in China, according to Frost & Sullivan:

- *Rich in Coal and Lack of Oil and Gas.* In China, coal represents over 60.0% of total energy consumption. The rich supply of coal and the lack of oil and gas in China drives the development of the coal chemical industry. For instance, the wide utilization of coal gas is likely to alleviate the shortage of liquid natural gas. As a result, manufacturers in the coking chemicals industry have been encouraged by market demand to extend their product value chains to enhance their core competitiveness.

- *Advanced Technology.* The coal chemical industry is capital and technology-intensive. The use of advanced technologies helps to reduce environmental impact and the amount of investments required for a project. For instance, advanced benzene hydrogenation technology is able to produce products with higher purity at relatively low cost, while being safer than traditional hydrogenation technology. In the future, a green coking chemicals market could emerge through the use of advanced technology, the recycling of resources and the construction of eco-industrial parks.

- *Stable Demand from Downstream Industries.* As part of the "Belt and Road Initiative", the PRC government will make significant investments in the construction of infrastructure overseas. Certain coking chemicals are important raw materials widely used in the construction industry. The downstream industries of the refined chemical industry mainly include the chemical, pharmaceutical, textile, building materials and transportation industries, which are fundamental industries in China and have promising prospects for development.

Entry Barriers

There are three major barriers to entry in the coal chemical market in China, according to Frost & Sullivan:

- *Government Regulations.* The government has raised the industry access threshold by requiring lower emissions to alleviate the environmental impact of coking chemical and refined chemical plants.

- *Scale and Capital Investment.* Established market participants generally enjoy economies of scale, which allow them to be more cost competitive. It is crucial for new entrants to have sufficient funding for equipment procurement, staff hiring, plant rental or construction and raw material procurement.

- *Customer Relationships.* The coking chemical and refined chemical industry chain is based on relationships with upstream and downstream enterprises in the industry chain, which forms a technologically related and interdependent group of enterprises. Key producers have generally established a reliable and stable supply chain with selected qualified customer bases.

Considering the factors above, we believe we have competitive advantages against new entrants to and small companies in the coking chemical and refined chemical industry.

Future Outlook

The future outlook for China's coking chemical and refined chemical market is as follows, according to Frost & Sullivan:

- *Development of Large-Scale Coking Chemical and Refined Chemical Enterprises.* To satisfy market demand for diversified products and to comply with strict PRC government guidelines for environmental protection, the construction of large-scale coking chemical and refined chemical plants and application of advanced technologies are expected to become a trend.

- *Extension of Industrial Value Chain.* Refined chemical enterprises in China are likely to seek opportunities to produce downstream products which can be used in chemical, pharmaceutical, textile and construction material industries.

CHINA TRADING MARKET ANALYSIS

China Coal and Coke Trading Market

Coal and coke distribution in China falls into three categories. The first comprises coal and coke producers who sell their own coal and coke products. The second comprises those who only purchase coal and coke to sell to their customers. The third comprises coal and coke producers who also purchase coal and coke from other producers and sell those products to their customers. There are a significant number of small-scale coal traders. In coke trading, most downstream consumers, such as iron and steel manufacturers, purchase coke from coke producers directly. Due to information asymmetry and low bargaining power, small downstream enterprises have to purchase coke from coke traders.

Downstream customers of coal and coke come from various industries. The coal supply chain is lengthy and complex, which leaves coal traders sufficient space to develop. On the other hand, most of the coke produced by coking enterprises is transported directly to iron and steel enterprises. Accordingly, the trading volumes of coke are much lower than that of coal.

The coal trade in China fluctuated in recent years. From 2011 to 2013, trading volume increased by 9.6% from approximately 3,415.1 million tons to 3,743.4 million tons then, from 2013 to 2017, decreased by 14.9% from approximately 3,743.4 million tons to 3,184.8 million tons. The coal trade in China is likely to grow steadily in the future due to further integration of coal resources, and is estimated to reach approximately 3,394.7 million tons in 2022, according to Frost & Sullivan.

The coke trade in China experienced rapid growth between 2011 and 2014. The trading volume increased by 48.5% from 56.5 million tons to 83.9 million tons from 2011 to 2014, and decreased by 20.7% from 83.9 million tons to 66.5 million tons from 2014 to 2017. The coke trade in China is likely to grow steadily in the future due to upgrades of the coke supply chain and is estimated to reach approximately 73.0 million tons in 2022, according to Frost & Sullivan.

Market Drivers

The scattered distribution of coal and coke production and consumption in China, low industry concentration and large differences in sales or purchasing capabilities have provided niches for coal and coke trading service providers of different scales.

Entry Barriers

Coal and coke traders rely on their logistic capabilities to ensure the stability of coal distribution, which is difficult for new entrants and small coal and coke distributors. In addition, coal and coke trading is capital intensive and market participants must have sufficient liquidity to support their operations. As a result of the foregoing, we believe we have competitive advantages against new entrants and small distributors.

Future Outlook

Driven by the PRC government initiatives, industry concentration is expected to increase. The large coal and coke manufacturers are expected to enter into cooperation agreements with large coal and coke traders. In contrast, the small coal and coke traders are likely to be eliminated from the trading market.

Historically, coal and coke prices experienced strong fluctuations. If coal and coke traders cannot respond effectively, their profits will suffer. In addition, high levels of inventory risk may exert great pressure on the traders' liquidity.

NO ADVERSE CHANGE

The Directors confirm that, to the best of their knowledge and belief, there has been no adverse change in market information since the date of the Frost & Sullivan Report which may qualify, contradict or materially impact the information in this section.

OVERVIEW

Most of the business of the Company (including the production and sale of coke, coking chemicals and refined chemicals and the trading of coal, coke and refined chemical products) shall be in compliance with relevant laws and regulations and industry standards in the PRC and is subject to extensive regulation by the PRC government. The Company's aforementioned business and relevant activities are governed by the regulations in relation to production, sale, operation, transportation, export, energy efficiency and environmental protection. In addition, all operations of the Company in the PRC shall be in compliance with the laws and regulations on foreign investment, taxation and safety.

The Company is mainly supervised and regulated by the following governmental authorities of the PRC:

- The State Council, as the highest organ of state administration, is responsible for reviewing, approving and reforming the investment system and approval system of the PRC government and the catalogue of investment projects approved by the government.

- The NDRC is responsible for formulating and implementing the major policies related to the economic and social development of the PRC; planning major construction projects and management of production capacity; examining and approving investment projects exceeding certain capital limits or investment projects in special industry sectors; and formulating and implementing industry policies and investment principles for natural resources industries such as coking industry.

- The MIIT is responsible for formulating the industry plans, policies and standards of industrial and information technology sectors (including the coal chemical industry); formulating the market access requirements of industrial and information technology sectors; and guiding the formulation of technical regulations.

- MOFCOM is responsible for managing domestic and overseas trading and cooperation with international economies and approving foreign investment projects and overseas investment projects of PRC enterprises. In addition, MOFCOM and the NDRC are jointly responsible for examining and approving the Catalogue for the Guidance of Foreign Investment Industries (2017 Revision).

- The Ministry of Ecology and Environment (which has merged with the Ministry of Environmental Protection) is responsible for formulating ecological environment policies, plans and standards, and for monitoring the ecological environment and law enforcement, regulating pollution control and nuclear and radiation safety and organizing inspections of central authorities on environmental protection.

- The State Administration for Market Regulation (which has merged with the General Administration of Quality Supervision, Inspection and Quarantine) is responsible for overseeing product quality, product technology, production examination and standardization in the PRC.

- The Ministry of Emergency Management (which has merged with the State Administration of Work Safety) is responsible for managing and supervising production safety in the PRC and ensuring the implementation of PRC laws and regulations in relation to production safety.

- The Ministry of Housing and Urban-Rural Development is responsible for examining and approving construction projects and industry management.

INDUSTRY POLICIES

On December 16, 2004, the NDRC issued the Entry Conditions of Coking Industry (《焦化行業准入條件》) (the "**Entry Conditions**"), which was amended by the MIIT on December 19, 2008 and March 3, 2014. The Entry Conditions sets out the conditions to be fulfilled by coking enterprises before production, which include operational layout, technology and equipment, product quality, resources and energy consumption, environmental protection, production safety, occupational health and technical advancement. For example, coking enterprises shall comply with the statutory standard of distance for health protection, possess major equipment that meets the statutory technical standards, and meet the minimum requirement for production capacity with resources or energy consumption below the statutory standards. In addition, the pollutants emitted by coking enterprises shall meet the national and local standards for pollutant emissions and the requirements for total emissions of major pollutants. New construction, renovation and expansion of coking enterprises should meet all entry conditions of the Entry Conditions before the commencement of production and operation in coking industry.

On November 23, 2007, the NDRC issued the Coal Industrial Policy (《煤炭產業政策》) (the "**Coal Policy**") which took effect on the same day. The Coal Policy regulates the planning of targeted development, industry layout, industry entry requirements, industry structure, industry technology, production safety, transportation, trade, energy efficiency and environmental protection.

According to the Coal Law of the People's Republic of China (Amended) (《中華人民共和國煤炭法》(修正)) considered and passed at the 24th Meeting of the Standing Committee of the 12th National People's Congress on November 7, 2016, the PRC government advocates and supports coal enterprises and other enterprises to develop co-generation of coal and electricity, coking, coal chemical, coal construction materials and so forth and to engage in the deep processing and fine finishing of coal.

On March 22, 2017, the NDRC and the MIIT promulgated the Layout Plan for Innovative Development of Modern Coal Chemical Industry (《現代煤化工產業創新發展佈局方案》) (Fa Gai Chan Ye [2017] No. 553), which identified eight major tasks, such as accelerating the integrated development of related industries, exploring the potential of and transforming advantageous enterprises and increasing the efforts in improving the completeness of technical equipment, as well as the following six protective measures:

- tightening the requirements for project construction, standardizing the approval and management procedures and facilitating the reasonable allocation of resources;

- accelerating the amendment and improvement of standards on safety protection, pollutant emission and water resource preservation;

- further enhancing the entry requirements for modern coal chemical projects in terms of safety, environmental protection and water resource preservation;

- guiding enterprises to optimize production techniques, strengthen the selection of equipment models and material, improve design standards and construction quality and strengthen operational management;

- standardizing governance measures and practically implementing the system of simultaneous design, construction and operation of safety and environmental protection facilities and the pollutant emission permit system; and

- requiring enterprises to establish a system of self-monitoring, information disclosure, record keeping and regular reporting.

Production

According to the Work Safety Law of the People's Republic of China (《中華人民共和國安全生產法》) (the "**Work Safety Law**") promulgated on June 29, 2002 and amended on August 27, 2009 and August 31, 2014, production and operating entities shall meet the work safety conditions required by the Work Safety Law and other relevant laws, administrative regulations, national standards and industrial standards. Entities that do not meet such work safety conditions shall not engage in production or operating activities. Entities engaged in production, operation and storage of hazardous items shall establish a department to carry out work safety management or designate personnel solely responsible for work safety management. Production and operating entities shall provide their employees with education and training on work safety to ensure that the employees have the necessary knowledge regarding work safety.

According to the Regulation on Work Safety Permits (《安全生產許可證條例》) promulgated by the State Council on January 13, 2004 and amended on July 18, 2013 and July 29, 2014, the PRC government implements a work safety permit system for enterprises that engage in the production of hazardous chemicals. An enterprise shall not engage in such production activities without work safety permits.

According to the Regulation on Safety Management of Hazardous Chemicals (《危險化學品安全管理條例》) issued by the State Council on January 26, 2002 and amended on February 16, 2011 and December 7, 2013, the PRC government implements catalogue management for chemicals listed in the catalogue of hazardous chemicals. Entities engaged in production, storage, usage, operation and transportation of hazardous chemicals are required to meet the safety conditions set out by relevant laws, administrative regulations, national standards and industrial standards and obtain relevant permits. For example, enterprises shall obtain a business license for hazardous chemicals before engaging in operations related to hazardous chemicals. New construction, renovations and expansions of construction projects for production and storage of hazardous chemicals shall be subject to inspection of the safety conditions by production safety supervision and management authorities.

According to the Administrative Rules on Registration of Hazardous Chemicals (《危險化學品登記管理辦法》) issued by the State Administration of Work Safety (now known as the Ministry of Emergency Management) on October 8, 2002 and amended on July 1, 2012, the PRC government implements a registration system for hazardous chemicals. Enterprises engaged in production or import of hazardous chemicals listed in the Catalogue of Hazardous Chemicals (《危險化學品目錄》) shall conduct general inspection of their hazardous chemicals, establish records for management of hazardous chemicals, apply for registration of hazardous chemicals with the relevant registration authorities as set out in the requirements, fill in the registration information based on facts and submit the required documents, and receive an inspection from production safety supervision and management authorities as set out in the relevant laws.

According to the Regulation on Administration of Production Permit for Industrial Products (《工業產品生產許可證管理條例》) issued by the State Council on July 9, 2005 and came into effect on September 1, 2005, the PRC government implements a production permit system for important industrial products and other industrial products listed in the Catalogue of Industrial Products under Production Permit System (the "**Industrial Product Catalogue**"). Enterprises engaged in production of hazardous chemicals listed in the Industrial Product Catalogue shall obtain the production permit for industrial products in accordance with the requirements of such regulation. To obtain a production permit, an enterprise should possess appropriate staffing, production conditions, inspection methods, production techniques, technical documents, effective quality management systems and accountability systems, its products should meet the relevant national standards, industrial standards and other statutory requirements, and the enterprise should comply with national industry policies by not using outdated techniques, having a high consumption of energy, polluting the environment and wasting resources which shall be eliminated and are prohibited from investment by the PRC government.

According to the Administrative Regulations on Precursor Chemicals (《易制毒化學品管理條例》) issued by the State Council on August 26, 2005, came into effect on November 1, 2005 and amended on July 29, 2014, February 6, 2016, and September 18, 2018 the PRC government implements the classified administration and licensing or filing system for production, distribution, purchase, transportation and import and export of precursor chemicals. The precursor chemicals are classified into three categories based the Catalog of Classification and Types of Precursor Chemicals. Category I includes the major materials that can be used for producing drugs. Categories II and III include the chemical agents that can be used for producing drugs.

Operation

According to the Administrative Measures on Operation Permit of Hazardous Chemicals (《危險化學品經營許可證管理辦法》) issued by the State Administration of Work Safety (now known as the Ministry of Emergency Management) on July 17, 2012 and amended on May 27, 2015, the operational activities (including warehouse operation) of hazardous chemicals in the PRC shall be carried out under a hazardous chemical permit issued by the production safety supervision authorities. However, a hazardous chemical producer that has obtained a hazardous chemical safety production permit and sells its own products within its factory area is not required to obtain a separate hazardous chemical operation permit. To obtain an operation permit, the hazardous chemical operation enterprises should meet all the statutory requirements on business premises, staff training, regulatory system, rescue equipment and other aspects.

In the PRC, import and export of goods and technologies and provision of international trade services shall be in compliance with the Foreign Trade Law of the PRC. The amended Foreign Trade Law of the PRC came into effect on November 7, 2016. According to the Administrative Measures on License for Export of Goods issued by MOFCOM on December 10, 2004 and amended on June 7, 2008, for all the goods subject to the administration of export quota license and export license, a foreign trade operator shall apply for requisite export license with the designated license issuing agency before export, and the customs authorities shall accept the declaration and release based on the export license. MOFCOM and the General Administration of Customs jointly formulate, amend and issue the annual Catalogue of Goods subject to Export License (《出口許可證管理貨物目錄》). According to the 2018 Catalogue of Goods subject to Export License issued by MOFCOM and the General Administration of Customs on December 22, 2017 and came into effect on January 1, 2018, coke is one of the goods subject to export license.

OTHER LAWS AND REGULATIONS

Project Investment

The State Council issued the Decision on Investment System Reform (《關於投資體制改革的決定》) (the "**Investment Reform Decision**") on July 16, 2004 which came into effect on the same day. The purpose of this legislation is to reduce the direct intervention of the PRC government in business activities, allow the market to allocate resources and improve investment efficiency, and facilitate the continuous, coordinated and healthy development of the Chinese economy. With the issuance of the Investment Reform Decision, the PRC government has streamlined the approval process for investment projects. There are three types of management of investment projects: ratification, approval and filing. The ratification system is no longer applied to projects that do not use government investment for construction. The approval system shall be applied for major projects and restricted projects in order to protect the public interest. The filing system is applicable for other projects regardless of investment size, except for projects prohibited from investment according to national laws and regulations and special requirements of the State Council.

According to the Notice on Issue of Catalogue of Investment Projects subject to Approval by the Government (2016 version) (《關於發佈政府核准的投資項目目錄(2016年本)的通知》) issued by the State Council on December 12, 2016, investment in construction of fixed assets investment projects listed in the Catalogue of Investment Projects subject to Approval by the Government (2016 version) shall be approved by relevant project approval authorities in accordance with relevant requirements, and the investment in construction of projects not listed in the Catalogue of Investment Projects subject to Approval by the Government (2016 version) shall be filed with relevant authorities.

Foreign Investment

According to the Catalogue for the Guidance of Foreign Investment Industries (《外商投資產業指導目錄》) issued by the NDRC and MOFCOM on April 10, 2015, projects encouraged for foreign investment in the coal chemical industry include phenol oil processing, washing oil processing and high-end utilization of coal tar pitch (excluding coal tar pitch).

On June 28, 2017, the NDRC and MOFCOM amended to the Guidance of Foreign Investment Industries with effect from July 28, 2017, and the aforementioned industries remain in the encouraged category.

On June 28, 2018, the NDRC and MOFCOM issued Special Management Measures for the Market Entry of Foreign Investment (Negative list) with effect from July 28, 2018, and the aforementioned industries remain in the encouraged category.

Environmental Protection

According to the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》) (the "**Environmental Protection Law**") amended on April 24, 2014 and effective from January 1, 2015, in order to prevent environmental pollution and to protect the ecological environment, the competent department of environmental protection of the State Council develops nationwide standards for environmental quality and emissions, and is responsible for supervising the implementation of environmental protection systems in the PRC. The environmental protection authorities at various levels of the PRC Government (at and above the county level) are responsible for environmental protection work within their own jurisdictions. Local environmental protection authorities have the power to formulate local standards that are more rigorous than national standards, and enterprises must comply with the more rigorous standard as between the national and local environmental protection standards. The Environmental Protection Law provides that any factory entities that may cause pollution or generate other hazardous substances in their operations must adopt environmental protection measures in their operations by creating an environmental protection responsibility mechanism and adopting effective measures to control and properly dispose of exhaust gas, wastewater, waste residue, dust, noise and other wastes.

According to the Law of Environmental Impact Assessment of the PRC (《中華人民共和國環境影響評價法》) amended on July 2, 2016 and effective from September 1, 2016, the PRC government implements classified management for environmental impact assessment of construction projects based on the level of impact on environment from the construction projects. Environmental impact assessment documents of construction projects shall be inspected and approved by the approving authorities in accordance with relevant laws before commencement of construction.

The Law of Prevention of Air Pollution of the PRC (《中華人民共和國大氣污染防治法》), amended on August 29, 2015 and came into effect on January 1, 2016, sets out the supervision, management and prevention measures for air pollution. Emissions of pollutants into the air shall meet the emission standards of air pollutant and the control requirement of total emissions of major air pollutants. Entities that are subject to pollutant emission regulations shall also obtain the pollutant emission permit. Enterprises in steel, construction material, non-ferrous metal, petroleum, chemical, pharmaceutical and mining industries should also strengthen the refined management of air pollutants, adopt the measures of centralized collection and treatment, and strictly control the emission of dust and air pollutants to the environment.

According to the Law of Prevention of Solid Waste Pollution to the Environment of the PRC (《中華人民共和國固體廢物污染環境防治法》) amended with immediate effect on November 7, 2016, enterprises are required to utilize the industrial solid waste generated by them, depending on the economic and technical conditions, and for any industrial solid waste that will not be recycled immediately or that cannot be recycled, the enterprises shall, in accordance with the regulations of the administrative department for environmental protection under the State Council, build facilities and premises for storage, classify the waste in different types for safe storage or adopt measures to make innocuous treatment.

According to the Law of Prevention and Control of Water Pollution of the PRC (《中華人民共和國水污染防治法》) amended on June 27, 2017 and effective from January 1, 2018, discharge of water pollutants should be within national or local standards for the discharge of water pollutants and indicators for the total discharge control of major water pollutants. It is prohibited to discharge wastewater to a body of water where a pollutant discharge permit is required without such permit or in breach of a requirement of the permit.

According to the Law of Environmental Protection Tax of the PRC (《中華人民共和國環境保護稅法》) (the "**Law of Environmental Protection Tax**") issued on December 25, 2016 and effective from January 1, 2018, enterprises generating air pollutants, water pollutants, solid waste and noise shall be required to file and pay the environmental protection tax to tax authorities on a quarterly basis based on the List of Items and Amounts of Environmental Protection Tax and the List of Taxable Pollutant and relevant Equivalent under the Environmental Protection Law. The environmental protection tax will be collected and managed by tax authorities in accordance with the Law of Taxation Administration of the PRC and the Law of Environmental Protection Tax. With effect from the implementation of the Law of Environmental Protection Tax, the PRC government started to collect environmental protection tax in accordance with relevant requirements and ceased the collection of pollutant discharge fees.

According to Administrative Measures for Pollutant Discharge Licensing (for Trial Implementation) (《排污許可管理辦法(試行)》) issued on January 10, 2018, the responsibilities of the environmental protection authorities and pollutant discharge entities have been detailed and refined, and specific systems in relation to entities has been stipulated to include their commitment, independent monitoring, ledger records, execution report and information disclosure.

According to Circular of the State Council on Issuing the Three-year Action Plan for Winning the Battle for a Blue Sky (《國務院關於印發打贏藍天保衛戰三年行動計劃的通知》) issued with immediate effect on June 27, 2018, in order to speed up the improvement in ambient air quality, the State Council identified the key regions, including the Beijing-Tianjin-Hebei region and surrounding areas, and focused on the key regions to continue to carry out air pollution prevention and control actions. In autumn and winter, key regions shall formulate peak production plans and implement differentiated management for high-emission industries such as steel, building materials, coking, foundry, non-ferrous metals and chemicals.

Energy

According to the Energy Saving Law of the PRC (《中華人民共和國節約能源法》) amended with immediate effect on July 2, 2016, the department for management of energy saving under the State Council, together with other relevant departments under the State Council, formulated the energy saving technical policies for electricity, steel, non-ferrous metal, construction material, oil processing, chemical, coal and other major energy consumption industries to facilitate the transformation of energy saving technologies. If a fixed asset investment project which does not meet the mandatory energy saving standards commences construction or is put into operation or use, the department for energy saving management shall order the relevant enterprise to stop the construction, operation or use and take steps to rectify within prescribed period. For any production project that cannot be rectified or fails to rectify within prescribed period, the department for energy saving management shall report to the PRC government to order the shut-down of such project in accordance with the requirements of the State Council.

Foreign Exchange

According to the Regulations on Foreign Exchange Administration (《外滙管理條例》) issued by the State Council on January 29, 1996 and amended on January 14, 1997 and August 5, 2008, foreign exchange receipts of domestic institutions or individuals may be transferred to the PRC or deposited abroad, and the conditions for transfer to the PRC or overseas deposits, time limit and other contents shall be specified by the foreign exchange administrative department of the State Council according to the international receipts and payments status and requirements of foreign exchange administration. Foreign exchange receipts for current account transactions may be retained or sold to financial institutions engaged in the settlement or sale of exchange according to the relevant provisions of the State. Domestic institutions or individuals that make direct investments abroad or that are engaged in the distribution or deal of overseas valuable securities or derivative products shall go through the formalities for registration according to the provisions of the foreign exchange administrative department of the State Council. Institutions or individuals should submit the formalities for examination and approval or record-filing prior to foreign exchange registration, if they are subject to the approval or record-filing with the competent administration departments in advance as required by the State. The exchange rate for Renminbi follows a managed floating exchange rate system based on market demand and supply.

According to the Regulations on Foreign Exchange Administration of Domestic Direct Investment by Foreign Investors (《外國投資者境內直接投資外匯管理規定》) issued by the State Administration of Foreign Exchange on May 10, 2013 and implemented on May 13, 2013, domestic direct investment by foreign investors shall be subject to registration management. Institutions and individuals involving in domestic direct investment activities shall register with the State Administration of Foreign Exchange and its branch offices (the "**Foreign Exchange Bureau**"). Banks shall conduct business related to domestic direct investment based on the registration information from the Foreign Exchange Bureau.

According to the Notice on Reforming and Regulating the Policies of Foreign Exchange Settlement Management of Capital Items (《關於改革和規範資本專案結匯管理政策的通知》) issued and implemented by the State Administration of Foreign Exchange on June 9, 2016, discretionary settlement of foreign exchange capital of foreign-invested companies means that foreign exchange capital in the capital account of foreign-invested companies whose rights and interests of monetary contribution have been confirmed by the local Foreign Exchange Bureau (or book-entry registration through the banks) can be settled at the banks based on the actual operating needs of the companies. The proportion of discretionary settlement of foreign exchange capital for foreign-invested companies is temporarily set at 100%, which can be adjusted by the State Administration of Foreign Exchange as appropriate based on the conditions of foreign income and expense.

Labor

According to the Labor Law of the PRC (《中華人民共和國勞動法》) amended on August 27, 2009 and came into effect on the same day as well as the Labor Contract Law amended on December 28, 2012 and came into effect on July 1, 2013, employers and employees shall enter into written labor contracts to establish their employment relationship.

According to the Social Insurance Law of the People's Republic of China (《中華人民共和國社會保險法》) issued on October 28, 2010 and implemented on July 1, 2011, the Rules of Work Injury Insurance (《工傷保險條例》) amended on December 20, 2010 and implemented on January 1, 2011, the Pilot Measures on Employees Maternity Insurance (《企業職工生育保險試行辦法》) issued on December 14, 1994 and implemented on January 1, 1995, the Decision of the State Council on Establishment of a Unified Employees Basic Endowment Insurance System (《國務院關於建立統一的企業職工基本養老保險制度的決定》) issued and implemented on July 16, 1997, the Decision of the State Council on Establishment of Urban Employees Basic Medical Insurance System (《國務院關於建立城鎮職工基本醫療保險制度的決定》) issued and implemented on December 14, 1998, the Rules of Unemployment Insurance (《失業保險條例》) issued and implemented on January 22, 1999, the Provisional Rules on Collection of Social Insurance Fee (《社會保險費徵繳暫行條例》) issued and implemented on January 22, 1999 and the Provisional Measures on Registration Management of Social Insurance (《社會保險登記管理暫行辦法》) issued and implemented on March 19, 1999, employers shall make contribution to endowment insurance, unemployment insurance, maternity insurance, work injury insurance and medical insurance for employees in accordance with relevant laws. Employers should apply for registration of social insurance with the local social insurance authorities and pay the social insurance fee for employees. If an enterprise fails to pay the social insurance fees on time or in full, the social insurance collection institution shall order it to make the payment or make up the difference within the stipulated period and impose a daily fine equivalent to 0.05% of the overdue payment from the date on which the payment is overdue. If the overdue amount is still not settled within the stipulated time period, an additional fine with an amount of one to three times of the overdue amount will be imposed by the relevant administration authorities.

According to the Regulation on Management of Housing Provident Fund (《住房公積金管理條例》) amended and implemented on March 24, 2002, enterprises shall register for contribution of housing provident fund with the housing provident fund management center and open the account for housing provident fund for employees at designated banks after obtaining the approval from the housing provident fund management center. Enterprises shall make contributions to the housing provident fund for employees. Enterprises in breach of the requirements set out in such regulation will be subject to a fine and ordered to pay the amount within a prescribed period.

Taxation

Income Tax

According to the EIT Law, taxpayers consist of either resident enterprises or non-resident enterprises. Resident enterprises are defined as enterprises that are established in China in accordance with PRC laws, or that are established in accordance with the laws of foreign countries (regions) but whose actual or de facto control entity is within the PRC. Non-resident enterprises are defined as enterprises that are set up in accordance with the laws of foreign countries (regions) and whose actual administration is conducted outside the PRC, but have entities or premises in China, or have no entities or premises in China but have income generated from China. According to the EIT Law, foreign invested enterprises in the PRC are subject to enterprise income tax at a uniform rate of 25%. A non-resident enterprise that has an establishment or premises within the PRC shall pay enterprise income tax at a rate of 25% on its income that is derived from such establishment or premises in China and that is sourced outside the PRC but is actually connected with that establishment or premises. A non-resident enterprise that has no establishment or premises within China but has income from the PRC, and a non-resident enterprise that has establishment or premises in the PRC but its income has no actual connection to such establishment or premises in the PRC, shall be subject to PRC withholding tax at the rate of 10% on its income sourced from the PRC.

According to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》), the tax rate on dividends paid by a PRC resident enterprise to a Hong Kong resident enterprise is 5% if such Hong Kong resident enterprise directly holds at least 25% of the capital in the PRC resident enterprise, and 10% for other circumstances.

Value-added Tax

According to the Provisional Regulation of Value-added Tax of the PRC (《中華人民共和國增值稅暫行條例》) amended and implemented on November 19, 2017 and the Implementation Rules of the Provisional Regulation of Value-added Tax of the PRC (《中華人民共和國增值稅暫行條例實施細則》) amended on October 28, 2011 and implemented on November 1, 2011, and Circular of the Ministry of Finance and SAT on Adjusting Value-added Tax Rates issued on April 4, 2018 and effective on May 9, 2018, sale of goods, provision of processing, repairing and replacement services, the sale of services, intangible assets and immovable assets and importation of goods in the PRC shall be subject to value-added tax at the tax rates of 16%, 10%, 6% and 0% based on the specific taxable items.

GENERAL

Our Company was incorporated in the Cayman Islands on November 8, 2007 and is the holding company of our Group, with its business being conducted through our Group's operating subsidiaries in the PRC and Hong Kong.

Our Group's history can be traced back to May 1995, when Xingtai Risun Trading commenced business as Xingtai Risun Coking Limited (邢台旭陽焦化有限公司), and when Mr. Yang joined Xingtai Risun Trading as the general manager. Mr. Yang acquired a majority equity interest in Xingtai Risun Trading in November 1999.

IMPORTANT BUSINESS MILESTONES

The following events illustrate certain key milestones and achievements in the business development of our Group:

Year	Event
1995	Establishment of Xingtai Risun Coking Limited (now known as Xingtai Risun Trading Limited), which commenced production and sales of coke at the Xingtai Production Base.
1998	Commenced production and sales of coking products at the Xingtai Production Base.
1999	Xingtai Risun Trading entered into a contract to supply town gas to the city of Xingtai.
2003	Formation of CNC Risun Coking by Xingtai Risun Trading, China Coal and Coke Holdings Limited (中煤焦化控股有限責任公司) ("**CNC Coke**") and Delong Steel Limited (德龍鋼鐵有限公司) ("**Delong Steel**"), each holding 45.0%, 45.0% and 10.0% equity interest respectively.
2004	Commenced production and sales of coke and coking products at the Dingzhou Production Base.
2007	Commenced production and sales of refined chemicals products at the Xingtai Production Base.
	Commenced production and sales of refined chemicals products at the Dingzhou Production Base.
2008	Formation of Jinniu Risun Chemicals by Xingtai Risun Trading and Hebei Jinniu Chemical Industry Co., Ltd. (河北金牛化工股份有限公司), each holding 50.0% equity interest.
2010	Commenced production and sales of refined chemicals products at the Tangshan Production Base.
2011	Formation of Cabot Risun Chemicals by Risun Chemicals and Cabot (China) Limited (卡博特(中國)投資有限公司), holding 40.0% and 60.0% equity interest, respectively.

Year	Event
2014	Entered into our first operation management services agreement.
2016	Commenced production and sales of refined chemicals products at the Cangzhou Production Base.
2018	Entered into our second, third and fourth operation management services agreements.

CORPORATE HISTORY

Our Company has a number of subsidiaries incorporated in the BVI, HK and the PRC. Details of our Company and the major subsidiaries of our Group and their respective corporate histories are set out below.

OUR COMPANY

Our Company was incorporated in the Cayman Islands under the Cayman Companies Law as an exempted company with limited liability on November 8, 2007 with an authorized share capital of HK$380,000 divided into 3,800,000 shares of HK$0.10 each. On November 8, 2007, one subscriber Share was allotted and issued at par value to the initial subscriber and transferred to CRC.

On February 15, 2008, CRC subscribed for 882,324,427 additional Shares for a total consideration of US$21,255,000, of which 184,581,828 Shares were converted into 184,581,828 Series A Shares with a nominal value of HK$0.10 each in the capital of our Company ("**Series A Shares**"). The Series A Shares were then transferred on February 28, 2008 by CRC to GS Capital Partners VI Fund, L.P., GS Capital Partners VI GmbH & Co. KG, GS Capital Partners VI Offshore Fund, L.P., GS Capital Partners VI Parallel, L.P. (collectively, "**GS Capital Partners Funds**") and DT Ventures China Fund II, L.P. ("**DT Ventures**" and together with the GS Capital Partners Funds, the "**Series A Investors**", all of which are independent third parties), pursuant to a share swap arrangement whereby the original investment of the Series A Investors in CRC were swapped for the Series A Shares in the Company. The remaining 697,742,600 Shares were transferred to Texson on February 28, 2008. The shareholding interests of Texson and the Series A Investors upon completion of the share swap arrangement and the share transfer were as follows:

	Shareholding in our Company immediately following completion of the share swap arrangement	
Name of shareholder	No. of Shares/ Series A Shares	Approximate percentage interest
		(Note 1)
Texson	697,742,600 Shares	79.1%
GS Capital Partners Funds	162,866,319 Series A Shares	18.4%
DT Ventures	21,715,509 Series A Shares	2.5%

Note:

1. The approximate percentage of total issued share capital in our Company (including the Shares and Series A Shares).

Texson agreed to purchase all of the Series A Shares from the Series A Investors for a total consideration of US$101,464,584.17 in January 2017 and the purchase was completed and the consideration fully paid on March 5, 2018. Upon completion of the share transfer, Texson became the sole shareholder of our Company, holding 697,742,600 Shares and 184,581,828 Series A Shares. The Series A Shares were converted to ordinary Shares on April 4, 2018.

In 2018, our Company entered into subscription agreements with four Pre-IPO Investors and Texson transferred part of its shareholding in our Company to First Milestone, as described in more detail in "– Pre-IPO Investments".

OUR MAJOR SUBSIDIARIES

The principal business activities and date of establishment and commencement of business of each of our major subsidiaries are set out below:

Name of entity	Principal business activities	Date of establishment and commencement of business
Xingtai Risun Trading	Wholesale of various forms of coke, coking chemical and refined chemical products.	May 12, 1995
Hebei Risun Coking	Production and sales of coke, coking chemical and refined chemical products. It owns coking facilities at the Dingzhou Production Base	October 30, 2003
Xingtai Risun Coal Chemicals	Production and sales of refined chemical products. It owns refined chemical facilities located at the Xingtai Production Base	April 7, 2006
Dingzhou Tianlu New Energy	Production and wholesale of refined chemical products. It owns refined chemical facilities located at the Dingzhou Production Base	April 9, 2007
Tangshan Risun Chemicals	Production and sales of refined chemical products. It owns refined chemical facilities located at the Tangshan Production Base	October 17, 2008
Risun Chemicals	Provision of assistance to our Group in purchasing machinery, equipment, raw materials, provision of after-sales service, technical support and staff training, seeking of loans and provision of guarantees, establishment of a research and development center and provision of technical and consulting services	January 8, 2010
Cangzhou Risun Chemicals	Production and sales of refined chemical products. It owns refined chemical facilities located at the Cangzhou Production Base	June 27, 2011
Xingtai Risun Chemicals	Production and sales of phthalic anhydride	March 17, 2014

Significant shareholding changes during the Track Record Period

The significant shareholding changes of our major subsidiaries during the Track Record Period are set out as follows:

Name of entity	Significant shareholding changes during the Track Record Period
Hebei Risun Coking	On December 1, 2017, Risun Chemicals entered into an equity transfer agreement with Hong Kong Risun, pursuant to which Risun Chemicals acquired from Hong Kong Risun the entire equity interest of Hebei Risun Coking, for a consideration of RMB3,212,812,731.92, which was determined based on a valuation report prepared by an independent third party. This was treated as a capital injection by Hong Kong Risun into Risun Chemicals. The equity transfer was completed and approved by the relevant PRC authority on December 27, 2017.
Xingtai Risun Coal Chemicals	On November 1, 2016, Hong Kong Risun entered into an agreement with Risun Chemicals pursuant to which Risun Chemicals acquired from Hong Kong Risun its 51.37% equity interest in Xingtai Risun Coal Chemicals, for a consideration of RMB569,310,000, which was determined based on a valuation report issued by an independent third party. On the same day, Xingtai Risun Trading entered into an agreement with Risun Chemicals pursuant to which Risun Chemicals agreed to acquire from Xingtai Risun Trading its 48.63% equity interest in Xingtai Risun Coal Chemicals, at a consideration of RMB538,940,000, which was determined based on a valuation report issued by an independent third party. The equity transfers were approved by the relevant PRC authority on November 9, 2016. On September 18, 2017, Xingtai Risun Trading entered into an agreement with Risun Chemicals pursuant to which Xingtai Risun Trading acquired from Risun Chemicals its 48.63% equity interest in Xingtai Risun Coal Chemicals, at a consideration of RMB538,940,000, and setting off the amounts due from Risun Chemicals under the November 1, 2016 agreement. The equity transfer was completed and approved by the relevant PRC authority on September 22, 2017. After such transfers, Xingtai Risun Coal Chemicals was owned as to 51.37% and 48.63% by Risun Chemicals and Xingtai Risun Trading, respectively, and became a wholly-owned subsidiary of our Group. On September 30, 2018, Xingtai Risun Trading entered into an equity transfer agreement with Risun Chemicals pursuant to which Xingtai Risun Trading distributed its 50.29% equity interest in Xingtai Risun Coal Chemicals to Risun Chemicals, with a value of RMB480,977,100, representing the amount Xingtai Risun Trading had invested in Xingtai Risun Coal Chemicals for such equity interest. The distribution is expected to be completed by December 31, 2018 and the corresponding amount of paid-up capital by Risun Chemicals in Xingtai Risun Trading will be reduced. The distribution was approved by the relevant PRC authority on October 9, 2018. After such distribution, Xingtai Risun Coal Chemicals became a wholly-owned subsidiary of Risun Chemicals.

Name of entity	Significant shareholding changes during the Track Record Period
Dingzhou Tianlu New Energy	On January 5, 2017, Hebei Risun Coking entered into an agreement with Hong Kong Risun, pursuant to which Hebei Risun Coking acquired from Hong Kong Risun its 25.0% equity interest in Dingzhou Tianlu New Energy, at a consideration of RMB147,768,694.66, which was determined based on a valuation report issued by an independent third party. Dingzhou Tianlu New Energy then became a wholly-owned subsidiary of Hebei Risun Coking.
Cangzhou Risun Chemicals	On June 8, 2016, Risun Chemicals and Yingde Gases HK entered into an equity transfer agreement with Xuyang Holding pursuant to which Risun Chemicals and Yingde Gases HK disposed of their respective 3.42% and 25.92% equity interest in Cangzhou Risun Chemicals to Xuyang Holding for a consideration whereby Xuyang Holding would inject a corresponding amount of capital into Cangzhou Risun Chemicals, and fulfill part of the outstanding obligations of both Risun Chemicals and Yingde Gases HK to contribute to the capital of Cangzhou Risun Chemicals in a previous round of capitalization of Cangzhou Risun Chemicals. Pursuant to this arrangement, Cangzhou Risun Chemicals was then owned as to 43.35% by Risun Chemicals, 46.57% by Xuyang Holding and 10.08% by Yingde Gases HK. On December 12, 2017, Xuyang Holding entered into an equity transfer agreement with Risun Chemicals, pursuant to which Risun Chemicals acquired from Xuyang Holding its entire equity interest in Cangzhou Risun Chemicals, representing 46.57% of the total registered capital of Cangzhou Risun Chemicals, for a cash consideration of RMB388,857,100, which was determined based on a valuation report prepared by an independent third party. The equity transfer was completed and approved by the relevant PRC authority on December 22, 2017. After the transaction, Cangzhou Risun Chemicals was owned as to 89.92% by Risun Chemicals and 10.08% by Yingde Gases HK.
Xingtai Risun Chemicals	On October 23, 2018, Risun Chemicals entered into a share capital increase agreement with Xingtai Risun Coal Chemicals pursuant to which Xingtai Risun Coal Chemicals agreed to contribute RMB68,520,000 in the form of a land use right, the value of which was determined on the basis of a property valuation report issued by an independent property valuer, to the registered capital of Xingtai Risun Chemicals. The transaction was completed and approved by the relevant PRC authority on October 29, 2018 and the transfer of the land use right to Xingtai Risun Chemicals was completed on November 28, 2018. Upon completion, Xingtai Risun Chemicals was owned as to 68.64% by Risun Chemicals and 31.36% by Xingtai Risun Coal Chemicals.

We have conditionally adopted the Share Option Scheme on February 21, 2019, which will be effective upon Listing. The principal terms of the Share Option Scheme are summarized in the section headed "Statutory and General Information – 4. Share Option Scheme" in Appendix VI to this prospectus.

OUR MAJOR JOINT VENTURE COMPANY AND ASSOCIATES

CNC Risun Coking

CNC Risun Coking was established as a limited liability company under the laws of the PRC on November 21, 2003. Since establishment, its registered capital has been RMB100,000,000 and it has been owned as to 45.0%, 45.0% and 10.0% by Xingtai Risun Trading, CNC Coke, an independent third party, and Delong Steel, a wholly-owned subsidiary of Delong Holdings Limited, a company listed on the Main Board of the Singapore Exchange Securities Trading Limited (stock code: SGX: BQO) and an independent third party (the "**CNC Parties**"), respectively.

In accordance with an investment agreement entered among the CNC Parties on November 10, 2003: (i) the CNC Parties shall be entitled to the sharing of profits and be responsible for the risks and losses of CNC Risun Coking in proportion to their respective capital contributions to CNC Risun Coking; (ii) the voting rights of the CNC Parties at the shareholders' meeting of CNC Risun Coking shall be in proportion to their respective capital contributions to CNC Risun Coking and resolutions on certain major matters should be approved by two-third of votes casted by the shareholders of CNC Risun Coking; and (iii) the board of directors of CNC Risun Coking shall consist of five directors, two of which shall be appointed by Xingtai Risun Trading, two by CNC Coke and one by Delong Steel. Each director of CNC Risun Coking shall be entitled to one vote in meetings of the directors.

CNC Risun Coking is principally engaged in the production and sales of coke and coking products.

Jinniu Risun Chemicals

Jinniu Risun Chemicals was established as a limited liability company under the laws of the PRC on March 28, 2008. Since establishment, it has been owned as to 50.0% by Xingtai Risun Trading and 50.0% by Hebei Jinniu Chemical Industry Co., Ltd. (河北金牛化工股份有限公司) ("**Hebei Jinniu**"), a company established in the PRC, whose shares are listed on the Shanghai Stock Exchange (stock code: 600722), and an independent third party.

In accordance with the articles of Jinniu Risun Chemicals: (i) Xingtai Risun Trading and Hebei Jinniu are entitled to the sharing of profits and be responsible for the risks and losses of Jinniu Risun Chemicals in proportion to their respective capital contributions to Jinniu Risun Chemicals; (ii) shareholders' resolutions require unanimous approval by all shareholders of Jinniu Risun Chemicals; (iii) the board of directors of Jinniu Risun Chemicals shall consist of seven directors, three of which shall be appointed by Xingtai Risun Trading and four (including the chairman) shall be appointed by Hebei Jinniu; and (iv) quorum for meetings of the board of directors is, and resolutions of the board of directors require approval by, more than half of the number of directors of Jinniu Risun Chemicals.

Jinniu Risun Chemicals is principally engaged in the production and sales of methanol, compressed gases and liquefied gases.

Cabot Risun Chemicals

Cabot Risun Chemicals was established as a limited liability company under the laws of the PRC on June 23, 2011. Since establishment, it has been owned as to 40.0% by Risun Chemicals and 60.0% by Cabot (China) Limited (卡博特(中國)投資有限公司), an independent third party.

Cabot Risun Chemicals is principally engaged in the production and sales of refined chemicals products.

PRE-IPO INVESTMENTS

Overview

Our Company entered into subscription agreements with four Pre-IPO Investors for newly issued Shares in our Company and Texson transferred part of its shareholding in our Company to First Milestone. Such subscriptions of newly issued Shares and the transfer of Shares from Texson to First Milestone were completed by September 20, 2018. Based on the exchange rate on the date on which the consideration was paid, the four Pre-IPO Investors invested a total amount of approximately US$64,688,869.18 for an aggregate number of 80,394,096 newly issued Shares. After the issuance of Shares, our authorized share capital remained at HK$1,000,000,000 and our issued share capital increased from HK$88,232,442.80 to HK$96,271,852.40. The basis of determination of the consideration for the Pre-IPO Investments were arm's length negotiations between our Company or Texson (as the case may be) and the respective Pre-IPO Investors after taking into consideration the timing of the investments and the status of our business and operating entities at the relevant time, in particular the net asset value of our Company as of December 31, 2017.

The table below is a summary of the capitalization of our Company in respect of the Pre-IPO Investments.

Name of Pre-IPO Investor	Consideration	Number of Shares held after completion of the Pre-IPO investment	Ownership percentage as of the Latest Practicable Date	Ownership percentage as of the Listing Date(1)
Erie Investments Limited ("**Erie Investments**")	US$10,000,000	12,664,064	1.3%	1.1%
Net Gain Holdings Limited ("**Net Gain**")	US$5,000,000	6,332,032	0.7%	0.6%
Century Best Investments Limited ("**Century Best**")	RMB189,156,120	36,600,000	3.8%	3.2%
China Oriental Group Company Limited ("**China Oriental Group**")	RMB128,161,023.60	24,798,000	2.6%	2.2%
First Milestone SPC on behalf of and for account of First Milestone I SP	RMB2,400,000,000(2)	240,512,078	25.0%	21.2%

Notes:

1. Assuming the Over-allotment Option and any options that may be granted under the Share Option Scheme are not exercised.

2. Texson transferred 240,512,078 Shares to First Milestone in consideration of the issuance of 27,469.38308 class A non-redeemable participating shares in First Milestone to Texson, with a value of RMB2,400,000,000.

Principal terms of the Pre-IPO Investments and Pre-IPO Investors' Rights

The table below summarizes the principal terms of the Pre-IPO Investments:

	Erie Investments	Net Gain	Century Best	China Oriental Group	First Milestone
Date of investment agreement	February 22, 2018	February 22, 2018	May 7, 2018	June 13, 2018	September 20, 2018
Date of settlement of investment amount	February 27, 2018	February 27, 2018	May 15, 2018	June 20, 2018	September 20, 2018
Price per Share(1)	RMB1.4634	RMB1.4634	RMB1.4634	RMB1.4634	N/A(3)
Discount to the Offer Price(2)	42.85%	42.85%	42.85%	42.85%	N/A(3)
Lock-up	6-month lock up from the Listing Date unless otherwise agreed by the Group			N/A	N/A
Use of proceeds from the Pre-IPO Investments	Repayment of bank borrowings, payment of staff costs and working capital for the Group. As of the Latest Practicable Date, 100% of the net proceeds from the Pre-IPO Investments had been utilized.				N/A
Strategic benefits of the Pre-IPO Investors brought to the Company	At the time of the Pre-IPO Investments, our Directors were of the view that the Company would benefit from the additional capital that would be provided by the Pre-IPO Investors' investments in our Company. Our Directors further believe that the introduction of First Milestone as a Shareholder will strengthen the Company's relationship with the investment manager of First Milestone, Sinostone Capital Management (Overseas) Company Limited, as well as its ultimate shareholder. Sinostone Capital Management (Overseas) Company Limited is an indirect wholly-owned subsidiary of Sino-Rock Investment Management Company Limited, the largest shareholder of which is Cinda International Direct Investment Limited, which is in turn a wholly-owned subsidiary of Cinda International Holdings Limited. Cinda International Holdings Limited, whose shares are listed on the Main Board of the Stock Exchange (stock code: 111), provides corporate financing, corporate financial advisory, securities trading, commodity and futures trading, asset management and wealth management services, and may aid our Company's further strategic investment efforts. First Milestone will also serve as an investment platform whereby the investment manager can introduce other third party investors as limited partners in First Milestone to make investments in a variety of targets unrelated to the Company.				

Notes:

1. The price per Share is calculated on a fully diluted basis taking into account the Capitalization Issue.

2. The discount to the Offer Price is calculated based on the assumption that the Offer Price is HK$2.97 per Share, being the mid-point of the indicative Offer Price range of HK$2.76 to HK$3.18.

3. Texson transferred 240,512,078 Shares to First Milestone in consideration of the issuance of 27,469.38308 class A non-redeemable participating shares in First Milestone to Texson, with a value of RMB2,400,000,000.

In addition to the terms described above, China Oriental Group has been granted the following special rights, all of which shall automatically terminate immediately upon Listing:

Information right	China Oriental Group has the right to receive a copy of the audited annual financial statements within 120 days from the end of the relevant financial year, and the unaudited quarterly and half-yearly financial statements within 60 days from the end of the relevant financial period.
Pre-emptive right	In the event our Company allots and issues Shares prior to the Global Offering, China Oriental Group has a pre-emptive right to subscribe for such number of additional Shares on the same price and terms so as to maintain its shareholding percentage before and after such allotment and issuance of Shares. The pre-emptive right does not apply to an allotment of Shares on a pro-rata basis or an allotment of bonus shares by our Company to all of its Shareholders, or an allotment of Shares or share options by our Company to employees or management with the approval of the Board.

Public Float

Upon completion of the Global Offering (assuming the Over-allotment Option or any options that may be granted under the Share Option Scheme are not exercised), other than First Milestone which will be a substantial shareholder of the Company, the Pre-IPO Investors, all of whom are independent third parties, will collectively hold 283,925,072 Shares or approximately 7.1% of the enlarged issued share capital of the Company, which will count towards the public float.

Information about the Pre-IPO Investors

Erie Investments Limited

Erie Investments Limited is an investment holding company incorporated in the BVI. It is wholly-owned by Equity Trustee Limited as trustee of The LWQ Trust. The LWQ Trust is a trust established in the BVI by Ms. Li Weiqing. Ms. Li Weiqing, who is also the sole director of Erie Investments Limited, is the beneficiary of the trust.

Net Gain Holdings Limited

Net Gain Holdings Limited is an investment holding company incorporated in the BVI. It is wholly-owned by Mr. Trevor Raymond Strutt, who had been an executive director of Yingde Gases Group Company Limited, a company that had been listed on the Stock Exchange (stock code: 2168) and which had subsequently delisted on August 21, 2017.

Century Best Investments Limited

Century Best Investments Limited is an investment holding company incorporated in the Cayman Islands. It is wholly-owned by Mr. Hui Pui Fung, chairman of Jianhua Construction Materials Group. Jianhua Construction Materials Group is a comprehensive service provider of concrete products and technical services mainly based in the PRC.

China Oriental Group Company Limited

China Oriental Group Company Limited is an exempted company with limited liability incorporated in Bermuda whose shares have been listed on the Main Board of the Stock Exchange (stock code: 581). Together with its subsidiaries, one of which is one of our top 5 customers, China Oriental Group is principally engaged in the manufacture and sale of iron and steel products, trading of steel products and iron ore and real estate business.

First Milestone SPC and First Milestone I SP

First Milestone SPC is a segregated portfolio company with limited liability incorporated in the Cayman Islands under the provisions of the Cayman Companies Law. First Milestone I SP is a segregated portfolio of First Milestone, and one of its investment strategies is to make equity investment in leading and high-growth companies in the energy and chemical industry and related sectors. First Milestone has appointed Sinostone Capital Management (Overseas) Company Limited, a company registered as an Excluded Person with the Cayman Islands Monetary Authority to be its investment manager to recommend to the directors of First Milestone the investment, realization and disposition of the assets of First Milestone, and to supervise the implementation of the investment objectives and strategies of First Milestone, subject to the overall supervision of the directors of First Milestone. Sinostone Capital Management (Overseas) Company Limited is a wholly-owned subsidiary, Cinda Sino-Rock Investment Limited. 27,469.38308 class A non-redeemable participating shares in First Milestone which do not carry any voting rights are held by Texson, the only investor in First Milestone as of the Latest Practicable Date, and one voting non-participating management share is held by Sinostone Capital Management (Overseas) Company Limited.

Compliance with Interim Guidance and Guidance Letters

The Pre-IPO Investments were completed within 28 clear days before the date of the first submission of the first listing application. The Sole Sponsor confirms that the Pre-IPO Investments are in compliance with the Guidance Letter HKEx-GL-29-12 issued in January 2012 and updated in March 2017 by the Stock Exchange, the Guidance Letter HKEx-GL-43-12 issued in October 2012 and updated in July 2013 and March 2017 by the Stock Exchange and the Guidance Letter HKEx-GL44-12 issued in October 2012 and updated in March 2017 by the Stock Exchange.

DISPOSAL OF THE ENTIRE EQUITY INTEREST IN BEIJING RISUN CHEMICALS TECHNOLOGY AND RESEARCH LIMITED

On October 28, 2015, Risun Chemicals entered into an equity transfer agreement with Xuyang Holding, pursuant to which Risun Chemicals disposed of its entire equity interest in its then wholly-owned subsidiary, Beijing Risun Chemicals Technology and Research Limited (北京旭陽化工技術研究院有限公司) (now known as Beijing Risun Science and Technology Limited (北京旭陽科技有限公司)) ("**Beijing Technology**"), a limited liability company validly established in the PRC on 15 April 2011 that was principally engaged in the research and development of new materials and that had annual net profit of approximately RMB1.6 million and RMB4.0 million in 2014 and 2015 respectively, to Xuyang Holding for a cash consideration of RMB20,000,000. The consideration was determined by the parties on the basis of Beijing Technology's registered capital at the time. As advised by our PRC legal advisors, Jingtian & Gongcheng, the equity transfer was properly and legally completed in compliance with the relevant PRC laws and approved by the relevant PRC authority on November 30, 2015. Given that the scope of the research and development undertaken by Beijing Technology was not closely related to the business and operations of our Group, and that the research and development conducted by Beijing Technology was still at an early stage, Risun Chemicals disposed of its equity interest in Beijing Technology to streamline our Group's research and development efforts to focus on actual production applications and technologies in the coke and chemical industries.

REORGANIZATION

For the purpose of business integration and future developments, our Group underwent the Reorganization through the following major steps to formalize the corporate structure of our Group and to streamline our Group's strategic development:

1. Disposal of the entire equity interest in Alashan Risun Coal

On September 21, 2017, Beijing Risun Hongye entered into an equity transfer agreement with Beijing Zhengcheng Weiye Coal Coking Chemicals Limited (北京正誠偉業煤焦化工有限公司), a company which had been indirectly wholly-owned by Mr. Yang prior to July 3, 2015, pursuant to which Beijing Risun Hongye disposed of its entire equity interest in its wholly-owned subsidiary, Alashan League Risun Coal Limited (阿拉善盟旭陽煤業有限公司), a limited liability company established in the PRC on July 11, 2011 and principally engaged in the wholesale of coal and the sale of mechanical and electrical equipment and lubricants ("**Alashan Risun Coal**"), to Beijing Zhengcheng Weiye Coal Coking Chemicals Limited for a cash consideration of RMB30,000,000, which was determined based on a valuation report issued by an independent third party. The equity transfer was completed and approved by the relevant PRC authority on September 25, 2017. Beijing Risun Hongye disposed of such equity interest in Alashan Risun Coal as Alashan Risun Coal did not generate any revenue in 2016 and 2017.

2. Internal transfer of assets in Tangshan Risun Phthalic Anhydride

On September 25, 2017, Tangshan Risun Phthalic Anhydride entered into an asset and business purchase agreement with Tangshan Risun Chemicals, pursuant to which Tangshan Risun Phthalic Anhydride transferred all of its operations, resources and physical assets, including the existing production lines for 60 thousand tons of phthalic anhydride and the production line under construction for 40 thousand tons of phthalic anhydride to Tangshan Risun Chemicals for a cash consideration of RMB1,483,445.42, based on a valuation report prepared by an independent third party. Completion of the asset transfer took place on September 30, 2017. Tangshan Risun Phthalic Anhydride was dissolved on October 19, 2018.

3. Internal transfer of equity interest in Xingtai Risun Coal Chemicals

For details of the internal transfer of equity interest in Xingtai Risun Coal Chemicals in September 2017, please refer to the section headed "– Our Major Subsidiaries – Significant shareholding changes during the Track Record Period" in this prospectus.

4. Disposal of the entire equity interest in Coke Trading Center

On August 16, 2017, Beijing Risun Hongye entered into a share transfer agreement with Shanxi Coking Coal Group Coking Sales Co., Ltd. (山西焦煤集團煤焦銷售有限公司) ("**Shanxi Coking Sales**"), an independent third party, pursuant to which Beijing Risun Hongye disposed of its entire 0.94% equity interest in Shanxi Coking Coal and Coke International Trading Center Company Limited (山西焦煤焦炭國際交易中心股份有限公司) (previously known as Shanxi Coke (International) Trading Center Company Limited (山西焦炭(國際)交易中心股份有限公司)) ("**Coke Trading Center**"), a limited liability company established in the PRC on December 31, 2011, principally engaged in the trading of coke and the provision of property and exhibition services, and owned as to 99.06% by 32 corporate investors, all of which are independent third parties, to Shanxi Coking Sales, for a cash consideration of RMB707,223, which was determined based on a valuation report prepared by an independent third party. The consideration was fully paid by Shanxi Coking Sales on October 27, 2017, and the records and filings reflecting the equity transfer were approved by the relevant PRC authority on September 10, 2017. As Beijing Risun Hongye only had a small minority interest of 0.94% in Coke Trading Center, the disposal of such interest allowed our Group to streamline our corporate structure and to focus on developing our core business.

5. Transfer of equity interest in Cangzhou Risun Chemicals

For details of the transfer of equity interest in Cangzhou Risun Chemicals in December 2017, please refer to the section headed "– Our Major Subsidiaries – Significant shareholding changes during the Track Record Period" in this prospectus.

6. Internal transfer of equity interest in Hebei Risun Coking

For the details of the internal transfer of equity interest in Hebei Risun Coking in December 2017, please refer to the section headed "– Our Major Subsidiaries – Significant shareholding changes during the Track Record Period" in this prospectus.

7. Establishment of Tangshan Risun Aromatics

Tangshan Risun Aromatics was established as a limited liability company under the laws of the PRC on December 8, 2017. It is wholly-owned by Risun Chemicals and has a registered capital of RMB378,330,000. The capital injection into Tangshan Risun Aromatics was completed on December 11, 2018. It is principally engaged in the planning of a styrene production project.

8. Establishment of Ruyang Tianlu Energy

Ruyang Tianlu Energy was established as a limited liability company under the laws of the PRC on May 31, 2018. It is owned as to 55% by Beijing Risun Hongye and 45% by Luoyang Yuru Trading Limited (洛陽御儒貿易有限公司), an independent third party, and has a registered capital of RMB5,000,000. The capital injection was completed on August 31, 2018. It is engaged in the purchase and sale of coal, coke and coking by-products.

9. Further capitalization and internal distribution of equity interest in Xingtai Risun Coal Chemicals

For details of the further capitalization and internal distribution of equity interest in Xingtai Risun Coal Chemicals in September 2018, please refer to the sections headed "– Our Major Subsidiaries – Significant shareholding changes during the Track Record Period" in, and "Statutory and General Information – 1. Further Information about our Group – (e) Changes in the Share Capital of Our Subsidiaries" in Appendix VI to this prospectus.

10. Capitalization and subsequent reduction of capital in Xingtai Risun Trading

For details of the capitalization and subsequent reduction of capital in Xingtai Risun Trading in October 2018, please refer to the section headed "Statutory and General Information – 1. Further Information about our Group – (e) Changes in the Share Capital of Our Subsidiaries" in Appendix VI to this prospectus.

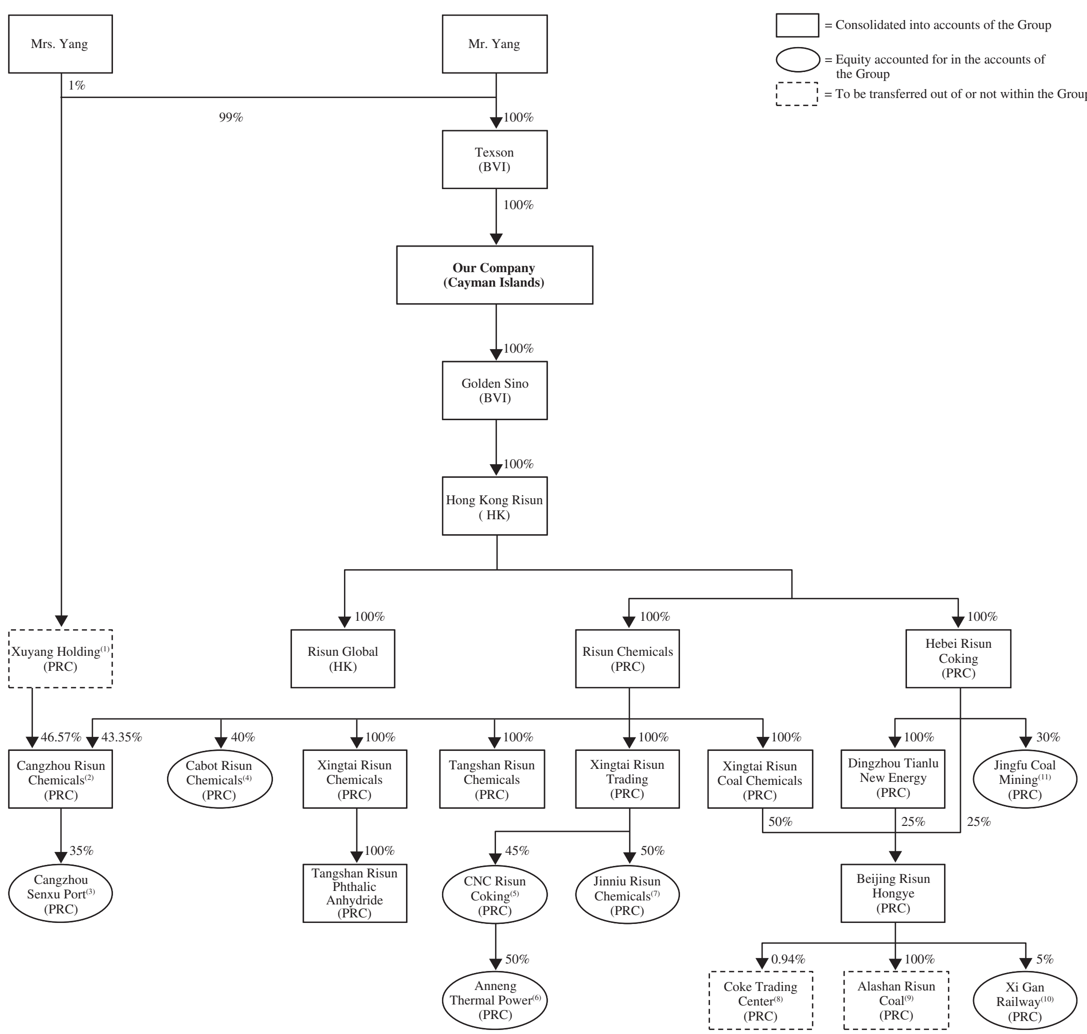
11. Capitalization of Xingtai Risun Chemicals

For the details of the capitalization in Xingtai Risun Chemicals agreed to in October 2018, please refer to the sections headed "– Our Major Subsidiaries – Significant shareholding changes during the Track Record Period" in, and "Statutory and General Information – 1. Further Information about our Group – (e) Changes in the Share Capital of Our Subsidiaries" in Appendix VI to this prospectus.

Our PRC legal advisors, Jingtian & Gongcheng, have confirmed that all steps in relation to the Reorganization have been properly and legally completed in compliance with the relevant PRC laws with all necessary approvals from the relevant PRC authorities obtained, except for the record filings to the relevant affiliate of MOFCOM for the reduction of capital in Xingtai Risun Trading, with respect to which no material legal barrier to completion is expected.

The corporate structure of our Group

Set out below the corporate structure of our Group immediately before the Reorganization:



Notes:

1. Xuyang Holding is not a member of the Group for the Global Offering.

2. The remaining equity interest is held as to 10.08% by Yingde Gases HK, an independent third party. Yingde Gases HK was listed on the Main Board of the Stock Exchange (stock code: 2168) on October 8, 2009, before it was privatized and delisted from the Stock Exchange in August 2017. Yingde Gases HK is an industrial gas supplier and a gas services company, primarily engaged in four business segments, namely air separation, syngas, specialty gas and gas distribution covering industrial gases including oxygen, nitrogen, argon and specialty gases like ultra-pure ammonia and sulfur hexafluoride.

3. The remaining equity interest is held as to 45.0% by Cangzhou Port Group Co., Ltd. (滄州港務集團有限公司) and 20.0% by Sen Yue International Energy Chemical Co., Ltd. (森嶽(無棣)國際能源化工有限公司), both of which are independent third parties.

4. The remaining equity interest is held as to 60.0% by Cabot (China) Limited (卡博特(中國)投資有限公司), an independent third party. Cabot (China) Limited is a wholly-owned subsidiary of Cabot Corporation, a global specialty chemicals and high performance materials company whose shares are listed on the New York Stock Exchange (stock code: CBT). Cabot (China) Limited is primarily engaged in the manufacturing and distribution of chemicals and compounds, such as carbon black and fumed silica.

5. The remaining equity interest is held as to 45.0% by CNC Coke and 10.0% by Delong Steel, both of which are independent third parties. CNC Coke is a wholly-owned subsidiary of China Coal Energy Co., Ltd., an energy conglomerate which integrates relevant engineering and technological service businesses and whose shares are listed on the Stock Exchange (stock code: 1898) and the Shanghai Stock Exchange (stock code: 601898). CNC Coke is principally engaged in the production, processing, investment and domestic and foreign trade of coke, coal and coal chemical products. Delong Steel is a wholly-owned subsidiary of Delong Holdings Limited, a steel manufacturing and trading group whose shares are listed on the Singapore Exchange Limited (stock code: BQO). Delong Steel is principally engaged in the manufacturing and sale of hot-rolled coil.

6. The remaining equity interest is held as to 50.0% by Anneng Technology Co., Ltd. (安能科技股份有限公司), an independent third party. Anneng Technology Co., Ltd. is a private enterprise whose shareholders consist of 11 natural persons and one corporate person, all of which are independent third parties. Anneng Technology Co., Ltd.'s scope of business covers the comprehensive utilization, design and technical consultation of new energy products as well as the recycling and utilization of industrial waste heat.

7. The remaining equity interest is held as to 50.0% by Hebei Jinniu, an independent third party. Hebei Jinniu is listed on the Shanghai Stock Exchange (stock code: 600722), and is principally engaged in the production and sale of methanol.

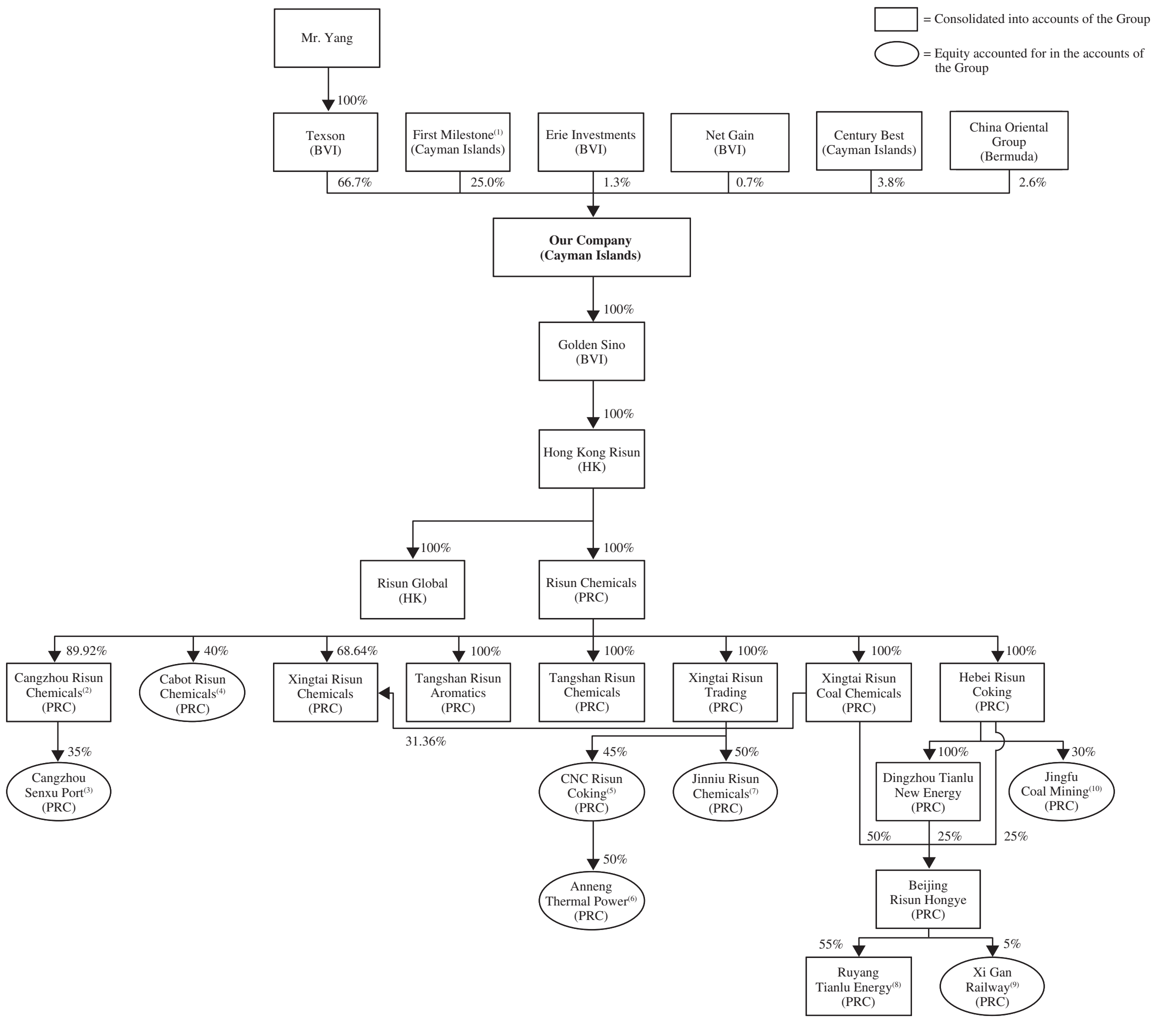
8. Coke Trading Center is not a member of the Group for the Global Offering.

9. Alashan Risun Coal is not a member of the Group for the Global Offering.

10. The remaining equity interest is held as 62.0% by China Railway Hohhot Group Co., Ltd. (中國鐵路呼和浩特局集團有限公司), 10.0% by Inner Mongolia Mengtai Coal and Electric Group Co., Ltd. (內蒙古蒙泰煤電集團有限公司), 10.0% by Bayannao'er City Hengtong Logistics International Co., Ltd. (巴彥淖爾市亨通物流國際有限責任公司), 5.0% by Inner Mongolia Haotong Energy Joint Stock Co., Ltd. (內蒙古浩通能源股份有限公司), 5.0% by Salim Wanye (Shanghai) Enterprises Co., Ltd. (三林萬業(上海)企業集團有限公司), 2.0% by Wuyuan County Longshengyuan Development & Investment Co., Ltd. (五原縣隆盛源開發投資有限責任公司), 1.0% by Inner Mongolia Yidong Coal Distribution and Marketing Co., Ltd. (內蒙古伊東煤炭運銷有限責任公司), all of which are independent third parties.

11. The remaining equity interest is held as to 70.0% by Yang Quan Coal Industry (Group) Co., Ltd. (陽泉煤業(集團)股份有限公司), an independent third party.

The following diagram sets out the corporate structure of our Group immediately after completion of the Reorganization and the Capitalization Issue but before completion of the Global Offering:



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 held by First Milestone.

2. The remaining equity interest is held as to 10.08% by Yingde Gases HK, an independent third party.

3. The remaining equity interest is held as to 45.0% by Cangzhou Port Group Co., Ltd. (滄州港務集團有限公司) and 20.0% by Sen Yue International Energy Chemical Co., Ltd. (森嶽(無棣)國際能源化工有限公司), both of which are independent third parties.

4. The remaining equity interest is held as to 60.0% by Cabot (China) Limited (卡博特(中國)投資有限公司), an independent third party.

5. The remaining equity interest is held as to 45.0% by CNC Coke and 10.0% by Delong Steel, both of which are independent third parties.

6. The remaining equity interest is held as to 50.0% by Anneng Technology Co., Ltd. (安能科技股份有限公司), an independent third party.

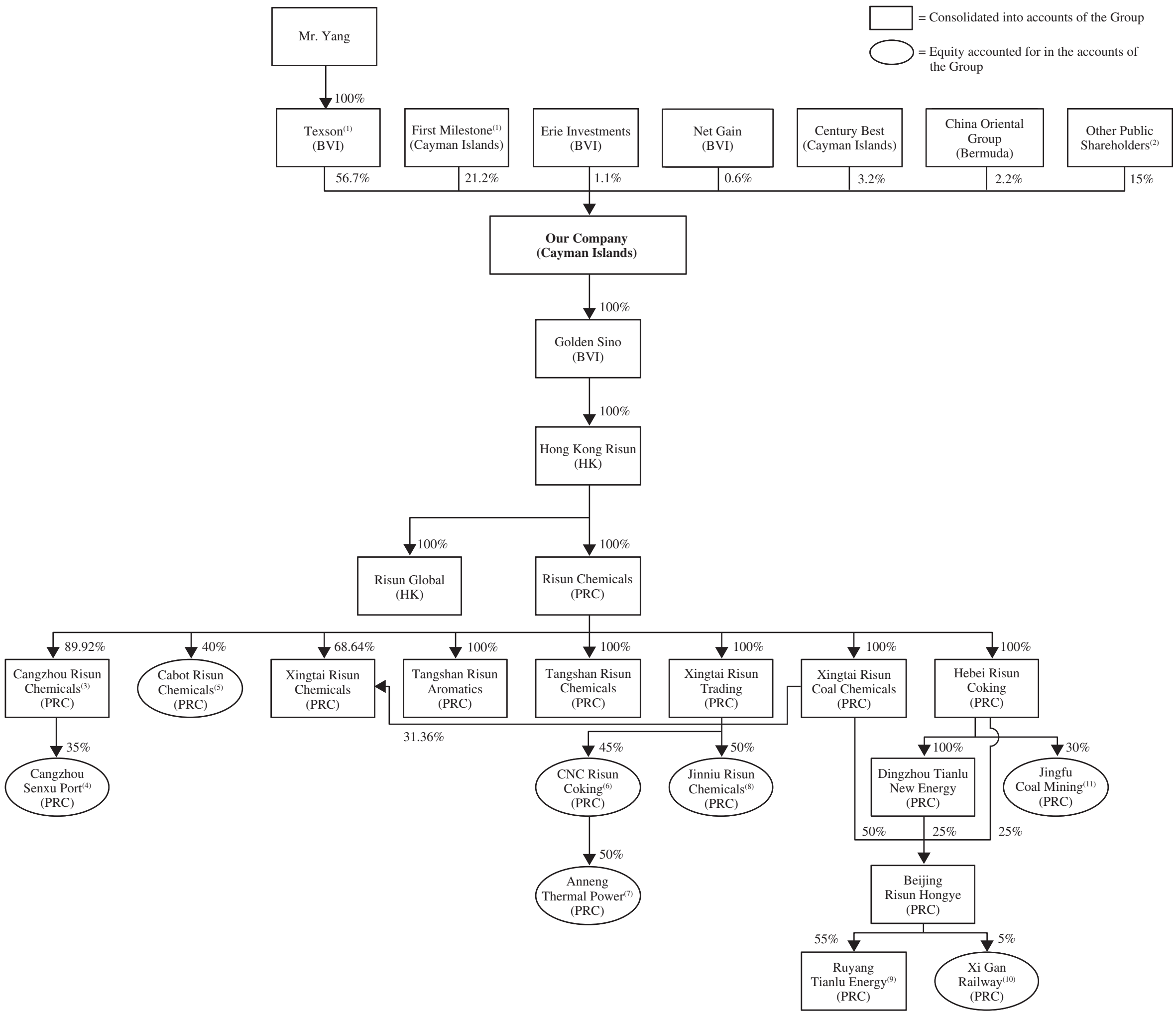
7. The remaining equity interest is held as to 50.0% by Hebei Jinniu, an independent third party.

8. The remaining equity interest is held as to 45.0% by Luoyang Yuru Trading Limited (洛陽御儒貿易有限公司), an independent third party. Luoyang Yuru Trading Limited is wholly-owned by Xu Jun, who is also its sole director. Luoyang Yuru Trading Limited's scope of business covers construction machinery, hardware and electrical equipment and vehicle accessories, as well as the purchase and sale of coal, coke, copper, iron, zinc, lead, molybdenum and tungsten ore.

9. The remaining equity interest is held as 62.0% by China Railway Hohhot Group Co., Ltd. (中國鐵路呼和浩特局集團有限公司), 10.0% by Inner Mongolia Mengtai Coal and Electric Group Co., Ltd. (內蒙古蒙泰煤電集團有限公司), 10.0% by Bayannao'er City Hengtong Logistics International Co., Ltd. (巴彥淖爾市亨通物流國際有限責任公司), 5.0% by Inner Mongolia Haotong Energy Joint Stock Co., Ltd. (內蒙古浩通能源股份有限公司), 5.0% by Salim Wanye (Shanghai) Enterprises Co., Ltd. (三林萬業(上海)企業集團有限公司), 2.0% by Wuyuan County Longshengyuan Development & Investment Co., Ltd. (五原縣隆盛源開發投資有限責任公司), 1.0% by Inner Mongolia Yidong Coal Distribution and Marketing Co., Ltd. (內蒙古伊東煤炭運銷有限責任公司), all of which are independent third parties.

10. The remaining equity interest is held as to 70.0% by Yang Quan Coal Industry (Group) Co., Ltd. (陽泉煤業(集團)股份有限公司), an independent third party.

The following diagram sets out the corporate structure of our Group immediately after completion of the Global Offering (without taking into account any Shares that may be issued pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme):



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 held by First Milestone.

2. Four out of five Pre-IPO Investors will be included in the public float.

3. The remaining equity interest is held as to 10.08% by Yingde Gases HK, an independent third party.

4. The remaining equity interest is held as to 45.0% by Cangzhou Port Group Co., Ltd. (滄州港務集團有限公司) and 20.0% by Sen Yue International Energy Chemical Co., Ltd. (森嶽(無棣)國際能源化工有限公司), both of which are independent third parties.

5. The remaining equity interest is held as to 60.0% by Cabot (China) Limited (卡博特(中國)投資有限公司), an independent third party.

6. The remaining equity interest is held as to 45.0% by CNC Coke and 10.0% by Delong Steel, both of which are independent third parties.

7. The remaining equity interest is held as to 50.0% by Anneng Technology Co., Ltd. (安能科技股份有限公司), an independent third party.

8. The remaining equity interest is held as to 50.0% by Hebei Jinniu, an independent third party.

9. The remaining equity interest is held as to 45.0% by Luoyang Yuru Trading Limited (洛陽御儒貿易有限公司), an independent third party.

10. The remaining equity interest is held as 62.0% by China Railway Hohhot Group Co., Ltd. (中國鐵路呼和浩特局集團有限公司), 10.0% by Inner Mongolia Mengtai Coal and Electric Group Co., Ltd. (內蒙古蒙泰煤電集團有限公司), 10.0% by Bayannao'er City Hengtong Logistics International Co., Ltd. (巴彥淖爾市亨通物流國際有限責任公司), 5.0% by Inner Mongolia Haotong Energy Joint Stock Co., Ltd. (內蒙古浩通能源股份有限公司), 5.0% by Salim Wanye (Shanghai) Enterprises Co., Ltd. (三林萬業(上海)企業集團有限公司), 2.0% by Wuyuan County Longshengyuan Development & Investment Co., Ltd. (五原縣隆盛源開發投資有限責任公司), 1.0% by Inner Mongolia Yidong Coal Distribution and Marketing Co., Ltd. (內蒙古伊東煤炭運銷有限責任公司), all of which are independent third parties.

11. The remaining equity interest is held as to 70.0% by Yang Quan Coal Industry (Group) Co., Ltd. (陽泉煤業(集團)股份有限公司), an independent third party.

PRC LEGAL COMPLIANCE

Our PRC legal advisors, Jingtian & Gongcheng, are of the opinion that there is no need to obtain additional approvals or permits from MOFCOM or other PRC government authorities for the Listing.

PRC REGULATORY REQUIREMENTS

As no part of the Reorganization involved any merger or acquisition of domestic enterprises through the acquisition of equity or assets by foreign investors as defined in the Regulations on Merger and Acquisition of Domestic Enterprises by Foreign Investors (關於外國投資者併購境內企業的規定) ("**Circular 10**", issued on August 8, 2006, effective as of September 8, 2006 and amended on June 22, 2009), our PRC legal advisors, Jingtian & Gongcheng, are of the opinion that Circular 10 is not applicable insofar as the Reorganization is concerned.

Based on the current PRC laws, rules and regulations, our PRC legal advisors, Jingtian & Gongcheng are of the opinion that the approval of the China Securities Regulatory Commission ("**CSRC**") for the Listing and Reorganization is not required based on the following reasons: (i) our Reorganization did not constitute any merger or acquisition of domestic enterprise by foreign investors as defined in Circular 10; and (ii) our Group did not acquire any equity interest in any PRC domestic enterprises by means of exchange of its shares for the purpose of an overseas listing which could result in an overseas listing subject to the CSRC's approval under Circular 10. As a result, we are not required to obtain further approvals from the CSRC or any other competent authorities and the Listing does not require an approval from the CSRC.

SAFE REGISTRATION IN THE PRC

As disclosed in "Risk Factors – Risks Relating to the PRC and the Cayman Islands – We may be subject to penalties, including restriction on our PRC subsidiaries' ability to distribute profits to us, if our PRC resident shareholders or beneficial owners fail to comply with applicable PRC foreign exchange regulations", Circular 37, which replaced the former Circular 75 (the Notice of the State Administration of Foreign Exchange on Issues Relating to Foreign Exchange Control on Fund Raisings by Domestic Residents Through Offshore Special Purpose Vehicles and Round-trip Investments, issued on October 21, 2005 and effective on November 1, 2005), requires PRC residents to register with local branches of SAFE with regards to their establishment or indirect control of an offshore entity established for the purpose of overseas investment and financing and holds such PRC residents' legally owned assets or equity investments in domestic enterprises or offshore assets or interests (referred to as a "special purpose vehicle" in Circular 37). Circular 37 further requires amendment to the registration in the event of any significant changes with respect to the special purpose vehicle. As advised by our PRC legal advisors, Jingtian & Gongcheng, Mr. Yang, as the Controlling Shareholder, has registered with SAFE in respect of his investment in our Group and the Reorganization of our Group in accordance with PRC laws.

OVERVIEW

We are an integrated coke, coking chemical and refined chemical producer and supplier in China. We were the world's largest independent producer and supplier of coke by volume in 2017, according to Frost & Sullivan. We also held leading positions in a number of refined chemical sectors in China or globally. According to Frost & Sullivan, we were the largest producer of industrial-naphthalene-based phthalic anhydride and coke-oven-gas-based methanol by volume in China in 2017. We were also the largest coking crude benzene processor and the fifth largest coal tar processor by volume globally in 2017.

Our Business Segments

Our business consists of three segments:

- *Coke and coking chemicals*. Coke is our primary product. Our coking chemical products principally include coal tar, coke oven gas and crude benzene, which are by-products from the production of coke and mainly used as raw materials in the production of refined chemicals;

- *Refined chemicals*. Our refined chemical products principally include carbon material chemicals, alcohol-ether chemicals and aromatic chemicals; and

- *Trading*. We engage in the trading of coal, coke and refined chemicals.

We provided operation management and technology output services to third-party producers during the Track Record Period. The income from such management services are included in the trading segment.

The following table sets forth revenue from our three reportable operating segments as an absolute amount and as a percentage of our total revenue for the periods indicated:

	Year ended December 31,						Nine months ended September 30,			
	2015		2016		2017		2017		2018	
	(RMB in millions, except for percentages)									
							(Unaudited)			
Coke and coking chemicals	3,752.7	37.6%	4,882.9	40.0%	7,875.6	42.2%	6,175.7	42.5%	7,118.2	45.5%
Refined chemicals	4,205.6	42.0%	5,268.2	43.1%	8,375.5	44.9%	6,344.8	43.6%	6,425.2	41.0%
Trading	2,034.8	20.4%	2,065.5	16.9%	2,407.2	12.9%	2,016.4	13.9%	2,113.3	13.5%
Total revenue	9,993.1	100.0%	12,216.6	100.0%	18,658.3	100.0%	14,536.9	100.0%	15,656.7	100.0%

Our Vertically Integrated Business Model

Our 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:

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

Our 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 intend to expand our operations after the Listing through operation management and technology output services, acquisitions and joint ventures. For more details, please refer to the paragraphs headed "– Business Strategies – We plan to explore market opportunities to provide operation management and technology output services and expand our business through joint ventures and acquisitions" in this section.

Our Production Bases and Transportation Arrangements

We have four production bases in Hebei province in China: Xingtai Production Base, Dingzhou Production Base, Tangshan Production Base and Cangzhou Production Base, all of which are located in industrial parks approved by PRC governmental authorities. We have four coke and coking chemical production lines, seven carbon material chemical production lines, five alcohol-ether chemical production lines and six aromatic chemical production lines located in these four production bases. In addition, CNC Risun Coking, our joint venture, has four coke and coking chemical production lines and one alcohol-ether chemical production line in our Xingtai Production Base. Jinniu Risun Chemicals, our associate, has one alcohol-ether chemical production line in our Xingtai Production Base. Cabot Risun Chemicals, our associate, has one carbon material chemical production line in our Xingtai Production Base. For the production capacity of our production lines at each of our production bases, please refer to "– Production Facilities and Capacities".

Our production bases are located near many of our major customers and suppliers and transportation infrastructure, such as national railway networks, major highways, expressways and ports, which provide us with alternative transportation methods. We have a private railway connecting our Dingzhou Production Base to the Beijing-Guangzhou railway. Our Tangshan Production Base is located near the Jingtang Port, Hebei province, and our Cangzhou Production Base is located near the Huanghua Port, Hebei province.

We have maintained a stable relationship with China Railway Beijing Group Co., Ltd., with whom we have entered into annual transportation capacity guarantee agreements. These arrangements help ensure timely delivery of our raw materials and products, and efficient control of logistics costs.

Environmental Protection

We consider environmental protection as one of our primary duties. We are highly committed to resource utilization and environmental protection throughout our production cycles. We have constructed facilities and adopted a number of environmentally responsible measures to reduce the impact of our operations on the environment. Our PRC legal advisors, Jingtian & Gongcheng, have advised us that our operations comply with environmental laws and regulations of the PRC in all material respects and that we had obtained all material permits in respect of environmental protection during the Track Record Period and up to the Latest Practicable Date.

The key to our environmental protection measures is our resource recovery and re-utilization. During our coking process, we recover and re-utilize valuable coking by-products, from which we manufacture our refined chemical products. With our vertically integrated business model, we also re-utilize the heat from our production processes and re-use wastewater and other fluids after appropriate treatment. In addition, our research and technology personnel focus on the improvement of energy and resource efficiency to reduce the environmental impact of our production processes.

Our Performance

We mainly market our products in China. During the Track Record Period, we generated almost all of our revenue in China. Our total revenue increased from RMB9,993.1 million in 2015 to RMB12,216.6 million in 2016 and further to RMB18,658.3 million in 2017, representing a CAGR of 36.6%. Our revenue increased from RMB14,536.9 million for the nine months ended September 30, 2017 to RMB15,656.7 million for the nine months ended September 30, 2018, representing a growth of 7.7%. Our profit attributable to owners of the Company increased 110.0% from RMB359.3 million in 2016 to RMB754.7 million in 2017, compared to a loss of RMB507.1 million in 2015. Our profit attributable to owners of the Company increased from RMB532.6 million for the nine months ended September 30, 2017 to RMB1,453.5 million for the nine months ended September 30, 2018, representing growth of 172.9%.

COMPETITIVE STRENGTHS

The Directors believe that our success is attributable to our following key strengths:

We are the world's largest independent producer and supplier of coke by volume and hold leading positions in a number of refined chemical sectors in China or globally

According to Frost & Sullivan, in 2017 we were the world's largest independent producer and supplier of coke by volume, and our production volume accounted for approximately 1.4% and 2.0% of total production volume in the world and China, respectively. In 2017, we were the largest producer of industrial-naphthalene-based phthalic anhydride and coke-oven-gas-based methanol by volume in China, and our production volume accounted for approximately 17.8% and 4.7%, respectively, of the total production volume in China. Our processing volume of coking crude benzene amounted to approximately 470,000 tons in 2017. In 2017, we were also the largest coking crude benzene processor by volume globally, and our processing volume accounted for approximately 6.9% of the total processing volume globally. Our processing volume of high temperature coal tar amounted for approximately 660,000 tons in 2017. In 2017, we were the fifth largest coal tar processor, and our processing volume accounted 2.6% of the total processing volume globally.

The scale of our operations and our leading position in our industry enable us to (i) have greater bargaining power over our suppliers and to obtain more favorable prices for coking coal; (ii) generally require prepayment in full from a customer before commencement of production for such customer; and (iii) have a stable relationship with China Railway Beijing Group Co., Ltd. who provides us with a guaranteed amount of railway transportation capacity. Favorable prices for coking coal, prepayments from customers and guaranteed railway transportation capacity can help us lower or control our production costs. We also invest in, develop and implement advanced production processes and facilities, which increase our production efficiency while lowering our production costs, which we believe gives us a competitive advantage in the industries where we operate.

We have maintained long-term relationships with our major customers and suppliers

We have built strong relationships with our customers and suppliers and developed a deep understanding of market trends. Some of our major customers have maintained business relationships with us for more than five years. We have a dedicated team of customer service personnel stationed at the production bases of our major customers, which enables us to provide prompt customer services to our major customers on-site, as well as understand the latest business operation and production status of our customers in order to adjust our production and supply plans accordingly. We have long-term strategic relationships with many large-scale iron and steel producers, chemical producers and coking coal suppliers. Our relationships with our customers and suppliers provide us with a stable sales network and raw material supplies for our products, and reduce the impact of fluctuations in our selling prices and raw material prices on our profits.

We have a vertically integrated business model

Our business model is based on a vertically integrated production chain in which we use our coking by-products to manufacture refined chemical products. We have integrated our upstream and downstream production chains to make use of the raw materials and by-products of our production processes more efficiently and reduce our energy consumption. In doing so, we reduce operation risks in relation to raw material availability and price fluctuations, increase competitive advantages and increase our ability to better control and stabilize our product quality. According to Frost & Sullivan, we have one of the largest coking facilities in China and are one of the producers having the widest variety of refined chemical products derived from coking by-products in our industry.

Our main product is coke. We recycle and process the by-products generated through the coking process to produce refined chemical products. We also sell recycled residual heating power and gas to third parties. To better integrate our production processes, we have built pipelines within our Xingtai Production Base, Dingzhou Production Base and Cangzhou Production Base that connect our production facilities. The pipelines allow us to efficiently deliver our by-products and raw materials to where they are needed, and better allocate resources. For example, we recover coke oven gas, a by-product of the coking process, and deliver it through our system of pipelines to our methanol production facilities. Such integration and resource allocation can help lower our total production costs and save transportation costs. During the Track Record Period, we used substantially all of our coking by-products to produce refined chemicals, which helped provide a stable supply of our raw materials for production of refined chemicals and reduced the environmental impact of our operations.

Our production bases are well located and enjoy transportation advantages

Our four production bases are located in Hebei province and are close to most of our suppliers and customers. Coke is a key raw material in the production of iron and steel. We use coking coal as a key raw material in our coke production. According to Frost & Sullivan, in 2017, Hebei province was the second-largest producer of coking coal in China, while neighboring Shanxi province was the largest. The close proximity of our production bases to these coking coal reserves has provided us with stable access to coking coal.

Meanwhile, according to Frost & Sullivan, Hebei province was the largest producer of iron and steel and the largest market for coke in China in 2017, accounting for 20.4% of total coke consumption. Many of our customers are based in Hebei province, which is the main area of steel production in China. We believe that the strategic locations of our production bases enable us to source raw materials and deliver our products in a timely manner.

Furthermore, Hebei province is located in the Bohai Rim Area, one of the major areas in China where chemical industry businesses are located. According to Frost & Sullivan, we were one of only two caprolactam producers in Hebei province as of the Latest Practicable Date. Also according to Frost & Sullivan, for the year ended December 31, 2017, our caprolactam product and benzene product accounted for 16.9% and 22.6% of the total production volume in the Bohai Rim Area, respectively. We believe we are well-positioned to increase the sales of our refined chemical products in this key region.

Our production bases are also closely situated to national railway networks, major highways and expressways and ports in the PRC. As approved by China Railway Beijing Group Co., Ltd., we have a private railway connecting our Dingzhou Production Base to the Beijing-Guangzhou railway. This railway allows us to secure stable and efficient transportation for our products and raw materials. Hebei province is a key transportation hub in China, which connects more than 10 railway routes and more than 20 major expressways and highways. We use these major highways and expressways for our short-haul transportation needs, such as delivering our products to customers without access to railways or ports.

Our close proximity to the major ports in northern China, such as the Tianjin Port in Tianjin, Jingtang Port and Huanghua Port in Hebei province, and Rizhao Port and Dongjiakou Port in Shandong province, also enables us to source raw materials from domestic and overseas suppliers and to deliver products to our customers in southern China and overseas markets. For details of our logistics, please refer to the section headed "– Logistics" in this prospectus. We believe that our strategic locations allow us to purchase raw materials and deliver our products on a timely basis, and better satisfy the growing demand for our products in this region.

We use advanced production technologies and comprehensive environmental protection systems

We are highly committed to continuously (i) improving our production processes and efficiency, (ii) upgrading our environmental protection systems, (iii) lowering our production costs, and (iv) improving the quality of our products.

With advanced production technologies and coal preparation and blending techniques, we can produce customized products to meet customer demands. With more than 20 years of production and industrial experience, we have collected more than 50 different types of coal samples from all over China. We have formulated a comprehensive and mature coal preparation and blending computer system based on our IT infrastructure and experience from professionals. We maintain a database of various coal preparation and blending formulas and combinations catering to different needs of our customers. We have also built small scale coke ovens for testing our coal preparation and blending formulas before commencing mass production for customers.

We adopted and applied advanced technologies from third parties to improve our production process. For example, we adopted a reactor for preparing cyclohexanone oxime in the production of caprolactam. We also installed a separation and recovery device for extracting residual liquid from coking crude benzene hydro-refining and for extracting benzene, toluene, xylene from coking light oil, which was purchased from Germany in 2006.

We treat environmental protection as one of the primary duties of our Company, as this helps ensure the sustainable development of our Company and business as a whole. We incurred RMB36.0 million, RMB81.0 million, RMB86.5 million and RMB43.8 million in operating expenses in environmental protection in the years ended December 31, 2015, 2016 and 2017, and the nine months ended September 30, 2018, respectively. We have adopted environmental protection measures, including sodium hydrosulfide desulfurization, ammonia desulfurization, coke dry quenching, VOC treatment and wastewater recycling at our production bases, which limit the emission of pollutants to the environment and reduce waste of by-products.

As of the Latest Practicable Date, we owned 17 registered patents related to environmental protection. We are currently the vice chairman enterprise of the Industrial Energy Saving and Clean Production Association of Hebei province. In addition, our subsidiary, Hebei Risun Coking, was recognized as one of the first batch of Green Factories in 2017. Our joint venture, CNC Risun Coking, was recognized as a Green Factory by the MIIT in 2018.

We have adopted automation and information systems, which has improved our operation and management efficiency

We strive to improve our management level through construction and application of automation and information systems. We can collect manufacturing data in real time and monitor our manufacturing devices and environment by installing information systems such as information systems covering manufacturing, finance, sales, supply and logistics. For example, with respect to production and operation management, we have established our Manufacturing Execution System (MES) that covers all of our production bases. We use the Enterprise Resource Planning (ERP) system and the Office Automation (OA) system for the management of our production plan, procurement, manufacturing, sales, transportation, finance and business approvals. The production and operational data accumulated in such systems can provide decision-making basis for our management. With respect to logistics and transportation, we required our road transportation service providers to install the BeiDou Navigation Satellite System in each of their transportation vehicles and grant us access to the navigation system, which enables us to monitor the transportation of our products in real time and substantially improves our logistic and transportation management capabilities. In addition, we have adopted automatic machines and self-control systems, which can improve our production efficiency and reduce the labor intensity.

We are in the leading position among independent coking enterprises in terms of level of automation in coking facilities. The Industry and Information Technology Department of Hebei Province selected Hebei Risun Coking as the Demonstration Enterprise for Informatization and Industrialization in 2015. The MIIT of the PRC selected Tangshan Risun Chemicals as the Pilot Enterprise for Qualified Management System with Combination of Informatization and Industrialization in 2018.

We have a stable and experienced management team

We have a stable and experienced management team. Most of our executive Directors and senior management have been with our Company for over 10 years. Our founder and Executive Director, Mr. Yang Xuegang, has more than 20 years of managerial and operational experience in the coal chemical industry, and has in-depth understanding of this industry. Our Executive Director, Mr. Zhang Yingwei, has approximately 25 years of managerial and operational experience, and is a well-known expert in the coal chemical industry. Mr. Yang Xuegang and Mr. Zhang Yingwei have played major roles in multiple industry associations.

We believe that our experienced management team can quickly adapt to the developing needs of our Company, clearly identify trends in our industry, capture market opportunities, and ensure that our business development conforms to national industrial policies, as well as trends in China and the global market and the manufacturing sector. For details of our senior management team, please refer to the section headed "Directors, Senior Management and Employees" in this prospectus.

BUSINESS STRATEGIES

We aim to strengthen our global leading position as an integrated producer and supplier of coke, coking chemicals and refined chemicals. To achieve this objective, we intend to pursue the following strategies:

We plan to further expand our business operation and production capacity

As of September 30, 2018, we had a total of 22 production lines for coke and coking chemical products and refined chemical products at our four production bases. With our insights into the development trends in relevant industries, and the trends in market demand and prices of relevant products, we plan to further expand our business operation and production capacities by upgrading existing production lines, as well as constructing new production lines. For instance, we have a long-term plan to construct a new styrene production line with an annual production capacity of 300,000 tons at our Tangshan Production Base. Styrene is a high value downstream product of benzene and the market supply is limited as compared to the current market demand. Our Directors believe that our extensive product value chain will be further enriched after the commencement of operation of this styrene production line.

For details of projects under construction and planned projects, please refer to the section headed "– Production Facilities and Capacities".

We plan to explore market opportunities to provide operation management and technology output services and expand our business through acquisitions and joint ventures

The Chinese coking and chemical industries are highly fragmented. We plan to expand our business through providing operation management and technology output services, acquisitions and joint ventures. This will help us strengthen our leading position as an integrated producer and supplier of coke and coking chemical products, and refined chemical products, enhance our market recognition, develop new business lines and sources of income, and enlarge our market share by incuring limited capital expenditures.

We plan to actively explore market opportunities to provide operation management and technology output services to or acquire companies that have production capacities for coke, coal tar, methanol, crude benzene hydro-refining or caprolactam of over one million tons, 300,000 tons, 200,000 tons, 100,000 tons and 100,000 tons, respectively. We require target companies to be (i) eligible for entry into the relevant industry sectors, (ii) based in an industrial park, (iii) in possession of all necessary licenses and permits, (iv) located near sources of raw materials or customers, (v) located in Henan, Shanxi and Shandong provinces and Inner Mongolia, (vi) have fundamental environmental protection facilities, and (vii) have potential to improve their technologies, environmental protection measures as well as production capacities. Our Directors are confident that suitable targets will be available because, as further set out in the Industry Overview section in this prospectus, the coke, coking chemical and refined chemical industries in China are significantly fragmented. As of the Latest Practicable Date, we provided operation management and technology output services to one coking facility and three refined chemical facilities. We also plan to expand our business partnerships with industry leading enterprises or large-scale state-owned enterprises to form joint ventures.

As of the Latest Practicable Date, except as disclosed in this prospectus, we have not entered into any definitive agreements or arrangements with respect to any provision of operation management and technology output services, acquisitions or establishment of joint ventures.

We plan to further develop and strengthen long-term business relationships with our major customers and suppliers

We seek to further develop and strengthen our long-term relationships with leading market participants in the coking coal, chemical, iron and steel and transportation sectors through a broad range of cooperation arrangements relating to sales, procurement and logistic services. We have entered into long-term framework agreements with some of our major customers. We expect to develop long-term relationships with our major customers by providing products of required specifications and qualities through frequent communications with timely feedback from customers. We will also evaluate opportunities to introduce new high-value and in-demand products into our product portfolio in order to attract new customers. Our Directors believe that our close ties with our business partners provide strong support for the development of our business.

We also plan to enhance and establish our business relationships with industry leading enterprises and large-scale state-owned enterprises in the coal-mining and transportation industries.

We aim to expand our domestic and international trading business

In the domestic market, we plan to seek additional customers, and build a more diversified and stable customer base in various regions. We aim to make full use of our extensive supply chain of coal, coke and coking chemicals and refined chemicals, as well as comprehensive logistic management experience in China, to establish more sales branches covering different regions, and to increase the market share of our Group.

In 2013, the PRC government adopted the "Belt and Road Initiative", which encourages Chinese investment in and mutual cooperation with countries in the Belt and Road region. It is expected that the demand for infrastructure projects within the Belt and Road region will increase demand for our products. We aim to take advantage of the benefits provided by the "Belt and Road Initiative" to expand our business into Southeast Asia, South Asia, the Middle East and Mongolia, and intend to deepen our cooperation with companies investing in the Belt and Road region. We hope to expand our existing import and export business for coal, coke and refined chemical products and further stablize the supply of raw materials from multiple sources.

We plan to improve our energy-efficiency, environmental protection and operation safety standards

We have been committed to developing and improving our energy-efficiency, environmental protection and operation safety standards. Leveraging our vertically integrated business model and industry experience of more than 20 years, we managed to achieve energy-efficiency, environmental protection and production safety at our production bases and facilities. We will continue to be committed to the improvement of energy-efficiency, environmental protection and operation safety, cementing our industry leading position.

In addition, we plan to continue to adopt sealed storage sites for coking coals at Dingzhou Production Base to reduce the emission of dust generated when moving coking coal. We also plan to continue to construct more coke dry-quenching projects. According to Frost & Sullivan, coke dry-quenching technology can save water, reduce air pollutant emission, and make use of the heat of red-hot coke to produce high-pressure steam, thus improving energy efficiency and coke quality. The energy saving potential of our coke dry-quenching project expected to be constructed in 2019 is approximately 36.0 thousand tons of standard coal equivalents. We estimate that the thermal energy recovered by the coke dry-quenching project can be used to produce approximately 330.0 thousand tons of steam and approximately 182 million kwh of electricity annually.

We plan to further improve our core competitive strengths through automation and information technologies

We are committed to building automation and information systems into our production and operation process. We plan to expand our investment in automation and information technology to improve our operating and management efficiency in order to support our sustainable, stable and efficient development, and to provide customers with more convenient and efficient customized services. We plan to establish a comprehensive control and command center at the group level with modern internet and big data technology to oversee and manage the overall operation of the Group, including production, transportation, sales of our products and supply of our raw materials. To establish the control and command center at our headquarters, we plan to establish a centralized system that will connect our MES and ERP systems and the BeiDou Navigation Satellite System. The centralized system will collect and consolidate data generated from these three major systems and other ancillary systems to provide real-time information to the control and command center. The control and command center at our headquarters will analyze data provided by the centralized system and generate information to assist our senior management in formulating strategies and managing daily operations. The control and command center will send instructions to subsidiaries and monitor their performance based on feedback collected by the centralized system. Our long-term goal is to achieve complete automation in all of our production facilities.

