RISUN

China Risun Group Limited
中國旭陽集團有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1907)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED DECEMBER 31 2018

FINANCIAL HIGHLIGHTS

- Revenue for the year ended December 31, 2018 was RMB20,583.1 million, increased by 10.3% year-on-year.
- Profit attributable to owners of the Company for the year ended December 31, 2018 was RMB2,088.7 million, representing a significant increase of 176.8% year-on-year.
- Basic earnings per share of the Company for the year ended December 31, 2018 was RMB0.63 (2017: RMB0.24).
- The Board proposed a final dividend of total amount RMB626.6 million for the year ended December 31, 2018 (2017: nil) to shareholders. The expected final dividend payment date will be on or before August 30, 2019. Dividend amount of each ordinary share will be determined after the exercise of the over-allotment option for the public offering (if any) which may take place by no later than April 4, 2019. Further announcement will be made in due course.

The board (the "**Board**") of directors (the "**Director(s)**") of China Risun Group Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended December 31, 2018 (the "**Reporting Period**") together with the comparative audited figures for the year ended December 31, 2017. The annual results and the audited consolidated financial statements have been reviewed by the Company's Audit Committee and approved by the Board on March 29, 2019:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended December 31, 2018

	Notes	2018 RMB'000	2017 RMB'000
Revenue from contracts with customers	4	**20,583,079**	18,658,278
Cost of sales and services		**(17,173,159)**	(16,653,039)
Gross profit		**3,409,920**	2,005,239
Other income		**162,099**	212,639
Other gains and losses		**119,252**	(34,551)
Net impairment losses reversed (recognized)		**49,705**	(3,196)
Selling and distribution expenses		**(727,833)**	(700,264)
Administrative expenses		**(369,050)**	(283,861)
Listing expenses		**(24,562)**	(11,694)
Profit from operations		**2,619,531**	1,184,312
Finance costs		**(596,765)**	(624,238)
Share of results of associates		**89,150**	60,350
Share of results of a joint venture		**548,455**	225,519
Profit before taxation		**2,660,371**	845,943
Income tax expense	5	**(533,358)**	(80,370)
Profit for the year		**2,127,013**	765,573
Other comprehensive (expense) income			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translating foreign operations		**(17,711)**	21,311
Other comprehensive (expense) income for the year		**(17,711)**	21,311
Total comprehensive income for the year		**2,109,302**	786,884
Profit for the year attributable to:			
Owners of the Company		**2,088,668**	754,674
Non-controlling interests		**38,345**	10,899
		2,127,013	765,573
Total comprehensive income for the year attributable to:			
Owners of the Company		**2,070,957**	775,985
Non-controlling interests		**38,345**	10,899
		2,109,302	786,884
Basic earnings per share (RMB yuan)	6	**0.63**	0.24

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At December 31, 2018

	Notes	2018 *RMB'000*	2017 *RMB'000*
Non-current assets			
Property, plant and equipment		**9,406,195**	8,976,237
Prepaid lease payments		**1,099,735**	1,116,206
Goodwill		**31,808**	31,808
Intangible assets		**74,425**	52,775
Interests in associates		**451,311**	380,161
Interests in a joint venture		**853,486**	671,677
Available-for-sale ("**AFS**") financial assets		**–**	23,000
Financial assets at fair value through profit or loss ("**FVTPL**")		**76,017**	93,288
Other long term receivables and prepayments		**63,060**	108,403
Deferred tax assets		**289,249**	340,481
Restricted bank balances	9	**128,000**	313,140
Amounts due from related parties		**–**	286,720
		12,473,286	12,393,896
Current assets			
Inventories		**1,009,035**	807,490
Income tax prepayments		**3,787**	5,406
Trade and other receivables	8	**1,021,464**	3,629,797
Trade and bills receivables measured at fair value through other comprehensive income ("**FVTOCI**")	8	**3,179,295**	–
Prepaid lease payments		**27,378**	27,100
Amounts due from related parties		**675,244**	1,529,982
AFS financial assets		**–**	31,220
Financial assets at FVTPL		**286**	11,118
Restricted bank balances	9	**3,453,297**	2,803,055
Cash and cash equivalents		**759,037**	599,987
		10,128,823	9,445,155

	Notes	2018 RMB'000	2017 RMB'000
Current liabilities			
Financial liabilities at FVTPL		**448**	68
Trade and other payables	10	**6,528,943**	6,646,553
Contract liabilities		**1,074,689**	1,117,645
Income tax payable		**388,842**	104,159
Bank and other loans		**7,618,022**	7,348,790
Obligations under finance leases		**23,616**	31,917
Amounts due to related parties		**779,512**	702,146
		16,414,072	15,951,278
Net current liabilities		**(6,285,249)**	(6,506,123)
Total assets less current liabilities		**6,188,037**	5,887,773
Non-current liabilities			
Bank and other loans		**1,272,195**	2,431,422
Obligations under finance leases		**936**	24,659
Deferred income		**68,703**	47,999
Trade and other payables	10	**68,314**	218,192
Deferred tax liabilities		**64,866**	55,792
		1,475,014	2,778,064
Net assets		**4,713,023**	3,109,709
Capital and reserves			
Share capital		**87,123**	80,600
Reserves		**4,516,717**	2,935,790
Total equity attributable to owners of the Company		**4,603,840**	3,016,390
Non-controlling interests		**109,183**	93,319
Total equity		**4,713,023**	3,109,709

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on November 8, 2007 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. On July 23, 2018, the Company changed its name from China Risun Coal Chemicals Group Limited to China Risun Group Limited. The shares of the Company have been successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on March 15, 2019. The address of the registered office and the principal place of business of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and Suite 2303, COFCO Tower, 262 Gloucester Road, Hong Kong respectively.

