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, 2022

HIGHLIGHTS

- Revenue for the six months ended June 30, 2022 was approximately RMB22,530.1 million, representing an increase of approximately 21.1% as compared with the corresponding period in 2021.

- Profit attributable to owners of the Company for the six months ended June 30, 2022 was approximately RMB1,737.0 million, representing an increase of approximately 0.8% as compared with the corresponding period in 2021.

- Basic earnings per share of the Company for the six months ended June 30, 2022 was RMB39.14 cents, representing a decrease of approximately 5.9% as compared with the corresponding period in 2021.

- The Directors declares an interim dividend for the six months ended June 30, 2022 amounting to RMB12.30 cents per share (equivalent to HK14.09 cents per share) (for the six months ended June 30, 2021: RMB12.30 cents per share or HK14.70 cents per share), with total dividend amount of RMB545,874,000 (equivalent to HK$625,314,200) (for the six months ended June 30, 2021: RMB546,120,000 or HK$652,680,000). The record date for the Shareholders qualifying to receive the interim dividend is September 16, 2022, and the expected interim dividend payment date will be on or before September 30, 2022.

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, 2022 (the "**Reporting Period**") together with the unaudited comparative figures for the corresponding period in 2021 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2022

		Six months ended June 30,	
		2022	2021
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Restated)
Revenue	4	**22,530,065**	18,599,637
Cost of sales and services		**(19,516,944)**	(15,387,858)
Gross profit		**3,013,121**	3,211,779
Other income	5	**95,112**	63,287
Other gains and losses	6	**(45,028)**	(157,352)
Impairment gains (losses) under expected credit loss ("**ECL**") model, net		**32,370**	(92,596)
Selling and distribution expenses		**(454,082)**	(466,638)
Administrative expenses		**(437,191)**	(455,108)
Profit from operations		**2,204,302**	2,103,372
Finance costs	7	**(477,960)**	(393,449)
Share of results of associates		**32,283**	56,809
Share of results of joint ventures		**327,808**	337,057
Profit before taxation	8	**2,086,433**	2,103,789
Income tax expense	9	**(350,439)**	(406,420)
Profit for the period		**1,735,994**	1,697,369
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translating foreign operations		**30,725**	2,750
Total comprehensive income for the period		**1,766,719**	1,700,119

		Six months ended June 30,	
		2022	2021
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Restated)
Profit (loss) for the period attributable to:			
Owners of the Company		**1,736,960**	1,723,059
Non-controlling interests		**(966)**	(25,690)
		1,735,994	1,697,369
Total comprehensive income (expense) for the period attributable to:			
Owners of the Company		**1,767,685**	1,725,809
Non-controlling interests		**(966)**	(25,690)
		1,766,719	1,700,119
Earnings per share ***(RMB cents)***			
Basic	11	**39.14**	41.58

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT JUNE 30, 2022

	Notes	June 30, 2022 RMB'000 (Unaudited)	December 31, 2021 RMB'000 (Restated)
Non-current assets			
Property, plant and equipment	12	**18,798,236**	16,660,351
Right-of-use assets		**1,711,549**	1,722,474
Goodwill		**232,435**	232,435
Intangible assets		**796,695**	847,108
Interests in associates		**504,238**	393,421
Interests in joint ventures		**2,430,911**	1,778,744
Other long term receivables and prepayments		**1,726,387**	1,929,960
Financial assets at fair value through profit or loss ("**FVTPL**")	13	**1,651,256**	507,579
Deferred tax assets		**141,621**	125,251
Restricted bank balances	15	**356,000**	356,000
Bank deposits	15	**672,000**	–
Amounts due from related parties		**–**	80,810
		29,021,328	24,634,133
Current assets			
Inventories		**2,676,352**	2,189,078
Income tax prepayments		**24,150**	22,644
Other receivables	14	**3,141,370**	3,605,522
Trade and bills receivables measured at fair value through other comprehensive income ("**FVTOCI**")	14	**1,272,247**	951,378
Amounts due from related parties		**1,960,099**	2,108,128
Financial assets at FVTPL	13	**80,314**	89,647
Restricted bank balances	15	**1,105,408**	900,073
Bank deposits	15	**252,100**	–
Cash and cash equivalents		**2,125,935**	2,280,914
		12,637,975	12,147,384
Current liabilities			
Financial liabilities at FVTPL	13	**5,378**	19
Trade and other payables	16	**5,565,177**	5,283,894
Contract liabilities		**1,987,184**	2,252,747
Income tax payable		**921,066**	839,803
Bank and other loans	17	**12,230,346**	8,209,846
Lease liabilities		**42,214**	71,208
Amounts due to related parties		**117,000**	183,024
		20,868,365	16,840,541
Net current liabilities		**(8,230,390)**	(4,693,157)
Total assets less current liabilities		**20,790,938**	19,940,976

	Notes	**June 30, 2022** *RMB'000* **(Unaudited)**	December 31, 2021 *RMB'000* (Restated)
Non-current liabilities			
Bank and other loans	17	**7,710,888**	5,376,834
Lease liabilities		**107,881**	142,800
Deferred income		**126,570**	127,736
Deferred tax liabilities		**287,600**	297,992
Long-term payables	4	**–**	2,901,000
		8,232,939	8,846,362
NET ASSETS		**12,557,999**	11,094,614
CAPITAL AND RESERVES			
Share capital	18	**383,433**	383,604
Reserves		**12,044,636**	10,584,245
Total equity attributable to owners of the Company		**12,428,069**	10,967,849
Non-controlling interests		**129,930**	126,765
TOTAL EQUITY		**12,557,999**	11,094,614

