



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

The background of the cover features a large, circular, semi-transparent graphic element on the left side, which frames a detailed view of an industrial facility with several tall distillation columns and complex piping. The rest of the background is a faded, high-angle photograph of an industrial park with large, blue-roofed storage tanks and various buildings, situated next to a city area.

2020 INTERIM REPORT

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Corporate Information

COMPANY NAME

China Risun Group Limited

STOCK CODE

1907

REGISTERED OFFICE

Cricket Square
Hutchins Drive, PO Box 2681
Grand Cayman, KY1-1111
Cayman Islands

CORPORATE HEADQUARTERS

Building 4, Block 5
ABP Area, No. 188, South 4th Ring Road West
Fengtai District
Beijing, PRC 100070

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 2001, 20/F., Sino Plaza
255 Gloucester Road, Causeway Bay
Hong Kong

CONTACT INFORMATION

Tel: +852 2877 8920
Fax: +852 2877 8902
E-mail: ir@risun.com

COMPANY WEBSITE

<http://www.risun.com>

AUTHORISED REPRESENTATIVES

Mr. Han Qinliang
Mr. Ho Pui Lam Joseph

COMPANY SECRETARY

Mr. Ho Pui Lam Joseph (*FCPA*)

COMPANY DIRECTORS

EXECUTIVE DIRECTORS :

Mr. Yang Xuegang (*Chairman & Chief Executive Officer*)

Mr. Zhang Yingwei

Mr. Han Qinliang

Mr. Wang Fengshan

Mr. Wang Nianping

Mr. Yang Lu

INDEPENDENT NON-EXECUTIVE DIRECTORS :

Mr. Kang Woon

Mr. Yu Kwok Kuen Harry

Mr. Wang Jinping

AUDIT COMMITTEE

Mr. Yu Kwok Kuen Harry (*Chairman*)

Mr. Kang Woon

Mr. Wang Jinping

REMUNERATION COMMITTEE

Mr. Kang Woon (*Chairman*)

Mr. Yu Kwok Kuen Harry

Mr. Wang Jinping

NOMINATION COMMITTEE

Mr. Yang Xuegang (*Chairman*)

Mr. Kang Woon

Mr. Yu Kwok Kuen Harry

COMPLIANCE ADVISER

Guotai Junan Capital Limited

27/F., Low Block

Grand Millennium Plaza

181 Queen's Road Central

Hong Kong



Corporate Information (Continued)

PRINCIPAL BANKERS

Industrial and Commercial Bank of China Limited
Xingtai Qiaodong Branch
No. 220 Zhong Xing East Street
Xingtai, Hebei Province
PRC

China Construction Bank Corporation
Bohai New Area Branch
Shigang Road, Bohai New Area
Cangzhou, Hebei Province
PRC

China Citic Bank
Dingzhou Branch
No. 172 Xingding Road
Dingzhou, Hebei Province
PRC

Shanghai Pudong Development Bank
Yong Ding Road Branch
No. 51 Yong Ding Road
Haidian District
Beijing, PRC

AUDITOR

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors
35/F One Pacific Place
88 Queensway
Hong Kong

LEGAL ADVISERS

AS TO HONG KONG LAW:

Latham & Watkins LLP
18th Floor, One Exchange Square
8 Connaught Place
Central
Hong Kong

AS TO PRC LAW:

Jingtian & Gongcheng
34/F, Tower 3, China Central Place
77 Jianguo Road
Chaoyang District
Beijing, PRC

AS TO CAYMAN ISLANDS LAW:

Conyers Dill & Pearman
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

CAYMAN SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong



Financial Highlights

HIGHLIGHTS

- Revenue for the six months ended June 30, 2020 was approximately RMB8,133.1 million, representing a decrease of approximately 19.7% as compared with the corresponding period in 2019.
- Profit attributable to owners of the Company for the six months ended June 30, 2020 was approximately RMB351.0 million, representing a decrease of approximately 58.3% as compared with the corresponding period in 2019.
- Basic earnings per share of the Company for the six months ended June 30, 2020 was RMB8.58 cents, representing a decrease of approximately 61.2% as compared with the corresponding period in 2019.
- The Directors determine the payment of an interim dividend for the six months ended June 30, 2020 amounting to HK2.92 cents per share (2019: HK6.89 cents per share), equivalent to approximately RMB2.58 cents per share, with total dividend amount of HK\$119,428,000 (2019: HK\$281,748,000).

Management Discussion and Analysis

OVERVIEW

The Group is an integrated coke, coking chemical and refined chemical producer and supplier in China. The Group was the world's largest independent producer and supplier of coke by volume in 2019, according to Frost & Sullivan (Beijing) Inc., Shanghai Branch Co. ("**Frost & Sullivan**"), an independent global consulting firm. The Group also held leading positions in a number of refined chemical sectors in China or globally. According to Frost & Sullivan, the Group was also the largest producer of industrial-naphthalene-based phthalic anhydride and coke-oven-gas-based methanol by volume in China in 2019. The Group was also the largest coking crude benzene processor and the second largest coal tar processor by volume globally in 2019.

In 2020, both the outbreak of COVID-19 and the falling of international crude oil price impacted the global economy and the selling prices of the Group's coke and refined chemical products. With the continued effort of our management, the Group minimized the impact to our operation ranging from procurement, production to sales, and expanded the annual production/processing/operation management volume in coke and refined chemicals products during the six months ended June 30, 2020 (the "**Reporting Period**").

In view of the operating results in the first half of 2020, 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 RMB2.58 cents (2019: RMB6.18 cents) per share, with a total amount RMB105,522,000 for the interim period of 2020 (2019: RMB252,762,000).

BUSINESS REVIEW

During the Reporting Period, the Group continued to expand our four core business segments. Following the establishment of a joint venture with Lingyuan Iron & Steel Co., Ltd. in December 2019, which was subsequently consolidated into the Group as a subsidiary, we are in the process to obtain all necessary approvals from the People's Governments of Liaoning Province and Lingyuan City and it is expected that the construction of the ancillary coking project will commence in the second half of 2020.

Moreover, the Group further made use of our existing coal chemicals production capacity to produce high pure (purity $\geq$ 99.999%) hydrogen and co-operated with the People's Government of Dingzhou City in relation to the production, storage and transportation of hydrogen and the construction and operation of hydrogen refueling stations. Such pure hydrogen production facility commenced to operation in July 2020. In Tangshan City, the production facility with a new annual styrene production capacity of 300,000 tons, which was under construction since 2019, will commence production by the end of 2020.

Furthermore, the Group entered into one new operating management agreement with an independent third party in Jiangxi Province with an annual coke production capacity of 1,300,000 tons. Regarding the new trading company established in Japan, the Group started importing coke from Japanese coke producers since January 2020, which is remarkable in our history. We aimed to expand our trading business from merely export to import & export in future so as to increase our influence in international trading market.



Management Discussion and Analysis (Continued)

BUSINESS REVIEW (CONTINUED)

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;
- 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.

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 almost 25 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 or joint ventures, acquisition of existing coke and refined chemicals producers together with provision of operation management services to third parties on order to achieve our aim.

During the Reporting Period, the Group recognized an impairment loss of RMB45.6 million in relation to property, plant and equipment of the dimethyl ether production line since it was shut down due to unfavourable dimethyl ether market. The impairment testing is based on the fair value less costs of disposal related to property, plant and equipment of the dimethyl ether production line. Other than that, the Group did not have any production line with material impairment loss. Please refer the note 11 to the condensed consolidated financial statements in this interim report for detail.

BUSINESS PROSPECTS

Looking forward, the Group will continue increasing our market share especially in coke production by three different ways stated above. It is foreseeable in the next five years that the annual coke production of the Group will rise considerably. For the refined chemicals, the Group is also examining the whole refined chemicals production chain to further develop high potential products e.g. caprolactam. There are different concerns including but not limited to whether we can take the leading position in that refined chemicals market globally, whether that refined chemicals consumption market in PRC heavily relies on importing from overseas and whether the technology and know-how involved in the production can keep us outperform the other producers.