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 and ultimately controlled by Mr. Yang Xuegang, hereinafter they are referred to as "Controlling Shareholders".

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

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL INFORMATION

At December 31, 2018, the Group had net current liabilities of RMB6,285,249,000. The Directors are of the opinion that, taking into consideration the net proceeds from the global offering of initially an aggregate of 600,000,000 shares of the Company (the "**Global Offering**") and the availability of unutilized banking facilities of the Group amounting to RMB4,531,213,000 at the report date, of which RMB2,000,000,000 is with conditions to be determined by a bank, and the assumption that approximately 60% of bank loans and other bank facilities at December 31, 2018 will be successfully renewed upon maturity, the Group has sufficient financial resources to meet its capital expenditure requirements and liabilities as and when they fall due for the foreseeable future. Accordingly, the consolidated financial statements are prepared on a going concern basis.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

For the purpose of preparing and presenting the consolidated financial statements for the reporting period, the Group has consistently applied IFRSs, which are effective for the accounting period beginning on January 1, 2018 throughout the reporting period, including IFRS 15 "Revenue from Contracts with Customers", except that the Group applied IFRS 9 "Financial Instruments" from January 1, 2018. The accounting policies for financial instruments which conform with IFRS 9 that are applicable from January 1, 2018 onwards and IAS 39 "Financial Instruments: Recognition and Measurement" which are applicable for year ended December 31, 2017.

The Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9, i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognized as at January 1, 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognized as at January 1, 2018. The difference between carrying amounts as at December 31, 2017 and the carrying amounts as at January 1, 2018 are recognized in the retained profits as at January 1, 2018, without restating the financial information for the year ended December 31, 2017.

The table below illustrates the impact on classification and measurement of financial assets and financial liabilities under IFRS 9 and IAS 39 at the date of initial application, January 1, 2018.

	Notes	AFS financial assets RMB'000	Financial assets at FVTPL RMB'000	Amortized cost previously classified as loans and receivables RMB'000	Trade and bills receivables at FVTOCI RMB'000	Deferred tax assets/ liabilities RMB'000	Retained profits RMB'000
Original carrying amount at December 31, 2017 under IAS 39		54,220	104,406	8,196,125	–	284,689	2,258,341
Effect arising from initial application of IFRS 9:							
Reclassification							
from AFS financial assets	a	(54,220)	54,220	–	–	–	–
from loans and receivables	b	–	–	(2,918,850)	2,918,850	–	–
Remeasurement							
from cost less impairment to fair value	a	–	2,000	–	–	(500)	1,500
from amortized cost to fair value less impairment under expected credit loss ("ECL") model	c	–	–	(2,621)	(5,243)	1,966	(5,898)
New carrying amount at January 1, 2018 under IFRS 9		**–**	**160,626**	**5,274,654**	**2,913,607**	**286,155**	**2,253,943**

Notes:

a. AFS financial assets

From AFS equity investments to financial assets at FVTPL

At the date of initial application of IFRS 9, the Group's unquoted equity investments previously stated at cost less impairment of RMB23,000,000 were reclassified from AFS financial assets to financial assets at FVTPL.

The fair value of the non-current equity investments at January 1, 2018 amounted to RMB25,000,000. Accordingly, as at January 1, 2018, the fair value increase of RMB2,000,000 was recognized in the financial assets at FVTPL and the corresponding deferred tax liability of RMB500,000 was recognized as non-current liabilities on the consolidated statement of financial position and the net gain of RMB1,500,000 was recognized in retained profits.

From AFS debt investments to financial assets at FVTPL

At the date of initial application of IFRS 9, the Group's structured trust product with a fair value of RMB31,220,000 were reclassified from AFS financial assets to financial assets at FVTPL. This is because even though the Group's business model is to hold financial assets in order to collect contractual cash flows, the cash flows of these investments do not meet solely payments of principal and interest on the principal amount outstanding.

b. **Loans and receivables**

As part of the Group's cash flow management, the Group has the practice of discounting and endorsing some of the bills receivable to financial institutions and suppliers before the bills are due for payment and derecognizes bills discounted or endorsed on the basis that the Group has transferred substantially all risks and rewards to the relevant counterparties. Accordingly, the trade and bills receivables of the Group amounting to RMB2,918,850,000 were considered as within the hold to collect contractual cash flows and to sell business model, and reclassified to debt instruments at FVTOCI as at January 1, 2018.

c. **Impairment under ECL model**

An additional impairment loss allowance of RMB7,864,000 and the resulting deferred tax asset of RMB1,966,000 were recognized with the corresponding adjustment of RMB5,898,000 made to retained profits as at January 1, 2018.

4. REVENUE AND SEGMENT INFORMATION

During the reporting period, the Group's revenue represents the amount received and receivable from the sales of goods to external customers arising from the coke and coking chemicals, refined chemicals, trading and management services. The revenue is recognized at a point in time when the customers obtain control of the goods delivered or management services provided.

All sales/trading are for period of one year or less. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

Information reported to the executive directors, being the chief operating decision maker (the "CODM"), for the purposes of resource allocation and assessment of segment performance, focuses on types of goods or services delivered or provided.

Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

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

	Year ended/as at December 31, 2018			
	Coke and coking chemicals *RMB'000*	**Refined chemicals** *RMB'000*	**Trading** *RMB'000*	**Total** *RMB'000*
Sales of goods to external customers				
Sale of coke and coking chemicals	**9,838,550**	**–**	**–**	**9,838,550**
Sale of refined chemicals	**–**	**8,149,009**	**–**	**8,149,009**
Trading	**–**	**–**	**2,572,220**	**2,572,220**
Management services	**–**	**–**	**23,300**	**23,300**
	9,838,550	**8,149,009**	**2,595,520**	**20,583,079**
Inter-segment revenue	**826,874**	**90,927**	**–**	**917,801**
Reportable segment revenue	**10,665,424**	**8,239,936**	**2,595,520**	**21,500,880**
Reportable segment profit	**1,986,094**	**695,855**	**94,818**	**2,776,767**
Reportable segment assets (including interests in associates and a joint venture)	**8,936,922**	**9,239,372**	**4,339,127**	**22,515,421**
Reportable segment liabilities	**7,155,304**	**6,251,067**	**3,983,065**	**17,389,436**
Other information:				
Additions to non-current segment assets during the year	**1,075,963**	**180,540**	**6,405**	**1,262,908**
Share of results of associates	**5,160**	**83,990**	**–**	**89,150**
Share of result of a joint venture	**548,455**	**–**	**–**	**548,455**
Depreciation and amortization for the year	**223,950**	**379,825**	**6,828**	**610,603**

	Year ended/as at December 31, 2017			
	Coke and coking chemicals *RMB'000*	Refined chemicals *RMB'000*	Trading *RMB'000*	Total *RMB'000*
Sales of goods to external customers				
Sale of coke and coking chemicals	7,875,610	–	–	7,875,610
Sale of refined chemicals	–	8,375,447	–	8,375,447
Trading	–	–	2,407,221	2,407,221
	7,875,610	8,375,447	2,407,221	18,658,278
Inter-segment revenue	928,598	78,906	–	1,007,504
Reportable segment revenue	8,804,208	8,454,353	2,407,221	19,665,782
Reportable segment profit/(loss)	457,973	555,279	(103,461)	909,791
Reportable segment assets (including interests in associates and a joint venture)	7,046,493	9,516,281	5,063,929	21,626,703
Reportable segment liabilities	6,024,912	7,654,113	5,044,524	18,723,549
Other information:				
Additions to non-current segment assets during the year	652,784	177,443	8,912	839,139
Share of results of associates	(6,367)	66,717	–	60,350
Share of result of a joint venture	225,519	–	–	225,519
Depreciation and amortization for the year	185,764	379,410	6,786	571,960

5. INCOME TAX EXPENSE

	Year ended December 31	
	2018	2017
	RMB'000	*RMB'000*
Current tax		
PRC income tax for the year	**453,581**	160,463
Land appreciation tax("LAT")	**18,005**	–
Deferred tax charge/(credit)	**61,772**	(80,093)
	533,358	80,370

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 taxation is made for the years ended December 31, 2018 and 2017 as the Group had no assessable profits in Hong Kong for those years.

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

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

The provision of LAT is estimated according to the requirements set forth in the relevant PRC tax laws and regulations. LAT has been provided at ranges of progress rates of the appreciation value, with certain allowable exemptions and deductions.

Income tax expense for the year can be reconciled to the profit before taxation per the consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended December 31	
	2018	2017
	RMB'000	*RMB'000*
Profit before taxation	**2,660,371**	845,943
Tax at the PRC tax rate of 25%	**665,093**	211,486
Tax effect on:		
Share of results of associates and a joint venture	**(159,401)**	(71,467)
Non-deductible expenses	**6,506**	3,268
Non-taxable income	**–**	(768)
Unused tax losses and temporary differences not recognized	**17,007**	46,859
Utilisation of tax losses previously not recognized	**(1,671)**	(23,378)
PRC tax concessions	**(23,234)**	(21,785)
Recognition of deferred tax assets on unused tax losses and deductible temporary differences previously not recognised	**–**	(76,622)
Withholding tax on undistributed profit of PRC entities	**11,053**	–
Withholding tax on gain arising from a reorganization activity within the Group *(note a)*	**–**	12,777
LAT *(note b)*	**18,005**	–
Income tax expense for the year	**533,358**	80,370

Note:

a. The amount represents the withholding tax of 10% on gain arising from the equity transfer relating to a subsidiary of the Group from a Hong Kong subsidiary to a PRC subsidiary during the year ended December 31, 2017.

b. The amount represents the LAT on gain arising from a land transferred within the Group during the year ended December 31, 2018.

6. EARNINGS PER SHARE

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

Basic earnings per share

Basic earnings per share for the years ended December 31, 2018 and 2017 are calculated by dividing the profit attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the year on the assumption that the capitalization issue as set out in note 11 had been effective on January 1, 2017.

	Year ended December 31	
	2018	2017
Profit attributable to the owners of the Company (RMB'000)	**2,088,668**	754,674
Weighted average number of ordinary shares	**3,293,008,315**	3,116,074,928
Basic earnings per share (RMB yuan)	**0.63**	0.24

No diluted earnings per share for the reporting period was presented as there were no potential ordinary shares in issue during the reporting period.

7. DIVIDENDS

On April 9, 2018, the Company declared dividends in respect of 2016 of RMB1.01 per shares for an aggregate amount of RMB891,148,000 to the Ultimate Holding Company, under the Company's Articles of Association and Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised).