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED JUNE 30, 2022

	Attributable to owners of the Company										
	Share capital	Treasury Stocks	Share premium	Merger reserve	Reserve fund	Safety fund	Other reserve	Retained profits	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 18)	*(Note 18)*									
Balance at December 31, 2021 (Audited)	**383,604**	**–**	**3,053,700**	**19,869**	**1,167,172**	**37,483**	**(18,111)**	**6,340,793**	**10,984,510**	**126,765**	**11,111,275**
Adjustment *(Note 3.1)*	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(16,661)**	**(16,661)**	**–**	**(16,661)**
Balance at January 1, 2022 (Restated)	**383,604**	**–**	**3,053,700**	**19,869**	**1,167,172**	**37,483**	**(18,111)**	**6,324,132**	**10,967,849**	**126,765**	**11,094,614**
Profit (loss) for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,736,960**	**1,736,960**	**(966)**	**1,735,994**
Other comprehensive income	**–**	**–**	**–**	**–**	**–**	**–**	**30,725**	**–**	**30,725**	**–**	**30,725**
Net transfer from safety fund	**–**	**–**	**–**	**–**	**–**	**1,221**	**–**	**(1,221)**	**–**	**–**	**–**
Capital contributions from a non-controlling shareholder	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**10,000**	**10,000**
Disposal of a non-wholly owned subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(5,869)**	**(5,869)**
Share repurchased and cancelled *(Note 18)*	**(171)**	**–**	**(6,887)**	**–**	**–**	**–**	**–**	**–**	**(7,058)**	**–**	**(7,058)**
Share repurchased pending for cancellation *(Note 18)*	**–**	**(21,254)**	**–**	**–**	**–**	**–**	**–**	**–**	**(21,254)**	**–**	**(21,254)**
Dividends recognized as distribution *(Note 10)*	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(279,153)**	**(279,153)**	**–**	**(279,153)**
Balance at June 30, 2022 (Unaudited)	**383,433**	**(21,254)**	**3,046,813**	**19,869**	**1,167,172**	**38,704**	**12,614**	**7,780,718**	**12,428,069**	**129,930**	**12,557,999**
Balance at January 1, 2021 (Audited)	354,699	–	1,377,224	589,869	772,123	35,878	(27,498)	5,136,453	8,238,748	144,040	8,382,788
Adjustment *(Note 3.1)*	–	–	–	–	–	–	–	(17,036)	(17,036)	–	(17,036)
Balance at January 1, 2021 (Restated)	354,699	–	1,377,224	589,869	772,123	35,878	(27,498)	5,119,417	8,221,712	144,040	8,365,752
Profit (loss) for the period (Restated)	–	–	–	–	–	–	–	1,723,059	1,723,059	(25,690)	1,697,369
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	589,869	772,123	33,974	(24,748)	6,378,180	11,186,702	118,350	11,305,052

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2022

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, 2022, the Group had net current liabilities of RMB8,230,390,000. The Directors are of the opinion that, taking into consideration the availability of unconditional unutilized banking facilities of the Group amounting to RMB5,823,151,000 at the report date, and the assumption that approximately 50% of bank loans and other banking 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 the 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, 2022 are the same as those presented in the Group's annual financial statements for the year ended December 31, 2021.

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 January 1, 2022 for the preparation of the Group's condensed consolidated financial statements:

Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to IFRSs	Annual Improvements to IFRSs 2018–2020

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 IAS 16 Property, Plant and Equipment – Proceeds before Intended Use

3.1.1 Accounting policies

Property, plant and equipment

Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including costs of testing the related assets functioning properly and, for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy. Sale proceeds of items that are produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management (such as samples produced when testing whether the asset is functioning properly), and the related costs of producing those items are recognized in the profit or loss.

3.1.2 Transition and summary of effects

The Group has applied the new accounting policy retrospectively to property, plant and equipment made available for use on or after the beginning of the earliest period presented. The details of the impacts on each financial statement line item and earning per share arising from the application of the amendments are set out under "Impacts of application of amendments to IFRSs on the condensed consolidated financial statements" in this note. Comparative figures have been restated.

Impacts of application of amendments to IFRSs on the condensed consolidated financial statements

The effects of the changes in accounting policy as a result of application of amendments to IAS 16 *Property, Plant and Equipment – Proceeds before Intended Use* which were applied retrospectively on the condensed consolidated statement of profit or loss and other comprehensive income and earnings per share, are as follows:

	Six months ended June 30	
	2022	2021
	RMB'000	*RMB'000*
Impact on profit and total comprehensive income for the period		
Increase in revenue	**–**	596,681
Increase in costs of sale	**(488)**	(564,205)
Net (decrease)/increase in profit for the period	**(488)**	32,476
Impact on profit and total comprehensive income for the period attributable to:		
– Owners of the Company	**(488)**	32,476
Impact on basic earnings per share		
Basic earnings per share before adjustments	**39.14**	40.79
Net adjustments arising from change in accounting policy in relation to determination of costs of property, plant and equipment	**–**	0.79
Reported basic earnings per share	**39.14**	41.58

The effects of the changes in accounting policy as a result of application of amendments to IAS 16 *Property, Plant and Equipment – Proceeds before Intended Use* which were applied retrospectively on the condensed consolidated statement of financial position as at the end of the immediately preceding financial year are as follows:

	December 31, 2021 (Originally stated)	Adjustments	December 31, 2021 (Restated)
	RMB'000	*RMB'000*	*RMB'000*
Property, plant and equipment	16,677,012	(16,661)	16,660,351
Reserves	10,600,906	(16,661)	10,584,245

The effects of the changes in accounting policy as a result of application of amendments to IAS 16 *Property, Plant and Equipment – Proceeds before Intended Use* which were applied retrospectively on the condensed consolidated statement of financial position as at the beginning on the comparative period is as follows:

	January 1, 2021 (Originally stated)	Adjustments	January 1, 2021 (Restated)
	RMB'000	*RMB'000*	*RMB'000*
Property, plant and equipment	11,123,326	(17,036)	11,106,290
Reserves	7,884,049	(17,036)	7,867,013

The effects of the changes in accounting policy as a result of application of amendments to IAS 16 *Property, Plant and Equipment – Proceeds before Intended Use* which were applied retrospectively on the condensed consolidated statement of cash flows, are as follows:

Impact on the condensed consolidated statement of cash flows

	Six months ended June 30	
	2022	2021
	RMB'000	*RMB'000*
OPERATING ACTIVITIES		
(Decrease)/increase in profit for the period	**(488)**	32,476
Increase in depreciation of property, plant and equipment	**488**	–
Net increase in operating cash flows before movements in working capital and net cash from operating activities	**–**	32,476
INVESTING ACTIVITIES		
Purchases of property, plant and equipment	**–**	(32,476)

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, 2022				
	Coke and Coking Chemicals Manufacturing *RMB'000*	**Refined Chemicals Manufacturing** *RMB'000*	**Operation Management** *RMB'000*	**Trading** *RMB'000*	**Total** *RMB'000*
Revenue from contracts with external customers					
Sale of coke and coking chemicals	**9,262,703**	**–**	**–**	**–**	**9,262,703**
Sale of refined chemicals	**–**	**7,245,929**	**28,892**	**–**	**7,274,821**
Trading	**–**	**–**	**–**	**5,971,773**	**5,971,773**
Management services	**–**	**–**	**20,768**	**–**	**20,768**
	9,262,703	**7,245,929**	**49,660**	**5,971,773**	**22,530,065**
Inter-segment revenue	**806,909**	**123,507**	**–**	**–**	**930,416**
Reportable segment revenue	**10,069,612**	**7,369,436**	**49,660**	**5,971,773**	**23,460,481**
Reportable segment results	**1,875,781**	**218,907**	**10,649**	**164,758**	**2,270,095**
Unallocated head office and corporate expenses					**(183,662)**
Profit before taxation					**2,086,433**
Other information:					
Share of results of associates	**3,211**	**29,072**	**–**	**–**	**32,283**
Share of results of joint ventures	**327,808**	**–**	**–**	**–**	**327,808**

