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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2021

HIGHLIGHTS

- Revenue for the six months ended June 30, 2021 was approximately RMB18,003.0 million, representing an increase of approximately 121.4% as compared with the corresponding period in 2020;
- Profit attributable to owners of the Company for the six months ended June 30, 2021 was approximately RMB1,690.6 million, representing an increase of approximately 381.7% as compared with the corresponding period in 2020;
- Basic earnings per share of the Company for the six months ended June 30, 2021 was RMB40.79 cents, representing an increase of approximately 375.4% as compared with the corresponding period in 2020; and
- The Directors declares an interim dividend for the six months ended June 30, 2021 amounting to RMB12.30 cents per share (equivalent to HK14.7 cents per share) (for the six months ended June 30, 2020: RMB2.58 cents per share or HK2.92 cents per share), with total dividend amount of RMB546,120,000 (equivalent to HK$652,680,000) (for the six months ended June 30, 2020: RMB105,522,000 or HK$119,428,000).
- The record date for shareholders qualifying to receive the interim dividend is September 14, 2021, and the expected interim dividend payment date will be on or before September 28, 2021.

The board (the "**Board**") of directors (the "**Directors**") of China Risun Group Limited (the "**Company**") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the "**Group**") for the six months ended June 30, 2021 (the "**Reporting Period**") together with the unaudited comparative figures for the corresponding period in 2020 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2021

		Six months ended June 30,	
		2021	2020
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue	4	**18,002,956**	8,133,074
Cost of sales and services		**(14,766,499)**	(6,975,870)
Gross profit		**3,236,457**	1,157,204
Other income	5	**63,287**	47,647
Other expense		**(57,154)**	–
Other gains and losses	6	**(157,352)**	(58,269)
Impairment losses under expected credit loss ("**ECL**") model, net of reversal		**(92,596)**	(3,385)
Selling and distribution expenses		**(466,638)**	(376,504)
Administrative expenses		**(455,108)**	(188,302)
Profit from operations		**2,070,896**	578,391
Finance costs	7	**(393,449)**	(278,452)
Share of results of associates		**56,809**	(26,258)
Share of results of joint ventures		**337,057**	157,272
Profit before taxation	8	**2,071,313**	430,953
Income tax expense	9	**(406,420)**	(85,207)
Profit for the period		**1,664,893**	345,746
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translating foreign operations		**2,750**	1,854
Other comprehensive income for the period		**2,750**	1,854
Total comprehensive income for the period		**1,667,643**	347,600

	Notes	Six months ended June 30, **2021** *RMB'000* **(Unaudited)**	2020 *RMB'000* (Unaudited)
Profit (loss) for the period attributable to:			
Owners of the Company		**1,690,583**	350,981
Non-controlling interests		**(25,690)**	(5,235)
		1,664,893	345,746
Total comprehensive income (expense) for the period attributable to:			
Owners of the Company		**1,693,333**	352,835
Non-controlling interests		**(25,690)**	(5,235)
		1,667,643	347,600
Earnings per share *(RMB cents)*			
Basic	11	**40.79**	8.58

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT JUNE 30, 2021

	Notes	**June 30, 2021** *RMB'000* **(Unaudited)**	December 31, 2020 *RMB'000* (Audited)
Non-current assets			
Property, plant and equipment	12	**14,968,076**	11,056,657
Right-of-use assets		**1,598,543**	1,119,374
Goodwill		**152,435**	31,808
Intangible assets		**894,261**	78,748
Interests in associates		**409,882**	346,623
Interests in joint ventures		**1,695,182**	1,355,575
Other long term receivables and prepayments		**1,316,861**	2,589,411
Financial assets at fair value through profit or loss ("**FVTPL**")	13	**611,091**	251,038
Deferred tax assets		**159,772**	187,787
Restricted bank balances		**356,000**	–
		22,162,103	17,017,021
Current assets			
Inventories		**1,632,257**	1,507,383
Income tax prepayments		**18,511**	7,311
Other receivables	14	**2,235,728**	1,825,706
Trade and bills receivables measured at fair value through other comprehensive income ("**FVTOCI**")	14	**1,297,151**	1,005,281
Amounts due from related parties		**786,896**	367,717
Financial assets at FVTPL	13	**126,632**	8,175
Restricted bank balances	15	**1,438,836**	1,294,656
Cash and cash equivalents		**3,950,052**	1,181,390
		11,486,063	7,197,619
Current liabilities			
Financial liabilities at FVTPL	13	**23,293**	52,329
Trade and other payables	16	**4,403,568**	3,798,062
Contract liabilities		**1,536,210**	994,517
Income tax payable		**807,707**	237,097
Bank and other loans	17	**7,316,156**	7,771,801
Lease liabilities		**72,625**	27,790
Amounts due to related parties		**229,130**	168,006
		14,388,689	13,049,602
Net current liabilities		**(2,902,626)**	(5,851,983)
Total assets less current liabilities		**19,259,477**	11,165,038

	Notes	**June 30, 2021** *RMB'000* **(Unaudited)**	December 31, 2020 *RMB'000* (Audited)
Non-current liabilities			
Bank and other loans	17	**4,591,413**	2,725,933
Long-term payables		**2,901,000**	–
Lease liabilities		**182,650**	41,736
Deferred income		**84,832**	81,652
Deferred tax liabilities		**316,355**	39,314
		8,076,250	2,888,635
NET ASSETS		**11,183,227**	8,276,403
CAPITAL AND RESERVES			
Share capital	18	**383,604**	354,699
Reserves		**10,681,273**	7,777,664
Total equity attributable to owners of the Company		**11,064,877**	8,132,363
Non-controlling interests		**118,350**	144,040
TOTAL EQUITY		**11,183,227**	8,276,403

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED JUNE 30, 2021

	Attributable to owners of the Company									
	Share capital *RMB'000* *(Note 18)*	**Share premium** *RMB'000*	**Merger reserve** *RMB'000*	**Reserve fund** *RMB'000*	**Safety fund** *RMB'000*	**Other reserve** *RMB'000*	**Retained profits** *RMB'000*	**Total** *RMB'000*	**Non-controlling interests** *RMB'000*	**Total equity** *RMB'000*
Balance at January 1, 2021 (Audited)	**354,699**	**1,377,224**	**384,869**	**772,123**	**35,878**	**(27,498)**	**5,235,068**	**8,132,363**	**144,040**	**8,276,403**
Profit (loss) for the period	**–**	**–**	**–**	**–**	**–**	**–**	**1,690,583**	**1,690,583**	**(25,690)**	**1,664,893**
Other comprehensive income	**–**	**–**	**–**	**–**	**–**	**2,750**	**–**	**2,750**	**–**	**2,750**
Net transfer from safety fund	**–**	**–**	**–**	**–**	**(1,904)**	**–**	**1,904**	**–**	**–**	**–**
Issue of new shares *(Note 18)*	**28,905**	**1,676,476**	**–**	**–**	**–**	**–**	**–**	**1,705,381**	**–**	**1,705,381**
Dividends recognized as distribution *(Note 10)*	**–**	**–**	**–**	**–**	**–**	**–**	**(466,200)**	**(466,200)**	**–**	**(466,200)**
Balance at June 30, 2021 (Unaudited)	**383,604**	**3,053,700**	**384,869**	**772,123**	**33,974**	**(24,748)**	**6,461,355**	**11,064,877**	**118,350**	**11,183,227**
Balance at January 1, 2020 (Audited)	354,699	1,377,224	384,869	468,581	32,190	(30,176)	4,104,017	6,691,404	108,698	6,800,102
Profit (loss) for the period	–	–	–	–	–	–	350,981	350,981	(5,235)	345,746
Other comprehensive income	–	–	–	–	–	1,854	–	1,854	–	1,854
Net transfer to safety fund	–	–	–	–	3,565	–	(3,565)	–	–	–
Capital contribution from a non-controlling shareholder	–	–	–	–	–	–	–	–	7,480	7,480
Dividends recognized as distribution *(Note 10)*	–	–	–	–	–	–	(156,238)	(156,238)	–	(156,238)
Balance at June 30, 2020 (Unaudited)	354,699	1,377,224	384,869	468,581	35,755	(28,322)	4,295,195	6,888,001	110,943	6,998,944

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2021

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on November 8, 2007 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

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

The Company's operating subsidiaries are engaged in the production, sale and distribution of coke, coking chemicals and refined chemicals and relevant operation management services in the People's Republic of China (the "**PRC**" or "**China**"). The condensed consolidated financial statements of the Group are presented in Renminbi ("**RMB**"), which is the same as the functional currency of the Company.