The total amount of final dividend amounting to RMB626,600,000 has been proposed by the Directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

The expected final dividend payment date will be on or before August 30, 2019.

Dividend amount of each ordinary share will be determined after the exercise of the over-allotment option for the public offering (if any) which may take place by no later than April 4, 2019. Further announcement will be made in due course.

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

	As at December 31,	
	2018	2017
	RMB'000	*RMB'000*
Trade receivables	**273,389**	241,781
Less: impairment	**(86,834)**	(104,592)
	186,555	137,189
Bills receivables	**2,992,740**	2,781,661
Prepayments for raw materials	**797,252**	507,778
Other deposits, prepayments and other receivables	**188,250**	80,246
Deductible input Value Added Tax and prepaid other taxes and charges	**84,976**	197,058
Less: impairment	**(49,014)**	(74,135)
	4,200,759	3,629,797
Analyzed for reporting purpose as:		
Trade and other receivables	**1,021,464**	3,629,797
Trade and bills receivables measured at FVTOCI	**3,179,295**	–
	4,200,759	3,629,797

The customers usually settle the sales by cash or bills. The credit period granted to the customers who settle in cash is usually no more than 30 days, interest free with no collateral. Aging of trade receivables net of allowance for credit losses/doubtful debts based on invoice dates, which approximated the respective revenue recognition dates, are as follows:

	As at December 31,	
	2018	2017
	RMB'000	*RMB'000*
Within one month	**177,022**	108,472
1 to 3 months	**3,485**	4,626
3 to 6 months	**961**	366
6 to 12 months	**5,087**	22,715
1–2 years	**–**	177
2–3 years	**–**	833
	186,555	137,189

No credit period is offered for sales to be settled by bills, carrying interest at market rates. Bills receivables are bank acceptance notes and the average aging based on the maturity date is from 90 days to 360 days. The Directors believes that no impairment allowance on bills receivables is necessary as there is no significant change in credit quality and the balances are still considered fully recoverable.

9. RESTRICTED BANK BALANCES

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

	As at December 31,	
	2018	2017
	RMB'000	*RMB'000*
Restricted bank balances to secure:		
Bills payables	**2,505,852**	2,368,758
Letters of credit	**239,656**	114,555
Futures contracts	**148,158**	78,776
Bank loans	**661,972**	554,106
Other loans	**25,659**	–
	3,581,297	3,116,195

	As at December 31,	
	2018	2017
	RMB'000	*RMB'000*
Analysed for reporting purpose as:		
Non-current assets	**128,000**	313,140
Current assets	**3,453,297**	2,803,055
	3,581,297	3,116,195

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 2.10% per annum as at December 31, 2018(2017: 0.30% to 1.75%).

10. TRADE AND OTHER PAYABLES

	As at December 31,	
	2018	2017
	RMB'000	*RMB'000*
Trade payables	**1,276,180**	1,485,760
Payables to be settled by the endorsed bills receivable	**2,596,558**	2,534,042
Bills payables	**1,504,737**	1,219,217
Payables for construction in progress		
– interest-bearing	**96,910**	641,254
– non-interest-bearing	**613,017**	666,343
Other payables and accruals	**509,855**	318,129
	6,597,257	6,864,745
Analyzed for reporting purposes as:		
Current liabilities	**6,528,943**	6,646,553
Non-current liabilities	**68,314**	218,192
	6,597,257	6,864,745

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

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

	As at December 31,	
	2018	2017
	RMB'000	*RMB'000*
Within 3 months	**967,908**	1,187,143
3 to 6 months	**88,071**	162,952
6 to 12 months	**135,241**	56,929
1–2 years	**50,109**	36,973
2–3 years	**2,324**	35,852
More than 3 years	**32,527**	5,911
	1,276,180	1,485,760

11. EVENTS AFTER REPORTING PERIOD

Subsequent to December 31, 2018, the following significant events took place:

a. On March 15, 2019, the Company was successfully listed on the Stock Exchange, upon when the Company issued a total of 600,000,000 ordinary shares of HKD0.1 each at HKD2.80 each for cash by way of public offer. 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 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.

b. Subsequent to December 31, 2018, two subsidiaries of the Company, certain related parties controlled by Mr. Yang Xuegang and a third-party creditor of the Group entered into deeds of assignment pursuant to which an amount of RMB109,077,000 owed by the Group to the creditor was assigned and offset against the amounts due from related parties. Accordingly the Group derecognized payables for construction in progress of RMB109,077,000 and the amounts due from related parties of RMB109,077,000. The remaining non-trade amounts due from related parties controlled by Mr. Yang Xuegang were fully settled by cash.

c. Subsequent to December 31, 2018, the Group fully settled the dividend payable to the Ultimate Holding Company, amounting to RMB467,533,000 by cash.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

We are an integrated coke, coking chemical and refined chemical producer and supplier in China. The Group was the world's largest independent producer and supplier of coke by volume in 2017, according to Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., ("**Frost & Sullivan**") an independent global consulting firm. We also held leading positions in a number of refined chemical sectors in China or globally. According to Frost & Sullivan, the Group was the largest producer of industrial-naphthalene-based phthalic anhydride and coke-oven-gas-based methanol by volume in China in 2017. The Group was also the largest coking crude benzene processor and the fifth largest coal tar processor by volume globally in 2017.