We plan to use the mobile internet, cloud computing, internet of things, big data and intelligent manufacturing technologies in our operations. In addition, we plan to establish trial digital production facilities which apply higher degree of automation, make better use of information technology and artificial intelligence, aiming to gain experience and formulate standards for establishing more intelligent production facilities in the future. To establish digital production facilities, we plan to upgrade the MES system in each of our four production bases to establish additional data collection points and the to improve the accuracy of data collected. To improve the reliability of our data collection and the stability of our production processes, we will also utilize more devices to replace manpower in our production. The digital production facilities will be built upon the upgraded MES system. We also plan to establish a supply chain management platform leveraging internet and cloud computing technologies to better serve our customers and strengthen our relationship with our suppliers.

OUR SEGMENT SALES

Coke and coking chemicals

We purchase coking coal to produce coke. Coke constitutes a key raw material used in the production of iron and steel. We sell the coke we produce primarily to customers in the iron and steel industry.

Our coking chemical products are by-products of coke production, which principally include coal tar, coke oven gas and crude benzene. Our coking chemicals are key raw materials for the production of our refined chemical products.

For the years ended December 31, 2015, 2016 and 2017 and the nine months ended September 30, 2017 and 2018, revenue from our coke and coking chemical business segment totalled RMB3,752.7 million, RMB4,882.9 million, RMB7,875.6 million, RMB6,175.7 million and RMB7,118.2 million, representing 37.6%, 40.0%, 42.2%, 42.5% and 45.5% of our total revenue, respectively.

Refined chemicals

Our refined chemical products primarily include carbon material chemicals, alcohol-ether chemicals and aromatic chemicals.

For the years ended December 31, 2015, 2016 and 2017 and the nine months ended September 30, 2017 and 2018, revenue from our refined chemical business segment totalled RMB4,205.6 million, RMB5,268.2 million, RMB8,375.5 million, RMB6,344.8 million and RMB6,425.2 million, representing 42.0%, 43.1%, 44.9%, 43.6% and 41.0% of our total revenue, respectively.

Trading

We engage in the trading of coal, coke and refined chemicals through subsidiaries in China and Hong Kong.

For the years ended December 31, 2015, 2016 and 2017 and the nine months ended September 30, 2017 and 2018, revenue from our trading segment totalled RMB2,034.8 million, RMB2,065.5 million, RMB2,407.2 million, RMB2,016.4 million and RMB2,113.3 million, representing 20.4%, 16.9%, 12.9%, 13.9% and 13.5% of our total revenue, respectively.

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

	Year ended December 31,						Nine months ended September 30,			
	2015		2016		2017		2017		2018	
	(RMB in millions, except for percentage)									
Coke and coking chemicals										
Coke	3,537.7	35.4%	4,739.5	38.8%	7,705.1	41.3%	6,040.5	41.5%	6,937.0	44.3%
Coal tar[(1)]	19.3	0.2%	9.5	0.1%	14.2	0.1%	8.3	0.1%	29.0	0.2%
Coke oven gas[(2)]	0.6	0.0%	1.4	0.0%	1.7	0.0%	1.5	0.0%	12.4	0.1%
Crude benzene[(3)]	–	–	–	–	–	–	–	–	3.3	0.0
Others	195.1	2.0%	132.5	1.1%	154.6	0.8%	125.4	0.9%	136.5	0.9%
Subtotal	**3,752.7**	**37.6%**	**4,882.9**	**40.0%**	**7,875.6**	**42.2%**	**6,175.7**	**42.5%**	**7,118.2**	**45.5%**
Refined chemicals										
Carbon material chemicals										
Coal tar pitch	341.4	3.4%	357.0	2.9%	836.5	4.5%	628.8	4.3%	731.1	4.7%
Industrial naphthalene[(4)]	92.4	0.9%	14.1	0.1%	23.2	0.1%	12.5	0.1%	5.0	0.0%
Carbon black oil	305.2	3.1%	261.7	2.1%	427.0	2.3%	311.0	2.1%	339.7	2.2%
Phthalic anhydride	30.0	0.3%	628.8	5.1%	689.3	3.7%	503.3	3.5%	505.9	3.3%
Anthracene oil	58.6	0.5%	116.9	1.0%	252.0	1.4%	167.6	1.1%	272.4	1.7%
Alcohol-ether chemicals										
Methanol	568.6	5.7%	530.1	4.3%	710.1	3.8%	559.3	3.8%	540.2	3.5%
DME	297.1	3.0%	227.9	1.9%	362.5	1.9%	230.6	1.6%	221.9	1.4%
Aromatic chemicals										
Benzene	1,494.0	15.0%	1,935.8	15.8%	2,595.3	13.9%	1,944.0	13.4%	1,726.1	11.0%
Caprolactam	–	–	135.4	1.1%	1,360.9	7.3%	1,040.1	7.1%	1,258.1	8.0%
Toluene and xylene	381.1	3.8%	488.8	4.0%	533.4	2.9%	429.5	3.0%	394.7	2.5%
Cyclohexane[(5)]	291.8	2.9%	170.8	1.4%	10.2	0.1%	10.2	0.1%	–	–
Others	345.4	3.4%	400.9	3.4%	575.1	3.0%	507.9	3.5%	430.1	2.7%
Subtotal	**4,205.6**	**42.0%**	**5,268.2**	**43.1%**	**8,375.5**	**44.9%**	**6,344.8**	**43.6%**	**6,425.2**	**41.0%**
Trading										
Coal	639.6	6.4%	770.9	6.3%	875.3	4.7%	938.0	6.4%	685.3	4.4%
Coke	735.6	7.4%	730.5	6.0%	1,155.7	6.2%	734.2	5.1%	1,111.5	7.1%
Refined chemicals	659.6	6.6%	564.1	4.6%	376.2	2.0%	344.2	2.4%	303.7	1.9%
Management service	–	–	–	–	–	–	–	–	12.8	0.1%
Subtotal	**2,034.8**	**20.4%**	**2,065.5**	**16.9%**	**2,407.2**	**12.9%**	**2,016.4**	**13.9%**	**2,113.3**	**13.5%**
Total	**9,993.1**	**100.0%**	**12,216.6**	**100.0%**	**18,658.3**	**100.0%**	**14,536.9**	**100.0%**	**15,656.7**	**100.0%**

Notes:

(1) In 2015, 2016 and 2017 and the nine months ended September 30, 2017 and 2018, revenue from our internal sale of coal tar amounted to RMB245.6 million, RMB207.0 million, RMB380.0 million, RMB279.0 million and RMB299.5 million, respectively.

(2) In 2015, 2016 and 2017 and the nine months ended September 30, 2017 and 2018, revenue from our internal sale of coke oven gas amounted to RMB450.5 million, RMB346.0 million, RMB309.9 million, RMB250.3 million and RMB224.8 million, respectively.

(3) In 2015, 2016 and 2017 and the nine months ended September 30, 2017 and 2018, revenue from our internal sale of crude benzene amounted to RMB186.1 million, RMB176.9 million, RMB232.2 million, RMB183.0 million and RMB159.9 million, respectively.

(4) In 2015, 2016 and 2017 and the nine months ended September 30, 2017 and 2018, revenue from our internal sale of industrial naphthalene amounted to RMB84.1 million, RMB212.2 million, RMB244.1 million, RMB176.8 million and RMB254.1 million, respectively.

(5) In 2015, 2016 and 2017 and the nine months ended September 30, 2017 and 2018, revenue from our internal sale of cyclohexane amounted to nil, RMB192.5 million, RMB428.8 million, RMB369.0 million and RMB287.5 million, respectively.

Sales and trading volume

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

	Year ended December 31,			Nine months ended September 30,	
	2015	**2016**	**2017**	**2017**	**2018**
	(thousand tons, except coke oven gas in thousand cubic meters)				
Coke and coking chemicals					
Coke	5,033.2	5,049.4	4,971.1	3,937.1	3,880.5
Coal tar(1)	12.1	6.5	5.4	3.5	10.3
Coke oven gas(2)	1,082.6	2,477.7	2,874.3	2,485.9	21,285.3
Crude benzene(3)	–	–	–	–	0.8
Others	150.8	121.3	118.1	95.5	93.6
Subtotal(4)	**5,196.1**	**5,177.2**	**5,094.6**	**4,036.1**	**3,985.2**
Refined chemicals					
Carbon material chemicals					
Coal tar pitch	201.8	228.6	271.0	212.6	220.0
Industrial naphthalene(5)	31.7	4.5	5.1	4.3	1.2
Carbon black oil	193.2	176.1	165.5	128.1	117.8
Phthalic anhydride	8.3	130.1	124.3	91.7	87.8
Anthracene oil	37.1	75.1	97.0	70.0	93.6
Alcohol-ether chemicals					
Methanol	333.5	333.5	341.1	281.1	229.7
DME	114.7	91.5	109.3	74.9	61.9
Aromatic chemicals					
Benzene	358.5	454.1	466.9	349.2	313.5
Caprolactam	–	12.5	111.1	87.8	84.7
Toluene and xylene	84.3	117.4	117.8	95.7	77.6
Cyclohexane(6)	63.9	40.3	1.3	1.3	–
Others(7)	159.4	341.7	442.7	360.2	303.1
Subtotal(7)	**1,586.4**	**2,005.4**	**2,253.1**	**1,756.9**	**1,590.9**
Trading					
Coal	1,231.0	1,436.9	1,205.9	1,157.8	829.2
Coke	866.1	704.3	668.8	457.3	600.7
Refined chemicals	282.2	272.0	231.7	196.6	156.4
Subtotal	**2,379.3**	**2,413.2**	**2,106.4**	**1,811.7**	**1,586.3**
Total(4)	**9,161.8**	**9,595.8**	**9,454.1**	**7,604.7**	**3,162.4**

Notes:

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

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

(3) In 2015, 2016 and 2017, we produced and sold all of our crude benzene internally for further processing and production of refined chemicals. In the nine months ended September 30, 2018, we started to sell our crude benzene to external parties.

(4) The subtotal and total volume do not include sales and trading volume of coke oven gas, which is calculated in a different unit other than the rest of our principal products listed in this table.

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

(6) We produce and sell a portion of our cyclohexane internally for further processing and production of caprolactam.

(7) The others and the subtotal volume do not include water, nitrogen and other gases.

Average selling prices

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:

	Year ended December 31,			Nine months ended September 30,	
	2015	2016	2017	2017	2018
	(RMB/ton, except coke oven gas in RMB/cubic meter)				
Coke and coking chemicals production					
Coke	702.9	938.6	1,550.0	1,534.2	1,787.6
Coal tar[(1)]	1,595.6	1,463.2	2,629.9	2,371.7	2,815.6
Coke oven gas[(2)]	0.5	0.6	0.6	0.6	0.6
Crude benzene[(3)]	–	–	–	–	4,154.1
Refined chemicals production					
Carbon material chemicals					
Coal tar pitch	1,691.6	1,561.7	3,086.7	2,957.9	3,323.2
Industrial naphthalene[(4)]	2,913.9	3,137.0	4,546.7	2,916.2	4,184.3
Carbon black oil	1,579.8	1,486.3	2,580.1	2,427.5	2,883.7
Phthalic anhydride	3,610.6	4,833.3	5,545.2	5,488.2	5,761.3
Anthracene oil	1,577.9	1,556.6	2,598.4	2,394.0	2,910.3
Alcohol-ether chemicals					
Methanol	1,705.0	1,589.5	2,081.7	1,989.8	2,351.9
DME	2,590.5	2,490.4	3,316.5	3,079.1	3,585.3
Aromatic chemicals					
Benzene	4,167.5	4,262.9	5,558.6	5,567.1	5,505.8
Caprolactam	–	10,835.0	12,249.0	11,846.0	14,853.5
Toluene and xylene	4,521.0	4,163.4	4,528.1	4,488.4	5,086.6
Cyclohexane[(5)]	4,566.8	4,237.8	7,827.5	7,828.5	–
Trading					
Coal	519.6	536.5	725.8	810.1	826.5
Coke	849.3	1,037.1	1,728.1	1,605.4	1,850.4

Notes:

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

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

(3) In 2015, 2016 and 2017, we produced and sold all of our crude benzene internally for further processing and production of refined chemicals. In the nine months ended September 30, 2018, we started to sell our crude benzene to external parties.

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

(5) We produce and sell a portion of our cyclohexane internally for further processing and production of caprolactam.

Our products are priced largely at the prevailing market prices. The continued increase in our selling prices of coke during the Track Record Period was primarily driven by increased demand of coke due to recovery in iron and steel industry and the decreased supply resulting from government policies to eliminate outdated capacity and enhance environmental protection standards. The trend of increase in the prices of our refined chemical products in 2017 and the first nine months of 2018 was driven by a combination of decreased market supply of refined chemicals resulting from decreased supply of raw materials due to the PRC government's greater focus on environmental protection, and increased market demand for refined chemicals. The average selling price of our coke increased from RMB1,787.6 per ton (net of VAT) for the nine months ended September 30, 2018 to RMB2,023.0 per ton (net of VAT) for the three months ended December 31, 2018, based on our unaudited management accounts for the three months ended December 31, 2018. According to Frost & Sullivan, the average price of coke for 2019 is expected to maintain the same level as the average price of coke in 2018.

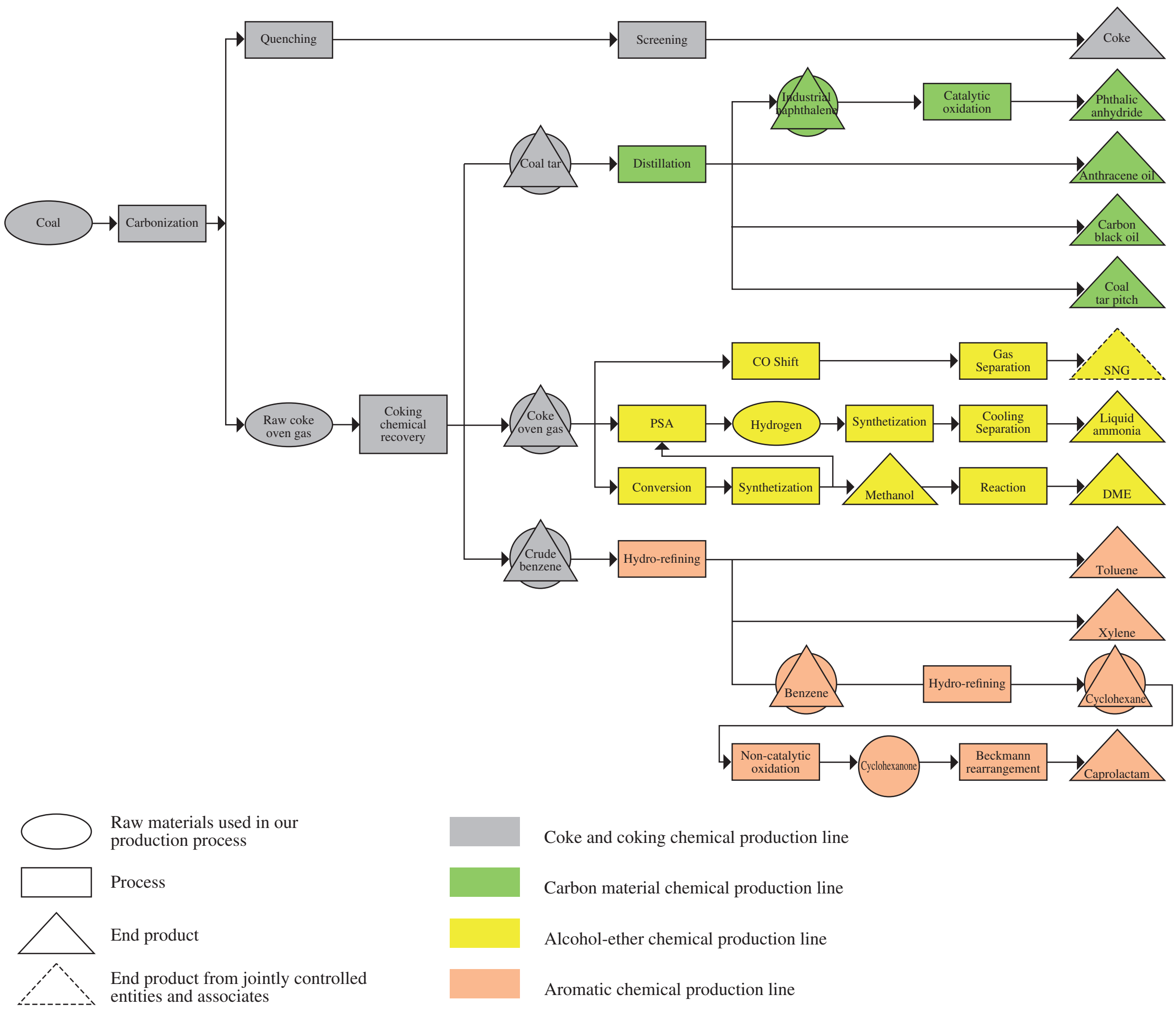
OUR PRODUCTS

We are an integrated producer of coke, coking chemicals and refined chemicals, and have 39 products under four major categories. Coke is our primary product and coking chemicals are by-products from the production of coke. Our coking chemicals mainly include coal tar, coke oven gas and crude benzene. We utilize our coking chemicals as raw materials for further processing into refined chemicals.

Our refined chemicals mainly include three categories:

- carbon material chemicals produced from coal tar;
- alcohol-ether chemicals produced from coke oven gas; and
- aromatic chemicals produced from crude benzene.

The following diagram depicts the main products that we produced as of the Latest Practicable Date.



Coke and coking chemicals

The following table sets forth information about our principal coke and coking chemical products:

Name	Description	Uses	External sales/ internal use	Photographs
Coke	A hard and dry carbon substance produced by heating coal to a high temperature (around 1,000°C) in the absence of air.	We primarily produce metallurgical coke, which is typically used in the steel industry as the reducing agent, fuel and column skeleton layer for blast furnaces.	External sales	
Coal tar	A brown or black liquid of high viscosity produced in the destructive distillation of coal. Coal tar contains a large number of organic compounds such as phenol and polycyclic aromatic hydrocarbon, etc.	Coal tar can be further processed to produce coal tar pitch, industrial naphthalene, anthracene oil, phenol oil, wash oil, light oil, carbon black oil, etc. These materials can be used to produce other industrial products such as rubber, resin, pesticides, dyes, fibers, plasticizers, carbon anodes and graphite electrodes.	External sales and internal use	
Coke oven gas	Principally consists of hydrogen and methane, coke oven gas is produced through purification of raw coke oven gas.	Coke oven gas is a flammable gaseous fuel and can be used as a raw material in chemical production or as fuel for industrial or residential consumption.	External sales and internal use	Coke oven gas is a colorless gas when stored at normal temperature and pressure, therefore we have not presented a photograph of coke oven gas.
Crude benzene	A light yellow-brown and highly flammable liquid produced as a by-product in the coking process. It is a highly aromatic material primarily composed of benzene, toluene and xylene.	Crude benzene can be used as a raw material in production of benzene, toluene and xylene.	External sales and internal use	

Refined chemicals

The following table sets forth information about our principal refined chemical products:

Name	Description	Uses	External sales/ internal use	Photographs
Carbon material chemicals				
Coal tar pitch	Coal tar pitch is produced through distillation of coal tar.	It is an essential raw material for the production of anode. These anodes are used in the aluminum smelting process and other processes.	External sales	
Industrial naphthalene	Industrial naphthalene is a white crystalline solid produced by distilling coal tar at temperatures between 210 ˚C and 230 ˚C.	Industrial naphthalene is an important basic organic chemical material used to produce a number of other chemicals. It is widely used in the production of phthalic anhydride, concrete water reducers and dyes.	External sales and internal use	
Anthracene oil	Anthracene oil is the product of distilling coal tar at temperatures between 300˚C and 360˚C. Anthracene oil is an oily yellow-green liquid with high viscosity.	It is the principal source of anthracene and is used for the production of paint, timber preservatives and coating materials.	External sales	
Carbon black oil	Carbon black oil is produced by mixing anthracene oil with medium-temperature coal tar pitch and is a viscous black liquid at normal temperature.	It is a raw material for producing carbon black.	External sales	
Phthalic anhydride	The anhydride of phthalic acid and a white solid.	It is an important industrial chemical used in the large-scale production of plastics.	External sales	

Name	Description	Uses	External sales/ internal use	Photographs
Alcohol-ether chemicals				
Methanol	Methanol is a colorless and highly volatile liquid which is also an important raw material in the chemical industry.	Methanol is an important raw material for basic chemical production and is used to manufacture a wide range of consumer and industrial products, such as construction materials, foams, resins and plastics.	External sales	
DME	DME, or dimethyl ether, is a chemical derived from methanol.	DME is an important raw material for basic chemicals and is widely regarded as a suitable substitute fuel for vehicle fuel and household fuel.	External sales	DME is a colorless fluid when stored at normal temperature and pressure, therefore we have not presented a photograph of DME.
Liquid ammonia	Liquid ammonia is a colorless liquid produced from hydrogen gas and nitrogen gas. It is an important raw material for numerous chemical products.	It is mainly used as raw material in producing fertilizers. It is also used for producing medicine and refrigerant.	External sales	Liquid ammonia is a colorless fluid when stored at normal temperature and pressure, therefore we have not presented a photograph of liquid ammonia.
Aromatic chemicals				
Benzene	Benzene can be derived from both the crude benzene hydro-refining production process and petroleum refinement process. It is a colorless and highly flammable liquid.	It is principally used as an intermediate, which can be used to manufacture styrene, caprolactam, nylon fibers, paint, plastics, medicine and synthetic rubber.	External sales and internal use	

Name	Description	Uses	External sales/ internal use	Photographs
Toluene	Toluene is a colorless, aromatic and volatile liquid hydrocarbon.	Toluene can be used as a solvent, and in the manufacture of edulcorant, medicine, paint, polyurethane foam.	External sales	
Xylene	Xylene is also known as dimethyl benzene. It is a generic term for a group of three aromatic hydrocarbon isomers, which are essentially benzene derivatives.	Xylene is used as a solvent and in the printing, rubber and leather industries. It can also be used in pesticides, paint thinner, paints and varnishes.	External sales	
Cyclohexane	Cyclohexane is a colorless, flammable liquid.	It is mainly used for the industrial production of adipic acid and caprolactam, which are used to produce nylon.	External sales and internal use	
Caprolactam	Caprolactam is a white crystallized solid at normal temperature.	It is a key raw material for engineering plastics and fibers, etc.	External sales	

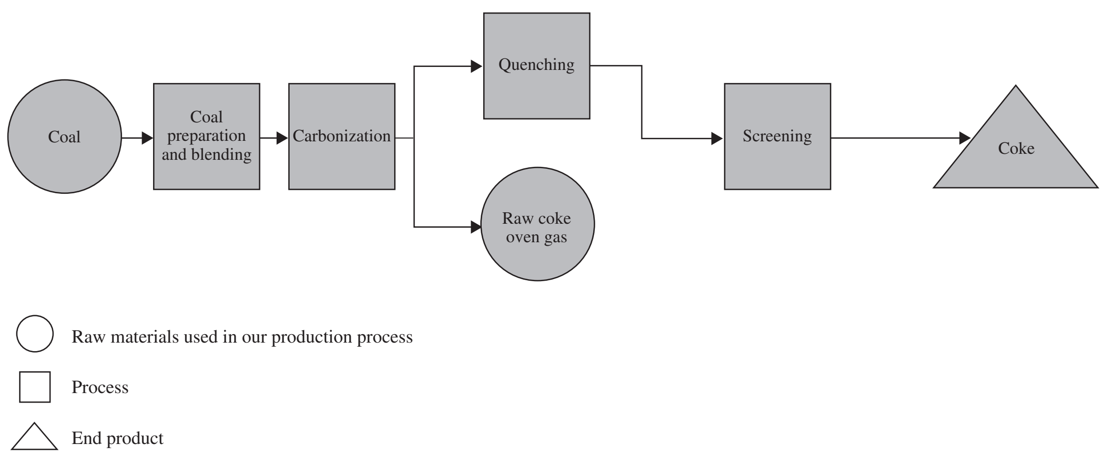
PRODUCTION PROCESSES

Coke and coking chemical production process

Coke

Coking is the process of heating coking coals in the absence of air in coke ovens. Coking coals break down into a mixture of volatile matters to produce coke and other chemicals. After various purification and coking by-product recovery processes, coke oven gas generated from coking processes is typically returned to heating flues as fuel for the production of coke and coking chemicals.

Our coke production process involves converting a blend of coking coals into coke. Throughout their service lives, our coke ovens operate on a 24-hour basis, three shifts per day. The following diagram outlines our coke production process at our coking facilities:



Coal preparation and blending: Coking coals are crushed, blended and filled in coal towers. During the blending process, we produce coke with different characteristics based on customer specifications. This enables us to produce coke at an acceptable quality, while using complementary coking coals that are relatively less expensive and more abundant compared to hard coking coal.

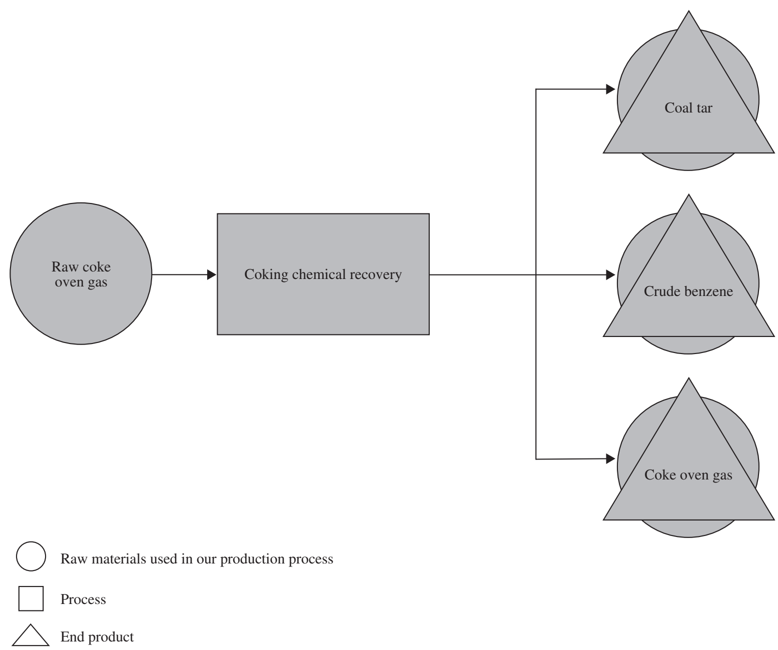
Carbonization: Coal cakes are reduced to a plastic state through dry distillation at a high temperature in the absence of air. This process generates chemical compounds through the chemical decomposition of organic materials from heating. The coal cake is heated by coke oven gas in the heating chamber until almost all volatile components have evaporated.

Quenching: After carbonization, the hot coke is pushed from the coke oven onto the quenching cart and taken to the quenching tower or dry quenching oven for rapid cooling.

Screening: After quenching, a conveyor belt transports coke to a screening tower where the coke is sorted in different sizes.

Coking chemicals (coal tar, coke oven gas and crude benzene)

The following diagram outlines our coking chemical recovery process at our chemical recovery facilities, as described below.

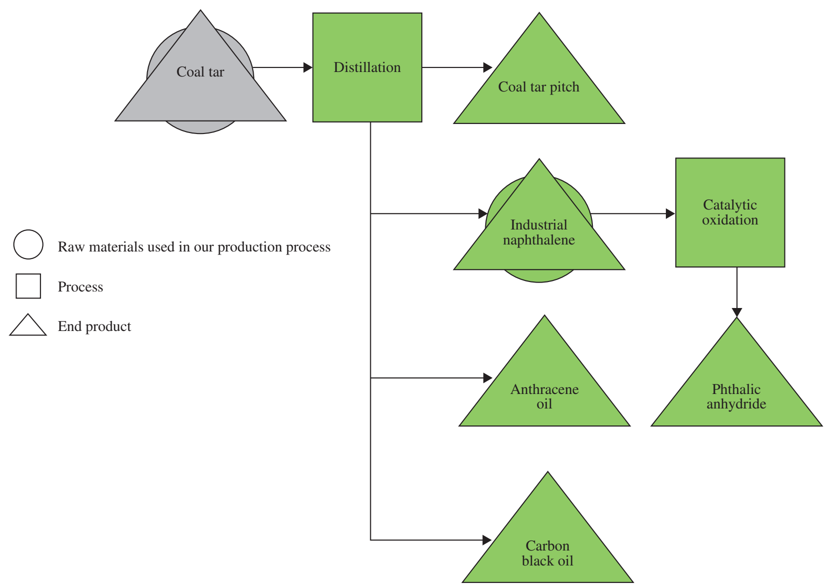


Through our coking chemical recovery facilities, we capture and separate these coking by-products to produce coking chemicals, including crude benzene, coal tar and coke oven gas.

Refined chemical production process

Carbon material chemicals (coal tar pitch, industrial naphthalene, anthracene oil, carbon black oil and phthalic anhydride)

The following diagram outlines our production of coal tar pitch, industrial naphthalene, anthracene oil, carbon black oil and phthalic anhydride, as described below.



We place coal tar into an evaporating tower to separate volatile chemicals. Medium-temperature coal tar pitch then flows out from the bottom of the evaporator through a distillation process into a high resting tank for natural cooling.

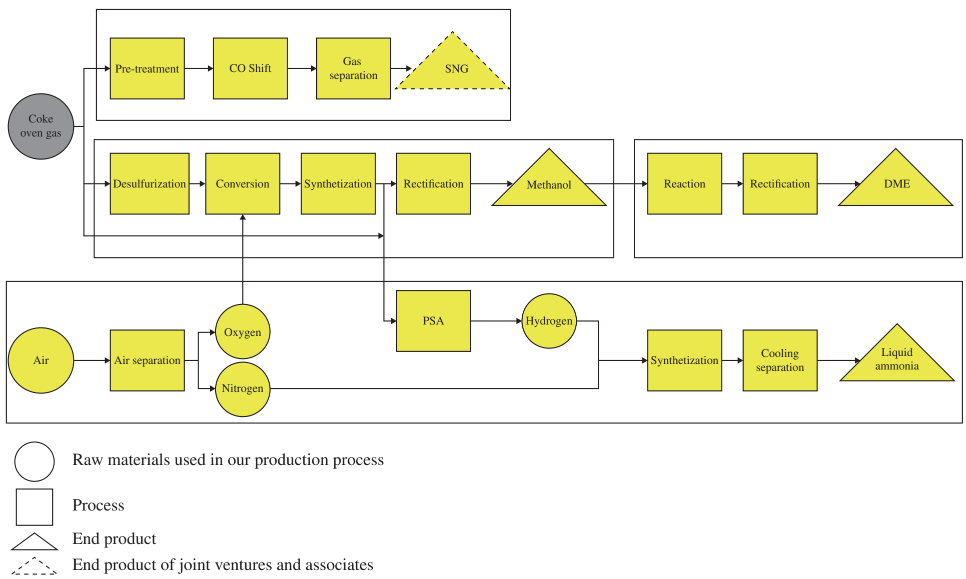
To produce coal tar pitch, we place the medium-temperature coal tar pitch into a reactor and heat it using coke oven gas. After undergoing polymerization in the reactor, medium-temperature coal tar pitch transforms into coal tar pitch. We then cool and store the coal tar pitch in a tank.

We deliver the volatile mixtures removed from the evaporator to a distillation tower. In the distillation tower, a mixture of oils, including industrial naphthalene and anthracene oil, are separated. Anthracene oil is collected and transported into a product tank after cooling at the bottom of the distillation tower. A portion of medium-temperature coal tar pitch and a portion of anthracene oil are mixed to produce carbon black oil. The remaining mixture, which contains industrial naphthalene and other ancillary oils, following wash separation, is delivered to a refining distillation tower for further separation in order to distill and remove the industrial naphthalene.

For the production of our phthalic anhydride, we add heated oxygen to heated gaseous industrial naphthalene. Through catalytic oxidation, we process the raw materials into crude phthalic anhydride, which is further refined into phthalic anhydride.

Alcohol-ether chemicals (methanol, DME and liquid ammonia)

The following diagram outlines the production of methanol, DME and liquid ammonia, as described below.

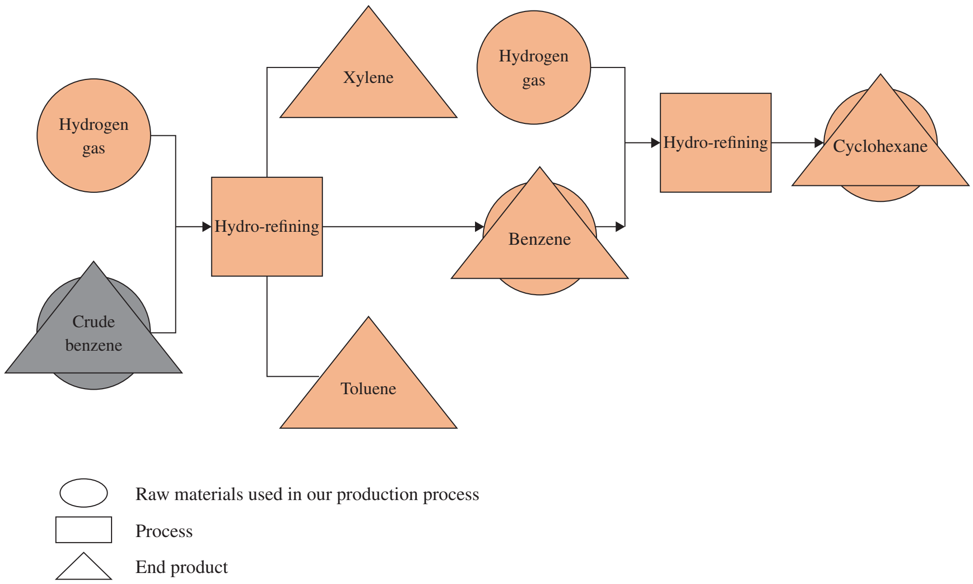


We utilize coke oven gas to produce methanol. We compress our coke oven gas at high pressure, then desulfurize the coke oven gas using our wet desulphurization equipment and fine desulphurization equipment. Following desulphurization, the coke oven gas is oxidized to form a mixture of carbon monoxide and hydrogen. This mixture is further compressed, reacted and distilled to produce methanol.

Hydrogen produced by Pressure Swing Absorption ("**PSA**") process from coke oven gas and purge gas of synthetic methanol can be used for the synthesis of ammonia. Processed nitrogen gas and processed hydrogen gas is compressed and sent into an ammonia synthesis tower to react with catalysts. Afterwards, the reacted gas is cooled and extracted to produce liquid ammonia.

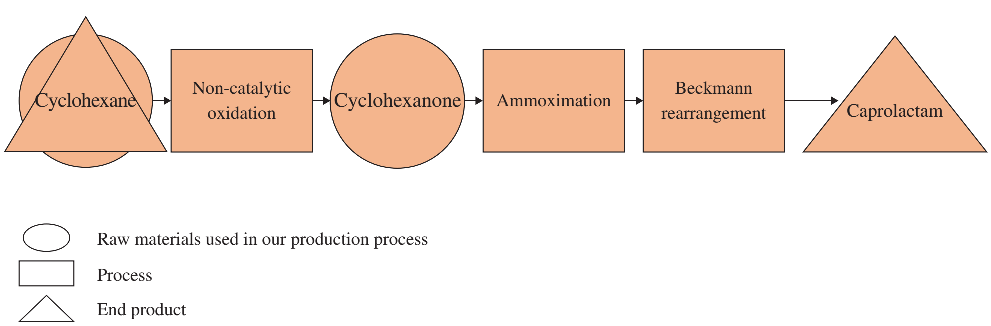
Aromatic chemicals (benzene, toluene, xylene, cyclohexane and caprolactam)

The following diagram outlines our production of benzene, toluene, xylene and cyclohexane, as described below.



We derive certain aromatic chemicals by adding hydrogen gas to crude benzene. The impurities contained in the crude benzene react with the hydrogen gas and become gaseous fuel, which is then separated. The remaining materials also react with the hydrogen gas and become hydrogenated oils. This mixture then undergoes a series of separation processes to separate benzene, toluene and xylene. We produce cyclohexane through hydro-refining reactions of benzene.

The following diagram outlines our production of caprolactam, as described below.



We utilize cyclohexane to produce cyclohexanone after non-catalytic oxidation. We produce caprolactam with cyclohexanone, ammonia and hydrogen peroxide as raw materials. Through ammoximation reaction, processed ammonia and hydrogen peroxide react with cyclohexanone to produce cyclohexanone-oxime, which is further refined through the Beckmann rearrangement and a series of extraction and refinement processes to produce caprolactam.

PRODUCTION FACILITIES AND CAPACITIES

We have four production bases in Hebei province in China: Xingtai Production Base, Dingzhou Production Base, Tangshan Production Base and Cangzhou Production Base. At these four production bases, we have four coke and coking chemical production lines, seven carbon material chemical production lines, five alcohol-ether chemical production lines and six aromatic chemical production lines. In addition, CNC Risun Coking, our joint venture, has four coke and coking chemical production lines and one alcohol-ether chemical production line in our Xingtai Production Base. Jinniu Risun Chemicals, our associate, has one alcohol-ether chemical production line in our Xingtai Production Base. Cabot Risun Chemicals, our associate, has one carbon material chemical production line in our Xingtai Production Base.

The following table sets forth the number of different production lines and their respective production capacities as of September 30, 2018:

	Production Base				
Production lines	**Xingtai Production Base**	**Dingzhou Production Base**	**Tangshan Production Base**	**Cangzhou Production Base**	**Total**
The Group					
Coke and coking chemicals					
Number of production lines	–	4[(1)]	–	–	4
Production capacity (thousand tons/year)	–	3,920	–	–	3,920
Carbon material chemicals					
Number of production lines	4	–	3[(2)]	–	7
Production capacity (thousand tons/year)	530	–	100	–	630
Alcohol-ether chemicals					
Number of production lines	–	4	1	–	5
Production capacity (thousand tons/year)	–	400	200	–	600
Aromatic chemicals					
Number of production lines	3	–	1	2	6
Production capacity (thousand tons/year)	300	–	200	200	700
CNC Risun Coking					
Coke and coking chemicals					
Number of production lines	4	–	–	–	4
Production capacity (thousand tons/year)	3,920	–	–	–	3,920
Alcohol-ether chemicals					
Number of production lines	1	–	–	–	1
Production capacity (thousand tons/year)	60	–	–	–	60

Production lines	Production Base: Xingtai Production Base	Dingzhou Production Base	Tangshan Production Base	Cangzhou Production Base	Total
Jinniu Risun Chemicals					
Alcohol-ether chemicals					
Number of production lines	1	–	–	–	1
Production capacity (thousand tons/year)	200	–	–	–	200
Cabot Risun Chemicals					
Carbon material chemicals					
Number of production lines	1	–	–	–	1
Production capacity (thousand tons/year)	130	–	–	–	130

Notes:

(1) In response to the urban planning and environmental protection requirements of the local government and to upgrade our coke production facilities, we entered into an agreement with the local government in 2012 to relocate a coke production line with an annual production capacity of 1,200,000 tons at our Dingzhou Production Base. The local government agreed to compensate us for all the cost and expenses incurred in relation to such relocation, including through government grants. Pursuant to the agreement, we commenced operation of the new coke production line before we shut down our old coke production line to avoid interrupting our coke production at Dingzhou Production Base. Such relocation did not affect our business operations in any material respect. Our overall coke production capacity did not increase as a result of these changes. In accordance with the agreement, we started to relocate our coke production line in February 2017 and completed relocation in November 2018.

We returned a certain portion of the land, with a carrying amount of RMB21.9 million, and buildings, with a carrying amount of RMB9.5 million, of the relocated production line to the local government, and the local government paid us compensation of approximately RMB71.4 million in February 2019.

(2) In September 2018, we completed construction of the newest production line at the Tangshan Production Base, a phthalic anhydride production line with a capacity of 40 thousand tons per year, and obtained the trial operation permit for it as of September 30, 2018. Operation is expected to commence in March 2019.

As of the Latest Practicable Date, we had one project under construction.

Location	Production Line	Nature of Project	Annual Production Capacity	Expected Completion Time
			(thousand tons)	
Cangzhou Production Base	Polyamide thermoplastic elastomer	New production line	2	June 2019

We also have long-term plans to develop the following projects in the future:

Location	Production Line	Nature of Project
Cangzhou Production Base	Caprolactam and cyclohexanone	Expansion of production capacity of current production lines
Tangshan Production Base	Styrene	New production line

The following table sets forth the production and processing capacities and utilization rates of our production lines by product type for the periods indicated:

	Year ended December 31,						Nine months ended September 30,			
	2015		2016		2017		2017		2018	
	Production/ processing capacity(1)	Utilization rate(2)	Production/ processing capacity(1)	Utilization rate(2)	Production/ processing capacity(1)	Utilization rate(2)	Production/ processing capacity(1)	Utilization rate(2)	Production/ processing capacity(1)	Utilization rate(2)
	(thousand tons, except for percentages)									
Coke(3)	3,920	119.0%	3,920	119.5%	3,920	116.6%	2,940	123.3%	2,940	116.5%
Carbon material chemicals	463	118.8%	590	125.5%	590	132.9%	443	135.7%	444	137.3%
Alcohol-ether chemicals	600	94.5%	600	82.8%	600	86.1%	450	91.0%	450	78.3%
Aromatic chemicals	500	101.7%	533	108.3%	700	109.7%	525	116.8%	525	121.0%

Notes:

(1) Annual production/processing capacity is defined as the total volume of products that the production lines are designed to produce/process annually, calculated on the basis of operating at 8,000 hours per year according to industry practice and 100% loading.

(2) Utilization rate equals actual production or processing volume for the relevant period divided by annual/nine months capacity as of the end of each relevant period.

(3) Calculated on a dry basis.

(4) The actual loading rate of production lines can reach 120% of designed capacity, which is in line with industry practice. In addition, the over-utilization occurred because (i) our actual operating hours exceeded 8,000 hours per year, and (ii) for certain products, we have adopted new technologies to increase operating efficiency and production volume.

The actual loading rate of production lines can reach 120% of designed capacity, which is in line with industry practice. In addition, the over-utilization of our coke facilities, carbon material chemical facilities and aromatic chemical facilities occurred because our actual operating hours exceeded 8,000 hours per year, which we used to calculate our annual capacity. Our longer operating hours were due to the daily inspection and maintenance of our production equipment, which ultimately shorten maintenance overhauls at our production facilities and prolong the operating time of our equipment. For carbon material chemicals, we have adopted new technologies to increase operating efficiency and production volume. We adjust our production schedule and volume to in accordance with production plans, which resulted in different utilization rates during the Track Record Period. Our utilization rates may also be affected by scheduled maintenance.

We have received written confirmation of compliance from the relevant development and reform authorities and environmental protection authorities, which our PRC legal advisors, Jingtian & Gongcheng, have advised us are the competent local authorities, regarding the fact that the utilization rates for the production lines of certain of our products have exceeded 100% during the Track Record Period. The relevant development and reform authorities and environmental protection authorities confirm that we do not need to apply for or obtain any further approvals, or complete any filing or other procedures, and that the over-utilization of the production lines is in compliance with relevant laws and regulations.

The following table sets forth the production volume for our principal products for the periods indicated.

	Year ended December 31,			Nine Months ended September 30,	
	2015	2016	2017	2017	2018
	(thousand tons, except coke oven gas in million cubic meters)				
Coke and coking chemicals					
Coke[1]	5,026.1	5,038.8	4,969.9	3,935.0	3,715.0
Coal tar	175.8	155.8	155.4	122.0	121.8
Coke oven gas	947.1	779.2	774.8	627.2	553.5
Crude benzene	58.0	53.1	53.5	41.9	39.0
Refined chemicals					
Carbon material chemicals					
Coal tar pitch	200.4	232.8	268.1	207.5	217.6
Industrial naphthalene	64.1	74.5	76.3	58.2	58.9
Carbon black oil	192.6	176.7	160.9	125.5	119.7
Phthalic anhydride	7.8	128.6	121.9	89.8	88.9
Anthracene oil	35.6	78.2	98.7	71.3	93.2
Alcohol-ether chemicals					
Methanol	360.6	334.5	341.8	281.8	234.8
DME	115.4	92.1	108.1	73.2	62.9
Aromatic chemicals					
Benzene	327.9	346.7	355.2	279.3	312.4
Caprolactam	–	20.2	110.1	87.0	84.9
Toluene and xylene	75.8	77.9	85.3	44.8	73.4
Cyclohexane	64.3	78.4	77.6	65.5	50.2

Note:

(1) Calculated on a moist basis.

Major Assets and Equipment

The following table sets forth our major assets and equipment by product type as of September 30, 2018:

Product	Major Assets and Equipment	Production Commencement Year
Coke and coking chemicals	• Nine coking batteries	Two in 2004, one in 2006, two in 2008, two in 2012 and two in 2014
	• Four coking chemical recovery systems	One in 2004, one in 2008, one in 2012 and one in 2014
Carbon material chemicals	• Two coal tar processing facilities	One in 2007 and one in 2011
	• Five phthalic anhydride production facilities	Two in 2015, two in 2016 and one in 2018
Alcohol-ether chemicals	• Three coke-oven-gas-based methanol production facilities	One in 2007, one in 2009 and one in 2012
	• One DME production facility	2010
	• One liquid ammonia production facility	2013
Aromatic chemicals	• Three crude benzene hydro-refining production facilities	One in 2009, one in 2010 and one in 2011
	• One cyclohexane production facility	2014
	• One cyclohexanone production facility	2016
	• One caprolactam production facility	2016

We endeavor to equip our manufacturing facilities with advanced equipment, which we believe increases automation and ensures reliability and cost competitiveness. The increased use of our automated equipment will allow us to reduce labor costs and focus our manufacturing facility staffing on maintenance and supervisory personnel. Some of our critical production and testing equipment were imported from Germany and Italy. As of the Latest Practicable Date, the major production equipment utilized in our production was either owned by us, or leased through financial leasing arrangements. If properly maintained, our major production equipment for coke and coking chemical products can be used for 25 to 30 years and our major production equipment for refined chemical products can be used for up to 20 years.

We formulate inspection and maintenance plans at the beginning of each year and carry out inspections and maintenance at our production facilities in accordance with such plans. Our on-site maintenance teams conduct daily checks on our production equipment. We also perform maintenance overhauls at our production facilities with large scale equipment on an annual basis. Such maintenance overhauls usually last for up to two weeks. During the Track Record Period, we did not experience material or prolonged suspensions of operations due to machinery, equipment or other facility failures.

Coke and coking chemical production facilities

Our coke and coking chemical production facilities at our Dingzhou Production Base have implemented a stamp-charging process, which helps increase productivity and reduce production costs. We believe that we have a competitive advantage over our competitors due to our installation of large-scale stamp-charging ovens.

Coke facilities at our Dingzhou Production Base

Refined chemical production facilities

Our carbon material chemical production facilities

We produce our carbon material chemicals from coal tar at our Xingtai Production Base and Tangshan Production Base.

Coal tar processing facilities at our Xingtai Production Base

Phthalic anhydride production facilities at our Tangshan Production Base

Our alcohol-ether chemical production facilities

We produce alcohol-ether chemicals in our Dingzhou Production Base and Tangshan Production Base.

Methanol production facilities at our Dingzhou Production Base

Our aromatic chemical production facility

We produce our aromatic chemical products at our Xingtai Production Base, Tangshan Production Base and Cangzhou Production Base.

Crude benzene hydro-refining facility at our Xingtai Production Base

Caprolactam production facilities at our Cangzhou Production Base

TRADING

We engage in coal, coke and refined chemical trading through our subsidiaries in China and Hong Kong. We source these products externally and sell them to our external customers. For the years ended December 31, 2015, 2016 and 2017 and the nine months ended September 30, 2017 and 2018, revenue from our trading segment totalled RMB2,034.8 million, RMB2,065.5 million, RMB2,407.2 million, RMB2,016.4 million and RMB2,113.3 million, representing 20.4%, 16.9%, 12.9%, 13.9% and 13.5% of our total revenue, in each case, respectively. Total sales volumes of our trading business reached 2.4 million tons, 2.4 million tons, 2.1 million tons, 1.8 million tons and 1.7 million tons, respectively, during the same periods.

In our trading business, we mainly conduct sales with domestic customers in the iron and steel, non-ferrous metals, coking and chemical industries. Leveraging on our leading position in the coal chemical industry, we have established an extensive sales network and a large client base.

We believe that our coke, coal and refined chemical trading business provides the following benefits to us:

- expanding our sales and procurement networks in anticipation of the expected growth in our production capacity;
- enabling us to tap into new markets derived from our existing sales and procurement networks;
- increasing our market share;
- ensuring stable production and sufficient supply of raw materials in order to provide stable and timely supplies to our customers;
- helping us mitigate risks associated with the cyclical nature of the industry; and
- helping us stay abreast of changes in both domestic and international markets.

CNC RISUN COKING

As of the Latest Practicable Date, we, through our wholly owned subsidiary, Xingtai Risun Trading, owned a 45% equity interest in CNC Risun Coking. CNC Coke and Delong Steel, which are both independent third parties, owned the remaining 45% and 10% equity interest in CNC Risun Coking, respectively. CNC Risun Coking has four coke and coking chemical production lines with an annual production capacity of 3.92 million tons and one alcohol-ether chemical production line with an annual production capacity of 60,000 tons, all of which are located in our Xingtai Production Base. The main product of CNC Risun Coking is coke. We process coal tar and crude benzene, which are by-products generated through CNC Risun Coking's coking process, to produce our refined chemical products. CNC Risun Coking was our largest supplier in the years ended December 31, 2015, 2016 and 2017 and our second largest supplier in the nine months ended September 30, 2018. We also sell small quantities of certain products to CNC Risun Coking. See "– Procurement – Suppliers" in this prospectus.

Although we have not consolidated CNC Risun Coking into our financial statements, we actively manage its daily operations. We nominate the general manager and a majority of other senior management members of CNC Risun Coking, such as the head of production, head of sales and the head of marketing. The senior management team is responsible for the day-to-day operation of CNC Risun Coking and supervises the mid-level management team and other employees. We take CNC Risun Coking into consideration when we make decisions for procurement, sales and marketing strategies. We prepare and propose plans for procurement, production, sales and construction and financial budget of CNC Risun Coking, and CNC Risun Coking executes the plans and conducts procurement, sales and marketing activities independently. General manager and production, sales and marketing teams led by heads nominated by us will implement these plans. We took initiative in the design, establishment, operation and maintenance of the automation and information systems in all of CNC Risun Coking's production facilities. We share our supply channels with CNC Risun Coking by negotiating with our suppliers of raw materials, such as coking coal, for the benefit of both ourselves and CNC Risun Coking, when we believe such collective bargaining provides economies of scale. We also share our customer base with CNC Risun Coking by referring some of our customers to CNC Risun Coking from time to time, depending on such customers' location, the products they require or other factors. As a result of our centralized management, CNC Risun Coking has achieved utilization rates comparable to those of our coking facilities. In 2015, 2016, 2017 and nine month ended September 30, 2018, the total volume of coke produced by CNC Risun Coking amounted approximately 5.1 million tons, 5.1 million tons, 4.7 million tons, 3.8 million tons and 2.7 million tons, respectively.

As an independent legal entity, CNC Risun Coking maintains a separate set of books and records for its business and operating activities. Although the production site of CNC Risun Coking is located in our Xingtai Production Base, CNC Risun Coking carries out its daily production in a separately identifiable and self-owned production site with its own production lines, employs its own production staff and bears its own operating costs and labor costs. Therefore, each of CNC Risun Coking and the Group accounts for its own operating costs, including but not limited to direct labor costs, depreciation and amortisation, other production costs and staff costs. During the Track Record Period and up to the Latest Practicable Date, CNC Risun Coking did not share property, plants, production lines, equipment or employees with the Group.

CNC Risun Coking incurred a loss in the year ended December 31, 2015. As a result, our share of results of CNC Risun Coking was a loss of RMB17.6 million for the year ended December 31, 2015, which represented 3.5% of our total net loss attributable to owners of the Company in 2015. CNC Risun Coking was profitable for the years ended December 31, 2016 and 2017 and the nine months ended September 30, 2017 and 2018, and the share of results of CNC Risun Coking was a profit of RMB137.8 million, RMB225.5 million, RMB202.0 million and RMB334.4 million, respectively, representing 38.4%, 29.9%, 37.9% and 23.0% of our profit attributable to owners of the Company, respectively, for the same periods.

For summarized financial information of CNC Risun Coking, please refer to Note 19 of the Appendix I – Accountants' Report.

OPERATION MANAGEMENT AND TECHNOLOGY OUTPUT SERVICES

We actively promote our operation management and technology output services to third-party coke and chemical companies by utilizing our operation management capability and industry experience. According to Frost & Sullivan, the provision of operation management and technology output services to third-party coke and chemical companies is not uncommon in the industry. As of the Latest Practicable Date, we had entered into operation management and technology output service agreements with four independent third-party companies: a state-owned chemical producer located in Shanxi province ("**Company X**"), a producer of coke and coking chemical products located in Henan province ("**Company Y**"), a producer of refined chemical products located in Henan province ("**Company Z**"), and a producer of refined chemical products located in Shanxi province ("**Company AA**"). Under these agreements, we provide professional and technical advice to Companies X, Y, Z and AA. We dispatch management, skilled technicians and other employees to these companies to provide operation management, safety management or human resource management services. Through our operation management and technology output services, we participate in the operation of the production facilities of these third-party companies and support the improvement of their production efficiency, product quality, and/or operational safety and environmental protection capability. Although we provide services and advice to Companies X, Y, Z and AA, the Group does not control and consolidate these companies because their internal governance bodies, in which the Group has no representation, oversee their operations. Hence, the shareholders of Companies X, Y, Z and AA retain control over the relevant activities of the respective businesses and our arrangements with the companies do not constitute business combinations or joint operations under the relevant accounting standards.

Company X

We sell raw materials to Company X which its crude benzene hydro-refining facility uses to manufacture products and by-products, which Company X then sells to us. The difference between the purchase price of the products and by-products and the selling price of the raw materials is treated as our processing fee. We resell such products and by-products to external parties. We do not recognize revenue generated from sales of raw materials to Company X and only recognize revenue generated from our resale of products and by-products to external parties. According to our agreement with Company X, we are required to provide operation management services upon Company X's request. During the Track Record Period, we provided limited services to Company X and did not charge Company X for our services. The agreed term of our services is six years starting from April 2014 and the agreement is renewable upon mutual agreement prior to its expiration.

The following table sets forth the aggregate revenue and gross profit/(loss) generated in relation to the operation management and technology output service agreement with Company X for the periods indicated:

	For the year ended December 31,			For the nine months ended September 30,
	2015	2016	2017	2018
	(RMB in millions)			
Revenue from sales of products produced by Company X	511.2	1,051.0	1,306.0	403.9
Cost of sales[(1)]	544.2	1,051.6	1,284.6	378.7
Gross profit/(loss)	(33.0)	(0.6)	21.4	25.2

Note:

(1) In addition to raw material costs, cost of sales included processing fees of RMB76.1 million, RMB99.5 million, RMB102.1 million and RMB35.0 million for the years ended December 31, 2015, 2016 and 2017 and the nine months ended September 30, 2018, respectively, and labor costs of RMB3.3 million, RMB3.2 million, RMB4.6 million and RMB3.5 million for the same periods, respectively.

Company X's operations and production activities have been suspended since April 2018, as requested by the local government, to upgrade environmental protection facilities of other production lines that did not produce products for us. Consequently, our provision of services to Company X has been suspended. To the best knowledge of our Directors, Company X's operations and production are still suspended as of the Latest Practicable Date. We believe that the suspension of operations and production of Company X will not have a material adverse effect on us.

Company Y

We participate in the operation of the coke and coking chemical facility of Company Y pursuant to a technology and management service agreement. The agreed term of our services is one year starting from June 2018 and the agreement is renewable upon mutual agreement prior to expiration. We agreed to assist Company Y's coking facility to reach its full production capacity of 500,000 tons. We also agreed to provide professional and technological advice to Company Y for the daily operation of the facility and for productivity improvement and equipment upgrades in connection with technology improvement projects. Company Y owns the properties and production and ancillary equipment related to its coke and coking chemical facility and will also own any assets created for the technology improvement projects and environmental protection projects under the technology and management service agreement. We charge fixed monthly service fees for our services. Under the technology and management service agreement, we have dispatched our employees to provide onsite operation management, safety management and human resource management services to Company Y and we are obligated to bear all the staff costs of these employees. Company Y provides processing services to us under a consigned processing agreement (the "**Consigned Processing Agreement**"). Pursuant to this agreement, all the products and by-products produced by Company Y from raw materials we provide belong to us. Company Y charges us processing fees for the processing services. Under the Consigned Processing Agreement, we are required to pay all staff costs and operating costs with respect to the products or by-products produced under the Consigned Processing Agreement. The following table sets forth the aggregate revenue and gross profit/(loss) generated in relation to the technology and management service agreement and Consigned Processing Agreement with Company Y for the periods indicated:

	For the year ended December 31,			For the nine months ended September 30,
	2015	2016	2017	2018
		(RMB in millions)		
Revenue from sales of products produced by Company Y	–	–	–	330.7
Revenue from provision of management service	–	–	–	12.0
Cost of sales [(1)]	–	–	–	286.9
Gross profit	–	–	–	55.8

Note:

(1) In addition to raw material costs, cost of sales included processing fees of RMB50.4 million and labor costs of RMB1.7 million for the nine months ended September 30, 2018.

Company Z

We participate in the operation of the coal tar processing facility of Company Z pursuant to a technology and management service agreement. The agreed term of our services is 30 years starting from July 2018. The technology and management service agreement may be terminated upon mutual agreement of both parties. We agreed to provide professional and technological advice to Company Z for the daily operation of the facility and for productivity improvement and equipment upgrades in connection with technology improvement projects and environmental protection projects. Company Z owns the properties and production and ancillary equipment related to its coal tar processing facility and will also own any assets created for the technology improvement projects and environmental protection projects under the technology and management service agreement. We have dispatched our employees to provide onsite operation management, safety management and human resource management services to Company Z and will bear all the staff costs of these employees. We will share the aggregate profits generated from the operation of the facility with Company Z equally during the term of the agreement. Under the technology and management service agreement, for the first twelve months after the signing date (the "**First Twelve-month Period**"), no provision for depreciation, amortization of intangible assets and finance cost will be made with respect to the calculation of the aggregate profits generated from the coal tar processing facility. After the First Twelve-month Period, provision for depreciation, amortization of intangible assets and finance cost will be made when calculating the aggregate profits generated from the coal tar processing facility. We recorded revenue of RMB0.7 million and incurred labor costs of RMB0.4 million from our provision of management services to Company Z for the nine months ended September 30, 2018.

Company AA

We will participate in the operation of the coal tar processing facility of Company AA pursuant to a technology and management service agreement entered into in November 2018. The coal tar processing facility is expected to commence operation in the first half of 2019, based on information provided by Company AA. The term of the agreement is three years starting from the day the facility commences production. We agreed to provide professional and technological advice to Company AA for the daily operation of the facility and for productivity improvements and equipment upgrades in connection with technology improvement projects and environmental protection projects. Company AA owns the properties and production and ancillary equipment related to its coal tar processing facility and will own any assets created for the technology improvement projects and environmental protection projects under the technology and management service agreement. In accordance with the technology and management service agreement, we have dispatched our employees to provide onsite operation management, safety management and human resource management services to Company AA and Company AA is obligated to bear all the staff costs of these employees. We will be entitled to charge fixed monthly service fees for our services when the facility commences production. Company AA will provide processing services to us under a consigned processing agreement. Pursuant to this agreement, all the products and by-products which Company AA manufactures from raw materials we provide will belong to us.

Our PRC legal advisors, Jingtian & Gongcheng, have advised us that we will not be responsible for any damages that are not attributable to us incurred during our provision of operation management and technology output services to Company X, Company Y, Company Z and Company AA in accordance with the terms of the respective agreements.

We believe the business model of operation management and technology output services will help us strengthen our leading position as on integrated producer and supplier of coke, coking chemicals and refined chemicals, enhance our market recognition, develop new business lines and sources of income and enlarge our market share by incurring limited capital expenditures.

SALES AND MARKETING

Our sales strategy focuses on building stable and long-term relationships with customers and providing comprehensive customer service that allows us to serve our customers efficiently and effectively. We intend to expand our sales network, with an emphasis on developing new sales networks with large-scale customers and optimizing our customer base by adopting various measures, including the following:

- increasing the number of well trained and experienced sales staff;
- increasing our geographic presence and sales coverage;
- developing strategic alliances with our business partners in upstream and downstream sectors; and
- improving our product quality, customer service and after-sales service to enhance the branding of our products.

Our market department formulates and implements our marketing strategies, establishes strategic alliances, and collects and analyzes data and market trends in the iron and steel, coal, coke and coal chemical industries, which helps ensure that we remain at the forefront of these industries.

Sales network

Our sales network covers most provinces of China and the majority of our products were sold into northern and eastern China during the Track Record Period. In order to facilitate exports and sales to southern China, we established sales offices in Rizhao Port and Dongjiakou Port in Shandong province in 2013 and 2015, respectively. In 2017, we established a branch in Shanghai, which helped us expand sales in eastern China.

We have identified northern, eastern and central China as key regions for increasing the sale of coke and refined chemical products and securing the supply of certain raw materials. We have also identified Europe, Southeast Asia, Japan and Korea as potential overseas markets.

We have set up trading companies in the PRC and Hong Kong to strengthen our trading business and expand our sales network.

The following map sets forth our sales coverage in the PRC as of September 30, 2018.

Sales process

Negotiation and entry into sales contract

We make production plans based on orders we receive from customers. We generally enter into product orders with customers which typically include product specifications, quality requirements, quantities, payment methods, pricing terms and delivery arrangements.

Pricing

We formulate our selling prices, including for our inter-company sales, largely by reference to the market prices and price trends of the products of the same type and quality, while taking into account other relevant industry information, such as supply and demand for such products, prices and price trends of raw materials, expected profit margins and competitor offerings. We have established systematic pricing procedures and have set up specific committees in charge of specific types of products. We utilize our upstream and downstream business channels to collect market information and inventory and demand information from upstream and downstream enterprises. Our market department analyze the information and form internal research reports, which provide guidance for us to set the selling prices.

Credit Policy and Collection

With respect to our products, we generally require prepayment in full from a customer before commencement of production for such customer. We extend credit to a few major customers with good reputations for periods of up to 30 days pursuant to our credit management policy. With respect to our trading business, we generally collect prepayments but extend credit if the customer meet the standards in our credit management policy payment upon delivery.

We place significant emphasis on our credit management policy, which includes credit assessments for all our customers. We have internal guidelines for credit assessments of our customers. We evaluate customers based on several factors, including the length of our relationship, business size, payment history, frequency of orders, financial conditions, product mix, market reputation, geographic location and proximity to transportation facilities.

Our customers normally settle payments with us through telegraphic transfers, bank acceptance bills and letters of credit.

Delivery of products

The delivery of our products through third-party logistics providers is arranged by us or our customers. Different delivery arrangements may affect the pricing of our products. Please see the section headed "Logistics" for details of our transportation arrangements.

Return of products

We allow product returns only when quality issues occur. During the Track Record Period and up to the Latest Practicable Date, we had not received any returns, complaints or claims, nor assumed any product liability in relation to the products sold that would affect our business, results of operations or financial position in any material respect.

After-sales Service

We provide after-sales service to our customers throughout their production processes. We have a dedicated team of customer service personnel stationed at production bases of our major customers, which allows us to understand the operations and needs of our customers promptly. We collect information of our customers, such as the production status, transportation preference, inventory level, product quality as well as the use of raw materials, which enables us to provide better service to meet our customers' specific requirements. We also visit our customers to collect feedback on our products and services. We designate experienced staff in our sales department to provide assistance to customers with respect to issues which they encounter during their procurement process.

Customers

We sell our coke primarily to customers in the iron and steel industry in the PRC, and export a portion to overseas customers. We sell our refined chemicals primarily to manufacturers and traders in the chemical industry in the PRC, and export a small portion to customers overseas. Our end customers may purchase directly from us or purchase through their affiliated trading arms. Our customers for trading business are primarily companies in the iron and steel, non-ferrous, coking and chemical industries. Our customers who are not end users of our products during the Track Record Period were not our distributors because (i) we did not enter into any distribution agreements with such customers and all our trading customers purchased our products by way of purchase orders; (ii) we had no managerial or contractual control over any of such customers or their sales, credit or pricing policies or marketing activities; (iii) we did not accept any return or exchange of our products sold to such customers; (iv) we had no restrictions or requirements on such customers regarding their geographical coverage, sales targets, minimum purchase requirements, target customers or avoidance of competition policies; and (v) such customers did not provide us, and they were not required to provide us, any information regarding their sales, inventory levels and customer demand for our products. As such, our Directors consider that we did not adopt any distributorship business models in selling our products. During the years ended December 31, 2015, 2016 and 2017 and the nine months ended September 30, 2017 and 2018, our sales to customers who are not end users of our products, amounted to RMB1,815.4 million, RMB2,543.6 million, RMB3,113.8 million, RMB2,510.2 million and RMB2,989.2 million, respectively, representing 18.2%, 20.8%, 16.7%, 17.3% and 19.1% of our revenue for the respective period.

For the years ended December 31, 2015, 2016 and 2017 and the nine months ended September 30, 2018, sales to our single largest customer amounted to RMB554.9 million, RMB846.5 million, RMB1,275.1 million and RMB836.6 million, representing 5.6%, 6.9%, 6.8% and 5.3% of our total revenue, in each case respectively. For the same periods, sales to our five largest customers amounted to RMB2,088.3 million, RMB2,208.8 million, RMB3,888.7 million and RMB2,822.3 million, representing 20.9%, 18.1%, 20.9% and 18.1% of our revenue, respectively.

The tables below set forth certain information with respect to our five largest customers during the Track Record Period:

Year Ended December 31, 2015

Rank	Five largest customers	Products Supplied	Major Business Activities	Place of Business	Credit Period	Payment Method	Percentage of revenue for the year ended December 31, 2015	Length of relationship with us as of December 31, 2015
							(%)	
1	Company A	Coke	Production of agglomerate, pig iron and steel ingot	Tangshan, Hebei	15 days	Bank acceptance bill	5.6	>10 years
2	Company B	Coke	Development of mine, mining, mineral selection and production of pig iron and steel	Tangshan, Hebei	–[1]	Bank acceptance bill	4.2	>10 years
3	Company C	Coke	Production and sale of strip steel, continuously cast bloom, square steel and coke	Qinhuangdao, Hebei	–[1]	Bank acceptance bill	3.8	3 years
4	Company D	Methanol	Production and sale of chemical products	Dezhou, Shandong	–[1]	Bank acceptance bill	3.7	7 years
5	Cangzhou Risun Chemicals	Cyclohexane, benzene	Production of caprolactam	Cangzhou, Hebei	–[1]	Bank telegraphic transfer	3.6	<1 year

Note:

(1) We require such customer to prepay in full before delivery of products.

Year Ended December 31, 2016

Rank	Five largest customers	Products Supplied	Major Business Activities	Place of Business	Credit Period	Payment Method	Percentage of revenue for the year ended December 31, 2016	Length of relationship with us as of December 31, 2016
							(%)	
1	Company B	Coke	Development of mine, mining, mineral selection and production of pig iron and steel	Tangshan, Hebei	–[1]	Bank acceptance bill	6.9	>10 years
2	Company A	Coke	Production of agglomerate, pig iron and steel ingot	Tangshan, Hebei	15 days	Bank acceptance bill	3.2	>10 years
3	Company E	Coke	Production and sale of pig iron, bloom steel and strip steel	Tangshan, Hebei	–[1]	Bank telegraphic transfer	3.0	4 years
4	Company D	Methanol	Production and sale of chemical products	Dezhou, Shandong	–[1]	Bank acceptance bill	2.6	8 years
5	Company F	Coke	Production of agglomerate, pig iron and steel ingot	Chifeng, Inner Mongolia	–[1]	Bank acceptance bill	2.3	3 years

Note:

(1) We require such customer to prepay in full before delivery of products.

Year Ended December 31, 2017

Rank	Five largest customers	Products Supplied	Major Business Activities	Place of Business	Credit Period	Payment Method	Percentage of revenue for the year ended December 31, 2017	Length of relationship with us as of December 31, 2017
							(%)	
1	Company B	Coke	Development of mine, mining, mineral selection and production of pig iron and steel	Tangshan, Hebei	–[1]	Bank acceptance bill	6.8	>10 years
2	Company A	Coke	Production of agglomerate, pig iron and steel ingot	Tangshan, Hebei	15 days	Bank acceptance bill	4.0	>10 years
3	Company G	Coke	Production and sale of alloy steel and ball bearing steel	Tangshan, Hebei	–[1]	Bank acceptance bill	3.7	4 years
4	Company H	Coke	Production and sale of bloom steel and sale of mineral and steel products	Tangshan, Hebei	–[1]	Bank telegraphic transfer	3.3	5 years
5	Company F	Coke	Production of agglomerate, pig iron and steel ingot	Chifeng, Inner Mongolia	–[1]	Bank acceptance bill	3.1	4 years

Note:

(1) We require such customer to prepay in full before delivery of products.

Nine months ended September 30, 2018

Rank	Five largest customers	Products Supplied	Major Business Activities	Place of Business	Credit Period	Payment Method	Percentage of our total revenue for the nine months ended September 30, 2018	Length of relationship with us as of September 30, 2018
							(%)	
1	Company B	Coke	Development of mine, mining, mineral selection and production of pig iron and steel	Tangshan, Hebei	– [1]	Bank acceptance bill	5.3	>10 years
2	Company G	Coke	Production of agglomerate, pig iron and steel ingot	Tangshan, Hebei	– [1]	Bank acceptance bill	4.0	5 years
3	Company I	Coke	Production of agglomerate, pig iron and steel ingot	Tangshan, Hebei	– [1]	Bank acceptance bill	3.7	5 years
4	Company J	Carbon black oil	Production of carbon black	Xingtai, Hebei	– [1]	Bank telegraphic transfer	2.6	8 years
5	Company K	Coke	Production of agglomerate, pig iron and steel ingot	Anshan, Liaoning	– [1]	Bank acceptance bill	2.5	6 years

Note:

(1) We require such customer to prepay in full before delivery of products.

Save as disclosed above, each of our five largest customers is an independent third party. None of the Directors or any of their respective associates or, to the best knowledge of the Directors, none of our Shareholders who owns more than 5.0% of the Shares in issue, had any interest in any of our five largest customers during the Track Record Period.

Given our vertically integrated business model throughout our product value chain and our trading business which trades different products in the market, some of our customers are also our suppliers. Of our top five customers in each of the years ended December 31, 2015, 2016 and 2017 and the nine months ended September 30, 2018, two, one, nil and nil were also our suppliers, respectively. The table below sets out the procurement cost from each of these customers/suppliers and the percentage of our cost of sale and the types of products sold and procured by us during each of the years ended December 31, 2015, 2016 and 2017 and the nine months ended September 30, 2018:

	Procurement cost	Percentage of cost of sales for the relevant period	Products we sold	Products we procured
	(RMB in millions)			
For the year ended December 31, 2015				
Company C	4.0	0.04%	coke	crude benzene
Cangzhou Risun Chemicals	1.0	0.01%	cyclohexane, benzene	ammonium sulfate
For the year ended December 31, 2016				
Company D	21.0	0.19%	methanol	liquid ammonia, cyclohexanone
For the year ended December 31, 2017				
N/A				
For the nine months ended September 30, 2018				
N/A				

Long-term Customers and Long-term Framework Agreements

We maintain long-term cooperative relationships with our major customers. Some of them have maintained business relationships with us for more than five years, of which the customer with the longest relationship has maintained a business relationship with us for 13 years. Furthermore, we have entered into long-term framework agreements with certain of our customers during the Track Record Period. Our products supplied under such long-term framework agreements mainly include coke, benzene, caprolactam and methanol. As of September 30, 2018, twenty of such customers had entered into long-term framework agreements with us, all of which have a term starting from 2018. Below are the key terms of such long-term framework agreements.

- *Minimum Purchase/Supply Amount*

  Under the long-term framework agreement, we are committed to supply minimum volumes of our products to our customer on a preferred basis, and our customer is committed to purchase minimum volumes of our products from us on a preferred basis. We are not required to supply products to our customer, and the customer is not required to purchase products from us, unless the parties reach specific agreement every year. The parties are required to discuss the specific terms for the coming year in the fourth quarter and agree to such specific terms in the early part of the coming year. Our PRC counsel has advised that there is no legal consequence should the parties fail to reach a specific agreement every year.

- *Pricing*

  We are commited to supply to such customer at either market prices or prices no higher than what we charge our other customers for the same products of the same quality. Either party is allowed to adjust product prices with prior notice to and friendly negotiation with the other party.

- *Quality Standard*

  The long-term framework agreements normally do not set forth any quality requirements. Our customers normally specify quality standards when they place purchase orders.

- *Term and Renewal*

  Our long-term framework agreements normally have terms of three or five years, and are renewable upon expiration based on the parties' mutual agreement.

- *Dispute Resolution*

  Where any dispute arise between the parties, the parties may submit the dispute to litigation if they cannot reach settlement within 30 days of commencing negotiations.

- *Termination*

  Most of the long-term framework agreements may be terminated upon six months' prior written notice to the other party.

During the Track Record Period and up to the Latest Practicable Date, we were not involved in any material disputes with our customers.

PROCUREMENT

Raw materials

The principal raw material used for our coke and coking chemical production is coking coal. During the Track Record Period, we sourced most of our coking coal from external suppliers. The major types of coking coal we purchased included hard coking coal, fat coal, gas coal, 1/3 coking coal and lean coal. We purchased a large proportion of our coking coal from suppliers in Shanxi province and Hebei province. If overseas coking coal is more competitively priced than domestic coking coal, we will source coking coal from countries such as Mongolia and Australia.

For the years ended December 31, 2015, 2016 and 2017 and the nine months ended September 30, 2017 and 2018, the raw material costs for coke and coking chemical segment accounted for 84.6%, 86.6%, 89.6%, 91.2% and 91.8% of the cost of production for the same segment.

For the production of our refined chemicals, the principal raw materials are coking chemicals, which include crude benzene, coal tar and coke oven gas. Coking chemicals are by-products in the coking process. We mainly source such raw materials externally from our suppliers, but also source a portion of such raw materials by utilizing by-products from the coke production facilities at our Dingzhou Production Base and from CNC Risun Coking at our Xingtai Production Base.

For the years ended December 31, 2015, 2016 and 2017 and the nine months ended September 30, 2017 and 2018, the raw material costs for the refined chemical segment accounted for 81.7%, 82.5%, 83.0%, 84.6% and 84.6% of the cost of production for the refined chemical segment, respectively.

Pricing Risk Management

During the Track Record Period, we traded coking coal, coke and methanol futures on the Dalian Commodity Exchange and Zhengzhou Commodity Exchange, in order to mitigate market risks associated with spot products. We make our trading decisions based on our research regarding inventory levels of coke and downstream products, overall utilization rates in the industry, as well as the profitability of market players in the industry based on publicly available information. In general, if we expect the prices of our products or commodities to rise, we will enter into forward procurement transactions. In contrast, if we expect the prices of our products or commodities to fall, we will enter into forward sale transactions. When either the spot selling price of our products on the settlement date falls below the forward selling price or the spot procurement price of our products or commodities on the settlement day rises above the forward procurement price, we record a gain from the forward sale transaction. When either the spot selling price of our products on the settlement date rises above the forward selling price or the spot procurement price of our products or commodities on the settlement day falls below the forward procurement price, we record a loss from the forward sale transaction.

For the years ended December 31, 2015 and 2016 and the nine months ended September 30, 2018, fair value gain of financial assets at FVTPL in relation to futures contracts amounted to RMB44.0 million, RMB171.2 million, and RMB84.2 million, respectively, while we had a loss of RMB12.5 million for the year ended December 31, 2017.

Our futures business department is responsible for managing our overall futures transactions to mitigate the risks of fluctuations of prices at our products and raw materials. Our futures business department conducts futures transactions based on the inventory level of our products portfolio, number of purchase orders received, as well as our analysis and judgement on market price movements. Our relevant business departments can also request to conduct futures transactions with detailed proposals. Our futures business department managers are responsible for implementing proposals for futures transactions submitted by relevant business departments. The implementation of proposals are then submitted to our investment management committee for final review and approval. Our investment management committee consists of five members. Three committee members have passed the PRC Fund Practitioners Qualification Examination. One of the committee members has over ten years of industry experience, is an expert on the expert panel of the Hebei Coking Industry Association and is knowledgeable about industry policies and market trends. Two committee members each have over ten years of experience in the procurement of raw materials and sales of our products. Our futures business department formulates specific measures to implement the approved proposals. Our finance department will record our futures transactions in our accounts upon review of transaction documents.

In the event of any significant or abnormal fluctuations in the prices of our products or raw materials that result in material losses, our futures business department promptly provides to the investment management committee an analysis of the risk of losses and a proposal for the measures to be taken. We also have strict control over funds used in our futures transactions, for instance, we impose thresholds on total cash deposits made for our futures transactions and volume of products underlying the futures contracts pursuant to our internal policies. In addition, we also implemented a series of stop-loss policies in response to losses in futures transactions.

As such, the Directors believe that our hedging activities will effectively help us mitigate our risk exposure to market price fluctuations of our raw materials and products.

Procurement process

We generally enter into annual procurement arrangements with key suppliers. These supply arrangements specify the indicative quantities of raw materials that we plan to purchase in the relevant period and are subject to separate purchase orders to confirm delivery. Our suppliers typically granted us credit terms of 30 to 90 days.

Pursuant to these arrangements, our procurement department purchases the required raw materials from suppliers in accordance with production plans prepared by our production department. Generally, purchase prices are based on prevailing market prices at the time of delivery of the raw materials. We make and implement our raw material procurement plans in line with our production plans which are primarily based on periodical review of customers' orders in order to reduce our exposure to market price fluctuations of raw materials. The internal market analysis reports generated by our market department also provide us with a basis for determining procurement prices.

Suppliers

We have a broad base of suppliers and do not depend on any single supplier. For instance, we procured coking coals from over 100 suppliers in the PRC and overseas in the nine months ended September 30, 2018. A broad base of suppliers help enables us to procure a wide range of quality raw materials at competitive prices. Though we did not enter into any long-term agreements with our suppliers of raw materials during the Track Record Period and up to the Latest Practicable Date, we maintained long-term cooperative relationships with our key suppliers. Some of them have maintained business relationships with us for more than five years.

During the Track Record Period, we did not experience any material shortages or delays in the supply of our raw materials, and we do not foresee any material shortages or delays in our procurement of raw materials in the future. We closely monitor the inventory levels of our raw materials, and we adjust our procurement volumes accordingly in anticipation of periods in which we may encounter raw material supply shortages or product demand increases.

Our subsidiaries engaged in the production business have passed the ISO 9001:2008 Quality Management System standard which imposes detailed supplier selection and assessment procurement. The selection and assessment of our suppliers include:

- the quality and specifications of the raw materials they offer;

- the size and locality of their operations; and

- their past transaction records and terms of trade with us.

The transportation of our raw materials is normally arranged by the supplier. The supplier is responsible for the purchase of transportation insurance.

For the years ended December 31, 2015, 2016 and 2017 and the nine months ended September 30, 2018, purchases from our single largest supplier amounted to RMB677.2 million, RMB658.0 million, RMB873.5 million and RMB525.5 million, representing 7.1%, 5.9%, 5.2% and 4.0% of our cost of sales, in each case respectively. For the same periods, purchases from our five largest suppliers amounted to RMB1,966.7 million, RMB1,830.8 million, RMB2,398.6 million and RMB1,817.0 million, representing 20.7%, 16.3%, 14,4% and 13.8% of our cost of sales, in each case respectively.

The tables below set forth certain information with respect to our five largest suppliers during the Track Record Period:

Year Ended December 31, 2015

Rank	Five largest suppliers	Products Purchased	Major Business Activities	Place of Business	Credit Period	Payment Method	Percentage of cost of sales for the year ended December 31, 2015	Length of relationship with us as of December 31, 2015
							%	
1	CNC Risun Coking	Coal tar, crude benzene	Production and sale of coke, coal tar, crude benzene, coke oven gas and SNG	Xingtai, Hebei	30 days	Bank acceptance bill	7.1	9 years
2	Company L	Coal	Wholesale of coal, production and sales of cement and non-soda fiberglass	Xingtai, Hebei	–[(1)]	Bank acceptance bill	5.1	6 years
3	Company M	Coal	Railway transportation and sales of coal	Beijing	150 days	Bank acceptance bill	3.2	1 year
4	Company N	Coal	International trade, product processing, trade of coal, coke and mineral products	Tianjin	30 days	Bank acceptance bill	2.8	4 years
5	Company O	Coal	Sale of coal, steel, pig iron and chemical products	Taiyuan, Shanxi	120 days	Bank acceptance bill	2.5	1 year

Note:

(1) Such supplier requires prepayment in full before delivery of products.

Year Ended December 31, 2016

Rank	Five largest suppliers	Products Purchased	Major Business Activities	Place of Business	Credit Period	Payment Method	Percentage of cost of sales for the year ended December 31, 2016	Length of relationship with us as of December 31, 2016
							%	
1	CNC Risun Coking	Coal tar, crude benzene	Production and sale of coke, coal tar, crude benzene, coke oven gas and SNG	Xingtai, Hebei	30 days	Bank acceptance bill	5.9	>10 years
2	Company P	Coal	Coal mining	Beijing	–[1]	Bank acceptance bill	3.0	3 years
3	Company Q	Coal	Sale of coal yard and trade of coal	Jinzhong, Shanxi	45 days	Bank acceptance bill	2.5	1 year
4	Company L	Coal	Wholesale of coal, production and sales of cement and non-soda fiberglass	Xingtai, Hebei	–[1]	Bank acceptance bill	2.5	7 years
5	Company R	Coal	Coal mining and coke smelting, development and implementation of clean coal technology	Lucheng, Shanxi,	30 days	Bank acceptance bill	2.5	>10 years

Note:

(1) Such supplier requires prepayment in full before delivery of products.

Year Ended December 31, 2017

Rank	Five largest suppliers	Products Purchased	Major Business Activities	Place of Business	Credit Period	Payment Method	Percentage of cost of sales for the year ended December 31, 2017	Length of relationship with us as of December 31, 2017
							%	
1	CNC Risun Coking	Coal tar, crude benzene	Production and sale of coke, coal tar, crude benzene, coke oven gas and SNG	Xingtai, Hebei	30 days	Bank acceptance bill	5.2	>10 years
2	Company N	Coal	International trade, product processing, trade of coal, coke and mineral products	Tianjin	30 days	Bank acceptance bill	2.7	6 years
3	Company L	Coal	Wholesale of coal, production and sales of cement and non-soda fiberglass	Xingtai, Hebei	–[1]	Bank acceptance bill	2.6	8 years
4	Company S	Coal	Sale of coke, coal, metal materials, mining machineries and chemical products	Taiyuan, Shanxi	30 days	Bank acceptance bill	2.0	<1 year
5	Company T	Coal	Sale of mineral products, coal, coke, steel and pig iron	Xingtai, Hebei	40 days	Bank acceptance bill	1.8	2 years

Note:

(1) Such supplier requires prepayment in full before delivery of products.

Nine Months Ended September 30, 2018

Rank	Five largest suppliers	Products Purchased	Major Business Activities	Place of Business	Credit Period	Payment Method	Percentage of our total purchase for the nine months ended September 30, 2018	Length of relationship with us as of September 30, 2018
							%	
1	CNC Risun Coking	Coal tar, crude benzene	Production and sale of coke, coal tar, crude benzene, coke oven gas and SNG	Xingtai, Hebei	30 days	Bank acceptance bill	4.0	>10 years
2	Company L	Coal	Wholesale of coal, production and sales of cement and non-soda fiberglass	Xingtai, Hebei	–[1]	Bank acceptance bill	3.5	9 years
3	Company U	Coal	Wholesale of coal, production and sales of cement and non-soda fiberglass	Taiyuan, Shanxi	–[1]	Bank telegraphic transfer	2.4	>10 years
4	Company V	Coal	Production and sale of coal	Shuozhou, Shanxi	30 days	Bank acceptance bill	2.0	4 years
5	Company T	Coal	Sale of mineral products, coal, coke, steel and pig iron	Xingtai, Hebei	40 days	Bank acceptance bill	1.9	3 years

Note:

(1) Such supplier requires prepayment in full before delivery of products.

Save as disclosed above, each of our five largest suppliers is an independent third party. None of the Directors or any of their respective associates or, to the best knowledge of the Directors, none of our Shareholders who owns more than 5.0% of the Shares in issue, had any interest in any of our five largest suppliers for the years ended December 31, 2015, 2016 and 2017 and the nine months ended September 30, 2018.

In addition, in each of the years ended December 31, 2015, 2016 and 2017 and the nine months ended September 30, 2018, one of our top five suppliers was also our customer. The table below sets out the revenue attributable to sales to such suppliers and its respective percentage of our revenue and the types of products procured from and sold by us to the supplier during each of the years ended December 31, 2015, 2016 and 2017 and the nine months ended September 30, 2018:

	Revenue	Percentage of revenue for the relevant period	Products we procured	Products we sold
	(RMB in millions)			
For the year ended December 31, 2015				
CNC Risun Coking	17.9	0.2%	coal tar, crude benzene, coke	coal, wash oil
For the year ended December 31, 2016				
CNC Risun Coking	61.5	0.5%	coal tar, crude benzene, coke	coal, wash oil
For the year ended December 31, 2017				
CNC Risun Coking	93.4	0.5%	coal tar, crude benzene, coke	coal, wash oil
For the nine months ended September 30, 2018				
CNC Risun Coking	61.5	0.4%	coal tar, crude benzene, coke	coal, wash oil

Inventory management

Our inventory mainly consists of various types of coking coals, raw materials for our refined chemical production, other ancillary raw materials and equipment spare parts. We maintain daily inventory records and conduct monthly inventory counts. We seek to maintain our raw materials inventory at a reasonable level that can sustain our production without interruption depending on expected future supply, demand and price of raw materials.

We typically maintain low levels of finished product inventories. We adopted a "zero inventory" policy and strive to achieve minimal inventory of our coke products. We generally produce based on the periodical production plans which are adjusted regularly pursuant to our customers' demands. We aim to keep low levels of inventory and strive to deliver products directly to customers after production, without placing products in long-term storage. We closely monitor information such as the size of orders placed by customers, historical demand, price trend and inventory levels of our customers and adjust our production levels to meet our customers' requirements. For details of our historical inventory turnover days, please refer to the section headed "Financial Information – Certain Balance Sheet Items – Inventories" in this prospectus.

LOGISTICS

Our production bases are located near national railways networks, major highways and expressways and ports in the PRC. Our strategic location and logistics network allow us to access both the domestic and overseas markets for our products and raw materials.

Rail transportation constitutes an integral part of our logistics arrangements, providing high capacity service at relatively low costs and broad geographic coverage across the PRC. We have a private railway connecting our Dingzhou Production Base to the Beijing-Guangzhou railway. We have entered into annual transportation capacity guarantee agreements with China Railway Beijing Group Co., Ltd. under which we are guaranteed a certain amount of railway transportation capacity for our raw materials and products to and form our Dingzhou Production Base.

As of the Latest Practicable Date, we had entered into transportation service agreements with multiple professional third party road transportation companies for the transportation of our raw materials and products. According to these agreements, the transportation companies are responsible for loading and unloading the goods onto and from their vehicles and for maintaining the quality and quantity of the goods during transportation. They are also responsible for any accidents or other incidents arising in relation to the transportation vehicles or drivers, or any loss of, or damage to, the goods while being delivered. We do not own or operate any transportation vehicle fleets and rely solely on these third parties for road transportation.

Our close proximity to ports, such as the Rizhao Port and Dongjiakou Port in Shandong province, provides us with an alternative to deliver products to our customers in southern China and overseas. It also allows us to source coking coals and chemicals from overseas suppliers if they are more competitively priced than those produced domestically.

To increase efficiency and strengthen our logistics system, we have implemented a series of technological applications and upgrades in our logistic arrangements. In July 2014, we started to require our road transportation service providers to install the BeiDou Navigation Satellite System in each of the transportation vehicles and grant us access to the navigation system, which enables us to monitor the transportation of our products in real time and substantially improves our transportation management capabilities. In August 2017, such navigation system was upgraded to match vehicle information with product information, which helps us better track the products being shipped. Since September 2011, we have also implemented the logistics automation card system. Under this system, personnel are not required to be present at the weighing room when the transportation vehicles are weighed, which reduces labor costs and streamlines the weighing process.

COMPETITION

We operate in a competitive environment and will face competition from existing competitors and new market entrants in the future. Due to PRC laws and regulations relating to the coal chemical industry and the high level of capital investment, technical know-how and expertise required in the industry, we believe new entrants face considerable entry barriers to the large-scale production of coke, coking chemicals and refined chemicals in the PRC.

Most coking enterprises in China's coke market are independent coking enterprises, accounting for approximately 70.0% of the production volume of coke in China in 2017. We compete mainly with other independent coking enterprises in this market. As of December 31, 2017, the top five independent coking enterprises holding a combined market share of 7.1%, according to Frost & Sullivan. In general, leading coking enterprises with large production capacity can manufacture coke of higher quality and typically establish long-term relationships with major iron and steel customers to secure sales. The Directors believe that our Group's main competitors in the coke business include independent coke producers located within a radius of approximately 300 to 400 kilometers from our production bases and that have annual production capacity of at least two million tons.

The PRC refined chemical industry is also highly fragmented with a large number of small-scale refined chemical producers. The Directors believe that our main competitors in the refined chemical business include independent refined chemical producers located in Hebei province, Shandong province and Shanxi province. The Directors believe that we also face competition for refined chemical products from market participants in the petroleum and petrochemical industries.

The Directors believe that we have advantages over our competitors for coke and refined chemical products as we were the world's largest independent coke producer and supplier based on volume (including products produced by the production lines of CNC Risun Coking) in 2017, according to Frost & Sullivan, and we have a variety of refined chemical products and offer a broad range of quality products which improves our secure competitive advantages in the industry. Our production unit cost is similar to that of our competitors and we do not have an apparent production unit cost advantage over our competitors.

Our products compete in terms of price, product quality, brand recognition and customer service. The Directors are of the view that our competitive advantages and strengths, particularly our product categories, product quality, production cost controls, scale of production, stability in the supply of raw materials, expanding customer base and reliable logistics arrangements, allow us to compete effectively in the market.

RESEARCH AND DEVELOPMENT

As of September 30, 2018, we had 128 research and technology personnel located in our four production bases. They focus on improving our production processes and energy and resource efficiency, improving the quality of our products, lowering our production costs, and reducing environmental impact of our production processes. We did not incur any significant amounts on research and development activities during the Track Record Period. Key areas of research during the Track Record Period included environmental protection upgrades, improvement of production technics, efficiency and product quality.

ENVIRONMENTAL, HEALTH AND SAFETY MATTERS

We are subject to PRC environmental laws and regulations and regular inspections by local environmental authorities. The main pollutants generated during our production process include smoke, fumes, solid waste, wastewater and dust. We have adopted a number of measures and practices to reduce the environmental impact of our operations. We use appropriate materials to build ground surfaces in our production bases and plants to prevent soil pollution. We dispose of the smoke, fumes, solid waste and wastewater produced in our operations in accordance with PRC laws and regulations. We have installed filtration and absorption equipment, coke oven gas desulphurization units and low pressure dust collectors in our production processes. We have a wastewater and sewage treatment system at each of our production bases for the treatment of fluids consumed and produced during production. We use the treated wastewater for coke quenching and other production processes. We also treat residual gas from our methanol production, which reduces the negative impact on the environment. Each manufacturing entity we manage and operate, including CNC Risun Coking, has been accredited the ISO 14001:2004 Environmental Management System. In addition, the construction of any new production facility or any improvement or expansion of any existing production project must comply with environmental impact evaluation regulations. We conduct an environmental impact evaluation for each production project and submit an evaluation report for approval by the relevant environmental authority as required by relevant PRC laws and regulations. We have obtained approvals required for the respective stages of construction from local government authorities for our projects under construction. In addition, our production personnel are required to attend mandatory environment protection trainings, which includes contingency plans in various situations of leakages and pollution and regular drills to reduce pollution in the event of an industrial accident.

We are subject to PRC workplace safety laws and regulations. We treat occupational health and safety as our important responsibilities. Our PRC legal advisors, Jingtian & Gongcheng, have advised us that each of our operating companies in the PRC that produces hazardous chemicals had obtained all work safety permits required by laws, regulations and government policies or authorities as of the Latest Practicable Date. We have also adopted and implemented a number of measures in relation to occupational health and safety. We have implemented systems and procedures for the identification and prevention of accidents and hazardous conditions and procedures relating to emergencies, accidents and other hazardous conditions. We use our MES and control center to control and monitor our production bases and plants, including the pressure and temperature of coke oven gas, the operations of the boilers and the temperature and volume of flammable and volatile materials during production and storage. We also provide safety related training to our employees to increase their awareness of occupational health and work safety matters. We conduct periodic safety checks to help ensure proper operation of our machines and to ensure our employees comply with our safety manual. We reflect any abnormalities noted during the periodic safety checks in our safety records and the responsible departments and/or officers take follow-up remedial action accordingly. Government authorities occasionally conduct safety inspection checks to ensure our operations comply with workplace safety laws and regulations and notify us if our operations do not comply with workplace safety laws and regulations.

We have established an environmental protection and safety division to monitor and resolve environmental protection and workplace safety issues and to work closely with our production staff on environmental protection and safety matters. This division is also responsible for supervising production and storage of flammable and volatile materials. They perform daily, weekly and monthly inspections of our production bases and production plants. For instance, they inspect our gas pipes on a daily basis for leakages. In addition, our environmental and safety management staff conducts unscheduled spot-checks of our production bases and plants. These staff members have attended the required training as part of the ISO 14001:2004 Environmental Management System certification process, as well as safety trainings and obtained work safety qualification certificates issued by the State Administration of Work Safety. As of the Latest Practicable Date, the environmental protection and safety division had 65 members.

For the years ended December 31, 2015, 2016 and 2017 and the nine months ended September 30, 2018, we incurred operating expenses in environmental protection of RMB36.0 million, RMB81.0 million, RMB86.5 million and RMB43.8 million, respectively.

As of the Latest Practicable Date, we had not received any notifications or warnings and were not subject to any fines or penalties in relation to any breach of any applicable environmental laws or regulations that could have a material adverse effect on our production. As of the Latest Practicable Date, we had obtained all permits, licenses and approvals relating to environmental protection and safety production. Our PRC legal advisors, Jingtian & Gongcheng, have advised us that our operations comply with PRC environmental laws and regulations in all material respects and that we have obtained all material permits required in respect of environmental protection during the Track Record Period.

During the Track Record Period, to the best knowledge of our Directors, after making reasonable enquiries, we (i) did not receive any claims, penalties or disciplinary actions in relation to workplace safety which materially affected our operations; (ii) had no material workplace accidents which resulted in casualties, subjected us to a fine, or affected our operations; and (iii) did not pay any material compensation to any employee in relation to workplace safety accidents or disputes. We have been advised by our PRC legal advisors, Jingtian & Gongcheng, that our operations are in compliance with all material requirements of PRC workplace safety laws and regulations and the Work Safety Administrations of relevant counties or municipalities. Jingtian & Gongcheng also confirmed that we were not penalized for any material violation of relevant laws and regulations in relation to the workplace safety during the Track Record Period.

On October 12, 2018, an accident occurred in our Dingzhou Production Base. As of the Latest Practicable Date, to the best of our Directors' knowledge, the investigation by the relevant local authorities was still ongoing. As advised by our PRC legal advisors, Jingtian & Gongcheng, if we are held responsible for the accident, pursuant to the Work Safety Law, administrative penalties of more than RMB200,000 but less than RMB500,000 may be imposed upon us. Such amounts would not be material to the Company's business and operations. The amount of administrative penalties, if any, would be subject to the discretion of PRC government authorities. We may also be obligated to pay civil compensation for tort liability. As the local government authorities have not determined liabilities for the accident, it is unclear whether the Company would be responsible for the accident. The Controlling Shareholders have agreed to indemnify the Company for all liabilities arising in conjunction with the accident.

QUALITY MANAGEMENT

We place great emphasis on strict quality control over our products and have implemented a comprehensive quality control system throughout our production process. Each entity we manage and operate, including Hebei Risun Coking, CNC Risun Coking, Xingtai Risun Coal Chemicals, Tangshan Risun Chemicals, Cangzhou Risun Chemicals, Xingtai Risun Chemicals and Dingzhou Tianlu New Energy, has been accredited with the ISO 9001:2008 or the ISO 9001:2015 Quality Management System certification.

The ISO certification process involves subjecting our production processes and quality management systems to annual reviews and observations for various periods. We believe this certification process provides an independent verification to our customers regarding the quality control measures in our production processes.

Our quality inspection staff inspects raw materials purchased by the procurement department. If our inspection staff detects sub-standard raw materials, they reject the delivery or the suppliers of such sub-standard raw materials provide a refund credit.

Throughout our production processes, we conduct inspections and reporting at regular intervals to ensure product quality. For example, prior to the carbonization process, to reduce waste in our coke and coking chemical production, we maintain moisture content to reduce fragmentation of the coal cakes and carry out chemical analysis of selected samples of coking coals to help maintain the quality of the coke.

We have also established testing guidelines setting out the testing procedures and requirements for our products and their respective production processes. We periodically review and update these testing guidelines. Furthermore, we provide our employees with appropriate training to help ensure that product quality conforms to customer specifications and applicable statutory and regulatory requirements.

LICENSES, PERMITS AND APPROVALS

Coke production and processing of coking by-products are regulated in the PRC. Accordingly, we are required to obtain permits, licenses and approvals from government authorities. For more information regarding the PRC laws and regulations to which we are subject, please refer to the section headed "Regulations" in this prospectus.

As advised by our PRC legal advisors, Jingtian & Gongcheng, the following table sets forth our material licenses and permits as of the Latest Practicable Date:

Permit/License	Permit/License Holder	Issue Date	Expiry Date
Production Permits for Industrial Products (全國工業產品生產許可證)	Hebei Risun Coking	July 24, 2015	July 23, 2020
		September 12, 2016	September 11, 2021
		February 22, 2017	February 21, 2022
		May 19, 2017	May 18, 2022
	Xingtai Risun Coal Chemicals	June 6, 2014	June 5, 2019
		December 16, 2014	December 15, 2019
	Dingzhou Tianlu New Energy	May 27, 2014	May 26, 2019
	Tangshan Risun Chemicals	May 13, 2014	May 12, 2019
	Cangzhou Risun Chemicals	May 9, 2017	May 8, 2022
	Xingtai Risun Chemicals	September 1, 2017	August 31, 2022
Work Safety Permit (安全生產許可證)	Hebei Risun Coking	December 22, 2016	December 21, 2019
	Xingtai Risun Coal Chemicals	March 13, 2017	March 18, 2020
	Dingzhou Tianlu New Energy	November 27, 2017	December 7, 2020
	Tangshan Risun Chemicals	December 15, 2016	December 14, 2019
	Cangzhou Risun Chemicals	November 26, 2018	November 25, 2021
	Xingtai Risun Chemicals	September 30, 2016	September 29, 2019
Registration Certificate for Production of Hazardous Chemicals (危險化學品登記證)	Hebei Risun Coking	January 7, 2019	January 6, 2022
	Xingtai Risun Coal Chemicals	July 27, 2018	July 26, 2021
	Dingzhou Tianlu New Energy	January 7, 2019	January 6, 2022
	Tangshan Risun Chemicals	June 20, 2016	June 19, 2019
	Cangzhou Risun Chemicals	August 30, 2017	August 29, 2020
	Xingtai Risun Chemicals	July 31, 2018	July 30, 2021
Operation Certificate of Hazardous Chemicals (危險化學品經營許可證)	Hebei Risun Coking	November 11, 2016	November 9, 2019
	Xingtai Risun Trading	December 6, 2016	December 5, 2019
	Xingtai Risun Coal Chemicals	December 18, 2017	December 17, 2020
	Dingzhou Tianlu New Energy	December 22, 2017	January 17, 2021
	Tangshan Risun Chemicals	September 6, 2017	September 5, 2020
	Beijing Risun Hongye	September 24, 2017	September 23, 2020
	Xingtai Risun Chemicals	December 7, 2018	December 10, 2021
	Ruyang Tianlu Energy	November 22, 2018	November 11, 2021

Permit/License	Permit/License Holder	Issue Date	Expiry Date
Water Extraction Permit (取水許可證)	Hebei Risun Coking	December 12, 2017	December 31, 2022
	Xingtai Risun Coal Chemicals	December 4, 2017	December 31, 2022
	Dingzhou Tianlu New Energy	December 12, 2017	December 31, 2022
	Xingtai Risun Chemicals	October 1, 2015	September 30, 2020
Pollutant Emission Certificate (污染物排放許可證)	Hebei Risun Coking	December 22, 2017	December 21, 2020
	Xingtai Risun Coal Chemicals	July 10, 2018	July 9, 2019
	Dingzhou Tianlu New Energy(1)	March 14, 2018	March 13, 2019
	Tangshan Risun Chemicals	July 7, 2016	July 7, 2019
	Cangzhou Risun Chemicals	December 21, 2018	December 20, 2019
	Xingtai Risun Chemicals	May 22, 2018	May 21, 2019
Radiation Safety Certificate (輻射安全許可證)	Hebei Risun Coking	July 30, 2015	July 29, 2020
Certificate for the Production of Non-Pharmaceutical Precursor Chemicals (非藥品類易製毒化學品生產備案證明)	Xingtai Risun Coal Chemicals	March 20, 2017	March 18, 2020
	Tangshan Risun Chemicals	August 10, 2018	August 9, 2021

Note:

(1) We are in the process of renewing the Pollutant Emission Certificate for Dingzhou Tianlu New Energy.

As advised by our PRC legal advisors, Jingtian & Gongcheng, as of the Latest Practicable Date:

- we have obtained all requisite licenses, permits and approvals that are material for our operations in the PRC;
- these licenses and permits remain in full effect;
- no circumstances exist that would lead to the revocation or cancellation of our licenses and permits or legally impede our operations; and
- there is no material legal impediment to renew any material licenses and permits for our operations in the PRC, as long as we comply with relevant legal requirements and take all necessary steps and submit relevant applications in accordance with applicable PRC laws and regulations.

REGULATORY COMPLIANCE

Substantially all of our operations are in the PRC. As advised by our PRC legal advisors, Jingtian & Gongcheng, during the Track Record Period and up to the Latest Practicable Date and except as disclosed below, we have been in compliance with related laws and regulations in all material respects, and have obtained all necessary licenses, permits and certificates that are material in respect of our business in the PRC.

The Group's Non-compliant Bill Financing Arrangements

Background

For the years ended December 31, 2015 and 2016 and the nine months ended September 30, 2017 (the "**Non-compliance Period**"), our PRC subsidiaries entered into comprehensive credit facilities with 37 commercial banks and other financial institutions in the PRC. The credit facilities provided include working capital loans, bank acceptance bills and letters of credit. The type of credit facility provided by the commercial banks upon utilization and the conditions attached to it depend on the commercial bank's own credit position and internal requirements on various business metrics, as well as the PRC subsidiaries' actual needs in respect of its procurement business. In particular, commercial banks often encouraged our PRC subsidiaries to settle payments due to their suppliers by applying to such commercial banks for the issuance of bank acceptance bills.