2. BASIS OF PREPARATION

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

Going concern

At June 30, 2021, the Group had net current liabilities of RMB2,902,626,000. The Directors are of the opinion that, taking into consideration the availability of unutilized banking facilities of the Group amounting to RMB5,548,322,000 at the report date, of which RMB4,697,154,000 is unconditional and RMB851,168,000 is the outstanding portion of syndicated loans for special purpose of construction of certain production lines, and the assumption that approximately 55% of bank loans and other bank facilities as at the date of this announcement will be successfully renewed upon maturity, the Group has sufficient financial resources to meet its capital expenditure requirements and liabilities as and when they fall due for the next twelve months from the date of this announcement. Accordingly, the condensed consolidated financial statements are prepared on a going concern basis.

3. PRINCIPAL ACCOUNTING POLICIES

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

Other than additional accounting policies resulting from application of amendments to International Financial Reporting Standards ("**IFRSs**"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended June 30, 2021 are the same as those presented in the Group's annual financial statements for the year ended December 31, 2020.

Application of amendments to IFRSs

In the current interim period, the Group has applied the following amendments to IFRSs, for the first time, which are mandatorily effective for the annual periods beginning on or after January 1, 2021 for the preparation of the Group's condensed consolidated financial statements:

Amendments to IFRS 16	Covid-19-Related Rent Concessions
Amendments to IFRS 9, IAS 39 IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2

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

3.1 Impacts and accounting policies on application of Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform – Phase 2"

3.1.1 Accounting policies

Financial instruments

Changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform

For changes in the basis for determining the contractual cash flows of a financial asset or financial liability to which the amortised cost measurement applies as a result of interest rate benchmark reform, the Group applies the practical expedient to account for these changes by updating the effective interest rate, such change in effective interest rate normally has no significant effect on the carrying amount of the relevant financial asset or financial liability.

A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if and only if, both these conditions are met:

- the change is necessary as a direct consequence of interest rate benchmark reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis (ie the basis immediately preceding the change).

3.1.2 Transition and summary of effects

The Directors are of the opinion that the reform will have no material impact to the Group as all the loans carrying interest at LIBOR will be matured before the cease of LIBOR setting provided by any administrator.

4. REVENUE AND SEGMENT INFORMATION

Information was reported to the executive directors, being the chief operating decision maker (the "**CODM**"), for the purposes of resource allocation and performance assessment among segments focuses specifically on different type of goods and services.

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

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

	Six months ended June 30, 2021				
	Coke and Coking Chemicals Manufacturing *RMB'000* (Unaudited)	**Refined Chemicals Manufacturing** *RMB'000* (Unaudited)	**Operation Management** *RMB'000* (Unaudited)	**Trading** *RMB'000* (Unaudited)	**Total** *RMB'000* (Unaudited)
Revenue from contracts with external customers					
Sale of coke and coking chemicals	7,706,447	–	–	–	7,706,447
Sale of refined chemicals	–	5,506,847	107,479	–	5,614,326
Trading	–	–	–	4,647,373	4,647,373
Management services	–	–	34,810	–	34,810
	7,706,447	5,506,847	142,289	4,647,373	18,002,956
Inter-segment revenue	441,896	130,584	–	–	572,480
Reportable segment revenue	8,148,343	5,637,431	142,289	4,647,373	18,575,436
Reportable segment results	1,928,993	304,794	23,408	112,099	2,369,294
Unallocated head office and corporate expenses					(297,981)
Consolidated profit before taxation					2,071,313
Other information:					
Share of results of associates	22,936	33,873	–	–	56,809
Share of results of joint ventures	337,057	–	–	–	337,057

	Six months ended June 30, 2020				
	Coke and Coking Chemicals Manufacturing	Refined Chemicals Manufacturing	Operation Management	Trading	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue from contracts with external customers					
Sale of coke and coking chemicals	4,019,848	–	15,599	–	4,035,447
Sale of refined chemicals	–	2,928,790	162,194	–	3,090,984
Trading	–	–	–	938,148	938,148
Management services	–	–	68,495	–	68,495
	4,019,848	2,928,790	246,288	938,148	8,133,074
Inter-segment revenue	404,453	90,897	–	–	495,350
Reportable segment revenue	4,424,301	3,019,687	246,288	938,148	8,628,424
Reportable segment results	412,374	(65,170)	58,983	65,217	471,404
Unallocated head office and corporate expenses					(40,451)
Consolidated profit before taxation					430,953
Other information:					
Share of results of associates	(21,121)	(5,137)	–	–	(26,258)
Share of results of joint ventures	157,272	–	–	–	157,272

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

Segment assets

	June 30, 2021	December 31, 2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Coke and coking chemicals manufacturing	**12,298,683**	9,466,094
Refined chemicals manufacturing	**15,158,304**	9,182,620
Operation management	**121,644**	809,763
Trading	**5,196,468**	3,383,078
Reportable segment assets	**32,775,099**	22,841,555
Unallocated head office and corporate assets	**873,067**	1,373,085
Total assets	**33,648,166**	24,214,640

Segment liabilities

	June 30, 2021 RMB'000 (Unaudited)	December 31, 2020 RMB'000 (Audited)
Coke and coking chemicals manufacturing	**6,733,324**	5,867,401
Refined chemicals manufacturing	**8,076,567**	6,315,371
Operation management	**80,055**	125,133
Trading	**4,428,553**	3,272,583
Reportable segment liabilities	**19,318,499**	15,580,488
Unallocated head office and corporate liabilities *(note)*	**3,146,440**	357,749
Total liabilities	**22,464,939**	15,938,237

Note: As at June 30, 2021, the unallocated head office and corporate liabilities mainly include unpaid consideration for acquisition of a subsidiary with amount of RMB2,901,000,000.

5. OTHER INCOME

	Six months ended June 30, 2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Interest income	**31,621**	21,158
Production waste sales	**19,419**	5,523
Government grants	**5,420**	13,431
Others	**6,827**	7,535
	63,287	47,647

6. OTHER GAINS AND LOSSES

	Six months ended June 30, 2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Change in fair value of financial assets/liabilities at FVTPL:		
– Listed equity securities	**(56,765)**	(2,887)
– Futures contracts	**(4,394)**	14,088
– Derivative financial instruments-swaps	**24,745**	(14,275)
– Other non-derivative financial assets	**(5,616)**	11,316
Impairment losses of property, plant and equipment *(Note 12)*	**(25,032)**	(45,633)
Loss on foreign exchange, net	**(27,581)**	(24,190)
(Loss)/gain on disposal of/write off property, plant and equipment	**(71,982)**	321
Others	**9,273**	2,991
	(157,352)	(58,269)

7. FINANCE COSTS

	Six months ended June 30,	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest on bank loans	**206,075**	202,897
Interest on other loans from licenced financial institutions	**46,199**	49,092
Interest on unpaid consideration for acquisition of a subsidiary *(note 19)*	**153,028**	–
Finance expenses on bills receivable discounted	**21,998**	69,888
Finance charges on lease liabilities	**6,444**	1,469
	433,744	323,346
Less: Amount capitalized under construction in progress *(note)*	**(40,295)**	(44,894)
	393,449	278,452

Note: The finance costs were capitalized at annual rates of 5.29%–6.18% per annum during the six months ended June 30, 2021 (during the six months ended June 30, 2020: 3.63%–8.00%).