Management Discussion and Analysis (Continued)

BUSINESS PROSPECTS (CONTINUED)

Besides, the Group will focus on the pure hydrogen production and utilisation where the production bases are located at. We believe that hydrogen, as a type of clean energy in 21st century, is one of the major strategic directions for the PRC's energy transformation and the Group has huge advantage in refining the coking coal which contains hydrogen chemical element.

Development, performance and status of the business of the Company

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

	For the six months ended June 30,	
	2020	2019
Financial indicators		
Gross profit margin ⁽¹⁾	14.2%	14.0%
Net profit margin ⁽²⁾	4.3%	8.4%
EBITDA margin ⁽³⁾	13.1%	15.5%
Return on equity ⁽⁴⁾	10.2%	26.2%
	As at June 30, 2020	As at December 31, 2019
Gearing ratio ⁽⁵⁾	1.5x	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, amortization ("EBITDA") by revenue for the period.
- (4) Calculated by dividing profit attributable to owners for the year 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 year/period.

Management Discussion and Analysis (Continued)

FINANCIAL REVIEW

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

For the six months ended June 30, 2020					
	Coke and coking chemicals manufacturing RMB'000	Refined chemicals manufacturing RMB'000	Operation management services RMB'000	Trading RMB'000	Total RMB'000
Total revenue	4,019,848	2,928,790	246,288	938,148	8,133,074
Gross profit	754,844	188,617	62,267	151,476	1,157,204

For the six months ended June 30, 2019					
	Coke and coking chemicals manufacturing RMB'000	Refined chemicals manufacturing RMB'000	Operation management services RMB'000	Trading RMB'000	Total RMB'000
Total revenue	4,635,989	3,459,766	541,142	1,486,941	10,123,838
Gross profit	869,141	472,230	45,652	25,510	1,412,533

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, 2020 declined to RMB8,133.1 million compared with RMB10,123.8 million for the six months ended June 30, 2019.

Revenue from coke and coking chemicals manufacturing business decreased by 13.3% from RMB4,636.0 million for the six months ended June 30, 2019 to RMB4,019.8 million for the six months ended June 30, 2020, primarily due to a decrease in the average selling price of coke from RMB1,762.0 per ton for the six months ended June 30, 2019 to RMB1,589.9 per ton for the six months ended June 30, 2020.

Revenue from refined chemical manufacturing business decreased by 15.3% from RMB3,459.8 million for the six months ended June 30, 2019 to RMB2,928.8 million for the six month ended 30 June, 2020, primarily due to a decrease in selling price of most refined chemical products caused by the outbreak of COVID-19 and the decrease in international crude oil price, affecting the demand for refined chemical products of the Group.

Revenue from the operation management business decreased by 54.5% from RMB541.1 million for the six months ended June 30, 2019 to RMB246.3 million for the six months ended June 30, 2020, primarily due to the decrease in revenue in connection with the expiry of our operation management services with a third-party coke producer in May 2019.

FINANCIAL REVIEW (CONTINUED)

(a) Revenue (Continued)

Revenue from the trading business decreased by 36.9% from RMB1,486.9 million for the six months ended June 30, 2019 to RMB938.1 million for the six months ended June 30, 2020, primarily as a result of decreased import trading volume of coal from overseas caused by COVID-19.

(b) Cost of sales

Cost of sales decreased from RMB8,711.3 million for the six months ended June 30, 2019 to RMB6,975.9 million for the six months ended June 30, 2020.

Cost of sales from the coke and coking chemical manufacturing business decreased by 13.3% from RMB3,766.8 million for the six months ended June 30, 2019 to RMB3,265.0 million for the six months ended June 30, 2020, primarily due to a decrease in market prices for coking coal and a decrease in the volume of coke sold.

Cost of sales from the refined chemical manufacturing business decreased by 8.3% from RMB2,987.5 million for the six months ended June 30, 2019 to RMB2,740.1 million for the six months ended June 30, 2020, primarily due to a decrease in the price of chemical raw material.

Cost of sales from the operation management business decreased by 62.9% from RMB495.5 million for the six months ended June 30, 2019 to RMB184.0 million for the six months ended June 30, 2020, primarily due to the expiration of the management services to a third-party coke producer.

Cost of sales from the trading business decreased by 46.2% from RMB1,461.4 million for the six months ended June 30, 2019 to RMB786.7 million for the six months ended June 30, 2020, primarily as a result of decreased import trading volume of coal from overseas.

(c) Gross profit and gross profit margin

The Group's total gross profit decreased by approximately RMB255.3 million, or 18.1%, to approximately RMB1,157.2 million for the six months ended June 30, 2020, from approximately RMB1,412.5 million for the six months ended June 30, 2019. Gross profit margin increased slightly to 14.2% for the six months ended June 30, 2020, from 14.0% for the six months ended June 30, 2019.

Gross profit from the coke and coking chemical manufacturing business decreased by 13.2% from RMB869.1 million for the six months ended June 30, 2019 to RMB754.8 million for the six months ended June 30, 2020. Gross profit margin for the coke and coking chemical manufacturing business remained stable at 18.8% for the six months ended June 30, 2019 and 2020.

Gross profit from the refined chemical manufacturing business decreased by 60.1% from RMB472.2 million for the six months ended June 30, 2019 to RMB188.6 million for the six months ended June 30, 2020. Gross profit margin for the refined chemical manufacturing business decreased from 13.6% for the six months ended June 30, 2019 to 6.4% for the six months ended June 30, 2020.



Management Discussion and Analysis (Continued)

FINANCIAL REVIEW (CONTINUED)

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

Gross profit from the operation management business increased from RMB45.7 million for the six months ended June 30, 2019 to RMB62.3 million for the six months ended June 30, 2020. Gross profit margin for the operation management services business increased from 8.4% for the six months ended June 30, 2019 to 25.3% for the six months ended June 30, 2020, primarily because of the higher gross profit margin from the operation management services project with China Cinda Asset Management Co., Ltd. which began in September 2019.

Gross profit from the trading business increased by 494.1% from RMB25.5 million for the six months ended June 30, 2019 to RMB151.5 million for the six months ended June 30, 2020. Gross profit margin for the trading business increased from 1.7% for the six months ended June 30, 2019 to 16.1% for the six months ended June 30, 2020, primarily due to the increase in revenue from the trading agency with higher 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 decreased by 38.8% from RMB77.8 million for the six months ended June 30, 2019 to RMB47.6 million for the six month ended June 30, 2020 mainly because of drop in interest income due to decrease in interest income from restricted bank deposits.

(e) Other gains and losses

The Group had other losses of RMB58.3 million for the six months ended June 30, 2020, primarily due to an impairment losses of property, plant and equipment (mainly the dimethyl ether production facilities) of RMB45.6 million and a loss on foreign exchange of RMB 24.2 million for the six months ended June 30, 2020.

(f) Selling and distribution expenses

Selling and distribution expenses decreased by 4.8% from RMB395.6 million for the six months ended June 30, 2019 to RMB376.5 million for the six months ended June 30, 2020, primarily due to a decrease in transportation expenses.

(g) Administrative expenses

The Group's administrative expenses increased by approximately RMB25.8 million, or 15.9%, to approximately RMB188.3 million for the six months ended June 30, 2020, from approximately RMB162.5 million for the six months ended June 30, 2019, primarily due to an increase in research and development expense and management service expense.

FINANCIAL REVIEW (CONTINUED)

(h) Finance costs

Finance cost primarily consist of interest expenses on bank loans, other loans and finance expenses on discount of bills receivables. The Group's finance cost increased by 32.1% from RMB210.9 million for the six months ended 30 June, 2019 to RMB278.5 million for the six months ended 30 June, 2020. The increase was mainly due to an increase in interest on bank and other loans.

(i) Share of results of associates

Share of results of associates decreased by 286.5% from RMB14.1 million for the six months ended June 30, 2019 to share of loss from associates of RMB26.3 million for the six months ended June 30, 2020, primarily due to the share of losses from Cabot Risun Chemical (Xingtai) Co., Ltd and Yangmei Group Shouyang Jingfu Coal Co. Ltd.