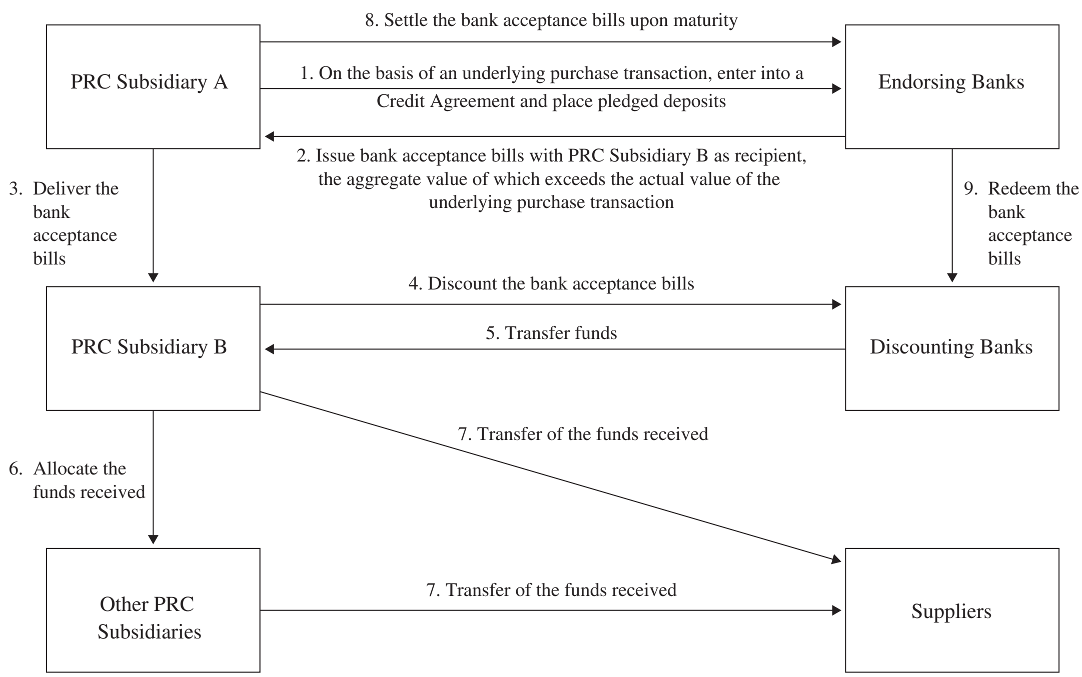
Eight of our PRC subsidiaries, namely, Cangzhou Risun Chemicals, Dingzhou Tianlu New Energy, Hebei Risun Coking, Tangshan Risun Chemicals, Xingtai Risun Coal Chemicals, Xingtai Risun Chemicals, Beijing Risun Hongye and Xingtai Risun Trading, entered into bank acceptance bills agreements (the "**Credit Agreements**") with 22 commercial banks in the PRC (the "**Endorsing Banks**") during the Non-compliance Period. According to the Credit Agreements, the bank acceptance bills were repayable within six to twelve months from the date of issuance and generally required pledged bank deposits in the range of 0% to 100% of the face amount of the bank acceptance bills issued and/or other forms of guarantees.

The Endorsing Banks issued the bank acceptance bills to our other PRC subsidiaries and independent third party suppliers for the purchase of coal, coke, coking chemicals and coal gas. During the Non-compliance Period, the aggregate amount of bank acceptance bills issued was greater than the sum of the actual underlying transactions, and such excess amount of bank acceptance bills issued by 13 of the Endorsing Banks to six of our PRC subsidiaries, namely, Cangzhou Risun Chemicals, Dingzhou Tianlu New Energy, Hebei Risun Coking, Tangshan Risun Chemicals, Xingtai Risun Coal Chemicals and Xingtai Risun Trading (the "**Relevant Subsidiaries**") were not conducted with actual underlying transactions (the "**Non-compliant Bill Financing Arrangements**"). For the nine months ended September 30, 2017, only Dingzhou Tianlu New Energy, Hebei Risun Coking and Xingtai Risun Coal Chemicals were involved in such Non-compliant Bill Financing Arrangements. As advised by our PRC legal advisors, Jingtian & Gongcheng, such arrangements were not in compliance with Article 10 of the PRC Negotiable Instruments Law (中華人民共和國票據法).

The bank acceptance bills involved in the Non-compliant Bill Financing Arrangements were usually used in the two scenarios set out below. The Group usually used the relevant bank acceptance bills in these two scenarios depending on our PRC subsidiaries' actual needs and the suppliers' preference for payment method.

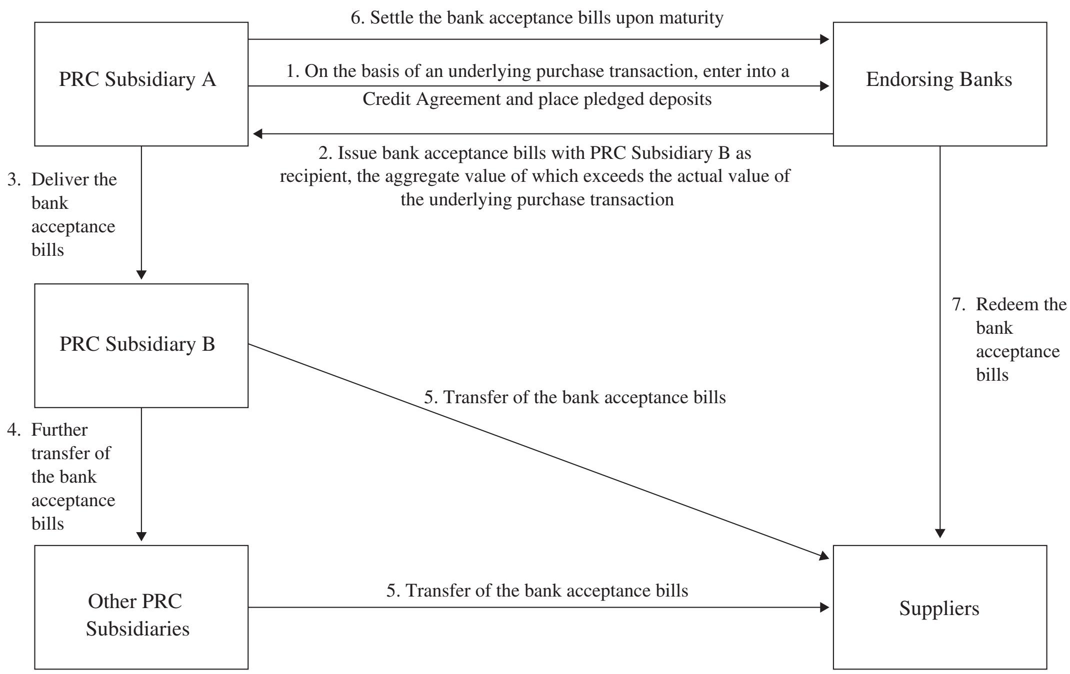
Scenario 1:

For illustrative purposes, one of our PRC subsidiaries would discount the relevant bank acceptance bills at discounting banks in exchange for funds. The funds would then either be transferred to suppliers directly or allocated among other PRC subsidiaries to be transferred to suppliers.



Scenario 2:

For illustrative purposes, the bank acceptance bill issued to a particular PRC subsidiary would either be transferred directly to suppliers or further transferred to other PRC subsidiaries before being transferred to suppliers.



The following table sets out the key financial information in respect of the Non-compliant Bill Financing Arrangements during the Non-compliance Period:

	Year ended December 31,		Nine months ended September 30,
	2015	**2016**	**2017**
	(RMB in millions)		
Estimated total amount of non-compliant bills issued during the year/period	1,942.8	2,389.0	1,181.6

Reasons for the Non-compliant Bill Financing Arrangements

Our Group used such Non-compliant Bill Financing Arrangements instead of drawing upon our available lines of credit or other sources of liquidity because:

- such arrangements were usually encouraged by the Endorsing Banks and the PRC subsidiaries would, upon such encouragement, have bank acceptance bills issued and make associated pledges of bank deposits, which, from the Endorsing Banks' perspective, would increase the funds deposited at such banks and loans extended, and enhance their comprehensive income. We had understood the issuance of bank acceptance bills to be within the normal scope of business for the Endorsing Banks and subject to compliance with its internal controls, the Endorsing Banks intended to expand such business;

- we considered the use of bank acceptance bills a more convenient payment method than the use of loan facilities from commercial banks because bank acceptance bills required less time for the commercial banks to approve. It also resulted in a reduction in the scale and period of use of loan facilities, and also reduced the need and the corresponding opportunity cost of retaining cash in reserve; and

- we considered the use of bank acceptance bills to be a way to diversify the forms of our external borrowings in supplementing our working capital.

The Directors confirmed that neither they nor any of their associates received any amount as a rebate in connection with the Non-compliant Bill Financing Arrangements during the Non-compliance Period.

Effect on the financial position of our Group

Our Company considers that even if our Group had not used the Non-compliant Bill Financing Arrangements, we would still have had sufficient available bank credit and other sources of cash and liquidity as an alternative to support our operations during the Non-compliance Period. The following table sets out our Group's bank credit information during the Non-compliance Period:

	Year ended/ As of December 31,		Nine months ended/As of September 30,
	2015	**2016**	**2017**
	(RMB in millions)		
Analysis based on balance sheet			
Estimated net amount of non-compliant bills outstanding (net of pledged bank deposits) as of year/period end	742.4	660.4	369.1
Total interest-bearing borrowings (including bank and other loans and obligation under finance leases) as of year/period end	7,545.7	11,176.6	10,840.4
Estimated percentage of net amount of non-compliant bills outstanding as of year/period end against total interest bearing borrowings and net amount of non-compliant bills outstanding as of year/period end[(1)]	**9.0%**	**5.6%**	**3.3%**
Analysis based on financial resources			
Estimated total amount of financial resources unutilized[(2)]	812.1	866.6	1,162.7

Notes:

(1) Our Directors are of the view that, if our Group had not used such Non-compliant Bill Financing Arrangements, it could obtain working capital through bank loans amounting to the net amount of non-compliant bills issued.

(2) Estimated based on the amount of unutilized credit facilities and also the release the relevant amount of pledged bank deposits in relation to the Non-compliant Bill Financing Arrangement.

The average amount of pledged bank deposits and guarantees demanded by the Endorsing Banks in respect of the non-compliant bank acceptance bills was, in general, relatively high. As a result, the total amount of issuance fees, commitment fees and discount fees, net of the interest income of the pledged bank deposits and guarantees, exceeded the interest payable (calculated on the basis of a weighted average interest rate for our Group's short-term loans) if our Group had drawn down on loan facilities instead of using the Non-compliant Bill Financing Arrangements. As such, our Group did not achieve material savings as to financing costs by using the Non-compliant Bill Financing Arrangements, nor any artificial enhancement of its financial performance during the Non-compliance Period.

As shown in the information set out above, the percentage of the Non-compliant Bill Financing Arrangements against our Group's interest-bearing liabilities is not material and has decreased during the Non-compliance Period. Our Group also had sufficient amounts of unutilized financial resources to support the normal operations of our Company.

The Directors confirmed that, during the Non-compliance Period, our Group's operating activities did not rely on the Non-compliant Bill Financing Arrangements in any material respect and the funds obtained from the Non-compliant Bill Financing Arrangements, which were primarily used for payment to our Group's suppliers in the ordinary course of business could have been sourced elsewhere. The Directors confirmed that, because of the foregoing, our Group's financial position would not be adversely affected in any material respect and our Group's business and financial performance would have been sustained without such Non-compliant Bill Financing Arrangements during the Non-compliance Period.

Non-compliance with the PRC laws and regulations

In preparing for the Listing, we were advised by our PRC legal advisors, Jingtian & Gongcheng, that the Non-compliant Bill Financing Arrangements were not in compliance with Article 10 of the PRC Negotiable Instruments Law (中華人民共和國票據法), which states that bank acceptance bills must be issued on the basis of actual underlying transactions, and the Measures for Payment and Settlement (支付結算辦法) issued by the PBOC.

The officers who authorized the Non-compliant Bill Financing Arrangements confirmed that they were previously not aware that the Non-compliant Bill Financing Arrangements involved a non-compliance with PRC laws or regulations as they did not have the relevant legal knowledge.

Upon becoming aware of such non-compliance and the advice of our professional advisors, the Relevant Subsidiaries have ceased conducting such Non-compliant Bill Financing Arrangements since October 1, 2017. In addition, our Group has been operating in compliance with the PRC Negotiable Instruments Law for more than 12 months as of the Latest Practicable Date.

We had fully repaid all of the non-compliant bank acceptance bills issued in the Non-Compliance Period before September 30, 2018.

As the Non-compliant Bill Financing Arrangements did not have any negative impact on our operating results or cash flow during the Track Record Period and up to the Latest Practicable Date, our Directors are of the view that cessation of such Non-compliant Bill Financing Arrangements will not affect our future financial results and performance or operation.

As of the Latest Practicable Date, no administrative penalties from the relevant governmental authorities had been imposed on the Relevant Subsidiaries, and no legal action had been taken by the Endorsing Banks against the Relevant Subsidiaries, their shareholders, directors and senior management with respect to the Non-compliant Bill Financing Arrangements.

Confirmation from the relevant PRC government authorities

The Shijiazhuang Branch of the PBOC (the "**PRC Governmental Authorities**"), the competent and appropriate PRC governmental authority that is responsible for regulating and supervising our bills activities, has confirmed that it will not impose any administrative penalties against the Relevant Subsidiaries and relevant personnel in respect of the Non-compliant Bill Financing Arrangements.

Confirmation from the Endorsing Banks

All 13 Endorsing Banks involved in the Non-compliant Bill Financing Arrangements in the Non-compliance Period confirmed the following:

- the bank acceptance bills issued by the Endorsing Bank to our Group had not exceeded the limit under the relevant Credit Agreement;
- no fraudulent activities nor any forgery of documents were involved in the bill financing arrangements;
- all of the bank acceptance bills issued by that Endorsing Bank which had expired had been fully settled and/or we had paid up the deposit or provided other guarantees as required by that Endorsing Bank in respect of all of the bank acceptance bills issued by that Endorsing Bank which had not expired;
- the Endorsing Bank had not incurred any loss as a result of the bill financing arrangements with our Group;
- the bill financing arrangements did not constitute a violation of the relevant Credit Agreement; and
- the Endorsing Bank would not take any legal action against the Relevant Subsidiaries, their shareholders, directors and senior management.

Opinions from our PRC legal advisors

We have sought opinions from our PRC legal advisors, Jingtian & Gongcheng, who have confirmed that:

- the PRC Governmental Authorities we have consulted are the competent and appropriate authorities to issue the confirmations set out above;

- on the basis of the confirmations obtained from the Endorsing Banks and the PRC Government Authorities set out above, the Non-compliant Bill Financing Arrangements did not constitute fraudulent or dishonest activities with negotiable instruments for the purpose of illegal possession as prescribed under Article 194 of the Criminal Law of the PRC (中華人民共和國刑法) and Article 102 of the PRC Negotiable Instruments Law, and there will not be criminal liability imposed on the Relevant Subsidiaries and relevant personnel;

- as: (i) there are no specific provisions in the PRC Negotiable Instruments Law, the Measures for Payment and Settlement and other relevant laws and regulations such as the Circular of the People's Bank of China on Releasing the Tentative Measures for the Administration of Commercial Draft Acceptance, Discount and Rediscount (商業匯票承兑、貼現與再貼現管理暫行辦法), the Measures for the Implementation of the Administration of Negotiable Instruments (票據管理實施辦法) and the Notice of the People's Bank of China on Certain Improvements of the Negotiable Instruments Systems (中國人民銀行關於完善票據業務制度有關問題的通知), prescribing definitive administrative penalties in respect of the Non-compliant Bill Financing Arrangements, and the absence of which means that the relevant regulatory bodies do not have a basis to impose administrative penalties according to Article 4 of the Administrative Penalty Law of the PRC (中國人民共和國行政處罰法); (ii) we have confirmed that we have ceased all Non-compliant Bill Financing Arrangements since October 1, 2017; (iii) no administrative penalties on the Relevant Subsidiaries from the relevant governmental authorities have been imposed on the Relevant Subsidiaries as of the Latest Practicable Date; and (iv) as confirmed by the PRC Governmental Authorities as the competent and appropriate authorities, no administrative penalties will be imposed on the Relevant Subsidiaries and relevant personnel;

- on the basis of the confirmations obtained from the Endorsing Banks confirming the matters stated above, the Relevant Subsidiaries and the relevant personnel would not be subject to civil liabilities under civil claims from the relevant Endorsing Banks; and

- on the basis that: (i) we had fully repaid all of the non-complaint bank acceptance bills issued in the Non-compliance Period; (ii) the confirmations obtained from the PRC Governmental Authorities and the Endorsing Banks confirm that no penalties will be imposed on the Relevant Subsidiaries and their respective senior management, there were no fraudulent activities involved our Non-compliant Bill Financing

Arrangements, such Non-compliant Bill Financing Arrangements do not constitute any offence, and no administrative, civil or criminal penalties will be imposed on the Relevant Subsidiaries and the relevant personnel for the use of such Non-compliant Bill Financing Arrangements.

Internal control measures

We have engaged an internal control consultant, SHINEWING Risk Services Limited (the "**Internal Control Consultant**"), to conduct a review of our internal control systems for the Listing. The Internal Control Consultant has identified some internal control deficiencies regarding the Non-compliant Bill Financing Arrangements and has recommended certain actions to be taken. We have taken immediate steps to implement the relevant suggestions.

The Internal Control Consultant found that our Group's previous internal control procedures cannot effectively monitor the comparison and analysis of the amounts of the bank acceptance bills and the amounts due under the respective invoices or agreements and prevent the use of the same set of invoices or agreements for the issuance of bank acceptance bills by different Endorsing Banks. Different employees liaised with the Endorsing Banks, resulting in occasions where the same set of invoices or agreements may be submitted to different Endorsing Banks for application for bank acceptance bills.

The Internal Control Consultant suggested our Group adopt a revised policy and procedures in relation to bill financing arrangements that includes the following processes and circulate the revised policy and procedures to all Directors and relevant staff:

- upon issuance of bank acceptance bills, the finance department should summarize in its internal register details of the bank acceptance bills, including the reference number, amount, date of issue, date of maturity and the final use of the bank acceptance bills. The finance department should also compare and analyze the amounts of the bank acceptance bills and the amounts due under the respective invoices or agreements to ensure there is proper documentary support for the issuance of the bank acceptance bills;

- designated staff in the finance department will ensure that each set of invoices or agreements will not be used for multiple financings; and

- if the amounts of the bank acceptance bills are larger than the amounts due under the respective invoices or agreements, management should promptly identify the reason and take remedial action.

The Internal Control Consultant also suggested our internal audit department conduct internal reviews of our internal control system in relation to bill financing arrangements on a quarterly basis. The finance department may penalize staff who breach the internal control policies and procedures in relation to bill financing arrangements or the PRC Negotiable Instruments Law. The Audit Committee shall review and oversee the implementation of the policy to ensure the relevant staff and management are in full compliance with the PRC Negotiable Instruments Law. Moreover, our PRC legal advisors shall provide training to the relevant Directors and members of senior management and the Group's financial management team covering bills and bill financing, relevant PRC laws and regulations, bill financing procedures and associated risks, and case studies of bill financing non-compliance.

We have adopted a revised internal policy covering the procedures recommended by the Internal Control Consultant to standardize employee behavior in respect of bill financing arrangements, and have circulated the revised policy and procedures to all Directors and relevant staff. We required Directors and senior management to review, check and verify all financial transactions before approving any of them. The officer responsible for the internal controls and management of our financing activities is Mr. Jia Yunshan. Please refer to the section headed "Directors, Senior Management and Employees" in this prospectus for details of his experiences and qualification.

The Internal Control Consultant has conducted a follow-up review and confirmed that all remedial actions have been implemented. As we have implemented all of the recommended remedial actions set out above in November 2017, we have a set of properly designed and effectively implemented internal control procedures for the purpose of preventing future non-compliant bill financing arrangements.

Indemnity given by the Controlling Shareholders

Pursuant to the Deed of Indemnity, our Controlling Shareholders have undertaken to fully indemnify us against any and all liabilities arising from the Non-compliant Bill Financing Arrangements.

Our undertakings to prevent the occurrence of future non-compliant bill financing arrangements

Settlement of all Non-compliant Bill Financing Arrangements

We had fully repaid all of the non-compliant bank acceptance bills issued in the Non-Compliance Period before September 30, 2018.

Other undertakings

We have also undertaken to:

- prevent any further incidences of non-compliant bill financing arrangements;

- continue to engage an independent internal control consultant for a period of 12 months after the Listing, to audit and assess the overall internal control system and the progress with the implementation of the relevant recommendations given by the Internal Control Consultant, as well as to report to the Board of Directors and the Audit Committee of the findings of the audit and assessment;

- conduct an internal audit of the finance department of our Company every quarter; and

- fully disclose in our first annual report after the Listing, any non-compliant bill financing arrangements discovered pursuant to the aforementioned internal and external audit or provide a negative confirmation if none is discovered.

Based on the foregoing undertakings, the Directors believe that our Company's internal control measures are adequate and effective in preventing the occurrence of future non-compliant bill financing arrangements, and that our Shareholders will be fully apprised of any further non-compliant bill financing arrangements after the Listing.

The Directors' views

Based on the information set out above, our Directors are of the view that the Non-compliant Bill Financing Arrangements do not affect the Directors' suitability to act as directors of a listed issuer under Rules 3.08 and 3.09 of the Listing Rules or our Company's suitability for listing under Rule 8.04 of the Listing Rules for the following reasons:

- we conducted such Non-compliant Bill Financing Arrangements to cooperate with the Endorsing Banks' expansion of their bank acceptance bill issuance business and to benefit from the convenience of using bank acceptance bills as a payment method and the corresponding decreased need for loan facilities, details of which is set out in the paragraphs headed "– Regulatory Compliance – The Group's Non-compliant Bill Financing Arrangements – Reasons for the Non-compliant Bill Financing Arrangements" in this section above;

- the officers involved authorized the Non-compliant Bill Financing Arrangements when they were not previously aware that the Non-compliant Bill Financing Arrangements involved a non-compliance with any PRC laws or regulations and the officers have each confirmed that the non-compliance was not intentional or due to dishonesty, recklessness or negligence on the part of the officers;

- the percentage of the Non-compliant Bill Financing Arrangements against our interest-bearing liabilities is not material and has decreased during the Non-compliance Period;

- our Group has sufficient amounts of unutilized banking facilities and positive cash and bank balances to support the normal operations of our Company even if our Group had not used the Non-compliant Bill Financing Arrangements at all material times during the Non-compliance Period;

- we ceased conducting such Non-compliant Bill Financing Arrangements since October 1, 2017, and we have been operating in compliance with the PRC Negotiable Instruments Law for more than 12 months as of the Latest Practicable Date;

- immediately after becoming aware of the relevant non-compliance, we sought advice from professional advisors, including our PRC legal advisors, Jingtian & Gongcheng, and the Internal Control Consultant, and have taken immediate steps to implement the remedial actions recommended by the Internal Control Consultant and to cease the Non-compliant Bill Financing Arrangements as set out above, and we will continue to implement the remedial actions recommended by the Internal Control Consultant after Listing;

- the Directors confirmed that neither they nor any of their associates received any amount as rebate in connection with the Non-compliant Bill Financing Arrangements during the Non-compliance Period;

- as supported by the confirmations received from the PRC Governmental Authorities and the Endorsing Banks, our PRC legal advisors, Jingtian & Gongcheng, advised that no fraud, bribery, dishonest or other illegal activities under the PRC Negotiable Instruments Law were involved in obtaining the Non-compliant Bill Financing Arrangements;

- according to the key financial information and for the reasons set out in the paragraphs headed "– Regulatory Compliance – The Group's Non-compliant Bill Financing Arrangements – Effect on the financial position of our Group" in this section above, our Group's financial position would not be adversely affected and our Group's business and financial performance could be sustained without such Non-compliant Bill Financing Arrangements during the Non-compliance Period;

- we did not enjoy any material savings as to financing costs by using the Non-compliant Bill Financing Arrangements, nor any artificial enhancement of our financial performance during the Non-compliance Period;

- it is not expected that there will be any material adverse effect on our profit and monthly working capital in the next 12 months upon the cessation and settlement of the Non-compliant Bill Financing Arrangements, and we will have sufficient funds to support our operations going forward;

- we had fully repaid all of the non-compliant bank acceptance bills issued in the Non-Compliance Period before September 30, 2018, and have undertaken to take all actions set out in the paragraphs headed "– Regulatory Compliance – The Group's Non-compliant Bill Financing Arrangements – Our undertakings to prevent the occurrence of future non-compliant bill financing arrangements – Other undertakings" in this section above; and

- the Controlling Shareholders have agreed to give an undertaking to fully indemnify us against any and all liabilities arising from the Non-compliant Bill Financing Arrangements.

Views from the Sole Sponsor

Taking into account the internal control measures implemented by our Company and the undertakings given by our Company in respect of preventing the occurrence of future non-compliant bill financing arrangements, our Directors' are of the view that our Company's internal control procedures are adequate and effective in preventing future non-compliant bill financing arrangements, and that the Shareholders after the Listing will be fully apprised of any further non-compliant bill financing arrangements. Taking into consideration of the above enhanced internal policies and remedial actions, when adopted effectively and implemented, the Sole Sponsor concurs with the Directors' view in such respect.

RISK MANAGEMENT

We are exposed to various risks during our operations. For more details, please refer to the section headed "Risk Factors" in this prospectus. In order to identify, assess and control the risks that may impede our business, we have designed and implemented various policies and procedures to help ensure effective risk management in our operations. Mr. Wang Nianping is appointed to implement our risk management policies and proceedings. Please refer to the section headed "Directors, Senior Management and Employees" in this prospectus for details of his experiences and qualification.

We monitor the business operations of our customers, including but not limited to their inventory levels, production output and sales volumes, via our on-site customer service personnel. This enables us to promptly understand the downstream demand for our products, adjust our production plans and mitigate the risks associated with the price fluctuations and changes in demand for our products. In addition, we also engage in commodity futures transactions to mitigate our risk exposure to market price fluctuations of our raw materials and products.

We aim to keep our inventory levels low and strive to deliver products directly to customers after production without placing products in long-term storage. We adjust our production plans to meet our customers' requirements. We generately produce our products after receipt of prepayment to avoid excess inventory.

We have also established a risk management system to evaluate and manage risks associated with our new customers and suppliers. We perform an entrance evaluation for new customers and suppliers with respect to their financial condition, historical reputation, operations, location, etc. We also actively track the business performance and financial condition of the customers and suppliers. If we identify a potential risk regarding certain customers or suppliers, we promptly engage internal and external risk management experts and legal counsel to help us evaluate or control such potential risk at an early stage.

INTERNAL CONTROL

In preparation for the Listing, we engaged the Internal Control Consultant to perform an assessment on the effectiveness of our internal controls associated with our historical non-compliance incidents, to identify deficiencies in our internal control system and to make recommendations on enhanced internal control measures to prevent future violations and ensure ongoing compliance with applicable laws and regulations. Pursuant to the terms of the engagement, the Internal Control Consultant would identify deficiencies in our internal control system, furnish recommendation on enhanced internal control measures established by us to prevent future violations and ensure on-going compliance with applicable laws and regulations, perform testing for the implementation status of such enhanced internal control measures and prepare a report in this regard.

The work scope of our Internal Control Consultant, which did not involve an assurance engagement in relation to our internal controls, covers reviewing and assessing various aspects of our operations, including:

- financial reporting and disclosure controls;
- sales and trade receivables management;
- procurement and trade payables management;
- inventory management;
- human resources and remunerations management;
- asset management;
- cash management;
- general control on information systems; and
- taxation.

In addition to the Non-compliant Bill Financing Arrangements and internal control measures we adopted as disclosed in the section headed "– Regulatory Compliance" above, during the first round of review in October 2017 by our independent Internal Control Consultant, certain other matters were identified and we have adopted corresponding internal control measures to improve on these matters.

We have adopted all of the recommendations made by our Internal Control Consultant and have improved our internal control system to comply with the Listing Rules and the applicable laws and regulations. During the follow-up reviews from July to September 2018, our Internal Control Consultant did not identify any material finding or deficiency of our internal control system. Our Internal Control Consultant also confirmed that save as disclosed in this paragraph, all matters previously identified had been rectified.

EMPLOYEES

As of September 30, 2018, we had 3,500 full-time employees. Most of our senior management members and employees are based in Beijing and Hebei province. The table below sets forth the number of our employees by function as of September 30, 2018:

	As of September 30, 2018	
	Number	*%*
Management	354	10.1
Production	2,231	63.7
Sales, sourcing, marketing and logistics	353	10.1
Quality control, environmental protection and safety	301	8.6
Research and technology	128	3.7
Financial management and internal audit	108	3.1
Human resource	25	0.7
Total	**3,500**	**100.0**

As of September 30, 2018, CNC Risun Coking had 1,676 full-time employees.

We enter into a standard employment contract with each of our full-time employees. Compensation for our employees includes basic wages, variable wages, bonuses and other benefits. For the years ended December 31, 2015, 2016 and 2017 and the nine months ended September 30, 2017 and 2018, our staff costs totalled RMB242.6 million, RMB261.2 million, RMB314.8 million, RMB229.6 million and RMB258.3 million, respectively.

In accordance with applicable PRC regulations on social insurance and housing funds, we contribute to social insurance, including pension, medical insurance, unemployment insurance, occupational injuries insurance and maternity insurance, as well as a housing fund for our employees. We and the employees bear insurance premiums in proportions required by PRC laws. We have established labor unions. As of the Latest Practicable Date, we have not experienced any strikes, work stoppages or labor disputes which materially affected our operations.

According to our PRC legal advisors, Jingtian & Gongcheng, we have complied with statutory social insurance and housing fund obligations applicable to us in all material aspects under PRC laws during the Track Record Period and up to the Latest Practicable Date.

We recruit new employees based on specific job requirements, our resources and needs from time to time. We provide technical as well as operational training for our employees, and we have tailored specific courses for our management personnel in order to build a competent team. We believe that we maintain good working relationships with our employees and did not experience any significant labor disputes or any material difficulties in recruiting staff during the Track Record Period.

INSURANCE

The production of our coke, coking chemicals and refined chemicals involves the processing and refining of flammable and explosive substances. Our processing and refining operations are subject to a number of operating risks and hazards that are inherent in such activities.

We maintain insurance policies that cover losses arising from fires, explosions and other accidents and natural calamities in respect of our machinery, equipment, inventory, fixed assets and other production facilities. During the Track Record Period, no incident arose as a result of which we would be entitled to make any significant claims under these insurance policies.

In line with business practices in the PRC, we do not maintain business interruption insurance, insurance covering environmental damage arising from accidents on our property or relating to our operations or insurance covering third-party service providers and their employees. There is no mandatory requirement under PRC law to maintain such insurance policies.

The Directors believe that the insurance coverage we have maintained for our assets are adequate and consistent with industry practice. We will review and assess our risks and make necessary adjustments to our insurance coverage in line with our needs and industry practice in the PRC. For more details, please refer to the section headed "Risk Factors – Risks Relating to Our Business and Industry – Our business involves inherent operating risks and occupational hazards and we have limited insurance coverage to adequately cover all such risks and hazards" in this prospectus.

AWARDS AND RECOGNITIONS

During the Track Record Period, we received numerous awards, recognitions and honors for our business performance, including the following:

Award/Ranking	Year	Event/Organization/Media
Civilized and Advanced Production Enterprise	2015	Tangshan People's Government
2014 Workplace Safety Excellence Enterprise	2015	Cangzhou Bohai New District Administration of Work Safety
Tangshan Industrial Upgrade Advanced Enterprise	2015	Tangshan People's Government
Exemplary Enterprise in Combination of Digitization and Industrialization	2015	Industry and Information Technology Department of Hebei Province
Provincial Exemplary Enterprise in Work Safety and Emergency Management	2016	Hebei Administration of Work Safety
Excellent Private Enterprise	2016	Dingzhou People's Government
Technology Advancement and Innovation Coking Enterprise	2016	China Coking Industry Association
Hebei Province Quality Standard Industrial Enterprise	2016	Industry and Information Technology Department of Hebei Province
2016 Workplace Safety Excellence Enterprise	2017	Dingzhou Economic Development Zone Administration of Work Safety
First Batch of Green Factories in the PRC	2017	Ministry of Industry and Information Technology of the People's Republic of China
Advanced Business for Safety Productions in 2017	2018	Work Safety Association of Hebei Province

INTELLECTUAL PROPERTY

As of the Latest Practicable Date, we had 16 trademark registrations and 66 registered patents in the PRC and 4 trademark registrations in Hong Kong, and had 17 patent applications pending in the PRC. For further details on our intellectual property, please refer to the section headed "Statutory and General Information – 2. Further Information about our Business – (b) Intellectual Property Rights of the Group" in Appendix VI to this prospectus.

Our PRC legal advisors, Jingtian & Gongcheng, have confirmed that they are not aware of any infringements, disputes or litigations in respect of intellectual property rights to which we were a party during the Track Record Period.

During the Track Record Period, we were not a party to any pending or threatened claims by or against us with respect to third parties for the material infringement of intellectual property rights owned by us or third parties.

PROPERTIES

All of our owned or leased real properties are located in the PRC, except for one office leased by us located in Hong Kong. As of December 31, 2018, we held use rights of 49 parcels of land with an aggregate site area of 8,632,778.1 square meters, occupied 409 buildings or units with an aggregate GFA of 336,910.07 square meters, and leased five properties with an aggregate GFA of 685.4 square meters in the PRC. We also had three buildings and various structures with an aggregate GFA of 21,431.4 square meters under construction as of December 31, 2018.

Owned Properties

Land

As of December 31, 2018, we held land use rights for 49 parcels of land with an aggregate site area of 8,632,778.1 square meters. We use these parcels of land mainly for purposes of our business operations or hold them for future development.

Buildings

As of December 31, 2018, we occupied 409 buildings or units with an aggregate GFA of 336,910.07 square meters. We use these buildings mainly for purposes of our business operations. We have not obtained building ownership certificates for seven buildings or units with an aggregate GFA of 14,658.83 square meters, all of which are located in Dingzhou, Hebei province. We have operations in five of the seven buildings or units. We ceased operations in two of the seven buildings or units as part of our plan to relocate a coke production line at our Dingzhou Production Base. Our PRC legal advisors, Jingtian & Gongcheng, are of the view that although we have not obtained building ownership certificates for the five buildings or units in which we have operations, we can continue to occupy and use them. If we are required to relocate our operations from the five buildings or units, which have an aggregate GFA of 13,464 square meters, we will use the spare space in our Dingzhou Base. We believe such relocation would not materially and adversely affect our overall business or financial condition.

Leased Properties

As of December 31, 2018, we leased five properties with an aggregate GFA of 685.4 square meters in the PRC. These properties were used as our office and dormitories. We had not registered and filed the lease agreement for such properties with relevant housing administrative authorities as of the Latest Practicable Date. Our PRC legal advisors, Jingtian & Gongcheng, are of the view that non-registration and non-filing of this lease agreement will not affect the validity of the lease agreement. However, the relevant housing administrative authorities may require us to complete registration within a specified timeframe, or impose fines ranging between RMB1,000 and RMB10,000 for any delay for the specified timeframe in making the necessary registration. Therefore, we are entitled to use this property in accordance with the lease agreement.

Construction in Progress

As of December 31, 2018, we had three buildings and various structures with an aggregate GFA of approximately 21,431.4 square meters under construction and have obtained the building ownership certificates, construction work planning permits and construction work commencement permits for all these buildings.

JLL, an independent property valuer, has assessed our property interests as of December 31, 2018. The text of the valuer's letter, summary of the valuation and the valuation certificate prepared by JLL in connection with its valuation are set out in Appendix IV to this prospectus.

LEGAL PROCEEDINGS

As of the Latest Practicable Date, we and our Directors were not a party to any arbitration, litigation or administrative proceedings which are expected to have a material adverse effect on our business or results of operations. We are not aware of any pending or threatened material arbitration, litigation or administrative proceedings against us or any of our Directors. However, we may from time to time become a party to various legal or administrative proceedings arising in the ordinary course of our business.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Immediately after the Global Offering and Capitalization Issue (but without taking into account the Shares that may be issued pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme), our Company will be owned as to 56.7% by Texson. Texson is wholly-owned by Mr. Yang, and Mr. Yang is therefore deemed to be interested in the Shares held by Texson. Accordingly, Texson and Mr. Yang will continue to be Controlling Shareholders of our Company upon Listing. Texson is principally engaged in investment holding.

Background of Xuyang Holding, its subsidiaries and joint venture companies

Xuyang Holding is a limited liability company established in the PRC on August 4, 2004. As of the Latest Practicable Date, Mr. Yang, one of our Controlling Shareholders, together with Mrs. Yang, held the entire equity interest in Xuyang Holding. Xuyang Holding is currently principally engaged in real estate development and other investments, and its subsidiaries are principally engaged in the development, sale and investment in real estate, investment holding, provision of project design, construction management and general contracting services, research and development and manufacturing of water purification chemicals for sewage treatment and information technology. Save as disclosed below, the businesses of Xuyang Group are therefore clearly delineated from the core business currently conducted by our Group.

Xuyang Mining Companies

As of the Latest Practicable Date, Xuyang Mining is principally engaged in the trading of coal. Its wholly-owned subsidiary, Inner Mongolia Xuyang Coal Industry Co., Ltd. (內蒙古旭陽煤業有限公司), its joint venture company, Tianjin Zhengcheng Import & Export Trade Co., Ltd. (天津正誠進出口貿易有限公司) ("**Tianjin Zhengcheng**"), in which Xuyang Mining held 49.0% equity interest, and Tianjin Zhengcheng's wholly-owned subsidiary, Inner Mongolia Fangcheng Trading Co., Ltd. (內蒙古方誠貿易有限公司) ("**Inner Mongolia Fangcheng**"), are all principally engaged in the trading of coal (together, the "**Xuyang Mining Companies**"). The total volume of coke and coal sold by the Xuyang Mining Companies in the nine months ended September 30, 2018 was approximately 40 thousand and 460 thousand tons, respectively.

Our Group did not intend and has no present intention to acquire the Xuyang Mining Companies for the following reasons:

- none of the Xuyang Mining Companies are engaged in the core business of our Group which is the production and sale of coke, coking chemicals and refined chemicals;

- although the Xuyang Mining Companies and our Group both engage in the trading of coal and coke, the scale of coke trading of the Xuyang Mining Companies has been relatively small with no trading in 2015 and 2016, and less than approximately 200 thousand tons in 2017 and approximately 40 thousand tons in the six months ended June 30, 2018. Furthermore, the Xuyang Mining Companies discontinued their coke trading business on July 1, 2018. In relation to the trading of coal, our Group predominantly trades coking coal from Australia while the Xuyang Mining Companies predominantly trade coking coal from Inner Mongolia in the PRC, and the characteristics of the coking coal from Australia (for example, ash content, sulphur content, volatility and strength) differ significantly from those of the coking coal from Inner Mongolia;

- the remaining 51.0% majority equity interest in Tianjin Zhengcheng is held by Mongolian Coal Corporation Limited, which is an independent third party and the inclusion of Xuyang Mining's interests in Tianjin Zhengcheng and Inner Mongolia Fangcheng into our Group would require consent of such majority shareholder; and

- our Group did not enter into any material transactions with the Xuyang Mining Companies (including the purchase of coal) during the Track Record Period, and has no intention of purchasing coal from or entering into other material transactions with the Xuyang Mining Companies in the near future.

Accordingly, our Directors consider that (i) there is a clear delineation between the businesses of our Group and the businesses of the Xuyang Mining Companies, (ii) the Xuyang Mining Companies do not and will not pose any direct or indirect competition with our Group and (iii) our Group can carry on its business independently of the Xuyang Mining Companies and the Xuyang Group following the Listing.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

In the opinion of our Directors, our Group is capable of carrying on our business independently of, and does not place undue reliance on, our Controlling Shareholders, their respective associates or any other parties, taking into account the following factors:

(i) Financial Independence

Our accounting and finance department is independent from our Controlling Shareholders', and is composed of independent finance staff. The department's responsibilities include, among others, financial control, accounting, financial reporting, group credit and internal control. None of our finance staff work for our Controlling Shareholders and/or their respective associates. We are capable of making financial decisions independently, and our Controlling Shareholders will not interfere with our use of funds. We have established an independent audit system, a standardized financial and accounting system and a comprehensive financial management system. In addition, we manage our bank accounts independently, and do not share any bank accounts with our Controlling Shareholders and/or their respective associates.

During the Track Record Period, our Controlling Shareholders, Mr. Yang and Texson provided personal and corporate guarantees respectively in respect of certain bank borrowings by our Group. Please refer to note 39 of the Accountant's Report in Appendix I to this prospectus for further details. It is expected that all of the banks providing us with loan facilities will have given their consents to the release of the guarantees provided by our Controlling Shareholders prior to Listing and the replacement by corporate guarantees to be given by our Company upon Listing as may be requested by the banks.

Save as disclosed in this prospectus in the sections "Financial Information – Related Party Transactions" and Note 39 to Appendix I – Accountants' Report, as of the Latest Practicable Date, we had no outstanding loans, current account balances, financial assistance or financing in any other forms from our Controlling Shareholders and/or their associates and had not provided any outstanding securities, loans or any other forms of financial assistance to our Controlling Shareholders and/or their respective associates. Therefore, our Directors believe that our financial operations are independent from our Controlling Shareholders.

(ii) Operational Independence

Except as disclosed in the section headed "Business" in this prospectus, we own or have the right to use all of the operational facilities and technologies relating to our businesses and hold all relevant qualifications, licenses and permits. We currently conduct our principal businesses independently and we have the ability to formulate and implement operational decisions independently. We also communicate with and serve our clients independently. We have sufficient capital, facilities and employees to operate our businesses independently. Except as set out in the paragraph headed "– Independence from our Controlling Shareholders – (iii) Management Independence" in this section, our other employees are independent from, and none of them are remunerated by our Controlling Shareholders and/or their respective associates.

We have our own organizational structure and departments with specific authorities independent from our Controlling Shareholders. We also maintain a comprehensive set of internal control procedures for promoting efficient business operations. With reference to relevant laws, regulations and rules, we have developed a sound corporate governance practice and have adopted our rules of procedure for general meetings, board meetings, supervisory committee meetings and connected transactions.

Save as disclosed in this section and in the section headed "Connected Transactions" in this prospectus, there were no significant business transactions between our Group and our Controlling Shareholders and/or their associates during the Track Record Period. While our Group will continue to operate independently from the Controlling Shareholders and their associates, there will be certain transactions between our Group and the Xuyang Group which will continue following the Listing. Such transactions will, however, not be significant business transactions and therefore, our Directors believe that our operations are independent from our Controlling Shareholders. For details of such transactions, please refer to the section headed "Connected Transactions" in this prospectus.

(iii) Management Independence

Our Board of Directors consists of nine Directors, of whom six are Executive Directors and three are Independent Non-executive Directors. Please refer to the section headed "Directors, Senior Management and Employees" in this prospectus for additional details. Mr. Yang, an Executive Director, and one of our Controlling Shareholders, holds directorships in several members of the Xuyang Group. Two of our Executive Directors are also directors of two other members of the Xuyang Group. None of the senior management members hold directorships in any member of the Xuyang Group. Details of such directorships are set out in the table below:

Name of Executive Director	Role	Member of the Xuyang Group
Mr. Yang	Director and legal representative	Xuyang Holding
		Xuyang Mining
	Director	Hainan Xuyang Enterprise Co., Ltd (海南旭陽實業有限公司)
		Hainan Anfu Enterprise Development Co., Ltd. (海南安富實業開發有限公司)
Mr. Zhang Yingwei (張英偉)	Director and legal representative	Tangshan Risun Petrochemical Co., Ltd. (唐山旭陽石油化工有限公司)
Mr. Yang Lu (楊路)	Director and legal representative	Beijing Risun Fund Management Co., Ltd. (北京旭陽基金管理有限公司)

As disclosed in the paragraph headed "– Relationship with our Controlling Shareholders – Background of Xuyang Holding, its subsidiaries and joint venture companies" above, Xuyang Holding and its subsidiaries are principally engaged in the development, sale and investment in real estate, investment holding, provision of project design, construction management and general contracting services, research and development and manufacturing of water purification chemicals for sewage treatment and information technology, which are clearly delineated from the core business currently conducted by our Group. Therefore, our Directors do not consider that such directorships will affect the ability of our Board and senior management to function independently from our Controlling Shareholders.

Furthermore, we consider that our Board and senior management will function independently from our Controlling Shareholders because:

(i) each Director is aware of his fiduciary duties as a Director which require, among other things, that he acts for the benefit and in the best interest of our Company and does not allow any conflict between his duties as a Director and his personal interests;

(ii) the three Independent Non-executive Directors have extensive experience in different areas and have been appointed in accordance with the requirements under the Listing Rules to ensure that the decisions of the Board are made only after due consideration of independent and impartial opinions;

(iii) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates ("**Conflicting Transaction(s)**"), the interested Director(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions, and shall not be counted in the quorum. The interested Director(s) shall not attend any independent board committee meetings comprising our Independent Non-executive Directors only. In the event that there is a Conflicting Transaction which shall be submitted to our Independent Non-executive Directors for their consideration and approval, they shall have extensive experience and knowledge to oversee such Conflicting Transaction from different aspects;

(iv) the Board acts collectively by majority decisions in accordance with the Articles of Association and applicable laws, and no single Director will have any decision-making power unless authorized by the Board;

(v) our Company has also established an internal control mechanism to identify related party transactions to ensure that our Controlling Shareholders or Directors with conflicting interests in a proposed transaction will declare the nature of their interest to the Board at their earliest convenience and abstain from voting on the relevant resolutions; and

(vi) in order to allow the non-conflicting members of the Board to function properly with the necessary professional advice, our Company will engage third party professional advisors to advise the Board when necessary, depending on the nature and significance of any proposed transactions to be entered into between our Group and any of our Directors and/or their respective associates.

Having considered the factors above, our Directors are satisfied that they are able to perform their roles in our Company independently and manage the business of the Group independently from our Controlling Shareholders after the Listing.

DEED OF NON-COMPETITION

We have entered into the Deed of Non-competition, pursuant to which each of the Controlling Shareholders agreed that, except for the supply of coal as described above, (i) he or she or it will not engage in, participate in or assist others to engage or participate in any business that competes or is likely to compete, directly or indirectly, with our business within the PRC, Hong Kong or any part of the world in which any member of our Group operates, and will procure its subsidiaries (where applicable) not to engage in any business that competes or is likely to compete, directly or indirectly, with our business (the "**Competing Businesses**") in the PRC, Hong Kong or any part of the world in which any member of our Group operates; and (ii) he or she or it will inform us of any new business opportunities of the Competing Businesses, and use his or her or its best efforts to procure such opportunities be made available to us.

Each of the Controlling Shareholders have also undertaken in the Deed of Non-competition that during the term of such agreement, he or she or it will not, and will procure its subsidiaries (where applicable) not to:

- directly or indirectly engage in or participate in, or assist others to engage in or participate in, any Competing Businesses in any form (including but not limited to investments, mergers and acquisitions, joint ventures, cooperation agreements, partnerships, contractual arrangements or purchases of shares of listed or private companies) within the PRC, Hong Kong or any part of the world in which any member of our Group operates;

- assist any entity other than our Group to engage in any Competing Businesses within the PRC, Hong Kong or any part of the world in which any member of our Group operates; or

- engage in any Competing Businesses (directly or indirectly) in any manner.

Pursuant to the Deed of Non-competition, each of the Controlling Shareholders has further granted us the right to choose to acquire any or all of his or her or its interests in the Competing Businesses in accordance with PRC laws and the Listing Rules.

The non-competition undertakings above do not apply where the Controlling Shareholders and/or its subsidiary(ies), through securities investment and/or debt restructuring, hold in aggregate no more than 5% equity interest in a company that engages in Competing Businesses.

CORPORATE GOVERNANCE

Our Company has adopted the Corporate Governance Code as set out in Appendix 14 to the Listing Rules (the "**Code**") and will comply with the code provisions in the Code. The Code sets out principles of good corporate governance in relation to, among other matters, directors, the chairman and chief executive officer, board composition, the appointment, re-election and removal of directors, the responsibilities and remuneration of directors and communications with shareholders.

Our Company is also required to comply with the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules, which provides, among other matters, prohibitions on directors' dealings in securities and protection of minority shareholders' rights.

Our Directors are therefore satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest between our Group and our Controlling Shareholders, and to protect minority shareholders' rights after the Listing.

Our Company is committed to the view that our Board should include a balanced composition of Executive and Independent Non-executive Directors so that there is a strong independent element to our Board which can effectively exercise independent judgment. We will adopt the following corporate governance measures to ensure that the undertakings under the Deed of Non-competition are observed:

- our Independent Non-executive Directors will report and conduct an annual review, and we will disclose in our annual reports or announcements the findings, decisions and the basis of any decisions made by our Independent Non-executive Directors, on the compliance by the Controlling Shareholders with, and implementation of, the Deed of Non-competition, as well as why any new business opportunities of Competing Businesses, if any, have not been taken up; and

- our Directors are of the view that our Independent Non-executive Directors, details of whom are set out in the section headed "Directors, Senior Management and Employees" in this prospectus, individually and together, possess the requisite knowledge and experience in assessing whether or not to pursue any new business opportunities of Competing Businesses. If our Independent Non-executive Directors consider that approvals from our independent Shareholders are required for such opportunity under the Listing Rules, they may appoint an independent financial advisor or other professionals, at our expense, to advise on the suitability of exercising our rights under the Deed of Non-competition.

CONFIRMATION

Except as disclosed above, as of the Latest Practicable Date, none of our Controlling Shareholders or any of our Directors were interested in a business producing, selling and distributing coke, coking chemicals and refined chemicals which competes or is likely to compete, either directly or indirectly, with our Group's business and which requires disclosure pursuant to Rule 8.10 of the Listing Rules.

OVERVIEW

Pursuant to Chapter 14A of the Listing Rules, our Directors, substantial shareholders and chief executive or those of our subsidiaries, any person who was a Director or a director of any of our subsidiaries within 12 months prior to the Listing Date and any of their associates will become a connected person of our Company upon the Listing. Upon the Listing, our transactions with such connected persons will constitute connected transactions under Chapter 14A of the Listing Rules.

Our Directors confirm that the following transactions which will continue after the Listing will constitute continuing connected transactions for our Company under Chapter 14A of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS WHICH ARE FULLY EXEMPT FROM THE REPORTING, ANNUAL REVIEW, ANNOUNCEMENT, CIRCULAR AND INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENTS

Trademark license agreements

Xingtai Risun Trading is the registered owner of the trademarks of the characters of "XUYANG" and "旭 阳" as well as the logos of , , RISUN and RISUN in the PRC and the logos of , RISUN and RISUN in Hong Kong. For details of trademarks registered under the names of certain members of our Group (the "**Registered Trademarks**"), please refer to the section headed "Statutory and General Information – 2. Further Information about our Business – (b) Intellectual Property Rights of the Group" in Appendix VI to this prospectus.

Principal terms

On November 29, 2011, Xingtai Risun Trading entered into two trademark license agreements with Xuyang Holding (collectively, the "**Trademark License Agreements**"), in respect of the Registered Trademarks registered in the PRC and Hong Kong respectively whereby Xingtai Risun Trading granted a non-exclusive right to Xuyang Group to use the Registered Trademarks at nil consideration. Pursuant to the Trademark License Agreements, Xuyang Group is permitted to use the Registered Trademarks in respect of the classes of goods and services and within the jurisdictions in which the Registered Trademarks are registered, provided that Xuyang Group does not, without the prior written approval of Xingtai Risun Trading, use the Registered Trademarks in respect of goods and services which compete with the business of our Group. The Trademark License Agreements as amended from time to time are for a term of three years and such term can be renewed subject to mutual written consent of Xingtai Risun Trading and Xuyang Holding, and the right of early termination of Xingtai Risun Trading by giving 30 days' written notice. Subject to the interest of our Group not being impaired and the approval of our Group, Xingtai Risun Trading undertakes to apply for the renewal of the registration of the relevant Registered Trademarks in the PRC and Hong Kong, as the case may be, and upon such renewal, to permit Xuyang Group to continue to use the

Registered Trademarks under the same terms and conditions as the Trademark License Agreements.

Pricing of and reasons for the transaction

The Registered Trademarks have been made known in the coking industry in the PRC through the joint efforts of our Group and Xuyang Group. Therefore, although the Registered Trademarks are registered in the PRC and Hong Kong in the name of Xingtai Risun Trading only, Xuyang Group has been authorized by Xingtai Risun Trading to use the Registered Trademarks since December 2004, and it has been the understanding between our Group and Xuyang Group that Xuyang Group would be permitted to use the Registered Trademarks for no license fee to recognize the joint efforts.

In the almost 15 years that Xuyang Group has been using the Registered Trademarks, Xuyang Group has duly performed its obligations and caused no detriment to our Group's brands, and Xuyang Group has in fact enhanced the reputation of the Registered Trademarks. As our Group's principal business, revenue and profit are not reliant on the performance of the trademark license agreements, the trademark license agreements will not have an impact on the independence of the Group, nor have a material effect on the Group's operations.

Listing Rules implications

Xuyang Holding is a company wholly-owned by our Controlling Shareholder, Mr. Yang and his spouse. Pursuant to Rule 14A.07(1), Mr. Yang, an Executive Director and our Controlling Shareholder, is a connected person of our Company, and thus, Xuyang Holding is an associate of Mr. Yang and a connected person of our Company.

Since no license fee is payable under the Trademark License Agreements, each of the applicable percentage ratios (other than the profits ratio) for the Trademark License Agreements is less than 0.1%, and therefore the transaction under the Trademark License Agreements constitutes a continuing connected transaction for our Company which is exempt from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Property and Equipment Lease Framework Agreement

Principal terms

Our Company entered into a property and equipment lease framework agreement on February 22, 2019 (the "**Property and Equipment Lease Framework Agreement**") with Xuyang Holding, pursuant to which, our Group leases property of an approximate gross floor area of 2,300 square meters for use as office space and construction of a manufacturing facility, and leases equipment for the research and development of certain chemical products for Xuyang Group. The initial term of the Property and Equipment Lease Framework Agreement and any separate contracts entered into under it shall expire on December 31, 2021 and such term can be renewed subject to mutual written consent of our Company and Xuyang Holding and approval in accordance with applicable laws, regulations and the Listing Rules. Xuyang Group will, if required by the applicable PRC laws and regulations, enter into separate contracts with our Group to set out specific terms and conditions of the relevant leases in accordance with the principles provided in the Property and Equipment Lease Framework Agreement.

Under the Property and Equipment Lease Framework Agreement, rental payments for both property and equipment leases will be agreed following arm's length negotiations between our Group and the relevant member of Xuyang Group with reference to the following pricing policies: (i) rent for office space will be calculated on a per day per square meter basis at rates which are comparable with market rents for similar premises in similar locations; (ii) rent for the property used for construction of the manufacturing facility will be calculated on a cost plus basis, representing a fixed percentage mark-up on the sum of the estimated annual cost to be incurred by our Group as a result of Xuyang Group's use of such property and the estimated annual depreciation value of such property; and (iii) rent for equipment will be calculated on a cost plus basis, representing a fixed percentage mark-up on the sum of the estimated annual cost to be incurred by our Group as a result of Xuyang Group's use of such equipment and the estimated annual depreciation value of such equipment.

Historical transaction amounts

The historical amounts of rental fees charged by our Group in respect of the leased property and equipment for the three years ended December 31, 2015, 2016 and 2017 and the nine months ended September 30, 2018 are set out in the table below:

	Year ended December 31,			Nine months ended September 30,
	2015	**2016**	**2017**	**2018**
	(RMB in thousands)			
Amount of rental fees charged by our Group	–	–	283.9	524.8

The increase in the amounts of fees charged by our Group in the year ended December 31, 2017 and in the nine months ended September 30, 2018 as compared with the years ended December 31, 2015 and 2016 was primarily due to the additional property and equipment leased by our Group to Xuyang Group. The property rented to Xuyang Group would not otherwise have been used by our Group for production and as such our Group sought to obtain rental income until such time as the property is required for our Group's production. In the event that our Group intends to use the property and equipment for production, our Group would be able to terminate the leases with Xuyang Group upon short notice to Xuyang Group.

Listing Rules implications

As set out above, Xuyang Holding is an associate of Mr. Yang, an Executive Director and Controlling Shareholder, and Xuyang Holding is thus a connected person of our Company.

Since our Directors expect that the maximum aggregate amounts of rental payments paid/payable by Xuyang Group to our Group will be less than RMB2.2 million going forward for each of the three years ending December 31, 2019, 2020 and 2021, each of the applicable percentage ratios (other than the profits ratio) for the Property and Equipment Lease Framework Agreement is less than 0.1%, and therefore the transactions under the Property and Equipment Lease Framework Agreement constitute continuing connected transactions for our Company which are exempt from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Water Purification Chemicals Procurement Framework Agreement

Principal terms

Our Company entered into a procurement framework agreement on February 22, 2019 (the "**Procurement Framework Agreement**") with Xuyang Holding, pursuant to which Xuyang Group shall provide to our Group certain water purification chemicals for sewage treatment in accordance with the principles set out in the Procurement Framework Agreement.

The provision of the water purification chemicals for sewage treatment by Xuyang Group will be made on terms no less favorable than those available from independent third parties under comparable conditions. Our Group is entitled to engage other supplier(s) for the water purification chemicals for sewage treatment. The parties will enter into separate contracts to set out the specific terms and conditions under which the relevant water purification chemicals for sewage treatment will be provided, in accordance with the principles set out in the Procurement Framework Agreement. The initial term of the Procurement Framework Agreement and any separate contracts entered into under it shall expire on December 31, 2021, and such term can be renewed subject to mutual written consent of our Company and Xuyang Holding and approval in accordance with applicable laws, regulations and the Listing Rules.

Pricing policies

Under the Procurement Framework Agreement, the prices of the water purification chemicals for sewage treatment provided by Xuyang Group shall be determined by agreement between the parties with reference to market unit prices determined by third party industry consultants from time to time.

Historical transaction amounts

The historical amounts charged by Xuyang Group for the supply of water purification chemicals for sewage treatment by Xuyang Group for the three years ended December 31, 2015, 2016 and 2017 and the nine months ended September 30, 2018 are set out in the table below:

	Year ended December 31,			Nine months ended September 30,
	2015	**2016**	**2017**	**2018**
	(RMB in thousands)			
Amounts charged by Xuyang Group for supply of water purification chemicals for sewage treatment to our Group	–	3,921.9	3,739.0	2,687.4

The increase in the amounts charged by Xuyang Group in the years ended December 31, 2016 and 2017 as compared to the year ended December 31, 2015 was primarily due to our Group purchasing additional types of water purification chemicals from Xuyang Group in line with our Group's increase in production due to favorable market conditions in 2016 and 2017 and our proposed development strategy of developing new chemical products.

Listing Rules implications

As set out above, Xuyang Holding is an associate of Mr. Yang, an Executive Director and Controlling Shareholder, and Xuyang Holding is thus a connected person of our Company.

Since our Directors expect that the maximum aggregate amounts charged by Xuyang Group for the supply of water purification chemicals for sewage treatment to our Group will be less than RMB6.0 million going forward for each of the three years ending December 31, 2019, 2020 and 2021, each of the applicable percentage ratios (other than the profits ratio) for the Procurement Framework Agreement is less than 0.1%, and therefore the transactions under the Procurement Framework Agreement constitute continuing connected transactions for our Company which are exempt from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Equipment Lease and Nitrogen Supply Agreement

Principal terms

Cangzhou Risun Chemicals entered into an equipment lease and nitrogen supply agreement on July 2, 2015 (the "**Equipment Lease and Nitrogen Supply Agreement**") with Hebei Yingde Gases Co., Ltd. (河北盈德氣體有限公司) ("**Hebei Yingde**"). Pursuant to the Equipment Lease and Nitrogen Supply Agreement as amended from time to time, Hebei Yingde leases nitrogen production equipment and supplies nitrogen to our Group, and the payments by our Group for such lease of nitrogen production equipment and nitrogen supply are agreed following arm's length negotiations between our Group and Hebei Yingde. The prices for nitrogen are comparable to prices offered by third party suppliers while the rental charges are in line with third party valuations. Our Group is free to contract with other independent third parties should other independent third parties offer better terms than those offered by Hebei Yingde.

Historical transaction amounts

The historical amounts of rental charges and procurement costs in respect of the equipment lease and nitrogen supply for the three years ended December 31, 2015, 2016 and 2017 and the nine months ended September 30, 2018 are set out in the table below:

	Year ended December 31,			Nine months ended September 30,
	2015	**2016**	**2017**	**2018**
	(RMB in thousands)			
Amount of rental charges and procurement costs in respect of the equipment lease and nitrogen supply	25.8	758.8	2,034.4	1,216.4

The lease of equipment only commenced from July 2016 when construction of such equipment was completed.

Listing Rules implications

Hebei Yingde is indirectly held as to 46.1% by Yingde Gases HK. Yingde Gases HK is a substantial shareholder of our non-wholly-owned subsidiary, Cangzhou Risun Chemicals, and is thus a connected person of our Company. Hebei Yingde is an associate of Yingde Gases HK and therefore a connected person of our Company, and the transactions under the Equipment Lease and Nitrogen Supply Agreement constitute continuing connected transactions of our Company under Chapter 14A of the Listing Rules.

Since our Directors expect that the maximum aggregate amounts of rental and procurement costs paid/payable by our Group to Hebei Yingde will be less than RMB2.2 million going forward for each of the three years ending December 31, 2019, 2020 and 2021, each of the applicable percentage ratios (other than the profits ratio) for the Equipment Lease and Nitrogen Supply Agreement is less than 0.1%, and therefore the transactions under the Equipment Lease and Nitrogen Supply Agreement constitute continuing connected transactions for our Company which are exempt from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

CONTINUING CONNECTED TRANSACTION WHICH IS SUBJECT TO THE REPORTING, ANNUAL REVIEW AND ANNOUNCEMENT REQUIREMENTS BUT EXEMPT FROM THE CIRCULAR AND INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENT

Project Services Framework Agreement

Principal terms

Our Company entered into a project services framework agreement on February 22, 2019 (the "**Project Services Framework Agreement**") with Xuyang Holding, pursuant to which Xuyang Group will provide project design, construction management and general contracting services to our Group in relation to our various initiatives to upgrade our energy saving and environmental protection capabilities and improve the efficiency and quality of our existing large-scale production facilities in light of the adoption by the relevant PRC government authorities of more stringent energy saving and environmental protection requirements. Relevant members of Xuyang Group may enter into separate contracts with our Group to set out specific terms and conditions of the relevant services in accordance with the principles provided in the Project Services Framework Agreement. The initial term of the Project Services Framework Agreement and any separate contracts entered into under it will expire on December 31, 2021 and such term can be renewed subject to mutual written consent of our Company and Xuyang Holding and approval in accordance with applicable laws, regulations and the Listing Rules. Our Group is free to contract with other independent third parties for the relevant services if Xuyang Group is unable to provide such services or the terms that Xuyang Group offers become less favorable to our Group than those offered by other independent third parties.

Pricing policies

Our Group conducts a public tender process for each project for which we require project design, construction management and general contracting services. Interested bidders would be selected on the bases of the prices proposed, the technical specifications achievable, the business model and background of the bidders, payment terms proposed and the estimated delivery dates, and the bidder offering the best overall terms would be awarded the project. As such, the fees for the services provided by Xuyang Group under the Project Services Framework Agreement would be in line with the prices proposed by Xuyang Group in its submitted bids, and our Group would compare such bids with the bids submitted by other independent third parties.

Reasons for the transactions

While our Group could procure independent third parties to provide such services, our Group considers that the Project Services Framework Agreement is beneficial to our Group as: (i) the project design and construction management of various chemical production facilities requires certain technical expertise and experience in the design and construction management of coal, coking and refined chemicals systems and facilities which Xuyang Group can provide; (ii) Xuyang Group has extensive knowledge of our existing production facilities and our technical and operational requirements, and may thus be more efficient in implementing the projects; and (iii) the terms and prices offered by Xuyang Group may be more favorable than what we may obtain from independent third parties.

Historical transaction amounts

The historical amounts of fees charged by Xuyang Group with respect to the project services for the three years ended December 31, 2015, 2016 and 2017 and the nine months ended September 30, 2018 are set out in the table below:

	Year ended December 31,			Nine months ended September 30,
	2015	**2016**	**2017**	**2018**
	(RMB in thousands)			
Amounts of fees charged by Xuyang Group for project services	–	47.6	15,815.0	45,847.5

The increase in the amounts of fees charged by Xuyang Group in the year ended December 31, 2017 and the nine months ended September 30, 2018 as compared with the years ended December 31, 2015 and 2016 was primarily due to the increase in investments in our new initiatives to enhance our energy saving and environmental protection capabilities.

Proposed annual caps and bases of annual caps

Our Directors estimate that the maximum aggregate annual amounts of fees charged by Xuyang Group for the three years ending December 31, 2019, 2020 and 2021 will not, in aggregate, exceed the amounts set out in the table below. In determining the annual caps, our Directors considered the progress (and the scheduled completion dates, where applicable) of existing projects, the proposed project pipeline, the commencement of prospective projects and their projected progress and expected market conditions. The estimates have been made on the basis of the following assumptions:

- the prospective projects would commence as scheduled for the three years ending December 31, 2021;
- Xuyang Group would offer no less favorable terms overall as compared with other service providers;

- both existing projects and prospective projects would progress as scheduled for the three years ending December 31, 2021 in accordance with the relevant individual contracts.

	Year ending December 31,		
	2019	**2020**	**2021**
	(RMB in thousands)		
Maximum aggregate annual amounts of fees charged by Xuyang Group for project services	217,570.0	217,570.0	217,570.0

The increase in the estimated maximum aggregate annual amounts of fees charged by Xuyang Group in the years ending December 31, 2019, 2020 and 2021 as compared with the previous three years ended December 31, 2017 is primarily due to the increase in investments in our new initiatives to enhance our energy saving and environmental protection capabilities. The estimated maximum aggregate annual amounts of fees charged by Xuyang Group in the years ending December 31, 2019, 2020 and 2021 as compared with the previous years ended December 31, 2018 increased primarily due to the fact that our Group intends to procure the project design, construction management and general consulting services for the development of dry coke quenching facilities for each of the years ending December 31, 2019, 2020 and 2021 to replace the existing coke quenching methods in order to enhance our environmental protection capabilities, and each project is estimated to cost approximately RMB200 million.

Listing Rules implications

As set out above, Xuyang Holding is an associate of Mr. Yang, an Executive Director and Controlling Shareholder, and Xuyang Holding is thus a connected person of our Company.

Since each of the applicable percentage ratios (other than the profits ratio) for the Project Services Framework Agreement is less than 5%, the transactions under the Project Services Framework Agreement constitute continuing connected transactions for our Company which are subject to the reporting, annual review and announcement requirements but exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

WAIVERS

Our Directors (including the Independent Non-executive Directors) consider that disclosure of these transactions in full compliance with the Listing Rules would be impracticable and would add unnecessary administrative costs to our Group. In addition, our Directors (including the Independent Non-executive Directors) believe that it is in our Group's interests to continue these continuing connected transactions after the Listing.

We have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with the announcement requirements under Chapter 14A of the Listing Rules pursuant to Rule 14A.105 of the Listing Rules in respect the continuing connected transactions pursuant to the Project Services Framework Agreement.

As required by the Listing Rules, our Independent Non-executive Directors shall review the continuing connected transactions annually and confirm in the annual report and accounts of our Company that such transactions have been entered into in our Company's ordinary and usual course of business, are either on normal commercial terms or on terms no less favorable to our Group than those available to, or from, independent third parties, and on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

DIRECTORS' VIEW

Our Directors, including the Independent Non-executive Directors, are of the view that all of the continuing connected transactions above are in the ordinary and usual course of our business, on normal commercial terms that are fair and reasonable and in the interests of our Company and the Shareholders as a whole. Our Directors, including the Independent Non-executive Directors, are also of the view that the annual caps of the non-exempted continuing connected transactions above are fair and reasonable and in the interests of our Company and the Shareholders as a whole.

SOLE SPONSOR'S VIEW

The Sole Sponsor concurs with our Directors' view that the non-exempt continuing connected transactions set out above have been entered into and carried out in the ordinary and usual course of our business, on normal commercial terms or better that are fair and reasonable and in the interests of our Company and the Shareholders as a whole and the annual caps are fair and reasonable and in the interests of our Company and the Shareholders as a whole.

DIRECTORS AND SENIOR MANAGEMENT

The following table sets forth certain information concerning our Directors.

Name	Age	Position/Title	Date of Appointment	Date of Joining our Group	Role and Responsibility
Executive Directors					
Mr. Yang Xuegang (楊雪崗)	54	Executive Director, chairman of the Board and chief executive officer	November 8, 2007	May 12, 1995	Overall management and business development of our Group
Mr. Zhang Yingwei (張英偉)	47	Executive Director and vice president of our Group	July 24, 2009	February 5, 1996	Overall management of the Tangshan Production Base and the Cangzhou Production Base
Mr. Han Qinliang (韓勤亮)	45	Executive Director and vice president of our Group	May 18, 2011	March 1, 2004	Management of the financial, accounting and information systems of our Group
Mr. Wang Fengshan (王風山)	60	Executive Director and vice president of our Group	September 29, 2018	March 1, 2004	Management of procurement and sales of our Group
Mr. Wang Nianping (王年平)	56	Executive Director and vice president of our Group	September 29, 2018	February 22, 2011	Legal and risk management of our Group
Mr. Yang Lu (楊路)(1)	28	Executive Director	September 29, 2018	November 1, 2013	Management of the import, export and domestic trading business of our Group

Name	Age	Position/Title	Date of Appointment	Date of Joining our Group	Role and Responsibility
Independent Non-executive Directors					
Mr. Kang Woon (康洹)	55	Independent Non-executive Director	September 29, 2018	November 11, 2011[2]	Oversight of the compliance and corporate governance matters of our Group and provision of independent advice to the Board
Mr. Yu Kwok Kuen Harry (余國權)	49	Independent Non-executive Director	September 29, 2018	September 29, 2018	Same as above
Mr. Wang Yinping (王引平)	58	Independent Non-executive Director	September 29, 2018	September 29, 2018	Same as above

Notes:

(1) Mr. Yang Lu (楊路) is the son of Mr. Yang Xuegang (楊雪崗).

(2) Mr. Kang Woon (康洹) was appointed as an Independent Non-executive Director from November 2011 to September 2015. He was re-appointed as an Independent Non-executive Director in September 2018.

The following table sets forth certain information concerning our senior management:

Name	Age	Position/Title	Date of Appointment	Date of Joining our Group	Role and Responsibility
Mr. Jia Yunshan (賈運山)	50	Vice president of our Group	December 6, 2004	May 12, 1995	Financing and cash management of the Group
Mr. Li Qinghua (李慶華)	55	Vice president of our Group	June 8, 2015	November 1, 2004	Overall management of the Xingtai Production Base
Mr. Yuan Xixian (苑希現)	56	Vice president of our Group	August 1, 2017	May 8, 2017	Management of the Group's strategic investments, production and engineering
Mr. Ho Pui Lam Joseph (何沛霖)	38	Company secretary	September 29, 2018	September 20, 2017	Management of corporate governance and company secretarial matters, participation in the making of material business decisions and development of the business strategy

DIRECTORS

Our Board currently consists of nine Directors, comprising six Executive Directors and three Independent Non-executive Directors.

Executive Directors

Mr. YANG Xuegang (楊雪崗)

Mr. Yang, aged 54, is an Executive Director, the chief executive officer of our Company and the chairman of our Board. He was appointed as an Executive Director in November 2007. He is responsible for the overall management and business development of our Group. He is also the chairman of the Nomination Committee.

Mr. Yang graduated from Hebei Hydraulic College (河北水利專科學校) (now known as Hebei University of Water Resources and Electric Engineering (河北水利電力學院)) in Cangzhou, the PRC in July 1985 with a diploma in hydraulic engineering construction and obtained the hydraulic engineer qualification issued by the Handan City Labour Bureau (邯鄲市勞動人事局) in December 1993. He completed a master-level training course in business administration at Renmin University of China (中國人民大學) in Beijing, the PRC in March 2000 and was a supervisor of a master's degree program at Hebei University of Economics and Business (河北經貿大學) in Shijiazhuang, the PRC in July 2002. He completed a further master-level training course in business administration at the ZhongHua Yanxiu University (中華研修大學) in Beijing, the PRC in September 2003. In November 2003, he obtained a master's degree in business administration from Asia International Open University (Macau) (亞洲(澳門)國際公開大學) in Macau. He obtained the senior engineer qualification awarded by the Hebei Provincial Department of Human Resources and Social Security (河北省人力資源與社會保障廳) in December 2012. In January 2017, Mr. Yang obtained an executive master's degree in business administration from Hebei University of Technology (河北工業大學) in Tianjin, the PRC.

Prior to the establishment of our Group, Mr. Yang was employed at the Dongwushi Reservoir Management Center (東武仕水庫管理處), a public body directly subordinated to the Handan City Hydraulics Bureau (邯鄲水利局), on a full-time basis for approximately 10 years from August 1985, and became a deputy director of the Dongwushi Reservoir Management Center from January 1988. He then joined our Group as general manager as a result of his entrepreneurial efforts since the establishment of Xingtai Risun Coking Limited in May 1995 and became chairman since May 1996. Since September 2012, he has been a director of Beijing Automic Technology Co., Ltd. (北京奧特美克科技股份有限公司) ("**Beijing Automic**"), a company listed on the National Equities Exchange and Quotations (全國中小企業股份轉讓系統) (stock code: 430245), whose principal business is the planning of water conservancy information projects, consultation and assessment, as well as software and hardware product development and services, and held as to 49.92% by Mr. Yang and parties acting-in-concert with him.

Over the years, Mr. Yang has taken up leadership roles in a number of industry associations, including those relating to the coking industry. He has been the vice president of CCIA since October 2005, and the president of HBCCIA since January 2006. In February 2008, Mr. Yang was elected and had served as a deputy to the 11th NPC and in February 2013, he was elected as a deputy to the 12th NPC.

Mr. ZHANG Yingwei (張英偉)

Mr. Zhang, aged 47, is an Executive Director and a vice president of our Group. He was appointed as an Executive Director in July 2009. He is responsible for the overall management of the Tangshan Production Base and the Cangzhou Production Base.

Mr. Zhang graduated with a bachelor's degree in coal chemistry from Tangshan Institute of Technology (唐山工程技術學院) (now known as North China University of Science and Technology (華北理工大學)) in Tangshan, the PRC in June 1993. He completed a master-level training program in business administration at Hebei University of Economics and Business (河北經貿大學) in Shijiazhuang, the PRC in November 2004. He also obtained a master's degree in metallurgical engineering at Hebei Polytechnic University (河北理工大學) (now known as North China University of Science and Technology (華北理工大學)) in Tangshan, the PRC in April 2007. In December 2012, he obtained the senior engineer qualification from the Title Reform Leading Group Office of Hebei Province (河北省職稱改革領導小組辦公室).

Mr. Zhang has over 25 years of experience in iron and steel industry and coal chemical industry. Mr. Zhang worked for Xingtai Metallurgical Machinery and Mill Roll Joint Stock Corporation (邢台冶金機械軋輥股份有限公司) (now known as Sinosteel Xingtai Machinery & Mill Roll Co., Ltd. (中鋼集團邢台機械軋輥有限公司)), whose principal business is the manufacturing of metallurgical machinery and parts for the production of metallurgical rolls and equipment, from September 1993. He then joined our Group in February 1996. He has been serving as a vice president of the Coking Chemistry Sub-committee of the National Technical Committee on Coal Chemical Industry of Standardization Administration of China (全國煤化工標準化技術委員會) since May 2016, an expert on the expert panel of the CCIA since January 2018 and an expert of both the HBCCIA and the Department of Industry and Information Technology of Hebei Province since April 2018.

Mr. HAN Qinliang (韓勤亮)

Mr. Han, aged 45, is an Executive Director and a vice president of our Group. Mr. Han was appointed as an Executive Director in May 2011. He is primarily responsible for the management of the financial, accounting and information systems of the Group.

Mr. Han obtained a diploma in industrial economy administration from Hebei College of Mechanical Engineering (河北機電學院) in Xingtai, the PRC in June 1993 (as a result of a merger, Hebei College of Mechanical Engineering is now part of Hebei University of Science and Technology (河北科技大學)). In December 2001, he obtained a bachelor's degree in accounting from Hebei University of Economics and Business (河北經貿大學) in Shijiazhuang, the PRC. In July 2001, he became a member of Chinese Institute of Certified Public Accountants (中國註冊會計師協會) in the PRC. In December 2003, he obtained the senior accountant qualification from the Title Reform Leading Group Office of Hebei Province (河北省職稱改革領導小組辦公室).

Mr. Han joined our Group in March 2004. Mr. Han has approximately 25 years of experience in steel and coal chemical industry. From September 1993 to April 2004, he was the deputy head of the finance department cost division in Xingtai Machinery and Mill Roll (Group) Corporation (邢台機械軋輥(集團)有限公司) (now known as Sinosteel Xingtai Machinery & Mill Roll Co., Ltd. (中鋼集團邢台機械軋輥有限公司)). In March 2004, Mr. Han joined Xingtai Risun Trading as a general manager assistant.

Mr. WANG Fengshan (王風山)

Mr. Wang, aged 60, is an Executive Director and a vice president of our Group. He was appointed as an Executive Director in September 2018. He is primarily responsible for the procurement and sales management of our Group.

Mr. Wang obtained a diploma in statistics from Hebei University (河北大學) in Baoding, the PRC in June 1989.

Mr. Wang joined our Group in March 2004. Mr. Wang has approximately 30 years of experience in procurement and sales management. From August 1983 to September 1996, he was the sales manager in Hebei Hongxing Automobile Factory Co., Ltd. (河北紅星汽車製造有限公司), a company principally engaged in the automobile and automobile parts manufacturing business, and from October 1996 to October 1998, he was the general manager of Bear Asia Furniture Co., Ltd. (亞泰家具股份有限公司), a company principally engaged in the metal furniture and furnishings manufacturing business. From February 1999 to January 2004, he was a general manager of Xingtai Zhongxing Pharmaceutical Co., Ltd. (邢台中興藥業有限公司), a company principally engaged in the pharmaceutical business. In March 2004, Mr. Wang joined the human resources department of Xingtai Risun Trading and oversaw the human resources and administrative management in CNC Risun Coking from November 2004 to August 2009. He has been overseeing the Group's procurement and sales management since August 2009. Mr. Wang has been a vice president of the HBCCIA since December 2016 and an expert on the expert panel of the CCIA since January 2018.

Mr. WANG Nianping (王年平)

Mr. Wang, aged 56, is an Executive Director and a vice president of our Group. He was appointed as an Executive Director in September 2018. He is primarily responsible for the legal and risk management of our Group.

Mr. Wang obtained a bachelor's degree in law from the Institute of Hubei Finance (湖北財經學院) (now known as Zhongnan University of Economics and Law (中南財經政法大學)) in Wuhan, the PRC in July 1984. He obtained a post-graduate degree in international trade and a juris doctor degree from the University of International Business and Economics (對外經濟貿易大學) in Beijing, the PRC in June 1994 and December 2007, respectively. He was admitted as a qualified lawyer in the PRC in June 1987 and obtained the senior economist qualification issued by the Sinopec Group in November 2004.

Mr. Wang joined our Group in February 2011 and prior to joining our Group, he had over 10 years of extensive experience in the petrochemical industry. He was recognized as a third level lawyer in April 1990 by the China National Petroleum Corporation (中國石油天然氣總公司) where he worked. In January 1996, Mr. Wang joined China Petroleum Engineering Construction Corporation, a company whose principal business is building oil and gas infrastructures and undertook various positions including contracts administrator, senior officer of the debt recovery department and deputy manager of the projects department. In May 2001, he joined Sinopec International Petroleum Exploration and Production Corporation ("**SIPC**"), a company whose principal business is in overseas oil and gas investment and operations, as the deputy manager of the legal department. From November 2004 to December 2008, he served as the vice president of the SIPC's subsidiaries in Kazakhstan and as the deputy general manager of the SIPC's subsidiaries in Syria from January 2009 to October 2010.

Mr. YANG Lu (楊路)

Mr. Yang Lu, aged 28, is an Executive Director and the general manager of Beijing Risun Hongye. He is primarily responsible for the management of the import, export and domestic trading business of our Group. He was appointed as an Executive Director in September 2018.

Mr. Yang Lu graduated with a bachelor's degree in chemical engineering from the Washington University in St. Louis, the United States in May 2012. He obtained the fund management qualification from the Asset Management Association of China in June 2015.

Mr. Yang Lu joined our Group in November 2013. Prior to joining our Group, he was a junior consultant at Roland Berger Management Consultants (Shanghai) Co., Ltd. (羅蘭貝格企業管理(上海)有限公司), a global strategy consulting firm, from September 2012 to September 2013, and from October 2013 to November 2014, he worked in the marketing department of Beijing Automic. Mr. Yang Lu has been the chairman's assistant of Hong Kong Risun since November 2013 and worked in the market research department as deputy manager of Beijing Risun Hongye from December 2014 to May 2016. He then worked in Beijing Risun Fund Management Co., Ltd. (北京旭陽基金管理有限公司), a wholly-owned subsidiary of Xuyang Holding, between June 2016 and September 2018, first as deputy general manager and subsequently as general manager. In September 2018, he rejoined Beijing Risun Hongye as the general manager.

Mr. Yang Lu is the son of Mr. Yang.

Independent Non-executive Directors

Mr. KANG Woon (康洹)

Mr. Kang, aged 55, is an Independent Non-executive Director and also the chairman of the Remuneration Committee and a member of the Audit Committee and Nomination Committee. He was appointed as an Independent Non-executive Director between November 2011 to September 2015 and re-appointed in September 2018.

Mr. Kang obtained a doctorate of jurisprudence from the University of Texas in Austin, Texas, the United States in May 1990. He has been an attorney-at-law of the Supreme Court of the State of New York since March 1991, and a member of the Law Society of England and Wales since May 1998.

Mr. Kang served as a supervisor from May 2004 to June 2007 and was an independent non-executive director of Anhui Conch Cement Company Limited (安徽海螺水泥股份有限公司), a company principally engaged in cement products manufacturing dually listed on the Main Board of the Stock Exchange and Shanghai Stock Exchange (stock codes: 914 and 600585, respectively), between October 1997 and May 2004 as well as between June 2007 and May 2013. Mr. Kang was an independent non-executive director of China Yurun Food Group Limited (中國雨潤食品集團有限公司), a company whose principal business is manufacturing meat products and listed on the Main Board of the Stock Exchange (stock code: 1068), from April 2005 to January 2010.

Mr. YU Kwok Kuen Harry (余國權)

Mr. Yu, aged 49, is an Independent Non-executive Director and also the chairman of the Audit Committee and member of the Nomination Committee and Remuneration Committee. He was appointed as an Independent Non-executive Director in September 2018.

Mr. Yu obtained a diploma in accountancy from the Morrison Hill Technical Institute, Hong Kong (now known as the Hong Kong Institute of Vocational Education), in August 1991 and a master's degree in business administration through long distance learning awarded by the Manchester Business School in cooperation with the School of Accounting, Banking and Economics at the University of Wales, Bangor (now known as Bangor University) in the United Kingdom in July 2000. He has been a fellow of the Association of Chartered Certified Accountants since July 2001, a fellow of the Hong Kong Institute of Certified Public Accountants since April 2004, a registered accountant in Macau since July 2011 and, a fellow of The Institute of Chartered Accountants in England and Wales since March 2015.

Mr. Yu joined KPMG China in October 1991 and was a partner of KPMG from July 2002 to June 2011. He served Golden Meditech Holdings Limited, an integrated-healthcare enterprise in the PRC and a company listed on the Main Board of the Stock Exchange (stock code: 801) as chief operating officer from August 2011 to June 2016 and acted concurrently as an executive director from September 2012 to June 2016.

Mr. WANG Yinping (王引平)

Mr. Wang, aged 58, is an Independent Non-executive Director and also a member of the Audit Committee and Remuneration Committee. He was appointed as an Independent Non-executive Director in September 2018.

Mr. Wang obtained a bachelor's degree in law from Renmin University of China (中國人民大學) in Beijing, the PRC in July 1985 and a master's degree in business administration from the China Europe International Business School (中歐國際工商學院) in Shanghai, the PRC in November 2004.

Mr. Wang has extensive experience in corporate management. He joined China National Chemical Import & Export Corporation (中國化工進出口總公司) (now known as Sinochem Group Co., Ltd. (中國中化集團有限公司)) ("**Sinochem**"), a conglomerate offering exploration and production of oil and gas, energy, agriculture, chemical, real estate and financial services, in March 1988 and held various senior positions between March 1988 and March 2014 in Sinochem and its subsidiaries ("**Sinochem Group**"), including the deputy general manager of the Hainan branch of Sinochem, the general manager of the Pudong branch of Sinochem, the deputy general manager of China Foreign Economic and Trade Trust Company Limited (中國對外經濟貿易信託有限公司) a company principally engaged in microfinance, industrial finance, capital market and wealth management, the general manager of the human resource department of Sinochem Group, the vice president of Sinochem Group, the general manager of Sinochem International Trading Company Limited (now known as Sinochem International Corporation (中化國際(控股)股份有限公司)), a company listed on the Shanghai Stock Exchange (stock code: 600500) and principally engaged in the chemical and rubber business, the chairman of the China Foreign Economic and Trade Trust Company Limited and the chairman of the Sinochem Lantian Co., Ltd. (中化藍天集團有限公司), a company principally engaged in research, production and sale of fluorine chemicals. Mr. Wang also served as chairman of the board of Zhejiang Int'l Group Co., Ltd. (浙江英特集團股份有限公司), a company that produces and sells pharmaceutical and Chinese medicine health products in China and listed on the Shenzhen Stock Exchange (stock code: 000411) from December 2010 to March 2014. From January 2015 to December 2016, Mr. Wang was an executive director of China Pioneer Pharma Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1345) and a comprehensive marketing, promotion and channel management service provider dedicated to imported pharmaceutical products and medical devices in the PRC, and was re-designated and has been serving as a non-executive director since December 2016. He was a director of Western Potash Corp., a company listed on the Toronto Stock Exchange (stock code: WPX) principally engaged in building a potash solution mine in Canada, from September 2015 to September 2016, and was re-appointed and has been serving as a director since April 2017. Mr. Wang has been an independent non-executive director of Yida China Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 3639) and an operator of business parks in the PRC since December 2016.

DIRECTORS' INTEREST

We have entered into service contracts with each of our Executive Directors and have issued letters of appointment to each of our Independent Non-executive Directors. Each service contract and letter of appointment with each of our Directors is for a term of three years commencing from his date of appointment on September 29, 2018 and contains an undertaking in favor of our Company that each Director will not engage in or have any interest in businesses which competes or is likely to compete, directly or indirectly, with our business, apart from the business of our Group and, where applicable, those disclosed under the section headed "Relationship with Our Controlling Shareholders – Independence from our Controlling Shareholders – Management Independence" in this prospectus.

Save as disclosed in this prospectus in the sections "– Directors" and "Substantial Shareholders", each of our Directors: (i) did not hold other positions in our Company or other members of our Group as of the Latest Practicable Date; (ii) had no other relationship with any other Director, senior management, substantial or controlling shareholders of our Company as of the Latest Practicable Date; and (iii) did not hold any other directorships in other listed public companies in the three years prior to the Latest Practicable Date. Save as disclosed in this prospectus in the sections "Directors, Senior Management and Employees", "Substantial Shareholders" and "Statutory and General Information – 3. Further Information about our Directors and Substantial Shareholders" in Appendix VI, there are no other matters in respect of each of our Directors that is required to be disclosed pursuant to Rule 13.51(2)(a) to (v) of the

Listing Rules and there is no other material matter relating to our Directors that needs to be brought to the attention of the Shareholders.

SENIOR MANAGEMENT

Mr. JIA Yunshan (賈運山)

Mr. Jia, aged 50, has been a vice president of our Group since December 2004. He is primarily responsible for the financing and cash management of our Group. In July 1990, he completed a program in financial accounting from Hebei Materials Institute (河北物資學校) (now known as Hebei Economy Management School (河北經濟管理學校)) in Shijiazhuang, the PRC. In July 2003, he completed a master-level training program in business administration at Hebei University of Economics and Business (河北經貿大學) in Shijiazhuang, the PRC.

Mr. Jia has approximately 23 years of experience in financing and cash management. Mr. Jia has been employed by our Group since the establishment of Xingtai Risun Trading in May 1995. He has held various management positions in our Group, including financial manager and deputy general manager of Xingtai Risun Trading from May 1995 to November 2004. He has been a director of Beijing Automic since September 2012.

Mr. LI Qinghua (李慶華)

Mr. Li, aged 55, has been a vice president of our Group since June 2015. He is primarily responsible for the overall management of the Xingtai Production Base. He graduated from the Anhui Economic Management Cadre Institute (安徽經濟管理幹部學院) in Hefei, the PRC in July 1987 with a diploma in industrial enterprise management and obtained a master's degree in economics from the Party School of the Central Committee of the Communist Party of China (中共中央黨校) in Beijing, the PRC in July 2001. He obtained a senior economist qualification from the Title Reform Leading Group Office of Hebei Province (河北省職稱改革領導小組辦公室) in November 1999.

Mr. Li joined our Group in November 2004 as a deputy general manager of Xingtai Risun Trading. He has approximately 24 years of corporate management experience. Prior to joining our Group, he undertook several positions at Hebei Changzheng Automobile Manufacturing Co., Ltd. (河北長征汽車製造有限公司), an automobile manufacturer, from July 1983 to October 2004, including director of the special cars factory from May 1993 to June 1998, deputy director and director of the general factory from June 1998 to September 2002 and deputy general manager of Hebei Changzheng Automobile Manufacturing Co., Ltd. from September 2002 to October 2004.

Mr. YUAN Xixian (苑希現)

Mr. Yuan, aged 56, has been a vice president of our Group since August 2017. He is primarily responsible for management of the Group's strategic investments, production and engineering. He graduated from the Hebei Institute of Mining and Metallurgy (河北礦冶學院)

(now known as the North China University of Science and Technology (華北理工大學)) in Tangshan, the PRC in July 1983. He obtained a senior engineer qualification from the Title Reform Leading Group Office of Hebei Province in December 2004.

Mr. Yuan has approximately 35 years of experience in the steel and coke industry. He joined our Group in May 2017. Prior to joining our Group, Mr. Yuan joined Xingtai Iron & Steel Corp., Ltd. (邢台鋼鐵有限責任公司), a high-end, specialized, wire manufacturer in July 1983 and was a deputy general manager, general manager and chairman from June 1998 to October 2016.

Mr. HO Pui Lam Joseph (何沛霖)

Mr. Ho, aged 38, is the company secretary of the Company. He is responsible for the management of corporate governance and company secretarial matters, participation in the making of material business decisions and development of the business strategy. He obtained a bachelor's degree in business administration from the University of Hong Kong in Hong Kong in December 2002. He has been a fellow member of the Hong Kong Institute of Certified Public Accountants since May 2018.

Mr. Ho has approximately 15 years of auditing, financial and company secretarial experience. He joined our Group in September 2017. Prior to joining our Group, he was an audit manager at Deloitte Touche Tohmatsu from September 2002 to November 2009. He also served as the financial controller and company secretary of Renheng Enterprise Holdings Limited, a company principally engaged in the manufacture and sale of tobacco machinery products in the PRC and listed on the Main Board of the Stock Exchange (stock code: 3628), from June 2010 to August 2017.

Save as disclosed above, none of the senior management had held any other directorships in listed companies during the three years immediately prior to the Latest Practicable Date, there is no other information in respect of the senior managers to be disclosed pursuant to Rule 13.51(2)(a) to (v) of the Listing Rules and there is no other matter that needs to be brought to the attention of the Shareholders.

COMPANY SECRETARY

Mr. HO Pui Lam Joseph (何沛霖)

Mr. Ho has been our Company's company secretary since September 2017. He has over seven years of extensive experience in providing company secretarial services to a company listed on the Main Board of the Stock Exchange. For Mr. Ho's biography, please refer to the section headed "– Senior Management – Mr. HO Pui Lam Joseph (何沛霖)" in this prospectus.

BOARD OF DIRECTORS COMMITTEES

Audit Committee

The Company has established an audit committee with written terms of reference in compliance with the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The Audit Committee consists of three Independent Non-executive Directors, being Mr. Yu Kwok Kuen Harry, Mr. Kang Woon and Mr. Wang Yinping. The chairman of the Audit Committee is Mr. Yu Kwok Kuen Harry, who holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules. The purpose of the Audit Committee is to assist the Board in ensuring that our Company has an effective financial reporting, risk management and internal control system in compliance with the Listing Rules, overseeing the integrity of the financial statements of our Company, selecting, and assessing the independence and qualifications of, our Company's external auditor, as well as ensuring effective communication between the Directors and the internal and external auditors of our Company.

Nomination Committee

The Company has established a nomination committee with written terms of reference in compliance with the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The Nomination Committee consists of one Executive Director, being Mr. Yang, and two Independent Non-executive Directors, being Mr. Kang Woon and Mr. Yu Kwok Kuen Harry. The chairman of the Nomination Committee is Mr. Yang. The primary duties of the Nomination Committee include reviewing the structure, size, composition and diversity of the Board at least annually and making recommendations on any proposed changes to the Board to compliment our Company's corporate strategy, assessing the independence of the Independent Non-executive Directors to determine their eligibility, and making recommendations to our Board on the appointment, re-election and removal of Directors and succession planning for Directors.

Remuneration Committee

The Company has established a remuneration committee with written terms of reference in compliance with the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The Remuneration Committee consists of three Independent

Non-executive Directors, being Mr. Kang Woon, Mr. Yu Kwok Kuen Harry and Mr. Wang Yinping. The chairman of the Remuneration Committee is Mr. Kang Woon. The primary duties of the Remuneration Committee include establishing and reviewing our Company's policy and structure for the remuneration of the Directors and senior management and making recommendations to the Board on employee benefit arrangements. The Remuneration Committee is also responsible for determining the vesting of the options granted under the Share Option Scheme. Please refer to the section head "Statutory and General Information – 4. Share Option Scheme" in Appendix VI to this prospectus.

CODE PROVISION A.2.1 OF THE CORPORATE GOVERNANCE CODE

Mr. Yang is our Chairman and chief executive officer. 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 our subsidiaries and their corresponding production facilities and human resources of our Group and has been instrumental to our growth and business expansion since our establishment in 1995. The Board considers that vesting the roles of chairman and chief executive officer in the same person is beneficial to the management of our 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 six Executive Directors (including Mr. Yang) and three Independent Non-executive Directors and therefore has a strong independence element in its composition.

Save as disclosed above, we are in compliance with all code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

COMPLIANCE ADVISOR

We have appointed Guotai Junan Capital Limited as our compliance advisor pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, our compliance advisor will advise us in the following circumstances:

- before the publication of any regulatory announcement, circular or financial report;
- when a transaction which might be a notifiable or connected transaction is contemplated, including share issues and share repurchases;
- where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate or other information in this prospectus; and
- where the Stock Exchange makes an inquiry of us regarding unusual movements in the price or trading volume of our Shares.

The term of the appointment shall commence on the Listing Date and end on the date on which we distribute our annual report in respect of our financial results for the first full financial year commencing after the Listing Date.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Our Directors and members of our senior management receive remuneration from our Company in the form of salaries, bonuses and other benefits in kind such as contributions to pension plans.

The aggregate remuneration (including fees, salaries, contributions to pension schemes, share-based compensation expenses, discretionary bonuses, housing and other allowances and other benefits in kind) incurred for our Directors for the three years ended December 31, 2015, 2016 and 2017 and the nine months ended September 30, 2018 were RMB3.6 million, RMB3.7 million, RMB3.8 million and RMB3.9 million, respectively. Save as disclosed in this prospectus, including in Note 12 to the Accountants' Report in Appendix I, no other amounts have been paid or are payable by any member of our Group to our Directors for the three years ended December 31, 2015, 2016 and 2017 and the nine months ended September 30, 2018.

The aggregate amount of fees, salaries, contributions to pension schemes, share-based compensation expenses, discretionary bonuses, housing and other allowances and other benefits in kind incurred for our five highest paid individuals in respect of the three years ended December 31, 2015, 2016 and 2017 and the nine months ended September 30, 2018 was RMB4.9 million, RMB4.6 million, RMB4.6 million and RMB5.1 million, respectively.

No remuneration was paid by us to our Directors or the five highest paid individuals as an inducement to join or upon joining us or as a compensation for loss of office in respect of the three years ended December 31, 2015, 2016 and 2017 and the nine months ended September 30, 2018. Further, none of our Directors had waived or agreed to waive any remuneration during the same period.

Pursuant to the existing arrangements that are currently in force as of the date of this prospectus, the amount of remuneration (including benefits in kind but excluding discretionary bonuses) payable to our Directors by our Company for the year ended December 31, 2018 is estimated to be RMB6.1 million in aggregate.

Following the Listing, the Remuneration Committee will review and approve the remuneration proposals and compensation packages of our Directors and senior management, taking into account, among others, salaries paid by comparable companies as well as time commitment and responsibilities and employment conditions of our Group.

BOARD DIVERSITY POLICY

In order to enhance the quality of the performance of our Board and to support the attainment of our Company's strategic objectives and sustainable development, we have adopted a board diversity policy (the "**Board Diversity Policy**"). Pursuant to the Board Diversity Policy, we seek to achieve Board diversity through the consideration of a number of factors when selecting candidates to our Board, including but not limited to gender, skills, age, professional experience, knowledge, cultural and education background, ethnicity and length of service. Appointments will ultimately be based on merit and the contributions the selected candidates will bring to our Board. Our Board believes that such merit-based appointments will best enable our Company to service our Shareholders and other stakeholders.

Our Directors have a balanced mix of knowledge and skills, including in overall management and strategic development, sales and marketing, finance and accounting, law, consulting and corporate governance, as well as experience in the iron and steel, coal and petrochemical industries. Our Directors also obtained degrees in various majors including business administration, coal chemistry, metallurgical engineering, industrial economy administration, accounting, statistics, law, international trade and chemical engineering. Our Company has three Independent Non-executive Directors with different industry backgrounds, representing one-third of the members of our Board. Furthermore, our Board has a wide range of age, ranging from 28 years old to 60 years old. Out of the nine Directors, only Mr. Yang Xuegang and Mr. Yang Lu are related. Taking into account our existing business model and specific needs as well as the different backgrounds and abilities of our Directors, the composition of our Board satisfies our Board Diversity Policy, despite the lack of gender diversity.

Our Nomination Committee is responsible for reviewing the diversity of our Board. After the Listing, our Nomination Committee will monitor the implementation of the Board Diversity Policy, and review the Board Diversity Policy from time to time to ensure its continued effectiveness. Our Nomination Committee will also include in our annual corporate governance report a summary of the Board Diversity Policy together with measurable objectives set for implementing the Board Diversity Policy, the progress made towards achieving those objectives, as well as the Board's composition from a diversity perspective.

So far as our Directors are aware, immediately following the completion of the Global Offering (assuming that the options that may be granted under the Share Option Scheme are not exercised), the following persons will have an interest or a short position in the Shares or the underlying Shares of our Company which will be required to be disclosed to our Company and the Stock Exchange pursuant to the provisions of Division 2 and 3 of Part XV of the SFO, or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any of our subsidiaries:

Name of Shareholder	Nature of interest	Number of Shares and approximate percentage of Shares held as of the Latest Practicable Date		Number of Shares and percentage of Shares held after the completion of the Global Offering (assuming that the Over-allotment Option is not exercised)		Number of Shares and percentage of Shares held after completion of the Global Offering (assuming that the Over-allotment Option is exercised in full)	
First Milestone	Beneficial owner	240,512,078	25.0%	849,408,259	21.2%	849,408,259	20.8%
Texson[1]	Beneficial owner	641,812,350	66.7%	2,266,666,669	56.7%	2,266,666,669	55.4%
	Interest in controlled corporation	240,512,078	25.0%	849,408,259	21.2%	849,408,259	20.8%
Mr. Yang[2]	Interest in controlled corporation	882,324,428	91.6%	3,116,074,928	77.9%	3,116,074,928	76.2%

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 held by First Milestone.

(2) Texson is wholly-owned by Mr. Yang. Accordingly Mr. Yang is deemed to be interested in the Shares held by Texson and First Milestone.

Save as disclosed above, our Directors are not aware of any person who will, immediately following the completion of the Global Offering (assuming that the Over-allotment Option or any options that may be granted under the Share Option Scheme are not exercised), have an interest or a short position in the Shares or underlying Shares which will be required to be disclosed to our Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any of our subsidiaries.

AUTHORIZED AND ISSUED SHARE CAPITAL

The following is a description of the authorized and issued share capital of our Company in issue as of the Latest Practicable Date and to be issued as fully paid or credited as fully paid immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised):

As of the Latest Practicable Date	
	HK$
Authorized share capital:	
10,000,000,000 Shares of HK$0.10 each	1,000,000,000.00
Issued share capital:	
962,718,524 Shares of HK$0.10 each	96,271,852.40
Immediately after Completion of the Global Offering	
	HK$
Authorized share capital:	
10,000,000,000 Shares of HK$0.10 each	1,000,000,000.00
Issue of Shares as part of the Capitalization Issue:	
2,437,281,476 Shares of HK$0.10 each	243,728,147.60
Issue of Shares as part of the Global Offering:	
600,000,000 Shares of HK$0.10 each	60,000,000.00
Total issued Shares on completion of the Global Offering:	
4,000,000,000 Shares of HK$0.10 each	400,000,000.00

ASSUMPTIONS

The table above assumes that the Global Offering becomes unconditional and is completed in accordance with the relevant terms and conditions and that the Shares are issued pursuant to the Global Offering. The above does not take into account any options which may be granted under the Share Option Scheme and any Shares which may be issued or repurchased by our Company pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below.

RANKING

The Offer Shares are ordinary shares in the share capital of our Company and rank equally with all Shares currently in issue or to be issued and, in particular, will rank in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this prospectus.

THE SHARE OPTION SCHEME

We have conditionally adopted the Share Option Scheme on February 21, 2019, which will be effective upon Listing. The principal terms of the Share Option Scheme are summarized in the section headed "Statutory and General Information – 4. Share Option Scheme" in Appendix VI to this prospectus.

GENERAL MANDATE TO ISSUE SHARES

Our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares and to make or grant share sale plans, agreements or options which would or might require the exercise of such powers to allot, issue and deal with the Shares, with an aggregate number of Shares allotted or agreed to be allotted, otherwise than by way of rights issue or pursuant to the exercise of any options which may be granted under any Share Option Scheme or by virtue of scrip dividend schemes or similar arrangements in accordance with our Articles, not more than the sum of:

(i) 20% of the aggregate number of Shares in issue and to be issued immediately following completion of the Global Offering on the Listing Date (including, without limitation, any issue of Shares pursuant to the Capitalization Issue); and

(ii) the aggregate number of Shares repurchased by our Company (if any) under the general mandate to repurchase Shares referred to below.

This mandate will expire at the earliest of:

(i) the conclusion of our Company's next annual general meeting;

(ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any other applicable laws and regulations of the Cayman Islands to be held; or

(iii) when varied or revoked by an ordinary resolution of our Shareholders in a general meeting.

Please refer to the section headed "Statutory and General Information – 1. Further Information about Our Group – (c) Resolutions of our Shareholders passed on February 21, 2019" in Appendix VI to this prospectus for details of this general mandate.

GENERAL MANDATE TO REPURCHASE SHARES

Our Directors have been granted a general unconditional mandate to exercise all of the powers of our Company to repurchase Shares with a total number of Shares of not more than 10% of the aggregate number of Shares immediately following completion of the Global Offering and the Capitalization Issue but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option.