	Six months ended June 30, 2021				
	Coke and Coking Chemicals Manufacturing *RMB'000*	Refined Chemicals Manufacturing *RMB'000* (Restated)	Operation Management *RMB'000*	Trading *RMB'000*	Total *RMB'000* (Restated)
Revenue from contracts with external customers					
Sale of coke and coking chemicals	7,706,447	–	–	–	7,706,447
Sale of refined chemicals	–	6,103,528	107,479	–	6,211,007
Trading	–	–	–	4,647,373	4,647,373
Management services	–	–	34,810	–	34,810
	7,706,447	6,103,528	142,289	4,647,373	18,599,637
Inter-segment revenue	441,896	130,584	–	–	572,480
Reportable segment revenue	8,148,343	6,234,112	142,289	4,647,373	19,172,117
Reportable segment results	1,928,993	337,270	23,408	112,099	2,401,770
Unallocated head office and corporate expenses					(297,981)
Profit before taxation					2,103,789
Other information:					
Share of results of associates	22,936	33,873	–	–	56,809
Share of results of joint ventures	337,057	–	–	–	337,057

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

Segment assets

	June 30, 2022 *RMB'000*	December 31, 2021 *RMB'000* (Restated)
Coke and coking chemicals manufacturing	**15,158,549**	13,348,381
Refined chemicals manufacturing	**17,639,320**	15,939,767
Operation management	**15,712**	114,535
Trading	**6,782,134**	6,433,174
Reportable segment assets	**39,595,715**	35,835,857
Unallocated head office and corporate assets *(note a)*	**2,063,588**	945,660
Total assets	**41,659,303**	36,781,517

Segment liabilities

	June 30, 2022 *RMB'000*	December 31, 2021 *RMB'000*
Coke and coking chemicals manufacturing	**10,389,368**	8,350,050
Refined chemicals manufacturing	**10,494,025**	8,932,430
Operation management	**17,788**	95,911
Trading	**5,502,537**	5,151,833
Reportable segment liabilities	**26,403,718**	22,530,224
Unallocated head office and corporate liabilities *(note b)*	**2,697,586**	3,156,679
Total liabilities	**29,101,304**	25,686,903

Notes:

a. Included in unallocated head office and corporate assets as at June 30, 2022 was an investment in a partnership recognized as FVTPL with carrying amount of RMB1,005,643,000.

b. During the current interim period, the Group obtained a syndicated loans of RMB2,450,000,000 and repaid in full the consideration payables for acquisition of a subsidiary of RMB2,901,000,000. The syndicated loans and the consideration payables were included in unallocated head office and corporate liabilities as at June 30, 2022 and December 31, 2021 respectively.

5. OTHER INCOME

	Six months ended June 30,	
	2022	2021
	RMB'000	*RMB'000*
		(Restated)
Interest income	**53,493**	31,621
Production waste sales	**22,731**	19,419
Government grants	**7,997**	5,420
Others	**10,891**	6,827
	95,112	63,287

6. OTHER GAINS AND LOSSES

	Six months ended June 30,	
	2022	2021
	RMB'000	*RMB'000*
Change in fair value of financial assets/liabilities at FVTPL:		
– Listed equity securities	**(24,934)**	(56,765)
– Private equity investment fund	**26,462**	(2,180)
– Futures contracts	**6,382**	(4,394)
– Derivative financial instruments	**18,241**	24,745
– Other non-derivative financial assets	**(5,927)**	(3,436)
	20,224	(42,030)
Impairment losses of property, plant and equipment	**–**	(25,032)
Loss on foreign exchange, net	**(82,934)**	(27,581)
Gain/(loss) on disposal of/write off property, plant and equipment	**6,042**	(71,982)
Others	**11,640**	9,273
	(45,028)	(157,352)

7. FINANCE COSTS

	Six months ended June 30, 2022 RMB'000	2021 RMB'000
Interest on bank loans	**336,997**	206,075
Interest on other loans from licenced financial institutions	**100,516**	46,199
Interest on unpaid consideration for acquisition of a subsidiary	**74,630**	153,028
Finance charges on bills receivable discounted	**25,703**	21,998
Finance charges on lease liabilities	**5,505**	6,444
	543,351	433,744
Less: Amount capitalized under construction in progress *(note)*	**(65,391)**	(40,295)
	477,960	393,449

Note: The finance costs were capitalized at annual rates of 4.75% to 9.35% per annum during the six months ended June 30, 2022 (during the six months ended June 30, 2021: 5.29% to 6.18% per annum).

8. PROFIT BEFORE TAXATION

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

	Six months ended June 30, 2022 RMB'000	2021 RMB'000
Depreciation of property, plant and equipment	**614,346**	620,309
Depreciation of right-of-use assets	**57,609**	52,598
Amortization of intangible assets	**52,582**	41,867
Total depreciation and amortization	**724,537**	714,774
Capitalized in inventories	**(605,319)**	(616,079)
Capitalized in construction in progress	**(621)**	(4,546)
	118,597	94,149

9. INCOME TAX EXPENSE

	Six months ended June 30, 2022 RMB'000	2021 RMB'000
Current tax		
PRC income tax for the period	**377,201**	388,045
Deferred tax (credit) charge	**(26,762)**	18,375
	350,439	406,420

10. DIVIDENDS

During the current interim period, a final dividend of RMB6.30 cents per ordinary share with total amount of RMB279,153,000 in respect of the year ended December 31, 2021 was paid to the owners of the Company in June 2022 (Six months ended June 30 2021: RMB10.50 cents per ordinary share or RMB466,200,000 in respect of the year ended December 31, 2020).

Subsequent to the end of the current interim period, the Directors have determined that an interim dividend of RMB12.30 cents (equivalent to HK14.09 cents) per share, with total amount of RMB545,874,000 (equivalent to HK$625,314,200) (for the six months ended June 30, 2021: RMB12.30 cents per share or RMB546,120,000 (equivalent to approximately HK$652,680,000)).

11. EARNINGS PER SHARE

Basic earnings per share for the six months ended June 30, 2022 and June 30, 2021 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,	
	2022	2021
	RMB'000	*RMB'000*
		(Restated)
Earnings		
Profit attributable to the owners of the Company *(RMB'000)*	**1,736,960**	1,723,059
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**4,437,273,481**	4,144,143,646

12. PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group acquired property, plant and equipment amounting to approximately RMB2,774 million (six months ended June 30, 2021: RMB4,634 million).