(j) Share of results of joint ventures

Share of results of joint ventures decreased by 18.6% from RMB193.2 million for the six months ended June 30, 2019 to RMB157.3 million for the six months ended June 30, 2020, primarily due to a decrease in the shared profit of Hebei China Coal Risun Energy Limited.

(k) Profit before taxation

As a result of the foregoing factors, the profit before taxation decreased by approximately RMB610.7 million, or 58.6%, to approximately RMB431.0 million for the six months ended June 30, 2020 from approximately RMB1,041.7 million for the six months ended June 30, 2019.

(l) Income tax expense

The Group incurred income tax expense of approximately RMB85.2 million for the six months ended June 30, 2020 and approximately RMB188.2 million for the six months ended June 30, 2019 respectively at effective tax rates of 19.8% and 18.1%. The decrease in income tax expense is due to a decrease in profit before taxation of about RMB610.7 million.

(m) Profit for the period

For the six months ended June 30, 2020, the Group recorded a net profit of approximately RMB345.7 million, representing a decrease of approximately 59.5% as compared to the net profit of approximately RMB853.5 million for the six months ended June 30, 2019.

Management Discussion and Analysis (Continued)

LIQUIDITY AND FINANCIAL RESOURCES

The Group's primary uses of cash are operating costs, capital expenditures and repayment of debts in the PRC. 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 of the Company (the "Global Offering") completed in March 2019. 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, 2020, 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,	
	2020	2019
	RMB'000	RMB'000
Net cash generated from operating activities	112,687	117,197
Net cash (used in) generated from investing activities	(1,278,936)	908,771
Net cash generated from (used in) financing activities	1,035,448	(290,152)
Net (decrease) increase in cash and cash equivalents	(130,801)	735,816
Cash and cash equivalents at end of the period	929,424	1,494,932

(a) Net cash generated from operating activities

For the six months ended June 30, 2020, our net cash generated from operating activities was approximately RMB112.7 million and was less than our net cash generated from operating activities for the six months ended June 30, 2019 of approximately RMB117.2 million, primarily due to the decrease in profit.

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

For the six months ended June 30, 2019, our net cash received in investing activities was approximately RMB908.8 million and our net cash used in investing activities was approximately RMB1,278.9 million for the six months ended June 30, 2020. The variance was primarily due to the change in the balance of restricted bank deposits, from a net decrease of RMB1,017.0 million to a net increase of RMB459.6 million and an increase in investments in property, plant and equipment from RMB514.2 million to RMB 1,006.3 million.

Management Discussion and Analysis (Continued)

LIQUIDITY AND FINANCIAL RESOURCES (CONTINUED)

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

For the six months ended June 30, 2019, our net cash used in financing activities was approximately RMB290.2 million and our net cash generated from financing activities was approximately RMB1,035.4 million for the six months ended June 30, 2020, primarily due to the decrease in repayment of bank and other loans.

Indebtedness

(a) Borrowings

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

	As at June 30, 2020 <i>RMB in millions</i>		As at December 31, 2019 <i>RMB in millions</i>	
Bank loan, secured	2,854.4		3,146.8	
Bank loan, unsecured	4,170.8		2,981.5	
Other loans, secured	829.1		1,090.3	
Other loans, unsecured	283.6		337.1	
Discounted bills financing	1,905.3		1,103.9	
Total	10,043.2		8,659.6	

	As at June 30, 2020		As at December 31, 2019	
	<i>RMB in millions</i>	%	<i>RMB in millions</i>	%
Fixed rate bank and other borrowings	6,577.0	1.50%~12.00%	5,302.8	1.50%~12.00%
Floating rate bank and other borrowings	3,466.2	1.24%~11.70%	3,356.8	3.51%~11.70%
Total	10,043.2		8,659.6	

The total borrowings increased by approximately RMB1,383.6 million or 16.0%, to approximately RMB10,043.2 million as of June 30, 2020 from RMB8,659.6 million as of December 31, 2019, primarily due to the addition of bank loans.

Management Discussion and Analysis (Continued)

LIQUIDITY AND FINANCIAL RESOURCES (CONTINUED)

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

Indebtedness (Continued)

(a) Borrowings (Continued)

Most of the borrowings are denominated in RMB, the borrowings denominated in currencies other than the functional currencies of respective entities are set out below:

	As at June 30, 2020 <i>RMB in millions</i>	As at December 31, 2019 <i>RMB in millions</i>
USD	1,198.6	1,424.7
EUR	44.9	117.0
Total	1,243.5	1,541.7

(b) lease liabilities

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

	As at June 30, 2020 <i>RMB in millions</i>	As at December 31, 2019 <i>RMB in millions</i>
Within one year	20.4	19.9
After 1 year but within 2 years	15.9	20.8
After 2 years but within 5 years	-	5.4
	36.3	46.1

(c) Interest-bearing payables for construction in progress

As of June 30, 2020, interest-bearing payables for construction in progress amounted to RMB116.9 million. Such payables carry a contractual interest rate at 7% per annum, which is charged on outstanding payments after construction progress verification.

Management Discussion and Analysis (Continued)

OFF-BALANCE SHEET ARRANGEMENTS

As of June 30, 2020, the maximum liability of the Group under financial guarantees issued to banks in respect of banking facilities granted to a joint venture is RMB1,205 million (as at December 31, 2019: RMB980 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 purposes.

As at June 30, 2020, certain Group's assets were pledged to secure bank and other loans and bills payable granted to the Group and details are set out in the note 21 to the condensed consolidated financial statements in this report.

CONTINGENT LIABILITIES

Details of contingent liabilities during the six months ended June 30, 2020 are set out in Note 18(d) to the interim condensed consolidated financial statements in this report.

FOREIGN EXCHANGE RISK AND MANAGEMENT

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

SIGNIFICANT INVESTMENTS HELD

Other than the financial assets disclosed in the note 12 to the condensed consolidated financial statements in this report, the Group had no significant investments held for the six months ended June 30, 2020.

MATERIAL ACQUISITION AND DISPOSAL

The Group had no material acquisition and disposal of subsidiaries during the six months ended June 30, 2020.

EVENTS AFTER THE REPORTING DATE

As at the date of this report, the Group did not have any other significant event subsequent to June 30, 2020.



Other Information

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, 2020, no Share 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 (the "**Prospectus**") with our actual business progress for the period from March 15, 2019, being the listing date, to June 30, 2020 (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 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, 2020 (HK\$ million)	Estimated timetable
Debt repayments	745.6	745.6	–	–
Investment plans	559.2	559.2	–	–
Environmental Protection Plans and System Upgrade	372.8	216.4	156.4	December 2021
Working capital	186.4	169.5	16.9	December 2020
	1,864.0	1,690.7	173.3	

EMPLOYEE AND REMUNERATION POLICY

As at June 30, 2020, we had 4,229 full-time employees (as at June 30, 2019: 3,627). Most of our senior management members and employees are based in Beijing and Hebei province of the PRC.

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, 2020 and 2019, our staff costs were RMB198.6 million and RMB200.1 million, respectively.

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

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

As at June 30, 2020, the interests and short positions of Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors as referred to the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

Ordinary shares of HK\$0.10 each of the Company

Name	Capacity/Nature of Interest	Number of issued ordinary shares held	Approximate percentage of the issued share capital of the Company
Director			
Mr. Yang Xuegang ⁽¹⁾	Interest of a controlled corporation	3,116,074,928(L)	76.19%

(L) denotes long positions

Note:

1. Texson Limited is wholly-owned by Mr. Yang Xuegang. Accordingly, Mr. Yang Xuegang is deemed to be interested in the Shares held by Texson Limited.

Save as disclosed above, none of the Directors and the chief executive of the Company nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at June 30, 2020.



Other Information (Continued)

SUBSTANTIAL SHAREHOLDER' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at June 30, 2020, according to the register of interests required to be kept by the Company under Section 336 of the SFO other than the interests disclosed above in respect of Directors and chief executive of the Company, the following parties had interests in shares of the Company, as notified to the Company and the Stock Exchange, as follows:

Ordinary shares of HK\$0.10 each of the Company

Name of shareholder	Capacity/Nature of Interest	Number of issued ordinary shares held	Approximate
			percentage of the issued share capital of the Company
Texson Limited ⁽¹⁾	Beneficial owner	3,116,074,928(L)	76.19%

(L) denotes long positions

Save as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at June 30, 2020.