This mandate only relates to repurchases made on the Stock Exchange, or any other stock exchange(s) on which the Shares may be listed (and which is recognized by the SFC and the Stock Exchange for this purpose), and which are made in accordance with all applicable laws and/or requirements of the Listing Rules. A summary of the relevant Listing Rules is set out in "Statutory and General Information – 1. Further Information about Our Group – (f) Repurchase by our Company of our own securities" in Appendix VI to this prospectus.

This mandate will expire at the earliest of:

(i) the conclusion of our Company's next annual general meeting;

(ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any other applicable laws and regulations of the Cayman Islands to be held; or

(iii) when varied or revoked by an ordinary resolution of our Shareholders in a general meeting.

Please refer to the section headed "Statutory and General Information – 1. Further Information about Our Group – (c) Resolutions of our Shareholders passed on February 21, 2019" in Appendix VI to this prospectus for details of this repurchase mandate.

SHAREHOLDERS' GENERAL MEETINGS AND CLASS MEETINGS

For details of circumstances under which the Shareholders' general meetings and class meetings are required, please refer to "Summary of the Constitution of our Company and Cayman Islands Company Law – 2. Articles of Association – (e) Meetings of members" in Appendix V to this prospectus.

*The following discussion should be read in conjunction with our consolidated financial information as of and for each of the years ended December 31, 2015, 2016 and 2017 and the nine months ended September 30, 2017 and 2018, together with the accompanying notes, as set forth in the Accountants' Report in Appendix I to this prospectus. Our consolidated financial information has been prepared in accordance with International Financial Reporting Standards ("**IFRS**"), which may differ in material aspects from generally accepted principles in other jurisdictions, including the United States.*

The following discussion and analysis contains certain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on our assumptions and analysis in light of our experience and historical trends, current conditions and expected future developments, as well as factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties. Factors that could cause or contribute to such differences include those disclosed in the section headed "Risk Factors."

OVERVIEW

We are an integrated coke, coking chemical and refined chemical producer and supplier in China. We were the world's largest independent producer and supplier of coke by volume in 2017, according to Frost & Sullivan. We also held leading positions in a number of refined chemical sectors in China or globally. According to Frost & Sullivan, we were the largest producer of industrial-naphthalene-based phthalic anhydride and coke-oven-gas-based methanol by volume in China in 2017. We were also the largest coking crude benzene processor and the fifth largest coal tar processor by volume globally in 2017.

Our Business Segments

Our business consists of three segments:

- *Coke and coking chemicals*. Coke is our primary product. Our coking chemical products principally include coal tar, coke oven gas and crude benzene, which are by-products from the production of coke and mainly used as raw materials in the production of refined chemicals;

- *Refined chemicals*. Our refined chemical products principally include carbon material chemicals, alcohol-ether chemicals and aromatic chemicals; and

- *Trading*. We engage in the trading of coal, coke and refined chemicals.

We provided operation management and technology output services to third-party producers during the Track Record Period. The income from such management services are included in the trading segment.

Our Performance

We mainly market our products in China. During the Track Record Period, we generated almost all of our revenue in China. Our total revenue increased from RMB9,993.1 million in 2015 to RMB12,216.6 million in 2016 and further to RMB18,658.3 million in 2017, representing a CAGR of 36.6%. Our revenue increased from RMB14,536.9 million for the nine months ended September 30, 2017 to RMB15,656.7 million for the nine months ended September 30, 2018, representing a growth of 7.7%. Our profit attributable to owners of the Company increased 110.0% from RMB359.3 million in 2016 to RMB754.7 million in 2017, compared to a loss of RMB507.1 million in 2015. Our profit attributable to owners of the Company increased from RMB532.6 million for the nine months ended September 30, 2017 to RMB1,453.5 million for the nine months ended September 30, 2018, representing growth of 172.9%.

The average selling price of our coke increased from RMB1,787.6 per ton (net of VAT) for the nine months ended September 30, 2018 to RMB2,023.0 per ton (net of VAT) for the three months ended December 31, 2018, based on our unaudited management accounts for the three months ended December 31, 2018. Our business, total revenue and gross profit have continued to grow since September 30, 2018. Based on our unaudited management accounts for the three months ended December 31, 2018, our unaudited revenue and gross profit for the three months ended December 31, 2018 were comparatively higher than those for the same period in 2017 due to larger spreads between the selling prices of our products and the procurement prices of raw materials.

BASIS OF PRESENTATION

The historical financial information has been prepared based on International Financial Reporting Standards ("**IFRS**") issued by the International Accounting Standard Board and the principles of merger accounting applicable for the Group Reorganization described below (the "**Group Reorganization"**). To prepare for listing the Company's shares on The Stock Exchange of Hong Kong Limited, we underwent the Group Reorganization as detailed in the section headed "History, Reorganization and Corporate Structure" in this prospectus.

The IASB has issued a number of new and revised IFRSs. For purposes of preparing the historical financial information, we have adopted all applicable new and revised IFRSs that are effective for the accounting period beginning on January 1, 2018, including IFRS 15 Revenue from contracts with customers, throughout the Track Record Period, except for IFRS 9 Financial Instruments, which we have adopted since January 1, 2018. We have applied IFRS 9 to items that existed as of January 1, 2018 in accordance with the transition requirements. We have recognized the cumulative effect of initial application as an adjustment to opening equity as of January 1, 2018. Therefore, the financial information for the years ended or as of December 31, 2015, 2016 and 2017 continues to be reported under IAS 39. We do not believe the adoption of

IFRS 15, compared to IAS 18, will have a significant impact on our financial position and performance. The adoption of IFRS 9, compared to IAS 39, has no material impact on our financial position and performance. The illustration of the impact is set out in Note 3 to the Accountants' Report. We have not adopted any other new standards or interpretations that are not yet effective for the accounting period beginning on January 1, 2018. The revised and new accounting standards and interpretations that were issued but were neither effective for the accounting period beginning on January 1, 2018 nor adopted by us are set out in Note 3 to the Accountants' Report.

On December 22, 2017, we acquired an additional 46.57% equity interest in Cangzhou Risun Chemicals, which increased our holdings from 43.35% to 89.92%. Prior to June 8, 2016, our Group, Xuyang Holding and Yingde Gases HK owned 46.77%, 17.23% and 36.0% of the equity interests in Cangzhou Risun Chemicals, respectively. Our Group and Xuyang Holding had the right to appoint three out of the five directors on the board of directors of Cangzhou Risun Chemicals. A two-thirds majority vote of the board of directors was required to decide relevant activities of Cangzhou Risun Chemicals. As a result, Cangzhou Risun Chemicals was accounted for as our joint venture prior to June 8, 2016.

On June 8, 2016, our Group and Yingde Gases HK entered into an equity transfer agreement with Xuyang Holding, pursuant to which our Group and Yingde Gases HK transferred 3.42% and 25.92% equity interests in Cangzhou Risun Chemicals, respectively, to Xuyang Holding. In consideration, Xuyang Holding would (i) inject a corresponding amount of capital into Cangzhou Risun Chemicals and (ii) fulfill part of the outstanding obligations of both the Group and Yingde Gases HK to contribute to the capital of Cangzhou Risun Chemicals incurred in a previous round of capitalization of Cangzhou Risun Chemicals. Following these transactions, our Group, Xuyang Holding and Yingde Gases HK owned 43.35%, 46.57% and 10.08% equity interests in Cangzhou Risun Chemicals, respectively.

Upon amendment of the articles of association of Cangzhou Risun Chemicals on June 8, 2016, our Group and Xuyang Holding each had the right to appoint one of the three directors on the board of Cangzhou Risun Chemicals. This gave the Controlling Shareholders control of Cangzhou Risun Chemicals. Consequently, our Group and Cangzhou Risun Chemicals were under common control before and after the acquisition of 46.57% equity in Cangzhou Risun Chemicals by our Group, and that control was not transitory. Accordingly, our Group and Cangzhou Risun were regarded as continuing entities as of June 8, 2016 and hence the acquisition was accounted for as combinations of entities under common control by applying the principles of merger accounting. The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended December 31, 2016 and 2017 include the results, changes in equity and cash flows of the Group as if the group structure upon completion of the Group Reorganization had existed throughout the period from June 8, 2016 to December 22, 2017. The consolidated statement of financial position as of December 31, 2016 included the assets and liabilities of the Group as if the group structure upon completion of our Group Reorganization had existed on that date.

Going concern

As of September 30, 2018, we had net current liabilities of RMB6,570.4 million. Based on historical renewal rates as well as terms of renewal in our credit facility agreements and communications with the relevant banks, our Directors believe at least 60% of bank loans and certain other bank facilities as of September 30, 2018 can be successfully renewed upon maturity. The Directors are of the view that, taking into consideration our current cash and cash equivalents, anticipated cash flow from operations and the availability of our unutilized banking facilities amounting to RMB4,531.2 million as of the Latest Practicable Date, of which RMB2,000.0 million is with conditions to be determined by a bank, and assuming that approximately 60% of bank loans and certain other bank facilities as of September 30, 2018 will be successfully renewed upon maturity, we have sufficient financial resources to meet our capital expenditure requirements and liabilities as and when they fall due for at least the next 12 months from the date of this prospectus. Accordingly, the underlying financial statements and the historical financial information are prepared on a going concern basis.

On the above basis, the Directors believe that we will continue as a going concern and have prepared the historical financial information on a going concern basis. The historical financial information does not include adjustments relating to the carrying amount and classification of assets and liabilities that might be necessary if we are unable to continue as a going concern.

SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

During the Track Record Period, the following factors significantly affected our results of operations and financial condition:

General economic conditions and demand in downstream industries

We sell substantially all of our products in the PRC. General economic conditions in the PRC affect the market prices of and demand for our products, as well as the prices of coking coal, the primary raw material for the production of coke, coking chemicals and refined chemicals. Sales of our products primarily depend on domestic consumption of coke, coking chemicals and refined chemicals by the iron and steel industry and chemical industry.

Coke constitutes a key raw material used in the production of iron and steel. Coking chemicals and refined chemicals are mainly used as raw materials in the chemical industry to produce various materials in downstream industries, such as rubber, textiles and pharmaceuticals.

During economic downturns, the average selling prices of our products may decrease. As a result, we may seek to adjust our purchase and sale strategies to adapt to such conditions, such as by reducing the procurement costs of raw materials by centralizing our procurement, adjusting payment terms or procuring alternative raw materials. Our trading activities may also decrease during economic downturns.

When economic conditions recover, we may raise prices to reflect increased market demand and raw material prices. Our trading activities may also increase as demand for coal, coke and refined chemicals rises.

During the Track Record Period, the market for our coke experienced a downturn in 2015, but recovered substantially from 2016 through the nine months ended September 30 2018. As a result, our results of operations, working capital position and operating cash flows fluctuated substantially during these periods, and may do so again if market conditions change in the future.

Prices of our products and raw materials

We believe that the prevailing market prices of our products and raw materials are generally driven by supply and demand. Since we sell our products and procure our raw materials based on prevailing market prices, and the prices of our products typically move in tandem with market prices of coke and refined chemicals, we believe we can negotiate the prices of our products and raw materials according to market price fluctuations.

Prices of our products

We are exposed to movements in the market prices of our products. Historically, market prices for coke, coking chemicals, and refined chemicals have fluctuated significantly. The prices of our products depend on a number of factors, including:

- government policies and the macroeconomy;
- supply of, and demand for, our products;
- prices of our principal raw materials, as well as PRC domestic and global economic conditions;
- the characteristics and quality of our products;
- prices of chemicals and crude oil in the PRC and international market; and
- our transportation costs, the availability of transportation capacity and means of transportation.

For example, the increase in the price at which we sold coke to external parties during the Track Record Period was primarily driven by the decreased supply resulting from government policies that eliminated production capacity and improved environmental protection. The increase in the price of our refined chemical products was mainly driven by decreased supply resulting from a decreased supply of raw materials, which was a result of the government's greater efforts at environmental protection.

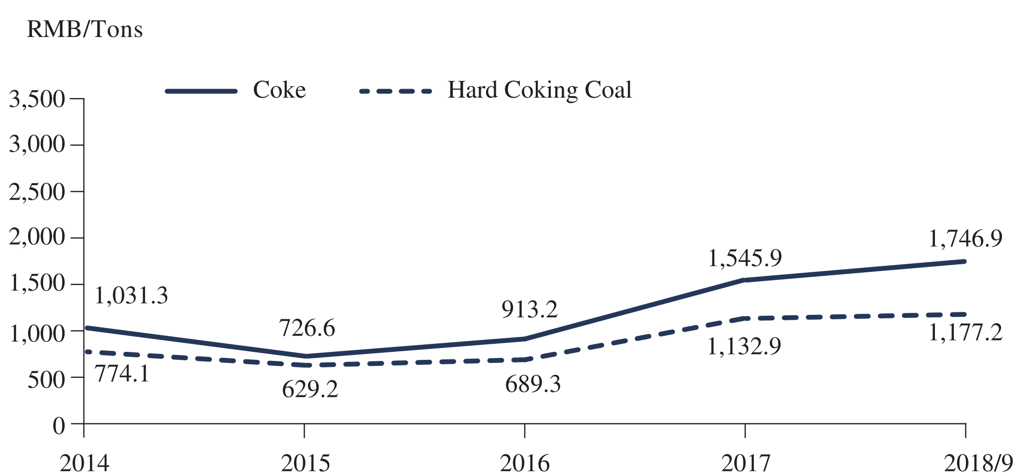
Please refer to the section headed "Business – Our Business Segments – Average selling prices" in this prospectus for more details.

Prices of our raw materials

The supply of coal also affects our results of operations. Tightened environmental regulations or increased industry consolidation in the coal industry could reduce the supply or increase the price of coal. Decreases in coal supplies could increase our operating costs.

Increases or decreases in the price of coal may not immediately result in changes in the prices of our products. If prices of our products rise while the price of coal does not, we may benefit from the widening spread between the prices of raw materials and our products. If the prices of our products decrease while the price of coal does not, we may suffer from narrowing spreads. For instance, the average selling price of our coke decreased in December 2015 while the average purchase price of coking coal remained stable during the same period, which led to a narrowed spread for our sales in December 2015. The following chart shows the average prices of coke and hard coking coal in the PRC during the Track Record Period:

The Average Prices of Coke (PRC) and Hard Coking Coal (PRC), 2015–2018.9



Production capacity, production volume and sales volume

The sales volume of our products principally depended on our production capacity. During the Track Record Period, we operated at nearly full capacity and we sold substantially all the coke and refined chemical products that we produced. The production volume and sales volume of our products are also subject to a number of other factors, including government policies and the macroeconomy, demand for our products and competition. In particular, our production volume is subject to government policies for production capacity elimination and environmental protection, such as limitation on production days. For details on our annual capacity, production or processing volume and the utilization rates of our main production lines during the Track Record Period, please refer to the section headed "Business – Production Facilities and Capacities" in this prospectus. For details on our sales volume, please refer to the section headed "Business – Sales and trading volume" in this prospectus.

Competition

Our results of operations and financial condition depend on our ability to compete effectively against other coke, coking chemical and refined chemical producers and suppliers. We face intense competition from independent coke producers. We also compete in the domestic and international refined chemical markets with other domestic and international suppliers of refined chemicals.

Our ability to compete in the coke and coking chemical industry and refined chemical industry often depends on various factors, such as the quality and stability of raw material supplies, our product quality and characteristics, the availability and cost of transportation, our sales network and our working capital.

We believe that for us to remain competitive in this environment, we must sustain our competitive advantages and strengths by managing our production costs, increasing our production, maintaining stable supplies of raw materials, expanding a stable customer base, as well as maintaining reliable transportation arrangements.

Relationships with our suppliers

While we produce certain raw materials for the production of our refined chemicals internally from our coke and coking chemical production, we sourced most of our coking coal externally during the Track Record Period. Maintaining our relationships with suppliers is important to maintain a timely and adequate supply of raw materials.

We source a large proportion of our coking coals from suppliers located in Hebei and Shanxi. We have established long-term strategic relationships with our key suppliers. Some of them have maintained business relationships with us for more than five years. Any material adverse change in our relationships with suppliers or other factors affecting the supply of raw materials could impact our results of operations and financial condition. Please refer to the paragraph headed "Risk Factors – Risks Relating to our Business and Industry – Unstable supplies of raw materials that meet our standards could impair our operations and adversely affect our profitability, results of operations and reputation" in this prospectus.

Access to and cost of financing

In addition to cash generated from our operations, we financed our operations and capital expenditures primarily through bank and other loans during the Track Record Period. Our bank and other loans totalled RMB7,437.0 million, RMB10,743.9 million, RMB9,780.2 million and RMB8,692.9 million as of December 31, 2015, 2016 and 2017 and September 30, 2018, respectively.

Our finance costs for the years ended December 31, 2015, 2016 and 2017 and the nine months ended September 30, 2017 and 2018 were RMB485.5 million, RMB528.3 million, RMB624.2 million, RMB470.3 million and RMB496.1 million, accounting for 4.9%, 4.3%, 3.3%, 3.2% and 3.2% of our total revenue, in each case respectively.

The interest rates for our bank and other borrowings during the Track Record Period range between 1.2% and 12.6% per annum. The interest rates we pay on our borrowings, as well as our ability to repay or refinance our borrowings, significantly impact our financial condition and results of operations. For further details, please see Note 30 to the Accountants' Report in Appendix I to this prospectus.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

We have identified certain accounting policies related to the preparation of our consolidated financial information in accordance with IFRS. The Accountants' Report in Appendix I to this prospectus sets forth these significant accounting policies, which are important to understanding our financial condition and results of operations. Some accounting policies involve subjective assumptions, estimates and judgments related to assets, liabilities, income, expenses and other accounting items.

We base our estimates on historical experience and other assumptions that we believe to be reasonable under the circumstances. Results may differ under different assumptions and conditions. Our management has identified below the accounting policies, estimates and judgments that are most critical to the preparation of our consolidated financial information.

Revenue recognition

Application of various accounting principles related to the measurement and recognition of revenue requires us to make judgments and estimates. Specifically, significant judgments include determining whether we are acting as the principal in a transaction. We are a principal in a transaction if we obtain control of the products sold or services provided before they are transferred to customers. If control is unclear, when we are primarily obligated in a transaction, are subject to inventory risk, have latitude in establishing prices and selecting suppliers, or have several but not all of these indicators, we record revenues on a gross basis. Otherwise, we record the net amount earned as commissions from products sold or services provided.

Useful life and impairment of property, plant and equipment

In determining whether an asset is impaired, our management requires an estimation of the recoverable amount of an individual asset or the cash-generating unit to which the asset belongs, and has to exercise judgment and make a significant degree of estimation in determining the recoverable amount of the asset, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the value of the asset; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amount, including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset, we estimate the recoverable amount of the cash-generating unit to which the asset belongs. Changing the assumptions selected by our management to determine the level of impairment, including product price, volume of sales, growth rate, gross profit ratio or discount rate assumptions in cash flow projections, could materially affect the net present value used in the impairment test.

The carrying amount of property, plant and equipment less accumulated depreciation and accumulated impairment losses as of December 31, 2015, 2016 and 2017 and September 30, 2018 were RMB7,144.8 million, RMB8,694.5 million, RMB8,976.2 million and RMB9,286.5 million, respectively.

Estimated impairment of doubtful receivables

Prior to January 1, 2018, when there was objective evidence of impairment loss, we took into consideration the estimation of future cash flows. The amount of the impairment loss was measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition, where applicable). Where the actual future cash flows were less than expected, or were revised downward due to the change in facts and circumstances, a material impairment loss/further impairment loss resulted. As of December 31, 2015, 2016 and 2017, the carrying amounts of trade receivables were RMB414.5 million, RMB308.3 million and RMB137.2 million, respectively, after deducting allowance for doubtful debts of RMB117.9 million, RMB126.3 million and RMB104.6 million.

Starting from January 1, 2018, we recognize lifetime expected credit loss ("**ECL**") for trade receivables, using a provision matrix based on our historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecasted direction of conditions at the end of the reporting period. The amount of the impairment loss based on the ECL model is measured as the difference between all contractual cash flows that are due to us and all the cash flows that we expect to receive, discounted at the effective interest rate determined at initial recognition. Where the future cash flows are less than expected, or are revised downward due to changes in facts and circumstances, a material impairment loss may arise. As of September 30, 2018, the carrying amount of trade receivables is RMB171.9 million, after deducting allowance for doubtful debts of RMB102.6 million.

Taxation

Determining tax provisions involves judgment on the future tax treatments of certain transactions. We carefully evaluate tax implications of transactions and tax provisions are set up accordingly. The tax treatments of such transactions are reconsidered periodically to take into account of all changes in tax legislations.

The recognition of deferred tax assets requires formal assessment by us of the future profitability of related operations. In making this judgement, we evaluate, amongst other factors, the forecast financial performance, changes in technology and future assessable profits or taxable temporary differences. Where the expectations are different from the original estimates, a reversal or further recognition of deferred tax assets may arise, which would be recognized in profit or loss for the period in which such estimates are changed.

Under the current laws of Cayman Islands and the BVI, we are not subject to tax on income or capital gain. In addition, no Cayman Islands withholding tax will be imposed upon payments of dividends by us to our shareholders. Hong Kong Profits Tax was calculated at 16.5% of the estimated assessable profit for the years ended December 31, 2015 and 2016. No provision for taxation is made for the year ended December 31, 2017 and for the nine months ended September 30, 2017 and 2018 as we had no assessable profits in Hong Kong for those year/periods. Under the EIT Law and its implementation rules, the tax rate applicable for PRC group entities is 25% for the Track Record Period. Certain subsidiaries of our 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.

Goodwill and impairment test

At the end of each reporting period, goodwill has been allocated to a cash-generating unit for the purpose of impairment testing. No impairment has been recognized during the Track Record Period.

As of December 31, 2016 and 2017 and September 30, 2018, the Group prepared cash flow projections for Cangzhou Risun Chemicals based on financial budgets which were approved by management and which covered a five-year period, using a pre-tax discount rate of 12%, 12.2% and 12.5% for the first three years. The expected future cash flows beyond the initial three-year period were estimated to grow at a steady growth rate of 3%. Other key assumptions for value in use calculations were related to the estimation of cash inflows and outflows, which included budgeted sales and gross margins, and which were based on Cangzhou Risun Chemicals's past performance and management's expectations for market developments. The recoverable amount of the cash-generating unit of Cangzhou Risun Chemicals exceeded its carrying amount by RMB179.5 million, RMB252.3 million and RMB278.6 million as of December 31, 2016 and 2017 and September 30, 2018, respectively. Management believes that any reasonably possible changes in these assumptions would not cause the aggregate carrying amount of Cangzhou Risun Chemicals to exceed its aggregate recoverable amount.

DESCRIPTION OF KEY INCOME STATEMENT LINE ITEMS

The following table sets forth selected items in our consolidated statements of comprehensive income for the periods indicated:

	Year ended December 31,			Nine months ended September 30,	
	2015	2016	2017	2017	2018
	(RMB in millions)				
				(Unaudited)	
Revenue from contracts with customers	9,993.1	12,216.6	18,658.3	14,536.9	15,656.7
Cost of sales	(9,477.9)	(11,243.2)	(16,653.1)	(13,019.1)	(13,199.2)
Gross profit	515.2	973.4	2,005.2	1,517.8	2,457.5
Other income	180.3	224.4	212.6	171.2	141.9
Other gains/(losses)	70.8	356.1	(34.6)	(45.9)	90.4
Impairment losses, net of reversal	(23.3)	(22.5)	(3.2)	(4.0)	30.5
Selling and distribution expenses	(527.6)	(546.3)	(700.2)	(557.2)	(549.2)
Administrative expenses	(223.9)	(225.1)	(283.8)	(208.8)	(240.8)
Listing expenses	–	–	(11.7)	–	(17.6)
Finance costs	(485.5)	(528.3)	(624.2)	(470.3)	(496.1)
Share of results of associates	(4.1)	30.7	60.3	46.9	69.7
Share of results of joint ventures	(82.7)	128.4	225.5	202.0	334.4
(Loss)/profit before taxation	(580.8)	390.8	845.9	651.7	1,820.7
Income tax credit/ (expense)	73.7	(35.8)	(80.3)	(117.9)	(345.6)
(Loss)/profit for the year/period attributable to:					
Owners of the Company	(507.1)	359.3	754.7	532.6	1,453.5
Non-controlling interests	–	(4.3)	10.9	1.2	21.6
	(507.1)	355.0	765.6	533.8	1,475.1
Other comprehensive (expense)/ income for the year/period	(41.6)	(39.6)	21.3	16.1	(26.6)
Total comprehensive (expense)/income for the year/period	(548.7)	315.4	786.9	549.9	1,448.5
Total comprehensive (expense)/income for the year/period attributable to owners of the Company	(548.7)	319.7	776.0	548.7	1,426.9

Revenue from contracts with customers

The following table sets forth revenue from our three reportable operating segments as an absolute amount and as a percentage of our total revenue for the periods indicated:

	Year ended December 31,						Nine months ended September 30,			
	2015		2016		2017		2017		2018	
	(RMB in millions, except for percentages)									
							(Unaudited)			
Coke and coking chemicals	3,752.7	37.6%	4,882.9	40.0%	7,875.6	42.2%	6,175.7	42.5%	7,118.2	45.5%
Refined chemicals	4,205.6	42.0%	5,268.2	43.1%	8,375.5	44.9%	6,344.8	43.6%	6,425.2	41.0%
Trading	2,034.8	20.4%	2,065.5	16.9%	2,407.2	12.9%	2,016.4	13.9%	2,113.3	13.5%
Total revenue	**9,993.1**	**100.0%**	**12,216.6**	**100.0%**	**18,658.3**	**100.0%**	**14,536.9**	**100.0%**	**15,656.7**	**100.0%**

We generate revenue in our coke and coking chemical business primarily from sales of coke. Our coke and coking chemical business accounted for approximately 37.6%, 40.0%, 42.2%, 42.5% and 45.5% of our total revenue for the years ended December 31, 2015, 2016 and 2017 and the nine months ended September 30, 2017 and 2018, respectively.

We generate revenue in our refined chemical business primarily from sales of carbon material chemicals, aromatic chemicals and alcohol-ether chemicals. Our refined chemical production business accounted for approximately 42.0%, 43.1%, 44.9%, 43.6% and 41.0% of our total revenue for the years ended December 31, 2015, 2016 and 2017 and the nine months ended September 30, 2017 and 2018, respectively.

We generate revenue in our trading business primarily from trading of coke, coal and refined chemicals. Our trading business accounted for approximately 20.4%, 16.9%, 12.9%, 13.9% and 13.5% of our total revenue for the years ended December 31, 2015, 2016 and 2017 and the nine months ended September 30, 2017 and 2018, respectively.

Revenue by products

The following table sets forth revenue by products (excluding revenue from internal sales) as an absolute amount and as a percentage of our total revenue for the periods indicated:

	Year ended December 31,						Nine months ended September 30,			
	2015		2016		2017		2017		2018	
	RMB in millions	*%*	*RMB in millions*	*%*	*RMB in millions*	*%*	*RMB in millions* (Unaudited)	*%*	*RMB in millions*	*%*
Coke and coking chemicals										
Coke	3,537.7	35.4	4,739.5	38.8	7,705.1	41.3	6,040.5	41.5	6,937.0	44.3
Coal tar[(1)]	19.3	0.2	9.5	0.1	14.2	0.1	8.3	0.1	29.0	0.2
Coke oven gas[(2)]	0.6	0.0	1.4	0.0	1.7	0.0	1.5	0.0	12.4	0.1
Crude benzene[(3)]	–	–	–	–	–	–	–	–	3.3	0.0
Others	195.1	2.0	132.5	1.1	154.6	0.8	125.4	0.9	136.5	0.9
Subtotal	**3,752.7**	**37.6**	**4,882.9**	**40.0**	**7,875.6**	**42.2**	**6,175.7**	**42.5**	**7,118.2**	**45.5**
Refined chemicals										
Carbon material chemicals										
Coal tar pitch	341.4	3.4	357.0	2.9	836.5	4.5	628.8	4.3	731.1	4.7
Industrial naphthalene[(4)]	92.4	0.9	14.1	0.1	23.2	0.1	12.5	0.1	5.0	0.0
Carbon black oil	305.2	3.1	261.7	2.1	427.0	2.3	311.0	2.1	339.7	2.2
Phthalic anhydride	30.0	0.3	628.8	5.1	689.3	3.7	503.3	3.5	505.9	3.3
Anthracene oil	58.6	0.5	116.9	1.0	252.0	1.4	167.6	1.1	272.4	1.7
Alcohol-ether chemicals										
Methanol	568.6	5.7	530.1	4.3	710.1	3.8	559.3	3.8	540.2	3.5
DME	297.1	3.0	227.9	1.9	362.5	1.9	230.6	1.6	221.9	1.4
Aromatics chemicals										
Benzene	1,494.0	15.0	1,935.8	15.8	2,595.3	13.9	1,944.0	13.4	1,726.1	11.0
Caprolactam	–	–	135.4	1.1	1,360.9	7.3	1,040.1	7.1	1,258.1	8.0
Toluene and Xylene	381.1	3.8	488.8	4.0	533.4	2.9	429.5	3.0	394.7	2.5
Cyclohexane[(5)]	291.8	2.9	170.8	1.4	10.2	0.1	10.2	0.1	–	–
Others	345.4	3.4	400.9	3.4	575.1	3.0	507.9	3.5	430.1	2.7
Subtotal	**4,205.6**	**42.0**	**5,268.2**	**43.1**	**8,375.5**	**44.9**	**6,344.8**	**43.6**	**6,425.2**	**41.0**
Trading										
Coal	639.6	6.4	770.9	6.3	875.3	4.7	938.0	6.4	685.3	4.4
Coke	735.6	7.4	730.5	6.0	1,155.7	6.2	734.2	5.1	1,111.5	7.1
Refined chemicals	659.6	6.6	564.1	4.6	376.2	2.0	344.2	2.4	303.7	1.9
Management service	–	–	–	–	–	–	–	–	12.8	0.1
Subtotal	**2,034.8**	**20.4**	**2,065.5**	**16.9**	**2,407.2**	**12.9**	**2,016.4**	**13.9**	**2,113.3**	**13.5**
Total	**9,993.1**	**100.0**	**12,216.6**	**100.0**	**18,658.3**	**100.0**	**14,536.9**	**100.0**	**15,656.7**	**100.0**

Notes:

(1) In 2015, 2016 and 2017 and the nine months ended September 30, 2017 and 2018, revenue from our internal sale of coal tar amounted to RMB245.6 million, RMB207.0 million, RMB380.0 million, RMB279.0 million and RMB299.5 million, respectively.

(2) In 2015, 2016 and 2017 and the nine months ended September 30, 2017 and 2018, revenue from our internal sale of coke oven gas amounted to RMB450.5 million, RMB346.0 million, RMB309.9 million, RMB250.3 million and RMB224.8 million, respectively.

(3) In 2015, 2016 and 2017 and the nine months ended September 30, 2017 and 2018, revenue from our internal sale of crude benzene amounted to RMB186.1 million, RMB176.9 million, RMB232.2 million, RMB183.0 million and RMB159.9 million, respectively.

(4) In 2015, 2016 and 2017 and the nine months ended September 30, 2017 and 2018, revenue from our internal sale of industrial naphtlalene amounted to RMB84.1 million, RMB212.2 million, RMB244.1 million, RMB176.8 million and RMB254.1 million, respectively.

(5) In 2015, 2016 and 2017 and the nine months ended September 30, 2017 and 2018, revenue from our internal sale of cyclohexane amounted to nil, RMB192.5 million, RMB428.8 million, RMB369.0 million and RMB287.5 million, respectively.

Revenue by geographic location

During the Track Record Period, substantially all of the Group's revenue and profit were derived from sales in China. The following table sets forth our revenue by major geographical locations, based on the registered address of our customers, for the periods indicated:

	Year ended December 31,						Nine months ended September 30,			
	2015		2016		2017		2017		2018	
	(RMB in millions, except for percentages)									
							(Unaudited)			
China										
Hebei province	4,066.7	40.7%	4,192.1	34.3%	6,296.3	33.7%	4,731.7	32.5%	4,962.4	31.7%
Tianjin	704.2	7.1%	1,342.8	11.0%	1,727.6	9.3%	1,405.1	9.7%	1,580.2	10.1%
Jiangsu province	181.7	1.8%	277.7	2.3%	1,353.0	7.3%	1,028.2	7.1%	1,527.6	9.8%
Shandong province	1,322.5	13.2%	1,249.7	10.2%	2,043.3	11.0%	1,515.7	10.4%	1,520.6	9.7%
Liaoning province	362.6	3.6%	571.0	4.7%	850.1	4.6%	656.1	4.5%	967.7	6.2%
Zhejiang province	805.0	8.1%	745.2	6.1%	960.8	5.1%	746.7	5.1%	800.1	5.1%
Others	2,151.7	21.5%	3,297.2	27.0%	4,431.2	23.7%	3,728.1	25.7%	3,422.3	21.8%
Overseas	398.7	4.0%	540.9	4.4%	996.0	5.3%	725.3	5.0%	875.8	5.6%
Total	**9,993.1**	**100.0%**	**12,216.6**	**100.0%**	**18,658.3**	**100.0%**	**14,536.9**	**100.0%**	**15,656.7**	**100.0%**

Cost of sales

Cost of sales for our coke and coking chemicals segment and our refined chemicals segment is based on the cost of production and adjusted for changes in finished goods. Cost of sales for our trading segment is the inventory cost. The following table sets forth the components of our costs of sales for the periods indicated:

	For the year ended December 31,			For the nine months ended September 30,	
	2015	**2016**	**2017**	**2017**	**2018**
			(RMB in millions)		
				(Unaudited)	
Coke and coking chemicals					
Cost of production	4,186.2	4,835.3	7,436.0	5,824.9	6,069.3
Changes in finished goods	23.0	(22.2)	7.3	2.9	(5.3)
Subtotal	4,209.2	4,813.1	7,443.3	5,827.8	6,064.0
Offset among business segments	(486.4)	(526.7)	(741.4)	(574.0)	(550.9)
Subtotal	**3,722.8**	**4,286.4**	**6,701.9**	**5,253.8**	**5,513.1**
Refined chemicals					
Cost of production	4,522.2	5,610.9	8,061.7	6,213.5	6,033.2
Changes in finished goods	59.7	(36.3)	50.4	(43.3)	(36.0)
Subtotal	4,581.9	5,574.6	8,112.1	6,170.2	5,997.2
Offset among business segments	(772.9)	(604.6)	(487.4)	(330.8)	(327.5)
Subtotal	**3,809.0**	**4,970.0**	**7,624.7**	**5,839.4**	**5,669.7**
Trading					
Inventory cost	1,946.1	1,986.8	2,326.5	1,925.9	2,016.4
Subtotal	**1,946.1**	**1,986.8**	**2,326.5**	**1,925.9**	**2,016.4**
Total	**9,477.9**	**11,243.2**	**16,653.1**	**13,019.1**	**13,199.2**

Our cost of production consists of raw material costs, direct labor costs, depreciation and amortization, and other production costs. The following table sets forth the components of our costs of production as an absolute amount and as a percentage of our costs of production for each of the coke and coking chemical segment and refined chemical segment for the periods indicated:

	For the year ended December 31,						For the nine months ended September 30,			
	2015		2016		2017		2017		2018	
	(RMB in millions, except for percentages)									
							(Unaudited)			
Coke and coking chemicals										
Raw material costs	3,541.3	84.6%	4,189.3	86.6%	6,666.0	89.6%	5,313.6	91.2%	5,573.7	91.8%
Direct labor costs	82.5	2.0%	90.5	1.9%	92.9	1.2%	75.7	1.3%	79.8	1.3%
Depreciation and amortization	188.6	4.5%	190.3	3.9%	188.2	2.5%	141.7	2.4%	153.4	2.5%
Others	373.8	8.9%	365.2	7.6%	488.9	6.7%	293.9	5.1%	262.4	4.4%
Subtotal	**4,186.2**	**100.0%**	**4,835.3**	**100.0%**	**7,436.0**	**100.0%**	**5,824.9**	**100.0%**	**6,069.3**	**100.0%**
Refined chemicals										
Raw material costs	3,695.4	81.7%	4,629.0	82.5%	6,694.5	83.0%	5,255.4	84.6%	5,103.2	84.6%
Direct labor costs	58.5	1.3%	61.2	1.1%	92.1	1.1%	62.8	1.0%	73.1	1.2%
Depreciation and amortization	166.9	3.7%	314.5	5.6%	317.9	3.9%	255.0	4.1%	248.9	4.1%
Others	601.4	13.3%	606.2	10.8%	957.2	12.0%	640.3	10.3%	608.0	10.1%
Subtotal	**4,522.2**	**100.0%**	**5,610.9**	**100.0%**	**8,061.7**	**100.0%**	**6,213.5**	**100.0%**	**6,033.2**	**100.0%**
Total	**8,798.4**		**10,446.2**		**15,497.7**		**12,038.4**		**12,102.5**	

Coke and coking chemical business

Raw material costs

Raw material costs comprise a significant component of the cost of production for our coke and coking chemical segment. Raw material costs primarily include the costs of purchasing coking coal. Raw material costs for our coke and coking chemical segment were RMB3,541.3 million, RMB4,189.3 million, RMB6,666.0 million, RMB5,313.6 million and RMB5,573.7 million for the years ended December 31, 2015, 2016 and 2017 and the nine months ended September 30, 2017 and 2018, accounting for 84.6%, 86.6%, 89.6%, 91.2% and 91.8% of the cost of production for our coke and coking chemical segment, in each case respectively.

Direct labor costs

Direct labor costs primarily consist of wages and salaries and other employment costs, such as staff benefits and social security insurance, relating to production staff at our coking plants. Direct labor costs for our coke and coking chemical segment totalled RMB82.5 million, RMB90.5 million, RMB92.9 million, RMB75.7 million and RMB79.8 million for the years ended December 31, 2015, 2016 and 2017 and the nine months ended September 30, 2017 and 2018, accounting for 2.0%, 1.9%, 1.2%, 1.3% and 1.3% of the cost of production for our coke and coking chemical segment, in each case respectively.

Depreciation and amortization

Depreciation and amortization for our coke and coking chemical segment totalled RMB188.6 million, RMB190.3 million, RMB188.2 million, RMB141.7 million and RMB153.4 million for the years ended December 31, 2015, 2016 and 2017 and the nine months ended September 30, 2017 and 2018, accounting for 4.5%, 3.9%, 2.5%, 2.4% and 2.5% of the cost of production for our coke and coking chemical segment, in each case respectively.

Others

Others for our coke and coking chemical segment primarily consist of utilities expenses such as water and electricity expenses, and repair and maintenance expenses totalled RMB373.8 million, RMB365.2 million, RMB488.9 million, RMB293.9 million and RMB262.4 million for the years ended December 31, 2015, 2016 and 2017 and the nine months ended September 30, 2017 and 2018, accounting for 8.9%, 7.6%, 6.7%, 5.1% and 4.4% of the cost of prodcution for our coke and coking chemical segment, in each case respectively.

Refined chemical business

Raw material costs

Raw material costs constitute a significant amount of the cost of production for our refined chemical segment. Raw material costs primarily consist of costs for the purchase of crude benzene, coal tar, coke oven gas and other chemicals. Raw material costs for our refined chemical segment totalled RMB3,695.4 million, RMB4,629.0 million, RMB6,694.5 million, RMB5,255.4 million and RMB5,103.2 million for the years ended December 31, 2015, 2016 and 2017 and the nine months ended September 30, 2017 and 2018, accounting for 81.7%, 82.5%, 83.0%, 84.6% and 84.6% of the cost of production for our refined chemical segment, in each case respectively.

Direct Labor costs

Direct labor costs primarily consist of wages and salaries and other employment costs, such as staff benefits and social security insurance, relating to production staff at our refined chemical plants. Direct labor costs for our refined chemical segment totalled RMB58.5 million, RMB61.2 million, RMB92.1 million, RMB62.8 million and RMB73.1 million for the years ended December 31, 2015, 2016 and 2017 and the nine months ended September 30, 2017 and 2018, accounting for 1.3%, 1.1%, 1.1%, 1.0% and 1.2%, of the cost of production for our refined chemical segment, in each case respectively.

Depreciation and amortization

Depreciation and amortization for our refined chemical segment totalled RMB166.9 million, RMB314.5 million, RMB317.9 million, RMB255.0 million and RMB248.9 million for the years ended December 31, 2015, 2016 and 2017 and the nine months ended September 30, 2017 and 2018, accounting for 3.7%, 5.6%, 3.9%, 4.1% and 4.1% of the cost of production for our refined chemical segment, in each case respectively.

Others

Others for our refined chemical segment primarily consist of utilities expenses such as water and electricity expenses, and repair and maintenance expenses totaled RMB601.4 million, RMB606.2 million, RMB957.2 million, RMB640.3 million and RMB608.0 million for the years ended December 31, 2015, 2016 and 2017 and the nine months ended September 30, 2017 and 2018, accounting for 13.3%, 10.8%, 12.0%, 10.3% and 10.1% of the cost of production for our refined chemical segment, in each case respectively.

Trading business

Inventory costs

Inventory costs for our trading segment were RMB1,946.1 million and RMB1,986.8 million, RMB2,326.5 million, RMB1,925.9 million and RMB2,016.4 million for the years ended December 31, 2015, 2016 and 2017 and the nine months ended September 30, 2017 and 2018, respectively.

Gross profit and gross profit margin

Gross profit represents the excess of revenue over cost of sales. Gross profit margin represents gross profit as a percentage of revenue. The following table breaks down our gross profit and gross profit margin by business segment:

	Year ended December 31,						Nine months ended September 30,			
	2015		2016		2017		2017		2018	
	(RMB in millions, except for percentages)									
							(Unaudited)			
Coke and coking chemicals	29.9	0.8%	596.5	12.2%	1,173.7	14.9%	921.9	14.9%	1,605.1	22.5%
Refined chemicals	396.6	9.4%	298.2	5.7%	750.8	9.0%	505.4	8.0%	755.5	11.8%
Trading	88.7	4.4%	78.7	3.8%	80.7	3.4%	90.5	4.5%	96.9	4.6%
Total	**515.2**	**5.2%**	**973.4**	**8.0%**	**2,005.2**	**10.7%**	**1,517.8**	**10.4%**	**2,457.5**	**15.7%**

Other income

Other income consists primarily of interest income, production waste sales and government grants. The following table breaks down the components of our other income for the periods indicated:

	For the year ended December 31,						For the nine months ended September 30,			
	2015		2016		2017		2017		2018	
	(RMB in millions, except for percentages)									
							(Unaudited)			
Interest income	139.3	77.3%	184.5	82.2%	184.2	86.6%	153.9	90.0%	110.6	78.0%
Production waste sales	13.4	7.4%	8.4	3.8%	4.5	2.1%	2.3	1.3%	11.8	8.3%
Government grants	20.1	11.2%	26.5	11.8%	14.8	7.0%	8.6	5.0%	12.4	8.7%
Others	7.5	4.1%	5.0	2.2%	9.1	4.3%	6.4	3.7%	7.1	5.0%
Total	**180.3**	**100.0%**	**224.4**	**100.0%**	**212.6**	**100.0%**	**171.2**	**100.0%**	**141.9**	**100.0%**

Other gains and losses

Other gains and losses consist primarily of fair value gain/(loss) on financial assets/liabilities designated at fair value through profit or loss ("**FVTPL**"), loss on foreign exchange, gain/(loss) on disposal of property, plant and equipment and prepaid lease payments, and gain on re-measurement of the interest in a joint venture. The following table sets forth the components of our other gains and losses for the periods indicated:

	For the year ended December 31,						For the nine months ended September 30,			
	2015		2016		2017		2017		2018	
	(RMB in millions, except for percentages)									
							(Unaudited)			
Fair value gain/(loss) on financial assets/ liabilities at FVTPL	44.0	62.1%	171.2	48.1%	(15.2)	43.9%	(33.4)	72.9%	111.1	122.8%
Loss on foreign exchange, net	(7.3)	(10.3%)	(7.9)	(2.2%)	(11.3)	32.7%	(8.0)	17.3%	(25.8)	(28.5%)
Gain/(loss) on disposal of										
– property, plant and equipment	7.3	10.3%	20.6	5.8%	2.0	(5.8%)	(2.9)	6.4%	0.7	0.8%
– prepaid lease payments	3.6	5.1%	80.8	22.7%	–	–	–	–	1.9	2.1%
– intangible assets	5.2	7.3%	–	–	–	–	–	–	–	–
– subsidiaries	13.5	19.1%	–	–	0.1	(0.3%)	0.1	(0.2%)	–	–
– AFS financial assets	–	–	–	–	(0.3)	0.8%	(0.3)	0.6%	–	–
Gain on re-measurement of the interest in a joint venture	–	–	88.9	25.0%	–	–	–	–	–	–
Others	4.5	6.4%	2.5	0.6%	(9.9)	28.7%	(1.4)	3.0%	2.5	2.8%
Total	**70.8**	**100.0%**	**356.1**	**100.0%**	**(34.6)**	**100.0%**	**(45.9)**	**100.0%**	**90.4**	**100.0%**

Selling and distribution expenses

Selling and distribution expenses consist primarily of freight charges for railway transportation and road transportation.

For the years ended December 31, 2015, 2016 and 2017 and the nine months ended September 30, 2017 and 2018, our total selling and distribution expenses amounted to RMB527.6 million, RMB546.3 million, RMB700.2 million, RMB557.2 million and RMB549.2 million, respectively. Our freight charges amounted to RMB439.8 million, RMB456.4 million, RMB582.9 million, RMB473.5 million and RMB460.6 million, accounting for 83.4%, 83.5%, 83.2%, 85.0% and 83.9% of our total selling and distribution expenses for the respective periods.

Administrative expenses

Administrative expenses consist primarily of staff costs, depreciation and amortization and tax expenses. For the years ended December 31, 2015, 2016 and 2017 and the nine months ended September 30, 2017 and 2018, our total administrative expenses amounted to RMB223.9 million, RMB225.1 million, RMB283.8 million, RMB208.8 million and RMB240.8 million, respectively. The following table sets forth a breakdown of our administrative expenses as an absolute amount and as a percentage of our total administrative expenses for the periods indicated:

	For the year ended December 31,						For the nine months ended September 30,			
	2015		2016		2017		2017		2018	
	(RMB in millions, except for percentages)									
							(Unaudited)			
Staff costs	60.4	27.0%	63.2	28.1%	77.4	27.3%	57.8	27.7%	76.8	31.9%
Depreciation and amortization	47.3	21.1%	49.5	22.0%	64.2	22.6%	48.1	23.0%	52.3	21.7%
Tax expenses	64.7	28.9%	59.7	26.5%	66.5	23.4%	55.6	26.6%	48.5	20.1%
Commission charge	17.3	7.7%	24.3	10.8%	27.8	9.8%	19.9	9.5%	22.7	9.4%
Others[(1)]	34.2	15.3%	28.4	12.6%	47.9	16.9%	27.4	13.2%	40.5	16.9%
Total	**223.9**	**100.0%**	**225.1**	**100.0%**	**283.8**	**100.0%**	**208.8**	**100.0%**	**240.8**	**100.0%**

Note:

(1) Others primarily include travelling expenses, office expenses and other miscellaneous expenses.

Finance costs

Finance costs consist primarily of interest on bank and other loans, finance expenses on bills receivable discounted, and finance charges on obligations under finance leases, less amounts capitalized under construction in progress. The following table sets forth the components of our finance costs as an absolute amount and as a percentage of our total finance cost for the periods indicated:

	For the year ended December 31,						For the nine months ended September 30,			
	2015		2016		2017		2017		2018	
	(RMB in millions, except for percentages)									
							(Unaudited)			
Interest on bank and other loans	272.3	56.1%	354.0	67.0%	377.9	60.5%	297.3	63.2%	329.3	66.4%
Finance expenses on bills receivable discounted	266.2	54.8%	241.5	45.7%	253.3	40.6%	176.8	37.6%	178.4	36.0%
Finance charges on obligations under finance leases	6.8	1.4%	7.7	1.5%	5.6	0.9%	3.4	0.7%	2.7	0.5%
Less:										
Amount capitalized under construction in progress	(59.8)	(12.3%)	(74.9)	(14.2%)	(12.6)	(2.0%)	(7.2)	(1.5%)	(14.3)	(2.9%)
Total	**485.5**	**100.0%**	**528.3**	**100.0%**	**624.2**	**100.0%**	**470.3**	**100.0%**	**496.1**	**100.0%**

Share of results of associates

Share of results of associates consists primarily of our share of results in Jinniu Risun Chemicals, Jingfu Coal Mining and Cabot Risun Chemicals. For the years ended December 31, 2015, 2016 and 2017 and the nine months ended September 30, 2017 and 2018, our share of results of associates amounted to losses of RMB4.1 million and gains of RMB30.7 million, RMB60.3 million, RMB46.9 million and RMB69.7 million, respectively.

Share of results of joint ventures

Share of results of joint ventures consists primarily of our share of results in Cangzhou Risun Chemicals before June 8, 2016 and CNC Risun Coking. For the years ended December 31, 2015, 2016 and 2017 and the nine months ended September 30, 2017 and 2018, our share of results of joint ventures amounted to losses of RMB82.7 million and profit of RMB128.4 million, RMB225.5 million, RMB202.0 million and RMB334.4 million, respectively. The following table sets forth a breakdown of our share of results of each joint venture as an absolute amount and as a percentage of our total share of results of joint ventures for the periods indicated:

	For the year ended December 31,						For the nine months ended September 30,			
	2015		2016		2017		2017		2018	
	(RMB in millions, except for percentages)									
							(Unaudited)			
Cangzhou Risun Chemicals[1]	(65.1)	78.7%	(9.4)	(7.3%)	–	–	–	–	–	–
CNC Risun Coking	(17.6)	21.3%	137.8	107.3%	225.5	100.0%	202.0	100.0%	334.4	100.0%
Total	**(82.7)**	**100.0%**	**128.4**	**100.0%**	**225.5**	**100.0%**	**202.0**	**100.0%**	**334.4**	**100.0%**

Note:

(1) Cangzhou Risun Chemicals became a subsidiary in June 2016.

Cangzhou Risun Chemicals' revenue amounted to RMB396.8 million and RMB100.3 million for the year ended December 31, 2015 and from January 1, 2016 to June 8, 2016, respectively. Its net loss amounted to RMB139.1 million and RMB20.0 million for the same respective periods. CNC Risun Coking's revenue amounted to RMB3,701.4 million, RMB5,544.1 million, RMB8,274.6 million, RMB6,721.7 million and RMB5,816.5 million for the years ended December 31, 2015, 2016 and 2017 and the nine months ended September 30, 2017 and 2018, respectively. CNC Risun Coking's net loss amounted to RMB39.1 million for the year ended December 31, 2015 and its net profit amounted to RMB306.2 million, RMB501.2 million, RMB448.9 million and RMB743.1 million for the years ended December 31, 2016 and 2017 and the nine months ended September 30, 2017 and 2018.

Income tax credit/(expense)

Our income tax consists of current and deferred taxes. Our income tax in the PRC primarily includes PRC enterprise income tax. For details about the PRC tax incentives our PRC subsidiaries enjoy and the effect of the EIT Law, see note 13 of the accountants' report included in Appendix I to this prospectus.

For the years ended December 31, 2015, 2016 and 2017 and the nine months ended September 30, 2017 and 2018, our income tax amounted to credit of RMB73.7 million and expenses of RMB35.8 million, RMB80.3 million, RMB117.9 million and RMB345.6 million, respectively.

For the years ended December 31, 2015, 2016 and 2017 and the nine months ended September 30, 2017 and 2018, our effective income tax rate, calculated by dividing income tax credit/expense by loss/profit before income tax, was 12.7%, 9.2%, 9.5%, 18.1% and 19.0%, respectively.

Reportable segment profit

The following table sets forth the reportable segment profit from our three reportable segments as an absolute amount and as a percentage of our total profit for the periods indicated:

	Year ended December 31,						Nine months ended September 30,			
	2015		2016		2017		2017		2018	
	(RMB in millions, except for percentages)									
							(Unaudited)			
Coke and coking chemicals	(597.0)	117.7%	146.5	41.3%	458.0	59.8%	335.6	62.9%	1,262.3	85.6%
Refined chemicals	37.7	(7.4%)	112.3	31.6%	555.3	72.5%	428.7	80.3%	541.6	36.7%
Trading	(28.4)	5.6%	181.4	51.1%	(103.5)	(13.5%)	(83.9)	(15.7%)	94.3	6.4%
Total	**(587.7)**	**115.9%**	**440.2**	**124.0%**	**909.8**	**118.8%**	**680.4**	**127.5%**	**1,898.2**	**128.7%**
Listing expenses	–	–	–	–	(11.7)	(1.5%)	–	–	(17.6)	(1.2%)
Unallocated head office and corporate income/(expenses)	6.9	(1.4%)	(49.4)	(13.9%)	(52.2)	(6.8%)	(28.7)	(5.4%)	(59.9)	(4.1%)
(Loss)/profit before taxation	(580.8)	114.5%	390.8	110.1%	845.9	110.5%	651.7	122.1%	1,820.7	123.4%
Income tax credit/(expense)	73.7	(14.5%)	(35.8)	(10.1%)	(80.3)	(10.5%)	(117.9)	(22.1%)	(345.6)	(23.4%)
(Loss)/profit for the year/period	**(507.1)**	**100.0%**	**355.0**	**100.0%**	**765.6**	**100.0%**	**533.8**	**100.0%**	**1,475.1**	**100.0%**

Our coke and coking chemical business recorded a loss for the year ended December 31, 2015 primarily as a result of the downturn in the market for coke from 2011 to 2015. Two companies in our trading business segment are our financing platforms. Operating results and financial information for each operating company are reviewed separately and aggregated into reporting segments. The finance costs incurred by the two trading companies for financing of the Group were not allocated to other reportable segments that actually used the funds and were borne by these two companies. As a result, our trading segment recorded losses for the years ended December 31, 2015 and 2017 and the nine months ended September 30, 2017.

RESULTS OF OPERATIONS

Nine months ended September 30, 2018 compared to the nine months ended September 30, 2017

Revenue from contracts with customers

Revenue increased by 7.7% from RMB14,536.9 million for the nine months ended September 30, 2017 to RMB15,656.7 million for the nine months ended September 30, 2018, primarily due to increased revenues from our coke and coking chemical business, refined chemical business and trading business.

Revenue from our coke and coking chemical business increased by 15.3% from RMB6,175.7 million for the nine months ended September 30, 2017 to RMB7,118.2 million for the nine months ended September 30, 2018, primarily as a result of an increase in the average selling price of our coke from RMB1,534.2 per ton for the nine months ended September 30, 2017 to RMB1,787.6 per ton for the nine months ended September 30, 2018, partially offset by a decrease in the volume of coke sold during the same period.

Revenue from our refined chemical business increased by 1.3% from RMB6,344.8 million for the nine months ended September 30, 2017 to RMB6,425.2 million for the nine months ended September 30, 2018, primarily as a result of increases in the average selling prices and sales volume of our coal tar pitch and anthracene oil and an increase in the average selling price of our caprolactam, partially offset by a decrease in the volume of benzene sold during the same period which was due to the suspension of production by Company X's crude benzene hydro-refining facility.

Revenue from our trading business increased by 4.8% from RMB2,016.4 million for the nine months ended September 30, 2017 to RMB2,113.3 million for the nine months ended September 30, 2018, primarily due to increases in the average trading price and trading volume of coke, partially offset by a decrease in the revenue from our trading of coal and coal chemicals due to a decrease in the trading volume.

Cost of sales

Cost of sales remained stable for the nine months ended September 30, 2017 and 2018, and amounted to RMB13,019.1 million and RMB13,199.2 million for the respective periods.

Cost of sales from our coke and coking chemical business increased by 4.9% from RMB5,253.8 million for the nine months ended September 30, 2017 to RMB5,513.1 million for the nine months ended September 30, 2018, primarily due to an increase in market prices for coking coal.

Cost of sales from our refined chemical business decreased by 2.9% from RMB5,839.4 million for the nine months ended September 30, 2017 to RMB5,669.7 million for the nine months ended September 30, 2018, primarily due to a decrease in the volume of benzene sold during the same period.

Cost of sales from our trading business increased by 4.7% from RMB1,925.9 million for the nine months ended September 30, 2017 to RMB2,016.4 million for the nine months ended September 30, 2018, primarily as a result of increased procurement price and volume of coke, partially offset by decreased procurement price of coal.

Gross profit and gross profit margin

As a result of the foregoing, gross profit increased by 61.9% from RMB1,517.8 million for the nine months ended September 30, 2017 to RMB2,457.5 million for the nine months ended September 30, 2018. Gross profit margin increased from 10.4% for the nine months ended September 30, 2017 to 15.7% for the nine months ended September 30, 2018.

Gross profit from our coke and coking chemical business increased by 74.1% from RMB921.9 million for the nine months ended September 30, 2017 to RMB1,605.1 million for the nine months ended September 30, 2018. Gross profit margin for our coke and coking chemical business increased from 14.9% for the nine months ended September 30, 2017 to 22.5% for the nine months ended September 30, 2018, primarily because the increase in the price of coke was larger than the increase in the price of coking coal in the nine months ended September 30, 2018. The increase in the price of coke was primarily driven by a decrease in the supply of coke resulting from the government's policies to eliminate production capacity and improve environmental protection.

Gross profit from our refined chemical business increased by 49.5% from RMB505.4 million for the nine months ended September 30, 2017 to RMB755.5 million for the nine months ended September 30, 2018. Gross profit margin for our refined chemical business increased from 8.0% for the nine months ended September 30, 2017 to 11.8% for the nine months ended September 30, 2018, primarily because the increase in the prices of refined chemical products (primarily caprolaetam and coal tar pitch) were larger than the increase in the prices of their raw materials in the nine months ended September 30, 2018.

Gross profit from our trading business increased by 7.1% for RMB90.5 million for the nine months ended September 30, 2017 to RMB96.9 million for the nine months ended September 30, 2018. Gross profit margin for our trading business increased from 4.5% for the nine months ended September 30, 2017 to 4.6% for the nine months ended September 30, 2018.

Other income

Other income decreased by 17.1% from RMB171.2 million for the nine months ended September 30, 2017 to RMB141.9 million for the nine months ended September 30, 2018, primarily due to a decrease in our interest income resulting from a decrease in the average interest rate on restricted bank deposits in one bank.

Other gains/(losses)

We had other gains of RMB90.4 million for the nine months ended September 30, 2018, compared to other losses of RMB45.9 million for the nine months ended September 30, 2017. The change is primarily due to (i) a fair value gain on futures contracts at FVTPL of RMB84.2 million for the nine months ended September 30, 2018, compared to a loss of RMB33.4 million for the same period in 2017; and (ii) an increase in fair value gain on listed equity securities at FVTPL from nil for the nine months ended September 30, 2017 to RMB23.9 million for the same period in 2018.

Impairment losses, net of reversal

Impairment losses (net of reversal) decreased by 862.5% from losses of RMB4.0 million for the nine months ended September 30, 2017 to gains of RMB30.5 million for the nine months ended September 30, 2018, primarily due to our enhanced efforts in receivables collection and reversal of impairment losses recognized in previous years.

Selling and distribution expenses

Selling and distribution expenses decreased slightly by 1.4% from RMB557.2 million for the nine months ended September 30, 2017 to RMB549.2 million for the nine months ended September 30, 2018, primarily due to a decrease in the volume of coke sold.

Administrative expenses

Administrative expenses increased by 15.3% from RMB208.8 million for the nine months ended September 30, 2017 to RMB240.8 million for the nine months ended September 30, 2018, primarily due to an increase in staff costs reflecting increased employee remuneration.

Finance costs

Finance costs increased by 5.5% from RMB470.3 million for the nine months ended September 30, 2017 to RMB496.1 million for the nine months ended September 30, 2018, primarily due to an increase in interest on bank loans.

Share of results of associates

Share of results of associates increased by 48.6% from RMB46.9 million for the nine months ended September 30, 2017 to RMB69.7 million for the nine months ended September 30, 2018, primarily due to increases in the shared profit of Cabot Risun Chemicals and Jinniu Risun Chemicals, as well as the achievement of profitability of Jingfu Coal Mining.

Share of results of joint ventures

Share of results of joint ventures increased by 65.5% from RMB202.0 million for the nine months ended September 30, 2017 to RMB334.4 million for the nine months ended September 30, 2018, representing an increase in the shared profit of CNC Risun Coking. The profit of CNC Risun Coking increased significantly due to the increase in the selling price of coke.

Profit before taxation

As a result of the foregoing, profit before taxation increased by 179.4% from RMB651.7 million for the nine months ended September 30, 2017 to RMB1,820.7 million for the nine months ended September 30, 2018.

Income tax

Income tax expense increased by 193.1% from RMB117.9 million for the nine months ended September 30, 2017 to RMB345.6 million for the nine months ended September 30, 2018, primarily due to an increase in profit before taxation.

Our effective income tax rate, calculated by dividing income tax credit/expense by loss/profit before income tax, increased from 18.1% for the nine months ended September 30, 2017 to 19.0% for the nine months ended September 30, 2018, primarily because our share of results of associates and joint ventures, which was not subject to income tax, as a percentage of our profit before taxation decreased.

Total comprehensive income for the period

As a result of the foregoing, profit and total comprehensive income for the period increased by 163.4% from RMB549.9 million for the nine months ended September 30, 2017 to RMB1,448.5 million for the nine months ended September 30, 2018.

Year ended December 31, 2017 compared to the year ended December 31, 2016

Revenue from contracts with customers

Revenue increased by 52.7%, from RMB12,216.6 million for the year ended December 31, 2016 to RMB18,658.3 million for the year ended December 31, 2017, due to increased revenue from all three of our businesses.

Revenue from our coke and coking chemical business increased by 61.3% from RMB4,882.9 million for the year ended December 31, 2016 to RMB7,875.6 million for the year ended December 31, 2017, primarily as a result of an increase in the average selling price of our coke from RMB938.6 per ton in 2016 to RMB1,550.0 per ton in 2017, driven by increased demand from downstream industries and favorable government policies.

Revenue from our refined chemical business increased by 59.0% from RMB5,268.2 million for the year ended December 31, 2016 to RMB8,375.5 million for the year ended December 31, 2017, primarily as a result of (i) increased selling prices of all of our major refined chemical products; and (ii) increased production and sales volume of caprolactam resulting from commencement of full scale production in the second half of 2016.

Revenue from our trading business increased by 16.5% from RMB2,065.5 million for the year ended December 31, 2016 to RMB2,407.2 million for the year ended December 31, 2017, primarily as a result of increased average trading prices for coke from RMB1,037.1 per ton in 2016 to RMB1,728.1 per ton in 2017 and increased average trading prices for coal from RMB536.5 per ton in 2016 to RMB725.8 per ton in 2017, partially offset by decreased trading volume of coke and coal.

Cost of sales

Cost of sales increased by 48.1% from RMB11,243.2 million for the year ended December 31, 2016 to RMB16,653.1 million for the year ended December 31, 2017, due to an increase in cost of sales for all three of our businesses.

Cost of sales from our coke and coking chemical business increased by 56.4% from RMB4,286.4 million for the year ended December 31, 2016 to RMB6,701.9 million for the year ended December 31, 2017, primarily as a result of an increase in market prices for coking coal.

Cost of sales from our refined chemical business increased by 53.4% from RMB4,970.0 million for the year ended December 31, 2016 to RMB7,624.7 million for the year ended December 31, 2017, primarily as a result of increased procurement prices and volumes for raw materials for our refined chemical products.

Cost of sales from our trading business increased by 17.1% from RMB1,986.8 million for the year ended December 31, 2016 to RMB2,326.5 million for the year ended December 31, 2017, primarily as a result of increased procurement prices for coke and coal, partially offset by decreased trading volume of coke and coal.

Gross profit and gross profit margin

As a result of the foregoing, gross profit increased by 106.0% from RMB973.4 million for the year ended December 31, 2016 to RMB2,005.2 million for the year ended December 31, 2017. Gross profit margin increased from 8.0% for the year ended December 31, 2016 to 10.7% for the year ended December 31, 2017.

Gross profit from our coke and coking chemical business increased by 96.8% from RMB596.5 million for the year ended December 31, 2016 to RMB1,173.7 million for the year ended December 31, 2017. Gross profit margin for our coke and coking chemical business increased from 12.2% for the year ended December 31, 2016 to 14.9% for the year ended December 31, 2017, primarily due to a larger spread between our coke selling price and our coking coal procurement price.

Gross profit from our refined chemical business increased by 151.8% from RMB298.2 million for the year ended December 31, 2016 to RMB750.8 million for the year ended December 31, 2017. Gross profit margin for our refined chemical business increased from 5.7% for the year ended December 31, 2016 to 9.0% for the year ended December 31, 2017, primarily due to larger price spread between our products and our raw materials, and commencement of the full-scale production of caprolactam, which has a high gross profit margin.

Gross profit from our trading business increased by 2.5% from RMB78.7 million for the year ended December 31, 2016 to RMB80.7 million for the year ended December 31, 2017 as a result of the foregoing. Gross profit margin for our trading business remain stable in 2016 and 2017.

Other income

Other income decreased by 5.3% from RMB224.4 million for the year ended December 31, 2016 to RMB212.6 million for the year ended December 31, 2017, primarily due to a decrease in government grants.

Other gains/(losses)

We had other losses of RMB34.6 million for the year ended December 31, 2017, compared to other gains of RMB356.1 million for the year ended December 31, 2016. The change was primarily due to (i) the fair value loss on futures contracts at FVTPL of RMB12.5 million for 2017, compared to the fair value gain on futures contracts at FVTPL of RMB171.2 million in 2016, (ii) a decrease in the gain on disposal of prepaid lease payments from RMB80.8 million to nil, and (iii) a one-time gain of RMB88.9 million in 2016 on re-measurement of the interest in Cangzhou Risun Chemicals as it was reorganized from a joint venture to a subsidiary.

Impairment losses, net of reversal

Impairment losses (net of reversal) decreased by 85.8% from RMB22.5 million for the year ended December 31, 2016 to RMB3.2 million for the year ended December 31, 2017, primarily due to our enhanced efforts in receivables collection.

Selling and distribution expenses

Selling and distribution expenses increased by 28.2% from RMB546.3 million for the year ended December 31, 2016 to RMB700.2 million for the year ended December 31, 2017, primarily due to increased use of train transportation as a result of regulations limiting the loads that vehicles used for road transportation can carry, while we ceased to receive freight charge discounts from China Railway Beijing Group Co., Ltd. in 2017.

Administrative expenses

Administrative expenses increased by 26.1% from RMB225.1 million for the year ended December 31, 2016 to RMB283.8 million for the year ended December 31, 2017, primarily due to expenses related to Cangzhou Risun Chemicals after it was consolidated into our Group as June 8, 2016.

Finance costs

Finance costs increased by 18.2% from RMB528.3 million for the year ended December 31, 2016 to RMB624.2 million for the year ended December 31, 2017, primarily due to a decrease in capitalized interest related to Cangzhou Risun Chemicals.

Share of results of associates

Share of results of associates increased by 96.4% from RMB30.7 million for the year ended December 31, 2016 to RMB60.3 million for the year ended December 31, 2017, primarily due to increases in shared profit of Cabot Risun Chemicals and Jinniu Risun Chemicals, partially offset by an increase in shared loss of Jingfu Coal Mining.

Share of results of joint ventures

Share of results of joint ventures increased by 75.6% from RMB128.4 million for the year ended December 31, 2016 to RMB225.5 million for the year ended December 31, 2017, primarily due to an increase in the shared profit of CNC Risun Coking.

Profit before taxation

As a result of the foregoing, profit before taxation increased by 116.5% from RMB390.8 million for the year ended December 31, 2016 to RMB845.9 million for the year ended December 31, 2017.

Income tax

Income tax expense increased by 124.3% from RMB35.8 million for the year ended December 31, 2016 to RMB80.3 million for the year ended December 31, 2017, primarily due to an increase in profit before taxation.

Our effective income tax rate, calculated by dividing income tax credit/expense by loss/profit before income tax, increased from 9.2% in 2016 to 9.5% in 2017 primarily due to a decrease in non-taxable income.

Total comprehensive income for the year

As a result of the foregoing, profit and total comprehensive income for the year increased by 149.5% from RMB315.4 million for the year ended December 31, 2016 to RMB786.9 million for the year ended December 31, 2017.

Year ended December 31, 2016 compared to the year ended December 31, 2015

Revenue from contracts with customers

Revenue increased by 22.3% from RMB9,993.1 million for the year ended December 31, 2015 to RMB12,216.6 million for the year ended December 31, 2016.

Revenue from our coke and coking chemical business increased by 30.1% from RMB3,752.7 million for the year ended December 31, 2015 to RMB4,882.9 million for the year ended December 31, 2016, primarily as a result of higher selling prices of our coke driven by increasing demand from downstream markets.

Revenue from our refined chemical business increased by 25.3% from RMB4,205.6 million for the year ended December 31, 2015 to RMB5,268.2 million for the year ended December 31, 2016, primarily as a result of increased sales of phthalic anhydride due to commencement of operations of our four phthalic anhydride facilities, in late 2015 and early 2016.

Revenue from our trading business remained stable for the years ended December 31, 2015 and 2016, and amounted to RMB2,034.8 million and RMB2,065.5 million for the respective periods.

Cost of sales

Cost of sales increased by 18.6% from RMB9,477.9 million for the year ended December 31, 2015 to RMB11,243.2 million for the year ended December 31, 2016, due to increased costs of sales for our coke and coking chemical business and refined chemical business.

Cost of sales from our coke and coking chemical business increased by 15.1% from RMB3,722.8 million for the year ended December 31, 2015 to RMB4,286.4 million for the year ended December 31, 2016, primarily as a result of increased market prices for coking coal, driven by decreased supply for coking coal in 2016 as a result of government regulations with respect to coal production.

Cost of sales from our refined chemical business increased by 30.5% from RMB3,809.0 million for the year ended December 31, 2015 to RMB4,970.0 million for the year ended December 31, 2016, primarily as a result of increased production and sales volumes for our refined chemical products, driven by the addition of four new phthalic anhydride production facilities.

Cost of sales from our trading business remained stable for the years ended December 31, 2015 and 2016, and amounted to RMB1,946.1 million and RMB1,986.8 million for the respective periods.

Gross profit and gross profit margin

Gross profit increased by 88.9% from RMB515.2 million for the year ended December 31, 2015 to RMB973.4 million for the year ended December 31, 2016, primarily due to increases in gross profit from our coke and coking chemical business, partially offset by decreases in gross profit from our refined chemical business. Gross profit margin increased from 5.2% for the year ended December 31, 2015 to 8.0% for the year ended December 31, 2016.

Gross profit from our coke and coking chemical business increased significantly from RMB29.9 million for the year ended December 31, 2015 to RMB596.5 million for the year ended December 31, 2016. Gross profit margin for our coke and coking chemical business increased from 0.8% for the year ended December 31, 2015 to 12.2% for the year ended December 31, 2016, primarily because the market price of coke increased significantly in 2016 while the market price of coking coal increased slightly.

Gross profit from our refined chemical business decreased by 24.8% from RMB396.6 million for the year ended December 31, 2015 to RMB298.2 million for the year ended December 31, 2016. Gross profit margin for our refined chemical business decreased from 9.4% for the year ended December 31, 2015 to 5.7% for the year ended December 31, 2016, primarily due to a smaller price spread between our products and our raw materials.

Gross profit from our trading business decreased by 11.3% from RMB88.7 million for the year ended December 31, 2015 to RMB78.7 million for the year ended December 31, 2016. Gross profit margin for our trading business decreased from 4.4% for the year ended December 31, 2015 to 3.8% for the year ended December 31, 2016, primarily because the ratio of coal to coke that we sold in our trading business increased, and coal trading had a lower gross profit margin.

Other income

Other income increased by 24.5% from RMB180.3 million for the year ended December 31, 2015 to RMB224.4 million for the year ended December 31, 2016, primarily due to increased interest income resulting from increased restricted bank deposits.

Other gains/(losses)

Other gains and losses increased significantly from a gain of RMB70.8 million for the year ended December 31, 2015 to a gain of RMB356.1 million for the year ended December 31, 2016, primarily due to (i) an increase in fair value gain on futures contracts at FVTPL from RMB44.0 million to RMB171.2 million, (ii) an increase in gain on disposal of property, plant and equipment from RMB7.3 million to RMB20.6 million, (iii) an increase in gain on disposal of prepaid lease payments from RMB3.6 million to RMB80.8 million, and (iv) a gain of RMB88.9 million occurred in 2016 on re-measurement of the interest in Cangzhou Risun Chemicals as it was reorganized from a joint venture to a subsidiary.

Impairment losses, net of reversal

Impairment losses (net of reversal) decreased by 3.4% from RMB23.3 million for the year ended December 31, 2015 to RMB22.5 million for the year ended December 31, 2016, primarily due to our enhanced effort in trade and other receivables collection.

Selling and distribution expenses

Selling and distribution expenses increased by 3.5% from RMB527.6 million for the year ended December 31, 2015 to RMB546.3 million for the year ended December 31, 2016, primarily due to increased market prices for transportation, partially offset by freight discounts from China Railway Beijing Group Co., Ltd. in 2016.

Administrative expenses

Administrative expenses remained stable at RMB223.9 million and RMB225.1 million for the years ended December 31, 2015 and 2016, respectively.

Finance costs

Finance costs increased by 8.8% from RMB485.5 million for the year ended December 31, 2015 to RMB528.3 million for the year ended December 31, 2016, primarily due to increased interest cost driven by increased bank loans and other borrowings.

Share of results of associates

Share of results of associates increased significantly from a loss of RMB4.1 million for the year ended December 31, 2015 to a gain of RMB30.7 million for the year ended December 31, 2016, primarily due to an increase in the shared profit of Cabot Risun Chemicals and Jinniu Risun Chemicals and a decrease in the shared loss of Jingfu Coal Mining.

Share of results of joint ventures

Share of results of joint ventures was a gain of RMB128.4 million for the year ended December 31, 2016, compared to a loss of RMB82.7 million for the year ended December 31, 2015, which represented the change in the share of results of CNC Risun Coking.

Profit before taxation

As a result of the foregoing, profit before taxation was RMB390.8 million for the year ended December 31, 2016, compared to a loss of RMB580.8 million for the year ended December 31, 2015.

Income tax

Income tax credit was RMB73.7 million for the year ended December 31, 2015 and income tax expense was RMB35.8 million for the year ended December 31, 2016. The income tax credit in 2015 was as a result of a loss before tax in 2015.

Our effective income tax rate, calculated by dividing income tax credit/expense by loss/profit before income tax, was 12.7% for the year ended December 31, 2015 and was 9.2% for the year ended December 31, 2016. The lower level of effective income tax rate for the year ended December 31, 2016 was primarily due to increased share of results of associates and joint ventures in 2016.

Total comprehensive income for the year

As a result of the foregoing, total comprehensive income for the year ended December 31, 2016 was RMB315.4 million, compared to a loss of RMB548.7 million for the year ended December 31, 2015.

LIQUIDITY AND CAPITAL RESOURCES

Overview

Our principal sources of liquidity have been cash from operations and debt financing from banks and other financial institutions. Our principal uses of cash have been operating costs, capital expenditures and repayment of debts in the PRC.

We manage our liquidity, working capital and funding of capital expenditures by monitoring our cash flows and predicting our cash outflows.

Cash flow

The following table sets forth a summary of our net cash flow for the periods indicated:

Selected cash flow statement data

	Year ended December 31,			Nine months ended September 30,	
	2015	2016	2017	2017	2018
	(RMB in millions)				
				(Unaudited)	
Net cash generated from operating activities	976.0	331.0	2,462.6	2,150.4	2,102.9
Net cash used in investing activities	(1,175.8)	(1,040.0)	(267.2)	(834.3)	(859.5)
Net cash generated from/ (used in) financing activities	7.4	651.8	(1,750.9)	(1,021.6)	(1,178.1)
Net (decrease)/increase in cash and cash equivalents	(192.4)	(57.2)	444.5	294.5	65.3
Cash and cash equivalent at the end of the year/period	213.2	156.6	600.0	450.5	667.3

Net cash generated from operating activities

Net cash generated from operating activities for the nine months ended September 30, 2018 was RMB2,102.9 million and primarily consisted of our profit before taxation of RMB1,820.7 million, as adjusted for non-operating and non-cash items and the effects of changes in operating assets and liabilities. Adjustment for non-operating and non-cash items primarily included: (i) an RMB496.1 million adjustment for finance costs; (ii) an RMB435.1 million adjustment for depreciation of property, plant and equipment; (iii) an RMB393.2 million increase in trade and other payables reflecting an increase in our procurement of coking coal; and (iv) an RMB92.4 million decrease in inventories reflecting a decrease in trading stock. These amounts were partially offset by: (i) an RMB334.4 million adjustment for share of profit of joint ventures; (ii) an RMB321.3 million increase in trade and other receivables reflecting an increase in prepayments for raw materials; (iii) an RMB115.5 million decrease in amounts due to related parties as a result of settlement of procurement payment to CNC Risun Coking; and (iv) an RMB110.7 million adjustment for interest income.

Net cash generated from operating activities for the nine months ended September 30, 2017 was RMB2,150.4 million and primarily consisted of our profit before taxation of RMB651.7 million, as adjusted for non-operating and non-cash items and the effects of changes in operating assets and liabilities. Adjustment for non-operating and non-cash items primarily included: (i) an RMB1,530.3 million increase in trade and other payables reflecting increased raw material payments settled by bills and higher advance payments from customers; (ii) an RMB535.8 million increase in amounts due to related parties; (iii) a RMB470.3 million adjustment for finance costs; and (iv) an RMB422.6 million adjustment for depreciation of property, plant and equipment. These amounts were partially offset by: (i) an RMB968.7 million increase in trade and other receivables reflecting an increase in sales of our products; (ii) an RMB202.0 million adjustment for share of profit of joint ventures; (iii) an RMB153.9 million adjustment for interest income; and (iv) an RMB46.9 million adjustment for share of profit of associates.

Net cash generated from operating activities for the year ended December 31, 2017 was RMB2,462.6 million and primarily consisted of our profit before taxation of RMB845.9 million, as adjusted for non-operating and non-cash items and the effects of changes in operating assets and liabilities. Adjustment for non-operating and non-cash items primarily included: (i) an RMB1,167.0 million increase in trade and other payables, reflecting increased raw material payments settled by bills and higher advance payments from customers; (ii) an RMB624.2 million adjustment for finance costs; (iii) an RMB537.2 million adjustment for depreciation of property, plant and equipment; and (iv) an RMB306.1 million increase in amounts due to related parties reflecting an increase in related party transactions. These amounts were partially offset by: (i) an RMB438.3 million increase in trade and other receivables reflecting an increase in sales of our products; (ii) an RMB225.5 million adjustment for our share of profit of joint ventures; (iii) an RMB184.2 million adjustment for interest income; and (iv) RMB124.7 million in income tax paid.

Net cash generated from operating activities for the year ended December 31, 2016 was RMB331.0 million and primarily consisted of our profit before taxation of RMB390.8 million, as adjusted for non-operating and non-cash items and the effects of changes in operating assets and liabilities. Adjustment for non-operating and non-cash items primarily included: (i) an RMB706.4 million increase in trade and other payables reflecting an increase in procurement; (ii) an RMB531.8 million adjustment for depreciation of property, plant and equipment; and (iii) an RMB528.3 million adjustment for finance costs. These amounts were partially offset by: (i) an RMB783.4 million increase in trade and other receivables reflecting an increase in the sales of our products; (ii) an RMB396.0 million increase in inventories reflecting higher procurement prices for raw materials; (iii) an RMB194.8 million decrease in amounts due to related parties reflecting a decrease in procurement payments to CNC Risun Coking and Cangzhou Risun Chemicals; (iv) an RMB184.5 million adjustment for interest income; and (v) an RMB128.4 million adjustment for share of profit of joint ventures.

Net cash generated from operating activities for the year ended December 31, 2015 was RMB976.0 million and primarily consisted of our loss before tax of RMB580.8 million, as adjusted for non-operating and non-cash items and the effects of changes in operating assets and liabilities. Adjustment for non-operating and non-cash items primarily included: (i) an RMB970.0 million decrease in trade and other receivables as a result of our continued efforts with respect to receivables collections; (ii) an RMB485.5 million adjustment for finance costs; (iii) an RMB385.3 million adjustment for depreciation of property, plant and equipment; (iv) an RMB285.0 million increase in amounts due to related parties reflecting an increase in advance payments for related party transactions; (v) an RMB259.4 million decrease in inventories reflecting lower procurement prices for raw materials; and (vi) an RMB145.6 million decrease in amounts due from related parties. These amounts were partially offset by: (i) an RMB980.8 million decrease in trade and other payables reflecting enhanced efforts of suppliers to collect payments; and (ii) an RMB139.3 million adjustment for interest income.

Net cash used in investing activities

Net cash used in investing activities for the nine months ended September 30, 2018 was RMB859.5 million, primarily attributable to: (i) placements of restricted bank balances of RMB7,421.3 million; (ii) purchases of property, plant and equipment of RMB765.4 million; and (iii) an increase in amounts due from related parties of RMB200.4 million. These amounts were partially offset by: (i) withdrawals of restricted bank deposits of RMB7,190.8 million; (ii) proceeds from disposal of prepaid lease payments of RMB92.1 million; (iii) dividends received from a joint venture of RMB73.0 million; (iv) proceeds from disposal of property, plant and equipment of RMB69.1 million; and (v) interest received of RMB68.7 million.

Net cash used in investing activities for the nine months ended September 30, 2017 was RMB834.3 million, primarily attributable to: (i) placements of restricted bank balances of RMB4,864.6 million; (ii) purchases of property, plant and equipment of RMB647.5 million; and (iii) an increase in amounts due from related parties of RMB178.8 million. These amounts were partially offset by: (i) withdrawals of restricted bank deposits of RMB4,714.0 million; (ii) interest received of RMB107.8 million; (iii) proceeds from disposal of AFS financial assets of RMB30.1 million; and (iv) dividends received from a joint venture of RMB28.8 million.

Net cash used in investing activities for the year ended December 31, 2017 was RMB267.2 million, primarily attributable to: (i) placements of restricted bank balances of RMB7,086.8 million; (ii) purchases of property, plant and equipment of RMB776.6 million; and (iii) purchase of financial assets at FVTPL of RMB100.8 million. These amounts were partially offset by: (i) withdrawals of restricted bank deposits of RMB7,363.1 million; and (ii) interest received of RMB166.0 million.

Net cash used in investing activities for the year ended December 31, 2016 was RMB1,040.0 million, primarily attributable to: (i) placements of restricted bank balances of RMB7,118.3 million; (ii) an increase in amounts due from related parties of RMB1,075.7 million; and (iii) purchases of property, plant and equipment of RMB537.9 million. These amounts were partially offset by: (i) withdrawals of restricted bank deposits of RMB7,279.5

million; (ii) government grants received of RMB114.0 million; (iii) interest received of RMB106.5 million; (iv) proceeds from disposal of property, plant and equipment of RMB104.3 million and (v) proceeds from disposal of prepaid lease payments of RMB103.5 million.

Net cash used in investing activities for the year ended December 31, 2015 was RMB1,175.8 million, primarily attributable to: (i) placements of restricted bank balances of RMB8,243.8 million; (ii) purchases of property, plant and equipment of RMB592.2 million; and (iii) an increase in amounts due from related parties of RMB182.9 million. These amounts were partially offset by: (i) withdrawals of restricted bank deposits of RMB7,820.7 million; and (ii) interest received of RMB98.7 million.

Net cash generated from/(used in) financing activities

Net cash used in financing activities for the nine months ended September 30, 2018 was RMB1,178.1 million, primarily attributable to: (i) repayment of interest-bearing borrowings of RMB6,134.9 million; (ii) interest paid of RMB483.1 million; and (iii) repayment of obligations under finance leases of RMB23.7 million. These amounts were partially offset by: (i) proceeds from new interest-bearing borrowings of RMB5,058.9 million; and (ii) proceeds from the issuance of shares of RMB412.0 million.

Net cash used in financing activities for the nine months ended September 30, 2017 was RMB1,021.6 million, primarily attributable to: (i) repayment of interest-bearing borrowings of RMB8,183.6 million; (ii) interest paid of RMB474.9 million; and (iii) a decrease in amounts due to related parties of RMB48.2 million. These amounts were partially offset by proceeds from new interest-bearing borrowings of RMB7,706.7 million.

Net cash used in financing activities for the year ended December 31, 2017 was RMB1,750.9 million, primarily attributable to: (i) repayment of interest-bearing borrowings of RMB10,262.8 million; (ii) interest paid of RMB640.3 million; and (iii) a decrease in amounts due to related parties of RMB261.4 million. These amounts were partially offset by proceeds from new interest-bearing borrowings of RMB9,442.7 million.

Net cash generated from financing activities for the year ended December 31, 2016 was RMB651.8 million, primarily attributable to: (i) proceeds from new interest-bearing borrowings of RMB9,618.0 million; and (ii) increase in amounts due to related parties of RMB144.0 million. These amounts were partially offset by: (i) repayment of interest-bearing borrowings of RMB8,633.8 million; and (ii) interest paid of RMB453.5 million.

Net cash generated from financing activities for the year ended December 31, 2015 was RMB7.4 million, primarily attributable to (i) proceeds from new interest-bearing borrowings of RMB8,455.9 million; and (ii) increase in amounts due to related parties at RMB16.4 million. These amounts were partially offset by (i) repayment of interest-bearing borrowings of RMB8,040.9 million; and (ii) interest paid of RMB421.5 million.

Capital expenditures

Capital expenditures principally consist of expenditures for property, plant and equipment, and land use rights. We have financed our capital expenditures primarily through cash flow from operations and borrowings from financial institutions. For the years ended December 31, 2015, 2016 and 2017 and the nine months ended September 30, 2018, we made the following capital expenditures:

	Year ended December 31,			Nine months ended September 30,
	2015	**2016**	**2017**	**2018**
	(RMB in millions)			
Property, plant and equipment	541.4	506.5	837.2	849.9
Land use rights	73.5	88.1	–	–
Total	**614.9**	**594.6**	**837.2**	**849.9**

In the three months ended December 31, 2018 and the year ending December 31, 2019, we expect to incur capital expenditure of RMB301.2 million and RMB609.6 million for construction of plants, development of environmental protection facilities, and upgrading and replacing equipment.

In the year ending December 31, 2019, we expect to incur capital expenditure of (i) RMB463.1 million for the payment of accounts payable from the construction of a factory building for the caprolactum production line at our Cangzhou Production Base, development of environmental protection facilities and equipment upgrades and replacements, (ii) RMB31.4 million for the ongoing construction of the new polyamide thermoplastic elastomer production line at our Cangzhou Production Base, which is expected to be completed by June 30, 2019, and (iii) RMB115.1 million for the development of environmental protection facilities by Hebei Risun Coking. Expected capital expenditure for the development of environmental protection facilities by Hebei Risun Coking include (i) RMB32.8 million for a covered coal yard project, which is expected to be completed by June 1, 2019, (ii) RMB52.5 million for a flue gas ultra-low emission and colored gas pretreatment project, which is expected to be completed by December 28, 2019, and (iii) RMB29.8 million for desulphurization and denitrification, wastewater treatment and other projects, which are expected to be completed by November 30, 2019.

Current assets and current liabilities

The following table sets forth our current assets and current liabilities as of the dates indicated:

	As of December 31,			As of September 30,	As of December 31,
	2015	2016	2017	2018	2018
			(RMB in millions)		
					(Unaudited)
Current Assets					
Inventories	311.1	761.2	807.5	715.1	1,009.0
Income tax prepayments	6.6	3.2	5.4	16.8	3.8
Trade and other receivables	2,465.1	3,387.0	3,629.8	1,015.2	1,021.5
Trade and bills receivable measured at FVTOCI	–	–	–	2,927.6	3,179.3
Prepaid lease payments	22.4	27.1	27.1	25.1	27.4
Amounts due from related parties	856.8	1,692.5	1,530.0	1,457.0	675.2
AFS financial assets	–	–	31.2	–	–
Financial assets at FVTPL	0.2	0.3	11.1	17.0	0.3
Restricted bank balances	2,627.9	3,245.4	2,803.1	3,210.7	3,453.3
Cash and cash equivalents	213.2	156.6	600.0	667.3	759.0
Total current assets	6,503.3	9,273.3	9,445.2	10,051.8	10,128.8
Current Liabilities					
Financial liabilities at FVTPL	0.7	2.4	0.1	0.5	0.5
Trade and other payables	4,986.4	5,680.0	6,646.5	7,048.3	6,528.9
Contract liabilities	813.7	864.4	1,117.7	1,292.7	1,074.7
Income tax payable	7.9	68.4	104.2	236.6	370.8
Bank and other loans	6,583.4	8,542.3	7,348.8	6,879.6	7,618.0
Obligations under finance leases	22.9	29.2	31.9	28.4	23.6
Amounts due to related parties	1,353.4	657.4	702.1	1,136.1	779.5
Total current liabilities	13,768.4	15,844.1	15,951.3	16,622.2	16,396.0
Net current liabilities	(7,265.1)	(6,570.8)	(6,506.1)	(6,570.4)	(6,267.2)

We had net current liabilities of RMB7,265.1 million, RMB6,570.8 million, RMB6,506.1 million and RMB6,570.4 million as of December 31, 2015, 2016 and 2017 and September 30, 2018, respectively. Our net current liabilities position during the Track Record Period mainly reflected our use of short-term borrowings to fund capital expenditures related to the expansion of our production capacity. As of December 31, 2018, we had net current liabilities of RMB6,267.2 million. We plan to apply approximately 40% (approximately HK$668.8 million) of the listing proceeds to repay existing debts. After such repayment, we will continue to have net current liabilities. We expect that we will record net current liabilities in the future. See the paragraph headed "– Indebtedness – Borrowings" below for more details.

Despite our net current liability position in recent years, we have not experienced material financial difficulties with respect to our cash flow for the following reasons:

- our revenue and net profit grew steadily during the Track Record Period, which helped us to obtain refinancing or to fund for repayment of debts when due;
- we maintained good relationships and credit histories with certain financial institutions and obtained considerable credit facilities;
- our suppliers granted us credit terms based on our strong commercial reputation; and
- we had a highly-efficient turnover of trade and other receivables and other current assets, including our inventory.

To mitigate the risk that our cash flow from operations may be insufficient to cover our debts as they become due, we closely monitor our cash flows and predict our cash flow needs. In addition, we strive to maintain a reasonable level of unrestricted cash to cover any urgent cash outflows.

Based on historical renewal rates as well as terms of renewal in our credit facility agreements and communications with the relevant banks, our Directors believe at least 60% of bank loans and certain other bank facilities as of September 30, 2018 can be successfully renewed upon maturity. The Directors are of the view that, taking into consideration our current cash and cash equivalents, anticipated cash flow from operations, proceeds from the Global Offering and the availability of our unutilized banking facilities amounting to RMB4,531.2 million as of the Latest Practicable Date, of which RMB2,000.0 million is with conditions to be determined by a bank, and assuming that approximately 60% of bank loans and certain other bank facilities as of September 30, 2018 will be successfully renewed upon maturity, we have sufficient financial resources to meet our capital expenditure requirements and liabilities as and when they fall due for at least the next 12 months from the date of this prospectus.

CERTAIN BALANCE SHEET ITEMS

Inventories

The following table sets forth the components of our inventories as of the dates indicated:

	As of December 31,			As of September 30,
	2015	2016	2017	2018
	(RMB in millions)			
Raw materials	221.7	494.8	451.4	421.2
Finished goods	61.4	140.2	99.2	171.6
Trading stock	28.0	126.2	256.9	122.3
Total	**311.1**	**761.2**	**807.5**	**715.1**

The majority of our inventories is raw materials, with the rest being finished goods and inventories for our trading business. Our inventories decreased by 11.4% from RMB807.5 million as of December 31, 2017 to RMB715.1 million as of September 30, 2018, primarily due to a decrease in trading stock partially offset by an increase in finished goods. Finished goods increased by 73.0% from RMB99.2 million as of December 31, 2017 to RMB171.6 million as of September 30, 2018, primarily due to an increase in our pure benzene and phthalic anhydride inventories as a result of pending shipments of such products on such date. Raw materials remained stable, amounting to RMB451.4 million as of December 31, 2017 and RMB421.2 million as of September 30, 2018, respectively. Trading stock decreased by 52.4% from RMB256.9 million as of December 31, 2017 to RMB122.3 million as of September 30, 2018, primarily due to a decrease in our coke inventory as market demand for coke increased.

Our inventories increased by 6.1% from RMB761.2 million as of December 31, 2016 to RMB807.5 million as of December 31, 2017, primarily due to an increase in trading stock, partially offset by a decrease in raw materials and finished goods. Trading stock increased by 103.6% from RMB126.2 million as of December 31, 2016 to RMB256.9 million as of December 31, 2017, primarily due to an increase in the procurement of coke and coal in anticipation of increased market demand in 2018. Raw materials decreased by 8.8% from RMB494.8 million as of December 31, 2016 to RMB451.4 million as of December 31, 2017. Finished goods decreased by 29.2% from RMB140.2 million as of December 31, 2016 to RMB99.2 million as of December 31, 2017, primarily due to a decrease in certain refined chemical inventory as market demand for such products increased.

Our inventories increased by 144.7% from RMB311.1 million as of December 31, 2015 to RMB761.2 million as of December 31, 2016, due to increases in raw materials, finished goods and trading stock. Raw materials increased by 123.2% from RMB221.7 million as of December 31, 2015 to RMB494.8 million as of December 31, 2016, primarily due to increased inventories of coal as a result of an increase in the price of coal. Finished goods increased by 128.3% from RMB61.4 million as of December 31, 2015 to RMB140.2 million as of December 31, 2016, primarily due to an increase in coke inventory in anticipation of increased market demand and an increase in certain refined chemical inventory as a result of consolidation of Cangzhou Risun Chemicals in 2016 and increased prices of such products. Trading stock increased by 350.7% from RMB28.0 million as of December 31, 2015 to RMB126.2 million as of December 31, 2016, primarily due to increases in the procurement of certain coal chemicals and coal in anticipation of increased market demand in 2016.

The following table sets forth our inventory turnover days for the periods indicated:

	For year ended December 31,			For the nine months ended September 30,
	2015	2016	2017	2018
Inventory turnover days	17.0	17.4	17.2	15.8

Our inventory turnover days remained stable for the years ended December 31, 2015, 2016 and 2017 and September 30, 2018, which were 17.0, 17.4, 17.2 and 15.8 days, respectively.

As of the Latest Practicable Date, we had utilized or sold RMB715.1 million, or 100.0%, of our inventories as of September 30, 2018.

Trade and bills receivable

Trade receivables represent outstanding amounts due from our customers for the purchase of our products or services. Bills receivable are bank acceptance bills received by us (i) not transferred, discounted or endorsed, or (ii) transferred, discounted or endorsed on a full recourse basis with risks not transfered substantially. The following table sets forth our trade and bills receivable as of the dates indicated:

	As of December 31,			As of September 30,
	2015	2016	2017	2018
	(RMB in millions)			
Trade receivables	532.4	434.6	241.8	274.5
Less: impairment	(117.9)	(126.3)	(104.6)	(102.6)
	414.5	**308.3**	**137.2**	**171.9**
Bills receivable	1,393.0	2,267.4	2,781.7	2,755.7
Less: trade and bills receivable measured at FVTOCI	–	–	–	(2,927.6)
Total	**1,807.5**	**2,575.7**	**2,918.9**	**–**

Our trade receivables (less impairment) increased by 25.3% from RMB137.2 million as of December 31, 2017 to RMB171.9 million as of September 30, 2018, primarily due to an increase in trade receivables. Trade receivables increased by 13.5% from RMB241.8 million as of December 31, 2017 to RMB274.5 million as of September 30, 2018, primarily due to pending settlements of our trade receivables for certain volumes of coal for trading purposes as of September 30, 2018. Bills receivable decreased from RMB2,781.7 million as of December 31, 2017 to RMB2,755.7 million as of September 30, 2018, primarily due to the decreased amount of bills transferred, discounted or endorsed on a full recourse basis with risks not transferred substantially.

Our trade receivables (less impairment) decreased by 55.5% from RMB308.3 million as of December 31, 2016 to RMB137.2 million as of December 31, 2017 primarily due to a decrease in trade receivables. Trade receivables decreased by 44.4% from RMB434.6 million as of December 31, 2016 to RMB241.8 million as of December 31, 2017, primarily due to our continued efforts in the collection of trade receivables. Bills receivable increased by 22.7% from RMB2,267.4 million as of December 31, 2016 to RMB2,781.7 million as of December 31, 2017, primarily due to increased settlement by bills by our customers as a result of an increase in our total sales.

Our trade receivables (less impairment) decreased by 25.6% from RMB414.5 million as of December 31, 2015 to RMB308.3 million as of December 31, 2016, primarily due to a decrease in trade receivables. Trade receivables decreased by 18.4% from RMB532.4 million as of December 31, 2015 to RMB434.6 million as of December 31, 2016, primarily due to our continued efforts in the collection of trade receivables. Bills receivable increased by 62.8% from RMB1,393.0 million as of December 31, 2015 to RMB2,267.4 million as of December 31, 2016, primarily due to an increased settlement by bills by our customers as a result of an increase in our total sales.

The following table sets forth an aging analysis of our trade receivables based on invoice dates, as of the dates indicated:

	As of December 31,			As of September 30,
	2015	**2016**	**2017**	**2018**
	(RMB in millions)			
Within one month	207.4	190.8	108.5	163.6
1 month to 3 months	69.2	37.6	4.6	0.9
3 months to 6 months	21.2	23.5	0.4	1.6
6 months to 12 months	63.2	6.9	22.7	5.2
1 to 2 years	52.6	16.6	0.2	0.6
2 to 3 years	0.9	32.8	0.8	–
More than 3 years	–	0.1	–	–
Total	**414.5**	**308.3**	**137.2**	**171.9**

We typically require prepayment in full, but we grant certain of our customers credit terms of up to 30 days. We assess the credit terms on a case-by-case basis, taking into account the customer's repayment history, credit history, size and industry position.

The following table sets forth the number of turnover days for our trade receivables for the periods indicated:

	Year ended December 31,			Nine months ended September 30,
	2015	2016	2017	2018
Trade receivables turnover days	29.3	14.4	6.6	4.5

Our trade receivables turnover days decreased from 6.6 days for the year ended December 31, 2017 to 4.5 days for the nine months ended September 30, 2018, primarily due to our continued efforts to collect trade receivables.

Our trade receivables turnover days decreased from 14.4 days for the year ended December 31, 2016 to 6.6 days for the year ended December 31, 2017, primarily due to our continued efforts to collect trade receivables.

Our trade receivables turnover days decreased from 29.3 days for the year ended December 31, 2015 to 14.4 days for the year ended December 31, 2016 primarily due to our continued efforts to collect trade receivables.

As of the Latest Practicable Date, we had settled RMB164.1 million, or 59.8%, of our trade receivables as of September 30, 2018.

Other receivables

Other receivables primarily comprise prepayments for raw materials, other deposits, prepayments and other receivables, and deductible input VAT and prepaid other taxes and charges. The following table sets forth our other receivables as of the dates indicated:

	As of December 31,			As of September 30,
	2015	2016	2017	2018
	(RMB in millions)			
Prepayments for raw materials and trading products	372.4	494.9	507.8	862.3
Other deposits, prepayments and other receivables	111.5	169.5	80.2	140.1
Dismantlement compensation	112.9	–	–	–
Deductible input VAT and prepaid other taxes and charges	127.3	227.6	197.0	60.3
Less: impairment	(66.5)	(80.7)	(74.1)	(47.5)
Total	**657.6**	**811.3**	**710.9**	**1,015.2**

Our other receivables increased by 42.8% from RMB710.9 million as of December 31, 2017 to RMB1,015.2 million as of September 30, 2018, primarily due to (i) increases in prepayments for raw materials and trading products, and (ii) increases in other deposits, prepayments and other receivables, partially offset by decreases in deductible input VAT and prepaid other taxes and charges. Prepayments for raw materials increased by 69.8% from RMB507.8 million as of December 31, 2017 to RMB862.3 million as of September 30, 2018, primarily due to an increase in our procurement volume as we expected the demand for coal and coke to increase for the three months ended December 31, 2018. Other deposits, prepayments and other receivables increased by 74.7% from RMB80.2 million as of December 31, 2017 to RMB140.1 million as of September 30, 2018, primarily due to an increase in cash deposits for our futures contracts, and certain compensation receivable from the government for reclaiming certain land at Tangshan Production Base. Deductible input VAT and prepaid other taxes and charges decreased by 69.4% from RMB197.0 million as of December 31, 2017 to RMB60.3 million as of September 30, 2018, primarily due to an increase in output VAT as a result of an increase in our revenue.

Our other receivables decreased by 12.4% from RMB811.3 million as of December 31, 2016 to RMB710.9 million as of December 31, 2017, primarily due to a decrease in other deposits, prepayments and other receivables, and deductible input VAT and prepaid other taxes and charges. Other deposits, prepayments and other receivables decreased by 52.7% from RMB169.5 million as of December 31, 2016 to RMB80.2 million as of December 31, 2017, primarily due to a decrease in interest receivable from our long-term time deposits. Deductible input VAT and prepaid other taxes and charges decreased by 13.4% from RMB227.6 million as of December 31, 2016 to RMB197.0 million as of December 31, 2017, primarily due to an increase in output VAT as a result of an increase in our revenue. Prepayments for raw materials and trading products remained stable, and amounted to RMB494.9 million and RMB507.8 million as of December 31, 2016 and 2017, respectively.

Our other receivables increased by 23.4% from RMB657.6 million as of December 31, 2015 to RMB811.3 million as of December 31, 2016, primarily due to increases in prepayments for raw materials and trading products, other deposits, prepayments and other receivables, and deductible input VAT and prepaid other taxes and charges, partially offset by a decrease in dismantlement compensation. Prepayments for raw materials and trading products increased by 32.9% from RMB372.4 million as of December 31, 2015 to RMB494.9 million as of December 31, 2016, primarily due to an increase in the price of raw materials. Other deposits, prepayments and other receivables increased by 52.0% from RMB111.5 million as of December 31, 2015 to RMB169.5 million as of December 31, 2016, primarily due to an increase in unpaid interest from time deposits. Deductible input VAT and prepaid other taxes and charges increased by 78.8% from RMB127.3 million as of December 31, 2015 to RMB227.6 million as of December 31, 2016, primarily due to the addition of deductible input VAT of Cangzhou Risun Chemicals when it was consolidated in our Group in 2016. The RMB112.9 million in dismantlement compensation as of December 31, 2015 represents a compensation by the local government for dismantlement of a plant in Xingtai City.

AFS financial assets and financial assets at FVTPL

AFS financial assets and financial assets at FVTPL primarily included unlisted equity investments, a structured trust product, futures contracts, listed equity securities and wealth management product during the Track Record Period.

The unlisted equity investments mainly represent equity investments in unlisted entities established in the PRC.

In 2015, we subscribed for a structured trust product from a PRC-licensed financial institution. The structured trust product was not principal-protected. As of December 31, 2015, 2016 and 2017, our bills payable of RMB66.0 million and RMB89.0 million, and bank loans of RMB60.0 million, respectively, were secured by the structured trust product. We fully redeemed the structured trust product in October 2018.

On September 22, 2017, we subscribed for 13,000,000 H shares of Henan Jinma Energy Company Limited ("**Jinma Energy**"), which was listed on the Main Board of the Stock Exchange (stock code: 6885), as a cornerstone investor during its initial public offering. The initial investment principal amounted to RMB36.0 million. The fair value was RMB33.3 million and RMB57.2 million as of December 31, 2017 and September 30, 2018, respectively, resulting in a loss of RMB2.7 million and a gain of RMB23.9 million arising on change in fair value of the instrument in the listed equity securities during the year ended December 31, 2017 and the nine months ended September 30, 2018, respectively.