8. PROFIT BEFORE TAXATION

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

	Six months ended June 30,	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment	**620,309**	324,505
Depreciation of right-of-use assets	**52,598**	22,308
Amortization of intangible assets	**41,867**	5,972
Total depreciation and amortization	**714,774**	352,785
Capitalized in inventories	**(616,079)**	(312,865)
Capitalized in construction in progress	**(4,546)**	(95)
	94,149	39,825
Cost of inventories recognized as an expense	**14,853,916**	7,198,852

9. INCOME TAX EXPENSE

	Six months ended June 30,	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current tax		
PRC income tax for the period	**388,045**	112,897
Deferred tax charge (credit)	**18,375**	(27,690)
	406,420	85,207
Effective tax rate	**19.6%**	19.8%

10. DIVIDENDS

During the current interim period, a final dividend of RMB10.5 cents (2020: RMB3.82 cents) per ordinary share with total amount of RMB466,200,000 in respect of the year ended December 31, 2020 was declared and paid to the owners of the Company in June 2021 (Six months ended June 30 2020: RMB156,238,000 in respect of the year ended December 31, 2019).

Subsequent to the end of the current interim period, the Directors have determined that an interim dividend of RMB12.30 cents (equivalent to HK14.7 cents) per share, with total amount of RMB546,120,000 (equivalent to HK$652,680,000) (for the six months ended June 30, 2020: HK$119,428,000 (equivalent to approximately RMB105,522,000)).

11. EARNINGS PER SHARE

Basic earnings per share for the six months ended June 30, 2021 and basic earnings per share for the six months ended June 30, 2020 are calculated by dividing the profit attributable to the owners of the Company by the weighted average number of ordinary shares issued.

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

	Six months ended June 30,	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to the owners of the Company *(RMB'000)*	**1,690,583**	350,981
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**4,144,143,646**	4,090,000,000

12. PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group acquired property, plant and equipment amounting to approximately RMB4,634 million (six months ended June 30, 2020: RMB1,123 million), of which RMB3,835 million was acquired through the acquisition of a subsidiary as set out in note 19 and disposed/wrote off property, plant and equipment with carrying amount of approximately RMB77 million (six months ended June 30, 2020: RMB0.2 million).

During the current interim period, the Group performed impairment test and recognized impairment losses of RMB25,032,000 based on the fair value less costs of disposal related to property, plant and equipment of the fumaric acid production line which was shut down. During the six months ended June 30, 2020, an impairment losses of RMB45,633,000 was recognised based on the fair value less costs of disposal related to property, plant and equipment of dimethyl ether production line which was shut down in May 2020.

13. FINANCIAL ASSETS/LIABILITIES AT FVTPL

	June 30, 2021	December 31, 2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Non-current assets		
Listed equity securities *(note a)*	**213,908**	57,678
Unlisted equity investment	**37,369**	43,103
Private equity investment fund *(note b)*	**215,666**	117,846
Wealth management products *(note c)*	**144,148**	32,411
	611,091	251,038
Current assets		
Futures contracts	**946**	2,885
Held-for-trading non-derivative financial assets	**55,686**	5,290
Structured deposit product *(note d)*	**70,000**	–
	126,632	8,175
Current liabilities		
Futures contracts	**(13)**	(140)
Derivative financial instruments – swaps *(note e)*	**(23,280)**	(52,189)
	(23,293)	(52,329)
	714,430	206,884

Notes:

a. During the six months ended June 30, 2021, the Group purchased 7,703,000 H shares of China Gas Holdings Limited. The fair value was RMB152,000,000 as at June 30, 2021, and a loss of RMB61,101,000 was recognized as change in fair value of the listed equity securities during the six months ended June 30, 2021.

b. On December 26, 2020, the Group subscribed for 9.09% registered capital of a private equity investment fund focusing on the reform of state-owned enterprises in Hebei Province as the limited partner and injected RMB50,000,000 as part of registered capital. On April 27, 2021, the Group further injected RMB100,000,000 and the fair value as at June 30, 2021 was equal to the initial investment principal amounting to RMB150,000,000 (2020: RMB50,000,000).

c. The Group subscribed for two principal-protected wealth management product from two asset management companies in May 2021 with fair value of RMB111,106,000 as at June 30, 2021.

d. In June 2021, the Group subscribed for two 3-month structured deposits from commercial banks which linked to exchange rate of US$/Japanese Yen and Euro/US$ respectively. The initial investment principal and the fair value at June 30, 2021 was RMB70,000,000.

e. The Group is exposed to the exchange and interest rate risk mainly arising from various bank loans with floating interest rate and denominated in US$. To manage and mitigate the floating interest rate and foreign exchange exposure, the Group entered into various swap (the "Swaps") with certain financial institutions. As at June 30, 2021, the Swaps have total notional amounts of US$17,743,000 and RMB461,000,000 (2020: US$45,942,000 and RMB461,000,000), of which the maturity dates match to the maturity dates of these banks loans. The Swaps are not designated as hedging instruments. Accordingly, they are classified and accounted for as financial instruments at FVTPL. The fair value was RMB23,280,000 as at June 30, 2021 (2020: RMB52,189,000) and an unrealized gain of RMB24,745,000 was recorded as change in fair value during the year ended June 30, 2021 (six months ended June 30, 2020: unrealized losses of RMB14,275,000).

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

	June 30, 2021 *RMB'000* **(Unaudited)**	December 31, 2020 *RMB'000* (Audited)
Trade receivables measured at FVTOCI	**733,498**	541,495
Bills receivables measured at FVTOCI	**563,653**	463,786
Trade and bills receivables measured at FVTOCI	**1,297,151**	1,005,281
Prepayments for raw materials	**1,489,486**	1,153,479
Receivables for relocation compensation	**139,091**	139,091
Loan receivables	**–**	34,000
Receivables on behalf of third parties as a trading agency	**243,698**	230,506
Deductible input Value Added Tax and prepaid other taxes and charges	**285,110**	197,179
Other deposits, and other receivables	**190,915**	94,178
Less: impairment	**(112,572)**	(22,727)
Other receivables	**2,235,728**	1,825,706

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

	June 30, 2021 *RMB'000* **(Unaudited)**	December 31, 2020 *RMB'000* (Audited)
Within one month	**452,008**	399,913
1 to 3 months	**247,956**	120,931
3 to 6 months	**25,879**	2,611
6 to 12 months	**7,655**	18,040
	733,498	541,495

15. RESTRICTED BANK BALANCES

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

	June 30, 2021 *RMB'000* **(Unaudited)**	December 31, 2020 *RMB'000* (Audited)
Restricted bank balances to secure:		
Bills payable *(note)*	**1,238,244**	935,865
Letters of credit	**–**	35,402
Futures contracts	**148,946**	211,144
Bank loans	**407,646**	112,245
	1,794,836	1,294,656
Analyzed for reporting purpose as:		
Current assets	**1,438,836**	1,294,656
Non-current assets	**356,000**	–
	1,794,836	1,294,656

Note: Certain restricted bank balances were placed to secure bills issued among subsidiaries of the Group for intra-group transactions which have been discounted with full recourse to secure bank loans of RMB1,851,001,000 and RMB1,878,529,000 as at June 30, 2021 and December 31, 2020 respectively.