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 businesses of the Group.

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

During the six months ended June 30, 2020, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any shares of the Company.

CORPORATE GOVERNANCE PRACTICES

The Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 to the Listing Rules sets out the principles of good corporate governance and the code provisions (the “**Code Provisions**”). During the Reporting Period, the Company has adopted all the Code Provisions as set out in the CG Code and has complied with the applicable code provisions, except for the Code Provisions A.2.1 of the CG Code, as follows:

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

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

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code 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 throughout 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.



Other Information (Continued)

CLOSURE OF REGISTER OF MEMBERS

The record date for qualifying to receive the proposed interim dividend is September 16, 2020. 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 14, 2020 to September 16, 2020, 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 11, 2020. The expected interim dividend payment date will be on or before September 29, 2020.

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 Stock Exchange (www.hkexnews.hk) and the Company (www.risun.com), 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 interim report, including the unaudited consolidated interim results and the accounting principles and practices adopted by the Group, has been reviewed by the Audit Committee in accordance with Listing Rules. The Audit Committee has also discussed auditing, risk management, internal control and financial statement matters, including the review of the consolidated financial statements of the Group for the current interim period. The Company's unaudited consolidated interim results have also been reviewed by the auditors of the Company, Deloitte Touche Tohmatsu, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

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

This interim report is published on the respective website of the Company at www.risun.com and the Stock Exchange at www.hkexnews.hk. The interim report of the Company for the six months ended June 30, 2020 will be despatched to the shareholders of the Company and will also be made available on the above websites in due course.

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

Hong Kong, August 31, 2020

Report on Review of Condensed Consolidated Financial Statements



德勤

TO THE BOARD OF DIRECTORS OF CHINA RISUN GROUP LIMITED

(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of China Risun Group Limited (the "Company") and its subsidiaries set out on pages 25 to 56, which comprise the condensed consolidated statement of financial position as of June 30, 2020 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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



Report on Review of Condensed Consolidated Financial Statements (Continued)

CONCLUSION

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

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
August 31, 2020

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Six Months ended June 30, 2020

		Six months ended June 30,	
	Notes	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Revenue	4	8,133,074	10,123,838
Cost of sales and services		(6,975,870)	(8,711,305)
Gross profit		1,157,204	1,412,533
Other income	5	47,647	77,832
Other gains and losses		(58,269)	98,791
Impairment losses under expected credit loss model, net of reversal		(3,385)	30,052
Selling and distribution expenses		(376,504)	(395,632)
Administrative expenses		(188,302)	(162,454)
Listing expenses		–	(15,835)
Profit from operations		578,391	1,045,287
Finance costs	6	(278,452)	(210,880)
Share of results of associates		(26,258)	14,119
Share of results of joint ventures		157,272	193,181
Profit before taxation	7	430,953	1,041,707
Income tax expense	8	(85,207)	(188,181)
Profit for the period		345,746	853,526
Other comprehensive income			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translating foreign operations		1,854	15,711
Other comprehensive income for the period		1,854	15,711
Total comprehensive income for the period		347,600	869,237
Profit (loss) for the period attributable to:			
Owners of the Company		350,981	841,741
Non-controlling interests		(5,235)	11,785
		345,746	853,526

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income (Continued)

For the Six Months ended June 30, 2020

		Six months ended June 30,	
	Notes	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Total comprehensive income (expense) for the period attributable to:			
Owners of the Company		352,835	857,452
Non-controlling interests		(5,235)	11,785
		347,600	869,237
Earnings per share (RMB cents)	10		
Basic		8.58	22.14
Diluted		N/A	22.14

Condensed Consolidated Statement of Financial Position

At June 30, 2020

	Notes	June 30, 2020 RMB'000 (Unaudited)	December 31, 2019 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	11	10,503,978	9,751,346
Right-of-use assets		1,122,295	1,144,603
Goodwill		31,808	31,808
Intangible assets		70,537	75,914
Interests in associates		325,053	351,311
Interests in joint ventures		1,216,703	1,230,431
Other long term receivables and prepayments		1,640,543	1,588,154
Financial assets at fair value through profit or loss ("FVTPL")	12	181,745	222,105
Deferred tax assets		233,039	202,242
Restricted bank balances	14	20,000	—
		15,345,701	14,597,914
Current assets			
Inventories		1,097,112	963,679
Income tax prepayments		18,506	28,015
Other receivables	13	1,876,097	1,600,527
Trade and bills receivables measured at fair value through other comprehensive income ("FVTOCI")	13	1,092,805	699,479
Amounts due from related parties	18(c)	440,457	167,653
Financial assets at FVTPL	12	34,009	10,525
Restricted bank balances	14	1,513,323	1,073,747
Cash and cash equivalents		929,424	1,059,857
		7,001,733	5,603,482

Condensed Consolidated Statement of Financial Position (Continued)

At June 30, 2020

	Notes	June 30, 2020 RMB'000 (Unaudited)	December 31, 2019 RMB'000 (Audited)
Current liabilities			
Financial liabilities at FVTPL	12	530	1,866
Trade and other payables	15	3,783,720	3,051,228
Contract liabilities		733,204	938,950
Dividends payable	9	156,238	–
Income tax payable		202,171	249,305
Bank and other loans	16	8,324,847	7,290,471
Lease liabilities		20,350	19,885
Amounts due to related parties	18(c)	176,919	338,066
		13,397,979	11,889,771
Net current liabilities		(6,396,246)	(6,286,289)
Total assets less current liabilities		8,949,455	8,311,625
Non-current liabilities			
Financial liabilities at FVTPL	12	14,275	–
Bank and other loans	16	1,718,334	1,369,167
Lease liabilities		15,892	26,184
Deferred income		85,997	80,021
Trade and other payables	15	76,755	–
Deferred tax liabilities		39,258	36,151
		1,950,511	1,511,523
NET ASSETS		6,998,944	6,800,102
CAPITAL AND RESERVES			
Share capital	17	354,699	354,699
Reserves		6,533,302	6,336,705
Total equity attributable to owners of the Company		6,888,001	6,691,404
Non-controlling interests		110,943	108,698
TOTAL EQUITY		6,998,944	6,800,102

Condensed Consolidated Statement of Changes In Equity

For the Six Months ended June 30, 2020

	Attributable to owners of the Company							Non-		Total equity
	Share capital	Share premium	Merger reserve	Reserve fund	Safety fund	Other reserve	Retained profits	Total	controlling interests	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
	(Note 17)									
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 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 9)	-	-	-	-	-	-	(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
Balance at December 31, 2018 (Audited)	87,123	475,949	384,869	222,268	34,978	(38,486)	3,437,139	4,603,840	109,183	4,713,023
Profit for the period	-	-	-	-	-	-	841,741	841,741	11,785	853,526
Other comprehensive income	-	-	-	-	-	15,711	-	15,711	-	15,711
Net transfer to safety fund	-	-	-	-	1,574	-	(1,574)	-	-	-
Issue of new shares in the Public Offer (Note 17)	59,028	1,589,903	-	-	-	-	-	1,648,931	-	1,648,931
Transaction costs directly attributable to the issue of new shares	-	(53,492)	-	-	-	-	-	(53,492)	-	(53,492)
Capitalisation issue (Note 17)	208,548	(208,548)	-	-	-	-	-	-	-	-
Dividends recognized as distribution (Note 9)	-	(426,588)	-	-	-	-	(200,000)	(626,588)	-	(626,588)
Dividends to a non-controlling shareholder	-	-	-	-	-	-	-	-	(8,738)	(8,738)
Balance at June 30, 2019 (Unaudited)	354,699	1,377,224	384,869	222,268	36,552	(22,775)	4,077,306	6,430,143	112,230	6,542,373