In 2018, under the background of global political turmoil, unstable economic growth and intensified economic and trade frictions between China and USA, but the China's economy still maintained a moderate growth. Both the coking industry and the refined chemical industry experienced continuous promising production and operation sentiment which was driven by policy implementation in supply-side reform, elimination of outdated production capacity and also a number of them in environmental protection by the PRC government, recovery of the iron and steel industry and as well as the consumption growth in the PRC.

Under this circumstance, the Group continued to endeavor to increase average selling price of our coke and optimize production cost, gave into full play the benefits of environmental protection, as well as capturing the opportunities that emerged due to industry integration and expanding our business through operation management and technology output services, thereby improved operation profit margin and its sustainability. As such, the Group hit new historical record in terms of results and achieved significant growth. During the 12 months ended December 31, 2018, the Group recorded a gross profit of approximately RMB3,409.9 million, representing an increase of approximately 70.1%. Net profit attributable to the parent company of the Group amounted to approximately RMB2,088.7 million, representing an increase of approximately 176.8% as compared to RMB754.7 million last year.

In view of the operating results in 2018 and our future development needs, as well as sharing our outstanding results with shareholders, the Board recommends a final dividend of total amount RMB626.6 million for the year of 2018.

DEVELOPMENTAL STRATEGY AND PROSPECTS

2019 is the first year that the Company are listed on the Stock Exchange. The successful listing has not only strengthened the shareholders base of the Group, but also further enhanced the Group's financing capability and increased its brand awareness and reputation. During the Reporting Period, the Group continued to steadily develop its various business segments. The Group aims to strengthen the globally leading position as an integrated producer and supplier of coke, coking chemicals and refined chemicals. To achieve this objective, the Group intends to pursue the following strategies: (i) expansion of business operation and production capacity;

(ii) exploration of market opportunities to provide operation management and technology output services; (iii) development and reinforcement of long-term business relationships with the major customers and suppliers; (iv) expansion of domestic and international trading business; (v) improve our energy-efficiency, environmental protection and operation safety standards; and (vi) improvement of our core competitive strengths through automation and information technologies.

BUSINESS REVIEW

Review on the business of the Group

The Group business consists of three segments:

- *Coke and coking chemicals:* which involves the production and sale of coke and coking chemicals, mainly coal tar, coke oven gas and crude benzene;

- *Refined chemicals*: which involves the processing of coking by products into a series of refined chemicals and sale of these chemicals, mainly carbon material chemicals, alcohol-ether chemicals and aromatic chemicals; and

- *Trading*: which involves the trading of coal, coke and refined chemicals.

Except for above three segments, the Group also provided operation management and technology output services to third-party producers during the reporting period, and plans to manage the relevant business as an independent segment in 2019. During 2018, the products revenue related to the operation management and technology output services was respectively included in coke and coking chemicals and refined chemicals segments. The management services income was included in the trading segment.

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:

- 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 more than 20 years in the coal chemical industry production chain allow us to tap into the downstream refined chemical markets. With an aim of strengthening our leading position as a global coke and refined chemical producer and supplier, we intend to expand our operations through operation management and technology output services.

The Group's revenue increased by approximately RMB1,924.8 million, or 10.3%, to approximately RMB20,583.1 million for the year ended December 31, 2018, from approximately RMB18,658.3 million for the year ended December 31, 2017.

The Group's gross profits increased 70.1% to RMB3,409.9 million for the year ended December 31, 2018 from approximately RMB2,005.2 million for the year ended December 31, 2017.

For the year ended December 31, 2018, the Group recorded a net profit attributable to owners of the Company of approximately RMB2,088.7 million, representing an increase of approximately 176.8% as compared to the net profit attribute to owners of the Company of approximately RMB754.7 million for the year ended December 31, 2017.

Development, performance and status of the business of the Group

The following table sets forth key financial ratios of the Group to reflect the profitability and operational capabilities, that analyze the Group's potential to grow and develop:

	As for the year ended December 31,	
	2018	2017
Gross profit margin(1)	**16.6%**	10.7%
Net profit margin(2)	**10.3%**	4.1%
EBITDA margin(3)	**18.8%**	10.9%
Return on equity(4)	**45.4%**	25.0%

Notes:

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

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

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

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

FINANCIAL REVIEW

Consolidated Results of Operations

The Group's revenue increased by approximately RMB1,924.8 million, or 10.3%, to approximately RMB20,583.1 million for the year ended December 31, 2018, from approximately RMB18,658.3 million for the year ended December 31, 2017. The Group's gross profits increased 70.1% to RMB3,409.9 million for the year ended December 31, 2018 from approximately RMB2,005.2 million for the year ended December 31, 2017. For 2017 and 2018, the revenue from the coke and coking chemical businesses respectively accounted for 42.2% and 47.8% of the total revenue, the revenue from the refined chemical business respectively accounted for 44.9% and 39.6% of the total revenue, the revenue from the Group's trading business respectively accounted for 12.9% and 12.6% of the total revenue. The Group mainly sells its products to customers in China. The Group generated most of the revenue from sales in China, which accounted for approximately 94.7% and 93.2% of our total revenue in the two years ended December 31, 2017 and 2018. The following table sets forth the Group's total revenue and gross profit by business segment (excluding our inter-segment revenue):

	Year ended 31 December 2018			
	Coke and coking chemicals	Refined chemicals	Trading	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Total revenue	9,838,550	8,149,009	2,595,520	20,583,079
– Operation management and technology output service related revenue included:	603,894	411,389	23,300	1,038,583
Gross profit	2,254,512	1,005,466	149,942	3,409,920
– Operation management and technology output service related gross profit included:	89,912	34,402	16,650	140,964