In 2015, 2016 and 2017 and the nine months ended September 30, 2017 and 2018, we entered into certain futures contracts for coke, coking coal, and chemical products with PRC-licensed futures trading companies with an aim to mitigate risk associated with the prices of coke, coking coal, and chemical products sold without applying hedge accounting, and recognized a gain of RMB44.0 million, a gain of RMB171.2 million, a loss of RMB12.5 million, a loss of RMB33.4 million (unaudited) and a gain of RMB84.2 million arising on changes in fair value of these financial instruments during the years ended December 31, 2015, 2016 and 2017, and the nine months ended September 30, 2017 and 2018, respectively.

On December 21, 2017, we subscribed for a non principal-protected wealth management product due on December 20, 2022, from a PRC-licensed asset management company which invests mainly in coke-related futures contracts. The initial investment principal amounted to RMB60.0 million, of which RMB40.0 million was financed by borrowings secured by a structured trust product due on September 21, 2022 subscribed by us from another PRC-licensed financial institution. The fair value of the wealth management product was RMB60.0 million and RMB61.6 million as of December 31, 2017 and September 30, 2018, respectively. We recognized a gain of RMB1.6 million arising on change in fair value of the wealth management product during the nine months ended September 30, 2018. We fully redeemed the wealth management product in December 2018.

Risks related to our primary financial assets include risk of impairment of unlisted equity investments, price risk of shares of listed companies and risk in the change of fair value of our future contracts and wealth management products. We have implemented internal policies which provide guidelines, requirements and approval processes with respect to our investment and derivative transactions.

A proposed investment is reviewed, analyzed and submitted by our management to our department of strategic planning. The department reports the proposed investment to the president's office. Upon approval by the president's office, the proposed investment is submitted to the Directors for approval. The Directors act in good faith and in the interests of the Company when considering proposed transactions. The Directors exercise due and reasonable care, skill and diligence to make decisions independently. In addition, the Directors declare any potential conflicts before board meetings to ensure there are no conflicts of interest. They consider a number of factors in their decision-marking, including (i) the overall return of the investment on an annual basis, (ii) the cash flow impact of the investment during the investment period, (iii) the recoverability of the investment upon maturity, (iv) the pricing and the basis for such pricing including, but not limited to, market comparables and independent valuations, (v) the credibility of the investment provider and the past performance of similar investment provided by the same provider (if applicable), (vi) professional opinions of our auditors and legal advisors (when necessary), and (vii) the possible synergistic effect on our business.

As advised by our Internal Control Consultant, the Group has implemented an internal control policy covering the above procedures regarding investment management and has circulated the procedures and manual to all Directors and relevant staff for execution. Our Internal Control Consultant has not identified any material finding or deficiency of the Group's internal control system in this regard.

Taking into account the above internal control measures implemented by our Company, and the review results of the Internal Control Consultant, the Sole Sponsor concurs with the Directors that our Company's internal control procedures, when adopted and implemented effectively, are effective and can enable the Directors to satisfactorily act in good faith and in the interests of the Company when considering or approving a proposed investment.

We regularly evaluate the risks and returns of our investments. Our futures business department is responsible for managing our overall futures transactions. Our futures business department managers are responsible for implementing proposals for futures transactions submitted by relevant business departments. The implementation of the proposals is submitted to our investment management committee for final review and approval. Our accounts department is responsible for keeping relevant investment records and preparing investment summaries on a monthly basis for our management to review. We have strictly adhered to our investment policies and will continue to monitor our risks and returns associated with our investments. We will continue to take a prudent approach towards consideration of valuations prior to entry into of corporate transactions and has adopted internal control procedures in this regard governing the procedures to be undertaken and factors to be considered to enable the Directors to be able to meet the requirements of laws and regulations.

Trade and other payables

Trade payables represent outstanding amounts due on our purchases of materials from suppliers. Payables to be settled by endorsed bills receivable represent amounts to be settled by us with respect to bank acceptance bills transferred, discounted or endorsed on a full recourse basis with risks not transferred substantially. Bills payable represent bank acceptance notes issued by us. The following table sets forth our trade and other payables as of the dates indicated:

	As of December 31,			As of September 30,
	2015	**2016**	**2017**	**2018**
	(RMB in millions)			
Trade payables	1,473.8	1,560.1	1,485.8	1,430.6
Payables to be settled by the endorsed bills receivable	1,017.2	1,814.9	2,534.0	2,377.1
Bills payable	1,222.8	951.5	1,219.2	1,571.5
Payables for construction in progress[1]	1,054.7	1,245.4	1,307.6	1,404.4
Other payables and accruals	217.9	332.9	318.1	409.5
Total	**4,986.4**	**5,904.8**	**6,864.7**	**7,193.1**
Analyzed for reporting purposes as:				
Current liabilities	4,986.4	5,680.0	6,646.5	7,048.2
Non-current liabilities	–	224.8	218.2	144.9
Total	**4,986.4**	**5,904.8**	**6,864.7**	**7,193.1**

Note:

(1) Please see the paragraph headed "– Interest-bearing payables for construction in progress".

Our trade and other payables increased by 4.8% from RMB6,864.7 million as of December 31, 2017 to RMB7,193.1 million as of September 30, 2018, primarily due to an increase in bills payable and payables for construction in progress, partially offset by a decrease in payables to be settled by endorsed bills receivable. Bills payable increased by 28.9% from RMB1,219.2 million as of December 31, 2017 to RMB1,571.5 million as of September 30, 2018, primarily due to an increase in the settlement for procurement through bank acceptance bills. Payables for construction in progress increased by 7.4% from RMB1,307.6 million as of December 31, 2017 to RMB1,404.4 million as of September 30, 2018, primarily due to an increase in payables for construction for the relocation of coking facilities at Dingzhou Production Base. Payables to be settled by endorsed bills receivable decreased by 6.2% from RMB2,534.0 million as of

December 31, 2017 to RMB2,377.1 million as of September 30, 2018, primarily due to a decrease in settlement for procurement through bank acceptance bills that are on a full recourse basis with risks not transferred substantially. Other payables and accruals increased by 28.7% from RMB318.1 million as of December 31, 2017 to RMB409.5 million as of September 30, 2018, primarily due to an increase in VAT payables as a result of an increase in our revenue.

Our trade and other payables increased by 16.3% from RMB5,904.8 million as of December 31, 2016 to RMB6,864.7 million as of December 31, 2017, primarily due to increases in payables to be settled by endorsed bills receivable, bills payable and payables for construction in progress, partially offset by decreases in trade payables. Payables to be settled by endorsed bills receivable increased by 39.6% from RMB1,814.9 million as of December 31, 2016 to RMB2,534.0 million as of December 31, 2017, primarily due to an increase in settlement for procurement through bank acceptance bills that are on a full recourse basis with risks not transferred substantially. Bills payable increased by 28.1% from RMB951.5 million as of December 31, 2016 to RMB1,219.2 million as of December 31, 2017, primarily due to an increase in settlement for procurement through bank acceptance bills. Payables for construction in progress increased by 5.0% from RMB1,245.4 million as of December 31, 2016 to RMB1,307.6 million as of December 31, 2017, primarily due to our relocation of the coke production line at Dingzhou Production Base, partially offset by our settlement of payment for other construction projects. Trade payables decreased by 4.8% from RMB1,560.1 million as of December 31, 2016 to RMB1,485.8 million as of December 31, 2017, primarily due to the increased use of bank acceptance bills for settlement of our procurement.

Our trade and other payables increased by 18.4% from RMB4,986.4 million as of December 31, 2015 to RMB5,904.8 million as of December 31, 2016, primarily due to an increase in payables to be settled by endorsed bills receivable and trade payables, partially offset by a decrease in bills payable. Payables to be settled by endorsed bills receivable increased by 78.4% from RMB1,017.2 million as of December 31, 2015 to RMB1,814.9 million as of December 31, 2016, primarily due to the consolidation of Cangzhou Risun Chemicals and an increase in settlement for procurement through bank acceptance bills. Trade payables increased by 5.9% from RMB1,473.8 million as of December 31, 2015 to RMB1,560.1 million as of December 31, 2016, primarily due to an increase in procurement of raw materials. Payables for construction in progress increased by 18.1% from RMB1,054.7 million as of December 31, 2015 to RMB1,245.4 million as of December 31, 2016, primarily due to the addition of payables for construction in progress of Cangzhou Risun Chemicals when it was consolidated in our Group in 2016, partially offset by the settlement of payables for construction at our Xingtai Production Base and Tangshan Production Base. Bills payable decreased by 22.2% from RMB1,222.8 million as of December 31, 2015 to RMB951.5 million as of December 31, 2016, primarily due to increased use of bank acceptance bills in our procurement.

The following table sets forth an aging analysis of our trade payables as of the dates indicated:

	As of December 31,			As of September 30,
	2015	2016	2017	2018
	(RMB in millions)			
Within 3 months	1,051.4	1,249.2	1,187.1	1,109.7
3 months to 6 months	170.9	76.6	163.0	153.2
6 months to 12 months	197.6	42.6	56.9	88.3
1 to 2 years	22.2	181.3	37.0	45.0
2 to 3 years	20.5	5.3	35.9	14.8
More than 3 years	11.2	5.1	5.9	19.6
Total	**1,473.8**	**1,560.1**	**1,485.8**	**1,430.6**

We are typically granted credit terms of 30 to 90 days by our suppliers.

The following table sets forth the number of turnover days for our trade payables for the periods indicated:

	Year ended December 31,			Nine months ended September 30,
	2015	2016	2017	2018
Trade payables turnover days	54.7	49.2	33.4	30.2

Our trade payables turnover days decreased from 33.4 days for the year ended December 31, 2017 to 30.2 days for the nine months ended September 30, 2018, primarily due to our increased scale of procurement and decreased trade payables.

Our trade payables turnover days decreased from 49.2 days for the year ended December 31, 2016 to 33.4 days for the year ended December 31, 2017, primarily due to our increased scale of procurement while our trade payables remained stable.

Our trade payables turnover days decreased from 54.7 days for the year ended December 31, 2015 to 49.2 days for the year ended December 31, 2016, primarily due to our increased scale of procurement while our trade payables remained stable.

As of the Latest Practicable Date, we had settled RMB1,369.0 million, or 95.7%, of our trade payables as of September 30, 2018.

INDEBTEDNESS

Borrowings

Most of our borrowings are denominated in Renminbi. The table below sets forth our borrowings as of the dates indicated:

	As of December 31,			As of September 30,	As of December 31,
	2015	2016	2017	2018	2018
	(RMB in millions)				
					(Unaudited)
Bank loans					
Secured	2,193.4	4,249.9	4,645.0	4,068.3	3,201.5
Unsecured	571.0	765.9	578.9	528.5	1,334.5
Other loans					
Secured	1,068.2	1,438.1	1,042.1	939.7	815.7
Unsecured	–	200.0	206.0	200.0	260.0
Loan from individual					
Unsecured	20.5	22.0	–	–	–
Discounted bills financing	3,583.9	4,068.0	3,308.2	2,956.4	3,278.5
Total	7,437.0	10,743.9	9,780.2	8,692.9	8,890.2
Represented by:					
Current	6,583.4	8,542.3	7,348.8	6,879.6	7,618.0
Non-current	853.6	2,201.6	2,431.4	1,813.3	1,272.2
Total	7,437.0	10,743.9	9,780.2	8,692.9	8,890.2

We have relied on bank and other loans to fund a portion of our capital requirements. Our current bank and other loans (including current portions of long-term loans) totalled RMB6,583.4 million, RMB8,542.3 million, RMB7,348.8 million and RMB6,879.6 million as of December 31, 2015, 2016 and 2017 and September 30, 2018, respectively. We used our short-term bank loans primarily to finance our operations and capital expenditures. Our non-current bank and other loans were RMB853.6 million, RMB2,201.6 million, RMB2,431.4 million and RMB1,813.3 million as of December 31, 2015, 2016 and 2017, September 30, 2018, respectively. We used our long-term borrowings primarily to fund our projects such as the Tangshan Phthalic Anhydride Project, Cangzhou Caprolactam Project, Fourth Phase of Coking Project and Fifth Phase of Coking Project. As of September 30, 2018, RMB5,008.0 million of our bank and other loans were secured by our assets.

As of September 30, 2018, our total bank and other loans were RMB8,692.9 million. As of the Latest Practicable Date, we had RMB4,531.2 million of unutilized banking facilities of which RMB2,000.0 million is with conditions to be determined by a bank.

As of December 31, 2018, being the latest practicable date for the purpose of ascertaining our indebtedness prior to the printing of this prospectus, we had total borrowings of RMB8,890.2 million, of which RMB7,295.7 million were secured by our prepaid lease payments, property, plant and equipment, restricted bank deposits, inventories and/or bank acceptance bills.

As of December 31, 2018, bank loans and other loans of RMB3,649.2 million and RMB1,015.7 million, respectively, were guaranteed, and the remaining bank loans, other loans and discounted bills financing were ungaranteed.

We are subject to certain restrictive covenants under our credit facilities with banks. These restrictive covenants include, among other things, limitation on the use of proceeds, requirements to provide notice or obtain consent for creation of new mortgages or charges, financial covenants such as the ratio of net debt to equity, net debt to EBITDA, debt coverage service ratio and loan coverage ratio, making capital expenditures exceeding a certain percentage of our net assets, distribution of dividends, and certain significant corporate events. Moreover, some of the loan agreements that we entered into contain provisions allowing the bank to request to renegotiate the terms if there are material cross-defaults. During the Track Record Period and up to the Latest Practicable Date, our Directors confirmed that they are not aware of any breach of any of the covenants contained in our banking facilities constituting any event of default nor are they aware of any restrictions that will limit our ability to drawdown on our unutilized facilities. During the Track Record Period and up to the Latest Practicable Date, we have never defaulted in repaying our bank borrowings or trade and other payables.

Obligations under finance leases

We entered into several finance lease arrangements regarding certain of our production equipment with licensed financial institutions during the Track Record Period. The average lease term under these finance lease arrangements is five years, with fixed annual interest rates underlying all obligations ranging from 9.2% to 9.6%. We had the following total future minimum lease payments under finance leases as of the dates indicated:

	As of December 31,			As of September 30,
	2015	**2016**	**2017**	**2018**
	(RMB in millions)			
Within 1 year	31.9	35.7	35.7	29.9
After 1 year but within 2 years	35.7	35.7	24.6	4.5
After 2 years but within 5 years	61.2	25.5	0.9	–
Less: total future interest expenses	(20.1)	(11.1)	(4.6)	(1.5)
Present value of lease obligations	108.7	85.8	56.6	32.9

As of December 31, 2018, our total obligations under finance leases amounted to RMB24.6 million and were guaranteed by our subsidiaries, including RMB9.8 million that were secured by prepaid lease payment and property, plant and equipment, and RMB14.8 million that were unsecured.

Interest-bearing payables for construction in progress

Such amounts are payables to two independent construction companies. They are measured at amortized cost and will be settled by instalments by June 30, 2019 and December 31, 2021, respectively. Such payables carry a contractual interest rate at 5.8% and 6.2% per annum, respectively, which is charged on outstanding payments after construction progress verification. As of December 31, 2015, 2016, 2017 and September 30, 2018, interest-bearing payables for construction in progress amounted to nil, RMB346.9 million, RMB641.3 million and RMB648.3 million, respectively. As of December 31, 2018, interest-bearing payables for construction in progress amounted to RMB96.9 million, which were unsecured and guaranteed by a subsidiary.

Contingent liabilities

During the Track Record Period, we entered into guarantee agreements with certain commercial banks in the PRC with respect to loan facilities granted to joint ventures and related parties. Under these guarantee agreements, we agreed to be jointly and severally liable for the borrowings incurred by such joint ventures and related parties. The table below sets forth our maximum liabilities under such guarantees as of the dates indicated.

	As of December 31,			As of September 30,
	2015	**2016**	**2017**	**2018**
	(RMB in millions)			
Financial guarantees issued to joint ventures and fully drawn down	3,314.3	1,440.0	1,260.0	1,245.0
Financial guarantees issued to related parties	15.0	339.0	339.0	–
Total	**3,329.3**	**1,779.0**	**1,599.0**	**1,245.0**

As of December 31, 2015, 2016 and 2017 and September 30, 2018, the outstanding balance of loans under the loan facilities guaranteed by us was RMB2,700.3 million, RMB510.0 million, RMB1,142.4 million and RMB561.6 million.

As of December 31, 2018, the outstanding balance of loans under the loan facilities guaranteed by us was RMB443.7 million. In the opinion of the Directors, the fair values of our financial guarantee contracts were insignificant at the date of issue of the financial guarantee and no provision is necessary as of December 31, 2018, taking into account that the net realizable value of the pledged assets held by the banks exceeded the facilities and credit granted to the relevant parties. In addition, the Directors do not consider it probable that a claim will be made against us under any of these guarantees.

We are not currently involved in any material legal, arbitration or administrative proceedings that if adversely determined, would materially and adversely affect our financial position or results of operations, although there can be no assurance that this will be the case in the future.

Our Directors have confirmed that except as disclosed in this prospectus, there has not been any material change in our indebtedness or contingent liabilities since September 30, 2018.

Save as aforesaid and apart from intra-group liabilities and normal trade and bills payables in the ordinary course of the business, as of December 31, 2018, we did not have any outstanding loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities, borrowings or other similar indebtedness, liabilities under acceptance or acceptance credits, debentures, mortgages, charges, finance leases, hire purchase commitments, guarantees or other material contingent liabilities.

KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios for the years/periods and as of the dates indicated.

	Year ended/As of December 31,			Nine months ended/ As of September 30,
	2015	2016	2017	2018
Gross profit margin(1)	5.2%	8.0%	10.7%	15.7%
Net profit margin(2)	(5.1%)	2.9%	4.1%	9.4%
Net profit margin (excluding listing expenses)(3)	(5.1%)	2.9%	4.2%	9.5%
EBITDA margin(4)	3.1%	12.1%	10.9%	17.7%
Return on equity(5)	(27.0%)	13.7%	25.0%	48.9%
Return on total assets(6)	(3.0%)	1.7%	3.5%	8.6%
Current ratio(7)	0.5	0.6	0.6	0.6
Quick ratio(8)	0.4	0.5	0.5	0.6
Net debt to equity ratio(9)	3.9	4.1	3.2	2.1
Gearing ratio(10)	4.0	4.1	3.4	2.3

Notes:

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

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

(3) Calculated by dividing (loss)/profit excluding the listing expenses by revenue for the year/period.

(4) Calculated by dividing EBITDA by revenue for the year/period.

(5) Calculated by dividing (loss)/profit attributable to owners for the year or annualized period by equity attributable to owners as of the end of the year/period.

(6) Calculated by dividing (loss)/profit for the year or annualized period by total assets as of the end of the year/period.

(7) Calculated by dividing total current assets by total current liabilities as of the end of the year/period.

(8) Calculated by dividing total current assets minus inventory by total current liabilities as of the end of the year/period.

(9) Calculated by dividing total interest-bearing borrowing including bank and other loans, obligations under finance leases, and interest-bearing payables for construction in progress minus cash and cash equivalents by total equity as of the end of the year/period.

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

EBITDA Margin

Our EBITDA margin increased from 10.9% for the year ended December 31, 2017 to 17.7% for the nine months ended September 30, 2018, primarily due to our increased EBITDA reflecting increased net profit.

Our EBITDA margin decreased from 12.1% in 2016 to 10.9% in 2017, primarily due to a greater increase of revenue than EBITDA.

Our EBITDA margin increased from 3.1% in 2015 to 12.1% in 2016, primarily due to large increase of EBITDA.

Return on equity

Our return on equity increased from 25.0% for the year ended December 31, 2017 to 48.9% for the nine months ended September 30, 2018, primarily due to our increased net profit (annualized) attributable to owners.

Our return on equity increased from negative 27.0% for the year ended December 31, 2015 to 13.7% for the year ended December 31, 2016 and further increased to 25.0% in 2017. The increases were primarily attributable to our increased net profit attributable to owners.

Return on total assets

Our return on assets increased from 3.5% in 2017 to 8.6% in the nine months ended September 30, 2018, primarily due to our increased total comprehensive income (annualized).

Our return on total assets increased from negative 3.0% in 2015 to 1.7% in 2016 and further increased to 3.5% in 2017. The increases were primarily attributable to our increased total comprehensive income.

Current ratio

Our current ratio remained stable at 0.6 as of December 31, 2017 and 0.6 as of September 30, 2018.

Our current ratio remained stable at 0.6 as of December 31, 2017, and to 0.6 as of December 31, 2016.

Our current ratio increased from 0.5 as of December 31, 2015 to 0.6 as of December 31, 2016, primarily due to a greater increase in our current assets than in our current liabilities, reflecting our business growth.

Net debt to equity ratio

Our net debt to equity ratio decreased from 3.2 as of December 31, 2017 to 2.1 as of September 30, 2018, primarily due to our net debt remaining stable while our equity increased during the same period reflecting increased net profit and injections of equity capital.

Our net debt to equity ratio decreased from 4.1 as of December 31, 2016 to 3.2 as of December 31, 2017, primarily due to our decreased net debt and increased equity reflecting increased net profit.

Our net debt to equity ratio increased from 3.9 as of December 31, 2015 to 4.1 as of December 31, 2016, primarily due to our increased net debt.

Gearing ratio

As of December 31, 2015, 2016 and 2017 and September 30, 2018, our gearing ratio was 4.0, 4.1, 3.4 and 2.3, respectively.

The following table sets forth the components of our gearing ratios as of the dates indicated:

	As of December 31,			As of September 30,
	2015	**2016**	**2017**	**2018**
	(RMB in millions)			
Bank and other loans	7,437.0	10,743.9	9,780.2	8,692.9
Obligations under finance leases	108.7	85.8	56.6	32.9
Interest-bearing payables for construction in progress	–	346.9	641.3	648.3
Total equity	1,876.9	2,711.7	3,109.7	4,067.3
Gearing ratio	4.0	4.1	3.4	2.3

Our relatively higher gearing ratio as of December 31, 2015 and 2016 compared to December 31, 2017 and September 30, 2018 was primarily due to our large amount of bank and other loans. Our gearing ratio decreased from 3.4 as of December 31, 2017 to 2.3 as of September 30, 2018. The decrease in our gearing ratio from December 31, 2017 to September 30, 2018 was primarily because the increase in the equity was larger than the increase in bank and other loans. Our increase in total equity as of September 30, 2018 was primarily attributable to net profit from operations and Pre-IPO investment. Our gearing ratio decreased from 4.1 as of December 31, 2016 to 3.4 as of December 31, 2017, due to a decrease in our bank and other loans, while our total equity increased reflecting increased net profit.

We will closely monitor our gearing ratio. We analyze the maturity profiles of our borrowings and manage our liquidity level to ensure sufficient cash flow to service our indebtedness and meet cash requirements arising from our business. We will explore various financing opportunities to improve our capital structure and reduce our cost of capital. We expect that utilizing the proceeds we receive from the Global Offering will also effectively improve our gearing ratio.

Non-IFRS Measure

We use EBITDA, a non-IFRS financial measure, in evaluating our operating results and for financial and operational decision-making purposes. EBITDA, as we present it, represents profit before taxation, adding finance cost and total depreciation and amortization after capitalization.

The Directors believe that EBITDA helps identify underlying trends in our business that could otherwise be distorted by the effect of non-operating expenses (e.g. taxation and finance costs) and also non-cash expenses (e.g. depreciation and amortization) that we include in profit for the year/period. We believe that EBITDA provides useful information about our results of operations, enhances the overall understanding of our past performance and future prospects and allows for greater visibility with respect to key metrics used by our management in its financial and operational decision-making.

EBITDA should not be considered in isolation or construed as an alternative to net profit or any other measure of performance or as an indicator of our operating performance. EBITDA presented here may not be comparable to similarly titled measures presented by other companies. Other companies may calculate similarly titled measures differently, limiting their usefulness as comparative measures to our data. We encourage investors and others to review our financial information in its entirety and not rely on a single financial measure.

The table below sets forth a reconciliation of our (loss)/profit before taxation to EBITDA for the periods indicated:

	Year ended December 31,			**Nine months ended September 30,**	
	2015	**2016**	**2017**	**2017**	**2018**
			(RMB in millions)		
				(Unaudited)	
(Loss)/profit before taxation	(580.8)	390.8	845.9	651.7	1,820.7
Finance costs	485.5	528.3	624.2	470.3	496.1
Total depreciation and amortization after capitalization	405.7	558.9	571.5	446.9	459.0
EBITDA	**310.4**	**1,478.0**	**2,041.6**	**1,568.9**	**2,775.8**

LISTING EXPENSES

The estimated total listing expenses (based on the mid-point of our indicative price range for the Global Offering and assuming that the Over-allotment Option is not exercised and all discretionary incentive fees in the Global Offering are paid in full) in relation to the Global Offering are approximately RMB94.8 million (including underwriting commission), consisting of approximately RMB54.3 million that is directly attributable to the issue of new Shares to the public and accounted for as a deduction from equity, approximately RMB29.3 million that was recognized in our consolidated statements of profit or loss and other comprehensive income before September 30, 2018, and RMB11.2 million to be deducted from our consolidated statements of profits or loss and other comprehensive income after September 30, 2018, respectively. Our Directors do not expect these expenses to materially impact our results of operations for the year ended December 31, 2018.

WORKING CAPITAL

Based on historical renewal rates as well as terms of renewal in our credit facility agreements and communications with the relevant banks, our Directors believe at least 60% of bank loans and certain other bank facilities as of September 30, 2018 can be successfully renewed upon maturity. The Directors are of the view that, taking into consideration our current cash and cash equivalents, anticipated cash flow from operations, proceeds from the Global Offering and the availability of our unutilized banking facilities amounting to RMB4,531.2 million as of the Latest Practicable Date, of which RMB2,000.0 million is with conditions to be determined by a bank, and assuming that approximately 60% of bank loans and certain other bank facilities as of September 30, 2018 will be successfully renewed upon maturity, we have sufficient financial resources to meet our capital expenditure requirements and liabilities as and when they fall due for at least the next 12 months from the date of this prospectus. After due consideration and discussion with our management and based on the confirmation and assumptions above, the Sole Sponsor has no reason to believe that we cannot meet the working capital requirements for the 12-month period from the date of this prospectus.

Maturity Analysis

The table below sets forth the maturity analysis of our bank and other loans as of the dates indicated:

	As of December 31,			As of September 30,
	2015	2016	2017	2018
	(RMB in millions)			
Within 1 year or on demand	6,583.4	8,542.3	7,348.8	6,879.6
After 1 year but within 2 years	814.5	793.2	1,488.5	1,773.3
After 2 years but within 5 years	39.1	1,408.4	942.9	40.0
Total	**7,437.0**	**10,743.9**	**9,780.2**	**8,692.9**

As of December 31, 2015, 2016 and 2017 and September 30, 2018, RMB3,261.6 million, RMB5,688.0 million, RMB5,687.1 million and RMB5,008.0 million, respectively, of our bank and other loans were secured by property, plant and equipment, prepaid lease payment, inventories, trade and other receivables, and restricted cash.

Except as disclosed in the paragraph headed "– Indebtedness" and except for intra-group liabilities and normal trade payables, as of September 30, 2018, we did not have any outstanding loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities, borrowings or other similar indebtedness, liabilities under acceptance or acceptance credits, debentures, mortgages, charges, finance leases, hire purchase commitments, guarantees or other material contingent liabilities.

We currently have no external financing plan other than the Global Offering and short term loans described in the paragraph headed "– Indebtedness".

QUALITATIVE AND QUANTITATIVE DISCLOSURE ABOUT MARKET RISK

We are exposed to commodity price, foreign currency, interest rate, credit and liquidity risks in the ordinary course of business. We describe below our exposure to these risks, and the financial risk management policies and practices we use to manage these risks.

Commodity Price Risk

We are exposed to fluctuations in the prices of raw materials, and in particular, coking coal, as well as fluctuations in the prevailing market prices of our products. We generally purchase coal and other raw materials based on prevailing market prices. Our products are also generally sold based on the prevailing market prices in the regions where we sell our products and by reference to various other factors applicable to individual customers. Market prices may fluctuate and are beyond our control and may have a significant effect on our results of operations. We trade coking coal, coke and methanol futures on the Dalian Commodity Exchange and Zhengzhou Commodity Exchange, in order to mitigate market risks associated with spot products. Please refer to the section headed "Business – Procurement – Pricing Risk Management" in this prospectus for more details.

Sensitivity analysis

We present a sensitivity analysis of: (i) the effect of the fluctuations of prices of coking coal during the Track Record Period, and (ii) the effect of the fluctuations of prices of coke during the Track Record Period, assuming no change of depreciation and amortization or any other costs. The following sensitivity analysis is for illustrative purposes only, and indicates the potential impact on our profitability during the Track Record Period if the relevant variables increased or decreased to the extent illustrated. To illustrate the potential effect on our financial performance, the sensitivity analysis below shows the potential impact on our profit of a 10% and 20% increase or decrease in the price of coking coal and a 20% and 40% increase or decrease in the price of coke. While none of the hypothetical fluctuation ratios applied in the sensitivity analysis equals the historical fluctuations of the prices of coking coal and coke, we believe that the application of hypothetical fluctuations of such percentages in the prices of coking coal and coke presents a meaningful analysis of the potential impact of changes in the prices of coking coal and coke on our revenue and profitability.

The following tables sets forth a sensitivity analysis of our net profit for the years ended December 31, 2015, 2016 and 2017 and the nine months ended September 30, 2018 in relation to changes in the prices of coking coal and coke for the periods indicated.

	Year ended December 31,						Nine months ended September 30,	
	2015		2016		2017		2018	
Increase/ (decrease) in price of coking coal	(Decrease)/ increase in profit	Percentage	(Decrease)/ increase in profit	Percentage	(Decrease)/ increase in profit	Percentage	(Decrease)/ increase in profit	Percentage
	(RMB in millions, except for percentages)							
20%/(20%)	(708.2)/708.2	(139.7%)/139.7%	(837.9)/837.9	(236.0%)/236.0%	(1,333.2)/1,333.2	(174.1%)/174.1%	(1,114.7)/1,114.7	(75.6%)/75.6%
10%/(10%)	(354.1)/354.1	(69.8%)/69.8%	(418.9)/418.9	(118.0%)/118.0%	(666.6)/666.6	(87.1%)/87.1%	(557.4)/557.4	(37.8%)/37.8%

	Year ended December 31,						Nine months ended September 30,	
	2015		2016		2017		2018	
Increase/ (decrease) in price of coke	Increase/ (decrease) in profit	Percentage	Increase/ (decrease) in profit	Percentage	Increase/ (decrease) in profit	Percentage	Increase/ (decrease) in profit	Percentage
	(RMB in millions, except for percentages)							
40%/(40%)	1,415.1/(1,415.1)	279.0%/(279.0%)	1,895.8/(1,895.8)	534.1%/(534.1%)	3,082.1/(3,082.1)	402.6%/(402.6%)	2,774.8/(2,774.8)	188.1%/(188.1%)
20%/(20%)	707.5/(707.5)	139.5%/(139.5%)	947.9/(947.9)	267.0%/(267.0%)	1,541.0/(1,541.0)	201.3%/(201.3%)	1,387.4/(1,387.4)	94.1%/(94.1%)

Foreign Exchange Risk

Foreign exchange risk refers to the risk that the fair values or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. We are exposed to foreign exchange risk primarily through bank deposits and interest-bearing borrowings that are denominated in Hong Kong Dollars and United States Dollars.

The following table indicates the instantaneous change in our profit after tax (and retained profits) that would arise if foreign exchange rates to which we have significant exposure as of December 31, 2015, 2016 and 2017 and September 30, 2018 had changed at that date.

	Year ended December 31,						Nine months ended September 30,	
	2015		2016		2017		2018	
	Increase/ (decrease) in exchange rates	(Decrease)/ increase in profit after tax and retained profits	Increase/ (decrease) in exchange rates	(Decrease)/ increase in profit after tax and retained profits	Increase/ (decrease) in exchange rates	(Decrease)/ increase in profit after tax and retained profits	Increase/ (decrease) in exchange rates	(Decrease)/ increase in profit after tax and retained profits
	(RMB in thousands, except for percentages)							
United States Dollars	5%	646	5%	(5,787)	5%	(7,363)	5%	(13,071)
Others	5%	922	5%	(3,536)	5%	(3,510)	5%	6,474

During the Track Record Period, we did not enter into any foreign exchange hedging contract.

Interest Rate Risk

We are subject to cash flow interest rate risk and fair value interest rate risk in relation to our borrowings issued at variable rates and at fixed rates, respectively. During the Track Record Period, we did not enter into any interest rate hedging contract.

Please refer to "Appendix I Accountant's Report – 41. Financial Instruments – Market risk – Interest rate risk" for details.

Credit Risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instruments and cause a financial loss to us. We are exposed to credit risk in relation to our cash and cash equivalents, restricted bank balances, bank acceptance bills, trade and other receivables, amounts due from related parties and contingent liabilities in relation to financial guarantees provided by us to the related parties.

With respect to our cash and cash equivalents, restricted bank balances and bank acceptance bills, we mainly transact with state-owned or reputable financial institutions in the PRC and reputable international financial institutions outside of the PRC. There has been no recent history of material defaults in relation to these financial institutions.

With respect to our receivable balances, we have policies in place to ensure that credit terms are made to counterparties with an appropriate credit history and the management performs ongoing credit evaluations of its counterparties. The credit period granted to our customers and the credit quality of these customers is assessed with reference to their financial position, past experience and other factors. In view of the large number of counterparties and customers, our Directors believe that we are not subject to significant concentration of credit risk.

For trade receivables and amounts due from related parties of trade nature, we have applied the simplified approach in IFRS 9 since January 1, 2018 to measure the loss allowance at lifetime expected credit loss. We determine the expected credit loss on these items by using a provision matrix. The estimated loss rates are estimated on historical observed default rates over the expected life of the debtors and are adjusted forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by our management to ensure relevant information about specific debtors is updated.

For further details, please refer to Note 39 to the Accountants' Report attached as Appendix I to this prospectus.

Liquidity Risk

We are exposed to liquidity risk as we had net current liabilities as of December 31, 2015, 2016 and 2017 and September 30, 2018. To manage our liquidity risk, we have policies and procedures to monitor and maintain an adequate level of working capital to finance our operations.

Our finance department is responsible for preparing the Group's budgets and capital allocations. The finance department prepares annual budgets for operations, investment and financing, which are approved by our Directors. Our president's office breaks the approved annual budgets down into monthly budgets and make implementation plans for each subsidiary for implementation. Subsidiaries and relevant departments submit monthly reports to the finance department and the finance department monitors the implementation of approved budgets. To mitigate the effects of fluctuations in cash flows from operating activities, we maintain sufficient cash reserves and adequate credit lines from major financial institutions to meet our liquidity requirements in the short and long term. We also retain banking facilities for contingency purposes.

We generated net cash inflows from operating activities during the Track Record Period. Taking into account our cash flow projections, repayments from related parties, unutilized bank facilities and our future capital expenditures in respect of our non-cancellable capital commitments, our Directors are satisfied that we will have sufficient financial resources to meet our financial obligations, capital expenditure requirements and liabilities as and when they fall due for at least the next 12 months from the date of this prospectus.

The following table summarizes the remaining contractual maturities as of the dates indicated of our financial liabilities, which are based on contractual undiscounted cash flows and the earliest date we can be required to pay.

	As of December 31, 2015					
	Contractual undiscounted cash outflows					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Consolidated balance sheet carrying amount
	(RMB in millions)					
Trade and other payables	4,857.2	–	–	–	4,857.2	4,857.2
Interest-bearing bank and other loans	6,791.4	842.7	41.8	–	7,675.9	7,437.0
Amounts due to related parties	1,353.4	–	–	–	1,353.4	1,353.4
Obligations under finance leases	31.9	35.7	61.2	–	128.8	108.7
Financial guarantee contracts	3,329.3	–	–	–	3,329.3	–
Total	**16,363.2**	**878.4**	**103.0**	**–**	**17,344.6**	**13,756.3**

	As of December 31, 2016					
	Contractual undiscounted cash outflows					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Consolidated balance sheet carrying amount
	(RMB in millions)					
Trade and other payables	5,367.2	–	–	–	5,367.2	5,367.2
Interest-bearing bank and other loans	8,850.2	922.7	1,505.0	–	11,277.9	10,743.9
Amounts due to related parties	657.4	–	–	–	657.4	657.4
Interest-bearing payables for construction in progress	142.3	156.2	78.1	–	376.6	346.9
Obligations under finance leases	35.7	35.7	25.4	–	96.8	85.8
Financial guarantee contracts	1,779.0	–	–	–	1,779.0	–
Total	**16,831.8**	**1,114.6**	**1,608.5**	**–**	**19,554.9**	**17,201.2**

	As of December 31, 2017					
	Contractual undiscounted cash outflows					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Consolidated balance sheet carrying amount
	(RMB in millions)					
Trade and other payables	6,031.7	–	–	–	6,031.7	6,031.7
Interest-bearing bank and other loans	7,415.5	1,559.8	1,239.1	–	10,214.4	9,780.2
Amounts due to related parties	702.1	–	–	–	702.1	702.1
Interest-bearing payables for construction in progress	455.7	180.2	50.9	–	686.8	641.2
Obligations under finance leases	35.7	24.6	0.9	–	61.2	56.6
Financial guarantee contracts	1,599.0	–	–	–	1,599.0	–
Total	**16,239.7**	**1,764.6**	**1,290.9**	**–**	**19,295.2**	**17,211.8**

	As of September 30, 2018					
	Contractual undiscounted cash outflows					
	Within 1 year or on demand	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**More than 5 years**	**Total**	**Consolidated balance sheet carrying amount**
	(RMB in millions)					
Trade and other payables	6,257.5	–	–	–	6,257.5	6,257.5
Interest-bearing bank and other loans	7,279.3	1,994.2	424.9	–	9,698.4	8,692.9
Amounts due to related parties	1,092.5	–	–	–	1,092.5	1,092.5
Obligations under finance leases	29.9	4.5	–	–	34.4	32.9
Interest-bearing payables for construction in progress	518.9	88.0	42.4	–	649.3	648.3
Financial guarantee contracts	1,245.0	–	–	–	1,245.0	–
Total	**16,423.1**	**2,086.7**	**467.3**	**–**	**18,977.1**	**16,724.1**

RELATED PARTY TRANSACTIONS

During the Track Record Period, our transactions with related parties primarily included (i) payment of remuneration to key management personnel, and (ii) transaction with our Controlling Shareholder, Mr. Yang and (iii) transactions with other related parties, including but not limited to CNC Risun Coking, Jinniu Risun Chemicals, Cabot Risun Chemicals and Tianjin Zhengcheng, as described in Note 39 to the Accountants' Report attached as Appendix I to this prospectus.

The table below sets forth transactions with our related parties during the Track Record Period.

	Year ended December 31,			Nine months ended September 30,	
	2015	2016	2017	2017	2018
			(RMB in thousands)		
				(Unaudited)	
Purchase of goods from					
Related parties controlled by Mr. Yang	2,495	12,271	8,861	4,746	3,910
CNC Risun Coking	677,156	657,972	873,477	612,269	525,489
Cangzhou Risun Chemicals	1,004	–	–	–	–
Jinniu Risun Chemicals	4,800	45,913	47,150	35,249	47,984
Tianjin Zhengcheng	–	–	–	–	34,922
Sales of goods to					
Related parties controlled by Mr. Yang	5,950	1,409	17	–	40
CNC Risun Coking	26,472	63,407	93,437	77,967	61,542
Cangzhou Risun Chemicals	430,747	146,703	–	–	–
Jinniu Risun Chemicals	12,704	26,446	18,040	16,824	4,003
Cabot Risun Chemicals	253,235	273,729	491,859	346,172	400,466
Tianjin Zhengcheng	–	107	–	–	–
Service fee from related parties controlled by Mr. Yang	–	48	15,815	8,978	45,848
Provision of service to					
CNC Risun Coking	71	–	–	–	–
Cangzhou Risun Chemicals	15,354	–	–	–	–
Jinniu Risun Chemicals	80	–	–	–	–
Cabot Risun Chemicals	755	670	735	532	–
Tianjin Zhengcheng	214	–	–	–	–
Interest received from					
Related parties controlled by Mr. Yang	18,244	69,032	57,434	49,909	39,078
CNC Risun Coking	–	7,453	6,514	4,995	2,839
Rental income from related parties controlled by Mr. Yang	–	–	284	244	525
Sale of property, plant and equipment to related parties controlled by Mr. Yang	–	248,928	–	–	–
Purchase of intangible assets from related parties controlled by Mr. Yang	–	3,000	–	–	–

The following table sets forth the balances with our related parties as of the dates indicated.

	As of December 31,			As of September 30,
	2015	2016	2017	2018
	(RMB in thousands)			
Amounts due from related parties				
Non-trade nature				
Related parties controlled by Mr. Yang	315,987	1,854,341	1,604,704	1,607,634
CNC Risun Coking	104,209	131,392	175,151	–
Cangzhou Risun Chemicals	542,141	–	–	–
Jingfu Coal Mining	30,900	30,900	30,900	30,900
Cabot Risun Chemicals	1,508	–	–	–
Mr. Yang and Mr. Yang Lu	561	1,839	–	–
Subtotal	**995,306**	**2,018,472**	**1,810,755**	**1,638,534**
Trade nature				
Related parties controlled by Mr. Yang	300	620	–	305
CNC Risun Coking	87,544	635	1,449	7,283
Cangzhou Risun Chemicals	20,893	–	–	–
Jinniu Risun Chemicals	300	178	3	1,497
Cabot Risun Chemicals	18,183	35,657	4,495	9,134
Tianjin Zhengcheng	254	449	–	6,097
Subtotal	**127,474**	**37,539**	**5,947**	**24,316**
Impairment under ECL model	–	–	–	(6,000)
Analyzed for reporting purposes as current portion	1,122,780	2,056,011	1,816,702	1,656,850

Amounts due from Related Parties

Non-trade nature

As of December 31, 2015, 2016 and 2017 and September 30, 2018, we had interest-free, unsecured and unguaranteed amounts due from related parties (non-trade nature) in the amounts of RMB995.3 million, RMB2,018.5 million, RMB1,810.8 million and RMB1,638.5 million, respectively. As of September 30, 2018, the outstanding balance of such amount was primarily due from related parties controlled by Mr. Yang in an amount of RMB1,607.6 million. In December 2018 and January 2019, three subsidiaries of the Company entered into 18 deeds of assignment with third-party creditors and certain related parties controlled by Mr. Yang. Pursuant to these deeds of assignment, an aggregate amount of RMB900.4 million owed by us to the third-party creditors was assigned to related parties controlled by Mr. Yang and offset against amounts due from these related parties controlled by Mr. Yang. We have been advised by our PRC legal advisors, Jingtian & Gongcheng, that these deeds of assignment are legally binding and in compliance with the PRC Contract Law. Accordingly, we derecognized trade payables, payables for construction in progress and amounts due from related parties (non-trade nature) of RMB200.0 million, RMB700.4 million and RMB900.4 million, respectively. In December 2018 and January 2019, the remaining non-trade amounts due from related parties controlled by Mr. Yang have been fully settled in cash.

As of September 30, 2018, the outstanding balance of our loan to Jingfu Coal Mining was RMB30.9 million. In January 2019, Xuyang Holding and a subsidiary of the Company entered into a deed of assignment, pursuant to which our rights relating to the loan were assigned and transferred to Xuyang Holding. We have been advised by our PRC legal advisors, Jingtian & Gongcheng, that the deed of assignment is legally binding and in compliance with the PRC Contract Law. Xuyang Holding paid us RMB30.9 million in cash on January 28, 2019.

Trade nature

As of December 31, 2015, 2016 and 2017 and September 30, 2018, we had interest-free, unsecured and unguaranteed amounts due from related parties (trade nature) in the amounts of RMB127.5 million, RMB37.5 million, RMB5.9 million and RMB24.3 million, respectively. As of September 30, 2018, the outstanding balance of such amount was primarily payables generated in the transactions with CNC Risun Coking and Jinniu Risun Chemicals, in the amount of RMB7.3 million and RMB1.5 million, respectively.

Amounts due to Related Parties

Non-trade nature

As of December 31, 2015, 2016 and 2017 and September 30, 2018, we had interest-free amounts due to related parties (non-trade nature) in the amounts of RMB762.6 million, RMB261.4 million, nil and nil, respectively.

Dividend payable

As of December 31, 2015, 2016 and 2017 and September 30, 2018, our dividend payable was nil, nil, nil and RMB549.5 million. The dividend payable as of September 30, 2018 represented a dividend payable to Texson which has been fully paid as of January 31, 2019.

Trade nature

As of December 31, 2015, 2016 and 2017 and September 30, 2018, we had interest-free amounts due to related parties (trade nature) in the amounts of RMB590.8 million, RMB396.0 million, RMB702.1 million and RMB586.6 million, respectively. As of September 30, 2018, the outstanding balance of such amount was primarily payables from the transactions with CNC Risun Coking in the amount of RMB532.7 million.

Our Directors have confirmed that the related party transactions described in Note 39 to the Accountants' Report attached as Appendix I to this prospectus were conducted on normal commercial terms and entered into in the ordinary course of business.

PROPERTY INTERESTS AND PROPERTY VALUATION REPORT

The value of our select property interests as of December 31, 2018 as valued by JLL, an independent property valuation firm, was RMB5,785.7 million. The text of its letter and valuation certificate are included in the Property Valuation Report in Appendix IV to this prospectus.

The following table sets forth a reconciliation between the net book value of our select property interests as of September 30, 2018 and the valuation of relevant property interests as of December 31, 2018 as stated in the Property Valuation Report:

	(RMB in millions)
Net book value as of September 30, 2018	3,841.6
Change for the period from October 1, 2018 to December 31, 2018	234.3
Less: Depreciation and amortization for the period from October 1, 2018 to December 31, 2018	(71.6)
Net book value as of December 31, 2018	4,004.3
Valuation surplus(1)	1,781.4
Valuation as of December 31, 2018	5,785.7

Note:

(1) The valuation surplus primarily reflects the difference in the market value and book value of our select property interests.

DIVIDEND POLICY

We may distribute dividends in cash or by other means that we consider appropriate. Our Board will determine proposed distributions of dividends. A decision to declare or to pay any dividends, and the amount of any dividends, will depend on a number of factors, including our results of operations, cash flows, financial condition, payments by our subsidiaries of cash dividends to us, future prospects and other factors that our Directors consider important.

According to PRC law and our Articles of Association, we may only pay dividends out of profit for the year calculated according to Chinese accounting principles, which differ in many aspects from the generally accepted accounting principles in other jurisdictions, including IFRS. The minimum allocations to the statutory common reserve fund are 10% of our after-tax profit, as determined under the PRC Company Law. When the statutory common reserve fund reaches and is maintained at or above 50% of our registered capital, no further allocations to this statutory fund will be required.

In accordance with the Articles of Association of the Company, after completion of the Global Offering, we may only pay dividends out of distributable profit as determined under PRC GAAP or IFRS, whichever is a lower amount. We will retain any distributable profit that we do not distribute in any given year, and this distributable profit will become available for distribution in subsequent years. We expect to distribute no less than 30% of our annual distributable earnings in every subsequent year as dividends.

However, we cannot assure you that we will be able to declare dividends in any amount each year or in any year. In addition, legal restrictions and/or financing agreements that we may enter into in the future may restrict our ability to declare or pay dividends.

We declared dividends of nil, RMB891.1 million, nil and nil in respect of the years ended December 31, 2015, 2016 and 2017 and the nine months ended September 30, 2018, respectively. We declared the dividend of RMB891.1 million in cash for the year ended December 31, 2016 in April 2018. Such dividend has been fully paid as of January 31, 2019. We are in compliance with relevant laws and regulations with regards to the dividend declared in April 2018. Since October 1, 2018 and up to the Latest Practicable Date, we have not declared or distributed any dividends or determined any dividend payout ratio.

DISTRIBUTABLE RESERVES

As of September 30, 2018, our Company had RMB479.8 million of reserves available for distribution to its Shareholders.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

Please refer to Appendix II to this document for the unaudited pro forma adjusted net tangible assets.

NO ADDITIONAL DISCLOSURE REQUIRED UNDER THE LISTING RULES

We confirm that, as of the Latest Practicable Date, we were not aware of any circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

DIRECTORS' CONFIRMATION OF NO MATERIAL ADVERSE CHANGE

As of the date of this prospectus, the Directors confirm that there has been no material adverse change in the financial or trading positions or prospects of the Company since September 30, 2018, the date of the latest audited financial statements of the Company.

Our Directors confirm that they have performed sufficient due diligence on our Company to ensure that, until the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects since September 30, 2018, and there is no event since September 30, 2018 that would materially affect the information shown in the Accountants' Report in Appendix I to this prospectus.

PROFIT ESTIMATE FOR THE YEAR ENDED DECEMBER 31, 2018

We have prepared the following profit estimate for the year ended December 31, 2018.

Estimated consolidated profit attributable to owners of the Company (1)(3)	Not less than RMB2,022 million (approximately HK$2,345 million)
Unaudited pro forma estimated earnings per Share (2)(3)	Not less than RMB0.519 (approximately HK$0.602)

Notes:

(1) The bases on which the above profit estimate has been prepared are summarized in Appendix III to this prospectus. Our Directors have prepared the estimated consolidated profit attributable to the owners of the Company for the year ended December 31, 2018 based on the audited consolidated results for the nine months ended September 30, 2018 and the unaudited consolidated results based on management accounts of the Group for the remaining three months ended December 31, 2018.

(2) The calculation of the unaudited pro forma estimated earnings per Share is based on the estimated consolidated results attributable to the owners of the Company for the year ended December 31, 2018 and the weighted average number of ordinary shares in issue during the year ended December 31, 2018, assuming that a total of 3,893,008,315 Shares had been in issue during the entire year, taking into consideration the Capitalization Issue and the 600,000,000 new Shares to be issued under the Global Offering which have been assumed to have been issued on January 1, 2018. The calculation of the estimated earnings per Share does not take into account any Shares which may be issued upon the exercise of options that may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandates for the allotment and issue or repurchase of Shares referred to in Appendix VI to this prospectus.

(3) The estimated consolidated profit attributable to owners of the Company and the unaudited pro forma estimated earnings per Share are converted into Hong Kong dollars at the exchange rate of RMB1.00 to HK$1.15994, the exchange rate set by the PBOC prevailing on February 18, 2019. No representation is made that the RMB amounts have been, could have been or may be converted into Hong Kong dollars, or vice versa, at that rate.

See "Appendix III – Profit Estimate" for the year ended December 31, 2018 to this prospectus for more details.

FUTURE PLANS

See the section headed "Business – Business Strategies" in this prospectus for a detailed description of our future plans.

USE OF PROCEEDS

Assuming an Offer Price of HK$2.97 per Offer Share (being the mid-point of the stated range of the Offer Price of between HK$2.76 and HK$3.18 per Offer Share), and prior to any exercise of the Over-allotment Option, we estimate that we will receive net proceeds of approximately HK$1,672.1 million from the Global Offering after deducting the underwriting commissions and other estimated expenses in connection with the Global Offering. We intend to use the net proceeds from the Global Offering for the following purposes and in the amounts set out below, subject to changes in light of our evolving business needs and changing market conditions:

- approximately 40%, or HK$668.8 million, will be used for repayment of our existing onshore and offshore debts of HK$179.5 million and HK$489.4 million, respectively, which will mature in 2019 and have interest rates in the range of 4.3% to 7.2% (the "**Debt Repayments**");

- approximately 30%, or HK$501.6 million, will be used for acquisition of, strategic investment in, and development of our strategic operation and management services to, other third-party coke and refined chemicals producers in China (the "**Investment Plans**");

- approximately 20%, or HK$334.4 million, will be used for improvement of our environmental protection facilities and measures (the "**Environmental Protection Plans**") and upgrade of our automation and information systems (the "**System Upgrades**"; and together with the Environmental Protection Plans, the "**Enhancement Plans**"); and

- the remaining amount of approximately HK$167.2 million, representing not more than 10% of the net proceeds, will be used for working capital.

In relation to each intended use of the net proceeds from the Global Offering as set out above:

- **Debt Repayments**: Based on an estimated average interest rate of 5.7% on debt to be repaid pursuant to the Debt Repayments, the expected annual interest savings from the Debt Repayments is expected to be approximately HK$38.4 million, and our gearing ratio as of September 30, 2018 as adjusted for the Debt Repayments is expected to be approximately 1.8.

- **Investment Plans**: We plan to invest a total of approximately HK$672.8 million on the Investment Plans in the period from the Listing Date to December 31, 2020, with approximately HK$501.6 million being funded by the net proceeds from the Global Offering and the remaining amount being funded by cash generated from our operations. As of the Latest Practicable Date, no specific target has been identified. Please refer to the section headed "Business – Business Strategies – We plan to explore market opportunities to provide operation management and technology output services and expand our business through joint ventures and acquisitions" in this prospectus for more details.

- **Enhancement Plans**: The funding for the Enhancement Plans will be covered by the allocated portion of the net proceeds from the Global Offering.

  - **Environmental Protection Plans**: We plan to invest a total of approximately HK$244.5 million to construct a coke dry-quenching project in our Dingzhou Base between August 2019 and December 2020, with approximately HK$187.5 million being funded by the net proceeds from the Global Offering and the remaining amount being funded by cash generated from our operations. The project will be divided into three main stages: (1) the first stage will include preliminary applications and equipment acquisitions and is intended to take place prior to September 2019, with expected capital expenditures of approximately HK$30.7 million; (2) the second stage will be the construction stage and is intended to take place between September 2019 and December 2020, with expected capital expenditures of approximately HK$161.8 million; and (3) the final stage will include the payment of retainage and performance guarantees and is intended to take place in 2021, with expected capital expenditures of approximately HK$52.0 million. For benefits expected from the coke dry-quenching project, please refer to the section headed "Business – Business Strategies – We plan to improve our energy-efficiency, environmental protection and operation safety standards" in this prospectus.

  - **System Upgrades**: We plan to invest in automation and information systems with net proceeds from the Global Offering. We plan to use a total of approximately HK$148.0 million to establish a comprehensive control and command center and upgrade our MES system and ERP system, with HK$146.9 million being funded by the net proceeds from the Global Offering and the remaining amount being funded by cash generated from our operations. The plan is as follows:

    - the comprehensive control and command center is intended to be established between mid-2019 and 2021, with expected capital expenditures of approximately HK$51.0 million;

    - the MES system is intended to be upgraded between mid-2019 and late 2021, with expected capital expenditures of approximately HK$66.3 million; and

- the ERP system is intended to be upgraded between mid-2019 and late 2021, with expected capital expenditures of approximately HK$30.6 million.

For further details on the System Upgrades, please refer to the section headed "Business – Business Strategies – We plan to further improve our core competitive strengths through automation and information technologies" in this prospectus.

In the event that the Offer Price is set at the high point or the low point of the indicative Offer Price range, the net proceeds of the Global Offering (assuming that the Over-allotment Option is not exercised) will increase to approximately HK$1,794.3 million or decrease to approximately HK$1,549.9 million, respectively, and in such event, we intend to increase or decrease, respectively, the net proceeds of the Global Offering to be used for the purposes above on a pro-rata basis.

If the Over-allotment Option is exercised in full, the additional net proceeds we estimate that we will receive, after deducting underwriting fees and estimated expenses in connection with the Global Offering, will be:

- approximately HK$277.6 million assuming an Offer Price of HK$3.18 per Share, being the high end of the Offer Price range;

- approximately HK$259.3 million assuming an Offer Price of HK$2.97 per Share, being the mid-point of the Offer Price range; or

- approximately HK$240.9 million assuming an Offer Price of HK$2.76 per Share, being the low end of the Offer Price range.

To the extent that the net proceeds are not immediately applied to the purposes above and to the extent permitted by applicable laws and regulations, we intend to deposit the net proceeds into short-term demand deposits and/or money market instruments. We will make an appropriate announcement if there is any change to the proposed use of proceeds above.

THE CORNERSTONE PLACING

The Company has entered into cornerstone investment agreements (the "**Cornerstone Investment Agreements**", each a "**Cornerstone Investment Agreement**") with certain investors (the "**Cornerstone Investors**"), each a "**Cornerstone Investor**"), pursuant to which the Cornerstone Investors have agreed to subscribe for certain Shares of the Company at the Offer Price (the "**Cornerstone Placing**").

The information about the number of Offer Shares to be subscribed for by all of the Cornerstone Investors based on the total subscription price payable by all of the Cornerstone Investors (subject to the rounding down to the nearest whole board lot of 1,000 Shares) and the relevant assumption of the Offer Price, is set out below:

Offer Price	Number of Shares to be subscribed	Approximate percentage of the Shares in issue following completion of the Global Offering (assuming the Over-allotment Option is not exercised)	Approximate percentage of the Shares in issue following completion of the Global Offering (assuming the Over-allotment Option is fully exercised)	Approximate percentage of the Offer Shares in issue following completion of the Global Offering (assuming the Over-allotment Option is not exercised)	Approximate percentage of the Offer Shares in issue following completion of the Global Offering (assuming the Over-allotment Option is fully exercised)	Approximate percentage of the International Placing Shares in issue following completion of the Global Offering (assuming the Over-allotment Option is not exercised)	Approximate percentage of the International Placing Shares in issue following completion of the Global Offering (assuming the Over-allotment Option is fully exercised)
2.76 (being the low-end of the indicative Offer Price range stated in this prospectus)	258,429,000	6.46%	6.32%	43.07%	37.45%	47.86%	41.02%
2.97 (being the mid-point of the indicative Offer Price range stated in this prospectus)	240,156,000	6.00%	5.87%	40.03%	34.81%	44.47%	38.12%
3.18 (being the high-end of the indicative Offer Price range stated in this prospectus)	224,298,000	5.61%	5.48%	37.38%	32.51%	41.54%	35.60%

(1) Calculated based on an exchange rate of US$1.00: HK$7.8477 and RMB6.7680: US$1.00 as described in "Information about this prospectus and the Global Offering – Exchange Rate Conversion" in this prospectus. The actual investment amount of each Cornerstone Investor in HK dollars may change due to the actual exchange rate to be used, as well as whether or not brokerage and levies are included as prescribed in the relevant Cornerstone Investment Agreement.

The Cornerstone Placing will form part of the International Placing and none of the Cornerstone Investors will subscribe for any Offer Shares under the Global Offering (other than and pursuant to their respective Cornerstone Investment Agreements). The Offer Shares to be subscribed for by the Cornerstone Investors will rank *pari passu* in all respects with the other fully paid Shares in issue upon completion of the Global Offering and will be counted towards the public float of the Company. Immediately following the completion of the Global Offering, none of the Cornerstone Investors will have any board representation in the Company, nor will any of the Cornerstone Investors become a substantial shareholder of the Company (as defined under the Listing Rules). The Offer Shares to be subscribed for by the Cornerstone Investors may be adjusted by any reallocation of the Offer Shares between the International Placing and the Hong Kong Public Offering in the event of an over-subscription under the Hong Kong Public Offering as described in the section headed "Structure of the Global Offering – The Hong Kong Public Offering – Reallocation/Adjustment" in this prospectus.

The Cornerstone Investors do not have any preferential rights compared with other public shareholders in their respective Cornerstone Investment Agreements other than a guaranteed allocation at the Offer Price.

To the best knowledge of the Company, each of the Cornerstone Investors and their respective ultimate beneficial owners is independent of each other, independent of the Company, its connected persons and their respective associates, and not an existing shareholder or close associate of the Company.

Details of the allocations to the Cornerstone Investors will be disclosed in the allotment results announcement to be published on or around Thursday, March 14, 2019.

THE CORNERSTONE INVESTORS

The Company has entered into the Cornerstone Investment Agreements with the Cornerstone Investors set out below in respect of the Cornerstone Placing:

Cornerstone Investor	Total subscription amount[(1)]	Offer Price[(2)]	Number of Shares to be subscribed	Approximate percentage of the Shares in issue following completion of the Global Offering (assuming the Over-allotment Option is not exercised)	Approximate percentage of the Shares in issue following completion of the Global Offering (assuming the Over-allotment Option is fully exercised)	Approximate percentage of the Offer Shares in issue following completion of the Global Offering (assuming the Over-allotment Option is not exercised)	Approximate percentage of the Offer Shares in issue following completion of the Global Offering (assuming the Over-allotment Option is fully exercised)	Approximate percentage of the International Placing Shares in issue following completion of the Global Offering (assuming the Over-allotment Option is not exercised)	Approximate percentage of the International Placing Shares in issue following completion of the Global Offering (assuming the Over-allotment Option is fully exercised)
Lido Trading Limited	US$18 million (approximately HK$141.3 million)	HK$2.76 HK$2.97 HK$3.18	51,180,000 47,561,000 44,420,000	1.28% 1.19% 1.11%	1.25% 1.16% 1.09%	8.53% 7.93% 7.40%	7.42% 6.89% 6.44%	9.48% 8.81% 8.23%	8.12% 7.55% 7.05%
Guangzhou Panyu Haiyi Real Estate Development Company Ltd. (廣州番禺海怡房地產開發有限公司)	US$15 million (approximately HK$117.7 million)	HK$2.76 HK$2.97 HK$3.18	42,650,000 39,634,000 37,017,000	1.07% 0.99% 0.93%	1.04% 0.97% 0.91%	7.11% 6.61% 6.17%	6.18% 5.74% 5.36%	7.90% 7.34% 6.86%	6.77% 6.29% 5.88%
Wide Bridge Limited	US$15 million (approximately HK$117.7 million)	HK$2.76 HK$2.97 HK$3.18	42,650,000 39,634,000 37,017,000	1.07% 0.99% 0.93%	1.04% 0.97% 0.91%	7.11% 6.61% 6.17%	6.18% 5.74% 5.36%	7.90% 7.34% 6.86%	6.77% 6.29% 5.88%
Silver Prosper Holdings Limited (銀鑫控股有限公司)	US$15 million (approximately HK$117.7 million)	HK$2.76 HK$2.97 HK$3.18	42,650,000 39,634,000 37,017,000	1.07% 0.99% 0.93%	1.04% 0.97% 0.91%	7.11% 6.61% 6.17%	6.18% 5.74% 5.36%	7.90% 7.34% 6.86%	6.77% 6.29% 5.88%
China Fortune Rich Private Equity Fund Limited (中國祿豐私募資金有限公司)	US$10 million (approximately HK$78.5 million)	HK$2.76 HK$2.97 HK$3.18	28,433,000 26,423,000 24,678,000	0.71% 0.66% 0.62%	0.70% 0.65% 0.60%	4.74% 4.40% 4.11%	4.12% 3.83% 3.58%	5.27% 4.89% 4.57%	4.51% 4.19% 3.92%
LFM Oversea Investment Fund SPC (on behalf of and for account of LFM Oversea SP)	US$10 million (approximately HK$78.5 million)	HK$2.76 HK$2.97 HK$3.18	28,433,000 26,423,000 24,678,000	0.71% 0.66% 0.62%	0.70% 0.65% 0.60%	4.74% 4.40% 4.11%	4.12% 3.83% 3.58%	5.27% 4.89% 4.57%	4.51% 4.19% 3.92%

Cornerstone Investor	Total subscription amount(1)	Offer Price(2)	Number of Shares to be subscribed	Approximate percentage of the Shares in issue following completion of the Global Offering (assuming the Over-allotment Option is not exercised)	Approximate percentage of the Shares in issue following completion of the Global Offering (assuming the Over-allotment Option is fully exercised)	Approximate percentage of the Offer Shares in issue following completion of the Global Offering (assuming the Over-allotment Option is not exercised)	Approximate percentage of the Offer Shares in issue following completion of the Global Offering (assuming the Over-allotment Option is fully exercised)	Approximate percentage of the International Placing Shares in issue following completion of the Global Offering (assuming the Over-allotment Option is not exercised)	Approximate percentage of the International Placing Shares in issue following completion of the Global Offering (assuming the Over-allotment Option is fully exercised)
Henan Jinma Energy Company Limited	US$5 million (approximately HK$39.2 million)	HK$2.76	14,216,000	0.36%	0.35%	2.37%	2.06%	2.63%	2.26%
		HK$2.97	13,211,000	0.33%	0.32%	2.20%	1.91%	2.45%	2.10%
		HK$3.18	12,339,000	0.31%	0.30%	2.06%	1.79%	2.29%	1.96%
Jiangxi Blackcat Carbon Black Inc., Ltd.	RMB19,560,000 (approximately HK$22.7 million)	HK$2.76	8,217,000	0.21%	0.20%	1.37%	1.19%	1.52%	1.30%
		HK$2.97	7,636,000	0.19%	0.19%	1.27%	1.11%	1.41%	1.21%
		HK$3.18	7,132,000	0.18%	0.17%	1.19%	1.03%	1.32%	1.13%

(1) Calculated based on an exchange rate of US$1.00: HK$7.8477 and RMB6.7680: US$1.00 as described in "Information about this prospectus and the Global Offering – Exchange Rate Conversion" in this prospectus. The actual investment amount of each Cornerstone Investor in HK dollars may change due to the actual exchange rate to be used, as well as whether or not brokerage and levies are included as prescribed in the relevant Cornerstone Investment Agreement.

(2) Being the low-end, mid-point and high-end of the proposed Offer Price range set out in this prospectus respectively.

The information about our Cornerstone Investors set forth below has been provided by the Cornerstone Investors in connection with the Cornerstone Placing:

Lido Trading Limited

Lido Trading Limited is a company incorporated in the British Virgin Islands, whose principal business is investment in stocks. It is owned as to 24% by Mr. Wang Shuli, 10% by Mr. Wang Hongguang, 34% by Mr. Zhang Weichao and 32% by Ms. Cui Zhongyue. Mr. Wang Shuli is the legal representative and controlling shareholder of Tangshan Yanshan Iron & Steel Co., Ltd. (唐山燕山鋼鐵有限公司), a company primarily engaged in iron and steel smelting, steel rolling and ferrous metal and metal ore wholesale. Mr. Wang Hongguang and Ms. Cui Zhongyue are also shareholders of Tangshan Caofeidian Yongyin Renewable Resources Usage Co., Ltd. (唐山曹妃甸永印再生資源利用有限公司), a company whose principal business is the recycling and distribution of renewable materials and sale of coal and ferrous metal mineral products, and Shanghai Shenfeng Investment Management Co., Ltd. (上海申風投資管理有限公司), which is principally engaged in investment management and consulting.

Guangzhou Panyu Haiyi Real Estate Development Company Ltd.

Guangzhou Panyu Haiyi Real Estate Development Co. Ltd. (廣州番禺海怡房地產開發有限公司) ("**Haiyi Real Estate**") is a limited liability company incorporated in the People's Republic of China on May 13, 1992, and is the principal subsidiary of the Star River Group conducting its real estate business. Its real estate development projects include Star River Peninsula (星河灣半島), Star River Pudong (浦東星河灣), Star River Shanghai (上海星河灣) and Star River Beijing (北京星河灣), which are residential property developments in the PRC. Its ultimate beneficial owner is Mr. Wong Manchai, chairman of the Star River Group. Haiyi Real Estate is subscribing for the Offer Shares set out above through Orient Fund Management Co. Ltd., a qualified domestic institutional investor as approved by the relevant governmental authorities of the PRC (the "**QDII**").

Wide Bridge Limited

Wide Bridge Limited is a limited company incorporated in the British Virgin Islands, whose principal activity is investment in stocks. Mr. You Zhenhua, its indirect controlling shareholder, holds investments in listed stock through Wide Bridge Limited, including in Theme International Holdings Limited, a company listed on the Hong Kong Stock Exchange (stock code: 990), in which it is a controlling shareholder. Mr. You Zhenhua has more than 13 years' experience in commodities trading business. He is the chairman and the executive director of Prosperity Steel United Singapore Pte. Ltd. ("**PSU**"), which is principally engaged in commodities trading including iron ore and coal. PSU was first admitted in 2005 under the Global Trader Program in Singapore which provides a reduced corporate tax rate for qualified companies that have a wide trading and distribution network, and are committed to expanding their operation from Singapore.

Silver Prosper Holdings Limited (銀鑫控股有限公司)

Silver Prosper Holdings Limited (銀鑫控股有限公司) is a company incorporated in the British Virgin Islands, whose principal activity is investment in stocks. It is wholly-owned by Mr. Li Mingdong, who graduated with an executive master of business administration degree in January 2007, and is an individual investor with experience in investing in Hong Kong equity markets. From 1996 to 2000, Mr. Li Mingdong was a general manager at Hebei Jinxi Iron and Steel Group Company Limited (河北津西鋼鐵集團股份有限公司), an indirect non-wholly owned subsidiary of China Oriental Group Company Limited (中國東方集團控股有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 581). Mr. Li Mingdong is currently the legal representative, executive director and shareholder of Beijing Shanshui Eastern Investment Co., Ltd. (北京山水東方投資有限公司), a company whose principal business is investment and investment management.

China Fortune Rich Private Equity Fund Limited (中國祿豐私募資金有限公司)

China Fortune Rich Private Equity Fund Limited (中國祿豐私募資金有限公司) is a wholly-owned subsidiary incorporated in Hong Kong of DT Capital Management Co., Ltd. (德圖資本管理股份有限公司) ("**DT Capital**"), which is in turn owned by Mr. Wang Zixi (王子熙), Ms. Wu Tong (吳彤), Ms. He Fang (何芳) and Zhi De (Hangzhou) Investment Management Limited Partnership (杭州智得投資管理合夥企業(有限合夥)). It provides a full range of financial services for enterprises.

DT Capital was established in 2013 and is a global asset management and financial services institution. Its principal business includes four key segments, including securities investment, equity investments, investment banking services and investor relations management. With its investment philosophy of internationalized investment, its business philosophy of "great ambitions and great virtues carry great responsibilities", focus on long-term strategic investments, and through the integration of global capital and industry resources, the DT Capital team provides diverse services in mergers and acquisitions, corporate strategies and business development to systematically improve the intrinsic value of companies and contribute to further growth. DT Capital has agreed with Tus-Holdings Co., Ltd. (啟迪控股股份有限公司) and Maotian Capital Co., Ltd. (茂天資本有限責任公司), a wholly-owned subsidiary of HeBei Construction & Investment Group Co., Ltd. (河北建設投資集團有限責任公司) to establish joint venture platform companies in the PRC.

LFM Oversea Investment Fund SPC (on behalf of and for account of LFM Oversea SP)

LFM Oversea SP is a segregated portfolio of LFM Oversea Investment Fund SPC, a segregated portfolio company established under the laws of the Cayman Islands. It is principally engaged in the business of investing in stocks. Tan Kok-Hui is the partner of LFM Oversea SP. He graduated from Arizona State University in Tempe, Arizona, the United States of America with a doctorate of philosophy in Economics in 1991. Prior to his current business, he was the associate Dean of Nanyang Technological University's Nanyang Business School in Singapore.

Henan Jinma Energy Company Limited

Henan Jinma Energy Company Limited ("**Henan Jinma**") is a company incorporated in the People's Republic of China and is a holding company of the Jinma Group, being the leading coke producer and processor of coking by-products in the coking chemical industry in Henan province. Henan Jinma is subscribing for the Offer Shares set out above through Hwabao Trust Co., Ltd. (the "**Hwabao Trust QDII**"), an asset manager which is a QDII.

Jinma Group was established in 2003 and was listed on Main Board of the Stock Exchange in 2017 (stock code: 6885). The main products of the Jinma Group include coke, coking by-products (mainly crude benzene, coal tar and crude oven gas), benzene based and coal tar based refined chemicals and LNG.

Jiangxi Blackcat Carbon Black Inc., Ltd.

Jiangxi Blackcat Carbon Black Inc., Ltd. ("**Jiangxi Blackcat**") is a company incorporated in the People's Republic of China and was listed on the Small and Medium-sized Enterprise Board of the Shenzhen Stock Exchange (stock code: 002068). It is the first state-owned and market-oriented listed company in the PRC with carbon black as its principal product. Jiangxi Blackcat has eight large carbon black production bases and two research institutes in the PRC. It has a trading company in Singapore and is a leader in the carbon black industry of the PRC.

Jiangxi Blackcat is subscribing for the Offer Shares set out above through Essence Securities Co. Ltd. (the "**Essence QDII**"), a QDII. The Essence QDII is the parent company of Essence International Securities (Hong Kong) Limited ("**Essence International**"), a Joint Bookrunner of the Global Offering. Essence QDII acts in accordance with the instructions from Jiangxi Blackcat in order to facilitate the participation by Jiangxi Blackcat in the Global Offering of the Company. Other than being a client of the Essence QDII, Jiangxi Blackcat is an independent third party of the Essence QDII. Due to its relationship with Essence International, the Essence QDII is considered a "connected client" of Essence International under paragraph 13 of Appendix 6 to the Listing Rules, and the participation of Jiangxi Blackcat is therefore subject to the written consent from the Stock Exchange. The Shares to be allocated and issued to it under the Global Offering will be held by the Essence QDII on a discretionary basis on behalf of Jiangxi Blackcat. It is confirmed by the Company that Jiangxi Blackcat's Cornerstone Investment Agreement does not contain any material terms which are more favorable to Jiangxi Blackcat or the Essence QDII than those in other Cornerstone Investment Agreements. In addition, apart from the preferential treatment of assured entitlement under a cornerstone investment, (i) each of the Company and Essence International (as the connected broker) has also confirmed that, no preferential treatment has been, nor will be, given to the Essence QDII by virtue of its relationship with Essence International; (ii) the Essence QDII has confirmed that, to the best of its knowledge and belief, it has not received and will not receive preferential treatment in the allocation of the Global Offering on behalf of Jiangxi Blackcat as a Cornerstone Investor by virtue of its relationship with Essence International; and (iii) the Sole Sponsor has confirmed that, it has no reason to believe that the Essence QDII received any preferential treatment in the allocation of the Global Offering as a Cornerstone Investor on behalf of Jiangxi Blackcat by virtue of its relationship with Essence International. An application has been made to the Stock Exchange and the Stock Exchange has granted its consent under paragraph 5(1) of Appendix 6 to the Listing Rules to allow Offer Shares to be placed to the Essence QDII as a "connected client" of Essence International and held by the Essence QDII on behalf of Jiangxi Blackcat.

CONDITIONS PRECEDENT

The subscription obligation of each Cornerstone Investor is subject to, amongst other things, the following conditions precedent:

(a) the Hong Kong Underwriting Agreement and the International Underwriting Agreement being entered into, having becoming effective and unconditional (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) and not having been terminated;

(b) the Offer Price having been agreed between the Company and the Sole Global Coordinator (for itself and on behalf of the underwriters of the Global Offering);

(c) the Listing Committee of the Stock Exchange having granted the approval for the listing of, and permission to deal in, the Shares (including the Shares to be subscribed for by the Cornerstone Investors in accordance with the relevant Cornerstone Investment Agreements as well as other applicable waivers and approvals) and such approval, permission or waiver not having been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;

(d) no laws, statutes, legislation, ordinances, rules, regulations, guidelines, opinions, notices, circulars, directives, requests, orders, judgments, decrees or rulings of any governmental, regulatory or administrative commission, board, body, authority or agency, or any stock exchange, self-regulatory organization or other non-governmental regulatory authority, or any court, judicial body, tribunal or arbitrator (in each case whether national, central, federal, provincial, state, regional, municipal, local, domestic, foreign or supranational) having been enacted or promulgated by any governmental authority which prohibits the consummation of the transactions contemplated in the Global Offering or the Cornerstone Investment Agreements and there being no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting the consummation of such transactions; and

(e) the respective representations, warranties, undertakings, confirmations and acknowledgements of the Cornerstone Investors in the Cornerstone Investment Agreements being accurate and true in all respects and not misleading and that there are no material breaches of the Cornerstone Investment Agreements on the part of the Cornerstone Investor.

RESTRICTIONS ON THE CORNERSTONE INVESTORS' INVESTMENT

Each of the Cornerstone Investors has agreed that, without the prior written consent of the Company, the Sole Global Coordinator and the Sole Sponsor, it will not, whether directly or indirectly, at any time during the period of six months from the Listing Date, directly or indirectly, (a) dispose of (as defined in the relevant Cornerstone Investment Agreement), in any way, any of the relevant Offer Shares or any interest in any company or entity holding any of the relevant Offer Shares, other than in certain limited circumstances such as transfers to any wholly-owned subsidiary of such Cornerstone Investor provided that, amongst other requirements, such wholly-owned subsidiary undertakes to, and the Cornerstone Investor undertakes to procure that such subsidiary will abide by such restrictions imposed on the Cornerstone Investor, (b) agree or contract to, or publicly announce any intention to enter into a transaction with a third party for disposal of the relevant Offer Shares, (c) allow itself to undergo a change of control (as defined in The Takeovers Code) at the level of its ultimate beneficial owner, or (d) enter into any transactions directly or indirectly with the same economic effect as any aforesaid transaction.

UNDERWRITERS

Hong Kong Underwriters

Guotai Junan Securities (Hong Kong) Limited
Essence International Securities (Hong Kong) Limited
China Everbright Securities (HK) Limited
Haitong International Securities Company Limited
CCB International Capital Limited
Mason Securities Limited
Crédit Agricole Corporate and Investment Bank, Hong Kong branch
Yuanyin Securities Limited
Ever-Long Securities Company Limited
SBI China Capital Financial Services Limited
Lead Securities (HK) Limited

International Underwriters

Guotai Junan Securities (Hong Kong) Limited
Essence International Securities (Hong Kong) Limited
China Everbright Securities (HK) Limited
Haitong International Securities Company Limited
CCB International Capital Limited
Mason Securities Limited
Crédit Agricole Corporate and Investment Bank, Hong Kong branch
Yuanyin Securities Limited
Ever-Long Securities Company Limited
SBI China Capital Financial Services Limited
Lead Securities (HK) Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company is offering the Hong Kong Public Offer Shares for subscription, subject to the terms and conditions of this prospectus and the Application Forms relating thereto, at the Offer Price.

Subject to, among other matters, the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus and the Offer Price having been determined by our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) at or prior to Tuesday, March 5, 2019 or such other date or time as may be agreed between our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) but in any event not later than Wednesday, March 13, 2019, the Hong Kong Underwriters have severally agreed to subscribe for or procure subscribers to subscribe for, on the terms and conditions of this prospectus and the Application Forms relating thereto, their respective applicable portions of the Hong Kong Public Offer Shares now being offered for subscription under the Hong Kong Public Offering and which are not taken up under the Hong Kong Public Offering subject to the terms and conditions of this prospectus and the Application Forms relating thereto and the Hong Kong Underwriting Agreement. The Hong Kong Public Offer Shares are fully underwritten pursuant to the Hong Kong Underwriting Agreement.

Grounds for termination

The Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) may in its absolute discretion terminate the Hong Kong Underwriting Agreement with immediate effect by written notice to our Company at any time before 8:00 a.m. (Hong Kong time) on the day on which the Shares commence trading on the Stock Exchange if:

(i) there shall develop, occur, exist or come into effect:

(a) any local, national, regional or international event or circumstance in the nature of force majeure (including any acts of government, declaration of a national or international emergency or war, calamity, crisis, epidemic, pandemic, outbreak of disease, economic sanctions, strikes, lock-outs, fire, explosion, flooding, earthquake, volcanic eruption, civil commotion, riots, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism) in or affecting the Cayman Islands, the BVI, Hong Kong, the PRC, the United States, the United Kingdom or the European Union and any other jurisdictions where any member of our Group is incorporated or operates (collectively, the "**Relevant Jurisdictions**"); or

(b) any change, or any development involving a prospective change, or any event or circumstance likely to result in any change or development involving a prospective change, in any local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit or market conditions (including conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets) in or affecting any Relevant Jurisdictions; or

(c) any moratorium, suspension or restriction (including any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Hong Kong Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market or the London Stock Exchange; or

(d) any general moratorium on commercial banking activities in the Cayman Islands, Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent authority), the PRC, New York (imposed at Federal or New York State level or other competent authority), London, or any other Relevant Jurisdiction, or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in any Relevant Jurisdiction; or

(e) any new law, or any change or any development involving a prospective change or any event or circumstance likely to result in a change or a development involving a prospective change in (or in the interpretation or application by any court or other competent authority of) existing laws, in each case, in or affecting any of the Relevant Jurisdictions; or

(f) the imposition of sanctions, in whatever form, directly or indirectly, under any sanction laws in, Hong Kong, the PRC or any other Relevant Jurisdiction; or

(g) a change or development involving a prospective change in or affecting taxes or exchange control, currency exchange rates or foreign investment regulations in any of the Relevant Jurisdictions adversely affecting an investment in the Shares; or

(h) any litigation or claim of any third party being threatened or instigated against any member of our Group; or

(i) a Director or a member of our Group's senior management named in this prospectus being charged with an indictable offense or prohibited by operation of laws or otherwise disqualified from taking part in the management or taking directorship of a company; or

(j) the chairman of the Board or the chief executive officer of our Company vacating his or her office; or

(k) an authority in any Relevant Jurisdiction commencing any investigation or other action, or announcing an intention to investigate or take other action, against any Director; or

(l) a contravention by any member of our Group of the Listing Rules or applicable laws; or

(m) a prohibition by an authority on our Company for whatever reason from offering, allotting, issuing or selling any of the Shares (including any additional Shares that may be issued or sold pursuant to the exercise of the Over-allotment Option) pursuant to the terms of the Global Offering; or

(n) non-compliance of this prospectus or other offer documents in connection with the Global Offering or any aspect of the Global Offering with the Listing Rules or any other applicable laws; or

(o) the issue or requirement to issue by our Company of any supplement or amendment to this prospectus (or to any other documents in connection with the Hong Kong Public Offering) pursuant to the Companies Ordinance or the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or any requirement or request of the Hong Kong Stock Exchange and/or the SFC; or

(p) an order or petition for the winding up of any member of our Group or any composition or arrangement made by any member of our Group with its creditors or a scheme of arrangement entered into by any member of our Group or any resolution for the winding-up of any member of our Group or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of any member of our Group or anything analogous thereto occurring in respect of any member of our Group,

which, individually or in the aggregate, in the sole opinion of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) (1) has or will have or may have a material adverse effect on the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of our Group as a whole; or (2) has or will have or may have a material adverse effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Placing; or (3) makes or will make or may make it inadvisable or incapable or impracticable for the Global Offering to proceed on the terms and in the manner contemplated by this prospectus; or (4) has or will have or may have the effect of making any part of the Hong Kong Underwriting Agreement incapable of performance in accordance with its terms or preventing the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

(ii) there has come to the notice of the Sole Global Coordinator after the date of the Hong Kong Underwriting Agreement:

(a) that any statement contained in any of this prospectus and/or in any notices, announcements, advertisements or communications issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (collectively, the "**Offer Related Documents**") (including any supplement or amendment thereto) was, when it was issued, or has become, untrue, incorrect or misleading in any material respect, or that any forecast, estimate, expression of opinion, intention or expectation contained in any of the Offer Related Documents (including any supplement or amendment thereto) is not fair and honest and based on reasonable assumptions, when taken as a whole; or

(b) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute a material omission from this prospectus; or

(c) any material breach of any of the obligations of our Company under the Hong Kong Underwriting Agreement or the International Underwriting Agreement; or

(d) any event, act or omission which gives or is likely to give rise to any liability of any of the Company or Controlling Shareholders; or

(e) any material adverse change, or any development involving a prospective material adverse change, in or affecting the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of our Company and the other members of our Group, taken as a whole; or

(f) any material breach of, or any event or circumstance rendering untrue or incorrect in any material respect, any of the warranties given by our Company or the Controlling Shareholders in the Hong Kong Underwriting Agreement; or

(g) that approval by the Listing Committee of the Hong Kong Stock Exchange of the listing of, and permission to deal in, the Shares to be issued or sold (including any additional Shares that may be issued or sold pursuant to the exercise of the Over-allotment Option) under the Global Offering is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or

(h) our Company withdraws this prospectus (and/or any other document issued, given or used in connection with the Global Offering) or the Global Offering; or

(i) any expert (other than the Sole Sponsor) has withdrawn or is subject to withdrawing its consent to being named in this prospectus or to the issue of any of the offer documents.

Lock-up undertakings to the Stock Exchange pursuant to the Listing Rules

Undertakings by our Company

Pursuant to Rule 10.08 of the Listing Rules, our Company has undertaken to the Stock Exchange that no further Shares or securities convertible into equity securities of our Company (whether or not of a class already listed) may be issued or form the subject of any agreement or arrangement to such an issue within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except pursuant to the Global Offering (including the exercise of the Over-allotment Option) and the Capitalization Issue or in certain circumstances prescribed by Rule 10.08 of the Listing Rules.

Undertakings by our Controlling Shareholders

In accordance with Rule 10.07(1) of the Listing Rules, our Controlling Shareholders have undertaken to the Stock Exchange and our Company that except pursuant to the Global Offering and the Over-allotment Option or unless in compliance with the requirements of the Listing Rules, he or she or it shall not, and shall procure that the relevant registered holder(s) shall not: (i) in the period commencing on the date by reference to which disclosure of his or her or its shareholding in our Company is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares or other securities of our Company in respect of which he or she or it is shown by this prospectus to be the beneficial owner; and (ii) in the period of 6 months from the date on which the period referred to in paragraph (i) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares referred to in paragraph (i) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he or she or it would cease to be our Controlling Shareholder.

Pursuant to Note (3) to Rule 10.07(2) of the Listing Rules, each of our Controlling Shareholders has further undertaken to the Stock Exchange and to our Company that within the period commencing on the date by reference to which disclosure of his/her/its shareholdings is made in this prospectus and to the date which is 12 months from the Listing Date, they will:

(a) when they pledge or charge any securities of our Company or interests therein beneficially owned by them in favor of any authorized institution for a bona fide commercial loan pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, immediately inform our Company of such pledge or charge together with the number of securities so pledged or charged; and

(b) when they receive indications, either verbal or written, from the pledgee or chargee that any of the securities of our Company pledged or charged will be disposed of, immediately inform our Company of such indications.

Our Company will inform the Stock Exchange as soon as it is informed of the above matters by any of our Controlling Shareholders and disclose such matters in accordance with the publication requirements under Rule 2.07C of the Listing Rules as soon as possible after being so informed by any of our Controlling Shareholders.

Lock-up undertakings to the Hong Kong Public Offering

Undertakings by our Company

Our Company has undertaken to the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners and the Hong Kong Underwriters that except for the offer of the Offer Shares pursuant to the Global Offering (including pursuant to the Over-allotment Option, the Capitalization Issue and the Share Option Scheme and otherwise pursuant to the Listing Rules, during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date that is six months after the Listing Date (the "**First Six-Month Period**"), we shall not not, and procure each other member of the Group not to, without the prior written consent of the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

(a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company, as applicable, or any interest in any of the foregoing (including any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of our Company, as applicable), or deposit any Shares or other securities of our Company, as applicable, with a depositary in connection with the issue of depositary receipts; or

(b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or other securities of our Company, as applicable, or any interest in any of the foregoing (including any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of our Company, as applicable); or

(c) enter into any transaction with the same economic effect as any transaction specified in paragraphs (a) or (b) above; or

(d) offer to or agree to or announce any intention to effect any transaction specified in paragraphs (a), (b) or (c) above, in each case, whether any of the transactions specified in paragraphs (a), (b) or (c) above is to be settled by delivery of Shares or other securities of our Company, as applicable, or in cash or otherwise (whether or not the issue of such Shares or other shares or securities will be completed within the First Six-Month Period). In the event that, during the period of six months commencing on the date on which the First Six-Month Period expires (the "**Second Six-Month Period**"), our Company enters into any of the transactions specified in paragraphs (a), (b) or (c) above or offers to or agrees to or announces any intention to effect any such transaction, our Company shall take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of our Company.

Undertakings by our Controlling Shareholders

Each of our Controlling Shareholders has undertaken to each of our Company, the Sole Global Coordinator, the Joint Bookrunners, the Hong Kong Underwriters and the Sole Sponsor that, except pursuant to the Global Offering (including pursuant to the Stock Borrowing Agreement), without the prior written consent of the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

(a) he or it will not, at any time during the First Six-Month Period, (i) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any interest therein (including any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares), or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or other securities of our Company or any interest therein (including any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares), or (iii) enter into any transaction with the same economic effect as any transaction specified in paragraphs (i) or (ii) above, or (iv) offer to or agree to or announce any intention to effect any transaction specified in paragraphs (i), (ii) or (iii) above, in each case, whether any of the transactions specified in Clause paragraphs (i), (ii) or (iii) above is to be settled by delivery of Shares or other securities of our Company or in cash or otherwise (whether or not the issue of such Shares or other securities will be completed within the First Six-Month Period);

(b) he or it will not, during the Second Six-Month Period, enter into any of the transactions specified in in paragraphs (a)(i), (a)(ii) or (a)(iii) above or offer to or agree to or announce any intention to effect any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or encumbrance pursuant to such transaction, he or it will cease to be a "controlling shareholder" (as the term is defined in the Listing Rules) of our Company; and

(c) until the expiry of the Second Six-Month period, in the event that he or it enters into any of the transactions specified in paragraphs (a)(i), (a)(ii) or (a)(iii) above or offer to or agrees to or announce any intention to effect any such transaction, he or it will take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of our Company.

International Underwriting Agreement

In connection with the International Placing, it is expected that our Company and our Controlling Shareholders, will enter into the International Underwriting Agreement with, among other parties, the Company, the Sole Global Coordinator, the Sole Sponsor and the International Underwriters. Under the International Underwriting Agreement, it is expected that the International Underwriters would, subject to certain conditions set out therein, agree to subscribe for or procure subscribers to subscribe for the International Placing Shares. It is expected that upon the entering into the International Underwriting Agreement, the International Placing will be fully underwritten. It is also expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement.

Commission and expenses

According to the Hong Kong Underwriting Agreement, the Hong Kong Underwriters will receive an underwriting commission of 2.5% of the aggregate Offer Price of all the Hong Kong Offer Shares (excluding any International Placing Shares reallocated to the Hong Kong Public Offer and any Hong Kong Public Offer Shares), out of which any sub-underwriting commission will be paid.

The underwriting commissions, listing fees, Stock Exchange trading fee and transaction levy, legal and printing and other professional fees and other expenses relating to the Global Offering are payable by our Company with reference to the number of Shares under the Global Offering respectively.

The underwriting commission, financial advisory and documentation fee, Stock Exchange listing fees and trading fee, SFC transaction levy, legal and other professional fees together with applicable printing and other expenses relating to the Global Offering are estimated to amount to approximately HK$109.9 million in total (based on an Offer Price of HK$2.97 per Share, being the mid-point of the indicative Offer Price range of between HK$2.76 and HK$3.18 per Share, and on the assumption that the Over-allotment Option is not exercised).

Indemnity

Each of our Company and the Controlling Shareholders has agreed to indemnify, among others, each of the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Hong Kong Underwriters and their respective delegates, representatives and assignees for certain losses which they may suffer, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by our Company or our Controlling Shareholders (as the case may be) of the Hong Kong Underwriting Agreement.

Underwriters' interests in our Company

As of the Latest Practicable Date and other than pursuant to the Underwriting Agreements, none of the Hong Kong Underwriters was interested, directly or indirectly, in any shares or securities in any member of our Group or had any right or option (whether legally enforceable or not) to subscribe for, or to nominate persons to subscribe for, any shares or securities in any member of our Group.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement and the International Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the International Underwriting Agreement.

ACTIVITIES BY SYNDICATE MEMBERS

The underwriters for the Hong Kong Public Offering and the International Placing (together, the "**Syndicate Members**") and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilizing process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In relation to the Shares, those activities could include acting as agent for buyers and sellers of the Shares, entering into transactions with those buyers and sellers in a principal capacity proprietary trading in the Shares, and entering into over-the-counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the Shares. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the Shares. All such activity could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the Share, in baskets of securities or indices including the Shares, in units of funds that may purchase the Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the Shares as their underlying securities, whether on the Stock Exchange or on any other stock exchange, the rules of the exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Shares in most cases.

All such activities may occur both during and after the end of the stabilizing period described in the section headed "Structure of the Global Offering" in this prospectus. Such activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares and the volatility of the price of the Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restriction, including the following:

(a) the Syndicate Member (other than the Stabilizing Manager or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and

(b) the Syndicate Members must comply with all applicable laws and regulations including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises:

(a) the Hong Kong Public Offering of 60,000,000 Shares (subject to adjustment as mentioned below) for subscription by the public in Hong Kong as described in the paragraph headed "– The Hong Kong Public Offering" of this section; and

(b) the International Placing of an aggregate of 540,000,000 Shares (subject to adjustment and the Over-allotment Option as mentioned below).

Investors may apply for Offer Shares under the Hong Kong Public Offering or apply for or indicate an interest for Offer Shares under the International Placing, but may not do both. References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

The Offer Shares will represent 15% of the enlarged issued share capital of our Company immediately after completion of the Global Offering without taking into account the exercise of the Over-allotment Option and any option which may be granted under the Share Option Scheme. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 16.9% of the enlarged issued share capital immediately after completion of the Global Offering and the exercise of the Over-allotment Option as set out in the paragraph headed "– Over-allotment Option" in this section.

THE HONG KONG PUBLIC OFFERING

Number of Shares initially offered

We are initially offering 60,000,000 new Shares for subscription by the public in Hong Kong at the Offer Price, representing approximately 10% of the total number of Shares initially available under the Global Offering. Subject to the adjustment of Shares between the International Placing and the Hong Kong Public Offering, the Hong Kong Public Offer Shares will represent approximately 1.5% of the enlarged issued share capital of our Company immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised). The Hong Kong Public Offering is open to all members of the public in Hong Kong.

Completion of the Hong Kong Public Offering is subject to the conditions as set out in the paragraphs headed "– Conditions of the Hong Kong Public Offering" in this section.

Allocation

For allocation purposes only, the number of the Hong Kong Public Offer Shares will be divided equally into two pools: 30,000,000 Shares in pool A and 30,000,000 Shares in pool B. The Hong Kong Public Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for the Hong Kong Public Offer Shares in the value of HK$5 million (excluding the brokerage, the Stock Exchange trading fee and the SFC transaction levy thereon) or less. The Hong Kong Public Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Public Offer Shares in the value of more than HK$5 million (excluding the brokerage, the Stock Exchange trading fee and the SFC transaction levy) and up to the value of pool B.

Investors should be aware that the allocation ratios for applications in the two pools, as well as the allocation ratios for applications in the same pool, are likely to be different. Where one of the pools is under-subscribed, the surplus Hong Kong Public Offer Shares will be transferred to satisfy demand in the other pool and be allocated accordingly. Applicants can only receive an allocation of Hong Kong Public Offer Shares from any one pool but not from both pools and can only make applications to either pool A or pool B. Any application made for more than 100% of the Hong Kong Public Offer Shares initially available under pool A or pool B will be rejected.

Allocation of Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Public Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Public Offer Shares.

Multiple or suspected multiple applications and any application for more than 30,000,000 Hong Kong Public Offer Shares (being 50% of the Hong Kong Public Offer Shares initially available under the Hong Kong Public Offering) are liable to be rejected.

Reallocation/Adjustment

The allocation of Offer Shares between the Hong Kong Public Offering and the International Placing is subject to adjustment:

(a) if the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Placing will be increased so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 180,000,000 Offer Shares, representing approximately 30% of the Offer Shares initially available under the Global Offering;

(b) if the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Placing will be increased, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 240,000,000 Offer Shares, representing approximately 40% of the Offer Shares initially available under the Global Offering; and

(c) if the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Placing will be increased, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 300,000,000 Offer Shares, representing approximately 50% of the Offer Shares initially available under the Global Offering.

Any such reallocation/adjustment between the International Placing and the Hong Kong Public Offering will be completed prior to any adjustment of the number of the Offer Shares pursuant to the exercise of the Over-allotment Option, if any.

In each case, based on the additional Offer Shares reallocated to the Hong Kong Public Offering, the number of Offer Shares allocated to the International Placing will be correspondingly reduced in such manner as the Sole Global Coordinator deems appropriate. In addition, the Sole Global Coordinator may reallocate Offer Shares from the International Placing to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering. In accordance with Guidance Letter HKEX-GL91-18 issued by the Stock Exchange, if such reallocation is done other than pursuant to Practice Note 18 of the Listing Rules, the maximum total number of Offer Shares that may be reallocated to the Hong Kong Public Offering following such reallocation shall be not more than double the initial allocation to the Hong Kong Public Offering (i.e. 120,000,000 Offer Shares), representing 20% of the total number of Offer Shares, and the final Offer Price shall be fixed at the bottom end of the indicative Offer Price range, being HK$2.76 per Offer Share.

If the Hong Kong Public Offering is not fully subscribed, the Sole Global Coordinator has the authority to reallocate all or any unsubscribed Hong Kong Public Offer Shares to the International Placing in such proportions as the Sole Global Coordinator deems appropriate. Conversely, the Sole Global Coordinator may at its sole discretion re-allocate Offer Shares from the International Placing to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering.

Applications

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the application submitted by him that he and any person(s) for whose benefit he is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the International Placing.

Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum price of HK$3.18 per Offer Share in addition to the brokerage, SFC transaction levy and Stock Exchange trading fee payable on each Offer Share. That means a total of HK$3,212.05 is payable for every board lot of 1,000 Shares. If the Offer Price, as finally determined in the manner described in the paragraphs headed "– Pricing of the Global Offering" of this section, is less than the maximum price of HK$3.18 per Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy and Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out below in the section headed "How to Apply for Hong Kong Public Offer Shares" of this prospectus.

THE INTERNATIONAL PLACING

Number of Offer Shares offered

The International Placing will consist of an initial offering of 540,000,000 Offer Shares, representing approximately 90% of the total number of Offer Shares initially available under the Global Offering and approximately 13.5% of our enlarged issued share capital immediately after completion of the Global Offering, assuming the Over-allotment Option is not exercised.

Allocation

The International Placing will include selective marketing of the International Placing Shares to institutional, professional investors and other investors anticipated to have a sizeable demand for the International Placing Shares. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Allocation of the International Placing Shares pursuant to the International Placing will be effected in accordance with the "book-building" process described in the section entitled "– Pricing of the Global Offering" below and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the listing of the Offer Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Offer Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and the Shareholders as a whole.

The Sole Global Coordinator (for itself and on behalf of the Underwriters) may require any investor who has been offered International Placing Shares under the International Placing, and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Sole Global Coordinator so as to allow it to identify the relevant applications under the Hong Kong Public Offering and to ensure that it is excluded from any application of the Hong Kong Public Offer Shares under the Hong Kong Public Offering.

OVER-ALLOTMENT OPTION

Our Company is expected to grant to the International Underwriters the Over-allotment Option, exercisable by the Sole Global Coordinator (on behalf of the International Underwriters) at any time and from time to time from the Listing Date, up to (and including) the date which is the 30th day after the last day for lodging of Application Forms under the Hong Kong Public Offering. A public announcement will be made in the event that the Over-allotment Option is exercised. Pursuant to the Over-allotment Option, our Company may be required to allot and issue up to 90,000,000 Shares, representing 15% of the number of the Offer Shares initially available under the Global Offering, at the Offer Price. The Sole Global Coordinator may also cover any over-allocations by purchasing Shares in the secondary market or through the Stock Borrowing Agreement with Texson or by a combination of purchases in the secondary market and a partial exercise of the Over-allotment Option. Any such secondary market purchase will be made in compliance with all applicable laws and regulations.

STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the market price of the securities below the Offer Price. In Hong Kong, the price at which stabilization is effected is not permitted to exceed the Offer Price.

In connection with the Global Offering, the Sole Global Coordinator, as the stabilizing manager, or its affiliates or any person acting for it, on behalf of the Underwriters, may over-allocate or effect transactions which stabilize or maintain the market price of the Shares at levels above those which might otherwise prevail for a limited period after the Listing Date. The number of Shares that may be over-allocated will be up to, but not more than, an aggregate of 90,000,000 additional Shares, being the number of the Shares that may be issued under the Over-allotment Option. Such stabilizing actions may include over-allocating International Placing Shares and covering such over-allocations by exercising the Over-allotment Option or by making purchases in the secondary market or through stock borrowing arrangement with Texson or through a combination of these means or otherwise. However, there is no obligation on the Sole Global Coordinator to do this. Such stabilization action, if commenced, may be discontinued at any time, and is required to be brought to an end after a limited period. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements.

Subject to and under the Securities and Futures (Price Stabilizing) Rules of the SFO, the Sole Global Coordinator (for itself and on behalf of the Underwriters) may take all or any of the following actions ("**primary stabilizing action**") with respect to any Shares during the stabilization period, which should end on Thursday, April 4, 2019:

(a) purchase, or agree to purchase, any of the Shares;

(b) offer or attempt to do anything as described in paragraph (a), for the sole purpose of preventing or minimizing any reduction in the market price of the Shares. The Sole Global Coordinator (for itself and on behalf of the Underwriters) may also, in connection with any primary stabilizing action, take all or any of the following actions:

(i) for the purpose of preventing or minimizing any reduction in the market price of the Shares:

(A) allocate a greater number of Shares than the number that is initially offered under the Global Offering; or

(B) sell or agree to sell Shares so as to establish a short position in them;

(ii) pursuant to an option or other right to purchase or subscribe for Shares, purchase or subscribe for or agree to purchase or subscribe for Shares in order to close out any position established under paragraph (i);

(iii) sell or agree to sell any Shares acquired by it in the course of the primary stabilizing action in order to liquidate any position that has been established by such action; and/or

(iv) offer or attempt to do anything as described in paragraphs (i)(B), (ii) or (iii).

Investors should be aware that:

- the Sole Global Coordinator (for itself and on behalf of the Underwriters) may, in connection with the stabilizing action, maintain a long position in the Shares;
- there is no certainty regarding the extent to which and the time period for which the Sole Global Coordinator will maintain such a long position;
- liquidation of such a long position by the Sole Global Coordinator may have an adverse impact on the market price of our Shares;

- stabilizing action cannot be taken to support the price of our Shares for longer than the stabilizing period which begins on the Listing Date and ends on the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering, that the stabilizing period is expected to expire on Thursday, April 4, 2019, and that after this date, when no further stabilizing action may be taken, demand for our Shares, and therefore its price could fall; and

- the price of our Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilizing action; and that stabilizing bids may be made or transactions effected in the course of the stabilizing action at any price at or below the Offer Price, which means that stabilizing bids may be made or transactions effected at a price below the price the investor has paid for our Shares.

Our Company will ensure or procure that an announcement, in compliance with the Securities and Futures (Price Stabilizing) Rules of SFO, will be made within seven days of the expiration of the stabilization period.

STOCK BORROWING ARRANGEMENT

In connection with the Global Offering, the Sole Global Coordinator may over-allocate up to and not more than an aggregate of 90,000,000 additional Shares and cover such over-allocations by exercising the Over-allotment Option or by making purchases in the secondary market at prices that do not exceed the Offer Price, through stock borrowing arrangements or a combination of these means. In particular, for the purpose of covering such over-allocations, the Sole Global Coordinator may borrow up to 90,000,000 Shares from Texson, equivalent to the maximum number of Shares to be issued on a full exercise of the Over-allotment Option, under the Stock Borrowing Agreement. This stock borrowing arrangement is not subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules provided that the requirements set forth in Rule 10.07(3) of the Listing Rules are complied with.

PRICING OF THE GLOBAL OFFERING

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Placing. Prospective professional and institutional investors will be required to specify the number of the International Placing Shares under the International Placing they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building”, is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering.

Pricing for the Offer Shares for the purpose of the various offerings under the Global Offering will be fixed on the Price Determination Date, which is expected to be on or around Tuesday, March 5, 2019, and in any event on or before Wednesday, March 13, 2019, by agreement between the Sole Global Coordinator (for itself and on behalf of the Underwriters), and our Company and the number of Offer Shares to be allocated or sold under various offerings will be determined shortly thereafter.