13. FINANCIAL ASSETS/LIABILITIES AT FVTPL

	June 30, 2022 *RMB'000*	December 31, 2021 *RMB'000*
Non-current assets		
Listed equity securities	**130,387**	154,482
Unlisted equity investment *(note a)*	**78,182**	38,182
Private equity investment fund *(note b)*	**1,329,802**	206,992
Wealth management products	**112,885**	107,923
	1,651,256	507,579
Current assets		
Futures contracts	**1,557**	66
Held-for-trading non-derivative financial assets	**55,154**	69,581
Derivative financial instruments *(note c)*	**23,603**	–
Structured deposit product	**–**	20,000
	80,314	89,647
Current liabilities		
Futures contracts	**(16)**	(19)
Derivative financial instruments *(note c)*	**(5,362)**	–
	(5,378)	(19)

Notes:

a. In June 2022, the Group subscribed for an unlisted equity investment. As at June 30, 2022, the fair value of this investment was RMB40,000,000.

b. During the six months ended June 30, 2022, the Group entered into a partnership agreement with a third party, pursuant to which the parties agreed to jointly establish Wuhu Changyu Investment Centre (Limited Partnership) in which the Group acted as limited partner. The Group has injected RMB1,000.03 million by cash as capital contribution and accounted for as FVTPL as the Group neither has control nor significant impact on the partnership. As at June 30, 2022, the fair value of this investment was RMB1,005,643,000.

In addition, the Group subscribed for two private equity investment funds with initial investment principal of RMB100,000,000 on March 16, 2022. The fair value of these funds were RMB123,394,000.

c. The Group is exposed to the exchange risk mainly arising from various bank loans denominated in United States Dollars ("**USD**"). To manage and mitigate the foreign exchange exposure, the Group entered into various forward contracts with certain financial institutions. As at June 30, 2022, the forward contracts have total notional amounts of USD294,005,000 (2021: nil), of which the maturity dates match to the maturity dates of these banks loans. The forward contracts are not designated as hedging instruments. The fair value was RMB18,241,000 as at June 30, 2022 and an unrealized gain of RMB18,241,000 was recorded as change in fair value during the period ended June 30, 2022.

During the six months ended June 30, 2021, the Group entered into various swap (the "**Swaps**") with certain financial institutions. The Swaps were not designated as hedging instruments. As at June 30, 2021, the Swaps have total notional amounts of USD17,743,000 and RMB461,000,000 and the fair value was RMB23,280,000. An unrealized gain of RMB24,745,000 was recorded as change in fair value during the period ended June 30, 2021.

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

	June 30, 2022 *RMB'000*	December 31, 2021 *RMB'000*
Trade receivables measured at FVTOCI	**843,988**	509,911
Bills receivables measured at FVTOCI	**428,259**	441,467
Trade and bills receivables measured at FVTOCI	**1,272,247**	951,378
Other deposits and other receivables	**241,532**	270,001
Receivables for relocation compensation	**–**	63,502
Receivables on behalf of third parties as a trading agency	**566,396**	643,326
Less: impairment	**(51,516)**	(61,632)
	756,412	915,197
Prepayments for raw materials	**2,071,931**	2,209,398
Deductible input Value Added Tax and prepaid other taxes and charges	**313,027**	480,927
Other receivables	**3,141,370**	3,605,522

The customers usually settle the sales by cash or bills. The credit period granted to the customers who settle in cash is usually no more than 30 days, except for certain customers with good reputation to which a credit period for no more than 180 days were granted, interest free 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, 2022 *RMB'000*	December 31, 2021 *RMB'000*
Within one month	**656,993**	326,630
1 to 3 months	**179,758**	33,407
3 to 6 months	**633**	3,078
6 to 12 months	**6,604**	146,796
	843,988	509,911

15. RESTRICTED BANK BALANCES/BANK DEPOSITS

a. 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, 2022	December 31, 2021
	RMB'000	*RMB'000*
Restricted bank balances to secure:		
Bills payable and letters of credit *(note)*	**925,415**	732,200
Bank loans	**389,214**	406,884
Futures contracts	**146,779**	116,989
	1,461,408	1,256,073
Analyzed for reporting purpose as:		
Non-current assets	**356,000**	356,000
Current assets	**1,105,408**	900,073
	1,461,408	1,256,073

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 RMB2,587,717,000 and RMB1,439,289,000 as at June 30, 2022 and December 31, 2021 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 0.002% to 3.85% per annum as at June 30, 2022 (December 31, 2021: 0.30% to 3.85% per annum).

b. Bank deposits

The bank deposits of RMB924,100,000 are with initial maturity of more than three months and carry interest at rates ranging from 1.50% to 3.25% per annum.

16. TRADE AND OTHER PAYABLES

	June 30, 2022	December 31, 2021
	RMB'000	*RMB'000*
Trade payables	**1,680,822**	1,688,476
Payables to be settled by the endorsed bills receivable	**224,330**	271,583
Bills payable	**528,920**	730,964
Construction cost payables	**1,494,618**	1,140,154
Payables on behalf of third parties as a trading agency	**922,310**	603,850
Other tax payables	**162,382**	181,640
Payroll payables	**213,658**	296,427
Other payables and accruals	**338,137**	370,800
	5,565,177	5,283,894

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:

	June 30, 2022 *RMB'000*	December 31, 2021 *RMB'000*
Within 3 months	**1,291,319**	1,327,271
3 to 6 months	**45,490**	73,393
6 to 12 months	**106,933**	67,819
1–2 years	**202,267**	190,769
2–3 years	**7,096**	5,188
More than 3 years	**27,717**	24,036
	1,680,822	1,688,476

17. BANK AND OTHER LOANS

During the current interim period, the Group received the proceeds of approximately RMB10,671,872,000 (six months ended June 30, 2021: RMB6,102,238,000) related to its renewed and newly obtained bank loans and made repayments amounting to approximately RMB4,460,888,000 (six months ended June 30, 2021: RMB4,609,388,000), with a net exchange loss of RMB46,358,000 (six months ended June 30, 2021: a net exchange gain of RMB1,499,000). The loans bear interest at the rate ranging from 2.73% to 12.00% (December 31, 2021: 1.58% to 12.00%) per annum and are repayable in instalments over a period of 1 to 5 years.