Restricted bank balances are deposited with banks mainly in the PRC and the remittance of these funds out of the PRC is subject to the exchange restrictions imposed by the PRC government. These bank deposits carry interest at market rates ranging from 0.30% to 3.85% per annum as at June 30, 2021 (December 31, 2020: 0.30% to 1.75%).

16. TRADE AND OTHER PAYABLES

	June 30, 2021 *RMB'000* **(Unaudited)**	December 31, 2020 *RMB'000* (Audited)
Trade payables	**1,093,888**	892,193
Payables to be settled by the endorsed bills receivable	**172,473**	177,325
Bills payable	**795,934**	549,513
Payables on behalf of third parties as a trading agency	**672,900**	883,222
Payables for construction in progress	**966,359**	794,695
Other tax payables	**132,157**	181,119
Payroll payables	**307,923**	132,209
Other payables and accruals	**261,934**	187,786
	4,403,568	3,798,062

All trade and other payables are due within one year except for certain payables for construction in progress which are due after more than one year. The average credit period on purchases of goods is 30 to 90 days.

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

	June 30, 2021 *RMB'000* **(Unaudited)**	December 31, 2020 *RMB'000* (Audited)
Within 3 months	**791,334**	744,673
3 to 6 months	**42,852**	69,487
6 to 12 months	**19,908**	29,672
1–2 years	**204,869**	15,040
2–3 years	**6,792**	14,339
More than 3 years	**28,133**	18,982
	1,093,888	892,193

17. BANK AND OTHER LOANS

During the current interim period, the Group received the proceeds of approximately RMB6,102,238,000 (six months ended June 30, 2020: RMB5,017,460,000) related to its renewed and newly obtained bank loans and made repayments amounting to approximately RMB4,609,388,000 (six months ended June 30, 2020: RMB3,675,577,000), with a net exchange gain of RMB1,499,000 (a net exchange loss of six months ended June 30, 2020: RMB22,402,000). The loans bear interest at the rate ranging from 1.58% to 12.00% (December 31, 2020: 2.89% to 12.00%) per annum and are repayable in instalments over a period of 1 to 5 years.

Save as disclosed above, as of the date of this report, the Group has unutilized banking facilities as follows:

	June 30, 2021 *RMB'000* **(Unaudited)**	December 31, 2020 *RMB'000* (Audited)
Unutilized banking facilities:		
Unconditional	**4,697,154**	3,128,928
Conditional *(note a)*	**3,814,000**	4,212,000
Outstanding portion of syndicated loans *(note b)*	**851,168**	1,547,000
	9,362,322	8,887,928

Notes:

a. The banking facilities provided by certain banks are subject to further approval or provision of security by the Group.

b. The syndicated loans are for special purpose of construction of certain production lines.

18. SHARE CAPITAL

	As at		**As at**	
	June 30, 2021 ***Number of shares***	December 31, 2020 *Number of shares*	**June 30, 2021** ***HK$'000***	December 31, 2020 *HK$'000*
Authorized				
Shares of HK$0.10 each				
Authorized ordinary shares:				
At beginning and end of the period/year	**10,000,000,000**	10,000,000,000	**1,000,000**	1,000,000
Issued and fully paid of ordinary shares:				
At the beginning of the period/year	**4,090,000,000**	4,090,000,000	**409,000**	409,000
Share issued *(note)*	**350,000,000**	–	**35,000**	–
At the end of the period/year	**4,440,000,000**	4,090,000,000	**444,000**	409,000

	June 30, 2021	December 31, 2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Presented in the consolidated statement of financial position as:		
At the beginning of the period/year	**354,699**	354,699
Share issued *(note)*	**28,905**	–
At the end of the period/year	**383,064**	354,699

Note: On June 3, 2021, the Company placed new shares of 350,000,000 at the placing price of HK$5.90 per share (the "**Placing**"). The gross proceeds received by the Company from the Placing was approximately HK$2,065,000,000 (equivalent to RMB1,705,381,000).

19. ACQUISITION OF A SUBSIDIARY

On January 15, 2021, the Group acquired 100% equity interest in Wuhu Shunri Xinze Equity Investment Partnership (LP) ("**Shunri Xinze**") (the "**Acquisition**") at the consideration of RMB4.91 billion. The Acquisition has been accounted for as acquisition of business using the acquisition method. Details of the Acquisition are set out in the Group's circular dated December 8, 2020. The Acquisition is conducive to the future business expansion of the Group in the coke and refined chemicals market.

Assets and liabilities recognized at the date of acquisition (determined on a provisional basis)

	RMB'000
Non-current assets	
Property, plant and equipment	3,835,277
Intangible assets	852,000
Right-of-use assets	316,577
Other long-term receivables	55,175
Current assets	
Inventories	463,263
Trade and other receivables	907,019
Cash and cash equivalents	43,851
Current liabilities	
Contract liabilities	16,903
Trade and other payables	944,473
Income tax payable	431,732
Non-current liabilities	
Deferred tax liabilities	286,681
Net assets acquired	4,793,373

The trade and other receivables acquired (which principally comprised trade receivables) with a fair value of RMB907,019,000 at the date of acquisition had gross contractual amounts of RMB923,853,000. The best estimate at acquisition date of the contractual cash flows not expected to be collected amounted to RMB16,834,000.

Goodwill arising on acquisition

	RMB'000
Consideration transferred	
Offset by deposits and prepayment	1,763,000
Cash	250,000
Payable	
On September 15, 2023 *(note)*	1,325,000
On or before September 15, 2024 *(note)*	1,576,000
	4,914,000
Less: recognized amounts of net assets acquired	(4,793,373)
Goodwill arising on acquisition	120,627

Note: The balances are bearing interest at 10% per annum and payable quarterly.

Goodwill represents the control premium and the unused tax losses and deductible temporary difference of the Shunri Xinze and its subsidiaries at the date of acquisition which are pending for the confirmation by the local tax authorities; therefore, no deferred tax asset has been recognized due to its unpredictability in nature.

Net cash outflows arising on the Acquisition

	RMB'000
Consideration paid in cash *(note)*	250,000
Less: Cash and cash equivalents acquired	(43,851)
	206,149

Note: On April 15, 2021, the Group early repaid part of the consideration due on September 15, 2023 amounting to RMB250,000,000.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The Group is an integrated coke, coking chemical and refined chemical producer and supplier together with relevant operation management services provider in China. The Group maintains as the world's largest independent producer and supplier of coke by volume in 2020, according to Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., ("**Frost & Sullivan**"), an independent global consulting firm.

Other than the largest independent coke processing volume in the world, we held leading positions in a number of refined chemical sectors in China or globally in 2020. According to Frost & Sullivan, the Group was the largest producer of industrial-naphthalene-based phthalic anhydride and coke-oven-gas-based methanol by volume in China in 2020. The Group was also the largest coking crude benzene processor and the second largest coal tar processor by volume globally in 2020.

In 2021, the Group keeps its track in growth and expansion from last year in order to cope with different challenges ahead and to create more value to the shareholders of the Company. Our growth and expansion are still by way of provision of operation management service together with formation and acquisition of entities. The main difference in expansion is not only focusing on opportunities in China but also establishing new production bases overseas. In the past, all production bases of the Group were located in different provinces in China, while starting from 2021, the Group actively explored opportunities in different places of Asia, for example Sulawesi province, Indonesia.

In view of the operating results in the first half of 2021, recent development of economy and future development needs, as well as sharing our results with shareholders, the Board determined to declare an interim dividend of RMB12.30 cents (for the six months ended June 30, 2020: RMB2.58 cents) per share, with a total amount of RMB546,120,000 (for the six months ended June 30, 2020: RMB105,522,000).

BUSINESS REVIEW

The Group's vertically integrated business model and its experience of 26 years in the coke industry production chain enables the Group to tap into the downstream refined chemicals industry. During the Reporting Period and up to the date of this announcement, we entered into two new operation management agreements and three joint venture agreements with independent third parties to further expand our business presence in Shanxi and Jilin Province, the PRC and Sulawesi Province, Indonesia respectively.