Condensed Consolidated Statement of Cash Flows

For the Six Months ended June 30, 2020

	Six months ended June 30,	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net cash generated from operating activities	112,687	117,197
Net cash (used in)/generated from investing activities		
Purchase of property, plant and equipment	(1,006,274)	(514,175)
Proceeds from disposal of property, plant and equipment	84,550	11,412
Proceeds from disposal of right-of-use assets	39,852	86,518
Purchase of intangible assets	(594)	(8,246)
Purchase of financial assets at FVTPL	(114,145)	(125,000)
Proceeds from disposal of financial assets at FVTPL	138,116	–
Interest received	29,198	38,371
Government grants received	9,937	1,848
Dividends received from associates	–	59,500
Placement of restricted bank deposits	(3,559,301)	(3,818,296)
Withdrawal of restricted bank deposits	3,099,725	4,835,340
Decrease in amounts due from related parties	–	391,499
Advanced to a third party	–	(50,000)
	(1,278,936)	908,771
Net cash generated from/(used in) financing activities		
Capital contribution from a non-controlling Shareholder	7,480	–
Interest paid	(302,619)	(225,978)
Net proceeds from issue of shares	–	1,595,439
Dividend paid to the immediate holding company	–	(467,533)
Dividend paid to a non-controlling shareholder	–	(2,000)
Proceeds from new bank and other loans	5,017,460	4,908,083
Repayment of bank and other loans	(3,675,577)	(6,076,040)
Repayment of leases liabilities	(11,296)	(22,123)
	1,035,448	(290,152)
Net (decrease)/increase in cash and cash equivalents	(130,801)	735,816
Cash and cash equivalents at the beginning of the period	1,059,857	759,037
Effect of foreign exchange rate changes	368	79
Cash and cash equivalents at the end of the period	929,424	1,494,932

Notes to the Condensed Consolidated Financial Statements

For the Six Months ended June 30, 2020

1. GENERAL INFORMATION

China Risun Group Limited (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 (“Texson”, the “Ultimate Holding Company”), a company incorporated in the British Virgin Islands (the “BVI”), and ultimately controlled by Mr. Yang Xuegang (the “Ultimate Controlling Shareholder”).

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

2. BASIS OF PREPARATION

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

Significant events and transactions in the current interim period

The outbreak of Covid-19 and falling of oil price had negative impacts to the global economy, business environment and indirectly affect the selling prices of the Group’s chemical products. As such, the financial positions and performance of the Group were affected in different aspects, including the reduction in revenue and the impairments as disclosed in the relevant notes.

Going concern

At June 30, 2020, the Group had net current liabilities of RMB6,396,246,000. The directors of the Company (the “Directors”) are of the opinion that, taking into consideration the availability of unutilized banking facilities of the Group amounting to RMB9,148,173,000 at the report date, of which RMB2,486,353,000 is unconditional, RMB4,510,000,000 is with conditions to be determined by a bank and RMB2,151,820,000 is the outstanding portion of syndicated loans special for construction of caprolactam project and styrene project and the assumption that approximately 61% of bank loans and other banking facilities at June 30, 2020 will be successfully renewed upon maturity, the Group has sufficient financial resources to meet its capital expenditure requirements and liabilities as and when they fall due for the next twelve months from the date of this report. Accordingly, the condensed consolidated financial statements are prepared on a going concern basis.



Notes to the Condensed Consolidated Financial Statements (Continued)

For the Six Months ended June 30, 2020

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, 2020 are the same as those presented in the Group's annual financial statements for the year ended December 31, 2019.

Application of amendments to IFRSs

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in IFRS Standards and the following amendments to IFRSs, for the first time, which are mandatory effective for the annual period beginning on or after January 1, 2020 for the preparation of the Group's condensed consolidated financial statements:

Amendments to IAS 1 and IFRS 8	<i>Definition of Material</i>
Amendments to IFRS 3	<i>Definition of a Business</i>
Amendments to IAS 9, IAS39 and IFRS 7	<i>Interest Rate Benchmark Reform</i>

The application of the Amendments to References to the Conceptual Framework in IFRS Standards and the amendments to IFRSs in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

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.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the Six Months ended June 30, 2020

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

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, 2020				
	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	4,019,848	–	15,599	–	4,035,447
Sale of refined chemicals	–	2,928,790	162,194	–	3,090,984
Management services	–	–	68,495	–	68,495
Trading	–	–	–	938,148	938,148
	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)
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

Notes to the Condensed Consolidated Financial Statements (Continued)

For the Six Months ended June 30, 2020

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

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

Notes to the Condensed Consolidated Financial Statements (Continued)

For the Six Months ended June 30, 2020

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

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

Segment assets

	June 30, 2020 RMB'000 (Unaudited)	December 31, 2019 RMB'000 (Audited)
Coke and coking chemicals manufacturing	8,595,263	8,135,053
Refined chemicals manufacturing	8,527,118	8,352,039
Operation management	782,294	779,125
Trading	3,518,488	2,163,167
Reportable segment assets	21,423,163	19,429,384
Unallocated head office and corporate assets	924,271	772,012
Total assets	22,347,434	20,201,396

Segment liabilities

	June 30, 2020 RMB'000 (Unaudited)	December 31, 2019 RMB'000 (Audited)
Coke and coking chemicals manufacturing	5,509,026	6,100,641
Refined chemicals manufacturing	5,849,725	5,242,520
Operation management	98,816	93,182
Trading	3,723,158	1,933,655
Reportable segment liabilities	15,180,725	13,369,998
Unallocated head office and corporate liabilities	167,765	31,296
Total liabilities	15,348,490	13,401,294

Notes to the Condensed Consolidated Financial Statements (Continued)

For the Six Months ended June 30, 2020

5. OTHER INCOME

	Six months ended June 30	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Interest income	21,158	38,371
Production waste sales	5,523	13,890
Government grants (Note)	13,431	17,360
Others	7,535	8,211
	47,647	77,832

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

6. FINANCE COSTS

	Six months ended June 30	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Interest on bank loans	202,897	116,680
Interest on other loans from licensed financial institutions	49,092	37,499
Finance expenses on bills receivable discounted	69,888	67,934
Finance charges on lease liabilities	1,469	1,364
	323,346	223,477
Less: Amount capitalized under construction in progress (Note)	(44,894)	(12,597)
	278,452	210,880

Note: The finance costs were capitalized at annual rates of 3.63% – 8.00% per annum during the six months ended June 30, 2020 (during the six months ended June 30, 2019: 4.57% – 9.20%).

Notes to the Condensed Consolidated Financial Statements (Continued)

For the Six Months ended June 30, 2020

7. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after (crediting) charging the following items:

	Six months ended June 30	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Depreciation of property, plant and equipment	324,505	289,216
Depreciation of right-of-use assets	22,308	23,819
Amortization of intangible assets	5,972	7,073
Total depreciation and amortization	352,785	320,108
Capitalized in inventories	(312,865)	(283,308)
Capitalized in construction in progress	(95)	(1,620)
	39,825	35,180
Gain on disposal of:		
– property, plant and equipment	(321)	(52,474)
– right-of-use assets	–	(1,107)
	(321)	(53,581)
Net gain arising from financial assets/liabilities at FVTPL	(8,243)	(48,982)
Impairment loss on property, plant and equipment (Note 11)	45,633	–
Net exchange loss	24,190	10,904
Cost of inventories recognized as an expense	7,198,852	8,777,846

Notes to the Condensed Consolidated Financial Statements (Continued)

For the Six Months ended June 30, 2020

8. INCOME TAX EXPENSE

	Six months ended June 30	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Current tax		
PRC income tax for the period	112,897	141,201
Deferred tax (credit) charge	(27,690)	46,980
	85,207	188,181

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

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

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate applicable for PRC group entities is 25% for the reporting period, except for certain subsidiaries which enjoyed tax rate of 15% due to relevant incentive policies.

Certain subsidiaries of the Company are qualified as "High and New Tech Enterprises", which are subject to PRC enterprise income tax at the preferential rate of 15% of the estimated assessable profit as determined in accordance with relevant tax rules and regulations in the PRC. This preferential rate could be applied for every three years.