	Year ended 31 December 2017			
	Coke and coking chemicals	Refined chemicals	Trading	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Total revenue	7,875,610	8,375,447	2,407,221	18,658,278
– Operation management and technology output service related revenue included:	–	1,306,013	–	1,306,013
Gross profit	1,173,715	750,808	80,716	2,005,239
– Operation management and technology output service related gross profit included:	–	21,405	–	21,405

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

(a) Revenue

The revenue increased by approximately RMB1,924.8 million, or 10.3%, to approximately RMB20,583.1 million for the year ended December 31, 2018, from approximately RMB18,658.3 million for the year ended December 31, 2017, primarily due to increased revenues from the coke and coking chemical business and trading businesses, partially offset by a decrease in the revenue from the refined chemical business. The revenue related to the operation management and technology output services is RMB1,038.6 million for the year ended December 31, 2018, accounted for 5.0% of the total revenue.

Revenue from the coke and coking chemical business increased by 24.9% from RMB7,875.6 million for the year ended December 31, 2017 to RMB9,838.6 million for the year ended December 31, 2018 primarily as a result of an increase in the average selling price increased from RMB1,550.0 per ton to RMB1,827.4 per ton, and sales volume of the coke increased from 4.97 million tons to 5.16 million tons. The operation management and technology output services played an important role in the increase of revenue from the coke and coking chemical, and the related products revenue was RMB603.9 million, which accounted for 30.8% of the total increased revenue.

Revenue from the refined chemical business decreased by 2.7% from RMB8,375.5 million for the year ended December 31, 2017 to RMB8,149.0 million for the year ended December 31, 2018, primarily as a result of decrease in the volume of benzene sold during the same period which was due to the decrease in the volume of benzene sold arising from the suspension of production by the crude benzene hydro refining facility of a third party company, which was in connection with our operation management and technology output services, partially offset by increases in the average selling prices and sales volume of the caprolactam.

Revenue from the trading business increased by 7.8% from RMB2,407.2 million for the year ended December 31, 2017 to RMB2,595.5 million for the year ended December 31, 2018, primarily due to increases in the management service income related to operation management and technology output service and the average trading price and trading volume of coke, partially offset by a decrease in the revenue from the trading of coal and coal chemicals due to a decrease in the trading volume. The management services income amounted to RMB23.3 million for the year ended December 31, 2018.

(b) Cost of sales

Cost of sales for the year ended December 31, 2017 and 2018 increased from RMB16,653.1 million to RMB17,173.2 million primarily due to the increase of coke and coking chemicals, partially offset by decrease of refined chemical and trading business.

Cost of sales from the coke and coking chemical business increased by 13.2% from RMB6,701.9 million for the year ended December 31, 2017 to RMB7,584.0 million for the year ended December 31, 2018, primarily due to an increase in market prices for coking coal and an increase in the volume of coke sold.

Cost of sales from the refined chemical business decreased by 6.3% from RMB7,624.7 million for the year ended December 31, 2017 to RMB7,143.6 million for the year ended December 31, 2018, primarily due to a decrease in the volume of benzene sold during the same period.

Cost of sales from the trading business increased by 5.1% from RMB2,326.5 million for the year ended December 31, 2017 to RMB2,445.6 million for the year ended December 31, 2018, primarily as a result of increased procurement price and volume of coke.

(c) Gross profit and gross profit margin

The Group's total gross profit increased by approximately RMB1,404.7 million, or 70.1%, to approximately RMB3,409.9 million for the year ended December 31, 2018, from approximately RMB2,005.2 million for the year ended December 31, 2017. Gross profit margin increased to 16.6% for the year ended December 31, 2018, from 10.7% for the year ended December 31, 2017. Our gross profit related to the operation management and technology output services is RMB141.0 million for the year ended December 31, 2018, accounted for 4.1% of the total gross profit.

Gross profit from the coke and coking chemical business increased by 92.1% from RMB1,173.7 million for the year ended December 31, 2017 to RMB2,254.6 million for the year ended December 31, 2018. Gross profit margin for the coke and coking chemical business increased from 14.9% for the year ended December 31, 2017 to 22.9%

for the year ended December 31, 2018, primarily because the increase in the price of coke was larger than the increase in the price of coking coal in the year ended December 31, 2018. The increase in the price of coke was primarily driven by a decrease in the supply of coke resulting from the government's policies to eliminate production capacity and improve environmental protection.

Gross profit from the refined chemical business increased by 33.9% from RMB750.8 million for the year ended December 31, 2017 to RMB1,005.4 million for the year ended December 31, 2018. Gross profit margin for the refined chemical business increased from 9.0% for the year ended December 31, 2017 to 12.3% for the year ended December 31, 2018, primarily because the increase in the prices of refined chemical products (primarily caprolactam and coal tar pitch) were larger than the increase in the prices of their raw materials in the year ended December 31, 2018.

Gross profit from the trading business increased by 85.7% from RMB80.7 million for the year ended December 31, 2017 to RMB149.9 million for the year ended December 31, 2018. Gross profit margin for the trading business increased from 3.4% for the year ended December 31, 2017 to 5.8% for the year ended December 31, 2018.