Four business segments are set out as follows:

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

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

(3) **Operation management:** the operation management service provided to the third-party plants, and the sale of coke, coking chemicals and refined chemicals produced by these plants under the management service agreements and commissioned processing contracts; and

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

During the Reporting Period, key business developments in terms of the products, geographical layout, equity capital market and digitalization are described as follows:

Products

The Group proactively conducts its businesses and creates value to the shareholders of the Company by investing into products with high added value and more profits. The Group has achieved the following during the Reporting Period:

For the coke and coking chemicals, the Group expanded the coke operation management services into Shanxi Province, China in March 2021. The Group is responsible for purchasing relevant coke products from the counterparty at an agreed price and selling the coke products to downstream customers with a sales service fees at a rate of RMB40/tonne from the counterparty based on the sales volume.

Moreover, with the experience of the strong supply demand reform in coke market, the PRC Government's pledges on "Carbon Neutral" by 2060 and the implementation of "Carbon Emission Peak" by 2030, the Group overcame different factors such as the COVID-19 epidemic, increase in coal price, environmental protection restrictions so as to maintain the price spread between coal and coke.

The Group optimized the storage of coal, established an internal coal research institute and improved coal blending in terms of coke structure, blending accuracy, blending costs, etc. Recently, the Group customized the coke production for large-scale blast furnace and successfully produced high-quality coke "Risun No. 1" and sold to the Group's customers, which operated 2,000 cubic meter blast furnace. The Group extended the coke market to cover or a customer large-scale blast furnaces.

For the refined chemicals, the Group had three different lines of refined chemicals, which are carbon material chemicals, alcohol-ether chemicals and aromatic chemicals. Compared to the previous interim period for the six months ended June 30, 2020, the Group invested and produced new products in the line of aromatic chemicals such as styrene (苯乙烯) and benzene hydrogenation (苯加氫) in Tangshan Production Base, synthetic ammonia (合成氨) and adipic acid (己二酸) in Dingzhou Production Base during the Reporting Period. Synthetic ammonia and adipic acid were further refined into polyamide 66 or nylon 66 (in abbreviation), while styrene was further refined into polystyrene and expandable polystyrene. The usage of nylon 66 is in equipment and instrument that requires resistance and high strength, for example, in automotive industry. Polystyrene is one of the most widely used plastics.

For the operation management, apart from the expansion of coke operation management in Shanxi Province, the PRC in March 2021, the Group entered into another operation management agreement to annual production capacity of 1,200,000 tonnes of coke and coking chemicals with a third party coke producer in Jilin Province, the PRC in May 2021.

For the trading, the Group made a trading volume of 3.5 million tonnes of coke and coking chemcials during the Reporting Period.

Geographical layout

The Group completed the acquisition of Wuhu Shunri Xinze Equity Investment Partnership (LP) ("**Shunri Xinze**") in January 2021, which the geographical layout covered Shandong Province. This was one of the important steps to develop the coking business in another province out of Hebei Province. The acquisition has been the first major acquisition since the listing in March 2019.

Furthermore, the Group expanded its geographical layout from the PRC to Indonesia in June 2021 by establishing business partnerships with other large-scale enterprises by way of formation of joint ventures. The Group chose Indonesia Morowali Industrial Park ("**IMIP**") in Sulawesi province, Indonesia, one of the exemplary cooperation projects under the Belt and Road Initiative, as another strategic move to expand its coke production capacity overseas. Dozens of large-scale metal smelting enterprises have or will have business establishments in IMIP and it is expected that the demand for coke will be enormous in the future.

Equity capital market

The Company completed the Placing in June 2021 which has been the first movement in equity capital market in Hong Kong since its listing is March 2019. The Placing will enable the Company to obtain further equity funding for upgrading the Group's existing coke and coking chemicals and refined chemicals manufacturing equipment and environmental protection facilities as well as potential mergers and acquisitions, which will be beneficial for the Group's future expansion and development.

In addition, the Placing will further enlarge the Company's shareholders' equity base, optimize the capital structure of the Company, strengthen the financial position and liquidity of the Group and provide support and flexibility for the development of the Group.

As at June 30, 2021, the cash and cash equivalent reached RMB3,950.1 million (as at December 31, 2020: RMB1,181.4 million) reserved for the future development needs of the Group.

Digitalization

The Group was committed to lead the digitalization in the coke and chemical industry by continuous innovation throughout the whole process from procurement, manufacturing to sales of the products. The Group continued to promote the construction of digital factories in the production bases in different ways of management, ranging from equipment asset management, energy consumption management, environmental optimization, process optimization to other efficient management. The aim was to realize the development of "green, agglomeration, intelligence, and high-end" in the coke and chemical industry.

Moreover, according to the National Five-Year Plan focusing on digital transformation, intelligent manufacturing, industrial Internet, big data and information security, the Group determined to formulate its own development in information technology. Beijing Risun Digital Technology Limited ("**Risun Digital**"), the subsidiary of the Group, was the mothership of information technology of the Group. Risun Digital introduced the "Risun Industrial Cloud", which supported the Group's own digital strategic needs and actively promoted the application to the other market participants in the coke industry. By building an open cooperation platform to empower the coke and chemical industry vertically, the Group aimed to assist the digital transformation not only to the coke and chemical industry but also the energy industry.

DEVELOPMENTAL STRATEGY

Risun was founded in 1995 and up to 2021, we have a 26-years history of development, where we take advantage of our leading position, experience and technology in coke industry to drastically expand our four key business segments through the following development strategies. The Group aims to strengthen the global leading position as an integrated producer and supplier of coke, coking chemicals and refined chemicals.

(i) expansion of business operation and production capacity;

(ii) exploration of market opportunities to provide operation management services;

(iii) development and reinforcement of long-term business relationships with major customers and suppliers;

(iv) expansion of domestic and international trading business;

(v) improve our energy-efficiency, environmental protection and operation safety standards; and

(vi) improvement of our core competitive strengths through automation and information technologies.

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

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

- 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.

The Group's vertically integrated business model and our experience of 26 years in the coal chemicals industry production chain allow us to tap into the downstream refined chemicals markets. With an aim of strengthening our leading position as a global coke and refined chemicals producer and supplier, we will make use of establishment of new subsidiaries/joint ventures, acquisition of existing coke and refined chemicals producers together with provision of operation management services to third parties in order to achieve our aim.

BUSINESS PROSPECTS

Coke and refined chemicals

Looking forward to 2021, the coke industry will continue the supply-demand reform and the Group will continue to increase the market share in independent coke market and certain refined chemicals market by upgrading the coke production capacity of its existing production bases expanding its operation management services together with merger and acquisition (including forming joint ventures). The Group's joint venture in Inner Mongolia Hohhot is undergoing the expansion of coke production facilities with annual production volume of 3.6 million tonnes and it is expected to commence its commercial production in second half of 2022. As mentioned in "Geographical layout", there are three new joint venture agreements entered into by the Group in Sulawesi province, Indonesia during the Reporting Period and up to the date of this announcement and it is expected to commence full commercial productions no later than first half of 2023.

The Group will also enhance the production capacity of refined chemicals facilities. Apart from the commencement of annual production capacity of 300,000 tonnes of styrene in October 2020, the Group is now expanding the production capacity of caprolactam in Hebei and Shandong Province, the PRC. The Group is further refining and developing the new refined materials such as nylon and polystyrene, since the usage of these refined chemicals at end-customer side is increasing and their high value will be released by continuous refining.