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

9. DIVIDENDS

During the current interim period, a final dividend of RMB3.82 cents per ordinary share with total amount of RMB156,238,000 in respect of the year ended December 31, 2019 was declared and paid to the owners of the Company in July 2020.

During the prior period, a final dividend of HK\$0.1744 (equivalent to approximately RMB15.32 cents) per share with total amount of HK\$713,296,000 (equivalent to approximately RMB626,588,000) in respect of the year ended December 31, 2018 was declared to the owners of the Company.

Subsequent to the end of the current interim period, the Directors have determined that an interim dividend of HK\$0.0292 (equivalent to approximately RMB2.58 cents) per share, with total amount of HK\$119,428,000 (equivalent to approximately RMB105,522,000) (the six months ended June 2019: HK\$281,748,000 equivalent to approximately RMB252,762,000).

Notes to the Condensed Consolidated Financial Statements (Continued)

For the Six Months ended June 30, 2020

10. EARNINGS PER SHARE

Basic earnings per share for the six months ended June 30, 2020 and basic and diluted earnings per share for the six months ended June 30, 2019 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 and diluted earnings per share attributable to the ordinary shareholders of the Company is based on the following data:

	Six months ended June 30	
	2020 (Unaudited)	2019 (Unaudited)
Earnings		
Profit attributable to the owners of the Company (RMB'000)	350,981	841,741
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	4,090,000,000	3,801,767,956
Effect of dilutive potential ordinary shares:		
– over-allotment options	–	233,341
Weighted average number of ordinary shares for the purpose of diluted earnings per share	4,090,000,000	3,802,001,297
Basic earnings per share (RMB cents)	8.58	22.14
Diluted earnings per share (RMB cents)	N/A	22.14

11. PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group acquired property, plant and equipment amounting to approximately RMB1,123 million (six months ended June 30, 2019: RMB460 million), and disposed property, plant and equipment with carrying amount of approximately RMB0.2 million (six months ended June 30, 2019: RMB177 million).

As a result of the changes in the current economic environment related to the COVID-19 pandemic and falling of oil price, the Group is experiencing negative conditions including declines in certain chemical products selling prices and decreased revenues from chemical production, that indicate that the relevant property, plant and equipment may be impaired. During the current interim period, the Group performed impairment testing and recognized impairment losses of RMB45,633,000 based on the fair value less costs of disposal related to property, plant and equipment of the dimethyl ether production line which was shut down.

Details of the pledged property, plant and equipment are set out in note 21.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the Six Months ended June 30, 2020

12. FINANCIAL ASSETS/LIABILITIES AT FVTPL

	June 30, 2020 RMB'000 (Unaudited)	December 31, 2019 RMB'000 (Audited)
Non-current assets		
Listed equity securities (note a)	45,623	48,510
Unlisted equity investment (note b)	51,333	51,333
Private equity investment fund (note c)	52,953	50,322
Wealth management products (note d)	31,836	71,940
	181,745	222,105
Current assets		
Futures contracts (note e)	57	33
Held-for-trading non-derivative financial assets	13,952	10,492
Structured deposit (note f)	20,000	–
	34,009	10,525
Non-current liabilities		
Derivative financial instruments-swaps (note g)	(14,275)	–
Current liabilities		
Futures contracts (note e)	(530)	(1,866)
	200,949	230,764

Notes:

- On September 22, 2017, the Group subscribed for 13,000,000 H shares of Henan Jinma Energy Company Limited as a cornerstone investor. The fair value was RMB45,623,000 as at June 30, 2020 (2019: RMB48,510,000), and a loss of RMB2,887,000 was recognized as change in fair value of the listed equity securities during the six months ended June 30, 2020 (the six months ended June 30, 2019: a gain of RMB1,917,000).
- The unlisted equity investments represent equity investments in unlisted entities established in the PRC. The Group hold 9.05% equity interests in 西甘鐵路有限責任公司("Xi Gan Railway Limited"). The fair value was RMB51,333,000 as at June 30, 2020 (2019: RMB51,333,000) and there was no change in fair value of the unlisted equity investment during the six months ended 30 June 2020 (the six months ended 30 June 2019: fair value gain of RMB5,000,000).

Notes to the Condensed Consolidated Financial Statements (Continued)

For the Six Months ended June 30, 2020

12. FINANCIAL ASSETS/LIABILITIES AT FVTPL (CONTINUED)

Notes: (continued)

c. On June 27, 2019, the Group subscribed for 3% registered capital of a private equity investment fund focusing on the modern logistics industry as the limited partner for a consideration of RMB50,000,000. The fair value was RMB52,953,000 as at June 30, 2020 (2019: RMB50,322,000) and hence a gain of RMB2,631,000 was recorded as change in fair value of the private equity investment fund during the six months ended 30 June 2020 (the six months ended 30 June 2019: nil).

d. On May 9, 2019, the Group subscribed for two non principal-protected wealth management products from two asset management companies with fair value of RMB71,940,000 as at December 31, 2019. On May 9, 2020, the wealth management products was liquidated. The Group received RMB69,800,000 and recognized a loss of RMB2,140,000 during the current interim period.

On February 9, 2020, the Group subscribed for a non principal-protected wealth management product from a licensed trust company. The initial investment principal amounted to RMB30,000,000. The fair value of the wealth management product was RMB31,836,000 on June 30, 2020, and hence a gain of RMB1,836,000 was recorded as change in fair value of the wealth management product for the six month ended June 30, 2020.

e. During the six months ended June 30, 2020, the Group entered into certain futures contracts of coke, coking coal, and chemical products with licensed futures trading companies to mitigate its risk associated with the prices of its coke, coking coal, and chemical products sold without applying hedge accounting, and recognized a gain of RMB4,279,000 arising on changes in fair value of these financial instruments in the profit or loss during the six months ended June 30, 2020 (the six months ended June 30, 2019: RMB34,108,000).

f. On June 9, 2020, the Group subscribed for a structured deposits from a bank which linked to the 6-month Shanghai Interbank Offered Rate. The initial investment principal and the fair value at June 30, 2020 was RMB20,000,000.

g. The Group is exposed to the exchange and interest rate risk mainly arising from various bank loans with floating interest rate and denominated in USD. To manage and mitigate the floating interest rate and foreign exchange exposure, the Group entered into various swap contracts. As at 30 June 2020, the swaps are not designated as hedging instruments and recognized as financial liabilities at FVTPL with a fair value of RMB14,275,000.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the Six Months ended June 30, 2020

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

	June 30, 2020 RMB'000 (Unaudited)	December 31, 2019 RMB'000 (Audited)
Trade receivables measured at FVTOCI	583,070	381,893
Bills receivables measured at FVTOCI	509,735	317,586
Trade and bills receivables measured at FVTOCI	1,092,805	699,479
Prepayments for raw materials	612,062	677,109
Other deposits, and other receivables	83,087	63,152
Receivables for relocation compensation (Note a)	148,187	272,087
Loan receivables (Note b)	365,000	365,000
Receivables on behalf of third parties as a trading agency	631,567	213,872
Deductible input Value Added Tax and prepaid other taxes and charges	84,277	58,654
Less: impairment	(48,083)	(49,347)
Other receivables	1,876,097	1,600,527

Notes:

- The Group has carried out a compensable relocation of one of its plants between locations in Dingzhou City pursuant to the local government's arrangement. The Group has shut down and begun dismantling the old plant after the new plant was completed and commenced operation in November 2018. The land use right and property, plant and equipment were handed over to the local government according to the dismantlement progress. The Group recognized a compensation receivable amounting to RMB272,087,000 as at December 31, 2019, based on the sale and purchase agreement as well as the valuation report of property, plant and equipment approved by local authority. During the current interim period, the Group has received a portion of the relocation compensation from Dingzhou city's local government of RMB123,900,000.
- As at June 30, 2020 and December 31, 2019, included in the loan receivable balance are an entrusted loan of RMB300,000,000 to a third party through a licensed financial institution, which carried interest at 7.2% and matured in July 2020. On July 24, 2020, this loan receivable has been fully received.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the Six Months ended June 30, 2020