(d) Other gains and losses

The Group's other gains and losses consist primarily of fair value gain/(loss) on future contracts and listed equity securities, loss on foreign exchange and gain on disposal of property, plant and equipment and prepaid lease payments. The Group had other gains of RMB119.3 million for the year ended December 31, 2018, compared to other losses of RMB34.6 million for the year ended December 31, 2017. The change is primarily due to (i) a fair value gain on futures contracts at FVTPL of RMB98.5 million for the year ended December 31, 2018, compared to a loss of RMB12.5 million for the same period in 2017; and (ii) gain on disposal of prepaid lease payments increased 41.8 million for the year ended December 31, 2018.

(e) Selling and distribution expenses

Selling and distribution expenses increased slightly by 3.9% from RMB700.3 million for the year ended December 31, 2017 to RMB727.8 million for the year ended December 31, 2018, primarily due to an increase in the volume of coke sold.

(f) Administrative expenses

The Group's administrative expenses increased by approximately RMB85.2 million, or 30.0%, to approximately RMB369.1 million for the year ended December 31, 2018, from approximately RMB283.9 million for the year ended December 31, 2017, primarily due to an increase in staff costs reflecting increased employee remuneration.

(g) Listing expenses

The Group's listing expenses increased by approximately RMB12.9 million, or 110.3%, to approximately RMB24.6 million for the year ended December 31, 2018, from approximately RMB11.7 million for the year ended December 31, 2017, as the preparation for listing lasted from September, 2017 until March, 2019.

(h) Share of results of a joint venture

Share of results of a joint venture increased by 143.2% from RMB225.5 million for the year ended December 31, 2017 to RMB548.5 million for the year ended December 31, 2018, representing an increase in the shared profit of CNC Risun Coking. The profit of CNC Risun Coking increased significantly due to the increase in the selling price of coke.

(i) Profit before taxation

As a result of the foregoing factors, the profit before income tax increased by approximately RMB1,814.5 million, or 214.5%, to approximately RMB2,660.4 million for the year ended December 31, 2018 from approximately RMB845.9 million for the year ended December 31, 2017.

(j) Income tax expense

The Group incurred income tax expense of approximately RMB533.4 million for the year ended December 31, 2018 and approximately RMB80.4 million for the year ended December 31, 2017 respectively at effective tax rates of 20.0% and 9.5%. The increase in income tax expense is due to an increase in profit before taxation. The effective tax rates significantly increased primarily because the share of results of associates and a joint venture, which was not subject to income tax, as a percentage of the profit before taxation decreased. In 2017, the deferred tax assets of RMB76.7 million were recognized in respect of the unused tax losses and the unrecognized deductible temporary differences.

(k) Profit for the year

For the year ended December 31, 2018, the Group recorded a net profit of approximately RMB2,127.0 million, an increase of approximately 177.8% as compared to the net profit of approximately RMB765.6 million for the year ended December 31, 2017.

Liquidity and Financial Resources

The Group's primary uses of cash are operating costs, capital expenditures and repayment of debts in the PRC. To date, the Group has funded the investments and operations principally with cash from operations and debt financing from banks and other financial institutions. The Group believes that the liquidity requirements will be satisfied through a combination of cash flows generated from the operating activities, bank loans and other borrowings, and the net proceeds from the Global Offering. Any significant decrease in the demand for, or pricing of, the products and services, or a significant decrease in the availability of bank loans, may adversely impact the liquidity. As at December 31, 2018, 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:

	As for the year ended December 31,	
	2018	2017
	RMB in millions	*RMB in millions*
Net cash generated from operating activities	**2,247.2**	2,462.6
Net cash used in investing activities	**(859.5)**	(267.2)
Net cash used in financing activities	**(1,230.3)**	(1,750.9)
Net increase in cash and cash equivalents	**157.4**	444.5
Cash and cash equivalents at the end of the year	**759.0**	600.0

(a) Net cash generated from operating activities

For the year ended December 31, 2018, our net cash generated from operating activities was approximately RMB2,247.2 million and was less than our net cash generated from operating activities for the year ended December 31, 2017 of approximately RMB2,462.6 million, primarily due to the significant decrease in the variance of working capital such as transactional payables to related parties, trade and other payables and contract liabilities, compared with the previous period, offset the increase in profit.

(b) Net cash used in investing activities

For the year ended December 31, 2017, our net cash used in investing activities was approximately RMB267.2 million and was increased to approximately RMB859.5 million for the year ended December 31, 2018, primarily due to an increase of RMB313.8 million on investment in property, plant and equipment, and from a net decrease of RMB276.3 million to a net increase of RMB465.1 million of restricted bank deposits, partially offset by an increase of RMB264.7 million in dividends received from a joint venture and associates.

(c) Net cash used in financing activities

For the year ended December 31, 2017, our net cash used in financing activities was approximately RMB1,750.9 million and decreased by RMB520.6 to approximately RMB1,230.3 million for the year ended December 31, 2018 due to the RMB412.0 million equity financing in 2018.

The Group expects to fund its capital expenditure commitments principally by the net proceeds of the Global Offering, bank and other loans and cash generated from the business operations.

Indebtedness

As of December 31, 2017 and 2018, our gearing ratios were approximately 3.4 and 1.9, respectively. Our gearing ratio decreased as of December 31, 2018 as compared to that of December 31, 2017 primarily because of the increase in the equity and the decrease in interest-bearing borrowings. Our gearing ratio was calculated based on dividing interest-bearing borrowings by total equity as of the end of the respective date.