Hydrogen

Apart from Hebei Dingzhou, the Group plans to participate actively into the hydrogen industrialization plan in Inner Mongolia Hohhot and Hebei Xingtai, two hydrogen energy demonstration cities in the PRC. The Group aims at creating a clean and low-carbon hydrogen energy supplier. Focusing on the rapid development of hydrogen energy industry in Beijing-Tianjin-Hebei area, the Group is committed to develop from production, storage, transportation, hydrogenation to usage together with radiation of intelligent supply of hydrogen to the whole country with advanced technology and more customer-oriented services.

DEVELOPMENT, PERFORMANCE AND STATUS OF THE BUSINESS OF THE COMPANY

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

	For the six months ended June 30,	
	2021	2020
Financial indicators		
Gross profit margin[(1)]	**18.0%**	14.2%
Net profit margin[(2)]	**9.2%**	4.3%
EBITDA margin[(3)]	**17.7%**	13.1%
Return on equity[(4)]	**30.6%**	10.2%
	As at June 30, 2021	As at December 31, 2020
Gearing ratio[(5)]	**1.3x**	1.3x

Notes:

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

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

(3) Calculated by dividing earnings before interest, tax, depreciation and amortization ("**EBITDA**") by revenue for the period.

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

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

FINANCIAL REVIEW

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

	For the six months ended June 30, 2021				
	Coke and coking chemicals manufacturing	**Refined chemicals manufacturing**	**Operation management services**	**Trading**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
Total revenue	**7,706,447**	**5,506,847**	**142,289**	**4,647,373**	**18,002,956**
Gross profit	**2,197,149**	**657,035**	**25,158**	**357,115**	**3,236,457**

	For the six months ended June 30, 2020				
	Coke and coking chemicals manufacturing	Refined chemicals manufacturing	Operation management services	Trading	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Total revenue	4,019,848	2,928,790	246,288	938,148	8,133,074
Gross profit	754,844	188,617	62,284	151,476	1,157,221

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

(a) Revenue

Revenue for the six months ended June 30, 2021 increased to RMB18,003.0 million when compared with RMB8,133.1 million for the six months ended June 30, 2020.

Revenue from coke and coking chemicals manufacturing business increased by RMB3,686.6 million or 91.7% from RMB4,019.8 million for the six months ended June 30, 2020 to RMB7,706.4 million for the six months ended June 30, 2021, primarily due to an increase in the average selling price of coke from RMB1,589.9 per tonne for the six months ended June 30, 2020 to RMB2,342.1 per tonne for the six months ended June 30, 2021. The sales volume of coke for the six months ended June 30, 2021 also increased 0.6 million tonnes due to the completion of acquisition of Shunri Xinze in January 2021.

Revenue from refined chemical manufacturing business increased by RMB2,578.0 million or 88.0% from RMB2,928.8 million for the six months ended June 30, 2020 to RMB5,506.8 million for the six months ended June 30, 2021, primarily due to the rebound in the selling price of most refined chemical products since the outbreak of COVID-19 under control in China.

Revenue from the operation management business decreased by RMB104 million or 42.2% from RMB246.3 million for the six months ended June 30, 2020 to RMB142.3 million for the six months ended June 30, 2021, primarily due to the completion of the acquisition of Shunri Xinze, the operation management service for Shunri Xinze has been terminated and the operating result was included in manufacturing business segments for the six months ended June 30, 2021.

Revenue from the trading business increased by RMB3,709.3 million or 395.4% from RMB938.1 million for the six months ended June 30, 2020 to RMB4,647.4 million for the six months ended June 30, 2021, primarily due to the increase in trading volume from the affiliated companies. The Group began to adopt a centralized purchasing and sales business model with the affiliated companies to improve our marketing management capabilities and efficiency.

(b) Cost of sales

Cost of sales for the six months ended June 30, 2021 increased to RMB14,766.5 million when compared with RMB6,975.9 million for the six months ended June 30, 2020.

Cost of sales from the coke and coking chemical manufacturing business increased by RMB2,244.3 million or 68.7% from RMB3,265.0 million for the six months ended June 30, 2020 to RMB5,509.3 million for the six months ended June 30, 2021, primarily due to the increase in market prices for coking coal and the increase in the volume of coke sold.

Cost of sales from the refined chemical manufacturing business increased by RMB2,109.7 million or 77.0% from RMB2,740.1 million for the six months ended June 30, 2020 to RMB4,849.8 million for the six months ended June 30, 2021, primarily due to the increase in the purchase price of raw material for refined chemicals.

Cost of sales from the operation management business decreased by RMB66.9 million or 36.3% from RMB184.0 million for the six months ended June 30, 2020 to RMB117.1 million for the six months ended June 30, 2021, primarily due to the cease of operation management to Shunri Xinze after the completion of the acquisition of Shunri Xinze.

Cost of sales from the trading business increased by RMB3,503.6 million or 445.4% from RMB786.7 million for the six months ended June 30, 2020 to RMB4,290.3 million for the six months ended June 30, 2021, primarily as a result of the increase in trading volume from the affiliated companies.

(c) Gross profit and gross profit margin

The Group's total gross profit increased by approximately RMB2,079.3 million or 179.7% from approximately RMB1,157.2 million for the six months ended June 30, 2020 to approximately RMB3,236.5 million for the six months ended June 30, 2021. Gross profit margin increased from 14.2% for the six months ended June 30, 2020 to 18.0% for the six months ended June 30, 2021.

Gross profit from the coke and coking chemical manufacturing business increased by RMB1,442.3 million or 191.1% from RMB754.8 million for the six months ended June 30, 2020 to RMB2,197.1 million for the six months ended June 30, 2021. Gross profit margin for the coke and coking chemical manufacturing business increased from 18.8% for the six months ended June 30, 2020 to 28.5% for the six months ended June 30, 2021, primarily because of the increase in the coke price.

Gross profit from the refined chemical manufacturing business increased by RMB468.4 million or 248.3% from RMB188.6 million for the six months ended June 30, 2020 to RMB657.0 million for the six months ended June 30, 2021. Gross profit margin for the refined chemical manufacturing business increased from 6.4% for the six months ended June 30, 2020 to 11.9% for the six months ended June 30, 2021, primarily due to the rebound in the selling price of most refined chemical products.

Gross profit from the operation management business decreased by RMB37.1 million or 59.6% from RMB62.3 million for the six months ended June 30, 2020 to RMB25.2 million for the six months ended June 30, 2021. Gross profit margin for the operation management business decreased from 25.3% for the six months ended June 30, 2020 to 17.7% for the six months ended June 30, 2021, primarily due to the completion of the acquisition of Shunri Xinze.

Gross profit from the trading business increased by RMB205.6 million or 135.8% from RMB151.5 million for the six months ended June 30, 2020 to RMB357.1 million for the six months ended June 30, 2021. Gross profit margin for the trading business decreased from 16.1% for the six months ended June 30, 2020 to 7.7% for the six months ended June 30, 2021, primarily due to the increase in trading business from the affiliated companies with lower gross profit margin.

(d) Other income

The Group's other income consists primarily of interest income, income from production waste sales, and government grants received from several government authorities as subsidies for the Group's contribution to the environment protection, energy conservation recycling resources, relocation, purchase of land use rights, and infrastructure construction. Other income increased by RMB15.7 million or 33.0% from RMB47.6 million for the six months ended June 30, 2020 to RMB63.3 million for the six months ended 30 June, 2021 mainly due to the increase in interest income.

(e) Other expense

The Group's other expense consists primarily of expense on project termination and suspension of production. The Bureau of Approval Services of Lingyuan Economic Development Zone of Chaoyang* (朝陽凌源經濟開發區審批服務局) has terminated all the examination and approval procedures regarding Risun Ling Steel as the target production capacity required for the operation of Risun Ling Steel was not approved by relevant government authorities. Therefore, the project expenditure of RMB35 million previously was recognized as an expense for the six months ended 30 June, 2021. The expenses on suspension of production due to the upgrading of equipments amounted RMB21.6 million.