The Offer Price will not be more than HK$3.18 per Share and is expected to be not less than HK$2.76 per Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum price of HK$3.18 per Offer Share in addition to the brokerage, SFC transaction levy and Stock Exchange trading fee payable on each Offer Share amounting to a total of HK$3,212.05 for one board lot of 1,000 Shares. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative offer price range stated in this prospectus.

The Sole Global Coordinator (for itself and on behalf of the Underwriters) may, where considered appropriate, based on the level of interest expressed by prospective professional and institutional investors during the book-building process, and with the consent of our Company, reduce the number of Offer Shares offered in the Global Offering and/or the indicative offer price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering, cause there to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese), on the website of our Company (**www.risun.com**) and the website of the Stock Exchange (**www.hkexnews.hk**) a notice of the reduction. Upon issue of such a notice, the number of Offer Shares offered in the Global Offering and/or the revised offer price range will be final and conclusive and the offer price, if agreed upon by the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company, will be fixed within such revised offer price range. Before submitting applications for the Hong Kong Public Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative offer price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering. In the event there is a reduction in the Offer Shares and/or indicative Offer Price range, if the applicants have already submitted an application for the Hong Kong Public Offer Shares before the last day for lodging applications under the Hong Kong Public Offering, they will be allowed to subsequently withdraw their applications. In the absence of any such notice so published, the Offer Price, if agreed upon with our Company and the Sole Global Coordinator, will under no circumstances be set outside the offer price range as stated in this prospectus.

The final Offer Price, the indications of interest in the Global Offering, the results of applications and the basis of allotment of the Hong Kong Public Offer Shares available under the Hong Kong Public Offering, are expected to be announced on in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese), on the website of our Company (**www.risun.com**) and the website of the Stock Exchange (**www.hkexnews.hk**).

CONDITIONS OF THE HONG KONG PUBLIC OFFERING

Acceptance of all applications for the Hong Kong Public Offer Shares pursuant to the Hong Kong Public Offering will be conditional on:

(a) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Shares being offered pursuant to the Global Offering (including the additional Offer Shares which may be made available pursuant to the exercise of the Over-allotment Option) (subject only to allotment);

(b) the Offer Price having been fixed on or about the Price Determination Date;

(c) the execution and delivery of the International Underwriting Agreement on or about the Price Determination Date; and

(d) the obligations of the Underwriters under each of the respective Underwriting Agreements becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements, in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times).

If, for any reason, the Offer Price is not agreed between our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters), or the International Underwriting Agreement is not entered into, the Global Offering will not proceed.

The consummation of each of the Hong Kong Public Offering and the International Placing is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by our Company in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section headed "How to Apply for Hong Kong Public Offer Shares" of this prospectus. In the meantime, all application monies will be held in (a) separate bank account(s) with the receiving bank or other licensed bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

Share certificates for the Shares are expected to be issued on Thursday, March 14, 2019 but will only become valid certificates of title at 8:00 a.m. on Friday, March 15, 2019 provided that: (i) the Global Offering has become unconditional in all respects; and (ii) the right of termination as described in the section headed "Underwriting – Underwriting Arrangements and Expenses – Hong Kong Underwriting Agreement – Grounds for termination" in this prospectus has not been exercised.

DEALINGS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Friday, March 15, 2019, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Friday, March 15, 2019.

The Shares will be traded in board lots of 1,000 Shares each.

1. HOW TO APPLY

If you apply for Hong Kong Public Offer Shares, then you may not apply for or indicate an interest for International Placing Shares.

To apply for Hong Kong Public Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **HK eIPO White Form** service at **www.hkeipo.hk**; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Sole Global Coordinator, the **HK eIPO White Form** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Public Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through the **HK eIPO White Form** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorized officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Sole Global Coordinator (or its agents or nominees) may accept it at its discretion and on any conditions it thinks fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **HK eIPO White Form** service for the Hong Kong Public Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Public Offer Shares if you are:

- an existing beneficial owner of Shares in our Company and/or any of its subsidiaries;
- a Director or chief executive officer of our Company and/or any of its subsidiaries;
- an associate (as defined in the Listing Rules) of any of the above;
- a connected person (as defined in the Listing Rules) of our Company or will become a connected person of our Company immediately upon completion of the Global Offering; or
- have been allocated or have applied for in any International Placing Shares or otherwise participate in the International Placing.

3. APPLYING FOR HONG KONG PUBLIC OFFER SHARES

Which Application Channel to Use

For Hong Kong Public Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through the **HK eIPO White Form** service.

For Hong Kong Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Thursday, February 28, 2019 to 12:00 noon on Tuesday, March 5, 2019 from:

(a) the following addresses of the following Joint Bookrunners:

Guotai Junan Securities (Hong Kong) Limited
27/F, Low Block, Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

Essence International Securities (Hong Kong) Limited
39/F., One Exchange Square
Central, Hong Kong

China Everbright Securities (HK) Limited
24/F, Lee Garden One
33 Hysan Avenue
Causeway Bay, Hong Kong

Haitong International Securities Company Limited
22/F, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

CCB International Capital Limited
12/F, CCB Tower
3 Connaught Road Central
Central, Hong Kong

Mason Securities Limited
19/F, Lee Garden Three
1 Sunning Road
Causeway Bay, Hong Kong

Crédit Agricole Corporate and Investment Bank, Hong Kong branch
Floor 27, Two Pacific Place
88 Queensway
Hong Kong

(b) any of the following branches of Bank of China (Hong Kong) Limited, the receiving bank for the Hong Kong Public Offering:

	Branch name	Address
Hong Kong Island	Quarry Bay Branch	Parkvale, 1060 King's Road, Quarry Bay, Hong Kong
	Lee Chung Street Branch	29–31 Lee Chung Street, Chai Wan, Hong Kong
	Gilman Street Branch	136 Des Voeux Road Central, Hong Kong
	Wan Chai (Wu Chung House) Branch	213 Queen's Road East, Wan Chai, Hong Kong
Kowloon	Telford Plaza Branch	Shop Unit P2–P7, Telford Plaza, No. 33 Wai Yip Street, Kowloon Bay, Kowloon
	194 Cheung Sha Wan Road Branch	194–196 Cheung Sha Wan Road, Sham Shui Po, Kowloon
	Tsim Sha Tsui Branch	24–28 Carnarvon Road, Tsim Sha Tsui, Kowloon
New Territories	City One Sha Tin Branch	Shop Nos. 24–25, G/F, Fortune City One Plus, No. 2 Ngan Shing Street, Sha Tin, New Territories
	Tseung Kwan O Plaza Branch	Shop 112–125, Level 1, Tseung Kwan O Plaza, Tseung Kwan O, New Territories
	Tuen Mun Town Plaza Branch	Shop 2, Tuen Mun Town Plaza Phase II, Tuen Mun, New Territories

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Thursday, February 28, 2019 until 12:00 noon on Tuesday, March 5, 2019 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "**BANK OF CHINA (HONG KONG) NOMINEES LIMITED – CHINA RISUN GROUP PUBLIC OFFER**" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

- Thursday, February 28, 2019: 9:00 a.m. to 5:00 p.m.
- Friday, March 1, 2019: 9:00 a.m. to 5:00 p.m.
- Saturday, March 2, 2019: 9:00 a.m. to 1:00 p.m.
- Monday, March 4, 2019: 9:00 a.m. to 5:00 p.m.
- Tuesday, March 5, 2019: 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Tuesday, March 5, 2019, the last application day or such later time as described in "– 10. Effect of Bad Weather on the Opening of the Applications Lists" of this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **HK eIPO White Form** service, among other things, you (and if you are joint applicants, each of you jointly and severally) for yourself or as an agent or a nominee on behalf of each person for whom you act:

(a) undertake to execute all relevant documents and instruct and authorize our Company and/or the Sole Sponsor and/or the Sole Global Coordinator (or its agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;

(b) agree to comply with the Companies Law, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Memorandum and Articles of Association;

(c) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;

(d) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;

(e) confirm that you are aware of the restrictions on the Global Offering in this prospectus;

(f) agree that none of our Company, the Sole Sponsor, the Sole Global Coordinator, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);

(g) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Placing Shares under the International Placing nor participated in the International Placing;

(h) agree to disclose to our Company, the Hong Kong Branch Share Registrar, receiving bank, the Sole Sponsor, the Sole Global Coordinator, the Underwriters and/or their respective advisors and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(i) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sole Sponsor, the Sole Global Coordinator and the Underwriters nor any of their respective officers or advisors will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;

(j) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(k) agree that your application will be governed by the laws of Hong Kong;

(l) represent, warrant and undertake that: (i) you understand that the Hong Kong Public Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Public Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(m) warrant that the information you have provided is true and accurate;

(n) agree to accept the Hong Kong Public Offer Shares applied for, or any lesser number allocated to you under the application;

(o) authorize our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Hong Kong Public Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any e-Auto Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you are eligible to collect the share certificate(s) and/or refund cheque(s) in person;

(p) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(q) understand that our Company and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Public Offer Shares to you and that you may be prosecuted for making a false declaration;

(r) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider by you or by any one as your agent or by any other person; and

(s) (if you are making the application as an agent for the benefit of another person) warrant that: (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to **HK eIPO White Form** Service Provider; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional Instructions for YELLOW Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH HK eIPO WHITE FORM SERVICE

General

Individuals who meet the criteria in "– 2. Who Can Apply" section, may apply through the **HK eIPO White Form** service for the Offer Shares to be allotted and registered in their own names through the designated website at **www.hkeipo.hk**.

Detailed instructions for application through the **HK eIPO White Form** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorize the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

Time for Submitting Applications under the HK eIPO White Form

You may submit your application to the **HK eIPO White Form** Service Provider at **www.hkeipo.hk** (24 hours daily, except on the last application day) from 9:00 a.m. on Thursday, February 28, 2019 until 11:30 a.m. on Tuesday, March 5, 2019 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Tuesday, March 5, 2019 or such later time under the paragraph headed "– 10. Effect of Bad Weather on the Opening of the Applications Lists" in this section.

No Multiple Applications

If you apply by means of **HK eIPO White Form**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **HK eIPO White Form** service to make an application for Hong Kong Public Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **HK eIPO White Form** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Environmental Protection

The advantage of **HK eIPO White Form** is to save the use of paper via the self-serviced and electronic application process. Our Company and the Sole Sponsor encourage you to utilize this application channel should you desire the Hong Kong Public Offer Shares to be issued under your own name.

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Public Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (**https://ip.ccass.com**) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
1/F, One & Two Exchange Square
8 Connaught Place, Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Public Offer Shares on your behalf.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Sole Sponsor, the Sole Global Coordinator (or its agents or nominees) and our Hong Kong Branch Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

(a) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

(b) HKSCC Nominees will do the following things on your behalf:

- agree that the Hong Kong Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;

- agree to accept the Hong Kong Public Offer Shares applied for or any lesser number allocated;

- undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing;

- (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;

- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorized to give those instructions as their agent;

- confirm that you understand that our Company, the Directors and the Sole Sponsor, the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Public Offer Shares to you and that you may be prosecuted if you make a false declaration;

- authorize our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Hong Kong Public Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;

- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;

- agree that none of our Company, the Sole Sponsor, the Sole Global Coordinator, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);

- agree to disclose your personal data to our Company, our Hong Kong Branch Share Registrar, receiving bank, the Sole Sponsor, the Sole Global Coordinator, the Underwriters and/or its respective advisors and agents;

- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Hong Kong Public Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Hong Kong Public Offering results;

- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Hong Kong Public Offer Shares;

- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies Law, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Memorandum and Articles of Association of our Company; and

- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Public Offer Shares on your behalf;

- instructed and authorized HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and

- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 1,000 Hong Kong Public Offer Shares. Instructions for more than 1,000 Hong Kong Public Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Public Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:[1]

- Thursday, February 28, 2019: 9:00 a.m. to 8:30 p.m.
- Friday, March 1, 2019: 8:00 a.m. to 8:30 p.m.
- Monday, March 4, 2019: 8:00 a.m. to 8:30 p.m.
- Tuesday, March 5, 2019: 8:00 a.m. to 12:00 noon

Note: The times in this sub-section are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Thursday, February 28, 2019 until 12:00 noon on Tuesday, March 5, 2019 (24 hours daily, except on Tuesday, March 5, 2019 the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Tuesday, March 5, 2019, the last application day or such later time as described in "– 10. Effect of Bad Weather on the Opening of the Application Lists" of this section.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed "Personal Data" applies to any personal data held by our Company, the Hong Kong Branch Share Registrar, the receiving bank, the Sole Sponsor, the Sole Global Coordinator, the Underwriters and any of their respective advisors and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Public Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Public Offer Shares through the **HK eIPO White Form** service is also only a facility provided by the **HK eIPO White Form** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, the Directors, the Sole Sponsor, the Sole Global Coordinator and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** service will be allotted any Hong Kong Public Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either: (i) submit a **WHITE** or **YELLOW** Application Form; or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Tuesday, March 5, 2019.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Public Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or

- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through the **HK eIPO White Form** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange.

"Statutory control" means you:

- control the composition of the Board of Directors of our Company;
- control more than half of the voting power of our Company; or
- hold more than half of the issued share capital of our Company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG PUBLIC OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **HK eIPO White Form** service in respect of a minimum of 1,000 Hong Kong Public Offer Shares. Each application or **electronic application instruction** in respect of more than 1,000 Hong Kong Public Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at **www.hkeipo.hk**.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the section headed "Structure of the Global Offering" in this prospectus.

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a "black" rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, March 5, 2019. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Tuesday, March 5, 2019 or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed "Expected Timetable", an announcement will be made in such event.

11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the International Placing, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Public Offer Shares on Thursday, March 14, 2019: (i) in the South China Morning Post (in English); (ii) the Hong Kong Economic Times (in Chinese); (iii) on our Company's website at **www.risun.com**; and (iv) the website of the Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company's website at **www.risun.com** and the Stock Exchange's website at **www.hkexnews.hk** by no later than 9:00 a.m. on Thursday, March 14, 2019;
- from the designated results of allocations website at **www.tricor.com.hk/ipo/result** with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Thursday, March 14, 2019 to 12:00 mid-night on Wednesday, March 20, 2019;

- by telephone enquiry line by calling +852 3691 8488 between 9:00 a.m. and 6:00 p.m. from Thursday, March 14, 2019 to Tuesday, March 19, 2019 (excluding Saturday and Sunday); and

- in the special allocation results booklets which will be available for inspection during opening hours from Thursday, March 14, 2019 to Monday, March 18, 2019 at all the receiving bank's designated branches.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Public Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed "Structure of the Global Offering" in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Public Offer Shares will not be allotted to you:

(a) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(b) If our Company or its agents exercise their discretion to reject your application:

Our Company, the Sole Sponsor and the Sole Global Coordinator, the **HK eIPO White Form** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(c) If the allotment of Hong Kong Public Offer Shares is void:

The allotment of Hong Kong Public Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

(d) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Public Offer Shares and International Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonored upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;

- our Company or the Sole Sponsor or the Sole Global Coordinator believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or

- your application is for more than 50% Hong Kong Public Offer Shares initially offered under the Hong Kong Public Offering.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK$3.18 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with the section headed "Structure of the Global Offering" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on Thursday, March 14, 2019.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Public Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Hong Kong Public Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and

- refund cheque(s) crossed "Account Payee Only" in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for: (i) all or the surplus application monies for the Hong Kong Public Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on dispatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or around Thursday, March 14, 2019. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on Friday, March 15, 2019 provided that the Global Offering has become unconditional and the right of termination described in the section headed "Underwriting" in this prospectus has not been exercised. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal Collection

(a) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Hong Kong Public Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from the Hong Kong Branch Share Registrar at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, March 14, 2019 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorize any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Branch Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Public Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on Thursday, March 14, 2019, by ordinary post and at your own risk.

(b) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Hong Kong Public Offer Shares or more, please follow the same instructions as described above for collection of your refund cheque(s). If you have applied for less than 1,000,000 Hong Kong Public Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Thursday, March 14, 2019, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Thursday, March 14, 2019, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS participant (other than a CCASS investor participant)*

  For Hong Kong Public Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Public Offer Shares allotted to you with that CCASS participant.

- *If you are applying as a CCASS investor participant*

  Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the manner described in "– 11. Publication of Results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, March 14, 2019 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(c) If you apply through the HK eIPO White Form service

If you apply for 1,000,000 Hong Kong Public Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from the Hong Kong Branch Share Registrar at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, March 14, 2019, or such other date as notified by our Company in the newspapers as the date of despatch/collection of Share certificates/e-Auto Refund payment instructions/refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Public Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on Thursday, March 14, 2019 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(d) If you apply via Electronic Application Instructions to HKSCC

Allocation of Hong Kong Public Offer Shares

For the purposes of allocating Hong Kong Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Thursday, March 14, 2019, or, on any other date determined by HKSCC or HKSCC Nominees.

- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Public Offer in the manner specified in the paragraph headed "– 11. Publication of Results" above on Thursday, March 14, 2019. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, March 14, 2019 or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Thursday, March 14, 2019. Immediately following the credit of the Hong Kong Public Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Thursday, March 14, 2019.

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report set out on pages I-1 to I-115, received from the Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

Deloitte. 德勤

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF CHINA RISUN GROUP LIMITED AND GUOTAI JUNAN CAPITAL LIMITED

Introduction

We report on the historical financial information of China Risun Group Limited (formerly known as "China Risun Coal Chemicals Group Limited", the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages I-4 to I-115, which comprises the consolidated statements of financial position of the Group as at December 31, 2015, 2016 and 2017 and September 30, 2018, the statements of the financial position of the Company as at December 31, 2015, 2016 and 2017 and September 30, 2018 and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for each of the three years ended December 31, 2017 and the nine months ended September 30, 2018 (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-115 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated February 28, 2019 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Directors' responsibility for the Historical Financial Information

The directors of the Company (the "Directors") are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information, and for such internal control as the Directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Company's and the Group's financial position as at December 31, 2015, 2016 and 2017 and September 30, 2018 and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the nine months ended September 30, 2017 and other explanatory information (the "Stub Period Comparative Financial Information"). The Directors are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our 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". A review 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 (the "ISAs") issued by the International Auditing and Assurance Standards Board (the "IAASB") 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. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information.

REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

Adjustments

In preparing the Historical Financial Information no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to note 35 to the Historical Financial Information which contains information about the dividends declared and paid by the Company in respect of the Track Record Period.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
February 28, 2019

HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of the Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, have been prepared by the Directors in accordance with the accounting policies which conform with International Accounting Standards ("IASs"), International Financial Reporting Standards, amendments and the related Interpretations ("IFRICs") (herein collectively referred to as the "IFRSs") issued by the International Accounting Standards Board (the "IASB") and were audited by us in accordance with the ISAs issued by the IAASB (the "Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB"), which is also the functional currency of the Company and most of its subsidiaries, and all values are rounded to the nearest thousand ("RMB'000") except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended December 31,			Nine months ended September 30,	
		2015	2016	2017	2017	2018
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Revenue from contracts with customers	6	9,993,063	12,216,609	18,658,278	14,536,941	15,656,712
Cost of sales and services		(9,477,814)	(11,243,196)	(16,653,039)	(13,019,144)	(13,199,208)
Gross profit		515,249	973,413	2,005,239	1,517,797	2,457,504
Other income	7	180,264	224,413	212,639	171,161	141,878
Other gains and losses	8	70,802	356,117	(34,551)	(45,857)	90,435
Impairment losses, net of reversal	9	(23,331)	(22,488)	(3,196)	(4,028)	30,516
Selling and distribution expenses		(527,568)	(546,255)	(700,264)	(557,187)	(549,261)
Administrative expenses		(223,918)	(225,172)	(283,861)	(208,827)	(240,845)
Listing expenses		–	–	(11,694)	–	(17,581)
(Loss)/profit from operations		(8,502)	760,028	1,184,312	873,059	1,912,646
Finance costs	10	(485,483)	(528,281)	(624,238)	(470,294)	(496,081)
Share of results of associates		(4,164)	30,651	60,350	46,882	69,676
Share of results of joint ventures		(82,668)	128,438	225,519	202,024	334,413
(Loss)/profit before taxation	11	(580,817)	390,836	845,943	651,671	1,820,654
Income tax credit/(expense)	13	73,701	(35,875)	(80,370)	(117,847)	(345,539)
(Loss)/profit for the year/period		(507,116)	354,961	765,573	533,824	1,475,115
Other comprehensive (expense) income						
Item that may be reclassified subsequently to profit or loss:						
Exchange differences arising on translating foreign operations		(41,617)	(39,587)	21,311	16,109	(26,633)
Other comprehensive (expense) income for the year/period		(41,617)	(39,587)	21,311	16,109	(26,633)
Total comprehensive (expense) income for the year/period		(548,733)	315,374	786,884	549,933	1,448,482

		Year ended December 31,			Nine months ended September 30,	
		2015	2016	2017	2017	2018
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
(Loss)/profit for the year/period attributable to:						
Owners of the Company		(507,116)	359,299	754,674	532,572	1,453,556
Non-controlling interests		–	(4,338)	10,899	1,252	21,559
		(507,116)	354,961	765,573	533,824	1,475,115
Total comprehensive (expense) income for the year/period attributable to:						
Owners of the Company		(548,733)	319,712	775,985	548,681	1,426,923
Non-controlling interests		–	(4,338)	10,899	1,252	21,559
		(548,733)	315,374	786,884	549,933	1,448,482
Basic (loss)/earnings per share (RMB yuan)	14	(0.16)	0.12	0.24	0.17	0.45

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at December 31,			As at September 30,
		2015	2016	2017	2018
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets					
Property, plant and equipment	15	7,144,762	8,694,545	8,976,237	9,286,541
Prepaid lease payments	16	786,684	1,142,941	1,116,206	1,010,344
Goodwill	37	–	31,808	31,808	31,808
Intangible assets	17	23,905	58,403	52,775	47,173
Interests in associates	18	422,670	456,812	380,161	449,837
Interests in joint ventures	19	703,681	519,116	671,677	1,006,090
Available-for-sale ("AFS") financial assets	20	89,911	84,576	23,000	–
Financial assets at fair value through profit or loss ("FVTPL")	21	–	–	93,288	143,738
Other long term receivables and prepayments	22	164,216	112,748	108,403	115,960
Deferred tax assets	23	185,529	254,848	340,481	289,068
Restricted bank balances	26	362,574	147,103	313,140	136,038
Amounts due from related parties	39(c)	265,997	363,476	286,720	199,802
		10,149,929	11,866,376	12,393,896	12,716,399
Current assets					
Inventories	24	311,115	761,168	807,490	715,063
Income tax prepayments		6,633	3,174	5,406	16,779
Trade and other receivables	25	2,465,037	3,387,083	3,629,797	1,015,229
Trade and bills receivables measured at fair value through other comprehensive income ("FVTOCI")	25	–	–	–	2,927,632
Prepaid lease payments	16	22,399	27,100	27,100	25,141
Amounts due from related parties	39(c)	856,783	1,692,535	1,529,982	1,457,048
AFS financial assets	20	–	–	31,220	–
Financial assets at FVTPL	21	168	357	11,118	16,989
Restricted bank balances	26	2,627,934	3,245,355	2,803,055	3,210,674
Cash and cash equivalents	27	213,192	156,575	599,987	667,254
		6,503,261	9,273,347	9,445,155	10,051,809

		As at December 31,			As at September 30,
		2015	2016	2017	2018
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Current liabilities					
Financial liabilities at FVTPL	21	777	2,448	68	494
Trade and other payables	28	4,986,395	5,680,018	6,646,553	7,048,250
Contract liabilities	29	813,680	864,450	1,117,645	1,292,716
Income tax payable		7,895	68,389	104,159	236,562
Bank and other loans	30	6,583,371	8,542,308	7,348,790	6,879,629
Obligations under finance leases	31	22,930	29,181	31,917	28,389
Amounts due to related parties	39(c)	1,353,372	657,375	702,146	1,136,149
		13,768,420	15,844,169	15,951,278	16,622,189
Net current liabilities		(7,265,159)	(6,570,822)	(6,506,123)	(6,570,380)
Total assets less current liabilities		2,884,770	5,295,554	5,887,773	6,146,019
Non-current liabilities					
Bank and other loans	30	853,591	2,201,627	2,431,422	1,813,232
Obligations under finance leases	31	85,757	56,576	24,659	4,520
Deferred income	32	53,330	50,658	47,999	62,164
Trade and other payables	28	–	224,759	218,192	144,869
Deferred tax liabilities	23	15,176	50,252	55,792	53,896
		1,007,854	2,583,872	2,778,064	2,078,681
Net assets		1,876,916	2,711,682	3,109,709	4,067,338
Capital and reserves					
Share capital	33	80,600	80,600	80,600	87,123
Reserves	34	1,796,316	2,548,662	2,935,790	3,872,683
Total equity attributable to owners of the Company		1,876,916	2,629,262	3,016,390	3,959,806
Non-controlling interests		–	82,420	93,319	107,532
Total equity		1,876,916	2,711,682	3,109,709	4,067,338

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

		As at December 31,			As at September 30,
		2015	2016	2017	2018
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets					
Investment in a subsidiary		–	–	–	–
Amount due from a subsidiary	39(i)	–	–	–	412,039
		–	–	–	412,039
Current assets					
Amounts due from subsidiaries	39(i)	58,507	58,388	55,000	732,468
Trade and other receivables		–	–	–	5,166
Cash and cash equivalent		–	–	–	72
		58,507	58,388	55,000	737,706
Current liabilities					
Amounts due to subsidiaries	39(i)	9,246	9,246	10,982	10,982
Amount due to the immediate holding company	39(i)	–	–	–	549,526
Trade and other payables	28	–	–	3,978	22,324
		9,246	9,246	14,960	582,832
Net current assets		49,261	49,142	40,040	154,874
Net assets		49,261	49,142	40,040	566,913
Capital and reserves					
Share capital	33	80,600	80,600	80,600	87,123
Reserves	34	(31,339)	(31,458)	(40,560)	479,790
Total equity		49,261	49,142	40,040	566,913

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company									
	Share capital	Share premium	Merger reserve	Reserve fund	Safety fund	Foreign currency translation reserve	Retained profits	Total	Non-controlling interests	Total equity
	RMB'000 *(note 33)*	*RMB'000* *(note 34)*	*RMB'000* *(note 34)*	*RMB'000* *(note 34)*	*RMB'000* *(note 34)*	*RMB'000* *(note 34)*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at January 1, 2015	80,600	70,433	341,092	127,019	22,232	39,118	1,745,155	2,425,649	–	2,425,649
Loss for the year	–	–	–	–	–	–	(507,116)	(507,116)	–	(507,116)
Other comprehensive expense	–	–	–	–	–	(41,617)	–	(41,617)	–	(41,617)
Net transfer to safety fund	–	–	–	–	1,964	–	(1,964)	–	–	–
Balance at December 31, 2015	80,600	70,433	341,092	127,019	24,196	(2,499)	1,236,075	1,876,916	–	1,876,916
Profit (loss) for the year	–	–	–	–	–	–	359,299	359,299	(4,338)	354,961
Other comprehensive expense	–	–	–	–	–	(39,587)	–	(39,587)	–	(39,587)
Deemed contribution by the immediate holding company *(note a)*	–	–	432,634	–	–	–	–	432,634	86,758	519,392
Net transfer to safety fund	–	–	–	–	938	–	(938)	–	–	–
Transfer to reserve fund	–	–	–	24,589	–	–	(24,589)	–	–	–
Balance at December 31, 2016	80,600	70,433	773,726	151,608	25,134	(42,086)	1,569,847	2,629,262	82,420	2,711,682
Profit for the year	–	–	–	–	–	–	754,674	754,674	10,899	765,573
Other comprehensive income	–	–	–	–	–	21,311	–	21,311	–	21,311
Deemed distribution to the immediate holding company *(note a)*	–	–	(388,857)	–	–	–	–	(388,857)	–	(388,857)
Net transfer to safety fund	–	–	–	–	9,872	–	(9,872)	–	–	–
Transfer to reserve fund	–	–	–	56,308	–	–	(56,308)	–	–	–
Balance at December 31, 2017	80,600	70,433	384,869	207,916	35,006	(20,775)	2,258,341	3,016,390	93,319	3,109,709
Adjustments *(note 3)*	–	–	–	–	–	–	(4,398)	(4,398)	–	(4,398)
Balance at January 1, 2018	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	–	–	–	–	–	–	1,453,556	1,453,556	21,559	1,475,115
Other comprehensive expense	–	–	–	–	–	(26,633)	–	(26,633)	–	(26,633)
Ordinary shares issued	6,523	405,516	–	–	–	–	–	412,039	–	412,039
Capital contribution from a non-controlling shareholder	–	–	–	–	–	–	–	–	2,250	2,250
Net transfer to safety fund	–	–	–	–	4,362	–	(4,362)	–	–	–
Dividends to the immediate holding company *(note 35)*	–	–	–	–	–	–	(891,148)	(891,148)	–	(891,148)
Dividends to a non-controlling shareholder	–	–	–	–	–	–	–	–	(9,596)	(9,596)
Balance at September 30, 2018	87,123	475,949	384,869	207,916	39,368	(47,408)	2,811,989	3,959,806	107,532	4,067,338
Balance at January 1, 2017	80,600	70,433	773,726	151,608	25,134	(42,086)	1,569,847	2,629,262	82,420	2,711,682
Profit for the period (Unaudited)	–	–	–	–	–	–	532,572	532,572	1,252	533,824
Other comprehensive income (Unaudited)	–	–	–	–	–	16,109	–	16,109	–	16,109
Net transfer to safety fund (Unaudited)	–	–	–	–	21,834	–	(21,834)	–	–	–
Balance at September 30, 2017 (Unaudited)	80,600	70,433	773,726	151,608	46,968	(25,977)	2,080,585	3,177,943	83,672	3,261,615

Note:

a. The amounts were accounted for as deemed contribution received from and distribution made to the immediate holding company under merger basis of accounting as set out in note 2 and note 37.

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year ended December 31,			Nine months ended September 30,	
		2015	2016	2017	2017	2018
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Operating activities						
(Loss) profit before taxation		(580,817)	390,836	845,943	651,671	1,820,654
Adjustments for:						
Finance costs		485,483	528,281	624,238	470,294	496,081
Interest income		(139,270)	(184,515)	(184,183)	(153,850)	(110,652)
Share of results of associates		4,164	(30,651)	(60,350)	(46,882)	(69,676)
Share of results of joint ventures		82,668	(128,438)	(225,519)	(202,024)	(334,413)
Impairment losses, net of reversal		23,331	22,488	3,196	4,028	(30,516)
Depreciation of property, plant and equipment		385,287	531,755	537,187	422,555	435,067
Amortization of prepaid lease payments		18,444	22,034	26,735	18,938	17,615
Amortization of intangible assets		1,958	5,135	7,523	5,375	6,322
(Gain) loss on disposal of property, plant and equipment		(7,327)	(20,642)	(1,987)	2,918	(696)
Gain on disposal of prepaid lease payment		(3,601)	(80,796)	–	–	(1,931)
Gain on disposal of intangible assets		(5,230)	–	–	–	–
Gain on disposal of subsidiaries		(13,489)	–	(92)	(92)	–
Gain on re-measurement of interest in a joint venture		–	(88,866)	–	–	–
Government grants released to profit or loss		(3,792)	(3,792)	(3,792)	(2,844)	(2,844)
Change in fair value of financial assets/liabilities at FVTPL		21,718	1,482	(5,587)	–	(26,838)
Loss on disposal of AFS financial assets		–	–	293	293	–
Foreign exchange (gain) loss		(623)	(660)	(762)	1,716	22,866

		Year ended December 31,			Nine months ended September 30,	
		2015	**2016**	**2017**	**2017**	**2018**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Operating cash flows before movements in working capital		268,904	963,651	1,562,843	1,172,096	2,221,039
Decrease/(increase) in inventories		259,417	(396,048)	(46,322)	(35,977)	92,427
Decrease/(increase) in amounts due from related parties		145,590	89,937	31,591	7,588	(18,369)
Increase/(decrease) in amounts due to related parties		285,008	(194,806)	306,149	535,847	(115,523)
Decrease/(increase) in trade and other receivables		969,987	(783,372)	(438,289)	(968,742)	(321,262)
(Decrease)/increase in trade and other payables		(980,818)	706,351	1,166,980	1,530,272	393,188
Decrease/(increase) in other long-term prepayments		44,646	(6,995)	4,338	326	13,466
Cash generated from operations		992,734	378,718	2,587,290	2,241,410	2,264,966
Income tax paid, net of tax refunded		(16,772)	(47,763)	(124,693)	(90,990)	(162,153)
Net cash generated from operating activities		975,962	330,955	2,462,597	2,150,420	2,102,813

		Year ended December 31,			Nine months ended September 30,	
		2015	2016	2017	2017	2018
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Investing activities						
Purchase of property, plant and equipment		(592,205)	(537,887)	(776,587)	(647,539)	(765,352)
Proceeds from disposal of property, plant and equipment		11,007	104,265	19,837	15,261	69,118
Purchase of prepaid lease payments		(10,804)	(57,493)	(6,909)	(2,902)	(3,464)
Proceeds from disposal of prepaid lease payments		12,242	103,504	–	–	92,137
Purchase of intangible assets		(44,473)	(4,770)	(1,894)	(1,379)	(720)
Proceeds from disposal of intangible assets		5,950	–	–	–	–
Purchase of financial assets at FVTPL		–	–	(100,841)	(36,000)	–
Purchase of AFS financial assets		(72,696)	–	–	–	–
Proceeds from disposal of AFS financial assets		6,785	5,335	30,063	30,063	–
Proceeds from disposal of financial assets at FVTPL		–	–	–	–	20,610
Interest received		98,712	106,452	165,995	107,832	68,735
Government grants received		–	114,031	1,133	1,025	17,460
Dividends received from a joint venture		17,279	1,913	28,756	28,756	72,959
Disposal of subsidiaries	38	(1,522)	–	30,000	–	–
Acquisition of a subsidiary	37	–	39,080	–	–	–
Placement of restricted bank deposits		(8,243,806)	(7,118,294)	(7,086,825)	(4,864,637)	(7,421,313)
Withdrawal of restricted bank deposits		7,820,677	7,279,544	7,363,088	4,714,036	7,190,796
(Increase)/decrease in amounts due from related parties		(182,947)	(1,075,688)	66,975	(178,813)	(200,443)
Net cash used in investing activities		(1,175,801)	(1,040,008)	(267,209)	(834,297)	(859,477)

	Year ended December 31,			Nine months ended September 30,	
	2015	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Financing activities					
Capital contribution from a non-controlling shareholder	–	–	–	–	2,250
Dividend paid to a non-controlling shareholder	–	–	–	–	(9,596)
Interest paid	(421,472)	(453,548)	(640,325)	(474,907)	(483,117)
Proceeds from issue of shares	–	–	–	–	412,039
Proceeds from new interest-bearing borrowings	8,455,934	9,618,048	9,442,748	7,706,740	5,058,935
Repayment of interest-bearing borrowings	(8,040,906)	(8,633,835)	(10,262,775)	(8,183,608)	(6,134,900)
Repayment of obligations under finance leases	(2,539)	(22,930)	(29,181)	(21,639)	(23,667)
Increase/(decrease) in amounts due to related parties	16,378	144,044	(261,378)	(48,220)	–
Net cash generated from (used in) financing activities	7,395	651,779	(1,750,911)	(1,021,634)	(1,178,056)
Net (decrease) increase in cash and cash equivalents	(192,444)	(57,274)	444,477	294,489	65,280
Cash and cash equivalents at the beginning of the year/period	405,010	213,192	156,575	156,575	599,987
Effect of foreign exchange rate changes	626	657	(1,065)	(613)	1,987
Cash and cash equivalents at the end of the year/period	213,192	156,575	599,987	450,451	667,254

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

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, Cap. 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 respective addresses of the registered office and the principal place of business of the Company are stated in the section headed "Corporate Information" of the Prospectus. The principal activity of the Company is investment holding. The Group's operating subsidiaries are engaged in the production, sale and distribution of coke, coking chemicals and refined chemicals (the "Core Business").

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"), hereinafter they are referred to as "Controlling Shareholders".

No statutory audited financial statements were issued for the Company since the Company is incorporated in a jurisdiction where there is no statutory audit requirement.

2. GROUP REORGANIZATION AND BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

The Historical Financial Information has been prepared based on the accounting policies set out in note 4 which conform with the IFRSs issued by the IASB and the principle of merger accounting applicable for group reorganization (the "Group Reorganization", details are set out below).

Group Reorganization

To rationalize the corporate structure in preparation for the listing of the Company's shares on the Stock Exchange, the Company underwent the Group Reorganization in the Track Record Period, as detailed in the section headed "History, Reorganization and Corporate Structure" in the Prospectus.

On December 22, 2017, the Group acquired additional 46.57% equity interests, adding to its then interest of 43.35%, in Cangzhou Risun Chemicals Limited ("Cangzhou Risun") which was accounted for as a joint venture of the Group prior to June 8, 2016, for a consideration of RMB388,857,100 from Xuyang Holding Limited ("Xuyang Holding"), a fellow subsidiary controlled by the Controlling Shareholders. Pursuant to a capital injection, the Controlling Shareholders obtained its control on Cangzhou Risun on June 8, 2016 upon the amendment of Cangzhou Risun's article and association on that date. In this regard, the Group, Xuyang Holding and Cangzhou Risun are all under common control before and after the 46.57% acquisition, and that control is not transitory. Accordingly, the Group and Cangzhou Risun are regarded as continuing entities as at June 8, 2016 and hence the acquisition has been accounted for as combinations of entities under common control by applying the principles of merger accounting. Further details of this business combination under common control are set out in note 37.

Basis of preparation of the Historical Financial Information

As discussed in the section headed "Group Reorganization" above, prior to the completion of the Group Reorganization, all the Core Business were legally owned and controlled by the Controlling Shareholders. As there is no change in the Controlling Shareholders of the Core Business, the Group Reorganization has been accounted for as a combination of entities under common control by applying the principles of merger accounting. For business combination other than common control combination (details of which are set out in note 37), acquisition method is adopted. As a result, the consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the year ended December 31, 2016 and 2017 include the results, changes in equity and cash flows of the Group as if the group structure upon completion of the Group Reorganization had existed throughout the period from June 8, 2016 to December 22, 2017. The consolidated statement of financial position as at December 31, 2016 included the assets and liabilities of the Group as if the group structure upon completion of the Group Reorganization had existed on that date.

Going concern

At September 30, 2018, the Group had net current liabilities of RMB6,570,380,000. The Directors are of the opinion that, taking into consideration the availability of unutilized banking facilities of the Group amounting to RMB4,531,213,000 at the report date, of which RMB2,000,000,000 is with conditions to be determined by a bank, and the assumption that approximately 60% of bank loans and certain other bank facilities at September 30, 2018 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 foreseeable future. Accordingly, the Historical Financial Information is prepared on a going concern basis.

3. APPLICATION OF NEW AND REVISED IFRSs

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, the Group has consistently applied IFRSs, which are effective for the accounting period beginning on January 1, 2018 throughout the Track Record Period, including IFRS 15 "Revenue from Contracts with Customers", except that the Group applied IFRS 9 "Financial Instruments" from January 1, 2018. The accounting policies for financial instruments which conform with IFRS 9 that are applicable from January 1, 2018 onwards and IAS 39 "Financial Instruments: Recognition and Measurement" which are applicable for each of the three years ended December 31, 2017, are set out in note 4 below.

The Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9, i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognized as at January 1, 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognized as at January 1, 2018. The difference between carrying amounts as at December 31, 2017 and the carrying amounts as at January 1, 2018 are recognized in the retained profits as at January 1, 2018, without restating the financial information for the years ended December 31, 2015, 2016 and 2017.

The table below illustrates the impact on classification and measurement of financial assets and financial liabilities under IFRS 9 and IAS 39 at the date of initial application, January 1, 2018.

		AFS financial assets	Financial assets at FVTPL	Amortized cost previously classified as loans and receivables	Trade and bills receivables at FVTOCI	Deferred tax assets/ liabilities	Retained profits
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Original carrying amount at December 31, 2017 under IAS 39		54,220	104,406	8,196,125	–	284,689	2,258,341
Effect arising from initial application of IFRS 9:							
Reclassification							
from AFS financial assets	a	(54,220)	54,220	–	–	–	–
from loans and receivables	b	–	–	(2,918,850)	2,918,850	–	–
Remeasurement							
from cost less impairment to fair value	a	–	2,000	–	–	(500)	1,500
from amortized cost to fair value less impairment under expected credit loss ("ECL") model	c	–	–	(2,621)	(5,243)	1,966	(5,898)
New carrying amount at January 1, 2018 under IFRS 9		–	160,626	5,274,654	2,913,607	286,155	2,253,943

Notes:

a. AFS financial assets

From AFS equity investments to financial assets at FVTPL

At the date of initial application of IFRS 9, the Group's unquoted equity investments previously stated at cost less impairment of RMB23,000,000 were reclassified from AFS financial assets to financial assets at FVTPL.

The fair value of the non-current equity investments at January 1, 2018 amounted to RMB25,000,000. Accordingly, as at January 1, 2018, the fair value increase of RMB2,000,000 was recognized in the financial assets at FVTPL and the corresponding deferred tax liability of RMB500,000 was recognized as non-current liabilities on the consolidated statement of financial position and the net gain of RMB1,500,000 was recognized in retained profits.

From AFS debt investments to financial assets at FVTPL

At the date of initial application of IFRS 9, the Group's structured trust product with a fair value of RMB31,220,000 were reclassified from AFS financial assets to financial assets at FVTPL. This is because even though the Group's business model is to hold financial assets in order to collect contractual cash flows, the cash flows of these investments do not meet solely payments of principal and interest on the principal amount outstanding.

b. Loans and receivables

As part of the Group's cash flow management, the Group has the practice of discounting and endorsing some of the bills receivable to financial institutions and suppliers before the bills are due for payment and derecognizes bills discounted or endorsed on the basis that the Group has transferred substantially all risks and rewards to the relevant counterparties. Accordingly, the trade and bills receivables of the Group amounting to RMB2,918,850,000 were considered as within the hold to collect contractual cash flows and to sell business model, and reclassified to debt instruments at FVTOCI as at January 1, 2018.

c. Impairment under ECL model

An additional impairment loss allowance of RMB7,864,000 and the resulting deferred tax asset of RMB1,966,000 were recognized with the corresponding adjustment of RMB5,898,000 made to retained profits as at January 1, 2018. Details are set out in note 41.

New and revised IFRSs in issue but not yet effective

The Group has not early applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 16	Leases[1]
IFRS 17	Insurance Contracts[3]
IFRIC 23	Uncertainty over Income Tax Treatments[1]
Amendments to IFRS 3	Definition of a Business[4]
Amendments to IFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to IAS 1 and IAS 28	Definition of Material[5]
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to IFRSs	Annual Improvements to IFRS Standards 2015–2017 Cycle[1]

1 Effective for annual periods beginning on or after January 1, 2019
2 Effective for annual periods beginning on or after a date to be determined
3 Effective for annual periods beginning on or after January 1, 2021
4 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after January 1, 2020
5 Effective for annual periods beginning on or after January 1, 2020

IFRS 16 *Leases*

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede IAS 17 "Leases" and the related interpretations when it becomes effective.

IFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognized for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use while other operating lease payments are presented as operating cash flows, whereas under application of IFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group.

Under IAS 17, the Group has already recognized an asset and a related finance lease liability for finance lease arrangement and prepaid lease payments for leasehold lands where the Group is a lessee. The application of IFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lease accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

As at September 30, 2018, the Group has non-cancellable operating lease commitments of RMB3,719,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of IFRS 16, the Group will recognize a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits paid of RMB279,000 as obligations under leases to which IAS 17 applies. Based on the definition of lease payments under IFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortized cost. Adjustments to refundable rental deposits paid would be considered as additional lease payments and included in the carrying amount of right of-use assets.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group intends to elect 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 standard to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC-Int 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group intends to elect the modified retrospective approach for the application of IFRS 16 as lessee and will recognise the cumulative effect of initial application to opening retained profits without restating comparative information.

The Directors anticipate that the application of IFRS 16 will have no material impact on the financial performance and financial positions and/or on the disclosures of the Group in future financial statements.

In addition, the Directors anticipate that the application of all other new and revised IFRSs will have no material impact on the financial performance and financial positions and/or on the disclosures of the Group in future financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information has been prepared in accordance with IFRSs issued by IASB. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The Historical Financial Information has been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the Historical Financial Information is determined on such a basis, except for leasing transactions that are within the scope of IAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 "Inventories" or value in use in IAS 36 "Impairment of Assets".

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial instruments which are transferred at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies adopted are set out below.

Basis of consolidation

The Historical Financial Information incorporates the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved where the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year/period are included in the consolidated statements of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Group and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognized. A gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e., reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39/IFRS 9 (as applicable) or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

Acquisitions of non-common control businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognized and measured in accordance with IAS 12 "Income Taxes" and IAS 19 "Employee Benefits" respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 "Share-based Payment" at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets or at fair value. The choice of measurement basis is made on a transaction-by-transaction basis.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date, and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have been recognized in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

Merger accounting for business combinations involving entities under common control

The Historical Financial Information incorporates the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling parties' perspective. No amount is recognized in respect of goodwill or bargain purchase gain at the time of common control combination.

The consolidated statements of profit or loss and other comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period.

Interests in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in the Historical Financial Information using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture is initially recognized in the consolidated statements of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. Changes in net assets of the associate/joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognized immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss be recognized in profit or loss. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset within the scope of IAS 39/IFRS 9 (as applicable), the Group measures the retained interest at fair value on the date it lost significant influence or joint control over the investee and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate or joint venture and the fair value of any retained interest and any proceeds from disposing of a partial interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate or joint venture.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When a group entity transacts with an associate or a joint venture of the Group, profits or losses resulting from the transactions with the associate or joint venture are recognized in the Historical Financial Information only to the extent of interests in the associate or joint venture that are not related to the Group.

Revenue recognition

Revenue is recognized to depict the transfer of a product or service to a customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those products or services. Specially, the Group uses a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

The Group recognizes revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the products or services underlying the particular performance obligation is transferred to the customers.

A performance obligation represents a good or service (or a bundle or goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control of the products or services may be transferred over time or at a point in time. Control of the products or services is transferred over time if:

- the customer simultaneously receives and consumes the benefits provided by the entity's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the products or services transfers over time, revenue is recognized over the period of the contract by reference to the progress toward complete satisfaction of that performance obligation. Otherwise, revenue is recognized at a point in time when the customer obtains control of the products or services.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Revenue from the sales of products (mainly including coke and chemicals products) directly to customers, is recognized when control of the goods has transferred, being when the products are accepted by the customers in the customer's specific location (delivery) or the Group's plants. The customers have full discretion over the products, and there is no unfulfilled obligation that could affect the customers' acceptance of the products. A receivable is recognized by the Group when the goods are delivered to the customers as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due. Customers have no right to return the products purchased once accepted.

Revenue from the management service provided to customers is recognized when services are provided.

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it is controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognizes revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating lease is recognized in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized as an expense on a straight-line basis over the lease term.

The Group as lessee

Assets held under finance leases are recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statements of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Group's general policy on borrowing costs (see the accounting policy below). Contingent rentals are recognized as expenses in the periods in which they are incurred.

Operating lease payments are recognized as an expense on a straight-line basis over the term of the relevant lease.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis.

Leasehold land and buildings

When the Group makes payments for a property interest which includes both leasehold land and building elements, the Group assesses the classification of each element separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases, in which case the entire property is accounted as an operating lease. Specifically, the entire consideration (including any lump-sum upfront payments) are allocated between the leasehold land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element at initial recognition. When the payments cannot be allocated reliably between the leasehold and building elements, the entire payment is generally classified as a finance lease and amounted for as property, plant and equipment.

To the extent the allocation of the relevant lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statements of financial position and is amortized over the lease term on a straight-line basis.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items are recognized in profit or loss in the period in which they arise.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e., RMB) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case, the exchange rates prevailing at the dates of the transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity under the heading of foreign currency translation reserve (attributed to non-controlling interests as appropriate). Such accumulated differences are reclassified to profit or loss in the period in which the foreign operation is disposed of.

Borrowing costs

Borrowing costs directly attributable to the acquisition of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognized until there is a reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized as deferred income in the consolidated statements of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

Retirement benefit scheme contribution

Payable to the Mandatory Provident Fund Scheme and the retirement funds scheme managed by local social security bureau in accordance with the government regulations in Hong Kong and of the People's Republic of China (the "PRC"), are recognized as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefit

Short-term employee benefits are recognized at the undiscounted amount of the benefits to be paid as and when employees rendered the service. All short-term employee benefits are recognized as expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognized for benefits accruing to employees (such as wages, salaries and annual leave) after deducting any amount already paid.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from (loss)/profit before taxation as reported in the consolidated statements of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognized for taxable temporary difference associated with investments in subsidiaries and interests in associates and joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of each reporting period, to recover or settle the carrying amounts of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognized in profit or loss, except when it relates to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, plant and equipment

Property, plant and equipment held for use in the production or supply of goods or services, or for administrative purposes (other than properties under construction as described below), are stated in the consolidated statements of financial position at cost, less subsequent accumulated depreciation and accumulated impairment losses, if any.

Properties in the course of construction for production, supply of goods or services, or for administrative purposes are carried at cost, less any recognized impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognized so as to write off the costs (other than properties under construction) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the net disposal proceeds and the carrying amount of the asset and is recognized in the profit or loss in the period which the item is derecognized.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and any accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below). Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the profit and loss in the period when the asset is derecognized.

Impairment losses on tangible and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount of tangible and intangible assets are estimated individually, when it is not possible to estimate the recoverable amount of an individually, the Group estimates the recoverable amount of the cash-generating unit (the "CGU") to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a CGU) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if applicable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro-rata to the other assets of the unit. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a CGU) is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or a CGU) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realizable value. Costs of inventories are determined using weighted average cost formula. Net realizable value represents the estimated selling price for inventories less all estimated costs to completion and the costs necessary to make the sale.

Financial instruments (before the adoption of IFRS 9 as at January 1, 2018)

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

Financial assets

The Group's financial assets are classified into the following specified categories: financial assets at FVTPL, AFS financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized and derecognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant reporting periods. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognized on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial assets is (i) held for trading; (ii) it is designated as at FVTPL; or (iii) contingent consideration that may be received by an acquirer as part of a business combination to which IFRS 3 applies.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial assets and is included in the "other gains and losses" line item. Fair value is determined in the manner described in note 41.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amounts due from related parties, restricted bank deposits and cash and cash equivalents) are measured at amortized cost using the effective interest method, less any identified impairment, less any identified impairment losses.

Interest income is recognized by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

AFS financial assets

AFS financial assets are non-derivatives that are either designated as or not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at FVTPL.

Equity and debt securities held by the Group that are classified as AFS financial assets and are measured at fair value at the end of each reporting period except for unquoted equity investments whose fair value cannot be measured reliably. Changes in the carrying amount of AFS debt instruments relating to interest income calculated using the effective interest method recognized in profit or loss. Dividends on AFS equity are recognized in profit or loss when the Group's right to receive the dividends is established. Other changes in the carrying amount of AFS financial assets are recognized in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss (see accounting policy on impairment loss on financial assets below).

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured at cost less any identified impairment losses at the end of the reporting period.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For an AFS equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial reorganization.

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, amounts due from related parties, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance accounts are recognized in profit or loss. When a trade and other receivable and an amounts due from related party is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortized cost, if, in a subsequent reporting period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

In respect of AFS equity investments, impairment losses previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of AFS debt investment, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant reporting periods. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition. Interest expense is recognized on an effective interest basis.

Financial liabilities at amortized cost

Financial liabilities (including trade and other payables, amounts due to related parties and bank and other loans) are subsequently measured at amortized cost, using the effective interest method.

Derivative financial instruments

Derivatives are initially recognized at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Derecognition

The Group derecognizes a financial asset only when the rights to receive cash flows from the assets expire or, when it transfers the financial assets and substantially all the risks and rewards of ownership of the assets to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred financial asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset, the difference between the asset's carrying amount and the consideration received and receivable is recognized in profit or loss.

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Financial instruments (under IFRS 9 on or after January 1, 2018)

Financial assets and financial liabilities are recognized in the statement of financial position of a group entity when the group entity becomes a party to the contractual provisions of the instrument.

Recognized financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial labilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities as appropriate, on initial recognition Transaction costs directly attributable to the acquisition of' financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

All financial assets are recognized and derecognized on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at financial assets FVTPL. Transaction costs directly attributable to the acquisition of financial assets classified as at FVTPL are recognized immediately in profit or loss.

Trade receivables arising from contracts with customers are initially measured in accordance with IFRS 15.

All recognized financial assets that are within the scope of HKFRS 9 are subsequently measured at amortized cost or fair value, including unquoted equity investments measured at cost less impairment under HKAS 39.

Debt instruments that meet the following conditions are subsequently measured at amortized cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income ("OCI") if that equity investment is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 "Business Combinations" applies.

In addition, the Group may irrevocably designate a debt investment that meets the amortized cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Receivables classified as at FVTOCI

Subsequent changes in the carrying amounts for receivables classified as at FVTOCI as a result of interest income calculated using the effective interest method, are recognized in profit or loss. All other changes in the carrying amount of these receivables are recognized in OCI and accumulated under the heading of investments revaluation reserve. Impairment allowance are recognized in profit or loss with corresponding adjustment to OCI without reducing the carrying amounts of these receivables. The amounts that are recognized in profit or loss are the same as the amounts that would have been recognized in profit or loss if these receivables had been measured at amortized cost. When these receivables are derecognized, the cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortized cost or FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value, with any fair value gains or losses recognized in profit or loss. The net gain or loss recognized in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

Impairment under ECL model

The Group recognizes a loss allowance for ECL on financial assets which are subject to impairment under IFRS 9 (including other receivables, trade and bills receivables measured at FVTOCI, amounts due from related parties, restricted bank balances and bank balances) and financial guarantee contracts. The amount of ECL is updated at the end of each reporting period to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast,12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the end of each reporting period. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the end of each reporting period as well as the forecast of future conditions.

The Group always recognizes lifetime ECL for trade receivables and amounts due from related parties arising from contracts with customers. The ECL on these assets are assessed collectively using a provision matrix with appropriate groupings except that significant balances are assessed individually.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognizes lifetime ECL. The assessment of whether lifetime ECL should be recognized is based on significant increases in the likelihood of risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the end of each reporting period with the risk if a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the end of each reporting period. A financial instrument is determined to have low credit risk if (i) it has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

For a financial guarantee contract, the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed. Accordingly, the expected losses is the present value of the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtors or any other party.

For ECL on financial guarantee contracts for which the effective interest rate cannot be determined, the Group will apply a discount rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows but only if, and to the extent that, the risks are taken into account by adjusting the discount rate instead of adjusting the cash shortfalls being discounted.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortized cost of the financial asset.

Except for trade and bill receivables measured at FVTOCI and financial guarantee contract, the Group recognizes an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of other receivables where the corresponding adjustment is recognized through a loss allowance account. For trade and bill receivables measured at FVTOCI, the loss allowance is recognized in OCI and accumulated in the investments revaluation reserve without reducing the carrying amounts of these debt receivables. For financial guarantee contracts, the loss allowances are recognized at the higher of the amount of the loss allowance determined in accordance with IFRS 9; and the amount initially recognized less, where appropriate, cumulative amount of income recognized over the guarantee period.

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognized in profit or loss.

Derecognition of financial assets

The Group derecognizes a financial asset only when the rights to receive cash flows from the assets expire, or when it transfers the financial assets and substantially all the risks and rewards of ownership of the assets to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred financial asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset, the difference between the asset's carrying amount and the consideration received and receivable is recognized in profit or loss.

Financial liabilities and equity

Debt and equity instruments that are issued are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

A financial liability is a contractual obligation to deliver cash or another financial asset or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group or a contract that will or may be settled in the Group's own equity instruments and is a non-derivative contract for which the Group is or may be obliged to deliver a variable number of its own equity instruments, or a derivative contract over own equity that will or may be settled other than by the exchange of a fixed amount of cash (or another financial asset) for a fixed number of the Group's own equity instruments.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities are classified as either financial liabilities "at FVTPL" or at amortized cost".

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) held for trading, or (ii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire hybrid (combined) contract to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value with any gains/losses arising on remeasurement recognized in profit or loss to the extent that they are not part of a designated hedging relationship.

Financial liabilities at amortized cost

Financial liabilities at amortized cost, including trade and other payables, amounts due to related parties and bank and other loans, are initially measured at fair value, net of transaction costs. Financial liabilities at amortized cost are subsequently measured at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, canceled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the Directors are required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following is the critical judgement, apart from those involving estimations (see below), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognized in the Historical Financial Information.

Revenue recognition

Application of various accounting principles related to the measurement and recognition of revenue requires the Group to make judgments and estimates. Specifically, significant judgments include determining whether the Group is acting as the principal in a transaction. The Group is a principal in a transaction if the Group obtains control of the products sold or services provided before they are transferred to customers. If control is unclear, when the Group is primarily obligated in a transaction, is subject to inventory risk, has latitude in establishing prices and selecting suppliers, or has several but not all of these indicators, the Group records revenues on a gross basis. Otherwise, the Group records the net amount earned as commissions from products sold or services provided.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve months are as follows:

Useful life and impairment of property, plant and equipment

In determining whether an asset is impaired, the management requires an estimation of recoverable amount of an individual asset or the CGUs to which the asset belongs, and has to exercise judgement and make significant degree of estimation in determining the recoverable amount of the assets, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset's value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGUs to which the assets belongs.Changing the assumptions selected by management to determine the level of impairment, including product price, volume of sales and growth rate, gross profit ratio or discount rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test.

The carrying amount of property, plant and equipment less accumulated depreciation and accumulated impairment losses as at December 31, 2015, 2016 and 2017 and September 30, 2018 were RMB7,144,762,000, RMB8,694,545,000, RMB8,976,237,000 and RMB9,286,541,000, respectively.

Estimated impairment of doubtful receivables

Prior to January 1, 2018, when there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition, where applicable). Where the actual future cash flows are less than expected, or being revised downward due to the change in facts and circumstances, a material impairment loss/further impairment loss may arise. As at December 31, 2015, 2016 and 2017, the carrying amounts of trade receivables were RMB414,522,000, RMB308,349,000 and RMB137,189,000, respectively, after deducting allowance for doubtful debts of RMB117,904,000, RMB126,269,000 and RMB104,592,000.

Starting from January 1, 2018, the Group recognizes lifetime ECL for trade receivables, using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at end of the reporting period. The amount of the impairment loss based on ECL model is measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. Where the future cash flows are less than expected, or being revised downward due to changes in facts and circumstances, a material impairment loss may arise. As at September 30, 2018, the carrying amount of trade receivable is RMB171,882,000, after deducting allowance for doubtful debts of RMB102,610,000.

Taxation

Determining tax provisions involves judgement on the future tax treatments of certain transactions. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatments of such transactions are reconsidered periodically to take into account of all changes in tax legislations.

The recognition of deferred tax assets require formal assessment by the Group of the future profitability of related operations. In making this judgement, the Group evaluates, amongst other factors, the forecast financial performance, changes in technology and future assessable profits or taxable temporary differences. Where the expectations are different from the original estimates, a reversal or further recognition of deferred tax assets may arise, which would be recognized in profit or loss for the period in which such estimates are changed. Further details are included in note 23.

6. REVENUE AND SEGMENT INFORMATION

During the Track Record Period, the Group's revenue represents the amount received and receivable from the sales of goods to external customers arising from the coke and coking chemicals, refined chemicals, trading and management services. The revenue is recognized at a point in time when the customers obtain control of the goods delivered or management services provided.

All sales/trading are for period of one year or less. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

Information reported to the executive directors, being the chief operating decision maker (the "CODM"), for the purposes of resource allocation and assessment of segment performance, focuses on types of goods or services delivered or provided. Specifically, the Group's reportable segments under IFRS 8 are as follows:

- Coke and coking chemicals 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 segment: the purchase of coking chemicals from the Group's coke and coking chemicals segment and third parties, and processing such coking chemicals into refined chemical products, as well as marketing and selling such refined chemicals; 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 CODM reviews operating results and financial information for each operating company separately. Accordingly, each operating company, including associates and joint ventures held by the relevant operating company, is identified as an operating segment. Those operating companies are aggregated into coke and coking chemicals segment, refined chemicals segment and trading segment respectively for segment reporting purpose after taking into account that those operating companies are operating in similar business model with similar target group of customers, similar products and similar methods used to distribute their products. The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 4.

Segment results, assets and liabilities

The CODM monitors the results, assets and liabilities attributable to each reporting segment on the following bases:

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortization of assets attributable to those segments.

All assets are allocated to segment assets other than unallocated head office and corporate assets. All liabilities are allocated to segment liabilities other than unallocated head office and corporate liabilities.

The measure used for reporting segment profit is "segment results". To arrive at segment results, the Group's earnings are adjusted for unallocated head office and corporate income (expense) and listing expenses which are not specifically attributable to individual segments.

In addition to receiving segment information concerning segment results, management is provided with segment information concerning revenue (including inter segment sales and share of losses/profits of associates and joint ventures), depreciation, amortization and additions to non-current segment assets used by the segments in their operations.

Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

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

	Year ended/as at December 31, 2015			
	Coke and coking chemicals	**Refined chemicals**	**Trading**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Sales of goods to external customers				
Sale of coke and coking chemicals	3,752,714	–	–	3,752,714
Sale of refined chemicals	–	4,205,539	–	4,205,539
Trading	–	–	2,034,810	2,034,810
	3,752,714	4,205,539	2,034,810	9,993,063
Inter-segment revenue	882,150	102,231	–	984,381
Reportable segment revenue	4,634,864	4,307,770	2,034,810	10,977,444
Reportable segment (loss)/profit	(596,973)	37,692	(28,466)	(587,747)
Reportable segment assets (including interests in associates and joint ventures)	4,676,910	8,539,339	2,740,424	15,956,673
Reportable segment liabilities	3,246,261	7,523,725	3,969,093	14,739,079
Other information				
Additions to non-current segment assets during the year	157,909	463,974	37,535	659,418
Share of results of associates	(13,957)	9,793	–	(4,164)
Share of results of joint ventures	(17,588)	(65,080)	–	(82,668)
Depreciation and amortization for the year	166,740	226,452	14,072	407,264

	Year ended/as at December 31, 2016			
	Coke and coking chemicals	Refined chemicals	Trading	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Sales of goods to external customers				
Sale of coke and coking chemicals	4,882,892	–	–	4,882,892
Sale of refined chemicals	–	5,268,261	–	5,268,261
Trading	–	–	2,065,456	2,065,456
	4,882,892	5,268,261	2,065,456	12,216,609
Inter-segment revenue	731,807	80,959	–	812,766
Reportable segment revenue	5,614,699	5,349,220	2,065,456	13,029,375
Reportable segment profit	146,487	112,320	181,425	440,232
Reportable segment assets (including interests in associates and a joint venture)	5,435,807	11,139,023	4,294,053	20,868,883
Reportable segment liabilities	4,468,902	8,968,635	4,990,504	18,428,041
Other information				
Additions to non-current segment assets during the year	86,891	2,708,274	3,044	2,798,209
Share of results of associates	(3,788)	34,439	–	30,651
Share of results of joint ventures	137,801	(9,363)	–	128,438
Depreciation and amortization for the year	167,754	385,084	6,838	559,676

	Year ended/as at December 31, 2017			
	Coke and coking chemicals	**Refined chemicals**	**Trading**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Sales of goods to external customers				
Sale of coke and coking chemicals	7,875,610	–	–	7,875,610
Sale of refined chemicals	–	8,375,447	–	8,375,447
Trading	–	–	2,407,221	2,407,221
	7,875,610	8,375,447	2,407,221	18,658,278
Inter-segment revenue	928,598	78,906	–	1,007,504
Reportable segment revenue	8,804,208	8,454,353	2,407,221	19,665,782
Reportable segment profit/(loss)	457,973	555,279	(103,461)	909,791
Reportable segment assets (including interests in associates and a joint venture)	7,046,493	9,516,281	5,063,929	21,626,703
Reportable segment liabilities	6,024,912	7,654,113	5,044,524	18,723,549
Other information				
Additions to non-current segment assets during the year	652,784	177,443	8,912	839,139
Share of results of associates	(6,367)	66,717	–	60,350
Share of result of a joint venture	225,519	–	–	225,519
Depreciation and amortization for the year	185,764	379,410	6,786	571,960

	Nine months ended/as at September 30, 2017			
	Coke and coking chemicals	**Refined chemicals**	**Trading**	**Total**
	RMB'000 (Unaudited)	*RMB'000* (Unaudited)	*RMB'000* (Unaudited)	*RMB'000* (Unaudited)
Sales of goods to external customers				
Sale of coke and coking chemicals	6,175,692	–	–	6,175,692
Sale of refined chemicals	–	6,344,884	–	6,344,884
Trading	–	–	2,016,365	2,016,365
	6,175,692	6,344,884	2,016,365	14,536,941
Inter-segment revenue	716,005	62,212	–	778,217
Reportable segment revenue	6,891,697	6,407,096	2,016,365	15,315,158
Reportable segment profit/(loss)	335,608	428,664	(83,916)	680,356
Reportable segment assets (including interests in associates and a joint venture)	6,909,428	10,070,138	5,400,067	22,379,633
Reportable segment liabilities	5,499,228	8,449,512	5,438,137	19,386,877
Other information				
Additions to non-current segment assets during the period	292,771	83,544	8,912	385,227
Share of results of associates	(2,855)	49,737	–	46,882
Share of result of a joint venture	202,024	–	–	202,024
Depreciation and amortization for the period	135,875	306,569	4,888	447,332

	Nine months ended/as at September 30, 2018			
	Coke and coking chemicals	**Refined chemicals**	**Trading**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Sales of goods to external customers				
Sale of coke and coking chemicals	7,118,198	–	–	7,118,198
Sale of refined chemicals	–	6,425,206	–	6,425,206
Trading	–	–	2,100,561	2,100,561
Management service	–	–	12,747	12,747
	7,118,198	6,425,206	2,113,308	15,656,712
Inter-segment revenue	703,753	67,473	–	771,226
Reportable segment revenue	7,821,951	6,492,679	2,113,308	16,427,938
Reportable segment profit	1,262,289	541,634	94,289	1,898,212
Reportable segment assets (including interests in associates and a joint venture)	7,943,430	8,970,862	5,350,883	22,265,175
Reportable segment liabilities	6,880,604	6,465,803	4,782,586	18,128,993
Other information				
Additions to non-current segment assets during the period	717,427	130,176	3,023	850,626
Share of results of associates	5,159	64,517	–	69,676
Share of result of a joint venture	334,413	–	–	334,413
Depreciation and amortization for the period	176,229	283,389	4,656	464,274

Reconciliations of reportable segment revenue, results, assets and liabilities

	Year ended/as at December 31,			Nine months ended/ as at September 30,	
	2015	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Revenue					
Reportable segment revenue	10,977,444	13,029,375	19,665,782	15,315,158	16,427,938
Elimination of inter-segment revenue	(984,381)	(812,766)	(1,007,504)	(778,217)	(771,226)
Consolidated revenue	9,993,063	12,216,609	18,658,278	14,536,941	15,656,712
Results					
Reportable segment (loss)/profit	(587,747)	440,232	909,791	680,356	1,898,212
Listing expenses	–	–	(11,694)	–	(17,581)
Unallocated head office and corporate income (expense)	6,930	(49,396)	(52,154)	(28,685)	(59,977)
Consolidated (loss)/profit before taxation	(580,817)	390,836	845,943	651,671	1,820,654
Assets					
Reportable segment assets	15,956,673	20,868,883	21,626,703	22,379,633	22,265,175
Unallocated head office and corporate assets	696,517	270,840	212,348	268,875	503,033
Consolidated total assets	16,653,190	21,139,723	21,839,051	22,648,508	22,768,208
Liabilities					
Reportable segment liabilities	14,739,079	18,428,041	18,723,549	19,386,877	18,128,993
Unallocated head office and corporate liabilities	37,195	–	5,793	16	571,877
Consolidated total liabilities	14,776,274	18,428,041	18,729,342	19,386,893	18,700,870

Geographic information

Substantially of the Group's revenue and profit for each of the reporting period were derived from the PRC sales and all principal assets employed by the Group are located in the PRC at the end of each reporting period.

Major customers

No individual customer had transactions exceeding 10% of the Group's turnover for each of the reporting period. Details of concentrations of credit risk are set out in note 41.

7. OTHER INCOME

	Year ended December 31,			Nine months ended September 30,	
	2015	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Interest income	139,270	184,515	184,183	153,850	110,652
Production waste sales	13,355	8,383	4,543	2,292	11,783
Government grants *(note)*	20,128	26,487	14,761	8,622	12,374
Others	7,511	5,028	9,152	6,397	7,069
	180,264	224,413	212,639	171,161	141,878

Note: Government grants were received from several local government authorities as subsidies for the Group's contribution to the environmental protection, energy conservation recycling resources, relocation, purchase of land use rights and infrastructure construction.

8. OTHER GAINS AND LOSSES

	Year ended December 31,			Nine months ended September 30,	
	2015	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Fair value gain (loss) of financial assets/liabilities at FVTPL:					
– Futures contracts *(note 21a)*	44,004	171,217	(12,504)	(33,420)	84,221
– Listed equity securities *(note 21b)*	–	–	(2,712)	–	23,900
– Wealth management product *(note 21c)*	–	–	–	–	1,550
– Held-for-trading non-derivative financial assets	–	–	58	–	1,388
Loss on foreign exchange, net	(7,295)	(7,920)	(11,307)	(7,923)	(25,760)
Gain (loss) on disposal of:					
– property, plant and equipment	7,327	20,642	1,987	(2,918)	696
– prepaid lease payments	3,601	80,796	–	–	1,931
– intangible assets	5,230	–	–	–	–
– subsidiaries *(note 38)*	13,489	–	92	92	–
– AFS financial assets	–	–	(293)	(293)	–
Gain on re-measurement of the interest in a joint venture *(note 37)*	–	88,866	–	–	–
Others	4,446	2,516	(9,872)	(1,395)	2,509
	70,802	356,117	(34,551)	(45,857)	90,435

9. IMPAIRMENT LOSSES, NET OF REVERSAL

	Year ended December 31,			Nine months ended September 30,	
	2015	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Net impairment losses recognized (reversed) in respect of:					
Trade and other receivables *(note 25)*	23,331	22,488	3,196	4,028	(33,894)
Amounts due from related parties	–	–	–	–	3,378
	23,331	22,488	3,196	4,028	(30,516)

10. FINANCE COSTS

	Year ended December 31,			Nine months ended September 30,	
	2015	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Interest on bank loans	222,569	275,575	290,476	222,863	263,745
Interest on other loans	49,676	78,449	87,410	74,412	65,554
Finance expenses on bills receivables discounted	266,217	241,483	253,314	176,808	178,456
Finance charges on obligations under finance leases	6,806	7,671	5,594	3,437	2,673
	545,268	603,178	636,794	477,520	510,428
Less: Amount capitalized under construction in progress *(note)*	(59,785)	(74,897)	(12,556)	(7,226)	(14,347)
	485,483	528,281	624,238	470,294	496,081

Note: The finance costs were capitalized at annual rates of 4.57%–9.57%, 4.57%–8.5%, 4.57%–8.86%, 4.57%–8.86% (unaudited) and 4.79%–8.86% per annum during the years ended December 31, 2015, 2016 and 2017 and the nine months ended September 30, 2017 and 2018, respectively.

11. (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation is arrived at after charging:

	Year ended December 31,			Nine months ended September 30,	
	2015	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Staff costs (including directors' remuneration)					
Salaries, wages and other benefits	220,653	237,690	288,312	210,138	235,655
Contributions to retirement benefits scheme	21,929	23,482	26,438	19,420	22,608
Total staff costs	242,582	261,172	314,750	229,558	258,263
Capitalized in construction in progress	(16,880)	(18,456)	(15,736)	(10,042)	(7,556)
Capitalized in inventories	(141,011)	(151,691)	(184,894)	(138,544)	(142,588)
	84,691	91,025	114,120	80,972	108,119
Other items					
Depreciation of property, plant and equipment	386,862	532,507	537,702	423,019	440,337
Amortization of prepaid lease payments	18,444	22,034	26,735	18,938	17,615
Amortization of intangible assets	1,958	5,135	7,523	5,375	6,322
Total depreciation and amortization	407,264	559,676	571,960	447,332	464,274
Capitalized in inventories	(355,463)	(504,831)	(506,148)	(396,673)	(402,301)
Capitalized in construction in progress	(1,575)	(752)	(515)	(464)	(5,270)
	50,226	54,093	65,297	50,195	56,703
Auditors' remuneration	462	1,356	3,675	411	4,169
Cost of inventories recognized as an expense	9,579,307	11,251,339	16,659,886	13,022,341	13,258,021

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

Directors' emoluments

Yang Xuegang was appointed as an executive director and chief executive officer on November 8, 2007.

Zhang Yingwei, Han Qinliang, Wang Fengshan, Wang Nianping and Yang Lu were appointed as executive directors on July 24, 2009, July 5, 2011, September 29, 2018, September 29, 2018 and September 29, 2018, respectively.

Wang Mingfu, Wu Chi Keung, Zhu Bin, Zhang Xinzhi and Lu Xiaomei were resigned as non-executive directors or executive director on September 21, 2015, September 21, 2015, February 17, 2016, September 29, 2018 and September 29, 2018, respectively.

Wang Yinping, Yu Kwok Kuen Harry and Kang Woon were appointed as independent non-executive directors on September 29, 2018.

	Year ended December 31, 2015				
	Directors' fees	**Salaries, allowances and benefits in kind**	**Discretionary bonuses**	**Retirement benefit scheme contributions**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Yang Xuegang	–	2,288	–	44	2,332
Zhang Yingwei	–	599	–	44	643
Han Qinliang	–	599	–	44	643
Zhang Xinzhi	–	–	–	–	–
Subtotal	–	3,486	–	132	3,618
Non-executive directors					
Wang Mingfu	–	–	–	–	–
Wu Chi Keung	–	–	–	–	–
Zhu Bin	–	–	–	–	–
Lu Xiaomei	–	–	–	–	–
Total	–	3,486	–	132	3,618

	Year ended December 31, 2016				
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement benefit scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Yang Xuegang	–	2,157	–	47	2,204
Zhang Yingwei	–	499	62	47	608
Han Qinliang	–	499	62	47	608
Zhang Xinzhi	–	–	–	–	–
Subtotal	–	3,155	124	141	3,420
Non-executive directors					
Zhu Bin	–	–	–	–	–
Lu Xiaomei	–	257	–	–	257
Subtotal	–	257	–	–	257
Total	–	3,412	124	141	3,677

	Year ended December 31, 2017				
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement benefit scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Yang Xuegang	–	1,931	100	51	2,082
Zhang Yingwei	–	499	71	51	621
Han Qinliang	–	499	71	51	621
Zhang Xinzhi	–	–	–	–	–
Subtotal	–	2,929	242	153	3,324
Non-executive director					
Lu Xiaomei	–	524	–	–	524
Subtotal	–	524	–	–	524
Total	–	3,453	242	153	3,848

	Nine months ended September 30, 2017 (Unaudited)				
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement benefit scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Yang Xuegang	–	1,448	–	37	1,485
Zhang Yingwei	–	374	–	37	411
Han Qinliang	–	374	–	37	411
Zhang Xinzhi	–	–	–	–	–
Subtotal	–	2,196	–	111	2,307
Non-executive director					
Lu Xiaomei	–	393	–	–	393
Subtotal	–	393	–	–	393
Total	–	2,589	–	111	2,700

	Nine months ended September 30, 2018				
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement benefit scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Yang Xuegang	–	1,968	–	45	2,013
Zhang Yingwei	–	462	121	45	628
Han Qinliang	–	462	121	45	628
Zhang Xinzhi	–	–	–	–	–
Wang Fengshan	–	–	–	–	–
Wang Nianping	–	–	–	–	–
Yang Lu	–	–	–	–	–
Subtotal	–	2,892	242	135	3,269
Non-executive director					
Lu Xiaomei	–	651	–	–	651
Subtotal	–	651	–	–	651

	Nine months ended September 30, 2018				
	Directors' fees	**Salaries, allowances and benefits in kind**	**Discretionary bonuses**	**Retirement benefit scheme contributions**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Independent non-executive directors					
Wang Yinping	–	–	–	–	–
Yu Kwok Kuen Harry	–	–	–	–	–
Kang Woon	–	–	–	–	–
Subtotal	–	–	–	–	–
Total	–	3,543	242	135	3,920

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

The non-executive directors' emoluments shown above were for their services as directors of the Company.

Directors are entitled to bonus payments which are determined based on the duties and responsibilities of the Directors as well as the operating results of the Group.

Neither the chief executive nor any of the directors waived any emoluments during the Track Record Period.

Five highest paid individuals

The five highest paid individuals of the Group during the Track Record Period include 3, 3, 3, 3 (unaudited) and 4 Directors during the years ended December 31, 2015, 2016 and 2017 and the nine months ended September 30, 2017 and 2018, respectively, whose emoluments are disclosed above. The emoluments in respect of the remaining highest paid individuals during the Track Record Period are as follows:

	Year ended December 31,			Nine months ended September 30,	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Salaries and other emoluments	1,198	1,122	1,140	747	579
Retirement benefit scheme contributions	88	94	102	74	45
	1,286	1,216	1,242	821	624

The remunerations of the five highest paid employees (including Directors) are within the following bands:

	Year ended December 31,			Nine months ended September 30,	
	2015	2016	2017	2017	2018
	Number of employees	*Number of employees*	*Number of employees*	*Number of employees* (Unaudited)	*Number of employees*
Nil to HK$1,000,000	4	4	4	4	3
HK$1,000,001 to HK$1,500,000	–	–	–	1	1
HK$2,000,001 to HK$2,500,000	–	–	1	–	1
HK$2,500,001 to HK$3,000,000	1	1	–	–	–

During the Track Record Period, no amount was paid or payable by the Group to the Directors or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

13. INCOME TAX (CREDIT)/EXPENSE

	Year ended December 31,			Nine months ended September 30,	
	2015	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Current tax					
PRC income tax for the year/period	20,726	108,257	160,463	117,180	294,556
Deferred tax (credit)/charge *(note 23)*	(94,427)	(72,382)	(80,093)	667	50,983
	(73,701)	35,875	80,370	117,847	345,539

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 Track Record Period.

Hong Kong Profits Tax was calculated at 16.5% of the estimated assessable profit for the years ended December 31, 2015 and 2016. No provision for taxation is made for the year ended December 31, 2017 and for the nine months ended September 30, 2017 and 2018 as the Group had no assessable profits in Hong Kong for those year/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 Track Record 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.

Income tax (credit)/charge for the year/period can be reconciled to the (loss)/profit before taxation per the consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended December 31,			Nine months ended September 30,	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
(Loss)/profit before taxation	(580,817)	390,836	845,943	651,671	1,820,654
Tax at the PRC tax rate of 25%	(145,204)	97,709	211,486	162,918	455,164
Tax effect on:					
Share of results of associates and joint ventures	21,708	(39,773)	(71,467)	(62,227)	(101,022)
Non-deductible expenses	613	1,478	3,268	383	8,162
Non-taxable income	(860)	(22,611)	(768)	–	–
Unused tax losses and temporary differences not recognized	71,542	52,301	46,859	24,270	7,686
Utilization of tax losses previously not recognized	(3,622)	(26,945)	(23,378)	(3,063)	(6,794)
PRC tax concessions	(17,680)	(17,237)	(21,785)	(17,211)	(17,657)
Recognition of deferred tax assets on unused tax losses and deductible temporary differences previously not recognized	–	(8,310)	(76,622)	–	–
Effect of different tax rates of subsidiaries operating in other jurisdictions	(198)	(737)	–	–	–
Withholding tax on gain arising from reorganization activity within the Group *(note)*	–	–	12,777	12,777	–
Income tax (credit)/charge for the year/period	(73,701)	35,875	80,370	117,847	345,539

Note: The amount represents the withholding tax of 10% on gain arising from the equity transfer relating to a subsidiary of the Group from a Hong Kong subsidiary to a PRC subsidiary.

14. (LOSS)/EARNINGS PER SHARE

The calculation of the basic (loss)/earnings per share attributable to the ordinary shareholders of the Company is based on the following data:

Basic (loss)/earnings per share

Basic (loss)/earnings per share for the years ended December 31, 2015, 2016 and 2017 and the nine months ended September 30, 2017 (unaudited) and 2018 are calculated by dividing the (loss) profit attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the year/period on the assumption that the capitalization issue as explained in the sections headed "History, Reorganization and Corporate Structure" and "Share Capital" in the Prospectus had been effective on January 1, 2015.

	Year ended December 31,			**Nine months ended September 30,**	
	2015	**2016**	**2017**	**2017**	**2018**
				(Unaudited)	
(Loss) profit attributable to the owners of the Company *(RMB'000)*	(507,116)	359,299	754,674	532,572	1,453,556
Weighted average number of ordinary shares	3,116,074,928	3,116,074,928	3,116,074,928	3,116,074,928	3,256,952,509
Basic (loss) earnings per share *(RMB yuan)*	(0.16)	0.12	0.24	0.17	0.45

No diluted (loss)/earnings per share for the Track Record Period was presented as there were no potential ordinary shares in issue during the Track Record Period.

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings	Machinery and equipment	Motor vehicles	Office equipment	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost						
At January 1, 2015	2,886,988	4,094,543	45,949	36,787	1,197,552	8,261,819
Additions	17,379	3,802	4,364	2,324	513,578	541,447
Transfer from construction in progress	555,645	716,692	–	538	(1,272,875)	–
Disposal of subsidiaries *(note 38)*	(56)	(17,527)	–	(512)	(5,570)	(23,665)
Disposals	–	(2,406)	(8,813)	(59)	–	(11,278)
At December 31, 2015	3,459,956	4,795,104	41,500	39,078	432,685	8,768,323
Acquisition of a subsidiary *(note 37)*	220,048	521,657	949	1,003	1,102,719	1,846,376
Additions	7,097	743	5,974	576	492,110	506,500
Transfer from construction in progress	222,167	1,245,035	–	2,532	(1,469,734)	–
Disposals	(27,303)	(13,056)	(4,730)	(3,003)	(244,054)	(292,146)
At December 31, 2016	3,881,965	6,549,483	43,693	40,186	313,726	10,829,053
Additions	11,707	35,658	8,816	1,156	779,907	837,244
Transfer from construction in progress	48,159	227,784	–	1,235	(277,178)	–
Disposals	(18,221)	(73)	(10,734)	(235)	–	(29,263)
At December 31, 2017	3,923,610	6,812,852	41,775	42,342	816,455	11,637,034
Additions	1,541	14,586	8,078	3,105	822,596	849,906
Transfer from construction in progress	39,769	63,546	308	2,878	(106,501)	–
Disposals	(29,586)	(3,855)	(7,425)	(643)	(68,108)	(109,617)
At September 30, 2018	3,935,334	6,887,129	42,736	47,682	1,464,442	12,377,323
Depreciation and impairment						
At January 1, 2015	435,590	761,414	26,016	25,453	–	1,248,473
Depreciation	112,734	262,668	7,566	3,894	–	386,862
Disposal of subsidiaries *(note 38)*	(8)	(4,109)	–	(59)	–	(4,176)
Disposals	–	(1,035)	(6,509)	(54)	–	(7,598)
At December 31, 2015	548,316	1,018,938	27,073	29,234	–	1,623,561
Depreciation	142,959	379,793	5,702	4,053	–	532,507
Disposals	(7,635)	(7,888)	(3,336)	(2,701)	–	(21,560)
At December 31, 2016	683,640	1,390,843	29,439	30,586	–	2,134,508
Depreciation	134,794	395,426	5,359	2,123	–	537,702
Disposals	(5,066)	–	(6,263)	(84)	–	(11,413)
At December 31, 2017	813,368	1,786,269	28,535	32,625	–	2,660,797
Depreciation	135,757	297,265	5,363	1,952	–	440,337
Disposals	(2,412)	(1,398)	(6,350)	(192)	–	(10,352)
At September 30, 2018	946,713	2,082,136	27,548	34,385	–	3,090,782
Carrying amounts						
At December 31, 2015	2,911,640	3,776,166	14,427	9,844	432,685	7,144,762
At December 31, 2016	3,198,325	5,158,640	14,254	9,600	313,726	8,694,545
At December 31, 2017	3,110,242	5,026,583	13,240	9,717	816,455	8,976,237
At September 30, 2018	2,988,621	4,804,993	15,188	13,297	1,464,442	9,286,541

The above items of property, plant and equipment, other than construction in progress, after taking into account their estimated residuals, are depreciated on a straight-line basis as follows:

Leasehold land and buildings	Over the shorter of 30 years or the term of the leases
Machinery and equipment	5–30 years
Motor vehicles	3–12 years
Office equipment	2–15 years

The carrying amounts of coking furnaces and other machinery held under finance leases of the Group were RMB143,950,000, RMB135,001,000, RMB126,053,000 and RMB119,341,000 as at December 31, 2015, 2016 and 2017 and September 30, 2018 respectively.

Details of the pledged property, plant and equipment are set out in note 44.

As at December 31, 2015, 2016 and 2017 and September 30, 2018, all leasehold land and buildings are located in the PRC.

As at September 30, 2018, the Group is in the progress of construction for relocating one of its plants between locations in Dingzhou City pursuant to the local government's arrangement and will dismantle the old plant after the new plant is completed. The compensation agreed by the local government is determined on the basis of the carrying amounts of all relevant property, plant and equipment in the affected plant amounting to RMB201,712,000 as well as the market value of the land use right recalled and to be publicly auctioned with carrying amount of RMB40,006,000 at September 30, 2018. The Directors consider the compensation to be received is higher than the carrying amounts of all relevant property, plant and equipment and the land use right and no impairment is made for these affected assets as at September 30, 2018.

Subsequent to the end of the reporting period, the construction of the new plant is completed in November 2018 and certain portion of the land and relevant building in old plant with carrying amounts of RMB21,943,000 and RMB9,515,000 respectively has been taken over by the local government and the compensation of RMB71,374,000 was fully received.

As at December 31, 2015, 2016 and 2017 and September 30, 2018, the Group was in the process of applying for ownership certificates for its buildings in the PRC amounting to RMB64,459,000, RMB70,362,000, RMB92,643,000 and RMB20,703,000, respectively. After consulting with the legal advisor of the Company, the Directors are of the view that the Group is entitled to lawfully and validly occupy and use the above-mentioned buildings without incurring significant costs. The Directors are also of the opinion that the aforesaid matter will not have any significant impact on the Group's financial position as at the end of each year/period.

16. PREPAID LEASE PAYMENTS

Movements in the prepaid lease payments, which represent land use rights in the PRC, during the Track Record Period are analyzed as follows:

	Year ended December 31,			Nine months ended September 30,
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of the reporting period	762,669	809,083	1,170,041	1,143,306
Additions	73,499	88,112	–	–
Acquisition of a subsidiary *(note 37)*	–	317,588	–	–
Released to profit or loss	(18,444)	(22,034)	(26,735)	(17,615)
Disposals	(8,641)	(22,708)	–	(90,206)
At the end of the reporting period	809,083	1,170,041	1,143,306	1,035,485
Analyzed for reporting purpose as:				
Non-current assets	786,684	1,142,941	1,116,206	1,010,344
Current assets	22,399	27,100	27,100	25,141
	809,083	1,170,041	1,143,306	1,035,485

Details of pledged prepaid lease payments are set out in note 44.

17. INTANGIBLE ASSETS

	Year ended December 31,			Nine months ended September 30,
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cost:				
At the beginning of the reporting period	48,241	67,169	106,802	108,697
Additions	44,472	4,771	1,895	720
Acquisition of a subsidiary *(note 37)*	–	34,862	–	–
Disposals	(2,632)	–	–	–
Disposal of subsidiaries *(note 38)*	(22,912)	–	–	–
At the end of the reporting period	67,169	106,802	108,697	109,417
Accumulated amortization and impairment *(note)*:				
At the beginning of the reporting period	43,244	43,264	48,399	55,922
Charge for the year/period	1,958	5,135	7,523	6,322
Disposals	(1,912)	–	–	–
Disposal of subsidiaries *(note 38)*	(26)	–	–	–
At the end of the reporting period	43,264	48,399	55,922	62,244
Carrying amounts:				
At the end of the reporting period	23,905	58,403	52,775	47,173

Note: As at January 1, 2015, included in accumulated amortization and impairment were amount of accumulated impairment of RMB37,748,000 being patented use rights of techniques fully impaired.

The intangible assets are mainly patented use rights of techniques. The intangible assets are amortized on a straight-line basis over the patented periods ranging from 5 to 10 years, based on the shorter of the period of their contractual rights or expected useful lives. After due assessment, the Directors are of the opinion no additional impairment provision is necessary for the periods reported.

18. INTERESTS IN ASSOCIATES

	As at December 31,			As at September 30,
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cost of investments	531,782	535,272	535,272	535,272
Share of post-acquisition profits and other comprehensive income, net of dividend received and receivable	87,796	118,448	41,797	111,473
Less: impairment *(note)*	(196,908)	(196,908)	(196,908)	(196,908)
	422,670	456,812	380,161	449,837

Note: Before the Track Record Period, impairment of RMB196,908,000 was recognized against 30% equity interest in Yangmei Group Shouyang Jingfu Coal Co., Ltd. ("Jingfu Coal") held by the Group mainly due to the insufficient utilization rate and the coal price below the expectation at the initial investment.

Details of the associates at December 31, 2015, 2016 and 2017 and September 30, 2018 were as follows:

Name of entity	Country of incorporation/ registration	Principal place of business	Proportion of ownership interest held by the Group 2015	2016	2017	2018	Proportion of voting rights held by the Group 2015	2016	2017	2018	Principal activity
Hebei Jinniu Risun Chemicals Limited ("Jinniu Risun Chemicals") (河北金牛旭陽化工有限公司) *(note)*	The PRC/ March 28, 2008	The PRC	50%	50%	50%	50%	50%	50%	50%	50%	Production of refined chemicals
Cabot Risun Chemicals (Xingtai) Co. Ltd. ("Cabot Risun Chemicals") (卡博特旭陽化工(邢台)有限公司) *(note)*	The PRC/ June 23, 2011	The PRC	40%	40%	40%	40%	40%	40%	40%	40%	Production of carbon black
Jingfu Coal (陽煤集團壽陽景福煤業有限公司) *(note)*	The PRC/ June 27, 1992	The PRC	30%	30%	30%	30%	30%	30%	30%	30%	Mining of coal
Cangzhou Senxu Port Co. Ltd. (滄州森旭港務有限公司) *(note)*	The PRC/ May 9, 2016	The PRC	N/A	35%	35%	35%	N/A	35%	35%	35%	Port transportation

Note: The English translation of the name of the above associates is for reference only. The official name of the entity is in Chinese.

In the opinion of the Directors, none of the associates principally affected the results or net assets of the Group. To give further details of the associates of the Group would, in the opinion of the Directors, result in particulars of excessive length.

The associates are accounted for using the equity method in the Historical Financial Information.

Aggregate information of associates that are not individually material:

	Year ended December 31,			Nine months ended September 30,	
	2015	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
(Loss)/profit and total comprehensive (expense)/ income for the year/period	(26,722)	64,763	132,045	100,801	160,683
Group's share of (loss)/profit of associates for the year/period	(4,164)	30,651	60,350	46,882	69,676
Dividends declared by associates for the year/period	–	–	137,000	–	–

19. INTERESTS IN JOINT VENTURES

	As at December 31,			As at September 30,
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cost of investments	458,256	45,000	45,000	45,000
Share of post-acquisition profits and other comprehensive income, net of dividend received and receivable	245,425	474,116	626,677	961,090
	703,681	519,116	671,677	1,006,090

Details of the joint ventures as at December 31, 2015, 2016 and 2017 and September 30, 2018 were as follows:

Name of entity	Country of incorporation/ registration	Principal place of business	Proportion of ownership interest held by the Group				Proportion of voting rights held by the Group				Principal activity
			2015	2016	2017	2018	2015	2016	2017	2018	
Hebei China Coal Risun Coking Limited ("CNC Risun Coking") (河北中煤旭陽焦化有限公司) *(note a)*	The PRC	The PRC	45%	45%	45%	45%	45%	45%	45%	45%	Production of coke and coking chemicals
Cangzhou Risun (滄州旭陽化工有限公司)	The PRC	The PRC	46.77% *(note b)*	N/A	N/A	N/A	46.77% *(note b)*	N/A	N/A	N/A	Production of refined chemicals

Notes:

a. The Group, China Coal and Coke Holding Limited ("CNC Coke"), an independent third party, and another independent third party, hold 45%, 45% and 10% equity interest in CNC Risun Coking, respectively. Pursuant to the agreement dated January 1, 2007, the Group has the right to appoint two out of five directors which is responsible for making decisions on the financial and operating activities of CNC Risun Coking, where these decisions require a minimum resolution of two-third of the voting right of the board of directors. Accordingly, the Group and CNC Coke who is also entitled to appoint two directors share joint control over CNC Risun. In this regard, CNC Risun Coking is accounted for as a joint venture of the Group.

b. Prior to June 8, 2016, the Group made capital contribution of RMB413,256,000 for a 46.77% interest in Cangzhou Risun and Cangzhou Risun was accounted for as a joint venture of the Group. On June 8, 2016, Cangzhou Risun became the Company's subsidiaries. Details of which are set out in note 2 and note 37.

c. The English translation of the name of the above joint venture is for reference only. The official name of the entity is in Chinese.

Summarized financial information of CNC Risun Coking

	As at December 31,			As at September 30,
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets	2,846,064	2,768,186	3,158,907	3,189,898
Current assets	1,257,720	1,616,138	1,526,476	1,564,160
Non-current liabilities	874,052	906,826	781,125	576,465
Current liabilities	2,318,462	2,323,906	2,411,643	1,941,838
Net assets	911,270	1,153,592	1,492,615	2,235,755

The above amounts of assets and liabilities include the following:

	As at December 31,			As at September 30,
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash and cash equivalents	521,368	156,449	70,182	307,735
Current financial liabilities (excluding trade and other payables and provisions)	559,232	641,325	507,746	282,073
Non-current financial liabilities (excluding trade and other payables and provisions)	590,073	416,078	447,914	365,356

	Year ended December 31,			Nine months ended September 30,	
	2015	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Revenue	3,701,373	5,544,127	8,274,596	6,721,735	5,816,536
(Loss)/profit and total comprehensive (expenses)/income for the year/period	(39,084)	306,224	501,153	448,942	743,140
Dividends received from the joint venture	17,279	1,913	28,756	28,756	72,959
The above (loss)/profit for the year/period includes the following:					
Depreciation and amortization	143,561	186,480	206,188	154,483	162,264
Interest income	12,385	6,754	5,139	4,632	2,171
Interest expense	60,737	42,802	63,038	47,986	39,109
Income tax expense	3,475	100,675	181,799	150,911	260,559

Summarized financial information of CNC Risun Coking

Reconciliation of the above summarized financial information to the carrying amount of the interest in CNC Risun Coking recognized in the Historical Financial Information:

	As at December 31,			As at September 30,
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Net assets of CNC Risun Coking	911,270	1,153,592	1,492,615	2,235,755
Proportion of the Group's ownership interest in CNC Risun Coking	45%	45%	45%	45%
Carrying amount of the Group's interest in CNC Risun Coking	410,072	519,116	671,677	1,006,090

Summarized financial information of Cangzhou Risun

	As at December 31, 2015
	RMB'000
Non-current assets	1,921,582
Current assets	1,447,241
Non-current liabilities	2,143,213
Current liabilities	743,654
Net assets	481,956

The above amounts of assets and liabilities include the following:

	As at December 31, 2015
	RMB'000
Cash and cash equivalents	21,558
Current financial liabilities (excluding trade and other payables and provisions)	50,000
Non-current financial liabilities (excluding trade and other payables and provisions)	2,079,779

	Year ended December 31, 2015	From January 1, 2016 to June 8, 2016
	RMB'000	*RMB'000*
Revenue	396,756	100,281
Loss and total comprehensive expenses for the year/period	(139,149)	(20,019)
Dividends received from the joint venture	–	–

The above loss for the year/period include the following:

	Year ended December 31, 2015	From January 1, 2016 to June 8, 2016
	RMB'000	*RMB'000*
Depreciation and amortization	30,086	21,957
Interest income	10,408	26
Interest expense	43,760	6,896
Income tax expense	–	–

Summarized financial information of Cangzhou Risun

Reconciliation of the above summarized financial information to the carrying amount of the interest in Cangzhou Risun recognized in the Historical Financial Information as interests in joint venture:

	As at December 31, 2015
	RMB'000
Net assets of Cangzhou Risun	481,956
Proportion of the Group's ownership interest in Cangzhou Risun	46.77%
	225,411
Additional capital contribution by the Group not shared by others *(note a)*	93,271
Eliminated unrealized profits *(note b)*	(25,073)
Carrying amount of the Group's interest in Cangzhou Risun	293,609

Notes:

a. As at December 31, 2015, the Group injected capital contribution to Cangzhou Risun amounting to RMB175,224,000, but the other two parties had not yet injected the capital. The adjustment represents the effect of capital contribution unfunded by other shareholders which does not form part of the investment cost of Cangzhou Risun as at December 31, 2015.

b. Prior to year 2015, Cangzhou Risun purchased equipment from the Group and the amount of RMB25,073,000 was unrealized profits which were eliminated in this Historical Financial Information.

20. AFS FINANCIAL ASSETS

	As at December31,		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Unlisted equity investments at cost *(note a)*	36,000	36,000	35,000
Provision for impairment *(note a)*	(12,000)	(12,000)	(12,000)
	24,000	24,000	23,000
Structured trust product, at fair value *(note b)*	65,911	60,576	31,220
Total	89,911	84,576	54,220
Analyzed for reporting purpose as:			
Non-current assets	89,911	84,576	23,000
Current assets	–	–	31,220
	89,911	84,576	54,220

Notes:

a. The unlisted equity investments represent equity investments in unlisted entities established in the PRC. They were measured at cost less impairment at December 31, 2015, 2016 and 2017 before adoption of IFRS 9 because these investments did not have a quoted market price in an active market and their fair value could not be reliably measured. Upon the adoption of IFRS 9 on January 1, 2018, the unlisted equity investment was subsequently mandatorily measured at FVTPL as stated in note 21.

Before the Track Record Period, impairment of RMB12,000,000 was recognized against 5% equity interests in 西甘鐵路有限責任公司 ("Xi Gan Railway Limited") amounted to RMB35,000,000 held by the Group mainly due to the insufficient utilization rate in the railway operations of Xi Gan Railway Limited.

In September 2017, the Group disposed of an unlisted investment with the carrying amount of RMB1,000,000 to a third party at a consideration of RMB707,000, resulting in a loss of RMB293,000 recognized in the profit or loss for the year ended December 31, 2017.

b. In 2015, the Group subscribed for a structured trust product from a licensed financial institution. The structured trust product is not principal-protected, carrying an expected annual return at rates of 6.5% per annum. As at December 31, 2015, 2016 and 2017, the Group's bills payable of RMB66,040,000 and RMB89,000,000, and bank loans of RMB60,000,000.00, respectively, were secured by the structured trust product. The Group redeemed aggregate principal amount of such of RMB6,785,000, RMB5,335,000 and RMB29,356,000 during the years ended December 31, 2015, 2016 and 2017, respectively. Upon the adoption of IFRS 9 on January 1, 2018, the structured trust product was subsequently mandatorily measured at FVTPL as stated in note 21.

21. FINANCIAL ASSETS/LIABILITIES AT FVTPL

Before adoption of IFRS 9

	As at December 31,		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Futures contracts *(note a)*	(609)	(2,091)	6,059
Listed equity securities *(note b)*	–	–	33,288
Wealth management product *(note c)*	–	–	60,000
Held-for-trading non-derivative financial assets	–	–	4,991
	(609)	(2,091)	104,338

	As at December 31,		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Analyzed for reporting purpose as:			
Non-current assets	–	–	93,288
Current assets	168	357	11,118
Current liabilities	(777)	(2,448)	(68)
	(609)	(2,091)	104,338

After adoption of IFRS 9

	As at September 30, 2018
	RMB'000
Non-current assets	
Unlisted equity investment *(note d)*	25,000
Listed equity securities *(note b)*	57,188
Wealth management product *(note c)*	61,550
	143,738
Current assets	
Structured trust product *(note d)*	16,648
Held-for-trading non-derivative financial assets	341
	16,989
Current liabilities	
Futures contracts *(note a)*	494

Notes:

a. During the years ended December 31, 2015, 2016 and 2017 and the nine months ended September 30, 2017 and 2018, 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 RMB44,004,000, a gain of RMB171,217,000, a loss of RMB12,504,000, a loss of RMB33,420,000 (unaudited) and a gain of RMB84,221,000 arising on changes in fair value of these financial instruments in the profit or loss during the years ended December 31, 2015, 2016 and 2017, and the nine months ended September 30, 2017 and 2018 (note 8).

b. On September 22, 2017, the Group subscribed for 13,000,000 H shares of Henan Jinma Energy Company Limited as a cornerstone investor with six months lock-in period through a subscriber-directed structured trust product issued by a qualified institutional investing company. The initial investment principal amounted to RMB36,000,000. The fair value was RMB33,288,000 and RMB57,188,000 as at December 31, 2017 and September 30, 2018, respectively, and a loss of RMB2,712,000 and a gain of RMB23,900,000 arising on change in fair value of the instrument in the listed equity securities during the year ended December 31, 2017 and the nine months ended September 30, 2018 (note 8).

c. On December 21, 2017, the Group subscribed for a non principal-protected wealth management product from a licensed asset management company due on December 20, 2022, which invests mainly in coke-related futures contracts. The initial investment principal amounted to RMB60,000,000, of which RMB40,000,000 was financed by a borrowing secured by a structured trust product subscribed by the Group from a licensed financial institution bearing total expected return at 6% per annum and due on September 21, 2022. The fair values of the wealth management product were RMB60,000,000 and RMB61,550,000 as at December 31, 2017 and September 30, 2018, respectively and a gain of RMB1,550,000 arising on charge of fair value of the financial instrument during the nine months ended September 30, 2018. The Group early redeemed the wealth management product in December 2018.

d. These financial assets at FVTPL were reclassified and remeasured on January 1, 2018 and details are included in note 3 and note 20. As at September 30, 2018, structured trusted product of RMB16,648,000 were pledged for a bank loan with carrying amount of RMB60,000,000. The Group redeemed aggregate principal amount of such of RMB14,572,000 during the nine months ended September 30, 2018 and RMB16,648,000 in October 2018, and the charge was released accordingly.

22. OTHER LONG TERM RECEIVABLES AND PREPAYMENTS

	As at December 31,			As at September 30,
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amount due from an investee *(note)*	25,000	25,000	25,000	25,000
Prepayments for property, plant and equipment	24,250	17,659	19,744	37,303
Deposits for prepaid lease payments	56,164	30,246	28,154	31,618
Others	58,802	39,843	35,505	22,039
	164,216	112,748	108,403	115,960

Note: The amount due from an investee represents a capital reduction receivable from an unlisted equity investment recognized as AFS financial assets (note 20) before adoption of IFRS 9 on January 1, 2018 and financial assets at FVTPL (note 21) after adoption of IFRS 9, arising from a capital reduction resolution passed in the shareholders' meeting of the unlisted equity investment before 2015. The amount is unsecured and its interest is to be negotiated.