13. OTHER RECEIVABLES/TRADE AND BILLS RECEIVABLES MEASURED AT FVTOCI (CONTINUED)

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 of which a credit period for no more than 180 days were granted, interest free with no collateral. Aging analysis of trade receivables presented based on invoice dates, which approximated the respective revenue recognition dates, are as follows:

	June 30, 2020 RMB'000 (Unaudited)	December 31, 2019 RMB'000 (Audited)
Within one month	501,888	364,889
1 to 3 months	60,295	4,890
3 to 6 months	18,291	2,792
6 to 12 months	2,596	9,322
	583,070	381,893

14. 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, 2020 RMB'000 (Unaudited)	December 31, 2019 RMB'000 (Audited)
Restricted bank balances to secure:		
Bills payable (Note)	673,333	769,018
Letters of credit	480,058	45,707
Futures contracts	185,577	119,301
Bank loans	194,355	139,721
	1,533,323	1,073,747
Analyzed for reporting purpose as:		
Current assets	1,513,323	1,073,747
Non-current assets	20,000	—
	1,533,323	1,073,747

Notes to the Condensed Consolidated Financial Statements (Continued)

For the Six Months ended June 30, 2020

14. RESTRICTED BANK BALANCES (CONTINUED)

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 RMB1,905,276,000 and RMB1,103,880,000 as at June 30, 2020 and December 31, 2019 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 4.20% per annum as at June 30, 2020 (December 31, 2019: 0.30% to 2.10%).

15. TRADE AND OTHER PAYABLES

	June 30, 2020 RMB'000 (Unaudited)	December 31, 2019 RMB'000 (Audited)
Trade payables	1,331,155	1,249,686
Payables to be settled by the endorsed bills receivable	241,287	159,808
Bills payable	529,347	458,236
Payables on behalf of third parties as a trading agency	914,435	357,546
Payables for construction in progress		
– interest bearing	116,924	–
– non-interest bearing	480,691	469,739
Other payables and accruals	246,636	356,213
	3,860,475	3,051,228
Analyzed for reporting purposes as:		
Current liabilities	3,783,720	3,051,228
Non-current liabilities	76,755	–
	3,860,475	3,051,228

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.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the Six Months ended June 30, 2020

15. TRADE AND OTHER PAYABLES (CONTINUED)

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, 2020 RMB'000 (Unaudited)	December 31, 2019 RMB'000 (Audited)
Within 3 months	1,030,929	928,177
3 to 6 months	117,804	109,434
6 to 12 months	61,520	111,619
1 – 2 years	50,538	62,155
2 – 3 years	37,493	18,103
More than 3 years	32,871	20,198
	1,331,155	1,249,686

16. BANK AND OTHER LOANS

During the current interim period, the Group received the proceeds of approximately RMB5,017,460,000 (six months ended June 30, 2019: RMB4,908,083,000) related to its renewed and newly obtained bank loans and made repayments amounting to approximately RMB3,675,577,000 (six months ended June 30, 2019: RMB6,076,040,000), with a net exchange loss of RMB22,402,000 (six months ended June 30, 2019: net gain of RMB1,498,000). The loans bear interest at the rate ranging from 1.50% to 11.70% (December 31, 2019: 1.50% to 12%) per annum and are repayable in instalments over a period of 1 to 5 years.

Details of the assets pledged for securing the bank and other loans of the Group are set out in Note 21.

A Group's bank loan of RMB30,000,000 as at June 30, 2020 and December 31, 2019 is fully guaranteed by an independent company, and in the meantime, the Group provides counter guarantee to the independent company for this bank loan.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the Six Months ended June 30, 2020

17. SHARE CAPITAL

	As at		As at	
	June 30, 2020 Number of shares	December 31, 2019 Number of shares	June 30, 2020 HKD '000	December 31, 2019 HKD '000
Authorized				
Shares of HKD0.10 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	962,718,524	409,000	96,272
Share issued (note)	–	690,000,000	–	69,000
Capitalisation of shares (note)	–	2,437,281,476	–	243,728
At the end of the period/year	4,090,000,000	4,090,000,000	409,000	409,000

	June 30, 2020 RMB '000 (Unaudited)	December 31, 2019 RMB '000 (Audited)
Presented in the condensed consolidated statement of financial position as:		
At the beginning of the period/year	354,699	87,123
Share issued (note)	–	59,028
Capitalisation of shares (note)	–	208,548
At the end of the period/year	354,699	354,699

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

Notes to the Condensed Consolidated Financial Statements (Continued)

For the Six Months ended June 30, 2020

18. RELATED PARTY TRANSACTIONS AND BALANCES

During the six months ended June 30, 2020 and 2019, transactions with the following parties are considered to be related party transactions:

Name of related party	Relationship with the Group
Mr. Yang Xuegang	Director and the Ultimate Controlling Shareholder
Xuyang Holding Limited (<i>note</i>) ("Xuyang Holding") (旭陽控股有限公司)	Controlled by Mr. Yang Xuegang
Risun Supply Chain Management Limited (<i>note</i>) (旭陽供應鏈管理有限公司)	Controlled by Mr. Yang Xuegang
Xingtai Xuyang Technology Co, Ltd. (<i>note</i>) (邢台旭陽科技有限公司)	Controlled by Mr. Yang Xuegang
Dingzhou Risun Technology Co, Ltd (<i>note</i>) (定州旭陽科技有限公司)	Controlled by Mr. Yang Xuegang
Hebei Xuyang Engineering Design Co, Ltd. (<i>note</i>) (河北旭陽工程設計有限公司)	Controlled by Mr. Yang Xuegang
Pingdingshan Xingyu New Material Co., Ltd. (<i>note</i>) ("Pingdingshan Xingyu") (平頂山興宇新材料有限公司)	Under the significant influence of Mr. Yang Xuegang
Hebei China Coal Risun Energy Limited (<i>note</i>) ("CNC Risun Energy", formerly known as Hebei China Coal Risun Coking Limited) (河北中煤旭陽能源有限公司, 前稱河北中煤旭陽焦化有限公司)	Joint venture of the Group
Huhhot Risun China Gas Energy Limited (<i>note</i>) ("Risun China Gas") (呼和浩特旭陽中燃能源有限公司)	Joint venture of the Group
Hebei Jinniu Risun Chemicals Limited (<i>note</i>) ("Jinniu Risun Chemicals") (河北金牛旭陽化工有限公司)	Associate of the Group
Cabot Risun Chemicals (Xingtai) Co. Ltd. (<i>note</i>) ("Cabot Risun Chemicals") (卡博特旭陽化工(邢台)有限公司)	Associate of the Group
Yangmei Group Shouyang Jingfu Coal Co., Ltd. (<i>note</i>) ("Jingfu Coal") (陽煤集團壽陽景福煤業有限公司)	Associate of the Group

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

Notes to the Condensed Consolidated Financial Statements (Continued)

For the Six Months ended June 30, 2020

18. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(a) Key management personnel remuneration

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

	Six months ended June 30	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Short-term employee benefits	6,320	8,205
Post-employment benefits	30	170
	6,350	8,375

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

(b) Transactions with related parties

	Six months ended June 30	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Purchases of goods from		
– related parties controlled by Mr. Yang Xuegang	22,196	2,547
– CNC Risun Energy	266,463	372,335
– Jinniu Risun Chemicals	16,478	17,441
– Risun China Gas	41,673	–
Sales of goods to		
– CNC Risun Energy	67,084	108,199
– Jinniu Risun Chemicals	3,006	–
– Cabot Risun Chemicals	69,389	280,567
– Risun China Gas	99,904	–

Notes to the Condensed Consolidated Financial Statements (Continued)

For the Six Months ended June 30, 2020

18. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(b) Transactions with related parties (Continued)

	Six months ended June 30	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Construction service and other service from – related parties controlled by Mr. Yang Xuegang	170,874	10,209
Rental income from – related parties controlled by Mr. Yang Xuegang	686	83
– CNC Risun Energy	791	95