18. SHARE CAPITAL

	As at		**As at**	
	June 30, 2022 *Number of shares*	December 31, 2021 *Number of shares*	**June 30, 2022** *HK$'000*	December 31, 2021 *HK$'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	**4,440,000,000**	4,090,000,000	**444,000**	409,000
Share issued *(note a)*	**–**	350,000,000	**–**	35,000
Share repurchased and cancelled *(note b)*	**(2,000,000)**	–	**(200)**	–
At the end of the period/year	**4,438,000,000**	4,440,000,000	**443,800**	444,000

	June 30, 2022 *RMB'000*	December 31, 2021 *RMB'000*
Presented in the condensed consolidated statement of financial position as:		
At the beginning of the period/year	**383,604**	354,699
Share issued *(note a)*	**–**	28,905
Shares repurchased and cancelled *(note b)*	**(171)**	–
At the end of the period/year	**383,433**	383,604

Notes:

a. 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).

b. During the six months ended June 30, 2022, the Company repurchased its ordinary shares as follows:

Month of repurchase	**Number of ordinary shares** *'000*	**Price per share**		**Aggregate consideration paid** *HK$'000*
		Highest *HK$*	**Lowest** *HK$*	
April	5,000	4.23	3.81	19,738
May	3,000	3.85	3.62	11,179
June	1,000	3.54	3.41	3,476
	9,000			34,393

As at June 30, 2022, 2,000,000 ordinary shares were cancelled, and the cancellation process of the remaining 7,000,000 shares have not yet completed. The aggregate consideration paid for the repurchase was HK$34,393,000, equivalent to RMB28,312,000.

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 maintained the leading position and was the world's largest independent producer and supplier of coke by volume in 2021, according to Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., ("**Frost & Sullivan**"), an independent global consulting firm.

In addition, the Group maintained several leading positions in a number of refined chemical sectors in China or globally in 2021. 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 2021. The Group was also the largest coking crude benzene processor and the third largest coal tar processor by volume globally in 2021. Furthermore, the Group is an operation management service provider to third party independent coke producers and refined chemicals producers in order to enhance the Group's influence in the coke industry.

Our industry position

Coke	World's largest independent producer and supplier
Industrial-naphthalene-based phthalic anhydride	China's largest producer
Coke-oven-gas-based methanol	China's largest producer
Coking crude benzene	World's largest processor
Coal tar	World's third largest processor

In 2022, the Group keeps its track in growth and expansion in order to cope with different challenges ahead and to create more value to the shareholders of the Company (the "**Shareholders**"). In previous years, our growth and expansion were by way of provision of operation management service together with formation and acquisition of entities by focusing on opportunities in both China and overseas. Furthermore, the Group expanded the production capacity in various products, mainly in coke and caprolactam (CPL). The Group aimed to achieve a leading position of caprolactam (CPL) in the world. Up to mid of 2022, the expansions in Huhhot Production Base and Indonesia Morowali Industrial Park ("**IMIP**"), Sulawesi of Indonesia are carried on under the scheduled plan.

Considering the operating results in the first half of 2022, our future development needs, and in order to share our results with the Shareholders, the Board determined to declare an interim dividend of RMB12.30 cents per share (for the six months ended June 30, 2021: RMB12.30 cents), with a total amount of RMB545,874,000 for the Reporting Period (for the six months ended June 30, 2021: RMB546,120,000).

BUSINESS REVIEW

The Group's vertically integrated business model and its experience of 27 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 one new operation management agreement in relation to integrated sales and marketing services with an independent third party in Henan Province, the PRC.

Four business segments of the Group 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 including the hydrogen-energy products;

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 them.

During the Reporting Period, reporting below are the major business developments in terms of the products, geographical layout, equity capital market and environmental protection are described.

Products

The Group proactively conducted our businesses and create value to the Shareholders by investing into products with high added value and more profits. The Group has achieved the following during the Reporting Period:

1) For the coke and coking chemicals, the Group focused on the expansion of the annual production capacity of coke. As at January 1, 2022, the Group had the annual production capacity of coke amounting to approximately 11.05 million tons and there were two expansion of production capacity of coke in Huhhot and Sulawesi Production Bases under construction. Up to the date of this announcement, trial run of first phase of coke production facility with an annual capacity of 1,500,000 tons in Huhhot Production Base was completed and construction of coke production facility with the remaining 1,500,000 tons per annum will be completed by the first quarter of 2023. The expansion in Sulawesi Production Base will be completed in different phases in mid of 2023 and early 2024.

2) For the refined chemicals, the Group had three different lines of refined chemicals, comprised of carbon material chemicals, alcohol-ether chemicals and aromatic chemicals. The Group also refined and produced hydrogen-energy products, e.g. high-purified hydrogen, from coal-oven-gas. When compared to the production of styrene, benzene hydrogenation, synthetic ammonia, etc. in the previous interim periods, the Group invested and enhanced the capacity of caprolactam (CPL) in the production line of aromatic chemicals in Cangzhou and Dongming Production Base during the Reporting Period. Caprolactam (CPL) is a white crystallized solid at normal temperature and most of caprolactam (CPL) produced were used for manufacturing Nylon 6, which was used to further produce nylon, fibers and plastics. The Group estimated that the annual production capacity of caprotaclam (CPL) will be 750,000 tons by the end of 2022, ranking as one of the leading producers in the world.

3) For the hydrogen-energy products, the Group had hydrogen production, storage, transportation, hydrogenation to usage together with radiation of intelligent supply of hydrogen in three different production bases, which were Dingzhou, Xingtai and Huhhot. Among these three production bases, the hydrogen production facilities in Dingzhou with a daily production capacity of 13,000 kg and Dingzhou hydrogen refueling station commenced operation during the Reporting Period.

4) For the operation management, the Group expanded the coke operation management services into Henan Province, the PRC in June 2022, where the Group is responsible for provision of integrated sales and marketing services to a coke enterprise with annual coke production volume of 1,000,000 tons. As at the end of the Reporting Period, there are four operation management services projects carried out by the Group.

5) For the trading, the Group carried out trading of 3.7 million tons of coke and refined chemicals during the Reporting Period.

The average selling prices (net of VAT) of the Group's major products during the Reporting Period are as follows:

	RMB per ton
Coke	3,218.7
Coal tar pitch	5,266.5
Phthalic anhydride	6,562.9
Methanol	2,331.6
Benzene	7,254.7
Caprolactam (CPL)	10,011.6
Hydrogen-energy products (per cube meter)	2.27

Geographical Layout

The Group expanded its geographical layout from the PRC to Indonesia in the second half of 2021 by establishing business partnerships with other large-scale enterprises by way of formation of three joint ventures. Three joint ventures located in IMIP are under development as planned. It is expected that among these three joint ventures, Risun Wei Shan New Energy (Indonesia) Company Limited will commence production gradually from the mid of 2023.

In March 2022, the Group set up a new subsidiary, Baoding Risun Hydrogen Energy Limited, in Baoding in Hebei Province, which will be engaged in the following businesses, (i) development of application of hydrogen energy heavy truck and hydrogen bus together with hydrogen-electric oil and gas energy stations; (ii) development of the transportation line for agricultural products from Baoding to Beijing and areas adjacent to Beijing; (iii) development of hydrogen bus application in Baoding; and (iv) long-distance hydrogen pipeline feasibility study and exploration on cost reduction of transportation of hydrogen.