23. DEFERRED TAX

	As at December 31,			As at September 30,
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deferred tax assets	185,529	254,848	340,481	289,068
Deferred tax liabilities	(15,176)	(50,252)	(55,792)	(53,896)
	170,353	204,596	284,689	235,172

The components of deferred tax assets/(liabilities) recognized in the consolidated statements of financial position and the movements in the Track Record Period are as follows:

	Impairment loss on receivables	Temporary differences on property, plant and equipment and intangible assets	Unused tax loss	Impairment losses on interest in an associate	Fair value adjustment on acquisition of a subsidiary *(note)*	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2015	40,151	(57,835)	34,955	49,227	–	9,428	75,926
Credited/(charged) to profit or loss	523	69,437	27,897	–	–	(3,430)	94,427
At December 31, 2015	40,674	11,602	62,852	49,227	–	5,998	170,353
Credited (charged) to profit or loss	5,622	66,664	(2,770)	–	274	2,592	72,382
Acquisition of a subsidiary	–	–	–	–	(38,139)	–	(38,139)
At December 31, 2016	46,296	78,266	60,082	49,227	(37,865)	8,590	204,596
(Charged)/credited to profit or loss	(7,059)	71,303	22,907	–	768	(7,826)	80,093
At December 31, 2017	39,237	149,569	82,989	49,227	(37,097)	764	284,689
Effect arising from initial application of IFRS 9 *(note 3)*	1,966	–	–	–	–	(500)	1,466
(Charged)/credited to profit or loss	(7,870)	22,304	(69,594)	–	576	3,601	(50,983)
At September 30, 2018	33,333	171,873	13,395	49,227	(36,521)	3,865	235,172

Note: Deferred tax liabilities of fair value adjustment recognized by the Group represented the fair value adjustment on prepaid lease payments arising from the business acquisitions.

As at the end of each reporting period, the Group has unused tax losses available for offsetting against future profits as follows:

	As at December 31,			As at September 30,
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unused tax losses	796,984	1,160,442	1,115,123	840,315
Less: recognized deferred asset	(251,406)	(240,328)	(331,955)	(53,579)
Unrecognized tax losses *(note)*	545,578	920,114	783,168	786,736

Note: The use of these tax losses is subjected to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the PRC. The unrecognized tax losses will expire in five years after they are incurred. No deferred tax has been recognized due to the unpredictability of future tax profit streams. The unrecognized tax losses declared will expire in the following years:

	As at December 31,			As at September 30,
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
2016	27,549	–	–	–
2017	131,499	32,421	–	–
2018	76,681	76,681	76,681	49,505
2019	23,681	127,183	23,681	23,681
2020	286,168	474,627	286,168	286,168
2021	–	209,202	209,202	209,202
2022	–	–	187,436	187,436
2023	–	–	–	30,744
	545,578	920,114	783,168	786,736

As at December 31, 2015, 2016 and 2017 and September 30, 2018, the Group has other deductible temporary differences of approximately RMB21,783,000, RMB21,783,000, RMB21,783,000 and RMB21,783,000, which are mainly arising from impairment of trade and other receivables of the Group. No deferred tax asset has been recognized in relation to such other deductible temporary differences as it is not probable that taxable profit will be available for offset against which the deductible temporary differences can be utilized.

Under the EIT Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from January 1, 2008 onwards. Deferred taxation has not been provided for in the Historical Financial Information in respect of temporary differences attributable to retained profits of the PRC subsidiaries amounting to RMB1,781,653,000, RMB2,288,000,000, RMB3,041,509,000 and RMB3,613,726,000 as at December 31, 2015, 2016 and 2017 and September 30, 2018 as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

24. INVENTORIES

	As at December 31,			As at September 30,
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials	221,713	494,751	451,400	421,158
Finished goods	61,367	140,231	99,223	171,636
Trading stocks	28,035	126,186	256,867	122,269
	311,115	761,168	807,490	715,063

Details of the pledged inventories are set out in note 44.

25. TRADE AND OTHER RECEIVABLES/TRADE AND BILLS RECEIVABLES MEASURED AS FVTOCI

	As at December 31,			As at September 30,
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	532,426	434,618	241,781	274,492
Less: impairment	(117,904)	(126,269)	(104,592)	(102,610)
	414,522	308,349	137,189	171,882
Bills receivables	1,392,972	2,267,391	2,781,661	2,755,750
Prepayments for raw materials	372,380	494,907	507,778	862,343
Other deposits, prepayments and other receivables	111,509	169,572	80,246	140,048
Dismantlement compensation *(note)*	112,911	–	–	–
Deductible input Value Added Tax and prepaid other taxes and charges	127,315	227,559	197,058	60,304
Less: impairment	(66,572)	(80,695)	(74,135)	(47,466)
	2,465,037	3,387,083	3,629,797	3,942,861
Analyzed for reporting purpose as:				
Trade and other receivables	2,465,037	3,387,083	3,629,797	1,015,229
Trade and bills receivables measured at FVTOCI	–	–	–	2,927,632
	2,465,037	3,387,083	3,629,797	3,942,861

Note: This amount represents a plant dismantlement compensation receivable by the Group from the local government. One of the Group's plants located in Xingtai City was dismantled in 2014 pursuant to the local government's requirement. In 2015, the local government agreed to pay compensation to the Group for dismantlement costs, land use right under recall and property, plant and equipment dismantled, payable upon the completion of public auction of the said land use right. As at December 31, 2015, the compensation receivable was estimated at approximately RMB112,911,000 by the Directors based on the basis agreed by the local government. In 2016, the amount was reconfirmed at RMB114,735,000 and the Group received the compensation in full.

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, interest free with no collateral. Aging of trade receivables based on invoice dates, which approximated the respective revenue recognition dates, are as follows:

	As at December 31,			As at September 30,
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one month	207,452	190,821	108,472	163,569
1 to 3 months	69,215	37,578	4,626	866
3 to 6 months	21,192	23,511	366	1,620
6 to 12 months	63,172	6,963	22,715	5,178
1–2 years	52,567	16,596	177	649
2–3 years	924	32,806	833	–
More than 3 years	–	74	–	–
	414,522	308,349	137,189	171,882

No credit period is offered for sales to be settled by bills. Bills receivables are bank acceptance notes and the average aging based on the maturity date is from 90 days to 360 days. The management believes that no impairment allowance on bills receivables is necessary as there is no significant change in credit quality and the balances are still considered fully recoverable.

Details of the pledged trade and other receivables are set out in note 44.

The table below is analysis of trade receivables as at year end under IAS 39:

	As at December 31,		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Not past due and not impaired *(note a)*	207,452	190,821	108,472
Past due but not impaired *(note b)*	207,070	117,528	28,717
Total trade receivables	414,522	308,349	137,189

Notes:

a. There has not been a significant change in credit quality of these trade receivables that are not past due and not impaired.

b. Included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB207,070,000, RMB117,528,000 and RMB28,717,000 which are past due as at December 31, 2015, 2016, 2017, respectively, for which the Group has not provided for impairment loss. The Group has assessed the recoverability of trade receivables with reference to the debt aging, historical settlement experience, subsequent settlements, future expected settlement plan, business relationship with the customers and credit assessment of customers, and considered that there has not been a significant change in credit quality and the balances are still considered fully recoverable, and accordingly no impairment has been provided. No collateral over these balances is held. Age of these trade receivables that are past due but not impaired is analyzed as follows:

	As at December 31,		
	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*
Less than 3 months past due	69,215	37,578	4,626
3 to 6 months past due	21,192	23,511	366
More than 6 months past due	116,663	56,439	23,725
	207,070	117,528	28,717

Starting from January 1, 2018, the Group applied the ECL prescribed by IFRS 9, and the impairment methodology of ECL model is set out in note 41.

The movements in the allowance for doubtful debts and impairment for prepayments are as follows:

	Year ended December 31,			Nine months ended September 30,
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of the reporting period	161,145	184,476	206,964	178,727
Effect of initial application of IFRS 9 on January 1, 2018 *(note 3)*	–	–	–	5,243
Impairment losses recognized on receivables	27,307	24,050	10,279	2,210
Impairment losses reversed on receivables	(3,976)	(1,562)	(7,083)	–
Amount recovered during the period	–	–	–	(36,104)
Amounts written off during the year/period	–	–	(31,433)	–
At the end of the reporting period	184,476	206,964	178,727	150,076

During the nine months ended September 30, 2018, impairment loss of RMB6,104,000 and RMB30,000,000 were recovered for certain trade receivables previously credit impaired in lifetime ECL in accordance with the simplified approach and certain other receivables with significant balances previously credit impaired assessed individually in lifetime ECL.

The following bills receivable as at December 31, 2015, 2016 and 2017 and September 30, 2018 were transferred to banks or suppliers by discounting, pledging to banks or endorsing those receivables on a full recourse basis. As the Group has not transferred substantially all the risks and rewards relating to these receivables, it continues to recognize the full carrying amounts of the receivables and the corresponding liabilities are included in secured borrowings or trade payables, whichever is appropriate. These financial assets are carried at amortized cost under IAS 39 and reclassified as FVTOCI under IFRS 9 since January 1, 2018 in the Group's consolidated statement of financial position.

	As at December 31,			As at September 30,
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Carrying amount of transferred assets	1,289,553	2,131,042	2,708,274	2,515,044
Carrying amount of associated payables to suppliers *(note 28)*	(1,017,165)	(1,814,942)	(2,534,042)	(2,377,051)
Carrying amount of associated loans *(note 30)*	(272,388)	(316,100)	(174,232)	(137,993)
	–	–	–	–

At December 31, 2015, 2016 and 2017 and September 30, 2018, bills receivable issued among subsidiaries of the Group for intra-group transactions have been discounted with full recourse to secure bank borrowings amounting to RMB3,311,519,000, RMB3,751,885,000, RMB3,133,972,000 and RMB2,818,374,000 respectively, and these bills receivable have been eliminated in the Historical Financial Information (note 30).

During the Track Record Period, the Group has transferred substantially all the risks and rewards relating to certain bills receivable discounted to banks or endorsed to suppliers even if the banks and suppliers have the right of recourse. The Group's obligations to the corresponding counterparties were discharged in accordance with the commercial practice in the PRC and the risk of the default in payment of the endorsed and discounted bills receivable is remote because all endorsed and discounted bills receivable are issued and guaranteed by reputable banks in the PRC. As a result, the relevant assets and liabilities were derecognized and no longer included in the Historical Financial Information. The maximum exposure to the Group that may result from the default of these endorsed and discounted bills receivable at the end of each of the reporting period are as follows:

	As at December 31,			As at September 30,
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Discounted bills for raising cash	717,960	903,519	961,047	814,804
Endorsed bills for settlement of payables to suppliers	1,799,569	2,124,513	2,682,130	2,776,617
Outstanding endorsed and discounted bills receivable with recourse	2,517,529	3,028,032	3,643,177	3,591,421

The outstanding endorsed and discounted bills receivable will be matured within 12 months from each reporting date.

During the Track Record Period, the Group has made certain bank bills financing arrangements in order to obtain funding from banks (the "Bill Financing Arrangement"). Due to the Bill Financing Arrangement as detailed below, the aggregate amount of bank acceptance bills issued was greater than the sum of the actual underlying transactions.

Details of the Bill Financing Arrangement were as follows:

During the years ended December 31, 2015, 2016 and 2017, the excess amount of bank acceptance bills were issued by certain banks to the Group's PRC subsidiaries to settle underlying transactions with certain other PRC subsidiaries which did not eventuate.

Despite these purchase transactions subsequently did not eventuate, the related bank bills have not been cancelled but were utilized by the Group and the receiving group subsidiaries holding such bills would either (i) discounted these bills to banks to obtain funding (and subsequently advancing such funding to other subsidiaries); or (ii) endorsed again these bills to the Group's suppliers to settle actual purchases of goods from third parties. The Group has ceased such Bill Financing Arrangement during 2017 and all amounts due to the relevant banks have been fully repaid.

As detailed in the section headed "Business - Regulatory compliance – The Group's non-compliant bill financing arrangements" in the Prospectus (the "Relevant Section of the Prospectus"), despite the facts that Bill Financing Arrangement was considered as non-compliance of local laws and regulations, given the measure taken by the Group and after seeking legal advice, the Directors are of the view that such arrangement will have no material financial impact on the Group and all amounts due to the relevant banks have been fully repaid before September 30, 2018.

For further details, please refer to the Relevant Section of the Prospectus.

26. RESTRICTED BANK BALANCES

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

	As at December 31,			As at September 30,
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Restricted bank balances to secure:				
Bills payables *(note)*	2,048,516	2,324,526	2,368,758	2,088,645
Letters of credit	237,110	196,683	114,555	439,717
Letters of guarantee	29,950	800	–	–
Futures contracts	40,898	97,342	78,776	141,898
Bank loans	152,457	423,107	554,106	646,937
Other loans	481,577	350,000	–	29,515
	2,990,508	3,392,458	3,116,195	3,346,712

	As at December 31,			As at September 30,
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Analyzed for reporting purpose as:				
Non-current assets	362,574	147,103	313,140	136,038
Current assets	2,627,934	3,245,355	2,803,055	3,210,674
	2,990,508	3,392,458	3,116,195	3,346,712

Note: Certain restricted bank deposit 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 borrowings of RMB3,311,519,000, RMB3,751,885,000, RMB3,133,972,000 and RMB2,818,374,000 as at December 31, 2015, 2016, 2017 and September 30, 2018 respectively. Further details of which are set out in notes 25 and 30.

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 3.95%, 0.30% to 4.68%, 0.30% to 1.75% and 0.30% to 1.75% per annum as at December 31, 2015, 2016 and 2017 and September 30, 2018, respectively.

27. CASH AND CASH EQUIVALENTS

Bank balances, included bank deposits, carried interest at market interest rate ranging from 0.35% to 0.40% per annum as at December 31, 2015, 2016 and 2017 and September 30, 2018. Bank balances and cash as at December 31, 2015, 2016 and 2017 and September 30, 2018 were mainly denominated in RMB which is not a freely convertible currency in the international market and the remittance of these funds out of the PRC is subject to exchange restrictions imposed by the PRC government.

Denominated in the currency other than the functional currency of relevant group entities:

	As at December 31,			As at September 30,
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
United States Dollars ("USD")	17,224	2,436	36,695	37,508
Hong Kong Dollars ("HKD")	608	2,961	801	971
Others *(note)*	13	15	14	18
	17,845	5,412	37,510	38,497

Note: Others mainly contain Euro ("EUR"), Australian Dollars ("AUD") and Renminbi.

28. TRADE AND OTHER PAYABLES

The Group

	As at December 31,			As at September 30,
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	1,473,838	1,560,142	1,485,760	1,430,577
Payables to be settled by the endorsed bills receivables *(note 25)*	1,017,165	1,814,942	2,534,042	2,377,051
Bills payables	1,222,816	951,468	1,219,217	1,571,504
Payables for construction in progress				
– interest-bearing *(note)*	–	346,928	641,254	648,315
– non-interest-bearing	1,054,735	898,442	666,343	756,125
Other payables and accruals	217,841	332,855	318,129	409,547
	4,986,395	5,904,777	6,864,745	7,193,119
Analyzed for reporting purposes as:				
Current liabilities	4,986,395	5,680,018	6,646,553	7,048,250
Non-current liabilities	–	224,759	218,192	144,869
	4,986,395	5,904,777	6,864,745	7,193,119

Note: Amount represents payables to two independent construction companies carrying contractual interest rates of 5.80% and 6.2% per annum, respectively, charged and chargeable on outstanding payments after construction progress verification of the corresponding projects. They are measured at amortized cost and will be settled by instalments by June 30, 2019 and December 31, 2021 respectively. All the said payables are secured by property, plant and equipment under the related projects with carrying amount of RMB770,103,000, RMB721,867,000, RMB756,861,000 and RMB838,342,000 as at December 31, 2015, 2016 and 2017 and September 30, 2018, respectively.

Except for certain payables for construction in progress above due after more than one year, all trade and other payables are due within 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:

	As at December 31,			As at September 30,
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 3 months	1,051,377	1,249,178	1,187,143	1,109,694
3 to 6 months	170,943	76,641	162,952	153,197
6 to 12 months	197,564	42,633	56,929	88,319
1–2 years	22,197	181,259	36,973	44,974
2–3 years	20,514	5,344	35,852	14,844
More than 3 years	11,243	5,087	5,911	19,549
	1,473,838	1,560,142	1,485,760	1,430,577

The Company

	As at December 31,			As at September 30,
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Other payables and accruals	–	–	3,978	22,324

29. CONTRACT LIABILITIES

Contract liabilities primarily represent advance from customers when the Group receives payments in advance of the delivery of products. For the contract liabilities as at January 1, 2015, December 31, 2015, 2016 and 2017, the entire balances were recognized as revenue to profit or loss in the next reporting year/period.

30. BANK AND OTHER LOANS

The analysis of the carrying amount of bank and other loans is as follows:

	As at December 31,			As at September 30,
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bank loans				
Secured	2,193,417	4,249,886	4,644,993	4,068,262
Unsecured	571,011	765,910	578,935	528,481
Other loans				
Secured	1,068,184	1,438,111	1,042,080	939,751
Unsecured	–	200,000	206,000	200,000
Unsecured loan from an individual	20,443	22,043	–	–
Discounted bills financing *(note 25)*				
– Discounted bills receivable from third parties	272,388	316,100	174,232	137,993
– Discounted bills receivable from subsidiaries of the Company	3,311,519	3,751,885	3,133,972	2,818,374
	7,436,962	10,743,935	9,780,212	8,692,861

At the end of each of the reporting period, the bank and other loans were repayable as follows:

	As at December 31,			As at September 30,
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	6,583,371	8,542,308	7,348,790	6,879,629
After 1 year but within 2 years	814,498	793,256	1,488,498	1,773,232
After 2 years but within 5 years	39,093	1,408,371	942,924	40,000
	7,436,962	10,743,935	9,780,212	8,692,861
Analyzed for reporting purpose as:				
Current liabilities	6,583,371	8,542,308	7,348,790	6,879,629
Non-current liabilities	853,591	2,201,627	2,431,422	1,813,232
	7,436,962	10,743,935	9,780,212	8,692,861

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

	As at December 31,			As at September 30,
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
USD	–	156,750	325,005	501,185
EUR	–	–	116,444	119,846

The carrying amount of the bank and other borrowings and the range of interest rates are as below:

	As at December 31,						As at September 30,	
	2015		2016		2017		2018	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%
Fixed rate bank and other borrowings	5,028,563	1.20–12.00	6,269,263	1.49–11.64	5,541,374	1.50–12.00	5,455,108	1.50–12.00
Floating rate bank and other borrowings	2,408,399	2.41–12.40	4,474,672	2.80–12.63	4,238,838	3.49–12.40	3,237,753	4.20–12.43
	7,436,962		10,743,935		9,780,212		8,692,861	

The secured other loans represent mortgage loans from the licensed finance lease companies secured by property, plant and equipment and prepaid lease payments, as well as loans from licensed financial institutions secured by the Group's bank deposits.

Details of the assets pledged for securing the banking facilities of the Group are set out in note 44.

31. OBLIGATIONS UNDER FINANCE LEASES

	As at December 31,			As at September 30,
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Analyzed for reporting purposes as:				
Current liabilities	22,930	29,181	31,917	28,389
Non-current liabilities	85,757	56,576	24,659	4,520
	108,687	85,757	56,576	32,909

The Group entered into several finance leases with the licensed financial institutions for its equipment during the years ended December 31, 2015, 2016 and 2017 and the nine months ended September 30, 2018, respectively. The average lease term for those finance lease entered is 5 years. Interest rates underlying all obligations under finance leases are fixed at the respective contract dates ranging from 9.2% to 9.6% per annum as at December 31, 2015, 2016 and 2017 and September 30, 2018, respectively. The Group has the options to purchase the equipment at immaterial consideration.

The Group has obligations under finance leases repayable as follows:

	As at December 31,						As at September 30, 2018	
	2015		2016		2017			
	Present value of the minimum lease payments	Total minimum lease payments	Present value of the minimum lease payments	Total minimum lease payments	Present value of the minimum lease payments	Total minimum lease payments	Present value of the minimum lease payments	Total minimum lease payments
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	22,930	31,905	29,181	35,726	31,917	35,726	28,389	29,881
After 1 year but within 2 years	29,181	35,726	31,917	35,726	23,723	24,609	4,520	4,499
After 2 years but within 5 years	56,576	61,174	24,659	25,448	936	838	–	–
	108,687	128,805	85,757	96,900	56,576	61,173	32,909	34,380
Less: Total future interest expenses		(20,118)		(11,143)		(4,597)		(1,471)
Present value of lease obligations		108,687		85,757		56,576		32,909

32. DEFERRED INCOME

	Year ended December 31,			Nine months ended September 30,
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Government grant related to assets				
At the beginning of the year/period	60,914	57,122	54,450	51,791
Additions	–	1,120	1,133	17,460
Released to profit or loss	(3,792)	(3,792)	(3,792)	(2,844)
At the end of the year/period	57,122	54,450	51,791	66,407
Analyzed for reporting purposes as:				
Current liabilities (included in other payables)	3,792	3,792	3,792	4,243
Non-current liabilities	53,330	50,658	47,999	62,164
	57,122	54,450	51,791	66,407

Deferred income arising from government grants relating to assets represents the government subsidies obtained in relation to the purchase of the land use rights and the infrastructure construction, which was included in the consolidated statements of financial position as deferred income and credited to the consolidated statements of profit or loss and other comprehensive income on a straight-line basis over the expected useful life of the relevant depreciable assets.

33. SHARE CAPITAL

	Year ended December 31,			Nine months ended September 30,	Year ended December 31,			Nine months ended September 30,
	2015	2016	2017	2018	2015	2016	2017	2018
	Number of shares	*Number of shares*	*Number of shares*	*Number of shares*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Shares of HKD0.10 each								
Authorized ordinary shares:								
At beginning of the year/period	9,815,418,172	9,815,418,172	9,815,418,172	9,815,418,172	981,542	981,542	981,542	981,542
Conversion *(note a)*	–	–	–	184,581,828	–	–	–	18,458
At end of the year/period	9,815,418,172	9,815,418,172	9,815,418,172	10,000,000,000	981,542	981,542	981,542	1,000,000
Authorized Series A shares:								
At beginning of the year/period	184,581,828	184,581,828	184,581,828	184,581,828	18,458	18,458	18,458	18,458
Conversion *(note a)*	–	–	–	(184,581,828)	–	–	–	(18,458)
At end of the year/period	184,581,828	184,581,828	184,581,828	–	18,458	18,458	18,458	–
Issued and fully paid of ordinary shares:								
At the beginning of the year/period	697,742,600	697,742,600	697,742,600	697,742,600	69,774	69,774	69,774	69,774
Conversion *(note a)*	–	–	–	184,581,828	–	–	–	18,458
Shares issued *(note b)*	–	–	–	80,394,096	–	–	–	8,040
At the end of the year/period	697,742,600	697,742,600	697,742,600	962,718,524	69,774	69,774	69,774	96,272
Issued and fully paid of Series A shares:								
At the beginning of the year/period	184,581,828	184,581,828	184,581,828	184,581,828	18,458	18,458	18,458	18,458
Conversion *(note a)*	–	–	–	(184,581,828)	–	–	–	(18,458)
At the end of the year/period	184,581,828	184,581,828	184,581,828	–	18,458	18,458	18,458	–

	Year ended December 31,			Nine months ended September 30,
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Presented in the consolidated statements of financial position as:				
At the beginning of the year/period	80,600	80,600	80,600	80,600
Shares issued	–	–	–	6,523
At the end of the year/period	80,600	80,600	80,600	87,123

Notes:

a. As at December 31, 2015, 2016 and 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 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.

34. RESERVES

The Group

Share premium

Under the Companies Law Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amount included in the share premium account of the Company is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

Merger reserve

The merger reserve represents the difference between the nominal value of the share capital issued by the Company and the aggregate capital of the subsidiaries acquired pursuant to the Group Reorganization, accounted for as capital contribution from ultimate holding company under merger basis of accounting.

Reserve fund

The Articles of Association of certain PRC subsidiaries require the appropriation of 10% of their profit after tax each year, based on their statutory audited financial statements, to the reserve fund until the balance reaches 50% of the registered capital of the respective PRC subsidiaries. The reserve fund may be capitalized as the paid-in capital of these subsidiaries.

Safety fund

Pursuant to relevant PRC regulation, the Group is required to transfer 1.5% on revenue generated from the Core Business into a designated fund. The fund will be used for installation and repair and maintenance of safety facilities. The movements in the Track Record Periods represent the difference between the amount provided based on the relevant PRC regulation and the amount utilized during the year/period.

Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations with functional currency other than Renminbi.

The Company

Movements in the Company's reserves

	Share premium	(Accumulated losses)/ retained profit	Total
	RMB'000	*RMB'000*	*RMB'000*
At January 1, 2015	70,433	(101,132)	(30,699)
Loss for the year	–	(640)	(640)
At December 31, 2015	70,433	(101,772)	(31,339)
Loss for the year	–	(119)	(119)
At December 31, 2016	70,433	(101,891)	(31,458)
Loss for the year	–	(9,102)	(9,102)
At December 31, 2017	70,433	(110,993)	(40,560)
Ordinary shares issued	405,516	–	405,516
Profit for the period	–	1,005,982	1,005,982
Dividends to the Ultimate Holding Company	–	(891,148)	(891,148)
At September 30, 2018	475,949	3,841	479,790

35. DIVIDENDS

On April 9, 2018, the Company declared dividends of RMB1.01 per shares for an aggregate amount of RMB891,148,000 to the Ultimate Holding Company, under the Company's Articles of Association and Company Law, Cap. 22 (Law 3 of 1961, as consolidated and revised).

Except for the dividends declared above, no dividends were paid, declared or proposed during the years ended December 31, 2015, 2016 and 2017 and the nine months ended September 30, 2018, respectively.

36. EMPLOYEE RETIREMENT BENEFITS

Defined contribution retirement plans

Pursuant to the relevant labor rules and regulations in the PRC, the PRC subsidiaries of the Group participate in defined contribution retirement benefit schemes (the "Schemes") organized by the PRC municipal government authorities whereby the Group is required to make contributions to the Schemes based on applicable rates. The municipal government authorities are responsible for the entire pension obligations payable to retired employees.

The Group also operates a Mandatory Provident Fund Scheme ("the MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance and not previously covered by the defined benefit retirement plan. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HKD1,500. Contributions to the plan vest immediately.

The Group has no other material obligation for the payment of pension benefits associated with the Schemes and the MPF scheme beyond the annual contributions described above.

37. ACQUISITION OF A SUBSIDIARY

On December 22, 2017, the Group acquired additional 46.57% equity interests in Cangzhou Risun from Xuyang Holding for a cash consideration of RMB388,857,100 (the "Acquisition").

Cangzhou Risun is principally engaged in the production and sales of cyclohexanone, ammonium sulfate and other chemicals.

Prior to June 8, 2016, the registered capital of Cangzhou Risun subscribed by the Group, Xuyang Holding and Yingde Gases (Hong Kong) Company Limited ("Yingde Gases", an independent third party) was being 46.77%, 17.23% and 36% respectively. The Group and Xuyang Holding had the right to appoint three out of five directors in the board of directors of Cangzhou Risun which was responsible for making decisions of the relevant activities of Cangzhou Risun. Decisions about the relevant activities of Cangzhou Risun require two-thirds of the voting rights in the board of directors. In this regard, the Group's 46.77% interests in Cangzhou Risun was accounted for as a joint venture of the Group during the period from January 1, 2015 to June 8, 2016.

Pursuant to the amendment of the articles of association of Cangzhou Risun on June 8, 2016 (the "Amendment") Xuyang Holding injected additional capital contributions to Cangzhou Risun amounting to RMB284,336,000 and the Group and Xuyang Holding each had the right to appoint one of three directors. Upon the completion of the capital injection on July 11, 2016 to the date of the Acquisition, the equity interest in Cangzhou Risun held by the Group, Xuyang Holding and Yingde Gases was 43.35%, 46.57% and 10.08% respectively.

Upon the Amendment, the total number directors assigned by the Group and Xuyang Holding change from 3 out of 5 to 2 out of 3. As the Group and Xuyang Holding have the right to assign a total of 2 out of 3 directors to the board of directors of Cangzhou Risun, in the opinion of the Directors, the Ultimate Controling Shareholder is able to exercise control over Cangzhou Risun through its control over the Group and Xuyang Holding since June 8, 2016. In this regard, the Group, Xuyang Holding and Cangzhou Risun are all under common control before and after the Acquisition, and that control is not transitory. The Group and Cangzhou Risun are regarded as continuing entities as at the date of business combination and hence the Acquisition has been accounted for as combinations of entities under common control by applying the principles of merger accounting. Accordingly, the consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for the year ended December 31, 2016 and 2017 include the results, changes in equity and cash flows of Cangzhou Risun as if the current group structure upon the completion of the Acquisition had been in existence throughout the period from June 8, 2016 to December 22, 2017. The consolidated statement of financial position as at December 31, 2016 included the assets and liabilities of the Group as if the group structure upon completion of the Group Reorganization had existed on that date.

The amounts of fair value of the assets and liabilities of Cangzhou Risun at the date of becoming a subsidiary of the Group upon the completion of the Amendment on June 8, 2016 were as follows:

	RMB'000
Non-current assets	
Property, plant and equipment	1,846,376
Prepaid lease payments	317,588
Intangible assets	34,862
Interest in an associate	3,490
Other long term receivables and prepayments	6,226
Current assets	
Inventories	54,005
Trade and other receivables	222,374
Amounts due from related parties	1,178,952
Restricted bank deposits	563,200
Cash and cash equivalents	39,080
Current liabilities	
Trade and other payables	839,798
Amounts due to related parties	248,472
Bank and other loans	50,000
Non-current liabilities	
Bank and other loans	2,229,048
Deferred tax liabilities	38,139
Net assets acquired	860,696

	RMB'000
Goodwill arising on acquisition	
Capital contribution to Cangzhou Risun by Xuyang Holding	284,336
Add: Fair value of the equity interest in Cangzhou Risun previously held by Xuyang Holding	148,298
Add: Fair value of the equity interest in Cangzhou Risun previously held by the Group	373,112
Add: Non-controlling interests (10.08% in Cangzhou Risun)	86,758
Less: Fair value of identified net assets acquired	(860,696)
Goodwill arising on acquisition	31,808

	RMB'000
Gain on re-measurement of the interest in Cangzhou Risun previously held by the Group in the deemed disposal	
Fair value of the interest previously held by the Group	373,112
Less: carrying amount of the interest in Cangzhou Risun previously held by the Group at the date on which the Group obtained control	(284,246)
	88,866
Net cash inflow arising on acquisition:	
Cash and cash equivalents acquired	39,080
Less: Cash consideration paid	–
	39,080

The fair value of assets and liabilities at the date of acquisition is determined by the Directors with reference to the valuation carried out by Vocation International Asset Assessment Co., Ltd, an independent professional valuer not connected to the Group, located at No. 19, Chegongzhuang West Road, Haidian district, Beijing.

The trade and other receivables acquired with a fair value of RMB222,374,000 at the date of acquisition had gross contractual amounts of RMB222,374,000. The whole amount was expected to be collectible at the acquisition date.

Impact of acquisition on the results of the Group

Included in the profit for the year ended December 31, 2016 was RMB43,827,000 of loss attributable to the additional business generated by Cangzhou Risun. Revenue for the year ended December 31, 2016 included RMB204,352,000 generated from Cangzhou Risun.

Had the acquisition of Cangzhou Risun been effected on January 1, 2016, the revenue of the Group for the year ended December 31, 2016 would have been RMB12,316,890,000 and the profit for the year would have been RMB334,942,000. The pro forma information is for illustrative purpose only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on January 1, 2016, nor is intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group, had Cangzhou Risun been acquired on January 1, 2016, the Directors have calculated depreciation and amortization of property, plant and equipment and intangible assets acquired on the basis of the fair values rather than the carrying amounts recognized in the pre-acquisition financial statements.

Goodwill and impairment test

Goodwill on the consolidated statements of financial position as of December 31, 2016 and 2017 and September 30, 2018 represents goodwill arising on an acquisition of Cangzhou Risun and is carried at cost as established on June 8, 2016, being the date of Cangzhou Risun becaming a subsidiary of the Group, less accumulated impairment losses, if any. At the end of each reporting period, goodwill has been allocated to a CGU for the purpose of impairment testing. No impairment has been recognized during the Track Record Period.

As of December 31, 2016 and 2017 and September 30, 2018, the Group prepared cash flow projection for Cangzhou Risun based on financial budgets approved by management covering a 5-year period, and pre-tax discount rate of 12%, 12.2% and 12.5% per annum, respectively. The cash flow beyond the 3-year period was a steady 3% growth rate. Other key assumptions for the value in use calculations related to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on Cangzhou Risun's past performance and management's expectations for the market development. The recoverable amount of the cash-generating unit of Cangzhou Risun exceeded its carrying amount by RMB179,518,000, RMB252,274,000 and RMB278,606,000 at December 31, 2016, December 31, 2017 and September 30, 2018 respectively. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of Cangzhou Risun to exceed the aggregate recoverable amount of Cangzhou Risun.

38. DISPOSAL OF SUBSIDIARIES

Disposal of subsidiaries during the year ended December 31, 2015

On October 28, 2015, the Group disposed of 100% equity interest in 北京旭陽化工技術研究院有限公司 (Beijing Risun Chemicals Technology Research Limited, "Beijing Technology") at a cash consideration of RMB20,000,000 to a related party controlled by the Controlling Shareholders. As a result, the Group lost control on Risun Technology and its subsidiary, 河北旭陽工程設計有限公司 (Hebei Risun Engineering Design Limited).

The net consideration receivable from the disposal is summarized as follows:

	Beijing Technology
	RMB'000
Consideration:	
Cash receivable	20,000

The net assets of Beijing Technology at the date of disposal were as follows:

	RMB'000
Non-current assets	
Property, plant and equipment	19,489
Intangible assets	22,886
Current assets	
Inventories	36
Trade and other receivables	5,370
Amounts due from related parties	749
Cash and cash equivalents	1,522
Current liabilities	
Trade and other payables	1,301
Amounts due to related parties	42,240
Net assets disposed of	6,511

The gain on disposal of Beijing Technology recognized in profit or loss was calculated as below:

	RMB'000
Consideration receivable	20,000
Less: Net assets disposed of	(6,511)
Gain on disposal	13,489

Net cash outflow arising on disposal:

	RMB'000
Cash consideration received	–
Less: Cash and cash equivalents disposed of	(1,522)
	(1,522)

Disposal of subsidiaries during the year ended December 31, 2017

On September 25, 2017, the Group disposed of its entire equity interest in its wholly-owned subsidiary, 阿拉善盟旭陽煤業有限公司 (Alashan League Risun Coal Limited, "Alashan Risun Coal"), to a related company controlled by the Controlling Shareholders at a consideration of RMB30,000,000.

The net consideration receivable from this transaction is summarized as follow:

	Alashan Risun Coal
	RMB'000
Consideration:	
Cash received	30,000

The net assets of Alashan Risun Coal at the date of disposal were as follow:

	RMB'000
Current assets	
Other receivables	41
Amounts due from related parties	29,867
Net assets disposed	29,908

The gain on disposal of Alashan Risun Coal recognized in profit or loss was calculated as below:

	RMB'000
Consideration received	30,000
Less: Net assets disposed of	(29,908)
Gain on disposal	92

Net cash inflow arising on disposal:

	RMB'000
Cash consideration received	30,000
Less: Cash and cash equivalents disposed of	–
	30,000

39. RELATED PARTY TRANSACTIONS AND BALANCES

During the years ended December 31, 2015, 2016 and 2017, and the nine months ended September 30, 2017 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
Mr. Yang Lu	The son of Mr. Yang Xuegang
Ms. Lu Xiaomei	The wife of Mr. Yang Xuegang
Texson	Ultimate and immediate holding company
Xuyang Holding *(note)* (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
Beijing Technology	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)	Controlled by Mr. Yang Xuegang
Risun Chemicals Technology Research Co., Ltd. *(note)* (旭陽化學技術研究院有限公司)	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
Risun Real Estate Co., Ltd *(note)* (旭陽置業有限公司)	Controlled by Mr. Yang Xuegang
Inner Mongolia Risun Coal Limited *(note)* (內蒙古旭陽煤業有限公司)	Controlled by Mr. Yang Xuegang
Tangshan Risun Petroleum & Chemicals Co., Ltd. *(note)* (唐山旭陽石油化工有限公司)	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
Dingzhou Risun Real Estate Development Co., Ltd. *(note)* (定州旭陽房地產開發有限公司, formerly known as Dingzhou Tianlu Real Estate Development Co., Ltd. (前稱定州天鷺房地產開發有限公司))	Controlled by Mr. Yang Xuegang
Haikou Jialin Tourism Development Co., Ltd. *(note)* (海口佳麟旅業發展有限公司)	Controlled by Mr. Yang Xuegang

Name of related party	Relationship with the Group
Haikou Taiyanghe Hot Spring Tourism Holiday Village *(note)* (海口太陽河溫泉旅遊度假村中心)	Controlled by Mr. Yang Xuegang
Tianjin Zhengcheng Import & Export Trade Co., Ltd. *(note)* (天津正誠進出口貿易有限公司) ("Tianjin Zhengcheng")	Under the significant influence of Mr. Yang Xuegang
Hainan Anfu Enterprise Development Co., Ltd. *(note)* (海南安富實業開發有限公司)	Under the significant influence of Mr. Yang Xuegang
CNC Risun Coking	Joint venture of the Group
Cangzhou Risun	Joint venture of the Group before June 8, 2016
Jinniu Risun Chemicals	Associate of the Group
Cabot Risun Chemicals	Associate of the Group
Jingfu Coal	Associate of the Group

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

Other than the transactions disclosed in notes 37 and 38 in the Historical Financial Information, the Group entered into the following material related party transactions:

(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 as disclosed in note 12, is as follows:

	Year ended December 31,			Nine months ended September 30,	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Short-term employee benefits	5,780	5,511	6,240	4,060	7,715
Post-employment benefits	279	279	338	222	296
	6,059	5,790	6,578	4,282	8,011

Key management represents the Directors and other senior management personnel of the Group disclosed in the Prospectus. The remuneration of key management is determined with reference to the performance of the Group and the individuals.

(b) Transactions with related parties

	Year ended December 31,			Nine months ended September 30,	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Purchases of goods from					
– related parties controlled by Mr. Yang Xuegang	2,495	12,271	8,861	4,746	3,910
– CNC Risun Coking	677,156	657,972	873,477	612,269	525,489
– Cangzhou Risun	1,004	–	–	–	–
– Jinniu Risun Chemicals	4,800	45,913	47,150	35,249	47,984
– Tianjin Zhengcheng	–	–	–	–	34,922
Sales of goods to					
– related parties controlled by Mr. Yang Xuegang	5,950	1,409	17	–	40
– CNC Risun Coking	26,472	63,407	93,437	77,967	61,542
– Cangzhou Risun	430,747	146,703	–	–	–
– Jinniu Risun Chemicals	12,704	26,446	18,040	16,824	4,003
– Cabot Risun Chemicals	253,235	273,729	491,859	346,172	400,466
– Tianjin Zhengcheng	–	107	–	–	–
Service fee charged by					
– related parties controlled by Mr. Yang Xuegang	–	48	15,815	8,978	45,848
Provision of service to					
– CNC Risun Coking	71	–	–	–	–
– Cangzhou Risun	15,354	–	–	–	–
– Jinniu Risun Chemicals	80	–	–	–	–
– Tianjin Zhengcheng	214	–	–	–	–
– Cabot Risun Chemicals	755	670	735	532	–

	Year ended December 31,			Nine months ended September 30,	
	2015	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Interest received from					
– related parties controlled by Mr. Yang Xuegang	18,244	69,032	57,434	49,909	39,078
– CNC Risun Coking	–	7,453	6,514	4,995	2,839
Rental income from					
– related parties controlled by Mr. Yang Xuegang	–	–	284	244	525
Sale of property, plant and equipment to					
– related parties controlled by Mr. Yang Xuegang	–	248,928	–	–	–
Purchases of intangible assets from					
– related parties controlled by Mr. Yang Xuegang	–	3,000	–	–	–

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

(c) Balances with related parties

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

	As at December 31,			As at September 30,
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amounts due from related parties				
Non-trade nature				
– related parties controlled by Mr. Yang Xuegang	315,987	1,854,341	1,604,704	1,607,634
– Cangzhou Risun	542,141	–	–	–
– CNC Risun Coking	104,209	131,392	175,151	–
– Jingfu Coal	30,900	30,900	30,900	30,900
– Cabot Risun Chemicals	1,508	–	–	–
– Mr. Yang Xuegang and Mr. Yang Lu	561	1,839	–	–
	995,306	2,018,472	1,810,755	1,638,534
Trade nature				
– related parties controlled by Mr. Yang Xuegang	300	620	–	305
– Cangzhou Risun	20,893	–	–	–
– CNC Risun Coking	87,544	635	1,449	7,283
– Cabot Risun Chemicals	18,183	35,657	4,495	9,134
– Jinniu Risun Chemicals	300	178	3	1,497
– Tianjin Zhengcheng	254	449	–	6,097
	127,474	37,539	5,947	24,316
Impairment under ECL model	–	–	–	(6,000)
	1,122,780	2,056,011	1,816,702	1,656,850

	As at December 31,			As at September 30,
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Analyzed for reporting purposes as:				
Current assets	856,783	1,692,535	1,529,982	1,457,048
Non-current assets	265,997	363,476	286,720	199,802

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

	As at December 31,			As at September 30,
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one month	112,391	37,539	4,498	20,953
1 to 3 months	13,889	–	1,449	3,363
6 to 12 months	1,194	–	–	–
	127,474	37,539	5,947	24,316

The maximum amount outstanding during each reporting period in respect of the amounts due from companies controlled by Mr. Yang Xuegang and Mr. Yang Xuegang are RMB515,572,000, RMB1,942,191,000, RMB1,719,631,000 and RMB1,788,751,000, and RMB561,000, RMB1,839,000, RMB1,839,000 and nil, respectively.

	As at December 31,			As at September 30,
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amounts due to related parties				
Non-trade nature				
– related parties controlled by Mr. Yang Xuegang	402,427	261,378	–	–
– Cangzhou Risun	360,141	–	–	–
	762,568	261,378	–	–
Dividend payable – the Group and the Company				
– Texson	–	–	–	549,526
Trade nature				
– CNC Risun Coking	475,405	391,487	692,102	532,670
– related parties controlled by Mr. Yang Xuegang	33,825	2,244	7,827	36,249
– Cangzhou Risun	77,303	–	–	–
– Cabot Risun Chemicals	–	164	164	14,265
– Jinniu Risun Chemicals	4,271	2,102	2,053	3,439
	590,804	395,997	702,146	586,623
	1,353,372	657,375	702,146	1,136,149
Analyzed for reporting purposes as:				
Current liabilities	1,353,372	657,375	702,146	1,136,149

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

	As at December 31,			As at September 30,
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one month	451,054	283,882	77,273	76,451
1 to 3 months	138,347	99,315	170,227	201,767
3 to 6 months	–	12,800	221,136	2,134
6 to 12 months	1,403	–	233,510	297,025
1–2 years	–	–	–	9,246
	590,804	395,997	702,146	586,623

Except for the interest-bearing balances with related parties as detailed below, all other amounts due from/to related parties are unsecured, interest-free and repayable on demand:

	Duration	Effective interest rate per annum	Amount
			RMB'000
At December 31, 2015			
Unsecured loan receivables	10/10/2013–12/31/2017	7.47%–12.00%	265,997
At December 31, 2016			
Unsecured loan receivables	2/3/2016–2/28/2020	6.17%–10.00%	765,875
At December 31, 2017			
Unsecured loan receivables	2/3/2016–2/28/2020	6.17%–10.00%	500,467
At September 30, 2018			
Unsecured loan receivables	2/3/2016–2/28/2020	6.17%–10.00%	199,802

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

	As at December 31,			As at September 30,
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bank and other loans and bills payable guaranteed by Mr. Yang Xuegang:				
– secured	180,000	444,375	1,074,923	1,735,590
– unsecured	–	–	645,305	160,000
	180,000	444,375	1,720,228	1,895,590
Bank and other loans and bills payable guaranteed by Mr. Yang Xuegang and Ms. Lu Xiaomei:				
– secured	–	–	–	2,104,690
– unsecured	–	–	–	200,000
	–	–	–	2,304,690

	As at December 31,			As at September 30,
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bank and other loans and bills payable guaranteed by related parties controlled by Mr. Yang Xuegang:				
– secured	390,532	794,580	522,120	–
– unsecured	92,000	210,000	135,000	10,000
	482,532	1,004,580	657,120	10,000
Bank and other loans and bills payable guaranteed by other related parties other than Mr. Yang Xuegang and Ms. Lu Xiaomei				
– secured	–	–	89,000	–
– unsecured	–	–	–	–
	–	–	89,000	–
Bank and other loans and bills payable jointly guaranteed by related parties *(note)*:				
– secured	304,693	1,957,176	2,004,018	1,429,780
– unsecured	85,000	–	90,000	–
	389,693	1,957,176	2,094,018	1,429,780
Secured	875,225	3,196,131	3,690,061	5,270,060
Unsecured	177,000	210,000	870,305	370,000
	1,052,225	3,406,131	4,560,366	5,640,060

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 joint ventures and related parties were as follows:

	As at December 31,			As at September 30,
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial guarantees issued to joint ventures	3,314,300	1,440,000	1,260,000	1,245,000
Financial guarantees issued to related parties	15,000	339,000	339,000	–
	3,329,300	1,779,000	1,599,000	1,245,000

As at December 31, 2015, 2016, 2017, and September 30, 2018, the above guaranteed facilities amount utilized by the joint ventures and related parties were RMB2,685,279,000, RMB509,705,000, RMB809,863,000 and RMB561,628,000, and RMB15,000,000, RMB339,000, RMB332,570,000 and nil, 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. In addition, the Directors do not consider it probable that a claim will be made against the Group under any of these guarantees.

(f) On December 31, 2017, Xuyang Holding and the Group's three subsidiaries entered into two agreements, such that payable of RMB388,857,100 for the acquisition of Cangzhou Risun as set out in note 37 was offset against amount due from Xuyang Holding. Accordingly the Group derecognized an amount due to Xuyang Holding and receivable from Xuyang Holding of RMB388,857,100 and accounted for this as a non-cash transaction.

(g) On December 31, 2017, Jinniu Risun Chemicals and the Group's three subsidiaries entered into an agreement, such that dividend receivable of RMB137,000,000 was offset against an amount due to Jinniu Risun Chemicals. Accordingly the Group derecognized an amount due to Jinniu Risun Chemicals and dividend receivable from Jinniu Risun Chemicals of RMB137,000,000 and accounted for this as a non-cash transaction.

(h) On June 30, 2018, Texson, the Company and the Group's two overseas subsidiaries entered into an agreement, such that dividend payable of RMB341,622,000 was offset against an amount due from Texson. Accordingly the Group derecognized dividend payable to Texson and receivable from Texson of RMB341,622,000 and accounted for this as a non-cash transaction.

(i) Except the amount due from a subsidiary of RMB412,039,000 which bears interest at 9% per annum and due on June 30, 2021, the amounts due from/to subsidiaries disclosed in the Company's statements of financial position are of non-trade nature, unsecured, interest-free and repayable on demand.

(j) Subsequent to the end of the reporting period, three subsidiaries of the Company, certain related parties controlled by the Ultimate Controlling Shareholder and third-party creditors of the Group entered into deeds of assignment pursuant to which an aggregated amount of RMB900,406,000 owed by the Group to these creditors were assigned and transferred to these related parties. Accordingly the Group recognized amount due to related parties of RMB900,406,000 and derecognized trade payables and payables for construction in progress of RMB200,000,000 and RMB700,406,000 respectively. In addition, certain subsidiaries of the Company and certain related parties controlled by the Ultimate Controlling Shareholders further entered into debt restructuring agreements as a result of which the amount due to related parties of RMB900,406,000 recognized in the aforementioned transactions were offset against the amount due from certain related parties to the Group. The remaining non-trade amounts due from related parties controlled by the Ultimate Controlling Shareholder were fully settled by cash.

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

(k) Subsequent to September 30, 2018, the Group fully settled the dividend payable to Texson amounting to RMB549,526,000 by cash.

40. CAPITAL MANAGEMENT

The Group's primary objectives of managing capital are to safeguard the Group's ability to continue as a going concern, and to provide returns for shareholders and benefits for other stakeholders, by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings, and makes adjustments to the capital structure in light of changes in economic conditions.

Based on recommendations of the board of directors, the Group will balance its overall capital structure through adjusting the amount of dividends paid to shareholders, issuing of new shares, raising new debt financing or selling assets to reduce debt. During the Track Record Period, there were no changes in the objectives, policies or processes.

The Group monitors capital with reference to its debt position. The Group's strategy was to maintain the equity and debt in a balanced position and ensure there was adequate working capital to service its debt obligation.

41. FINANCIAL INSTRUMENTS

Categories of financial instruments

The carrying amounts of each of the following categories of financial assets and financial liabilities at the end of each reporting period are set out as follows:

	As at December 31,			As at September 30,
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
The Group				
Financial assets				
AFS financial assets	89,911	84,576	54,220	–
Financial assets at FVTPL	168	357	104,406	160,727
Trade and bills receivables measured at FVTOCI	–	–	–	2,927,632
Loans and receivables/ amortized cost (including cash and cash equivalents)	6,048,502	7,930,713	8,196,125	5,780,805
Financial liabilities				
Financial liabilities at FVTPL	777	2,448	68	494
Financial liabilities at amortized cost	13,756,178	17,201,181	17,211,845	16,724,081
The Company				
Financial assets				
Loans and receivables/ amortized cost (including cash and cash equivalents)	58,507	58,388	55,000	1,149,745
Financial liabilities				
Financial liabilities at amortized cost	9,246	9,246	14,960	582,832

Financial risk management objectives and policies

The Group's major financial instruments include AFS financial assets, financial assets at FVTPL, trade and bills receivables measured at FVTOCI, trade and other receivables, amounts due from related parties, restricted bank deposits, bank balances and cash, financial liabilities at FVTPL, trade and other payables, amounts due to related parties, obligations under finance leases and bank and other loans. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (interest rate risk, currency risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Interest rate risk

The Group's interest rate risk arises primarily from interest-bearing financial instruments. These financial instruments issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group does not have any specific interest rate policy except that the Group would regularly review the market interest rates to capture the potential opportunities to reduce the cost of borrowings. Accordingly, the Group will enter into interest rate swap arrangement to mitigate the interest rate risks if appropriate.

(i) Fair value interest rate risk

The Group's fair value interest rate risk relates primarily to fixed-rate payables for construction in progress and bank and other loans (see notes 28 and 30 for details).

(ii) Cash flow interest rate risk

The Group's cash flow interest rate risk relates primarily to restricted bank balances, bank balances, bank and other loans, obligations under finance leases and payables for construction in progress at floating interest rates. The Group currently does not have an interest rate hedging policy. However, the management will consider hedging significant interest rate risk should the need arise.

The impact on the Group's profit after taxation (and retained profits) was based on the exposure to interest rate for the floating-rate restricted bank balances, bank balances and bank and other loans, assuming that these financial liabilities outstanding at the end of the Track Record Period was outstanding for the whole relevant period. If a 25 basis point increase or decrease in variable-rate bank deposits and a 100 basis point increase or decrease in variable-rate borrowings are used, and all other variables were held constant, the Group's profit after taxation would decrease/increase by RMB13,350,000, RMB28,004,000, RMB26,171,000 and RMB18,219,000 for the years ended December 31, 2015, 2016 and 2017 and the nine months ended September 30, 2018 respectively.

Currency risk

The Group is exposed to currency risk primarily through bank balances and bank and other loans that are denominated in foreign currency, i.e. currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily USD and HKD.

The following table indicates the instantaneous change in the Group's profit after taxation (and retained profits) that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant.

	Year ended December 31,						Nine months ended September 30,	
	2015		2016		2017		2018	
	Increase/ (decrease) in foreign exchange rates	(Decrease)/ increase in profit after tax and retained profits	Increase/ (decrease) in foreign exchange rates	(Decrease)/ increase in profit after tax and retained profits	Increase/ (decrease) in foreign exchange rates	(Decrease)/ increase in profit after tax and retained profits	Increase/ (decrease) in foreign exchange rates	(Decrease)/ increase in profit after tax and retained profits
		RMB'000		*RMB'000*		*RMB'000*		*RMB'000*
USD	5%	646	5%	(5,787)	5%	(7,363)	5%	(13,071)
Others	5%	922	5%	(3,536)	5%	(3,510)	5%	6,474

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit after taxation in the respective functional currencies, translated into RMB at the exchange rate ruling at the end of each reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period. The analysis is performed on the same basis during the Track Record Period.

Other price risk

The Group is expose to equity price risk through its investments in listed equity securities. The Directors do not implement specific measurements to mitigate the price risk. If the market price of the listed equity securities increased or decreased by 5%, the Group would recognize additional gains or losses of RMB1,664,000 and RMB2,859,000 for the year ended December 31, 2017 and the nine months ended September 30, 2018, respectively.

The Group's commodity price risk is mainly the exposure to fluctuations in the prevailing market price of coke, coal, and refined chemical products which are the major commodities purchased, produced and sold by the Group. To minimize this risk, the Group enters into future contracts to manage the Group's exposure in relation to forecasted sales of products, forecasted purchase of raw materials and inventories. Financial assets and liabilities of the Group whose fair value change in line with the fluctuations in the prevailing market price of coke, coal, and refined chemical products mainly comprise futures contracts. The impact of price change of future contracts are insignificant as there have been no material outstanding future contacts at the end of the each of the reporting periods.

Credit risk

Under IAS 39 and IFRS 9

At the end of each of the reporting period, other than financial assets whose carrying amounts best represent the maximum credit risk, the Group's maximum exposure to credit risk which will cause a financial loss to the Group arising from the amount of contingent liabilities in relation to financial guarantees provided by the Group to the related parties is disclosed in note 39(e).

The Group mainly conducted transactions with customers with good quality and long term relationship, when accepting new customers, the Group requests advanced payment before the goods delivered. In order to minimize the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts.

To manage risk arising from cash and cash equivalents, restricted bank balances and bills receivables, the Group mainly transacts with state-owned or reputable financial institutions in Mainland China and reputable international financial institutions outside of Mainland China. There has been no recent history of default in relation to these financial institutions.

To manage risk arising from receivable balances, the Group has policies in place to ensure that credit terms are made to counterparties with an appropriate credit history and the management performs ongoing credit evaluations of its counterparties. The credit period granted to the customers and the credit quality of these customers is assessed, which takes into account their financial position, past experience and other factors.

The Group does not have any significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Under IAS 39

The Group reviews the recoverable amount of receivables individually or collectively for debtors at the end of reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

For other receivables, amounts due from related parties, and subsidiaries, the Directors are in the opinion that the failure of these entities to make required payments is unlikely after considering their past settlement records, and/or financial position of these entities.

Under IFRS 9

Starting from January 1, 2018, the Group reassesses lifetime ECL for trade receivables and amounts due from related parties arising from contracts with customers without significant financing component as at September 30, 2018 to ensure that adequate impairment loss are made for significant increase in the likelihood or risk of a default occurring. The ECL on these assets are assessed for debtors with significant balances or collectively using a provision matrix appropriate groupings. As part of the Group's credit risk management, the Group use debtors' aging to assess with the impairment for its customers because these customers consists of a large number of customers which share common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The estimated rate loss rates are estimated on historical observed default rates over the expected life of the debtors and are adjusted forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

For all other instruments including bills receivable, other receivables and amount from related parties of non-trade nature, the Group measures the loss allowance equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognizes lifetime ECL. The assessment of whether lifetime ECL should be recognized based on significant increases in the likelihood or risk of a default occurring since initial recognition. The Group has assessed and concluded that the risk of default rate for the other instruments are steady based on the Group's assessment of the financial health of the counterparties. Thus, the Directors considered that the ECL for the other instruments of the Group is insignificant as at September 30, 2018.

All loss allowances of financial assets at amortized cost as at December 31, 2017 reconciled to the opening loss allowances as at January 1, 2018 is as follows:

	Trade and other receivables	**Amounts due from related parties**
	RMB'000	*RMB'000*
At December 31, 2017 – IAS 39	159,816	–
Amounts remeasured through retained profits	5,243	2,621
At January 1, 2018	165,059	2,621

Substantially all loss allowance as at January 1, 2018 and September 30, 2018 are related to credit impaired financial assets.

The following table details the risk profile of trade receivables and amounts due from related parties of trade nature based on the Group's provision matrix.

At January 1, 2018

Trade receivables and amounts due from related parties of trade nature

	Average loss rate	**Gross carrying amount**	**Impairment loss allowance**
		RMB'000	*RMB'000*
Within 1 month	3.31%	112,968	3,737
2 to 3 months	8.08%	6,076	491
4 to 6 months	15.03%	366	55
7 to 12 months	20.00%	23,911	4,782
1–2 years	29.49%	224	66
2–3 years	49.96%	1,667	833
More than 3 years	93.67%	41,379	38,758
		186,591	48,722

At September 30, 2018

Trade receivables and amounts due from related parties of trade nature

	Average loss rate	Gross carrying amount	Impairment loss allowance
		RMB'000	*RMB'000*
Within 1 month	1.32%	187,561	2,477
1 to 3 months	9.99%	3,923	392
4 to 6 months	15.01%	1,926	289
7 to 12 months	20.00%	5,449	1,090
1–2 years	30.04%	839	252
2–3 years	–	–	–
More than 3 years	100%	38,031	38,031
		237,729	42,531

The Group provided RMB48,722,000 and RMB42,531,000 impairment allowance based on the provision matrix at January 1, 2018 and September 30, 2018. In addition, debtors with balances from trade receivables amounting to RMB61,113,000 and RMB61,079,000 as at January 1, 2018 and September 30, 2018 were assessed individually and impairment allowance of RMB61,113,000 and RMB61,079,000 were made on these debtors which are individually significant.

Amounts due from related parties of non-trade nature amounting to RMB1,810,755,000 and RMB1,638,534,000 as at January 1, 2018 and September 30, 2018 were assessed individually and impairment allowance of RMB2,621,000 and RMB5,000,000 were made on these debtors which are individually significant.

Liquidity risk

The Directors are responsible for the Group's cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

	As at December 31, 2015					
		Contractual undiscounted cash outflows				
	Weighted average interest rate	**Within 1 year or on demand**	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**Total**	**Carrying amount**
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and other payables	N/A	4,857,157	–	–	4,857,157	4,857,157
Interest-bearing bank and other loans	4.92%	6,791,416	842,721	41,815	7,675,952	7,436,962
Amounts due to related parties	N/A	1,353,372	–	–	1,353,372	1,353,372
Obligations under finance leases	9.38%	31,905	35,726	61,174	128,805	108,687
Financial guarantee contracts	N/A	3,329,300	–	–	3,329,300	–
		16,363,150	878,447	102,989	17,344,586	13,756,178

	As at December 31, 2016					
		Contractual undiscounted cash outflows				
	Weighted average interest rate	**Within 1 year or on demand**	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**Total**	**Carrying amount**
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and other payables	N/A	5,367,186	–	–	5,367,186	5,367,186
Interest-bearing bank and other loans	5.21%	8,850,233	922,646	1,504,954	11,277,833	10,743,935
Amounts due to related parties	N/A	657,375	–	–	657,375	657,375
Interest-bearing payables for construction in progress	5.80%	142,291	156,233	78,116	376,640	346,928
Obligations under finance leases	9.39%	35,726	35,726	25,448	96,900	85,757
Financial guarantee contracts	N/A	1,779,000	–	–	1,779,000	–
		16,831,811	1,114,605	1,608,518	19,554,934	17,201,181

		As at December 31, 2017				
		Contractual undiscounted cash outflows				
	Weighted average interest rate	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and other payables	N/A	6,031,657	–	–	6,031,657	6,031,657
Interest-bearing bank and other loans	5.29%	7,415,479	1,559,801	1,239,140	10,214,420	9,780,212
Amounts due to related parties	N/A	702,146	–	–	702,146	702,146
Interest-bearing payables for construction in progress	5.84%	455,743	180,231	50,905	686,879	641,254
Obligations under finance leases	9.40%	35,726	24,609	838	61,173	56,576
Financial guarantee contracts	N/A	1,599,000	–	–	1,599,000	–
		16,239,751	1,764,641	1,290,883	19,295,275	17,211,845

		As at September 30, 2018				
		Contractual undiscounted cash outflows				
	Weighted average interest rate	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and other payables	N/A	6,257,537	–	–	6,257,537	6,257,537
Interest-bearing bank and other loans	5.54%	7,279,338	1,994,216	424,889	9,698,443	8,692,861
Amounts due to related parties	N/A	1,092,459	–	–	1,092,459	1,092,459
Obligations under finance leases	9.42%	29,881	4,499	–	34,380	32,909
Interest-bearing payables for construction in progress	5.86%	518,947	87,948	42,459	649,354	648,315
Financial guarantee contracts	N/A	1,245,000	–	–	1,245,000	–
		16,423,162	2,086,663	467,348	18,977,173	16,724,081

The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on the expectations at the end of each reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, these estimates are subject to change depending on the probability of the counterparties claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guarantee suffer credit losses.

Fair values

(i) Financial instruments carried at fair value

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 December 31,			As at September 30,			
	2015	2016	2017	2018	Fair value hierarchy	Valuation technique and key input	Significant unobservable input(s)
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*			
Financial assets							
Unlisted equity securities	N/A	N/A	N/A	25,000	Level 3	Fair values are estimated based on the comparable listed company's price-to-book ratio and a liquidity discount rate	Liquidity discount rate
Structured trust product	65,911	60,576	31,220	16,648	Level 3	Fair values are estimated based on the net asset value of underlying investments	Net asset value of underlying investments
Bills receivable	N/A	N/A	N/A	2,755,750	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	N/A	N/A	N/A	171,882	Level 2	Fair values are estimated based on the present value of the contracted cash inflow are the discount rate that reflects the market credit risk	N/A
Listed equity securities	N/A	N/A	33,288	57,188	Level 1	Fair values are derived from quoted prices in an active market	N/A
Wealth management product	N/A	N/A	60,000	61,550	Level 1	Fair values are estimated based on the quoted prices in an active market	N/A
Futures contracts	168	357	6,127	–	Level 1	Fair values are derived from quoted bid prices in an active market	N/A
Held-for-trading non-derivative financial assets	–	–	4,991	341	Level 1	Fair values are derived from quoted bid prices in an active market	N/A
Financial liabilities							
Futures contracts	777	2,448	68	494	Level 1	Fair values are derived from 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 RMB25,000,000 as at September 30, 2018 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 RMB1,090,000 as at September 30, 2018.

The Group's investments in structured trust product which were classified as financial assets at FVTPL under level 3 hierarchy amounted to RMB65,911,000, RMB60,576,000, RMB31,220,000 and RMB16,648,000 as at December 31, 2015, 2016, and 2017 and September 30, 2018. The significant unobservable input is the net asset value of underlying investments. The higher net asset value of underlying investments, the higher fair value of the financial assets at FVTPL will be. A 5% increase/decrease in the net asset value of underlying investments, holding all other variables constant, the carrying amounts of the investments would increase/decrease by RMB3,296,000, RMB3,029,000, RMB1,561,000 and RMB832,000 as at December 31, 2015, 2016, and 2017 and September 30, 2018 respectively.

There were no transfers between level 1 and level 2 during the Track Record Period.

(ii) Reconciliation of level 3 measurements

The following table represents the reconciliation of level 3 measurements throughout the Track Record Period.

	Unlisted equity securities	**Structured trust product**
	RMB'000	*RMB'000*
At January 1, 2015 – IAS 39	–	–
Purchase	–	72,796
Redemption	–	(6,885)
At December 31, 2015 – IAS 39	–	65,911
Redemption	–	(5,335)
At December 31, 2016 – IAS 39	–	60,576
Redemption	–	(29,356)
At December 31, 2017 – IAS 39	–	31,220
Effect arising from initial application of IFRS 9	25,000	–
At January 1, 2018 – IFRS 9	25,000	31,220
Redemption	–	(14,572)
At September 30, 2018 – IFRS 9	25,000	16,648

(iii) 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 Historical Financial Information approximate their fair values due to short maturity and floating interest rates, as appropriate.

42. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were for future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Interest-bearing bank and other loans	Amounts due to related parties-non-trade	Obligation under finance leases	Interest payable	Accrued issue cost	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2015	6,763,246	788,430	65,866	27,151	–	7,644,693
Net financing cash flows	415,028	16,378	(2,539)	(421,472)	–	7,395
Addition of obligations under finance leases	–	–	45,360	–	–	45,360
Bill receivables discounted *(note)*	258,688	–	–	–	–	258,688
Disposal of subsidiaries *(note 38)*	–	(42,240)	–	–	–	(42,240)
Finance costs	–	–	–	485,483	–	485,483
Interest accrual – capitalized	–	–	–	(59,785)	–	(59,785)
At December 31, 2015	7,436,962	762,568	108,687	31,377	–	8,339,594
Net financing cash flows	984,213	144,044	(22,930)	(453,548)	–	651,779
Bill receivables discounted *(note)*	43,712	–	–	–	–	43,712
Acquisition of a subsidiary *(note 37)*	2,279,048	248,472	–	–	–	2,527,520
Elimination of the intra-group assets and liabilities after acquisition of a subsidiary	–	(893,706)	–	–	–	(893,706)
Finance costs	–	–	–	528,281	–	528,281
Interest accrual – capitalized	–	–	–	(74,894)	–	(74,894)
At December 31, 2016	10,743,935	261,378	85,757	31,216	–	11,122,286
Net financing cash flows	(820,027)	(261,378)	(29,181)	(640,325)	–	(1,750,911)
Bill receivables discounted *(note)*	(141,868)	–	–	–	–	(141,868)
Finance costs	–	–	–	624,238	–	624,238
Interest accrual – capitalized	–	–	–	(12,556)	–	(12,556)
Issue costs accrued	–	–	–	–	2,052	2,052
Exchange difference	(1,828)	–	–	–	–	(1,828)
At December 31, 2017	9,780,212	–	56,576	2,573	2,052	9,841,413
Net financing cash flows	(1,075,965)	–	(23,667)	(483,117)	–	(1,582,749)
Bill receivables discounted *(note)*	(36,239)	–	–	–	–	(36,239)
Dividends declared and payable	–	549,526	–	–	–	549,526
Finance costs	–	–	–	496,081	–	496,081
Interest accrual – capitalized	–	–	–	(14,347)	–	(14,347)
Issue costs accrued	–	–	–	–	3,114	3,114
Exchange difference	24,853	–	–	–	–	24,853
At September 30, 2018	8,692,861	549,526	32,909	1,190	5,166	9,281,652

	Interest-bearing bank and other loans	Amounts due to related parties-non-trade	Obligation under finance leases	Interest payable	Accrued issue cost	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
(Unaudited)						
At January 1, 2017	10,743,935	261,378	85,757	31,216	–	11,122,286
Net financing cash flows	(476,868)	(48,220)	(21,639)	(474,907)	–	(1,021,634)
Bill receivables discounted *(note)*	(130,240)	–	–	–	–	(130,240)
Finance costs	–	–	–	470,294	–	470,294
Interest accrual and capitalized	–	–	–	(7,226)	–	(7,226)
Exchange difference	1,103	–	–	–	–	1,103
At September 30, 2017	10,137,930	213,158	64,118	19,377	–	10,434,583

Note: During each reporting period, the Group has discounted bills receivable from third parties to banks for short term financing. The relevant cash flows of these borrowings are presented as operating cash flows in the consolidated statements of cash flows as the Directors consider the cash flows are in substance, the receipts from trade customers.

43. COMMITMENTS

Capital commitments outstanding at the end of each reporting period not provided for in the Historical Financial Information were as follows:

	As at December 31,			As at September 30,
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Capital expenditure in respect of				
– property, plant and equipment	150,241	248,591	687,206	241,284

44. PLEDGE OF ASSETS

At the end of each of the reporting period, in addition to notes 20 and 21, the discounted bills securing the Group's bank borrowings as disclosed in note 26, and property, plant and equipment pledged for payables for construction in progress as disclosed in note 28, certain Group's assets were pledged to secure banking facilities granted to the Group and their carrying amounts are as follows:

	As at December 31,			As at September 30,
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Property, plant and equipment	2,454,175	3,700,185	3,940,245	3,386,647
Prepaid lease payments	605,330	695,540	628,431	748,204
Inventories	–	–	259,093	267,667
Trade and other receivables	30,900	79,162	236,911	–
Restricted bank deposits	2,990,508	3,392,458	3,116,195	3,346,712
	6,080,913	7,867,345	8,180,875	7,749,230

45. LIST OF SUBSIDIARIES

As at the date of this report, the Company has direct and indirect interests in the following subsidiaries, all of which are private companies, particulars of which are set out below:

			Shareholding/equity interest attributable to the Company					
			At December 31,					
Name of subsidiary	Place and date of incorporation/ establishment	Class of shares held	2015	2016	2017	At September 30, 2018	At the date of this report	Principal activity
Xingtai Risun Trading Limited ("Xingtai Risun Trading", formerly known as Xingtai Risun Coking Limited) (邢台旭陽貿易有限公司) *(notes (i) and (iv))*	The PRC/ May 12, 1995	Paid-in capital RMB94,750,000	100%	100%	100%	100%	100%	Production of coke and coking chemicals
Hebei Risun Coking Limited ("Hebei Risun Coking") (河北旭陽焦化有限公司) *(notes (i) and (iv))*	The PRC/ October 30, 2003	Paid-in capital RMB225,000,000	100%	100%	100%	100%	100%	Production of coke and coking chemicals
Xingtai Risun Coal Chemicals Limited ("Xingtai Risun Coal Chemicals") (邢台旭陽煤化工有限公司) *(notes (ii) and (iv))*	The PRC/ April 7, 2006	Paid-in capital RMB310,000,000	100%	100%	100%	100%	100%	Production of refined chemicals
China Risun Group (Hong Kong) Limited ("Hong Kong Risun", formerly known as Risun Coal Chemicals Group Limited and Sky Hero Resources Limited)	Hong Kong/ March 5, 2007	Ordinary share HK$1	100%	100%	100%	100%	100%	Trading of coke, coking chemicals and refined chemicals

Name of subsidiary	Place and date of incorporation/ establishment	Class of shares held	Shareholding/equity interest attributable to the Company At December 31, 2015	2016	2017	At September 30, 2018	At the date of this report	Principal activity
Dingzhou Tianlu New Energy Limited ("Dingzhou Tianlu New Energy") (定州天鷺新能源有限公司) *(note (iv))*	The PRC/ April 9, 2007	Paid-in capital RMB80,000,000	100%	100%	100%	100%	100%	Production of refined chemicals
Golden Sino Enterprises Limited ("Golden Sino") *(note (iii))*	BVI/ November 1, 2007	Ordinary share US$1	100%	100%	100%	100%	100%	Investment holding
Beijing Risun Hongye Chemicals Company Limited ("Beijing Risun Hongye") (北京旭陽宏業化工有限公司) *(notes (ii) and (iv))*	The PRC/ February 2, 2008	Paid-in capital RMB150,000,000	100%	100%	100%	100%	100%	Trading of coke, coking chemicals refined and chemicals
Tangshan Risun Chemicals Limited ("Tangshan Risun Chemicals") (唐山旭陽化工有限公司) *(notes (i) and (iv))*	The PRC/ October 17, 2008	Paid-in capital RMB495,000,000	100%	100%	100%	100%	100%	Production of refined chemicals
Risun Chemicals Limited ("Risun Chemicals") (旭陽化工有限公司) *(notes (i) and (iv))*	The PRC/ January 8, 2010	Paid-in capital RMB430,000,000	100%	100%	100%	100%	100%	Investment holding
Cangzhou Risun *(notes (ii) and (iv))*	The PRC/ June 27, 2011	Paid-in capital US$151,600,000	N/A *(note 18)*	89.92%	89.92%	89.92%	89.92%	Production of refined chemicals
Alashan Risun Coal (阿拉善盟旭陽煤業有限公司) *(notes (i), (iv) and (iii))*	The PRC/ July 11, 2011	Paid-in capital RMB30,000,000	100%	100%	N/A *(note 38)*	N/A	N/A	Trading of coke, coking chemicals and refined chemicals
Risun Global Limited ("Risun Global", formerly known as Good City (Hong Kong) Limited)	Hong Kong/ July 19, 2013	Ordinary share HK$1	100%	100%	100%	100%	100%	Investment holding
Xingtai Risun Chemicals Limited ("Xingtai Risun Chemicals") (邢台旭陽化工有限公司) *(notes (i) and (iv))*	The PRC/ March 17, 2014	Paid-in capital RMB150,000,000	100%	100%	100%	100%	100%	Production of refined chemicals
Tangshan Risun Phthalic Anhydride Products Limited (唐山旭陽苯酐產品有限公司) *(notes (iv), (iii) and (v))*	The PRC/ December 16, 2016	Registered capital RMB100,000,000	N/A	100%	100%	100%	N/A	Production of refined chemicals

Name of subsidiary	Place and date of incorporation/ establishment	Class of shares held	Shareholding/equity interest attributable to the Company At December 31, 2015	2016	2017	At September 30, 2018	At the date of this report	Principal activity
Tangshan Risun Aromatic Hydrocarbon Limited (唐山旭陽芳烴產品有限公司) *(notes (iv) and (iii))*	The PRC/ December 8, 2017	Paid-in capital RMB300,205,000	N/A	N/A	100%	100%	100%	Production of refined chemicals
Ruyang Tianlu Energy Co., Ltd (汝陽天鷺能源有限公司) *(notes (iv) and (iii))*	The PRC/ May 31, 2018	Registered capital RMB5,000,000	N/A	N/A	N/A	55%	55%	Purchase and sale of coal, coke and coking by-products

Notes:

(i) These entities are wholly foreign owned enterprises established in the PRC.

(ii) These entities are sino-foreign owned entities established in the PRC.

(iii) No audited statutory financial statements have been prepared for these subsidiaries.

(iv) The English translation of the names is for reference only. The official names of these companies are in Chinese.

(v) The entity was dissolved on October 19, 2018.

All of the above subsidiaries, except for Golden Sino, are indirectly held by the Company.

All companies now comprising the Group have adopted December 31, as their financial year end.

The statutory financial statements of the following subsidiaries of the Group established in the PRC or Hong Kong were prepared in accordance with the relevant accounting rules and regulations applicable to enterprises in the PRC or Hong Kong Financial Reporting Standards. These financial statements were audited during the Track Record Period by the respective statutory auditors as indicated below:

Name of subsidiary	Financial period	Statutory auditors
Hong Kong Risun	For the years ended December 31, 2015, 2016 and 2017	Lo and Kwong C.P.A. Company Limited
Risun Global	For the years ended December 31, 2015, 2016 and 2017	Lo and Kwong C.P.A. Company Limited
Xingtai Risun Trading *(note)* (邢台旭陽貿易有限公司)	For the years ended December 31, 2015, 2016 and 2017	Xingtai Tianjian Certified Public Accountants Company Limited
Hebei Risun Coking *(note)* (河北旭陽焦化有限公司)	For the years ended December 31, 2015, 2016 and 2017	Xingtai Heyuan Certified Public Accountants Company Limited
Xingtai Risun Coal Chemicals *(note)* (邢台旭陽煤化工有限公司)	For the years ended December 31, 2015, 2016 and 2017	Xingtai Heyuan Certified Public Accountants Company Limited
Xingtai Risun Chemicals *(note)* (邢台旭陽化工有限公司)	For the years ended December 31, 2015, 2016 and 2017	Xingtai Tianjian Certified Public Accountants Company Limited
Dingzhou Tianlu New Energy *(note)* (定州天鷺新能源有限公司)	For the years ended December 31, 2015, 2016 and 2017	Xingtai Dayu Certified Public Accountants Company Limited
Beijing Risun Hongye *(note)* (北京旭陽宏業化工有限公司)	For the years ended December 31, 2015, 2016 and 2017	Zhongtian Huamao Certified Public Accountants Company Limited
Tangshan Risun Chemicals *(note)* (唐山旭陽化工有限公司)	For the years ended December 31, 2015, 2016 and 2017	Xingtai Tianjian Certified Public Accountants Company Limited
Risun Chemicals *(note)* (旭陽化工有限公司)	For the years ended December 31, 2015, 2016 and 2017	Beijing Yongqin Certified Public Accountants Company Limited
Cangzhou Risun *(note)* (滄州旭陽化工有限公司)	For the years ended December 31, 2015, 2016 and 2017	Xingtai Heyuan Certified Public Accountants Company Limited

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

46. EVENTS AFTER REPORTING PERIOD

Other than the events as disclosed elsewhere in the Historical Financial Information, subsequent to September 30, 2018, the following significant events took place:

On February 21, 2019, resolutions of the shareholders were passed to approve the matters set out in "Appendix VI – Statutory and General Information – 1. Further Information about our Group – (c) Resolutions of our Shareholders passed on February 21, 2019" to the Prospectus. It was resolved, among other things, conditional upon the share premium account being credited as a result of the Global Offering, the capitalization of HK$243,728,147.60 out of the share premium account of the Company in paying up in full at par 2,437,281,476 Shares for allotment and issuance to holders of the Shares whose names appear on the register of members of the Company at the close of business on February 1, 2019 in the same proportion as their then shareholdings was approved.

47. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Group, the Company or any of the subsidiaries have been prepared in respect of any period subsequent to September 30, 2018.

The information set out in this Appendix does not form part of the accountants' report on the financial information of the Group for the three years ended December 31, 2017 and the nine months ended September 30, 2018 prepared by Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, our Company's Reporting Accountants, as set out in Appendix I to this prospectus (the "Accountants' Report"), and is included herein for information only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountants' Report set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to the owners of the Company prepared in accordance with Rule 4.29 (1) of the Listing Rules is set out below to illustrate the effect of the Global Offering on the audited consolidated net tangible assets of the Group attributable to the owners of the Company as at September 30, 2018 as if the Global Offering had taken place on that date.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to the owners of the Company has been prepared for illustrative purposes only and, because of its hypothetical nature, may not give a true picture of the consolidated net tangible assets of the Group attributable to the owners of the Company as at September 30, 2018 or any future dates following the Global Offering.

The following unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to the owners of the Company is prepared based on the audited consolidated net tangible assets of the Group attributable to the owners of the Company as at September 30, 2018 as shown in the Accountants' Report as set out in Appendix I to this prospectus, and adjusted as follows:

	Audited consolidated net tangible assets of the Group attributable to the owners of the Company as at September 30, 2018	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as at September 30, 2018	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as at September 30, 2018 per Share	
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*HK$*
	(Note 1)	*(Note 2)*		*(Note 3)*	*(Note 4)*
Based on an Offer Price of HK$2.76 per Share	3,883,348	1,365,438	5,248,786	1.31	1.52
Based on an Offer Price of HK$3.18 per Share	3,883,348	1,576,155	5,459,503	1.36	1.58

Notes:

1. The audited consolidated net tangible assets of the Group attributable to the owners of the Company as at September 30, 2018 has been extracted from the Accountants' Report set out in Appendix I to this prospectus, which has been calculated based on the audited consolidated net assets of the Group attributable to the owners of the Company of RMB3,959,806,000, less intangible assets and goodwill attributable to the owners of the Company of RMB76,458,000 in aggregate.

2. The estimated net proceeds from the Global Offering are based on 600,000,000 Shares at the Offer Price of HK$2.76 and HK$3.18 per Share, respectively, after deduction of the estimated underwriting fees and other related expenses (excluding expenses charged to profit or loss by the Group up to September 30, 2018). No account has been taken of the Shares which may be issued pursuant to any exercise of the Over-allotment Option nor any Shares which may be issued and allotted pursuant to the Share Option Scheme to be effective upon listing or any Shares which may be issued or repurchased by the Company pursuant to the general mandates granted to the Directors to issue or repurchase Shares referred to in the section headed "Share Capital" in this prospectus.

The estimated net proceeds from the Global Offering are converted from Hong Kong dollars into RMB at an exchange rate from HK$1 to RMB0.86211, which was the exchange rate published by The People's Bank Of China ("PBOC rate") prevailing on February 18, 2019. No representation is made that Hong Kong dollars amounts have been, could have been or could be converted to Renminbi, or vice versa, at that rate or at all.

3. The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company per Share is calculated based on 4,000,000,000 Shares (including 962,718,524 Shares in issue as of date of this prospectus, 2,437,281,476 Shares to be issued pursuant to the Capitalization Issue and 600,000,000 new Shares to be issued under the Global Offering). It does not take into account of any Shares which may be issued upon the exercise of the Over-allotment Option or any Shares which may be issued and allotted pursuant to the Share Option Scheme to be effective upon listing or any Shares which may be issued or repurchased by the Company pursuant to the general mandates granted to the Directors to issue or repurchase Shares referred to in the section headed "Share Capital" in this prospectus.

4. The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company per Share is converted from RMB into Hong Kong dollars at the rate of RMB1 to HK$1.15994, which was the PBOC rate prevailing on February 18, 2019. No representation is made that the RMB amounts have been, could have been or could be converted to Hong Kong dollars, or vice versa, at that rate or at any other rates or at all.

5. No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as at September 30, 2018 to reflect any trading result or other transaction of the Group entered into subsequent to September 30, 2018.

B. UNAUDITED PRO FORMA ESTIMATED EARNINGS PER SHARE FOR THE YEAR ENDED DECEMBER 31, 2018

The following unaudited pro forma estimated earnings per Share for the year ended December 31, 2018 has been prepared on the basis set out in the notes below for the purpose of illustrating the effect of the Global Offering, as if it had taken place on January 1, 2018. The unaudited pro forma estimated earnings per Share has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the financial results of the Group following the Global Offering.

Estimated consolidated profit attributable to the owners of the Company *(Note 1)*	not less than RMB2,022 million (approximately HK$2,345 million)
Unaudited pro forma estimated earnings per Share for the year ended December 31, 2018 *(Note 2)*	not less than RMB0.519 (approximately HK$0.602)

Notes:

1. The bases on which the above profit estimate has been prepared are summarized in Appendix III to this prospectus. Our Directors have prepared the estimated consolidated profit attributable to the owners of the Company for the year ended December 31, 2018 based on the audited consolidated results for the nine months ended September 30, 2018 and the unaudited consolidated results based on management accounts of the Group for the remaining three months ended December 31, 2018.

2. The calculation of the unaudited pro forma estimated earnings per Share is based on the estimated consolidated results attributable to the owners of the Company for the year ended December 31, 2018 and the weighted average number of ordinary shares in issue during the year ended December 31, 2018, assuming that a total of 3,893,008,315 Shares had been in issue during the entire year, taking into consideration the Capitalization Issue and the 600,000,000 new Shares to be issued under the Global Offering which have been assumed to have been issued on January 1, 2018. The calculation of the estimated earnings per Share does not take into account any Shares which may be issued upon the exercise of options that may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandates for the allotment and issue or repurchase of Shares referred to in Appendix VI to this prospectus.

3. The estimated consolidated profit attributable to owners of the Company and the unaudited pro forma estimated earnings per Share are converted into Hong Kong dollars at the exchange rate of RMB1.00 to HK$1.15994, the exchange rate set by the PBOC prevailing on February 18, 2019. No representation is made that the RMB amounts have been, could have been or may be converted into Hong Kong dollars, or vice versa, at that rate.

C. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA FINANCIAL INFORMATION

The following is the text of the independent reporting accountants' assurance report received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, in respect of the Group's unaudited pro forma financial information prepared for the purpose of incorporation in this prospectus.

Deloitte. 德勤

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of China Risun Group Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of China Risun Group Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets as at September 30, 2018 and the unaudited pro forma estimated earnings per share for the year ended December 31, 2018 and related notes as set out on pages II-1 to II-4 of Appendix II to the prospectus issued by the Company dated February 28, 2019 (the "Prospectus"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages II-1 to II-4 of Appendix II to the Prospectus.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the global offering ("Global Offering") on the Group's financial position as at September 30, 2018 and the Group's estimated earnings per share for the year ended December 31, 2018 as if the Global Offering had taken place at September 30, 2018 and January 1, 2018 respectively. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's historical financial information for each of the three years ended December 31, 2017 and the nine months ended September 30, 2018, on which an accountants' report set out in Appendix I to the Prospectus has been published and information about the estimate of the consolidated profit of the Group attributable to the owners of the Company for the year ended December 31, 2018, on which no auditor's report or review report has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at September 30, 2018 or January 1, 2018 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

February 28, 2019

Our estimate of the consolidated profit for the year ended December 31, 2018 is set out in the section headed "Financial information – Profit estimate for the year ended December 31, 2018" in this prospectus.

A. PROFIT ESTIMATE FOR THE YEAR ENDED DECEMBER 31, 2018

Our Directors have prepared the estimate of the consolidated profit of the Group for the year ended December 31, 2018 based on the audited consolidated results of the Group for the nine months ended September 30, 2018, and the unaudited consolidated results based on the management accounts of the Group for the remaining three months ended December 31, 2018. The estimate has been prepared on the basis of the accounting policies consistent in all material aspects with those currently adopted by the Group as summarised in the accountants' report, the text of which is set out in Appendix I to this prospectus.

Profit estimate for the year ended December 31, 2018

	Estimate for the year ended December 31, 2018
Estimated consolidated profit attributable to the owners of the Company	not less than RMB2,022 million (approximately HK$2,345 million)

Notes:

1. The estimated consolidated profit attributable to the owners of the Company for year ended December 31, 2018 has taken into account of the expected listing expenses to be incurred during year ended December 31, 2018 of approximately RMB24.6 million.

2. The estimated consolidated profit attributable to owners of the Company is converted into Hong Kong dollars at the exchange rate of RMB1.00 to HK$1.15994, the exchange rate set by the PBOC prevailing on February 18, 2019. No representation is made that the RMB amount has been, could have been or may be converted into Hong Kong dollar, or vice versa, at that rate.

B. LETTER FROM THE REPORTING ACCOUNTANTS

Deloitte. 德勤

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

February 28, 2019

The Board of Directors
China Risun Group Limited
Suite 2303, COFCO Tower
No. 262 Gloucester Road
Hong Kong

Guotai Junan Capital Limited
27/F, Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

Dear Sirs,

China Risun Group Limited (the "**Company**")

Profit Estimate for the Year Ended December 31, 2018

We refer to the estimate of the consolidated profit of the Group attributable to the owners of the Company for the year ended December 31, 2018 ("**the Profit Estimate**") set forth in the section headed Financial Information in the prospectus of the Company dated February 28, 2019 ("**the Prospectus**").

Directors' Responsibilities

The Profit Estimate has been prepared by the directors of the Company based on the audited consolidated results of the Company and its subsidiaries (collectively referred to as "**the Group**") for the nine months ended September 30, 2018, and the unaudited consolidated results based on the management accounts of the Group for the three months ended December 31, 2018.

The Company's directors are solely responsible for the Profit Estimate.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants’ Responsibilities

Our responsibility is to express an opinion on the accounting policies and calculations of the Profit Estimate based on our procedures.

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 500 “Reporting on Profit Forecasts, Statements of Sufficiency of Working Capital and Statements of Indebtedness” and with reference to Hong Kong Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” issued by the HKICPA. Those standards require that we plan and perform our work to obtain reasonable assurance as to whether, so far as the accounting policies and calculations are concerned, the Company’s directors have properly compiled the Profit Estimate in accordance with the bases adopted by the directors and as to whether the Profit Estimate is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

Opinion

In our opinion, so far as the accounting policies and calculations are concerned, the Profit Estimate has been properly compiled in accordance with the bases adopted by the directors as set out in Appendix I of the Prospectus and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in our accountants’ report dated February 28, 2019, the text of which is set out in Appendix I of the Prospectus.

Yours faithfully,

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

C. LETTER FROM THE SOLE SPONSOR

The following is the text of a letter, prepared for inclusion in this prospectus, received from Guotai Junan Capital Limited, the Sole Sponsor, in relation to the Group's profit estimate for the year ended December 31, 2018.

國泰君安國際
GUOTAI JUNAN INTERNATIONAL

27/F, Low Block, Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

February 28, 2019

The Board of Directors
China Risun Group Limited
Suite 2303, COFCO Tower
No. 262 Gloucester Road
Hong Kong

Dear Sirs,

We refer to the estimate of the consolidated profit attributable to the owners of China Risun Group Limited (the "**Company**") (together with its subsidiaries, the "**Group**") for the year ended December 31, 2018 (the "**Profit Estimate**") set out in the prospectus issued by the Company dated February 28, 2019 (the "**Prospectus**").

The Profit Estimate, for which the directors of the Company (the "**Directors**") are solely responsible, has been prepared by them based on the audited consolidated results of the Group for the nine months ended September 30, 2018, and the unaudited consolidated results based on the management accounts of the Group for the three months ended December 31, 2018.

We have discussed with you the bases made by the Directors as set out in Appendix III to the Prospectus upon which the Profit Estimate has been made. We have also considered the letter dated February 28, 2019 addressed to you and us from Deloitte Touche Tohmatsu regarding the accounting policies and calculations upon which the Profit Estimate has been based.

On the basis of the information comprising the Profit Estimate and on the basis of the accounting policies and calculations adopted by you and reviewed by Deloitte Touche Tohmatsu, we are of the opinion that the Profit Estimate, for which the Directors are solely responsible, has been made after due and careful enquiry.

For and on behalf of
Guotai Junan Capital Limited
Anthony Wong
Deputy General Manager

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this prospectus received from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer and consultant, in connection with its valuation as at 31 December 2018 of the property interests of the Group.

JLL®
仲量聯行

Jones Lang LaSalle Corporate Appraisal and Advisory Limited
7th Floor, One Taikoo Place
979 King's Road, Hong Kong
tel +852 2846 5000 fax +852 2169 6001
Company Licence No.: C-030171

仲量聯行企業評估及咨詢有限公司
香港英皇道979號太古坊一座7樓
電 話 +852 2846 5000 傳 真 +852 2169 6001
公司牌照號碼：C-030171

28 February 2019

The Board of Directors
China Risun Group Limited
Suite 2303, COFCO Tower
No. 262 Gloucester Road
Hong Kong

Dear Sirs,

In accordance with your instructions to value the properties in which China Risun Group Limited (中國旭陽集團有限公司, the "**Company**") and its subsidiaries (hereinafter together referred to as the "**Group**") have interests in the People's Republic of China (the "**PRC**"), we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the property interests as at 31 December 2018 (the "**valuation date**").

Our valuation is carried out on a market value basis. Market value is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently, and without compulsion".

We have valued the property interests of property nos. 5 to 10 in Group I and property no. 12 in Group II by the comparison approach assuming sales of the property interests in their existing states with the benefit of immediate vacant possession and by making reference to comparable sale transactions as available in the relevant market. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the subject properties.

Where, due to the nature of the buildings and structures of property nos. 1 to 4 and no. 11 in Group I and the particular locations in which they are situated, there are unlikely to be relevant market comparable sales readily available. The property interests have therefore been valued by the Cost Approach with reference to their depreciated replacement cost.

Depreciated replacement cost is defined as "the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimization." It is based on an estimate of the market value for the existing use of the land, plus the current cost of replacement of the improvements, less deduction for physical deterioration and all relevant forms of obsolescence and optimization. In arriving at the value of the land portion, reference has been made to the sales evidence as available in the locality. The depreciated replacement cost of the property interest is subject to adequate potential profitability of the concerned business. In our valuation, it applies to the whole of the complex or development as a unique interest, and no piecemeal transaction of the complex or development is assumed.

Portions of property nos. 2 and 11 in Group I were under construction as at the valuation date, in valuing these portions, we have assumed that they will be developed and completed in accordance with the latest development proposals provided to us by the Group. In arriving at our opinion of value, we have taken into account the construction costs and professional fees relevant to the stage of construction as at the valuation date.

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interests valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

In valuing the property interests, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by the Stock Exchange of Hong Kong Limited; the RICS Valuation – Global Standards 2017 published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors, and the International Valuation Standards issued by the International Valuation Standards Council.

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have been shown copies of various title documents including State-owned Land Use Rights Certificates, Building Ownership Certificates, Real Estate Title Certificates and official plans relating to the property interests and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interests in the PRC and any material encumbrance that might be attached to the property interests or any tenancy amendment. We have relied considerably on the advice given by the Company's PRC legal advisers – Jingtian & Gongcheng, concerning the validity of the property interests in the PRC.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive an informed view, and we have no reason to suspect that any material information has been withheld.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory and that no unexpected cost and delay will be incurred during construction. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

Inspection of the properties was carried out in the period from 16 July 2018 to 19 July 2018 by Mr. Larry Li, Mr. William Chen and Mr. Shawn Yang who have 15 years', 17 years' and 1 year's experience respectively in property valuation in the PRC.

Unless otherwise stated, all monetary figures stated in this report are in Renminbi (RMB).

Our valuation is summarized below and the valuation certificate is attached.

Yours faithfully,
For and on behalf of
Jones Lang LaSalle Corporate Appraisal and Advisory Limited

Gilbert C. H. Chan
MRICS MHKIS RPS (GP)
Director

Note: Gilbert C.H. Chan is a Chartered Surveyor who has 26 years' experience in the valuation of properties in the PRC.

SUMMARY OF VALUES

Group I – Property interests held and occupied by the Group in the PRC

No.	Property	Market value in existing state as at valuation date
		RMB
1.	An industrial complex located at Chengjie Village Yanjiatun Town Xingtai City Hebei Province The PRC	1,357,320,000
2.	An industrial complex located at the northern side of Dingqu Road Xicheng District Dingzhou City Hebei Province The PRC	2,016,420,000
3.	An industrial complex located at Dingqu Road Xicheng District Dingzhou City Hebei Province The PRC	221,770,000
4.	An industrial complex located at Xihai Village Jianggezhuang Town Lingang Industrial Zone Laoting County Tangshan City Hebei Province The PRC	827,130,000

No.	Property	Market value in existing state as at valuation date
		RMB
5.	12 residential units located at Fujin Jiayuan Fengbao Road Fengtai District Beijing The PRC	73,350,000
6.	Residential Unit 1-1508 on Level 15 of Building 25 in Qingta Dongli located at West 4th Ring Middle Road Fengtai District Beijing The PRC	6,150,000
7.	2 office buildings located at Block 5 of Advanced Business Park No. 188 South 4th Ring West Road Fengtai District Beijing The PRC	126,240,000
8.	Residential Units C-1-2703 and C-2-2701 on Level 27 of Yu Yuan No. 9 Yuhua West Road Qiaoxi District Shijiazhuang City Hebei Province The PRC	5,220,000
9.	Residential Units 205, 305, 405 and 1405 on Levels 2 to 4 and 14 of Block C of Lianbang Mingdu No. 36 Lirang Road Qiaoxi District Shijiazhuang City Hebei Province The PRC	9,440,000

No.	Property	Market value in existing state as at valuation date
		RMB
10.	Office Units 2-2001 to 2-2004 on Level 20 of Wangxiang Tiancheng Plaza No. 15 Yuhua West Road Qiaoxi District Shijiazhuang City Hebei Province The PRC	14,880,000
11.	An industrial complex located at the north of Nanshugang Road and east of Zhuangbeijingsan Road Bohai New Zone Cangzhou City Hebei Province The PRC	1,085,450,000
	Sub-total:	**5,743,370,000**

Group II – Property interest held for future development by the Group in the PRC

12.	A parcel of land located at north of Shixiang Street and west of Yongan Street Yanjiatun Town Xingtai County Hebei Province The PRC	42,280,000
	Sub-total:	**42,280,000**
	Grand total:	**5,785,650,000**

VALUATION CERTIFICATE

Group I – Property interests held and occupied by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date
				RMB
1.	An industrial complex located at Chengjie Village Yanjiatun Town Xingtai City Hebei Province The PRC	The property comprises 16 parcels of land with a total site area of approximately 1,433,476.31 sq.m. and 52 buildings and various ancillary structures erected thereon which were completed in various stages between 2007 and 2011. The buildings have a total gross floor area of approximately 49,550.07 sq.m. The buildings mainly include office buildings, staff dormitories, industrial buildings, warehouses and ancillary buildings. The structures mainly include roads, boundary walls, gate, chimneys and traverses. The land use rights of the property have been granted for terms with the expiry dates between 25 September 2056 and 6 April 2063 for industrial use.	The property is currently occupied by the Group for production and ancillary purposes.	1,357,320,000

Notes:

1. Pursuant to 15 Stated-owned Land Use Rights Certificates – Xing Xian Guo Yong (2006) Nos. 027 to 031, Xing Xian Guo Yong (2009) Di Nos. 034 to 036, Xing Xian Guo Yong (2009) Di Nos. 059 and 060, Xing Xian Guo Yong (2012) Di No. 018, Xing Xian Guo Yong (2013) Di Nos. 063 and 065, Xing Xian Guo Yong (2015) Di Nos. 00073 and 00074, the land use rights of 15 parcels of land with a total site area of approximately 1,235,973.31 sq.m. were granted to Xingtai Risun Coal Chemicals Limited ("**Xingtai Risun Coal Chemicals**", 邢台旭陽煤化工有限公司, a wholly-owned subsidiary of the Company) for terms with the expiry dates between 25 September 2056 and 6 April 2063 for industrial use.

2. Pursuant to a Real Estate Title Certificate – Ji (2018) Xing Tai Xian Bu Dong Chan Quan Di No. 0001559, 8 buildings with a total gross floor area ("**GFA**") of approximately 7,198.35 sq.m. are owned by Xingtai Risun Chemicals Limited ("**Xingtai Risun Chemicals**", 邢台旭陽化工有限公司, a wholly owned subsidiary of the Company), and the relevant land use rights of a parcel of land with a site area of approximately 197,503 sq.m. was granted to Xingtai Risun Chemicals for a term with the expiry date on 6 April 2063 for industrial use.

3. Pursuant to 13 Building Ownership Certificates – Xing Tai Xian Fang Quan Zheng 003 Zi Di Nos. G200712210001 to G200712210004, G200906080002, G200906080003, G200910210001, G200910210002, G20110516001 to G20110516003, G201109300001 and G201109300002, 44 buildings with a total gross floor area of approximately 42,351.72 sq.m. are owned by Xingtai Risun Coal Chemicals.

4. Pursuant to 11 Mortgage Contracts entered into among Xingtai Brach of Bank of China, Xingtai Qiaodong Brach of Industrial and Commercial Bank of China, AVIC International Leasing Co., Ltd., Tangshan Branch of China Everbright Bank, Shijiazhuang Xinhua Road Branch of Hua Xia Bank Co., Ltd., Shijiazhuang Branch of China Minsheng Bank, Xingtai Housing and Urban Development Branch of China Construction Bank, Xingtai Risun Coal Chemicals and Xingtai Risun Chemicals, 14 parcels of the land with a total site area of approximately 1,241,762.31 sq.m. and 47 buildings with a total gross area of approximately 48,904.36 sq.m. of the property were subject to 11 mortgages for loans with a total amount of approximately RMB2,059,668,000 with the expiry dates between 25 February 2019 and 15 October 2021.

5. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:

   a. Xingtai Risun Coal Chemicals legally and validly owned the land use rights and building ownership rights of the land parcels and buildings mentioned in notes 1 and 3; and Xingtai Risun Chemicals legally and validly owned the land use right and building ownership rights of the land parcel and buildings mentioned in note 2;

   b. Xingtai Risun Coal Chemicals and Xingtai Risun Chemicals have the rights to occupy and use the land parcels mentioned in notes 1 and 2 based on their legal uses;

   c. portions of the property were subject to mortgages mentioned in note 5; Xingtai Risun Coal Chemicals and Xingtai Risun Chemicals have the rights to occupy, use, lease, transfer and mortgage the property except for the mortgaged portions of the property mentioned in note 4;

   d. Xingtai Risun Coal Chemicals and Xingtai Risun Chemicals were still entitled to occupy and use the mortgaged portions of the property mentioned in note 4; and

   e. except for the mortgages mentioned in note 4, the property is not subject to other seal-up, mortgage and other limited measures.

6. The property contributes a significant portion of revenue to the Group, we are of the view that the property is the material property held by the Group:

   Details of the material property

(a)	General description of location of the property	:	The property is located on both sides of Risun Avenue of Yanjiatun Town. It is approximately 12 kilometers from the commercial centre of Xingtai County, and about 2 minutes walking distance from the bus station.
(b)	Details of encumbrances, liens, pledges, mortgages against the property	:	Portions of the property are subject to 11 mortgages (see note 4).
(c)	Environmental Issue	:	Nil
(d)	Details of investigations, notices, pending litigation, breaches of law or title defects	:	Nil
(e)	Future plans for construction, renovation, improvement or development of the property	:	As advised by the Company, there is no plan for new major development in the next 12 months.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date
				RMB
2.	An industrial complex located at the northern side of Dingqu Road Xicheng District Dingzhou City Hebei Province The PRC	The property comprises 13 parcels of land with a total site area of approximately 1,977,426.33 sq.m. and 202 buildings and various ancillary structures erected thereon which were completed in various stages between 2004 and 2018. The buildings have a total gross floor area of approximately 162,936.90 sq.m. The buildings mainly include office buildings, hotels, warehouses and ancillary buildings. The structures mainly include roads, boundary walls, chimneys and traverses. The property also comprises several structures including roads and pipes which were under construction (the "**CIP**"). The CIP was scheduled to be completed in May 2019. The total construction cost of the CIP is estimated to be approximately RMB126,979,000, of which RMB40,365,000 has been paid up to the valuation date. The land use rights of the property have been granted for terms with the expiry dates between 22 November 2049 and 18 December 2064 for industrial, office, storage, transportation, hotel and restaurant uses.	The property is currently occupied by the Group for production, office and ancillary purposes, except for the hotels which are leased out and the CIP of the property which is currently under construction.	2,016,420,000

Notes:

1. Pursuant to 13 State-owned Land Use Rights Grant Contracts dated between 19 March 2004 and 17 October 2014, the land use rights of 13 parcels of land with a total site area of approximately 1,977,426.33 sq.m. were contracted to be granted to Hebei Risun Coking Limited ("**Hebei Risun Coking**", 河北旭陽焦化有限公司, a wholly-owned subsidiary of the Company) for a term of 50 years for industrial, office and transportation uses.

2. Pursuant to 13 State-owned Land Use Rights Certificates – Ding Guo Yong (2004) Zi Di Nos. 093, 094 and 342, Ding Guo Yong (2006) Di Nos. 051 and 057, Ding Guo Yong (2009) Zi Di Nos. 032, and Ding Guo Yong (2009) Di No. 061, Ding Guo Yong (2012) Di No. 050, Ding Guo Yong (2015) Di No. 013, Ding Guo Yong (2014) Di No. 048, and Ji (2018) Ding Zhou Shi Bu Dong Chan Quan Di Nos. 0013843, 001441 and 0013844, the land use rights of 13 parcels of land with a total site area of approximately 1,977,426.33 sq.m. were granted to Hebei Risun Coking for terms with the expiry dates between 22 November 2049 and 18 December 2064 for industrial, office, storage, transportation, hotel and restaurant uses respectively.

3. Pursuant to 11 Building Ownership Certificates – Ding Zhou Shi Fang Quan Zheng Xi Cheng Qu Zi Di Nos. 0512292 to 0512297, 0513483 and 0513479, and Ji (2018) Ding Zhou Shi Bu Dong Chan Quan Di Nos. 0013843, 001441 and 0013844, 187 buildings, various structures and equipment with a total gross floor area of approximately 179,945.52 sq.m. are owned by Hebei Risun Coking (including 187 buildings of 138,301.43 sq.m., structures of 35,418.20 sq.m. and equipment of 6,225.89 sq.m.).

4. For the remaining 15 buildings of the property with a total gross floor area of approximately 24,635.47 sq.m., we have not been provided with any title certificates.

5. Pursuant to 2 Tenancy Agreements, the two hotels of the property with a total gross floor area of approximately 5,024.71 sq.m. were leased to two independent third parties with the expiry dates on 30 June 2020 and 30 June 2019 respectively. The total current annual rentals were RMB90,000.