(f) Other gains and losses

The Group had other losses of RMB157.4 million for the six months ended June 30, 2021 primarily due to the fair value losses of listed equity securities of RMB56.8 million and losses on disposal/write off of property, plant and equipment of RMB72.0 million for the six months ended June 30, 2021.

(g) Impairment losses under ECL model, net of reversal

The Group had impairment losses under ECL model, net of reversal of RMB92.6 million for the six months ended June 30, 2021 primarily due to the impairment loss of prepaid land use right deposit for Risun Ling Steel.

(h) Selling and distribution expenses

Selling and distribution expenses increased by RMB90.1 million or 23.9% from RMB376.5 million for the six months ended June 30, 2020 to RMB466.6 million for the six months ended June 30, 2021, primarily due to an increase in transportation expenses and staff costs.

(i) Administrative expenses

Administrative expenses increased by approximately RMB266.8 million or 141.7% from approximately RMB188.3 million for the six months ended June 30, 2020 to approximately RMB455.1 million for the six months ended June 30, 2021, primarily due to an increase in staff costs.

(j) Finance costs

Finance costs primarily consist of interest expenses on bank loans, other loans and finance expenses on discount of bills receivables. The Group's finance costs increased by RMB114.9 million or 41.3% from RMB278.5 million for the six months ended June 30, 2020 to RMB393.4 million for the six months ended June 30, 2021. The increase was mainly due to the interest on unpaid consideration for the acquisition of Shunri Xinze.

(k) Share of results of associates

Share of results of associates increased from a loss of RMB26.3 million for the six months ended June 30, 2020 to a profit of RMB56.8 million for the six months ended June 30, 2021, primarily due to the increase in the price of chemicals products.

(l) Share of results of joint ventures

Share of results of joint ventures increased by RMB179.8 million or 114.3% from RMB157.3 million for the six months ended June 30, 2020 to RMB337.1 million for the six months ended June 30, 2021, primarily due to the increase in profit shared from CNC Risun Energy and Risun China Gas.

(m) Profit before taxation

As a result of the foregoing factors, the profit before taxation increased by RMB1,640.3 million, or 380.6% from RMB431.0 million for the six months ended June 30, 2020 to RMB2,071.3 million for the six months ended June 30, 2021.

(n) Income tax expense

The Group incurred income tax expenses of RMB406.4 million for the six months ended June 30, 2021 and RMB85.2 million for the six months ended June 30, 2020 respectively at effective tax rates of 19.6% and 19.8%. The increase in income tax expense is mainly due to the increase in profit before taxation of RMB1,640.3 million.

(o) Profit for the period

For the six months ended June 30, 2021, the Group recorded a net profit of RMB1,664.9 million, which represented an increase of RMB1,319.2 million or 381.6% as compared to the net profit of RMB345.7 million for the six months ended June 30, 2020.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's primary uses of cash are operating costs, capital expenditures and repayment of debts in the PRC. To date, the Group has funded the investments and operations principally with cash from operations and debt financing from banks and other financial institutions. The Group believes that the liquidity requirements will be satisfied through a combination of cash flows generated from the operating activities, bank loans and other borrowings, and the net proceeds from the Global Offering in March 2019 and the Placing in June 2021. Any significant decrease in the demand for, or pricing of, the products and services, or a significant decrease in the availability of bank loans, may adversely impact the liquidity. As at June 30, 2021, cash and cash equivalents held by the Group were mainly cash in the banks and on hand denominated in RMB and deposits denominated in RMB that are readily convertible into cash.

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

	For the six months ended June 30,	
	2021	2020
	RMB'000	*RMB'000*
Net cash generated from operating activities	**3,063,345**	112,687
Net cash used in investing activities	**(2,575,448)**	(1,278,936)
Net cash generated from financing activities	**2,279,252**	1,035,448
Net increase (decrease) in cash and cash equivalents	**2,767,149**	(130,801)
Cash and cash equivalents at the beginning of the period	**1,181,390**	1,059,857
Effect of foreign exchange rate changes	**1,513**	368
Cash and cash equivalents at the end of the period	**3,950,052**	929,424

(a) Net cash generated from operating activities

For the six months ended June 30, 2021, our net cash generated from operating activities was approximately RMB3,063.3 million and was more than our net cash generated from operating activities for the six months ended June 30, 2020 of approximately RMB112.7 million, primarily due to the increase of profit.

(b) Net cash used in investing activities

For the six months ended June 30, 2021, our net cash used in investing activities was increased from approximately RMB1,278.9 million for the six months ended June 30, 2020 to approximately RMB2,575.4 million primarily due to the increase of purchase of property, plant and equipment and purchase of financial assets at FVTPL.

(c) Net cash generated from financing activities

For the six months ended June 30, 2021, our net cash generated from financing activities was increased from approximately RMB1,035.4 million for the six months ended June 30, 2020 to approximately RMB2,279.3 million. The increase was primarily due to the proceeds from the issue of new shares at the Placing.

INDEBTEDNESS

(a) Borrowings

Most of our borrowings are denominated in RMB. The following table shows our bank borrowings as of the dates indicated:

	June 30, 2021 *RMB'000*	December 31, 2020 *RMB'000*
Bank loan, secured	**4,870,030**	3,550,270
Bank loan, unsecured	**3,734,714**	3,648,967
	8,604,744	7,199,237
Other loans, secured	**1,369,345**	1,146,306
Other loans, unsecured	**82,479**	273,662
	1,451,824	1,419,968
Discounted bills financing	**1,851,001**	1,878,529
Total	**11,907,569**	10,497,734

The total borrowings increased by approximately RMB1.4 billion, or 13.4%, to approximately RMB11.9 billion as of June 30, 2021 from RMB10.5 billion as of December 31, 2020, primarily due to an increase in bank loan.

(b) Lease liabilities

Our Group had the following total future minimum lease payments as of the dates indicated:

	June 30, 2021 *RMB'000*	December 31, 2020 *RMB'000*
Lease liabilities	**255,275**	69,526

(c) Long-term payables

As of June 30, 2021, long-term payables for unpaid consideration for the acquisition of a subsidiary amounted to RMB2.9 billion. Such payables carry a contractual interest rate of 10% per annum.

OFF-BALANCE SHEET ARRANGEMENTS

As of June 30, 2021, the maximum liability of the Group under financial guarantees issued to banks in respect of banking facilities granted to a joint venture is RMB1,280 million (As at December 31, 2020: RMB1,280 million). Other than that, the Group did not have any significant outstanding off-balance sheet guarantees, interest rate swap transactions, foreign currency and commodity forward contracts or other off-balance sheet arrangements. The Group does not engage in trading activities involving non-exchange traded contracts. In the course of the business operations, the Group does not enter into transactions involving, or otherwise form relationships with, unconsolidated entities or financial partnerships that are established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposed.

SHARE OPTION SCHEME

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

Up to June 30, 2021, no options were granted to Directors, eligible employees and other outside third parties under the Share Option Scheme.

FUTURE PLANS AND USE OF PROCEEDS

An analysis comparing the section headed "Future plans and use of proceeds" as set out in the prospectus of the Company dated February 28, 2019 ("**Prospectus**") with our actual business progress for the period from March 15, 2019, being the listing date, to June 30, 2021 (the "**Relevant Period**") is set out below.

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

	Proposed use of net proceeds in the Prospectus *(HK$ million)*	**Actual use of net proceeds during the Relevant Period** *(HK$ million)*	**Unused net proceeds as at June 30, 2021** *(HK$ million)*	**Estimated timetable**
Debt repayments	745.6	745.6	–	–
Investment plans	559.2	559.2	–	–
Environmental Protection Plans and System Upgrade	372.8	372.8	–	–
Working capital	186.4	186.4	–	–
	1,864.0	1,864.0	–	

During the Reporting Period, the Company completed the Placing of its 350,000,000 new shares and the net proceeds from the Placing were approximately HK$2,062.1 million. Up to the date of this announcement, the net proceeds was still unused and placed into recognised banks in the PRC and Hong Kong. The expected time for the use of the net proceeds from the Placing is by the end of December 2022.