Equity Capital Market

On April 12, 2022, the Company announced its intention to repurchase its shares in the open market from time to time during the financial year of 2022 with the total amount of no more than HK$300 million. The share repurchases reflect the Company's confidence in its long-term strategy and development. During the Reporting Period and up to the date of this announcement, the Company repurchased 14,246,000 shares by cash of approximately HK$51 million in the open market.

Environmental Protection

In 2022, the Group continued to support the policy of "carbon peak and carbon neutrality" promoted in the PRC. The Group reduced the emission of carbon by tracking the carbon emission, saving energy and reducing consumption together with capturing and utilizing the carbon dioxide. The Group kept engaging in the green and low-carbon practices, driving the industrial chain in reduction of carbon emissions in a collaborative manner and striving to be one of the leaders in carbon peak and neutrality in coke and chemical industry in the PRC.

DEVELOPMENT STRATEGY

Founded in 1995 and up to 2022, the Group has a 27-years history of development, where it takes advantage of its leading position, experience and technology in coke industry to drastically expand its four key business segments through the following development strategies, with the aim 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 the major customers and suppliers;

(iv) expansion of domestic and international trading business;

(v) improvement of 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.

BUSINESS PROSPECTS

Coke and refined chemicals

Looking forward to the second half of 2022, the Group will continue to increase the market share in independent coke market and certain refined chemicals market by expanding the annual coke production capacity, entering into different operation management services together with merger and acquisition (including forming joint ventures). For the price spread, the Group will explore by using different kinds of coal in order to continuously improve the price spread of approximately RMB100 per ton by lowering the cost of coals and applying the advanced coal blending techniques.

The Group will also enhance the production capacity of refined chemicals facilities by expanding the production capacity of caprolactam (CPL) in Hebei Province and Shandong Province in the PRC. It is expected that the annual capacity of caprolactam (CPL) will reach 750,000 tons per annum and its industry ranking will come up to the leading position.

Hydrogen-energy products

The Group is going to participate actively into the hydrogen industrialization plan in different cities in the PRC, including Dingzhou, Xingtai and Baoding in the Hebei Province and Hohhot in Inner Mongolia, etc. The Group aims at becoming 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.

Future development

The Group is undergoing the sixth Five-Year Plan from 2021 – 2025. The main theme of the sixth Five-Year Plan is to continuously enhancing the total processing volume of coke 30 eventually to million tons per annum by multiple growth model, multiple industry development and multiple regional layout together with our nine competitive advantageous abilities. On the other hand, the Group is closely monitoring cost of sales and service, selling and administrative expenses together with finance costs and the financial indicators of the Group, including but not limited to gearing ratio, to ensure the financial health of the Group. The Group has a historical good record of borrowings and its successful renewal rates of bank and other borrowings from 2019, 2020, 2021 and the Reporting Period were 65%, 86%, 85% and 92% respectively.

Furthermore, the bank deposits, restricted bank balances and cash as at June 30, 2022 was approximately RMB4.5 billion, increased by approximately RMB1.0 billion or 28% when compared to approximately RMB3.5 billion as at December 31, 2021. The Group believes that the financial position is strong and will make use of every method to achieve a sustainable development in future.

DEVELOPMENT, PERFORMANCE AND STATUS OF THE BUSINESS OF THE GROUP

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,	
	2022	2021 (Restated)
Financial indicators		
Gross profit margin(1)	**13.4%**	17.3%
Net profit margin(2)	**7.7%**	9.1%
EBITDA margin(3)	**14.6%**	17.3%
Return on equity(4)	**28.0%**	31.1%

	As at June 30, 2022	As at December 31, 2021
Gearing ratio(5)	**1.6x**	1.5x

Notes:

(1) Gross profit margin is calculated by dividing gross profit by revenue for the period.

(2) Net profit margin is calculated by dividing profit for the period by revenue for the period.

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

(4) Return on equity is calculated by dividing profit attributable to owners of the Company for the period or annualized period by equity attributable to owners of the Company as of the end of the period.

(5) Gearing ratio is 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, 2022				
	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	**9,262,703**	**7,245,929**	**49,660**	**5,971,773**	**22,530,065**
Gross profit	**2,129,495**	**475,576**	**11,989**	**396,061**	**3,013,121**

	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* (restated)	*RMB'000*	*RMB'000*	*RMB'000* (restated)
Total revenue	7,706,447	6,103,528	142,289	4,647,373	18,599,637
Gross profit	2,197,149	632,357	25,158	357,115	3,211,779

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, 2022 increased to RMB22,530.1 million when compared with RMB18,599.6 million for the six months ended June 30, 2021.

Revenue from coke and coking chemicals manufacturing business increased by RMB1,556.3 million or 20.2% from RMB7,706.4 million for the six months ended June 30, 2021 to RMB9,262.7 million for the six months ended June 30, 2022, primarily due to an increase in the average selling price of coke from RMB2,342.1 per ton for the six months ended June 30, 2021 to RMB3,218.7 per ton for the six months ended June 30, 2022, partially offset by the decrease in volume of coke sold of approximately 0.5 million tons during the Reporting Period.

Revenue from refined chemical manufacturing business increased by RMB1,142.4 million or 18.7% from RMB6,103.5 million for the six months ended June 30, 2021 to RMB7,245.9 million for the six months ended June 30, 2022, primarily due to (i) the increase in the average selling price and sales volume of the Group's coal tar pitch, anthracene oil and Nylon 6 and (ii) the increase in production and sales volume of caprolactam (CPL) and Nylon 6.

Revenue from the operation management business decreased by RMB92.6 million or 65.1% from RMB142.3 million for the six months ended June 30, 2021 to RMB49.7 million for the six months ended June 30, 2022, primarily due to reduced revenue from the Jinzhou project.

Revenue from the trading business increased by RMB1,324.4 million or 28.5% from RMB4,647.4 million for the six months ended June 30, 2021 to RMB5,971.8 million for the six months ended June 30, 2022, primarily due to the increase in selling price of coke and coal, partially offset by the sales volume of coke.

(b) Cost of sales

Cost of sales for the six months ended June 30, 2022 increased to RMB19,517.0 million when compared with RMB15,387.8 million for the six months ended June 30, 2021.

Cost of sales from the coke and coking chemical manufacturing business increased by RMB1,623.9 million or 29.5% from RMB5,509.3 million for the six months ended June 30, 2021 to RMB7,133.2 million for the six months ended June 30, 2022, primarily due to the increase in market prices for coking coal.