6. Pursuant to 7 Mortgage Contracts entered into among Hebei Dingzhou Rural Credit Cooperatives, Dingzhou Brach of Industrial and Commercial Bank of China, Shijiazhuang Brach of Huaxia Bank, Cangzhou Brach of Huaxia Bank, Baoding Brach of Zhongxin Bank and Hebei Risun Coking, 10 parcels of land with a total site area of 1,488,630.33 sq.m. and 186 buildings and various structures and equipment with a total gross floor area of approximately 176,867.90 sq.m. of the property were subject to 7 mortgages for the loan with a total amount of approximately RMB520,990,700 with term expire dates between 11 January 2019 and 11 July 2023.

7. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:

   a. Hebei Risun Coking legally and validly owned the land use rights and building ownership rights of the land parcels and buildings mentioned in notes 1 and 2;

   b. Hebei Risun Coking has the rights to occupy and use the land parcels based on their legal uses;

   c. portions of the property were subject to mortgages mentioned in note 6; Hebei Risun Coking has the rights to occupy, use, lease, transfer and mortgage property except for the mortgaged portions of the property mentioned in note 6 and the leased portions of the property mentioned in note 5;

   d. Hebei Risun Coking was still entitled to occupy and use mortgaged portions of the property mentioned in note 6;

   e. there is no material legal impediment for Hebei Risun Coking to apply for Building Ownership Certificates for the CIP when all relevant procedures are completed; and

   f. except for the mortgages mentioned in note 8, the property is not subject to other seal-up, mortgage and other limited measures.

8. In the valuation of the property, we have relied on the aforesaid legal opinion and attributed no commercial value to the 15 buildings of the property mentioned in note 4 which have not been obtained proper title certificates. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the buildings (excluding land element) as at the valuation date would be RMB35,860,000.

9. The property contributes a significant portion of revenue to the Group, we are of the view that the property is the material property held by the Group:

Details of the material property

(a)	General description of location of the property	:	The property is located on both sides of Dingqu Road of Tanghe Circular Economic Industrial Park, Dingzhou City. It is approximately 5 kilometers from the commercial centre of Dingzhou and about 2.5 kilometers from Dingzhou Railway Station. There is no bus station in the surrounding area.
(b)	Details of encumbrances, liens, pledges, mortgages against the property	:	Portions of the property are subject to 7 mortgages (see note 6).
(c)	Environmental Issue	:	Nil
(d)	Details of investigations, notices, pending litigation, breaches of law or title defects	:	15 buildings of the property have not obtained title certificates (see note 4).
(e)	Future plans for construction, renovation, improvement or development of the property	:	As advised by Hebei Risun Coking, the CIP is expected to be completed in May 2019, and the capital expenditure required for the development of the plant would be approximately RMB86,614,000.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date
				RMB
3.	An industrial complex located at Dingqu Road Xicheng District Dingzhou City Hebei Province The PRC	The property comprises 2 parcels of land with a total site area of approximately 265,260 sq.m. and 30 buildings and various ancillary structures erected thereon which were completed in various stages between 2007 and 2017. The buildings of the property have a total gross floor area of approximately 20,531.11 sq.m. The buildings mainly include industrial buildings and ancillary buildings. The structures mainly include refrigeration, tower, water pools, roads and boundary walls. The land use rights of the property have been granted for a term with the expiry date on 11 December 2056 for industrial use.	The property is currently occupied by the Group for production and ancillary purposes.	221,770,000

Notes:

1. Pursuant to 2 State-owned Land Use Rights Certificates – Ding Guo Yong (2007) Di Nos. 048 and 049, the land use rights of 2 parcels of land with a total site area of approximately 265,260 sq.m. were granted to Dingzhou Tianlu New Energy Limited ("**Dingzhou Tianlu Chemicals**", 定州天鷺新能源有限公司, a wholly-owned subsidiary of the Company) for a term with the expiry date on 11 December 2056 for industrial use.

2. Pursuant to 4 Building Ownership Certificates — Ding Zhou Shi Fang Quan Zheng Xi Cheng Qu Zi Di Nos. 0512280 to 0512282 and 0513478, 30 buildings with a total gross floor area of approximately 20,531.11 sq.m. are owned by Dingzhou Tianlu Chemicals.

3. Pursuant to a Mortgage Contract entered into between Shijiazhuang Branch of Hua Xia Bank and Dingzhou Tianlu Chemicals, the property was subject to a mortgage for a loan with a total amount of RMB85,000,000 for a term expiring on 14 November 2019.

4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. Dingzhou Tianlu Chemicals legally and validly owned the land use rights and building ownership rights of the land parcels and buildings mentioned in notes 1 and 2;

b. the property was subject to a mortgage mentioned in note 3; Dingzhou Tianlu Chemicals was still entitled to occupy and use the property; and

c. except for the mortgage mentioned in note 3, the property is not subject to other seal-up, mortgage and other limited measures.

5. The property contributes a significant portion of revenue to the Group, we are of the view that the property is the material property held by the Group:

Details of the material property

(a)	General description of location of the property	:	The property is located at the north of Dingqu Road of Tanghe Circular Economic Industrial Park. It is approximately 5 kilometers from the commercial centre of Dingzhou, and about 2.5 kilometers from Dingzhou Railway Station. There is no bus station in the surrounding area.
(b)	Details of encumbrances, liens, pledges, mortgages against the property	:	The property is subject to a mortgage (see note 3).
(c)	Environmental Issue	:	Nil
(d)	Details of investigations, notices, pending litigation, breaches of law or title defects	:	Nil
(e)	Future plans for construction, renovation, improvement or development of the property	:	As advised by the Company, there is no plan for new major development in the next 12 months.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date
				RMB
4.	An industrial complex located at Xihai Village Jianggezhuang Town Lingang Industrial Zone Laoting County Tangshan City Hebei Province The PRC	The property comprises 13 parcels of land with a total site area of approximately 2,670,667.36 sq.m, and 65 buildings and various structures erected thereon which were completed in various stages between 2009 and 2018. The buildings of the property have a total gross floor area of approximately 43,574.41 sq.m. The buildings mainly include office buildings, industrial buildings, warehouses and ancillary buildings. The structures mainly include roads, boundary walls, gate, chimneys and traverses. The land use rights of the property have been granted for terms with the expiry dates between 17 September 2057 and 29 February 2060 for industrial use.	The property is currently occupied by the Group for production and ancillary purposes.	827,130,000

Notes:

1. Pursuant to 5 State-owned Land Use Rights Certificates and 4 Real Estate Title Certificates – Tang Lao Ting Guo Yong (2015) Di Nos. 00188, 00190 to 00192 and 00194, Ji (2018) Lao Ting Xian Bu Dong Chan Di Nos. 0001625, 0002499, 0005122 and 0005130, the land use rights of 9 parcels of land of the property with a total site area of approximately 2,238,100.97 sq.m. have been granted to Tangshan Risun Chemicals Limited ("**Tangshan Risun Chemicals**", 唐山旭陽化工有限公司, a wholly-owned subsidiary of the Company) for terms with the expiry dates between 17 September 2057 and 29 February 2060 for industrial use.

2. Pursuant to 4 Real Estate Title Certificates – Ji (2018) Yao Ting Xian Bu Dong Chan Quan Di Nos. 0005119, 0005121, 0005123 and 0005131, 4 parcels of land with a total site area of approximately 432,566.39 sq.m. have been granted to Tangshan Risun Aromatic Hydrocarbon Limited ("**Tangshan Risun Aromatics**", 唐山旭陽芳烴產品有限公司, a wholly-owned subsidiary of the Company) for a term with the expiry dates between 19 September 2057 and 29 February 2060 for industrial use.

3. Pursuant to 16 Building Ownership Certificates and a Real Estate Title Certificate – Lao Fang Quan Zheng Cheng Gang Zi Di Nos. 201100365-01 to 201100365-15, and Ji (2018) Lao Ting Xian Bu Dong Chan Di No. 0002499, 59 buildings with a total gross floor area of approximately 38,258.47 sq.m. are owned by Tangshan Risun Chemicals.

4. For the remaining 6 buildings of the property with a total gross floor area of approximately 5,315.94 sq.m., we have not been provided with any title certificates. As advised by the Company, they have obtained Construction Work Planning Permits and Construction Work Commencement Permits for the 6 buildings.

5. Pursuant to 2 Mortgage Contracts entered into among Beijing Branch of Hengfeng Bank, Xingtai Qiaodong Branch of Industrial and Commercial Bank of China and Tangshan Risun Chemicals, 6 parcels of land with a total site area of 1,999,110.20 sq.m. and 59 buildings with a total gross floor area of approximately 38,258.47 sq.m. were subject to 2 mortgages for the loan with a total amount of approximately RMB522,053,000 with term expire dates between 30 November 2019 and 9 February 2021.

6. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:

   a. Tangshan Risun Chemicals legally and validly owned the land use rights and building ownership rights of the land parcels and buildings mentioned in notes 1 and 3; and Tangshan Risun Aromatics has legally and validly owned the land use rights of the land parcels mentioned in note 2;

   b. Tangshan Risun Chemicals and Tangshan Risun Aromatics have the rights to occupy and use the land parcels mentioned in notes 1 and 2 based on their legal uses;

   c. portions of the property were subject to mortgages mentioned in note 5; Tangshan Risun Chemicals and Tangshan Risun Aromatics have the rights to occupy, use, lease, transfer and mortgage the property except for the mortgaged portions of the property;

   d. Tangshan Risun Chemicals was still entitled to occupy and use the mortgaged portions of the property mentioned in note 5;

   e. Tangshan Risun Chemicals has obtained all necessary construction permits for the 6 buildings mentioned in note 4; and

   f. except for the mortgages mentioned in note 5, the property is not subject to other seal-up, mortgage and other limited measures.

7. In the valuation of the property, we have relied on the aforesaid legal opinion and attributed no commercial value to the 6 buildings mentioned in note 4 which have not been obtained proper title certificates. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the buildings (excluding land element) as at the valuation date would be RMB24,770,000.

8. The property contributes a significant portion of revenue to the Group, we are of the view that the property is the material property held by the Group:

Details of the material property

(a)	General description of location of the property	:	The property is located at the Lingang Industrial Zone. It is approximately 30 kilometers from the commercial centre of Laoting County and about 17 kilometers from Jingtang Port. There is no bus station in the surrounding area.
(b)	Details of encumbrances, liens, pledges, mortgages against the property	:	Portions of the property are subject to 2 mortgages (see note 5).
(c)	Environmental Issue	:	Nil
(d)	Details of investigations, notices, pending litigation, breaches of law or title defects	:	6 buildings of the property have not obtained title certificate (see note 4).
(e)	Future plans for construction, renovation, improvement or development of the property	:	As advised by the Company, there is no plan for new major development in the next 12 months.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date
				RMB
5.	12 residential units located at Fujin Jiayuan Fengbao Road Fengtai District Beijing The PRC	The property comprises Units 2-601 and 2-602 on Level 6 of Building 14 of Block 4 and Units 4-101, 4-102, 4-201, 4-202, 4-301, 4-302, 4-401, 4-402, 4-501 and 4-502 on Levels 1 to 5 of Building 14 of Block 1 in Fujin Jiayuan which is a residential project completed in various stages between 2005 and 2008. The property has a total gross floor area of approximately 1,399.59 sq.m.	The property is currently occupied by the Group for residential purpose.	73,350,000

Notes:

1. Pursuant to 12 Building Ownership Certificates – X Jing Fang Quan Zheng Feng Zi Di Nos. 120475, 120477, 120494, 120495, 120531, 120532, 120538, 120539, 120542, 120591, 120598 and 120681, 12 units with a total gross floor area of approximately 1,399.59 sq.m. are owned by Beijing Risun Hongye Chemicals Limited ("**Beijing Risun Hongye**", 北京旭陽宏業化工有限公司, a wholly-owned subsidiary of the Company).

2. Pursuant to a Mortgage Contract entered into between Beijing Wangjing Branch of Youli Bank and Beijing Risun Hongye, the property was subject to a mortgage for a loan with a total amount of RMB50,000,000 with the expire date on 30 December 2020.

3. We have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the property. The unit prices of these comparable properties range from RMB52,000 to RMB56,000 per sq.m. for residential units. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the property to arrive at an assumed unit rate of RMB52,400 for the property.

4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. Beijing Risun Hongye has legally obtained the Building Ownership Certificates of the property;

   b. the property was subject to a mortgage mentioned in note 2; Beijing Risun Hongye was still entitled to occupy and use the property; and

   c. except for the mortgage mentioned in note 2, the property is not subject to other seal-up, mortgage and other limited measures.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date
				RMB
6.	Residential Unit 1-1508 on Level 15 of Building 25 in Qingta Dongli located at West 4th Ring Middle Road Fengtai District Beijing The PRC	The property comprises a residential unit on level 15 of a 22-storey residential building which was completed in 2004. The property has a gross floor area of approximately 119.46 sq.m.	The property is currently occupied by the Group for residential purpose.	6,150,000

Notes:

1. Pursuant to a Building Ownership Certificate – X Jing Fang Quan Zheng Feng Zi Di No. 120549, a unit with a gross floor area of approximately 119.46 sq.m. is owned by Beijing Risun Hongye Chemicals Limited ("**Beijing Risun Hongye**", 北京旭陽宏業化工有限公司, a wholly-owned subsidiary of the Company).

2. We have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the property. The unit prices of these comparable properties range from RMB51,000 to RMB54,000 per sq.m. for residential units. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the property to arrive at an assumed unit rate of RMB51,500 for the property.

3. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. Beijing Risun Hongye has legally obtained the Building Ownership Certificates of the property, and has legal rights to occupy and use the buildings;

   b. Beijing Risun Hongye has the rights to occupy, use, lease, transfer and mortgage the property; and

   c. the property is not subject to seal-up, mortgage and other limited measures.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date
				RMB
7.	2 office buildings located at Block 5 of Advanced Business Park No. 188 South 4th Ring West Road Fengtai District Beijing The PRC	The property comprises a 6-storey and an 8-storey office buildings together having a total gross floor area of approximately 3,813.9 sq.m. which were completed in 2004 and 2010 respectively. The land use rights of the property have been granted for a term with the expiry date on 26 July 2053 for industrial use.	The property is currently occupied by the Group for office purpose.	126,240,000

Notes:

1. Pursuant to 2 State-owned Land Use Rights Certificates – Jing Shi Feng She Wai Guo Yong (2009 Chu) Di No. 8006591 and Jing Feng Guo Yong (2010 Chu) Di No. 0800099, the land use rights of 2 parcels of land with a total site area of approximately 2,350.29 sq.m. were granted to Beijing Risun Hongye Chemicals Limited ("**Beijing Risun Hongye**", 北京旭陽宏業化工有限公司, a wholly-owned subsidiary of the Company) for a term expiring on 26 July 2053 for industrial use.

2. Pursuant to 2 Building Ownership Certificates – X Jing Fang Quan Zheng Feng Zi Di Nos. 120603 and 199337, 2 buildings with a total gross floor area of approximately 3,813.9 sq.m. are owned by Beijing Risun Hongye.

3. Pursuant to a Mortgage Contract entered into between Beijing Branch of Dalian Bank and Beijing Risun Hongye, the property was subject to a mortgage for a loan with a total amount of RMB100,000,000 for a term expiring on 11 May 2020.

4. We have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the property. The unit prices of these comparable properties range from RMB33,000 to RMB36,000 per sq.m. for office units. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the property to arrive at an assumed unit rate of RMB33,100 for the property.

5. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. Beijing Risun Hongye legally and validly owned the land use rights and building ownership rights of the land parcels and buildings mentioned in notes 1 and 2;

   b. the property was subject to a mortgage mentioned in note 3; Beijing Risun Hongye was still entitled to occupy and use the property; and

   c. except for the mortgage mentioned in note 3, the property is not subject to other seal-up, mortgage and other limited measures.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date
				RMB
8.	Residential Units C-1-2703 and C-2-2701 on Level 27 of Yu Yuan No. 9 Yuhua West Road Qiaoxi District Shijiazhuang City Hebei Province The PRC	The property comprises 2 residential units on level 27 of a 28-storey residential building completed in 2006. The property has a total gross floor area of approximately 449.42 sq.m.	The property is currently occupied by the Group for residential purpose.	5,220,000

Notes:

1. Pursuant to 2 Building Ownership Certificates – Shi Fang Quan Zheng Xi Zi Di Nos. 450000553 and 450000554, 2 units with a total gross floor area of approximately 449.42 sq.m. are owned by Beijing Risun Hongye Chemicals Limited ("**Beijing Risun Hongye**", 北京旭陽宏業化工有限公司, a wholly-owned subsidiary of the Company).

2. We have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the property. The unit prices of these comparable properties range from RMB11,000 to RMB12,500 per sq.m. for office units. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the property to arrive at an assumed unit rate of RMB11,600 for the property.

3. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. Beijing Risun Hongye has legally obtained the Building Ownership Certificates of the property;

   b. Beijing Risun Hongye has the rights to occupy, use, lease, transfer and mortgage the property; and

   c. the property is not subject to seal-up, mortgage and other limited measures.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date
				RMB
9.	Residential Units 205, 305, 405 and 1405 on Levels 2 to 4 and 14 of Block C of Lianbang Mingdu No. 36 Lirang Road Qiaoxi District Shijiazhuang City Hebei Province The PRC	The property comprises 4 residential units on levels 2 to 4 and 14 of a 32-storey residential building completed in 2009. The property has a total gross floor area of approximately 491.59 sq.m.	The property is currently occupied by the Group for residential purpose.	9,440,000

Notes:

1. Pursuant to 4 Building Ownership Certificates – Shi Fang Quan Zheng Xi Zi Di Nos. 450000619 to 450000622, 4 units with a total gross floor area of approximately 491.59 sq.m. are owned by Beijing Risun Hongye Chemicals Limited ("**Beijing Risun Hongye**", 北京旭陽宏業化工有限公司, a wholly-owned subsidiary of the Company).

2. We have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the property. The unit prices of these comparable properties range from RMB19,000 to RMB20,900 per sq.m. for residential units. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the property to arrive at an assumed unit rate of RMB19,200 for the property.

3. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. Beijing Risun Hongye has legally obtained the Building Ownership Certificates of the property;

   b. Beijing Risun Hongye has the rights to occupy, use, lease, transfer and mortgage the property; and

   c. the property is not subject to seal-up, mortgage and other limited measures.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date
				RMB
10.	Office Units 2-2001 to 2-2004 on Level 20 of Wangxiang Tiancheng Plaza No. 15 Yuhua West Road Qiaoxi District Shijiazhuang City Hebei Province The PRC	The property comprises 4 units on level 20 of a 25-storey office building completed in 2008. The property has a total gross floor area of approximately 1,282.56 sq.m.	The property is currently occupied by the Group for office purpose, except for the leased portion.	14,880,000

Notes:

1. Pursuant to 4 Building Ownership Certificates – Shi Fang Quan Zheng Xi Zi Di Nos. 450001289, and 450001291 to 450001293, 4 units with a total gross floor area of approximately 1,282.56 sq.m. are owned by Beijing Risun Hongye Chemicals Limited ("**Beijing Risun Hongye**", 北京旭陽宏業化工有限公司, a wholly-owned subsidiary of the Company).

2. We have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the property. The unit prices of these comparable properties range from RMB11,000 to RMB12,500 per sq.m. for office units. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the property to arrive at an assumed unit rate of RMB11,600 for the property.

3. Pursuant to a Tenancy Agreement, portion of the Office Unit 2-2001 with a gross floor area of approximately 376.59 sq.m. was leased to Hebei Xuyang Engineering Design Co., Ltd. with the expiry date on 31 December 2018. The current annual rental was RMB274,911.

4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. Beijing Risun Hongye has legally obtained the Building Ownership Certificates of the property;

   b. Beijing Risun Hongye has the rights to occupy, use, lease, transfer and mortgage the property except for the leased portion of the property metioned in note 3; and

   c. the property is not subject to seal-up, mortgage and other limited measures.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date
				RMB
11.	An industrial complex located at the north of Nanshugang Road and east of Zhuangbeijingsan Road Bohai New Zone Cangzhou City Hebei Province The PRC	The property comprises 2 parcels of land with a total site area of approximately 2,190,264.81 sq.m. and 35 buildings and various ancillary structures erected thereon which were completed in various stages between 2015 and 2017. The buildings have a total gross floor area of approximately 52,761.07 sq.m. The buildings mainly include office buildings, staff dormitories, industrial buildings, warehouses and ancillary buildings. The structures mainly include boundary walls, wells, roads, sheds, pools and groove. The property also comprises 2 buildings which were under construction (the "**CIP**") and were scheduled to be completed in March 2019. Upon completion, the CIP will have a total gross floor area of approximately 21,431.4 sq.m. The total construction cost of the CIP is estimated to be approximately RMB94,600,000, of which RMB61,600,000 has been paid up to the valuation date. The land use rights of the property have been granted for a term with the expiry date on 16 May 2061 for industrial use.	The property is currently occupied by the Group for production and ancillary purposes, except for the CIP which is under construction.	1,085,450,000

Notes:

1. Pursuant to 2 State-owned Land Use Rights Certificates – Cang Bo Guo Yong 2011 Di Nos. 088 and 089, the land use rights of 2 parcels of land with a total site area of approximately 2,190,264.81 sq.m. have been granted to Cangzhou Risun Chemicals Limited ("**Cangzhou Risun Chemicals**", 滄州旭陽化工有限公司, a 89.92% interest subsidiary of the Company) for a term with the expiry date on 16 May 2061 for industrial use.

2. Pursuant to a Building Ownership Certificate and 3 Real Estate Certificates – Huang Gang Fang Quan Zheng Q Zi No. 011207, Ji (2018) Cang Zhou Bo Hai Xin Qu Bu Dong Chan Quan Di Nos. 0002282 to 0002284, 35 buildings with a total gross floor area of approximately 52,761.07 sq.m. are owned by Cangzhou Risun Chemicals.

3. Pursuant to 2 Construction Work Planning Permits – Jian Zi Di Nos. 130901201400033 and 130901201700079 in favour of Cangzhou Risun Chemicals, various buildings of the property with a total gross floor area of approximately 59,396.95 sq.m. (including the CIP of the property which have a total gross floor area of approximately 21,431.4 sq.m.) have been approved for construction.

4. Pursuant to 3 Construction Work Commencement Permits – Nos. 130905X14022, 130905X14023 and 130905201708010101 in favour of Cangzhou Risun Chemicals, permissions by the relevant local authority were given to commence the construction work of various buildings with a total gross floor area of approximately 46,650.41 sq.m., including the 2 buildings of the CIP which have a total gross floor area of approximately 21,431.4 sq.m.

5. Pursuant to 2 Mortgage Contracts entered into between Banking Group of Cangzhou and Cangzhou Risun Chemicals, the property was subject to 2 mortgages for the loan with a total amount of RMB575,155,000 with the expire date on 3 March 2020.

6. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. Cangzhou Risun Chemicals legally and validly owned the land use rights and building ownership rights of the land parcels and buildings mentioned in notes 1 and 2;

   b. the property was subject to mortgages mentioned in note 5; Cangzhou Risun Chemicals was still entitled to occupy and use the property;

   c. Cangzhou Risun Chemicals has obtained all construction permits for the CIP of the property; and

   d. except for the mortgages mentioned in note 5, the property is not subject to other seal-up, mortgage and other limited measures.

7. The property contributes a significant portion of revenue to the Group, we are of the view that the property is the material property held by the Group:

   Details of the material property

(a)	General description of location of the property	:	The property is located at the north of Nanshugang Road and the east of Zhuangbeijingsan Road of Equipment Manufacturing Park. It is approximately 100 kilometers from the downtown of Cangzhou City, 25 kilometers from Huanghua Port and 11 kilometers from Gangkou railway station.
(b)	Details of encumbrances, liens, pledges, mortgages against the property	:	The property is subject to 2 mortgages (see note 5).
(c)	Environmental Issue	:	Nil
(d)	Details of investigations, notices, pending litigation, breaches of law or title defects	:	Nil
(e)	Future plans for construction, renovation, improvement or development of the property	:	As advised by Cangzhou Risun Chemicals, the CIP is expected to be completed in March 2019, and the capital expenditure required for the development of the plant would be approximately RMB32,700,000.

VALUATION CERTIFICATE

Group II – Property interest held for Future development by the Group in PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at valuation date
				RMB
12.	A parcel of land located at north of Shixiang Street and west of Yongan Street Yanjiatun Town Xingtai County Hebei Province The PRC	The property comprises a parcel of land with a site area of approximately 93,333 sq.m. for industrial use. The land use rights of the property have been granted for a term with the expiry date on 22 November 2065 for industrial use.	The property is currently vacant for future development.	42,280,000

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract dated on 23 December 2015, the land use rights of a parcel of land with a site area of approximately 93,333 sq.m. were contracted to be granted to Xingtai Risun Chemicals Limited ("**Xingtai Risun Chemicals**", 邢台旭陽化工有限公司, a wholly owned subsidiary of the Company) for industrial use. The total planned gross floor area of the property is 14,078 sq.m., with the plot ratio of no higher than 1.5.

2. Pursuant to a Real Estate Title Certificate – Ji (2016) Xing Tai Xian Bu Dong Chan Quan Di No. 0000168, a parcel of land with a site area of approximately 93,333 sq.m. have been granted to Xingtai Risun Chemicals for a term with the expiry date on 22 November 2065 for industrial use.

3. Pursuant to a Mortgage Contract entered into between Beijing Branch of Hengfeng Bank and Xingtai Risun Chemicals, the property was subject to a mortgage for the loan with a total amount of RMB300,000,000 with a term expiring on 7 November 2019.

4. We have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the property. The unit price of these comparable properties ranges from RMB450 to RMB465 per sq.m. on site area basis for industrial use. Appropriate adjustments and analysis are considered to the differences in location, size, plot ratio and other characters between the comparable properties and the property to arrive at an assumed unit rate of RMB453 per sq.m. for the property.

5. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. Xingtai Risun Chemicals has legally and validly owned the land use rights of the land parcel the property;

   b. the property was subject to a mortgage mentioned in note 3; Xingtai Risun Chemicals was still entitled to occupy and use the property; and

   c. except for the mortgage mentioned in note 3, the property is not subject to other seal-up, mortgage and other limited measures.

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on November 8, 2007 under the Companies Law. The Company's constitutional documents consist of its Memorandum and its Articles.

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum states, *inter alia*, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

(b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on February 21, 2019 with effect from the Listing Date. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) Classes of shares

The share capital of the Company consists of ordinary shares.

(ii) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) Alteration of capital

The Company may by ordinary resolution of its members:

(A) increase its share capital by the creation of new shares;

(B) consolidate all or any of its capital into shares of larger amount than its existing shares;

(C) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;

(D) subdivide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or

(E) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(iv) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Stock Exchange or in such other form as the Board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the Board may approve from time to time.

Notwithstanding the foregoing, for so long as any shares are listed on the Stock Exchange, titles to such listed shares may be evidenced and transferred in accordance with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares. The register of members in respect of its listed shares (whether the principal register or a branch register) may be kept by recording the particulars required by Section 40 of the Companies Law in a form otherwise than legible if such recording otherwise complies with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the Board may dispense with the execution of the instrument of transfer by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

The Board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The Board may decline to recognize any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the Board may determine. The register of members must not be closed for periods exceeding, on the whole, thirty (30) days in any year.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favor of the Company.

(v) Power of the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the Stock Exchange.

Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by the Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

The Board may accept the surrender for no consideration of any fully paid share.

(vi) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The Board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the Board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the Board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the Board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the Board determines.

(b) Directors

(i) Appointment, retirement and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day, those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an addition to the existing Board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and members of the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

(A) he resigns by notice in writing delivered to the Company;

(B) he becomes of unsound mind or dies;

(C) without special leave, he is absent from meetings of the Board for six (6) consecutive months, and the Board resolves that his office is vacated;

(D) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;

(E) he is prohibited from being a director by law; or

(F) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The Board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine and the Board may revoke or terminate any of such appointments. The Board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the Board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine, or (b) on terms that, at the option of the Company or the holder thereof, it is liable to be redeemed.

The Board may issue warrants or convertible securities or securities of similar nature conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of the Stock Exchange and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company are at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount to their nominal value.

Neither the Company nor the Board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the Board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iv) Borrowing powers

The Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) Remuneration

The ordinary remuneration of the Directors is to be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the Board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any Board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such extra remuneration as the Board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An Executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the Board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The Board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or past Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The Board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the Board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

The Board may resolve to capitalize all or any part of any amount for the time being standing to the credit of any reserve or fund (including a share premium account and the profit and loss account) whether or not the same is available for distribution by applying such sum in paying up unissued shares to be allotted to (i) employees (including directors) of the Company and/or its affiliates (meaning any individual, corporation, partnership, association, joint-stock company, trust, unincorporated association or other entity (other than the Company) that directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with, the Company) upon exercise or vesting of any options or awards granted under any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting, or (ii) any trustee of any trust to whom shares are to be allotted and issued by the Company in connection with the operation of any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting.

(vi) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance as if the Company were a company incorporated in Hong Kong.

(viii) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favor of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realized by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the nature of his interest at the meeting of the Board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the Board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the Board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

(A) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;

(B) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(C) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(D) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or

(E) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(c) Proceedings of the Board

The Board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(d) Alterations to constitutional documents and the Company's name

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(e) Meetings of members

(i) Special and ordinary resolutions

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

(ii) Voting rights and right to demand a poll

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorized representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorized representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognized clearing house (or its nominee(s)) is a member of the Company it may authorize such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorized, the authorization shall specify the number and class of shares in respect of which each such person is so authorized. A person authorized pursuant to this provision shall be deemed to have been duly authorized without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognized clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings and extraordinary general meetings

The Company must hold an annual general meeting of the Company every year within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of the Stock Exchange.

Extraordinary general meetings may be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself/herself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

(iv) Notices of meetings and business to be conducted

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time and place of the meeting and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting must be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to, among others, the auditors for the time being of the Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of the Company personally, by post to such member's registered address or by advertisement in newspapers in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by the Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

(A) the declaration and sanctioning of dividends;

(B) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;

(C) the election of directors in place of those retiring;

(D) the appointment of auditors and other officers; and

(E) the fixing of the remuneration of the directors and of the auditors.

(v) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and is entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy is entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise as if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

(f) Accounts and audit

The Board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorized by the Board or the Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, the Company may send to such persons summarized financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarized financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. Moreover, the members may, at any general meeting, by special resolution remove the auditor at any time before the expiration of his terms of office and shall by ordinary resolution at that meeting appoint another auditor for the remainder of his term. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

(g) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

The Articles provide that dividends may be declared and paid out of the profits of the Company, realized or unrealized, or from any reserve set aside from profits which the Directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorized for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the Board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

The Company may also upon the recommendation of the Board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the Board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(h) Inspection of corporate records

Pursuant to the Articles, the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK$2.50 or such lesser sum specified by the Board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK$1.00 or such lesser sum specified by the Board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

(i) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman Islands law, as summarized in paragraph 3(f) of this Appendix.

(j) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

(i) if the Company is wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and

(ii) if the Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or in kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(k) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Company operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorized share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "**Court**"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorized to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorize the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorized by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not to be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted on, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

The Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorizing civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally, claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Disposal of assets

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to the Tax Concessions Law of the Cayman Islands, the Company has obtained an undertaking:

(i) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and

(ii) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from November 27, 2007.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of the Company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

(n) Register of members

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register must be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(o) Register of Directors and Officers

The Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within sixty (60) days of any change in such directors or officers.

(p) Beneficial Ownership Register

An exempted company is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, more than 25% of the equity interests or voting rights of the company or have rights to appoint or remove a majority of the directors of the company. The beneficial ownership register is not a public document and is only accessible by a designated competent authority of the Cayman Islands. Such requirement does not, however, apply to an exempted company with its shares listed on an approved stock exchange, which includes the Stock Exchange. Accordingly, for so long as the shares of the Company are listed on the Stock Exchange, the Company is not required to maintain a beneficial ownership register.

(q) Winding up

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorizing civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the Court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorized to be done by the official liquidator to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorized by the company's articles of association and published in the Gazette.

(r) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(s) Take-overs

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(t) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarizing certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the section headed "Documents to be Delivered to the Registrar of Companies and Available for Inspection – Documents Available for Inspection" in Appendix VII to this prospectus. Any person wishing to have a detailed summary of Cayman Companies Law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

1. FURTHER INFORMATION ABOUT OUR GROUP

(a) Incorporation of our Company

Our Company was incorporated in the Cayman Islands under the Cayman Companies Law as an exempted company with limited liability on November 8, 2007. We have established a principal place of business in Hong Kong at Suite 2303, COFCO Tower, No. 262 Gloucester Road, Hong Kong and have been registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part XI of the Companies Ordinance on October 8, 2008 under the same address. Mr. Ho Pui Lam Joseph has been appointed as the authorized representative of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company was incorporated in the Cayman Islands, our corporate structure and Memorandum of Association and Articles of Association are subject to the relevant laws and regulations of the Cayman Islands. A summary of the relevant laws and regulations of the Cayman Islands and of the Memorandum of Association and Articles of Association is set out in "Appendix V – Summary of the Constitution of our Company and Cayman Islands Company Law" to this prospectus.

(b) Changes in the Share Capital of our Company

As of the date of incorporation of our Company, our Company had an authorized share capital of HK$380,000, divided into 3,800,000 shares of HK$0.10 each. On November 8, 2007, one subscriber Share was allotted and issued at par value to the initial subscriber and transferred to CRC.

The following changes in the share capital of our Company have taken place since the date of incorporation of our Company up to the date of this prospectus:

- on February 15, 2008, the authorized share capital of our Company was increased from HK$380,000 to HK$250,000,000 by the creation of an additional 2,496,200,000 Shares and 882,324,427 Shares were allotted and issued to CRC pursuant to the resolutions in writing of the then sole Shareholder, namely CRC, passed on the same day;

- on February 28, 2008, 184,581,828 Shares of the then existing issued Shares registered in the name of CRC were converted into 184,581,828 Series A Shares such that following the aforesaid conversion, the authorized share capital of our Company was HK$250,000,000 divided into 2,315,418,172 Shares and 184,581,828 Series A Shares;

- on February 28, 2008, CRC transferred 184,581,828 Series A Shares to the Series A Investors pursuant to a share swap arrangement;

- on November 11, 2011, the authorized share capital of our Company increased from HK$250,000,000 to HK$1,000,000,000 divided into 9,815,418,172 Shares and 184,581,828 Series A Shares by the creation of 7,500,000,000 additional Shares;

- on April 4, 2018, the 184,581,828 Series A Shares registered in the name of Texson were converted into 184,581,828 Shares;

- on April 13, 2018, our Company allotted and issued 12,664,064 Shares to Erie Investments Limited for US$10,000,000 and 6,332,032 Shares to Net Gain Holdings Limited for US$5,000,000. All investment amounts were settled;

- on May 15, 2018, our Company allotted and issued 36,600,000 Shares to Century Best Investments Limited for RMB189,156,120. The investment amount was settled;

- on June 20, 2018, our Company allotted and issued 24,798,000 Shares to China Oriental Group Company Limited for RMB128,161,023.60. The investment amount was settled; and

- at the extraordinary general meeting of our Company held on February 21, 2019, our Shareholders resolved that conditional upon our share premium account being credited as a result of the Global Offering, the capitalization of HK$243,728,147.60 out of the share premium account of our Company in paying up in full at par 2,437,281,476 Shares for allotment and issuance to holders of the Shares whose names appear on the register of members of our Company at the close of business on February 1, 2019 in the same proportion as their then shareholdings was approved.

Immediately following the completion of the Global Offering but without taking into account of any Shares that may be issued upon the exercise of the Over-allotment Option or any options that may be granted under the Share Option Scheme, the issued share capital of our Company will be HK$400,000,000, divided into 4,000,000,000 Shares of HK$0.10 each, all fully paid or credited as fully paid, and 6,000,000,000 Shares of HK$0.10 each will remain unissued.

Save as disclosed above and in this prospectus, there has been no alteration in the share capital of our Company since its incorporation.

(c) Resolutions of our Shareholders passed on February 21, 2019

At the extraordinary general meeting of our Company held on February 21, 2019, resolutions were passed pursuant to which, among other things:

(i) conditional upon the Listing, the Memorandum and the Articles were approved and adopted in substitution for and to the exclusion of the existing memorandum of association and articles of association of our Company with effect from the Listing Date;

(ii) conditional upon the conditions set out in the section head "Structure of the Global Offering – Conditions of the Hong Kong Public Offering" in this prospectus being satisfied (or, if applicable, waived) and pursuant to the terms set out therein:

(A) the Global Offering, the Listing and the grant of the Over-allotment Option were approved and the Directors were authorized to approve the allotment and issuance of the Offer Shares and any new Shares which are required to be issued if the Over-allotment Option is exercised;

(B) the rules of the Share Option Scheme were adopted and the Directors were authorized, at their absolute discretion, to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of options granted under the Share Option Scheme;

(C) conditional upon our share premium account being credited as a result of the Global Offering, the capitalization of HK$243,728,147.60 out of the share premium account of our Company in paying up in full at par 2,437,281,476 Shares for allotment and issuance to holders of the Shares whose names appear on the register of members of our Company at the close of business on February 1, 2019 in the same proportion as their then shareholdings was approved and the updating of the register of members of our Company to reflect the Capitalization Issue was authorized;

(D) a general unconditional mandate was granted to our Directors to allot, issue and deal with the Shares and to make or grant share sale plans, agreements or options which would or might require the exercise of such powers to allot, issue and deal with the Shares, with an aggregate number of Shares allotted or agreed to be allotted, otherwise than by way of rights issue or pursuant to the exercise of any options which may be granted under any share option scheme or by virtue of scrip dividend schemes or similar arrangements in accordance with our Articles, not exceeding:

(1) 20% of the aggregate number of Shares in issue and to be issued immediately following the completion of the Global Offering on the Listing Date (including, without limitation, any issue of Shares pursuant to the Capitalization Issue); and

(2) the aggregate number of Shares repurchased under the authority referred to in sub-paragraph (E) below; and

(E) a general unconditional mandate was granted to our Directors to exercise all the powers of our Company to repurchase on the Stock Exchange, or on any other stock exchange on which our securities may be listed and which is recognized by the SFC and the Stock Exchange, such number of Shares that will represent up to 10% of the aggregate number of Shares immediately following completion of the Global Offering and the Capitalization Issue but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option, and the said approval shall be limited accordingly.

Each of the general mandates referred to in paragraphs (c)(ii)(D) and (E) above will remain in effect until the earliest of:

(A) the conclusion of our next annual general meeting;

(B) the expiration of the period within which our next annual general meeting is required to be held; or

(C) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in a general meeting.

(d) Group Reorganization

The companies comprising our Group underwent the Reorganization in preparation for the Listing. Please refer to the section headed "History, Reorganization and Corporate Structure" in this prospectus for further details.

(e) Changes in the Share Capital of Our Subsidiaries

Our subsidiaries are referred to in the Accountants' Report set out in Appendix I to this prospectus. Save for the subsidiaries mentioned in the Accountants' Report, we do not have any other subsidiaries.

The changes in the share capital of our Company's subsidiaries that took place within the two years immediately preceding the date of this prospectus are set out as follows:

Name of entity	Changes in share capital
Xingtai Risun Trading (formerly known as Xingtai Risun Coking Limited (邢台旭陽焦化有限公司))	The registered capital of Xingtai Risun Trading increased from RMB94,750,000 to RMB575,727,100 on September 29, 2018. The registered capital of Xingtai Risun Trading was reduced from RMB575,727,100 to RMB94,750,000 on December 17, 2018.
Hebei Risun Coking	The registered capital of Hebei Risun Coking increased from RMB225,000,000 to RMB800,000,000 on January 2, 2019.
Xingtai Risun Coal Chemicals	The registered capital of Xingtai Risun Coal Chemicals increased from RMB300,000,000 to RMB310,000,000 on September 25, 2018.
Risun Chemicals	The registered capital of Risun Chemicals increased from RMB1,100,000,000 to RMB4,300,000,000 on December 5, 2017.
Xingtai Risun Chemicals	The registered capital of Xingtai Risun Chemicals will increase from RMB150,000,000 to RMB218,520,000 by September 30, 2019.
Risun Global	The registered capital of Risun Global increased from HK$1 to HK$3,000,000 on December 9, 2016.

(f) Repurchase by our Company of our Own Securities

This paragraph includes information required by the Stock Exchange to be included in this prospectus concerning the repurchase by our Company of our own securities.

(i) Provisions of the Listing Rules

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarized below:

(A) Shareholders' approval

All proposed repurchases of securities by a company with its primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of shareholders, either by way of general mandate or by specific approval of a specific transaction.

Pursuant to the resolutions of our Shareholders passed on February 21, 2019, our Directors were granted a general unconditional mandate (the "**repurchase mandate**") to repurchase on the Stock Exchange, or any other stock exchange on which our securities may be listed and which is recognized by the SFC and the Stock Exchange, such aggregate number of Shares not exceeding 10% of the aggregate number of Shares immediately following completion of the Global Offering and the Capitalization Issue but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option.

The repurchase mandate will remain in effect until the earliest of:

(1) the conclusion of our next annual general meeting;

(2) the expiration of the period within which our next annual general meeting is required to be held; or

(3) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in a general meeting.

(B) Source of funds

Repurchases of Shares must only be funded out of funds legally permitted to be utilized in this connection (namely profits or share premium or the proceeds from a new issue of shares made for the purpose of the repurchase, or, if so authorized by its articles of association and subject to the Cayman Companies Law, out of capital) in accordance with the Memorandum and Articles of Association, the Listing Rules and the applicable laws of the Cayman Islands.

Any premium on a repurchase may be made out of profits of our Company or from sums standing to the credit of our Company's share premium account or, if so authorized by the Articles of Association and subject to the Cayman Companies Law, out of capital. A company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

(C) Trading restrictions

The total number of shares which we are authorized to repurchase on the Stock Exchange is such number of shares which represents up to a maximum of 10% of our existing issued share capital as of the date of the resolution approving the repurchase. A company may not issue or announce an issue of securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange.

(D) Shares to be purchased

The Listing Rules provide that the shares which are proposed to be purchased by a company must be fully paid up.

(E) Status of repurchased securities

The listing of all repurchased securities (whether on the Stock Exchange or otherwise) is automatically cancelled and the relevant certificates for those securities must be cancelled and destroyed. Under the laws of the Cayman Islands, a company's repurchased securities are to be treated as cancelled, and the amount of our Company's issued share capital shall be diminished by the nominal value of those shares accordingly.

(F) Suspension of repurchases

Securities repurchases are prohibited after a price-sensitive development has occurred or has been the subject of a decision until such time as the price-sensitive information has been publicly announced. In addition, the Stock Exchange reserves the right to prohibit repurchases of securities on the Stock Exchange if a company has breached the Listing Rules.

(G) Reporting requirements

Repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange no later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session (Hong Kong time) on the following Business Day. In addition, the company's annual report is required to disclose details regarding repurchases of securities made during the year, including the monthly breakdown of the number of securities repurchased, purchase price per share and the aggregate price paid. The directors' report shall contain reference to the purchases made during the year and the reasons for making such purchases.

(H) Connected persons

A company is prohibited from knowingly repurchasing securities on the Stock Exchange from a "connected person", which includes a director, chief executive or substantial shareholder of the company or any of its subsidiaries or their associates and a connected person is prohibited from knowingly selling his securities to the company.

(ii) Share capital

Exercise in full of the repurchase mandate, on the basis of 4,000,000,000 Shares in issue immediately after the listing of the Shares, could accordingly result in up to 400,000,000 Shares being repurchased by us during the course of the period prior to the date on which such repurchase mandate expires or terminates (as referred to in paragraph (f)(i)(A) above).

(iii) General information relevant to the repurchase mandate

(A) Our Directors believe that it is in the best interests of us and our Shareholders to have a general authority from the Shareholders to enable our Directors to repurchase Shares in the market. Repurchases of shares will only be made when our Directors believe that such repurchases will benefit us and our Shareholders. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of our net value and our assets and/or our earnings per Share.

(B) There might be a material adverse impact on our working capital or gearing position (as compared with the position disclosed in this prospectus) in the event that the repurchase mandate is exercised in full. However, our Directors do not propose to exercise the repurchase mandate to such extent as would, in the circumstances, have a material adverse effect on our working capital requirements or the gearing levels, which in the opinion of our Directors are from time to time appropriate for us.

(C) None of our Directors or, to the best of their knowledge having made all reasonable enquiries, any of their respective associates has any present intention to sell any Shares to us or our subsidiaries if the repurchase mandate is exercised.

(D) Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the repurchase mandate only in accordance with the Listing Rules and the applicable laws of the Cayman Islands. We shall procure the broker who effects the repurchase of securities to disclose to the Stock Exchange such information in relation to the purchase as the Stock Exchange may request.

(E) If as a result of a repurchase of securities, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder (or a group of Shareholders acting in concert, as defined in the Takeovers Code) could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as disclosed in this prospectus, our Directors are not aware of any consequences that would arise under the Takeovers Code as a result of a repurchase pursuant to the repurchase mandate.

(F) No connected person has notified us that he has a present intention to sell Shares to us, or has undertaken not to do so, if the repurchase mandate is exercised.

2. FURTHER INFORMATION ABOUT OUR BUSINESS

(a) Summary of Material Contracts

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by our Company or its subsidiaries within the two years preceding the date of this prospectus and are or may be material:

(i) the share transfer agreement dated August 16, 2017 entered into between Beijing Risun Hongye and Shanxi Coking Coal Group Coking Sales Co., Ltd. (山西焦煤集團煤焦銷售有限公司), pursuant to which Beijing Risun Hongye disposed of its entire 0.94% equity interest in Shanxi Coke (International) Trading Center Company Limited (山西焦炭(國際)交易中心股份有限公司) for a consideration of RMB707,223 as part of the Reorganization;

(ii) the equity transfer agreement dated September 18, 2017 entered into between Xingtai Risun Trading and Risun Chemicals, pursuant to which Xingtai Risun Trading acquired from Risun Chemicals its 48.63% equity interest in Xingtai Risun Coal Chemicals, at a consideration of RMB538,940,000, and setting off the amounts owed between the parties as part of the Reorganization;

(iii) the equity transfer agreement dated September 21, 2017 entered into between Beijing Risun Hongye and Beijing Zhengcheng Weiye Coal Coking Chemicals Limited (北京正誠偉業煤焦化工有限公司), pursuant to which Beijing Risun Hongye disposed of its entire equity interest in Alashan League Risun Coal Limited (阿拉善盟旭陽煤業有限公司) for a consideration of RMB30,000,000 as part of the Reorganization;

(iv) the asset and business purchase agreement dated September 25, 2017 entered into between Tangshan Risun Phthalic Anhydride and Tangshan Risun Chemicals, pursuant to which Tangshan Risun Phthalic Anhydride transferred its operations, resources and physical assets to Tangshan Risun Chemicals for a consideration determined by the net asset value in the valuation report referenced in the agreement as part of the Reorganization;

(v) the equity transfer agreement dated December 1, 2017 entered into between Risun Chemicals and Hong Kong Risun, pursuant to which Risun Chemicals acquired from Hong Kong Risun the entire equity interest of Hebei Risun Coking for a consideration of RMB3,212,812,731.92 as part of the Reorganization;

(vi) the equity transfer agreement dated December 12, 2017 entered into between Xuyang Holding and Risun Chemicals, pursuant to which Risun Chemicals acquired from Xuyang Holding its entire 46.57% equity interest in Cangzhou Risun Chemicals for a consideration of RMB388,857,100 as part of the Reorganization;

(vii) the share subscription agreement dated February 22, 2018 entered into between our Company and Erie Investments Limited, pursuant to which Erie Investments Limited agreed to subscribe for 12,664,064 Shares for a consideration of US$10,000,000. Please refer to the section headed "History, Reorganization and Corporate Structure – Pre-IPO Investments" in this prospectus for more details;

(viii) the share subscription agreement dated February 22, 2018 entered into between our Company and Net Gain Holdings Limited, pursuant to which Net Gain Holdings Limited agreed to subscribe for 6,332,032 Shares for a consideration of US$5,000,000. Please refer to the section headed "History, Reorganization and Corporate Structure – Pre-IPO Investments" in this prospectus for more details;

(ix) the share subscription agreement dated May 7, 2018 entered into between our Company and Century Best Investments Limited, pursuant to which Century Best Investments Limited agreed to subscribe for 36,600,000 Shares for a consideration calculated based on RMB5.1682 per Share. Please refer to the section headed "History, Reorganization and Corporate Structure – Pre-IPO Investments" in this prospectus for more details;

(x) the subscription agreement dated June 13, 2018 entered into between our Company, Texson and China Oriental Group Company Limited, pursuant to which China Oriental Group Company Limited agreed to subscribe for 24,798,000 Shares for a consideration of RMB128,161,023.60. Please refer to the section headed "History, Reorganization and Corporate Structure – Pre-IPO Investments" in this prospectus for more details;

(xi) the equity transfer agreement dated September 30, 2018 entered into between Xingtai Risun Trading and Risun Chemicals, pursuant to which Xingtai Risun Trading transferred its 50.29% equity interest in Xingtai Risun Coal Chemicals to Risun Chemicals, with a value of RMB480,977,100 as part of the Reorganization;

(xii) the share capital increase agreement dated October 23, 2018 entered into between Risun Chemicals and Xingtai Risun Coal Chemicals, pursuant to which Xingtai Risun Coal Chemicals agreed to contribute RMB68,520,000 in the form of a land use right to the registered captial of Xingtai Risun Chemicals as part of the Reorganization;

(xiii) the Deed of Non-competition;

(xiv) the Deed of Indemnity;

(xv) a cornerstone investment agreement dated February 22, 2019 entered into by and among our Company, Lido Trading Limited (力都貿易有限公司), Guotai Junan Capital Limited and Guotai Junan Securities (Hong Kong) Limited, details of which are set out in the section headed "Our Cornerstone Investors" in this prospectus;

(xvi) a cornerstone investment agreement dated February 22, 2019 entered into by and among our Company, Guangzhou Panyu Haiyi Real Estate Development Company Ltd. (廣州番禺海怡房地產開發有限公司), Guotai Junan Capital Limited and Guotai Junan Securities (Hong Kong) Limited, details of which are set out in the section headed "Our Cornerstone Investors" in this prospectus;

(xvii) a cornerstone investment agreement dated February 22, 2019 entered into by and among our Company, Wide Bridge Limited, Guotai Junan Capital Limited and Guotai Junan Securities (Hong Kong) Limited, details of which are set out in the section headed "Our Cornerstone Investors" in this prospectus;

(xviii) a cornerstone investment agreement dated February 22, 2019 entered into by and among our Company, Silver Prosper Holdings Limited (銀鑫控股有限公司), Guotai Junan Capital Limited and Guotai Junan Securities (Hong Kong) Limited, details of which are set out in the section headed "Our Cornerstone Investors" in this prospectus;

(xix) a cornerstone investment agreement dated February 22, 2019 entered into by and among our Company, China Fortune Rich Private Equity Fund Limited (中國祿豐私募資金有限公司), Guotai Junan Capital Limited and Guotai Junan Securities (Hong Kong) Limited, details of which are set out in the section headed "Our Cornerstone Investors" in this prospectus;

(xx) a cornerstone investment agreement dated February 22, 2019 entered into by and among our Company, LFM Oversea Investment Fund SPC (on behalf of and for account of LFM Oversea SP), Guotai Junan Capital Limited and Guotai Junan Securities (Hong Kong) Limited, details of which are set out in the section headed "Our Cornerstone Investors" in this prospectus; and

(xxi) a cornerstone investment agreement dated February 22, 2019 entered into by and among our Company, Henan Jinma Energy Company Limited (河南金馬能源股份有限公司), Guotai Junan Capital Limited, Guotai Junan Securities (Hong Kong) Limited and Haitong International Securities Company Limited, details of which are set out in the section headed "Our Cornerstone Investors" in this prospectus;

(xxii) a cornerstone investment agreement dated February 23, 2019 entered into by and among our Company, Jiangxi Blackcat Carbon Black Inc., Ltd. (江西黑猫炭黑股份有限公司), Guotai Junan Capital Limited, Guotai Junan Securities (Hong Kong) Limited and Essence International Securities (Hong Kong) Limited (安信國際證券(香港)有限公司), details of which are set out in the section headed "Our Cornerstone Investors" in this prospectus;

(xxiii) the Hong Kong Underwriting Agreement.

(b) Intellectual Property Rights of our Group

As of the Latest Practicable Date, we had registered or have applied for the registration of the following intellectual property rights which are material in relation to our business.

(i) Domain Names

As of the Latest Practicable Date, we had have registered the following domain names which are material to our business:

Domain Name	Registrant	Expiry Date
hbrisun.com	Hebei Risun Coking	February 28, 2020
risun.com	Risun Chemicals	May 24, 2023

(ii) Trademarks

As of the Latest Practicable Date, Xingtai Risun Trading was the registered user of the following trademarks and our Group was licensed to use the following trademarks which are material to our business:

Trademark	Place of Registration	Registrant	Class	Registration No.	Validity Period
RISUN	PRC	Xingtai Risun Trading	43	9290573	April 21, 2014 – April 20, 2024
RISUN	PRC	Xingtai Risun Trading	40	9290571	February 14, 2014 – February 13, 2024
RISUN	PRC	Xingtai Risun Trading	42	9290570	February 14, 2014 – February 13, 2024
RISUN	PRC	Xingtai Risun Trading	32	9290569	February 7, 2014 – February 6, 2024
RISUN	PRC	Xingtai Risun Trading	1	9290566	August 21, 2015 – August 20, 2025
RISUN	PRC	Xingtai Risun Trading	4	9290565	January 14, 2014 – January 13, 2024

Trademark	Place of Registration	Registrant	Class	Registration No.	Validity Period
RISUN	PRC	Xingtai Risun Trading	6	9290563	February 7, 2014 – February 6, 2024
旭陽 RISUN	PRC	Xingtai Risun Trading	1	4395773	April 7, 2008 – April 6, 2028
旭陽 RISUN	PRC	Xingtai Risun Trading	4	4395772	February 7, 2008 – February 6, 2028
旭陽 RISUN	PRC	Xingtai Risun Trading	6	4395771	August 7, 2007 – August 6, 2027
旭陽	PRC	Xingtai Risun Trading	19	4395770	February 7, 2008 – February 6, 2028
XUYANG	PRC	Xingtai Risun Trading	4	1972639	January 7, 2014 – January 6, 2024
XUYANG	PRC	Xingtai Risun Trading	6	1909989	February 28, 2013 – February 27, 2023
旭 阳	PRC	Xingtai Risun Trading	6	1909987	November 28, 2012 – November 27, 2022
	PRC	Xingtai Risun Trading	6	1909986	November 28, 2012 – November 27, 2022
旭 阳	PRC	Xingtai Risun Trading	4	1810332	July 21, 2012 – July 20, 2022
A RISUN B RISUN	Hong Kong	Xingtai Risun Trading	1, 4, 6, 19	301024659	January 3, 2008 – January 2, 2028
RISUN	Hong Kong	Xingtai Risun Trading	1, 4, 5, 6, 11, 19, 32, 36, 42, 43	301875493	August 13, 2012 – March 29, 2021
RISUN	Hong Kong	Xingtai Risun Trading	40	301875501	November 22, 2011 – March 29, 2021

Trademark	Place of Registration	Registrant	Class	Registration No.	Validity Period
A B	Hong Kong	Xingtai Risun Trading	1, 4, 6, 19	301024668	January 3, 2008 – January 2, 2028

(iii) Patents

As of the Latest Practicable Date, our material patents were as follows:

No.	Patent	Place of Registration	Patent No.	Patent holder	Validity Period
1.	A method for catalytical synthesis of methyl propionate (一種催化合成丙酸甲酯的方法)	PRC	ZL 2011 10200706.9	Cangzhou Risun Chemicals	20 years, from July 18, 2011
2.	A device for preparing adipic acid by reaction/concentration coupling (一種反應/濃縮耦合製備己二酸的裝置)	PRC	ZL 2012 20310633.9	Cangzhou Risun Chemicals	10 years, from June 28, 2012
3.	A method for preparing biodegradable polybutylene succinate (一種可生物降解聚丁二酸丁二醇酯的製備方法)	PRC	ZL 2012 10237720.0	Cangzhou Risun Chemicals	20 years, from July 9, 2012
4.	Catalyst of Zr-Cs series methyl methacrylate for additive properties modifying adjuvant and its preparation method (添加改性助劑的Zr-Cs系甲基丙烯酸甲酯催化劑及其製備方法)	PRC	ZL 2011 10212068.2	Cangzhou Risun Chemicals	20 years, from July 27, 2011
5.	Production equipment for polybutylene succinate (聚丁二酸丁二醇酯的生產設備)	PRC	ZL 2012 20515193.0	Cangzhou Risun Chemicals	10 years, from September 29, 2012

No.	Patent	Place of Registration	Patent No.	Patent holder	Validity Period
6.	A method for purifying cyclohexanone by distillation adsorption (一種通過蒸餾吸附提純環己酮的方法)	PRC	ZL 2014 10254956.4	Cangzhou Risun Chemicals; Beijing Risun Science and Technology Limited	20 years, from June 10, 2014
7.	A method for preparing polyamide 6 thermoplastic elastomer resin (一種聚醯胺6熱塑性彈性體樹脂的製備方法)	PRC	ZL 2014 10667956.7	Cangzhou Risun Chemicals; Beijing Risun Science and Technology Limited	20 years, from November 20, 2014
8.	Reactor for preparing cyclohexanone oxime (用於製備環己酮氨肟的反應器)	PRC	ZL 2017 21276352.5	Cangzhou Risun Chemicals	10 years, from September 30, 2017
9.	Separation and recovery device and separation method for residual liquid from coking crude benzene hydrogenation (焦化粗苯加氫工藝重組分殘液的分離回收裝置及分離方法)	PRC	ZL 2010 10239195.7	Xingtai Risun Coal Chemicals	20 years, from July 29, 2010
10.	Separation and purification device and process for residual liquid from coking crude benzene hydrogenation process (焦化粗苯加氫工藝重組分殘液的分離提純裝置和工藝)	PRC	ZL 2010 10524775.0	Xingtai Risun Coal Chemicals	20 years, from October 29, 2010
11.	A reactive distillation device for preparing trioxane (一種製備三聚甲醛的反應蒸餾裝置)	PRC	ZL 2011 20270729.2	Xingtai Risun Coal Chemicals	10 years, from July 28, 2011
12.	A reactive distillation device and method for preparing trioxane (一種製備三聚甲醛的反應蒸餾裝置及方法)	PRC	ZL 2011 10213590.2	Xingtai Risun Coal Chemicals	20 years, from July 28, 2011

No.	Patent	Place of Registration	Patent No.	Patent holder	Validity Period
13.	A reaction system for coking crude benzene hydrogenation (一種焦化粗苯加氫工藝反應系統)	PRC	ZL 2012 20135478.1	Xingtai Risun Coal Chemicals	10 years, from April 1, 2012
14.	A method and device for producing trioxane (一種生產三聚甲醛的方法及裝置)	PRC	ZL 2012 10094677.7	Xingtai Risun Coal Chemicals	20 years, from April 1, 2012
15.	A method and device for removing light component from trioxane (一種三聚甲醛脱除輕組分的方法及裝置)	PRC	ZL 2012 10098979.1	Xingtai Risun Coal Chemicals	20 years, from April 6, 2012
16.	An inner screw for twin screw reactor (一種用於雙螺桿反應器的內螺桿)	PRC	ZL 2012 20397703.9	Xingtai Risun Coal Chemicals	10 years, from August 10, 2012
17.	Disc dryer (盤式乾燥機)	PRC	ZL 2013 20491762.7	Xingtai Risun Coal Chemicals	10 years, from August 12, 2013
18.	A method for extracting triphenyl from coking light oil (一種從焦化輕油中提取三苯的方法)	PRC	ZL 2013 10384211.5	Xingtai Risun Coal Chemicals	20 years, from August 29, 2013
19.	A method for regenerating functionalized acidic ionic liquid catalyst (一種功能化酸性離子液體催化劑再生的方法)	PRC	ZL 2013 10537471.1	Xingtai Risun Coal Chemicals	20 years, from November 4, 2013
20.	Heat extractor and waste heat recovery device for coke oven gas (取熱器及荒煤氣餘熱回收裝置)	PRC	ZL 2013 20687850.4	Xingtai Risun Coal Chemicals	10 years, from November 4, 2013
21.	Diaphragm seal for liquid pressure measurement, mechanical index pressure gauge and pressure transmitter (液體壓力測量用隔膜密封裝置、機械式指標壓力錶及壓力變送器)	PRC	ZL 2013 10594146.9	Xingtai Risun Coal Chemicals	20 years, from November 22, 2013

No.	Patent	Place of Registration	Patent No.	Patent holder	Validity Period
22.	A catalyst system for preparing polyoxymethylene and preparation method thereof (一種用於製備聚甲醛的催化劑體系及其製備方法)	PRC	ZL 2014 10483504.3	Xingtai Risun Coal Chemicals	20 years, from September 19, 2014
23.	A composite corrosion and scale inhibitor for recirculating cooling water treatment (一種用於循圈冷卻水處理的複合緩蝕阻垢劑)	PRC	ZL 2014 10682861.2	Xingtai Risun Coal Chemicals	20 years, from November 24, 2014
24.	A water jet sealed quenching system (一種水流噴射封閉式熄焦系統)	PRC	ZL 2015 10029990.6	Xingtai Risun Coal Chemicals	20 years, from January 21, 2015
25.	A water jet sealed quenching system (一種水流噴射封閉式熄焦系統)	PRC	ZL 2015 20041991.8	Xingtai Risun Coal Chemicals	10 years, from January 21, 2015
26.	Wet quenching system (濕法熄焦系統)	PRC	ZL 2015 20388477.1	Xingtai Risun Coal Chemicals	10 years, from June 8, 2015
27.	A method for extracting salt by multiple-effect evaporation of desulfurization waste liquid (一種脫硫廢液多效蒸發提鹽的方法)	PRC	ZL 2015 10177706.X	Xingtai Risun Coal Chemicals	20 years, from April 15, 2015
28.	Tar ammonia water clarifying tank slag loading device (焦油氨水澄清槽放渣裝運裝置)	PRC	ZL 2015 10252487.7	Xingtai Risun Coal Chemicals	20 years, from May 18, 2015
29.	Tar ammonia water clarifying tank slag loading device (焦油氨水澄清槽放渣裝運裝置)	PRC	ZL 2015 20317515.4	Xingtai Risun Coal Chemicals	10 years, from May 18, 2015
30.	A desulfurization and deamination treatment device for benzene hydrogenation wastewater (一種苯加氫廢水脫硫脫氨處理裝置)	PRC	ZL 2016 20 348992.1	Tangshan Risun Chemicals	10 years, from April 22, 2016

No.	Patent	Place of Registration	Patent No.	Patent holder	Validity Period
31.	A method for preparing methanol (一種色譜級甲醇的製備方法)	PRC	ZL 2013 10 329798.X	Hebei Risun Coking; Dingzhou Tianlu New Energy	20 years, from July 31, 2013
32.	Ammonia recovery system (氨回收系統)	PRC	ZL 2016 20 660993.X	Hebei Risun Coking; Dingzhou Tianlu New Energy	10 years, from June 28, 2016
33.	Methanol recovery unit (甲醇回收裝置)	PRC	ZL 2016 20 656473.1	Hebei Risun Coking; Dingzhou Tianlu New Energy	10 years, from June 28, 2016
34.	Coke oven gas desulfurization device (焦爐煤氣脫硫裝置)	PRC	ZL 2016 20 660169.4	Hebei Risun Coking; Dingzhou Tianlu New Energy	10 years, from June 28, 2016
35.	Steam power generation system (蒸汽發電系統)	PRC	ZL 2016 20 659031.2	Hebei Risun Coking; Dingzhou Tianlu New Energy	10 years, from June 28, 2016
36.	A harmless treatment device for vacuum potassium carbonate desulfurization waste liquid (一種真空碳酸鉀脫硫廢液無害化處理裝置)	PRC	ZL 2016 21 216569.2	Hebei Risun Coking	10 years, from November 10, 2016
37.	A preparation method of 1,3-diol (一種製備1, 3-二元醇的方法)	PRC	ZL 2010 10 108704.2	Qingdao Research Institute; Dingzhou Tianlu New Energy; Hebei Risun Coking	20 years, from February 11, 2010
38.	A kind of method, enzyme system and recombinant cells for the biological synthesis of isoprene and the application thereof (一種生物法合成異戊二烯的方法、酶系統和重組細胞及其應用)	PRC	ZL 2010 10 609184.3	Qingdao Research Institute; Dingzhou Tianlu New Energy; Hebei Risun Coking	20 years, from December 23, 2010

No.	Patent	Place of Registration	Patent No.	Patent holder	Validity Period
39.	A special preparation method of 5-hydroxymethylfurfural (一種製備5-羥甲基糠醛的方法)	PRC	ZL 2010 10 266707.9	Qingdao Research Institute; Dingzhou Tianlu New Energy; Hebei Risun Coking	20 years, from August 24, 2010
40.	A kind of recombinant cells for the preparation of isoprene and the preparation method thereof (一種製備異戊二烯的重組細胞及其製備方法)	PRC	ZL 2010 10 600692.5	Qingdao Research Institute; Dingzhou Tianlu New Energy; Hebei Risun Coking	20 years, from December 20, 2010
41.	A method for the preparation of 1,3-propanediol by biologically catalyzing the transformation of 1,3-dioxane (一種生物催化1, 3-二噁烷轉化製備1, 3-丙二醇的方法)	PRC	ZL 2011 10 009935.2	Qingdao Research Institute; Dingzhou Tianlu New Energy; Hebei Risun Coking	20 years, from January 11, 2011
42.	A preparation method of bean pulp polyurethane foam plastics (一種豆粕聚氨酯泡沫塑料的製備方法)	PRC	ZL 2011 10 039551.5	Qingdao Research Institute; Dingzhou Tianlu New Energy; Hebei Risun Coking	20 years, from February 15, 2011
43.	A method for preparing furan dimethanol dialkyl ether from sugar (一種由糖製備呋喃二甲醇二烷基醚的方法)	PRC	ZL 2011 10 401610.9	Qingdao Research Institute; Dingzhou Tianlu New Energy; Hebei Risun Coking	20 years, from December 6, 2011
44.	A methanol industrial waste gas treatment system (一種甲醇行業廢氣治理系統)	PRC	ZL 2017 20 332562.5	Dingzhou Tianlu New Energy	20 years, from March 31, 2017

No.	Patent	Place of Registration	Patent No.	Patent holder	Validity Period
45.	A coke oven gas purification device (焦爐荒煤氣淨化裝置)	PRC	ZL 2017 20 271696.0	Hebei Risun Coking	10 years, from March 20, 2017
46.	A device for continuous treatment of waste alkali liquor (一種廢碱液的連續處理裝置)	PRC	ZL 2017 21 116673.9	Hebei Risun Coking	10 years, from September 1, 2017
47.	A VOCs exhaust gas treatment device and method for coking industry (一種焦化行業VOCs廢氣處理裝置及方法)	PRC	ZL 2017 20 689327.3	Hebei Risun Coking	10 years, from June 14, 2017
48.	A coke oven gas crude benzene recovery device (一種焦爐荒煤氣粗苯回收裝置)	PRC	ZL 2017 20 272092.8	Hebei Risun Coking	10 years, from March 20, 2017
49.	Ammonium carbonate production unit (碳酸銨生產裝置)	PRC	ZL 2016 20 477653.3	Dingzhou Tianlu New Energy; Hebei Risun Coking; Dingzhou Risun Technology Co., Ltd.	10 years, from May 23, 2016
50.	Method for simultaneously preparing potassium thiocyanate, potassium sulfate and ammonium carbonate by using desulfurization waste liquid (用脱硫廢液同時製取硫氰酸鉀、硫酸鉀和碳酸銨的方法)	PRC	ZL 2016 10 342564.2	Dingzhou Tianlu New Energy; Hebei Risun Coking; Dingzhou Risun Technology Co., Ltd.	20 years, from May 23, 2016
51.	Ammonium carbonate production device and production method thereof (碳酸銨生產裝置及其生產方法)	PRC	ZL 2016 10 342562.3	Dingzhou Tianlu New Energy; Hebei Risun Coking; Dingzhou Risun Technology Co., Ltd.	20 years, from May 23, 2016

No.	Patent	Place of Registration	Patent No.	Patent holder	Validity Period
52.	Ammonia VOCs exhaust gas treatment device (一種含氨VOCs廢氣處理裝置)	PRC	ZL 2018 20 037068.0	Hebei Risun Coking	10 years, from January 10, 2018
53.	Device for preparing modified asphalt and method for preparing modified asphalt by using the device (製備改質瀝青的裝置和使用該裝置製備改質瀝青的方法)	PRC	ZL 2016 10 067534.5	Xingtai Risun Coal Chemicals	20 years, from February 1, 2016
54.	A method for the preparation of the polycondensation catalyst, the catalyst made therefrom, and method for preparing PBS and copolymer thereof using the catalyst (一種縮聚催化劑的製備方法、由其製備的催化劑以及以該催化劑製備PBS及其共聚物的方法)	PRC	ZL 2013 10 320256.6	Tangshan Risun Chemicals	20 years, from July 26, 2013
55.	A method for the preparation of the polycondensation catalyst, the catalyst made therefrom, and method for preparing PBS and copolymer thereof using the catalyst (一種縮聚催化劑的製備方法、由其製備的催化劑以及以該催化劑製備PBS及其共聚物的方法)	PRC	ZL 2012 10 306980.9	Tangshan Risun Chemicals	20 years, from August 24, 2012
56.	A method for preparing 1,4-butanediol by ammonium hydrogenation of succinate (一種丁二酸銨酯化加氫製備1,4-丁二醇的方法)	PRC	ZL 2012 10 306990.2	Tangshan Risun Chemicals	20 years, from August 24, 2012
57.	A method for preparing succinic acid (一種製備丁二酸的方法)	PRC	ZL 2012 10 293009.7	Tangshan Risun Chemicals	20 years, from August 16, 2012

No.	Patent	Place of Registration	Patent No.	Patent holder	Validity Period
58.	Method for determining methyl propionate, methyl methacrylate and propionic acid by gas chromatography internal standard method (氣相色譜內標法測定丙酸甲酯、甲基丙烯酸甲酯和丙酸含量的方法)	PRC	ZL 2012 10 283199.4	Tangshan Risun Chemicals	20 years, from August 9, 2012
59.	A method for preparing succinic acid by ionic liquid catalyzed hydrolysis of dimethyl succinate (一種離子液體催化丁二酸二甲酯水解製備丁二酸的方法)	PRC	ZL 2012 10 252004.X	Tangshan Risun Chemicals	20 years, from July 19, 2012
60.	Method for preparing succinic acid monoester by esterification of diammonium succinate (由丁二酸二銨酯化製備丁二酸單酯的方法)	PRC	ZL 2012 10 252021.3	Tangshan Risun Chemicals	20 years, from July 19, 2012
61.	Method for preparing succinic acid diester by esterification of diammonium succinate (丁二酸二銨酯化製備丁二酸二酯的方法)	PRC	ZL 2012 10 252023.2	Tangshan Risun Chemicals	20 years, from July 19, 2012
62.	A preparation method of whole wood-based bio-based polybutylene succinate (一種全生物基聚丁二酸丁二醇酯的製備方法)	PRC	ZL 2012 10 237202.9	Tangshan Risun Chemicals	20 years, from July 9, 2012
63.	A preparation method of polybutylene succinate (一種聚丁二酸丁二醇酯的製備方法)	PRC	ZL 2012 10 237694.1	Tangshan Risun Chemicals	20 years, from July 9, 2012
64.	A preparation method of whole wood-based bio-based polybutylene succinate (一種全生物基聚丁二酸丁二醇酯的製備方法)	PRC	ZL 2012 10 237716.4	Tangshan Risun Chemicals	20 years, from July 9, 2012

No.	Patent	Place of Registration	Patent No.	Patent holder	Validity Period
65.	Device for separating aromatic solvent oil and naphthalene related products from hydrogenated residual oil (從加氫殘油分離芳烴溶劑油和萘相關產品的裝置)	PRC	ZL 2017 21 652399.7	Tangshan Risun Chemicals	10 years, from December 1, 2017
66.	A new catalytic oxidation treatment system for coking wastewater (一種新型催化氧化法處理焦化廢水的系統)	PRC	ZL 2018 20 1911123.1	Hebei Risun Coking	10 years, from February 2, 2018

As of the Latest Practicable Date, we had applied for the registration of the following patents:

No.	Patent	Applicant	Place of Application	Application Number	Application Date
1.	Desulfurization and deamination treatment method for benzene hydrogenation wastewater improved by deamination part and treatment device applying the same (一種針對脫氨部分進行改進的苯加氫廢水脫硫脫氨處理方法以及應用該方法的處理裝置)	Tangshan Risun Chemicals	PRC	201610257461.6	April 25, 2016
2.	A method for purifying caprolactam and system for purifying caprolactam (一種己內醯胺精製方法及精製己內醯胺的系統)	Cangzhou Risun Chemicals	PRC	201610714790.9	August 24, 2016
3.	A process for cyclohexanone ammoximation and process for caprolactam production (一種環己酮氨肟化的工藝以及製造己內醯胺的工藝)	Cangzhou Risun Chemicals	PRC	201610674358.1	August 16, 2016
4.	A method and device for preparing caprolactam by Beckmann rearrangement of trifluoroacetic acid catalyzed cyclohexanone (通過三氟乙酸催化環己酮貝克曼重排製備己內醯胺的方法和裝置)	Cangzhou Risun Chemicals	PRC	201710043734.1	January 19, 2017
5.	A kind of continuous treatment process of waste alkali liquor (一種廢鹼液的連續處理工藝)	Hebei Risun Coking	PRC	201710780152.1	September 1, 2017
6.	Preparation and application of a kind of sulfur-resistant naphthalene catalyst (一種抗硫除萘催化劑的製備及應用)	Hebei Risun Coking	PRC	201711432317.2	December 26, 2017

No.	Patent	Applicant	Place of Application	Application Number	Application Date
7.	Method and device for separating aromatic hydrocarbon solvent oil and naphthalene related products from hydrogenated residual oil (從加氫殘油分離芳烴溶劑油和萘相關產品的方法和裝置)	Tangshan Risun Chemicals	PRC	201711250394.6	December 1, 2017
8.	Method for separating glycerol monomethyl ether reaction mixture (一種甘油單甲醚反應混合液的分離方法)	Tangshan Risun Chemicals	PRC	201810776979.X	July 16, 2018
9.	Method for preparing o-methylbenzoic acid and benzoquinone from phthalic anhydride (一種由苯酐製備鄰甲基苯甲酸和苯酞的方法)	Tangshan Risun Chemicals	PRC	201810784763.8	July 17, 2018
10.	Ammonia reaction device (氨肟化反應裝置)	Cangzhou Risun Chemicals	PRC	201810443828.2	May 10, 2018
11.	TSA desorption gas recovery and utilization device (TSA解吸氣回收利用裝置)	Hebei Risun Coking	PRC	201821828125.3	November 7, 2018
12.	Residual ammonia filter (剩餘氨水過濾器)	Hebei Risun Coking	PRC	201821828153.5	November 7, 2018
13.	A system for preparing cyclohexanone oxime (一種環己酮肟的製備系統)	Cangzhou Risun Chemicals	PRC	201910046883.2	January 18, 2019
14.	A system for preparing cyclohexanone oxime (一種環己酮肟的製備系統)	Cangzhou Risun Chemicals	PRC	201920083013.8	January 18, 2019
15.	A wastewater treatment device (一種廢水處理裝置)	Cangzhou Risun Chemicals	PRC	201811520386.3	December 12, 2018

No.	Patent	Applicant	Place of Application	Application Number	Application Date
16.	A wastewater treatment device (一種廢水處理裝置)	Cangzhou Risun Chemicals	PRC	201822085662.X	December 12, 2018
17.	A method for preparing 6-aminocaproic acid (一種製備6-氨基己酸的方法)	Cangzhou Risun Chemicals	PRC	201811396792.3	November 22, 2018

Save as listed above, there are no other trade or service marks, patents, other intellectual or industrial property rights, which are or may be material in relation to our Group's business.

3. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

(a) Disclosure of Interests

(i) Interests of our Directors

Immediately following completion of the Global Offering and the Capitalization Issue (assuming the Over-allotment Option and any options that may be granted under the Share Option Scheme are not exercised), the interests and short positions of each of our Directors and chief executive of our Company in the Shares, underlying shares and debentures of our Company or any of our associated corporations (within the meaning of Part XV of the SFO) which, once the Shares are listed on the Stock Exchange, will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which have been taken or deemed to have been under such provisions of the SFO), or will be required pursuant to Section 352 of the SFO to be entered in the register referred to therein, or will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules (all of the aforesaid being "**Disclosable Interests**"), will be as follows:

Name of Director	Capacity/Nature of interest	Number of underlying Shares immediately following the completion of the Global Offering	Approximate % shareholding interest immediately following the completion of the Global Offering
Mr. Yang[1]	Interest in controlled corporation	3,116,074,928	77.9

Note:

(1) Texson is wholly-owned by Mr. Yang. Accordingly, Mr. Yang is deemed to be interested in the Shares held by Texson. In addition, 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 held by First Milestone.

(ii) Interests of the Substantial Shareholders

Information on the persons (not being a Director or chief executive of our Company) who will, immediately following the completion of the Global Offering and the Capitalization Issue (assuming the Over-allotment Option and any option that may be granted under the Share Option Scheme are not exercised), have or be deemed to have an interest or short position in the Shares and underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group is set out in the section headed "Substantial Shareholders" in this prospectus.

(b) Directors' Service Contracts

(i) Particulars of Directors' service contracts

Each of our Executive Directors has entered into a service contract with us for an initial term of three years commencing from his date of appointment on September 29, 2018 and shall continue thereafter unless terminated by not less than three months' written notice or in certain circumstances set out in the service contract. Particulars of these service contracts are in all material respects the same whereby none of the Executive Directors will receive a monthly salary but will receive a discretionary bonus as may be determined by the Board and the Remuneration Committee based on the relevant Director's performance of his duties and our Company's earnings.

Each of the Independent Non-executive Directors has entered into a letter of appointment with our Company for an initial term of three years commencing from his date of appointment on September 29, 2018 unless terminated by one month's written notice or in certain circumstances in accordance with the terms of the relevant letter of appointment. The basic annual remuneration payable by our Company to each of our Independent Non-executive Directors according to their respective letter of appointment will be HK$300,000.

(ii) Directors' remuneration

For the three years ended December 31, 2015, 2016 and 2017 and the nine months ended September 30, 2018, the aggregate of the remuneration (including fees, salaries, contributions to pension schemes, housing allowances, other allowances and benefits in kind and discretionary bonuses) paid to Directors by our Group was approximately RMB3.6 million, RMB3.7 million, RMB3.8 million and RMB3.9 million, respectively.

Under the arrangements currently in place, the estimated aggregate amount that our Directors will be entitled to receive in the form of remuneration and benefits in kind for the year ended December 31, 2018 is approximately RMB5.2 million (excluding any discretionary bonuses payable to our Directors).

Save as disclosed above, none of the Directors has entered into any service contract with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

(iii) Directors' Competing Interests

Save as disclosed under the section headed "Relationship with Our Controlling Shareholders – Independence from our Controlling Shareholders – Management Independence" in this prospectus, none of our Directors are interested in any business apart from our Group's business which competes or is likely to compete, directly or indirectly, with the business of our Group.

(iv) Miscellaneous

Mr. Yang Xuegang was a supervisor of Hebei Tianlu Investment Co., Ltd. (河北天鷺投資有限公司), which was a limited liability company incorporated in the PRC and dissolved by striking off on February 2, 2009, pursuant to Section 76 of the Administrative Regulations of the PRC on Company Registration (revised in 2005, which was effective then). Hebei Tianlu Investment Co., Ltd. was principally engaged in the real estate and energy investment prior to its dissolution. The reason for its dissolution by striking off was because it failed to complete the necessary procedures for its annual inspection under Section 60 of the Administrative Regulations of the PRC on Company Registration (revised in 2005, which was effective then) for 2007. As far as he is aware, the dissolution of the said company has not resulted in any liability or obligation to be imposed against him.

(v) Disclaimers

Save as disclosed in this prospectus:

(A) none of the Directors or chief executive of our Company has any interests or short positions in the shares, underlying shares and debentures of our Company or our associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he is taken or deemed to have taken under such provisions of the SFO), or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to in that section, or which will be required, pursuant to the Model Code for

Securities Transactions by Directors of Listed Issuers, to be notified to our Company and the Stock Exchange, once the Shares are listed on the Stock Exchange;

(B) so far as is known to any Director or chief executive of our Company, no person has an interest or short position in the Shares and underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group;

(C) none of the Directors nor any of the persons listed in the paragraph headed "– 5. Other Information – (d) Qualification of Experts" below is interested in the promotion of, or in any assets which have been, within the two years immediately preceding the issue of this prospectus, acquired or disposed of by or leased to, any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(D) none of the Directors nor any of the persons listed in the paragraph headed "– 5. Other Information – (d) Qualification of Experts" below is materially interested in any contract or arrangement with our Group subsisting at the date of this prospectus which is unusual in its nature or conditions or which is significant in relation to the business of our Group as a whole;

(E) save in connection with the Underwriting Agreements, none of the persons listed in the paragraph headed "– 5. Other Information – (d) Qualification of Experts" below has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group; and

(F) save as contemplated under the Underwriting Agreements, none of our Directors, their respective associates, or Shareholders who are interested in more than 5% of the issued share capital of our Company, has any interest in our Company's five largest customers and five largest suppliers.

4. SHARE OPTION SCHEME

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted by an ordinary resolution of the Shareholders on February 21, 2019 (the "**Adoption Date**"). The terms of the Share Option Scheme are in compliance with the provisions of Chapter 17 of the Listing Rules.

(a) Purpose

The purpose of the Share Option Scheme is to provide incentives to Participants (as defined in the following paragraph) to contribute to our Company and motivate them to higher levels of performance, and to enable our Company to recruit high caliber employees and attract or retain human resources that are valuable to our Group.

(b) Who may join

The Board may, at its absolute discretion, offer options to subscribe for such number of Shares in accordance with the terms set out in the Share Option Scheme ("**Options**") to any employee, executive director or non-executive director (including independent non-executive director) of any member of our Group (the "**Participants**").

(c) Maximum number of Shares

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme (the "**Maximum Number of Shares**") and any other Share Option Scheme of our Group shall not in aggregate exceed 10%, or 400,000,000 Shares, of the total number of Shares in issue immediately upon completion of the Global Offering (assuming that the Over-allotment Option is not exercised), provided, however, that, subject to compliance with the Listing Rules:

(i) our Company may, at any time as our Board may think fit, seek approval from our Shareholders to increase the Maximum Number of Shares, up to a maximum of 10% of the Shares in issue at the date of approval by our Shareholders in general meeting. Options previously granted under the Share Option Scheme or any other scheme of our Company (including those outstanding, cancelled or lapsed in accordance with the terms of the Share Option Scheme or any other scheme of our Company) shall not be counted for the purpose of calculating the new Maximum Number of Shares. Our Company will send a circular containing the details and information required under the Listing Rules to the Shareholders;

(ii) our Company may seek separate approval from the Shareholders in general meeting to permit the granting of Options which will result in the number of Shares in respect of all Options granted exceeding the then Maximum Number of Shares, provided that the Options exceeding the then Maximum Number of Shares are granted only to Participants specifically identified by our Company before Shareholders' approval is sought. Our Company will send a circular containing the details and information required under the Listing Rules to the Shareholders;

(iii) the total maximum number of Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the Share Option Scheme and any other options granted and yet to be exercised under another scheme of our Company will not exceed 30% of the Shares in issue from time to time. No options may be granted under the Share Option Scheme and any other share option scheme of our Company if this will result in such limit being exceeded.

(d) Maximum entitlement of each Participant

The total number of Shares issued and to be issued upon exercise of the options granted under the Share Option Scheme and any other share option scheme of our Company (including both exercised and outstanding options) to each Participant in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue as of the date of grant. Any further grant of Options in excess of the 1% limit will be separately approved by the Shareholders in general meeting with such Participant and his associates abstaining from voting. Our Company will send a circular to the Shareholders disclosing the identity of the Participant, the number and terms of Options to be granted to the Participant, and containing the details and information required under the Listing Rules. The number and terms (including the subscription price) of Options to be granted to the Participant must be fixed before the approval of the Shareholders and the date of the Board meeting proposing the grant will be taken as the offer date for the purpose of calculating the subscription price of those Options.

(e) Offer and grant of Options

Subject to the terms of the Share Option Scheme, the Board shall be entitled at any time within 10 years from the Adoption Date to offer the grant of an Option to any Participant as the Board may in its absolute discretion select to subscribe at the subscription price for such number of Shares as the Board may (subject to the terms of the Share Option Scheme) determine (provided the number of Shares will be a board lot or an integral multiple thereof).

(f) Granting Options to connected persons

Where any offer of the grant of an Option is proposed to be made to a director (other than an independent non-executive director), chief executive or substantial shareholder (as defined in the Listing Rules) of our Company or any of their respective associates, the offer must be approved by the Independent Non-executive Directors (excluding any Independent Non-executive Director who is the grantee of an Option).

Where any grant of Options to a substantial shareholder or an independent non-executive director of our Company, or any of their respective associates, would result in the Shares issued and to be issued upon exercise of all Options already granted and to be granted (including Options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant: (i) representing in aggregate over 0.1% of the Shares in issue; and (ii) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK$5 million, such further grant of Options will be subject to the issue of a circular by our Company and approval by the Shareholders in general meeting at which all connected persons of our Company must abstain from voting in favor at such general meeting and/or such other requirements prescribed under the Listing Rules from time to time. Any vote taken at the meeting to approve the grant of such options will be taken as a poll.

(g) Restriction on the time of grant of Options

The Board shall not offer the grant of any Option to any Participant after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been published or disclosed in accordance with the requirements of the Listing Rules. In particular, no Option may be granted during the period commencing one month immediately preceding the earlier of: the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half-year, quarterly or other interim period (whether or not required under the Listing Rules), and the deadline for our Company to publish an announcement of its results for any year or half-year under the Listing Rules, or quarterly or other interim period (whether or not required under the Listing Rules), and ending on the date of actual publication of the results announcement.

Where an option is granted to a director, no Options will be granted during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results, and during the period of 30 days immediately preceding the publication date of the quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

(h) Performance target and conditions for vesting

No performance targets are to be achieved before an Option can be exercised.

(i) Amount payable for Options and offer period

An offer of the grant of an Option shall remain open for acceptance by a Participant for a period of no more than 28 days after the date on which an Option is offered to the Participant (the "**Acceptance Date**"). An Option shall be deemed to have been granted and accepted and to have taken effect when the duplicate letter constituting acceptance of the offer of the grant of the Option duly signed by the Participant together with a remittance in favor of our Company of HK$1.00 (or such equivalent in other currency as the Board may specify) by way of consideration for the grant thereof is received by our Company on or before the relevant Acceptance Date. Such remittance shall in no circumstances be refundable.

Any offer of the grant of an Option may be accepted or deemed to have been accepted in respect of less than the number of Shares in respect of which it is offered provided that it is accepted in respect of a board lot or an integral multiple thereof and such number is clearly stated in the duplicate letter constituting acceptance of the Option. To the extent that the offer of the grant of an Option is not accepted by the relevant Acceptance Date, it will be deemed to have been irrevocably declined.

(j) Subscription price

The price per Share at which a grantee may subscribe for Shares on the exercise of an Option shall be a price determined by the Board in its absolute discretion and notified to a Participant, which shall be at least the higher of:

(i) the closing price of the Shares on the Stock Exchange as stated in the Stock Exchange's daily quotations sheet on the relevant offer date in respect of such Option;

(ii) the average closing price of the Shares on the Stock Exchange as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the relevant offer date in respect of such Options or where our Company has been listed for less than five trading days, the new issue price shall be used as the closing price; or

(iii) the nominal value of the Shares.

(k) Exercise of Options

An Option may be exercised in whole or in part (but if in part only, in respect of a board lot or any integral multiple thereof) in the manner as set out in this Share Option Scheme by the grantee (or his legal personal representative(s)) giving notice in writing to our Company stating that the Option is thereby exercised and specifying the number of Shares to be subscribed. Each such notice must be accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given. Within 28 days after receipt of the notice and the remittance and, where appropriate, receipt of the certificate of the auditors pursuant to the Share Option Scheme, our Company shall allot and issue the relevant Shares to the grantee (or his legal personal representative(s) or his nominee) credited as fully paid and issue to the grantee (or his legal personal representative(s) or his nominee) a share certificate in respect of the Shares so allotted.

The Option may be exercised by the grantee in accordance with the terms of the grant letter and the provisions of the Share Option Scheme, at any time or times during the period during which the Participant may exercise the Options provided that:

(i) in the event the grantee ceases to be an employee or director of any member of our Group for any reason other than his death or the termination of his employment or office for serious misconduct, or conviction of any criminal offence involving his integrity or honesty or be summarily terminated, the grantee may exercise the Option up to his entitlement at the date of cessation of his employment or office (to the extent not already exercised) within the period of one month following the date of such cessation, which date shall be the last actual working day of his employment or office with the relevant member of our Group whether payment in lieu of notice is made or not (if applicable);

(ii) in the event that the grantee ceases to be an employee or director of any member of our Group by reason of death and none of the events which would be a ground for termination of his employment or office for serious misconduct, or conviction of any criminal offence involving his integrity or honesty or be summarily terminated, the legal personal representative(s) of the grantee shall be entitled within a period of 12 months from the date of death (or such longer period as the Board may determine) to exercise the Option in full (to the extent not already exercised);

(iii) if a general offer (whether by way of take-over offer, share repurchase offer or scheme of arrangement or otherwise in like manner) is made to all Shareholders (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or in concert with the offeror), our Company shall use its best endeavors to procure that such offer is extended to all grantees (on the same terms, assuming that they will become, by the exercise in full of the Options granted to them, Shareholders of our Company). If such offer, having been approved in accordance with applicable laws and regulatory requirements, becomes, or is declared unconditional, the grantee (or his legal personal representative(s)) shall be entitled to exercise the Option in full (to the extent not already exercised) at any time within 14 days after the date on which such general offer becomes or is declared unconditional;

(iv) if a notice is given by our Company to its members to convene a general meeting for the purposes of considering and, if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same date as or soon after it despatches such notice to each member give notice thereof to all grantees (together with a notice of the existence of this provision) and thereupon, each grantee (or his or her legal personal representative(s)) shall be entitled to exercise all or any of his Option at any time not later than two business days prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate exercise price for the Shares in respect of which the notice is given, whereupon our Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the grantee credited as fully paid;

(v) if a compromise or arrangement between our Company and its Shareholders or creditors is proposed for the purposes of or in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company or companies, our Company shall give notice thereof to all grantees (together with a notice of the existence of the provisions of this Clause) on the same day as it despatches to each member or creditor of our Company a notice summoning the meeting to consider such a compromise or arrangement. Each grantee (or his legal personal representative(s)) shall be entitled to exercise all or any of his Options in whole or in part at any time prior to 12:00 noon on the day immediately preceding the date of the meeting directed to be convened by the relevant court for the purposes of considering such compromise or arrangement. With effect from the date of such meeting, the rights of all grantees to exercise their respective Options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all Options shall, to the extent that they have not been exercised, lapse and determine.

(l) Life of the Share Option Scheme

Subject to the terms of the Share Option Scheme, the Share Option Scheme shall be valid and effective for a period of 10 years commencing on the Adoption Date, after which period no further Options will be offered but the provisions of the Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any Options granted before that. Options granted before that but not yet exercised shall continue to be valid and exercisable in accordance with the terms of the Share Option Scheme.

(m) Lapse of the Share Option Scheme

An Option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

(i) the expiry of the Option period as may be determined by the Board;

(ii) the expiry of any of the periods referred to in the paragraphs related to the exercise of the Options;

(iii) subject to the terms mentioned in the paragraph headed "– 4. Share Option Scheme – (k) Exercise of Options" in this section, the date of the commencement of the winding-up of our Company;

(iv) the date on which the grantee ceases to be an employee or director of our Company or any subsidiary of our Company by reason of the termination of his employment or office on any one or more grounds that he has been guilty of serious misconduct, or has been convicted of any criminal offence involving his integrity or honesty or (if so determined by the Board or the board of directors of the relevant subsidiary of our Company (as the case may be)) on any other grounds on which an employer or principal would be entitled to summarily terminate his employment or office;

(v) the date on which the grantee ceases to be a Participant on or after becoming bankrupt or insolvent or making any arrangement or composition with his creditors generally; or

(vi) the date on which the Board shall exercise our Company's right to cancel the Option at any time after the grantee commits a breach of the restriction on transferability of Options or the Options are cancelled in accordance with the Share Option Scheme.

(n) Adjustment

In the event of any alteration in the capital structure of our Company whilst any Option may become or remains exercisable, whether by way of capitalization issue, rights issue, open offer, consolidation, sub-division or reduction of the share capital of our Company in accordance with applicable laws and regulatory requirements (other than an issue of Shares as consideration in respect of a transaction to which our Company is a party), such corresponding adjustments (if any) shall be made to:

(i) the number or nominal amount of Shares, subject to any Options so far as unexercised; and/or

(ii) the aggregate number of Shares subject to outstanding Options; and/or

(iii) the subscription price of each outstanding Option.

The auditors of our Company or an independent financial adviser shall confirm in writing to the Board that the adjustments satisfy the requirements of the Listing Rules (other than any adjustment made on a capitalization issue, in which case such adjustment shall be made as the Board shall consider to be in its opinion fair and reasonable).

Any adjustment shall be made on the basis that the grantee shall have the same proportion of the issued share capital of our Company for which any grantee would have been entitled to subscribe had he exercised all the Options held by him immediately prior to such adjustments but not greater than that to which he was entitled before such adjustment, but so that no such adjustment shall be made the effect of which would be to enable any Share to be issued at less than its nominal value, or to increase the proportion of the issued share capital of our Company for which any grantee would have been entitled to subscribe had he exercised all the Options held by him immediately prior to such adjustments.

(o) Cancellation of Options not exercised

Any cancellation of Options granted but not exercised shall be subject to approval by the Board. Approval by the Board is not required in the event any Option is cancelled pursuant to a breach of the restriction on transferability of Options. Where any Option is cancelled and new Option is intended to be granted to the same Participant, the Share Option Scheme must have available unissued options (excluding the cancelled Option(s)) within the Maximum Number of Shares.

(p) Ranking of Shares

The Shares to be allotted upon the exercise of an Option will be subject to all the provisions of the Articles of Association and will rank *pari passu* in all respects with the fully paid Shares in issue on the date of allotment and accordingly shall have the same voting, dividend, transfer and other rights, including those arising on liquidation of our Company as attached to the other fully paid Shares in issue on the date of allotment other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the date of allotment.

Shares issued upon the exercise of an Option shall not carry voting rights until completion of the registration of the grantee (or any other person) as the holder thereof.

(q) Termination

Our Company by resolution in general meeting or the Board may at any time terminate the Share Option Scheme and in such event no further Options will be offered but the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any Option granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme. All Options granted prior to such termination but not yet exercised at the time of such termination shall continue to be valid and exercisable in accordance with the terms of the Share Option Scheme.

(r) Transferability

An Option shall be personal to the grantee and shall not be assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favor of any third party over or in relation to any Option (save that the grantee may nominate a nominee to hold the Shares to be issued pursuant to the exercise of Options on trust for the sole benefit of such grantee provided that evidence of such trust arrangement between the grantee and the nominee shall be provided to the satisfaction of our Company). Any breach of the foregoing by the grantee shall entitle our Company to cancel any outstanding Option granted to such grantee.

(s) Alteration of the Share Option Scheme

The Share Option Scheme may be altered in any respect by resolution of the Board except that: (i) any alteration to the advantage of the grantees or the Participants in respect of matters contained in Rule 17.03 of the Listing Rules; and (ii) any material alteration to the terms and conditions of the Share Option Scheme or any change to the terms of Options granted (save where the alterations take effect automatically under the existing terms of the Share Option Scheme), shall be subject to the approval of the Shareholders in general meeting, provided that no such alteration shall operate to adversely affect the terms of issue of any Option granted or agreed to be granted prior to such alteration except with the consent or sanction of such majority of the grantees as would be required of the Shareholders under the regulations for the time being of our Company for a variation of the rights attached to the Shares.

The amended terms of the Share Option Scheme must comply with Chapter 17 of the Listing Rules.

Any change to the authority of the Board in relation to any alteration to the terms of the Share Option Scheme shall be subject to the approval of the Shareholders in general meeting.

(t) Conditions of the Share Option Scheme

This Share Option Scheme shall take effect subject to and is conditional upon:

(i) the Listing Committee granting the listing of and permission to deal in the Shares to be issued pursuant to the exercise of Options under the Share Option Scheme;

(ii) the passing of the necessary resolution to adopt and approve the Share Option Scheme by the Shareholders in an extraordinary general meeting; and

(iii) the commencement of dealings in the Shares on the Stock Exchange.

If any of the conditions above are not satisfied within 30 days from the Adoption Date:

(i) the Share Option Scheme shall forthwith determine;

(ii) any Option granted or agreed to be granted pursuant to the Share Option Scheme and any offer of such a grant shall be of no effect; and

(iii) no person shall be entitled to any right or benefit or be under any obligation under or in respect of the Share Option Scheme or any Option granted thereunder.

An application has been made to the Stock Exchange for the listing of and permission to deal in 400,000,000 Shares which may be issued pursuant to the exercise of Options under the Share Option Scheme.

As of the Latest Practicable Date, no option has been granted or agreed to be granted under the Share Option Scheme.

5. OTHER INFORMATION

(a) Deed of Indemnity

The Controlling Shareholders have entered into the Deed of Indemnity with and in favor of our Company (for itself and as trustee for each of the other members of our Group) (being the contract referred to in the sub-section headed "– 2. Further Information about our Business – (a) Summary of Material Contracts" in this appendix) to provide indemnities to our Company (for itself and as trustee for each of the other members of our Group) on a joint and several basis in respect of, among other matters, taxation resulting from income, profits or gains earned, accrued or received, any property claim and cost, expenses and operating and business losses arising from third-party infringement of the intellectual property rights, to which any member of our Group may be subject and payable on or before the date when dealing in the Shares first commences on the Main Board.

(b) Litigation

As of the Latest Practicable Date, save as disclosed in the section headed "Business – Legal Proceedings" in this prospectus, no member of our Group was engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened by or against our Group, that would have a material adverse effect on its business, finance condition or results of operations.

(c) Sole Sponsor

The Sole Sponsor has made an application on behalf of our Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue, the Shares to be issued pursuant to the Global Offering (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option and/or the exercise of Options under the Share Option Scheme). All necessary arrangements have been made to enable such Shares to be admitted into CCASS.

The Sole Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

Our Company agreed to pay the Sole Sponsor a fee of HK$7,000,000 as the sponsor of our Company (the "**Sponsor Fee**"). The Sponsor Fee relates solely to the services provided by the Sole Sponsor in its capacity as a sponsor, and not other services which it may provide, such as (without limitation) book-building, pricing and underwriting.

(d) No Material Adverse Change

The Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since September 30, 2018 (being the date to which the latest audited combined financial statements of our Group were prepared).

(e) Qualification of Experts

The following are the qualifications of the experts who have given opinions or advice which are contained in this prospectus:

Name	Qualification
Guotai Junan Capital Limited	A corporation licensed to conduct Type 6 (advising on corporate finance) of regulated activities under the SFO
Jingtian & Gongcheng	PRC Legal Advisors
Conyers Dill & Pearman	Cayman Islands Attorneys-at-law
Deloitte Touche Tohmatsu	Certified Public Accountants
Jones Lang LaSalle Corporate Appraisal and Advisory Limited	Independent Property Valuer
SHINEWING Risk Services Limited	Internal Control Consultant
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Independent Industry Consultant

(f) Consents of Experts

Each of Guotai Junan Capital Limited, Jingtian & Gongcheng, Conyers Dill & Pearman, Deloitte Touche Tohmatsu, JLL, SHINEWING Risk Services Limited and Frost & Sullivan has given and has not withdrawn its consent to the issue of this prospectus with the inclusion of its report and/or letter and/or summary of valuations and/or valuation certificates and/or legal opinion (as the case may be) and references to its name included in the form and context in which it respectively appears.

None of the experts named above has any shareholding interest in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any of our subsidiaries.

(g) Promoter

Our Company has no promoter for the purpose of the Listing Rules. Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the Global Offering and the related transactions described in this prospectus.

(h) Preliminary Expenses

Our Company has not incurred any material preliminary expense.

(i) Binding Effect

This prospectus shall have the effect, if an application is made in pursuance of this prospectus, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance insofar as applicable.

(j) Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by Section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

(k) Miscellaneous

(i) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:

(A) neither we nor any of our subsidiaries has issued or agreed to issue any share or loan capital fully or partly paid up either for cash or for a consideration other than cash;

(B) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(C) no commission, discounts, brokerage or other special terms have been granted in connection with the issue or sale of any shares or loan capital of any member of our Group;

(D) no commission has been paid or is payable (except commission to sub-underwriters) to any persons for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any shares of our Company or any of our subsidiaries; and

(E) no founder, management or deferred shares of our Company or any of our subsidiaries have been issued or agreed to be issued.

(ii) Our Directors confirm that:

(A) there has not been any interruption in the business of our Company which may have or have had a material adverse effect on the financial position of our Company in the 12 months immediately preceding the date of this prospectus; and

(B) our Company has no outstanding convertible debt securities or debentures.

(iii) No company within our Group is presently listed on any stock exchange or traded on any trading system.

(iv) All necessary arrangements have been made enabling the Shares to be admitted into CCASS for clearing and settlement.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were copies of the **WHITE**, **YELLOW** and **GREEN** application forms, the written consents referred to in the section headed "Statutory and General Informaion – 5. Other Information – (e) Consents of Experts" in Appendix VI to this prospectus, and copies of the material contracts referred to in the section headed "2. Further Information about our Business – (a) Summary of Material Contracts" in Appendix VI to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Latham & Watkins LLP, 18/F, One Exchange Square, 8 Connaught Place, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

(a) the Memorandum and the Articles;

(b) the Cayman Companies Law;

(c) the Accountants' Report for the three years ended December 31, 2015, 2016 and 2017 and the nine months ended September 30, 2018 prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix I to this prospectus;

(d) the audited consolidated financial statements of our Group for the three years ended December 31, 2015, 2016 and 2017 and the nine months ended September 30, 2018;

(e) the report from Deloitte Touche Tohmatsu in respect of the unaudited pro forma financial information of the Group, the text of which is set out in Appendix II to this prospectus;

(f) the letters relating to the profit estimate received from Deloitte Touche Tohmatsu and the Sole Sponsor, the text of which are set out in Appendix III to this prospectus;

(g) the letter, summary of values and valuation certificates relating to the property interests of our Group prepared by JLL, the text of which is set out in Appendix IV to this prospectus;

(h) the letter prepared by Conyers Dill & Pearman summarizing certain aspects of Cayman Islands company law as referred to in Appendix V to this prospectus;

(i) the industry report prepared by Frost & Sullivan referred to in the section headed "Industry Overview" in this prospectus;

(j) the internal control report prepared by SHINEWING Risk Services Limited;

(k) the material contracts referred to in the section headed "Statutory and General Information – 2. Further Information about our Business – (a) Summary of Material Contracts" in Appendix VI to this prospectus;

(l) the written consents referred to in the section headed "Statutory and General Information – 5. Other Information – (e) Consents of Experts" in Appendix VI to this prospectus;

(m) the service contracts and letters of appointment referred to in the section headed "Statutory and General Information – 3. Further Information About our Directors and Substantial Shareholders – (b) Directors' Service Contracts" in Appendix VI to this prospectus;

(n) the rules of the Share Option Scheme; and

(o) the PRC legal opinions dated February 28, 2019 issued by Jingtian & Gongcheng, our PRC Legal Advisors, in respect of certain aspects of our Group and our property interests.

China Risun Group Limited
中國旭陽集團有限公司