COMPETING INTERESTS

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

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

During the six months ended June 30, 2021, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any shares of the Company, save for the Placing.

EMPLOYEE AND REMUNERATION POLICY

As at June 30, 2021, we had 6,972 full-time employees (as at June 30, 2020: 4,229). Most of our senior management members and employees are based in Beijing and Hebei province.

We enter into a standard employment contract with each of our full-time employees. Remuneration for our employees includes basic wages, variable wages, bonuses and other benefits. For the six months ended June 30, 2021 and 2020, our staff costs were RMB658.0 million and RMB198.6 million, respectively.

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

CORPORATE GOVERNANCE PRACTICES

Pursuant to the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Listing Rules which sets out the principles of good corporate governance and the code provisions (the "**Code Provisions**"), the Company has applied all the Code Provisions as set out in the CG Code and has complied with the applicable code provisions throughout the period from during the six months ended since the date on which its Shares were listed on the Stock Exchange until June 30, 2021, except for the Code Provisions A.2.1 of the CG Code.

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

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

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules as its model code for securities transactions by the Directors and relevant employees.

Specific enquiries have been made of all the Directors and they have confirmed that they have complied with the relevant Model Code during the Reporting Period.

The Company's employees, who are likely to be in possession of unpublished inside information of the Company, are subject to the Model Code. No incident of non-compliance of the Model Code by the employees during the Reporting Period was noted by the Company as at the date of this announcement.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES, AND FUTURE PLANS FOR MATERIAL INVESTMENTS

Save as disclosed in this announcement, there were no other significant investments held, no material acquisition or disposal of subsidiaries, associated companies and joint ventures during the Reporting Period. As at June 30, 2021, the Board has not authorized any plan for other material investments or additions of capital assets.

CONTINGENT LIABILITIES

As of June 30, 2021, Shunri Xinze is undergoing an arbitration with a contractor in respect of the services provided to one of its subsidiaries prior to May 2020. The independent lawyer advised that except for the expenses arising from the ordinary course of business, the additional compensations claimed by the contractor could be settled by the amount counterclaimed by Shunri Xinze. The Directors is of the view that after due consideration of the claims and counterclaims, no further legal obligation and provision should be made by the Group other than those arising from the ordinary course of business which have been recognized in trade payables as at the date of acquisition on January 15, 2021.

Except for the off-balance sheet arrangement regarding the financial guarantee provided to a Group's joint venture, the Group did not have any other significant contingent liabilities as at June 30, 2021 (as at December 31, 2020: Nil).

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

On July 13, 2021, the Company announced that the establishment of Lingyuan Risun Iron & Steel Energy Co., Ltd.* (凌源旭陽凌鋼能源有限公司) ("**Risun Ling Steel**") was terminated since all the examination and approval procedures regarding Risun Ling Steel as the target production capacity required for the operation of Risun Ling Steel was not approved by relevant government authorities. The Group will actively look into the subsequent development of Risun Ling Steel with Lingyuan Iron & Steel Co., Ltd.* (凌源鋼鐵股份有限公司).

On July 15, 2021, Risun Global Investments (Hainan) Co., Ltd.* ("**Risun Global Investments**") and Risun Global Limited ("**Risun Global**") (wholly-owned subsidiaries of the Company) entered into the joint venture agreement with Zoomwe Hong Kong Energy Trading Co., Limited and Dawn International Capital Pte. Ltd.. Pursuant to the joint venture agreement, the parties have agreed to jointly establish, by way of capital injection, PT Risun Wei Shan New Energy Indonesia (旭陽偉山新能源(印尼)有限公司) ("**Risun Wei Shan**") for the investment in the construction of the Coking Project (with an annual production capacity of 4.8 million tonnes) in IMIP in Sulawesi, Indonesia. Risun Global Investments and Risun Global will subscribe for US$115.92 million and US$12.60 million, respectively, representing 46% and 5%, respectively, of the registered capital of Risun Wei Shan.

On July 16, 2021, Risun Investments (Hainan) Co., Ltd.* ("**Risun Investments**") (a wholly-owned subsidiary of the Company) entered into the joint venture agreement with Hainan Jinmancheng Technology Investment Co., Ltd.* (海南金滿成科技有限公司), New Era Development Pte. Ltd., Hainan Dongxin Enterprise Management Partnership (LP)* (海南東鑫企業管理合夥企業(有限合夥)) and Jiangsu Shagang Coking Investment Co., Ltd.* (江蘇沙鋼煤焦投資有限公司). Pursuant to the joint venture agreement, the parties have agreed to jointly establish, by way of capital injection, PT KinXiang New Energy Technologies Indonesia (印尼金祥新能源科技有限責任公司) ("**KinXiang**") for the investment in the construction of a coking project (with an annual production capacity of 3.9 million tonnes) in IMIP in Sulawesi, Indonesia. Risun Investments will subscribe for US$43.6 million, representing 20% of the registered capital of KinXiang.

On August 8, 2021, Tangshan Risun Chemicals Limited* ("**Tangshan Risun Chemicals**"), a wholly-owned subsidiary of the Company, entered into an equity transfer agreement with Xuyang Holding Limited* ("**Xuyang Holding**"), pursuant to which Xuyang Holding has agreed to transfer 100% equity interest in Tangshan Risun Petroleum & Chemicals Co., Ltd.* ("**Tangshan Risun Petroleum**") to Tangshan Risun Chemicals for a consideration of RMB570 million. Upon completion of the acquisition, Tangshan Risun Petroleum will become an indirect wholly-owned subsidiary of the Company.

Other than that, there were no significant events affecting the Company or any of its subsidiaries that took place subsequent to June 30, 2021.

CLOSURE OF REGISTER OF MEMBERS

The record date for qualifying to receive the proposed interim dividend is September 14, 2021. In order to determine the right of shareholders entitled to receive the proposed interim dividend, the register of members of the Company will also be closed from September 10, 2021 to September 14, 2021, both days inclusive, during which period the registration of transfer of shares will be suspended. In order to qualify for the interim dividend, all properly completed share transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on September 9, 2021. The expected interim dividend payment date will be on or before September 28, 2021.

AUDIT COMMITTEE

The Company has established the audit committee (the "**Audit Committee**"), with written terms of reference in compliance with the CG Code. The terms of reference of the Audit Committee has been uploaded to the websites of the Company (www.risun.com) and the Stock Exchange (www.hkexnews.hk), which comprises three members, all being Independent non-executive Directors, namely 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 possesses appropriate professional qualifications.

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

In addition, the interim results for the six months ended June 30, 2021 has not been audited but has been reviewed by Deloitte Touche Tohmatsu, the auditor of the Company, in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the International Auditing and Assurance Standard Board.

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

This announcement is published on the respective website of the Company at www.risun.com and the Stock Exchange at www.hkexnews.hk. The interim report of the Company for the six months ended June 30, 2021 will be despatched to the shareholders of the Company and will also be made available on the above websites in due course and in accordance with the Listing Rules.

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

Hong Kong, August 27, 2021

As at the date of this announcement, the executive Directors are Mr. Yang Xuegang, Mr. Zhang Yingwei, Mr. Han Qinliang, Mr. Wang Fengshan, Mr. Wang Nianping and Mr. Yang Lu; and the independent non-executive Directors are Mr. Kang Woon, Mr. Yu Kwok Kuen Harry and Mr. Wang Yinping.

* *For identification purposes only*