Cost of sales from the refined chemical manufacturing business increased by RMB1,299.2 million or 23.7% from RMB5,471.1 million for the six months ended June 30, 2021 to RMB6,770.3 million for the six months ended June 30, 2022, 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 RMB79.4 million or 67.8% from RMB117.1 million for the six months ended June 30, 2021 to RMB37.7 million for the six months ended June 30, 2022, primarily due to the decrease of the volume of business of Jinzhou project.

Cost of sales from the trading business increased by RMB1,285.4 million or 30.0% from RMB4,290.3 million for the six months ended June 30, 2021 to RMB5,575.7 million for the six months ended June 30, 2022, primarily as a result of the increase in purchase price from coke and coal.

(c) Gross profit and gross profit margin

The Group's total gross profit decreased by approximately RMB198.7 million or 6.2% from approximately RMB3,211.8 million for the six months ended June 30, 2021 to approximately RMB3,013.1 million for the six months ended June 30, 2022. Gross profit margin decreased from 17.3% for the six months ended June 30, 2021 to 13.4% for the six months ended June 30, 2022.

Gross profit from the coke and coking chemical manufacturing business decreased by RMB67.6 million or 3.1% from RMB2,197.1 million for the six months ended June 30, 2021 to RMB2,129.5 million for the six months ended June 30, 2022. Gross profit margin for the coke and coking chemical manufacturing business decreased from 28.5% for the six months ended June 30, 2021 to 23.0% for the six months ended June 30, 2022, primarily because of the coking coal price rise higher than coke price rise.

Gross profit from the refined chemical manufacturing business decreased by RMB156.8 million or 24.8% from RMB632.4 million for the six months ended June 30, 2021 to RMB475.6 million for the six months ended June 30, 2022. Gross profit margin for the refined chemical manufacturing business decreased from 10.4% for the six months ended June 30, 2021 to 6.6% for the six months ended June 30, 2022, primarily due to the increase in the purchase price of raw material for refined chemicals.

Gross profit from the operation management business decreased by RMB13.2 million or 52.4% from RMB25.2 million for the six months ended June 30, 2021 to RMB12.0 million for the six months ended June 30, 2022. Gross profit margin for the operation management business increased from 17.7% for the six months ended June 30, 2021 to 24.1% for the six months ended June 30, 2022, primarily due to the reduction in the volume of business for Jinzhou project which has the lower gross margins.

Gross profit from the trading business increased by RMB39.0 million or 10.9% from RMB357.1 million for the six months ended June 30, 2021 to RMB396.1 million for the six months ended June 30, 2022. Gross profit margin for the trading business decreased from 7.7% for the six months ended June 30, 2021 to 6.6% for the six months ended June 30, 2022, primarily due to the increase of trading volume and lower price spread.

(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 RMB31.8 million or 50.2% from RMB63.3 million for the six months ended June 30, 2021 to RMB95.1 million for the six months ended 30 June, 2022 mainly due to the increase in interest income.

(e) Other gains and losses

The Group had other losses of RMB45.0 million for the six months ended June 30, 2022 primarily due to the net effect of fair value gains of financial assets/liabilities at FVTPL of RMB20.2 million and losses on foreign exchange of RMB82.9 million for the six months ended June 30, 2022.

(f) Impairment gains (losses) under ECL model, net

The Group had impairment gains under ECL model, net of RMB32.4 million for the six months ended June 30, 2022, primarily due to the collection of individual receivables and reversal of impairment.

(g) Selling and distribution expenses

Selling and distribution expenses decreased by RMB12.5 million or 2.7% from RMB466.6 million for the six months ended June 30, 2021 to RMB454.1 million for the six months ended June 30, 2022, primarily due to reduced service charges for railway operations.

(h) Administrative expenses

Administrative expenses decreased by approximately RMB17.9 million or 3.9% from approximately RMB455.1 million for the six months ended June 30, 2021 to approximately RMB437.2 million for the six months ended June 30, 2022, mainly because the Group paid an one-off staff bonus for the previous interim period 2021 while there was no such staff bonus for the current interim period.

(i) 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 RMB84.6 million or 21.5% from RMB393.4 million for the six months ended June 30, 2021 to RMB478.0 million for the six months ended June 30, 2022. The increase was mainly due to an increase in the bank loans.

(j) Share of results of associates

Share of results of associates changed from a loss of RMB56.8 million for the six months ended June 30, 2021 to a profit of RMB32.3 million for the six months ended June 30, 2022, primarily due to the increase in the purchase price of raw materials for refined chemicals and the decrease of profits shared from Yangmei Group Shouyang Jingfu Coal Co., Ltd.* (陽煤集團壽陽景福煤業有限公司) as a result of the decrease of its sales volume.

(k) Share of results of joint ventures

Share of results of joint ventures decreased by RMB9.3 million or 2.8% from RMB337.1 million for the six months ended June 30, 2021 to RMB327.8 million for the six months ended June 30, 2022, primarily due to the decrease in profit shared from Risun China Gas.

(l) Profit before taxation

As a result of the foregoing factors, the profit before taxation decreased by RMB17.4 million or 0.8% from RMB2,103.8 million for the six months ended June 30, 2021 to RMB2,086.4 million for the six months ended June 30, 2022.

(m) Income tax expense

The Group incurred income tax expenses of RMB350.4 million for the six months ended June 30, 2022 and RMB406.4 million for the six months ended June 30, 2021 respectively at effective tax rates of 16.8% and 19.3%. The decrease in income tax expense is mainly because there were withholding tax expense of RMB25 million and the decrease of unused tax losses and temporary differences not recognised in previous period.

(n) Profit for the period

For the six months ended June 30, 2022, the Group recorded a net profit of RMB1,736.0 million, which represented an increase of RMB38.6 million or 2.3% as compared to the net profit of RMB1,697.4 million for the six months ended June 30, 2021.

(o) Earnings per share – Basic

The basic earnings per share for the June 30, 2022 and 2021 was RMB39.14 cents and RMB41.58 cents respectively. The decrease during the Reporting Period was mainly because the Placing was completed in June 2021 and the weighted average effect to the number of ordinary share in 2021 was smaller than that in 2022. Thus, the basic earnings per share for the previous interim period was higher.

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, 2022, 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,	
	2022	2021
	RMB'000	*RMB'000*
		(Restated)
Net cash generated from operating activities	**1,713,853**	3,095,821
Net cash used in investing activities	**(7,226,101)**	(2,607,924)
Net cash generated from financing activities	**5,355,001**	2,279,252
Net (decrease) increase in cash and cash equivalents	**(157,247)**	2,767,149
Cash and cash equivalents at the beginning of the period	**2,280,914**	1,181,390
Effect of foreign exchange rate changes	**2,268**	1,513
Cash and cash equivalents at the end of the period	**2,125,935**	3,950,052

(a) Net cash generated from operating activities

For the six months ended June 30, 2022, our net cash generated from operating activities was approximately RMB1,713.9 million and was higher than our net cash generated from operating activities for the six months ended June 30, 2021 by approximately RMB1,381.9 million, primarily due to the increase in working capital.