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

(c) Balances with related parties

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

	June 30, 2020 RMB'000 (Unaudited)	December 31, 2019 RMB'000 (Audited)
Amounts due from related parties		
Dividend receivable – CNC Risun Energy	131,804	131,804
Trade nature – related parties controlled by Mr. Yang Xuegang	8,430	351
– CNC Risun Energy	108,344	11,268
– Cabot Risun Chemicals	5,984	6,884
– Jinniu Risun Chemicals	537	44
– Risun China Gas	186,606	17,892
	309,901	36,439
Impairment under ECL model	(1,248)	(590)
	308,653	35,849
	440,457	167,653

Notes to the Condensed Consolidated Financial Statements (Continued)

For the Six Months ended June 30, 2020

18. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(c) Balances with related parties (continued)

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

	June 30, 2020 RMB'000 (Unaudited)	December 31, 2019 RMB'000 (Audited)
Within one month	289,929	22,073
1 to 3 months	10,818	11,446
3 to 6 months	3,110	–
6 to 12 months	4,796	2,330
	308,653	35,849

Amounts due to related parties

	June 30, 2020 RMB'000 (Unaudited)	December 31, 2019 RMB'000 (Audited)
Trade nature		
– CNC Risun Energy	31,897	241,793
– related parties controlled by Mr. Yang Xuegang	93,004	37,483
– Cabot Risun Chemicals	49,377	51,395
– Jinniu Risun Chemicals	2,641	7,395
	176,919	338,066
Analyzed for reporting purposes as:		
Current liabilities	176,919	338,066

Notes to the Condensed Consolidated Financial Statements (Continued)

For the Six Months ended June 30, 2020

18. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(c) Balances with related parties (continued)

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

	June 30, 2020 RMB'000 (Unaudited)	December 31, 2019 RMB'000 (Audited)
Within one month	127,715	122,513
1 to 3 months	30,861	93,090
3 to 6 months	9,217	113,877
6 to 12 months	2,095	1,315
1-2 years	5,551	5,791
2-3 years	1,480	1,480
	176,919	338,066

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

	June 30, 2020 RMB'000 (Unaudited)	December 31, 2019 RMB'000 (Audited)
Financial guarantees issued to a joint venture	1,205,000	980,000

As at June 30, 2020, the amount of guaranteed facilities utilized by the joint venture was RMB797,892,000 (December 31, 2019: RMB334,968,000). In the opinion of the Directors, the fair values of the financial guarantee contracts of the Group were insignificant at the date of issue of the financial guarantee and no provision is necessary at the end of each reporting period taking into account that the net realizable value of the pledged assets held by the banks exceed the facilities and credit granted to the relevant parties.



Notes to the Condensed Consolidated Financial Statements (Continued)

For the Six Months ended June 30, 2020

18. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

- (e) During the period ended June 30, 2019, two subsidiaries, certain related parties controlled by Mr. Yang Xuegang and a third-party creditor of the Group entered into deeds of assignment pursuant to which an amount of RMB109,077,000 owed by the Group to the creditor was assigned and offset against the amounts due from related parties. Accordingly the Group derecognized payables for construction in progress of RMB109,077,000 and the amounts due from related parties of RMB109,077,000. The remaining non-trade amounts due from related parties controlled by Mr. Yang Xuegang were fully settled by cash.

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

19. FINANCIAL INSTRUMENTS

Fair value measurements and valuation processes

The fair value measurements are categorized (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurements.

- Level 1 fair value measurements are based on quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Notes to the Condensed Consolidated Financial Statements (Continued)

For the Six Months ended June 30, 2020

19. FINANCIAL INSTRUMENTS (CONTINUED)

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

	Fair value				
	As at		Fair value hierarchy	Valuation technique and key input	Significant unobservable input(s)
	June 30, 2020 RMB'000 (Unaudited)	December 31, 2019 RMB'000 (Audited)			
Financial assets					
Unlisted equity securities	51,333	51,333	Level 3	Fair values are estimated based on the comparable listed company's P/B ratio and a liquidity discount	Liquidity discount rate
Private equity investment fund	52,953	50,322	Level 3	Fair values are estimated based on the net asset value of underlying investments	Net assets value of underlying investments
Bills receivable	509,735	317,586	Level 2	Fair values are estimated based on the present value of the contracted cash inflow at the discount rate that reflects the market credit risk	N/A
Trade receivables	583,070	381,893	Level 2	Fair values are estimated based on the present value of the contracted cash inflow at the discount rate that reflects the market credit risk	N/A
Wealth management product	31,836	71,940	Level 2	Fair values are determined with reference to the quoted prices provided by financial institutions	N/A
Structured deposit product	20,000	–	Level 2	Fair values are determined with reference to the quoted prices provided by financial institutions	N/A
Listed equity securities	45,623	48,510	Level 1	Quoted bid prices in an active market	N/A
Futures contracts	57	33	Level 1	Fair values are derived from quoted bid prices in an active market	N/A
Held-for-trading non-derivative financial assets	13,952	10,492	Level 1	Quoted bid prices in an active market	N/A
Financial liabilities					
Derivative financial instruments – swaps	14,275	–	Level 2	Fair values are determined with reference to the quoted prices provided by financial institutions	N/A
Futures contracts	530	1,866	Level 1	Quoted bid prices in an active market	N/A

Notes to the Condensed Consolidated Financial Statements (Continued)

For the Six Months ended June 30, 2020

19. FINANCIAL INSTRUMENTS (CONTINUED)

The Group's investments in unlisted equity securities which were classified as financial assets at FVTPL under level 3 hierarchy amounted to RMB51,333,000 as at June 30, 2020. The significant unobservable input is the liquidity discount rate. The higher liquidity discount rate, the lower fair value of the financial assets at FVTPL will be. A 5% increase/decrease in the liquidity discount rate, holding all other variables constant, the carrying amounts of the investments would decrease/increase by RMB3,199,000 as at June 30, 2020.

The Group's investments in private equity investment fund which were classified as financial assets at FVTPL under level 3 hierarchy amounted to RMB52,953,000 as at June 30, 2020. The significant unobservable input is the net assets value of underlying investments. The higher net assets value of underlying investments, the higher fair value of the financial assets at FVTPL will be. A 5% increase/decrease in underlying assets, holding all other variables constant, the carrying amounts of the investments would decrease/increase by RMB2,648,000 as at June 30, 2020.

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

Reconciliation of level 3 measurements

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

	Unlisted equity securities <i>RMB'000</i>	Private equity investment fund <i>RMB'000</i>
At January 1, 2019 (Audited)	25,000	–
Subscription	–	50,000
Fair value change	5,000	–
At June 30, 2019 (Unaudited)	30,000	50,000
At January 1, 2020 (Audited)	51,333	50,322
Fair value change	–	2,631
At June 30, 2020 (Unaudited)	51,333	52,953

(i) Fair values of financial instruments carried at amortized cost

Except as detailed in the following table, the Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the condensed consolidated financial statements approximate their fair values.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the Six Months ended June 30, 2020

19. FINANCIAL INSTRUMENTS (CONTINUED)

(i) Fair values of financial instruments carried at amortized cost (continued)

	As at June 30, 2020		As at December 31, 2019	
	Carrying amount RMB'000	Fair value RMB'000	Carrying amount RMB'000	Fair value RMB'000
Fixed-rate bank and other loans	6,105,829	6,155,653	5,302,791	5,361,658
Payables for construction in progress – interest-bearing	116,924	117,483	–	–

The fair values of the financial liabilities at amortized cost are derived from discount cash flow technique by reference to the market interest rate of the loans with comparable maturity and credit risk of the respective group entities at the end of the reporting period.

20. COMMITMENTS

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

	June 30, 2020 RMB'000 (Unaudited)	December 31, 2019 RMB'000 (Audited)
Capital expenditure in respect of – property, plant and equipment	2,771,289	2,871,642

Notes to the Condensed Consolidated Financial Statements (Continued)

For the Six Months ended June 30, 2020

21. PLEDGE OF ASSETS

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

	June 30, 2020 RMB'000 (Unaudited)	December 31, 2019 RMB'000 (Audited)
Property, plant and equipment	3,473,731	3,576,561
Right-of-use assets	689,219	772,004
Inventories	263,415	216,670
Restricted bank deposits	1,347,746	954,446
	5,774,111	5,519,681