(b) Net cash used in investing activities

For the six months ended June 30, 2022, our net cash used in investing activities was increased from approximately RMB2,607.9 million for the six months ended June 30, 2021 to approximately RMB7,226.1 million primarily due to the final payment for acquisition of subsidiaries under Wuhu Shunri Xinze Equity Investment Partnership (LP)* (蕪湖順日信澤股權投資合夥企業(有限合夥)) and purchase of property, plant and equipment.

(c) Net cash generated from financing activities

For the six months ended June 30, 2022, our net cash generated from financing activities was increased from approximately RMB2,279.3 million for the six months ended June 30, 2021 to approximately RMB5,355.0 million, primarily due to the increase in new interest-bearing borrowings.

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, 2022	December 31, 2021
	RMB'000	*RMB'000*
Bank loans, secured	**8,816,094**	5,286,852
Bank loans, unsecured	**5,373,248**	4,488,217
	14,189,342	9,775,069
Other loans, secured	**2,883,459**	2,331,098
Other loans, unsecured	**280,716**	41,224
	3,164,175	2,372,322
Discounted bills financing	**2,587,717**	1,439,289
Total	**19,941,234**	13,586,680

The total borrowings increased by approximately RMB6.4 billion, or 46.8%, to approximately RMB19.9 billion as of June 30, 2022 from RMB13.6 billion as of December 31, 2021, primarily due to an increase in bank loans.

(b) Lease liabilities

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

	June 30, 2022 *RMB'000*	December 31, 2021 *RMB'000*
Lease liabilities	**150,095**	214,008

(c) Long-term payables

As of December 31, 2021, long-term payables for unpaid consideration for the acquisition of a subsidiary amounted to RMB2.9 billion. Such payables carried a contractual interest rate of 10% per annum. During the six months ended June 30, 2022, the Group repaid in full the consideration payables for acquisition of a subsidiary of RMB2.9 billion.

OFF-BALANCE SHEET ARRANGEMENTS

As of June 30, 2022, the maximum liability of the Group under financial guarantees issued to banks in respect of banking facilities granted to Risun China Gas, a joint venture of the Company, is RMB1,127.9 million (as at December 31, 2021: RMB1,647.9 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, 2022, 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, 2022 (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	–	

In June 2021, 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. The net proceeds from the Placing was used up by the end of December 2021.

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 Reporting Period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any shares of the Company.

EMPLOYEE AND REMUNERATION POLICY

As at June 30, 2022, we had 7,644 full-time employees (as at June 30, 2021: 6,972). 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, 2022 and 2021, our staff costs were RMB526.2 million and RMB658.0 million, respectively.

The Company's remuneration policy was formulated 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 adopted all code provisions as set out in the CG Code and has complied with the applicable code provisions throughout the Reporting Period, except for Principle C.2.1 under Part 2 of the CG Code.

In accordance with Principle C.2.1 under Part 2 of the CG Code, the roles of the chairman and chief executive officer should be separated and should not be held by the same person. Mr. Yang Xuegang is the chairman and chief executive officer of the Company. With extensive experience in the coke, coking chemicals and refined chemicals industries, Mr. Yang is responsible for the overall management and business development, the operations of the subsidiaries of the Company and their corresponding production facilities and human resources of the Group, and has been instrumental to the Group's growth and business expansion since its establishment in 1995. The Board considers that vesting the roles of chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for and communication with the Group. The balance of power and authority is ensured by the operation of the senior management and the Board, which comprises experienced and high caliber individuals. The Board currently comprises of six executive Directors (including Mr. Yang) and three independent non-executive Directors and therefore has a strong independence element in its composition.

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

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code 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 found 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

On March 24, 2022, Hebei Risun Energy Limited, a wholly-owned subsidiary of the Company, entered into a partnership agreement with Great Wall (Tianjin) Equity Investment Fund Management Co., Ltd.* (長城(天津)股權投資基金管理有限責任公司), pursuant to which the parties agreed to jointly establish Wuhu Changyu Investment Centre (Limited Partnership)* (蕪湖長餘投資中心(有限合夥)) ("**Wuhu Changyu**"), a limited partnership to be established in the PRC. Wuhu Changyu will be principally engaged in investment activities in the coal industry, including but not limited to equity investment, debt investment, merger and acquisition, and restructuring.

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, 2022, the Board has not authorized any plan for other material investments or additions of capital assets.

CONTINGENT LIABILITIES

Except for the off-balance sheet arrangement regarding the financial guarantee provided to Risun China Gas as detailed above, the Group did not have any other significant contingent liabilities as at June 30, 2022 (as at December 31, 2021: Nil).

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

On July 27, 2022, Xiamen Xiangyue Investment Partnership Enterprise (LP)* (廈門象悦投資合夥企業(有限合夥)) ("**Xiamen Xiangyue**"), Risun Group Limited and Hebei Risun Energy Limited* (河北旭陽能源有限公司) ("**Hebei Risun Energy**") entered into an investment agreement, pursuant to which Xiamen Xiangyue agreed to make additional capital injection of RMB600 million to Hebei Risun Energy by way of cash injection, among which, RMB80 million will contribute to the registered share capital and the excess amount of RMB520 million will contribute to the capital reserve of Hebei Risun Energy.

The capital injection is beneficial to the Group, because this will widen and deepen the strategic cooperation between XMXYG Co., Ltd.* (廈門象嶼集團有限公司) and the Group by making use of the equity capital advantages of each other. Both parties will increase international and domestic trade cooperation and enhance the cooperation of integrating and extending industrial chains in different industries. It will also strengthen the capital base and enhance the competitiveness of Hebei Risun Energy.

Other than that, there were no significant events affecting the Company or any of its subsidiaries that took place subsequent to June 30, 2022.

CLOSURE OF REGISTER OF MEMBERS

The record date for the Shareholders qualifying to receive the proposed interim dividend is September 16, 2022. In order to determine the right of Shareholders entitled to receive the proposed interim dividend, the register of members of the Company will be closed from September 14, 2022 to September 16, 2022, both days inclusive, during which period the registration of transfer of shares will be suspended. In order to qualify for the interim dividend, a Shareholder must lodge all properly completed share transfer forms accompanied by the relevant share certificates for registration with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on September 13, 2022. The expected interim dividend payment date will be on or before September 30, 2022.

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 Reporting Period.

In addition, the interim results for the six months ended June 30, 2022 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 websites 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, 2022 will be despatched to the Shareholders 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 26, 2022

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*