(a) Borrowings

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

	As of December 31,	
	2018	2017
	RMB in millions	*RMB in millions*
Bank loan, secured	**3,201.5**	4,645.0
Bank loan, unsecured	**1,334.5**	578.9
Other loans, secured	**815.7**	1,042.1
Other loans, unsecured	**260.0**	206.0
Discounted bills financing	**3,278.5**	3,308.2
Total	**8,890.2**	9,780.2

	As of December 31,			
	2018		2017	
	RMB'000	***%***	*RMB'000*	*%*
Fixed rate bank and other borrowings	**5,861,040**	**1.50–12.00**	5,541,374	1.50–12.00
Floating rate bank and other borrowings	**3,029,177**	**4.35–11.81**	4,238,838	3.49–12.40
	8,890,217		9,780,212	

The total borrowings decreased by approximately RMB890.0 million, or 9.1%, to approximately RMB8,890.2 million as of December 31, 2018 from RMB9,780.2 million as of December 31, 2017, primarily due to the repayment of bank loans.

(b) Obligations under finance leases

The Group had the following total future minimum lease payments under several finance lease arrangements as of the dates indicated:

	As of December 31,	
	2018	2017
	RMB in millions	*RMB in millions*
Within one year	**24.5**	35.7
After 1 year but within 2 years	**0.8**	24.6
After 2 years but within 5 years	**–**	0.9
Less: total future interest expenses	**(0.8)**	(4.6)
	24.5	56.6

The average lease term under these finance lease arrangements is five years, with fixed annual interest rates underlying all obligations ranging from 9.2% to 9.6%.

(c) Interest-bearing payables for construction in progress

As of December 31, 2017 and 2018, interest-bearing payables for construction in progress amounted to RMB641.3 million and RMB96.9 million respectively, which were secured and guaranteed by a subsidiary. Such payables carry a contractual interest rate at 5.8% and 6.2% per annum, respectively, which is charged on outstanding payments after construction progress verification.

Off-balance sheet arrangements

As of 31 December 2018, the Group did not have any significant outstanding off-balance sheet guarantees, interest rate swap transactions, foreign currency and commodity forward contracts or other off-balance sheet arrangements. The Group does not engage in trading activities involving non-exchange traded contracts. In the course of the business operations, the Group does not enter into transactions involving, or otherwise form relationships with, unconsolidated entities or financial partnerships that are established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposed.

Initial Public Offering and Use of Proceeds from Initial Public Offering

The shares of the Company were listed on March 15, 2019 and the Company issued 600,000,000 Shares of par value of HK$0.1 per share with the Offer Price of HK$2.8 per Share. The total issuance size and gross proceeds amounted to approximately HK$1,680 million.

As at the date of this announcement, we have not utilized any of the proceeds from the Global Offering. We plan to apply the proceed in accordance with the plan set out in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated February 28, 2019.

Foreign exchange risk and management

The Group maintained some of the capital denominated in foreign currency, mainly USD and HKD. 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.

Contingent Liabilities

The Group entered into guarantee agreements with certain commercial banks in the PRC with respect to loan facilities granted to a joint venture and a related party. Under these guarantee agreements, the Group agreed to be jointly and severally liable for the borrowings incurred by such joint venture and related party. The table below sets forth the maximum liabilities under such guarantees as of the dates indicated.

	As of December 31,	
	2018	2017
	RMB in millions	*RMB in millions*
Financial guarantees issued to a joint venture and fully drawn down	**830.0**	1,260.0
Financial guarantees issued to a related party	**–**	339.0
	830.0	1,599.0

As of December 31, 2017 and 2018, the outstanding balance of loans under the loan facilities guaranteed by the Group was RMB1,253.5 million and RMB332.6 million, respectively. In the opinion of the Directors, the fair values of the financial guarantee contracts of the Group were insignificant at the date of issue of the financial guarantee and no provision is necessary at the end of each reporting period, taking into account that the net realizable value of the pledged assets held by the banks exceeded the facilities and credit granted to the relevant parties. In addition, the Directors do not consider it probable that a claim will be made against us under any of these guarantees.

Charges on assets

As at 31 December 2018, the net book value of the Group's assets amounting to approximately RMB7,909.1 million (2017: RMB8,180.9 million), had been pledged as security for the Group's notes payable issuing and banking borrowings. The pledged assets and their carrying amounts are as follows:

	As at December 31,	
	2018	2017
	RMB'000	*RMB'000*
Property, plant and equipment	**3,354,204**	3,940,245
Prepaid lease payments	**737,389**	628,431
Inventories	**236,184**	259,093
Trade and other receivables	**–**	236,911
Restricted bank deposits	**3,581,297**	3,116,195
	7,909,074	8,180,875

Significant Investment and Material Acquisition and Disposal

During the Reporting Period, the Group did not hold any significant investment or conducted any material acquisition or disposal. Since the end of the Reporting Period and up to the date of this announcement, we have no future plan for material investment or capital assets.

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

From the Listing Date and up to the date of this announcement, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

As the shares of the Company were not yet listed on the Stock Exchange during the Reporting Period, the Corporate Governance Code as set out in Appendix 14 to the Listing Rules (the "**Corporate Governance Code**") was not applicable to the Group during the Reporting Period.

Since the Listing Date, the Company has adopted the principles and code provisions as set out in the Corporate Governance Code, and has complied with the applicable code provisions throughout the period from the Listing Date to the date of this announcement except for paragraph A.2.1 of the Corporate Governance Code.

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

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

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules as its model code for securities transactions by the Directors. Specific enquiries have been made of all the Directors and they have confirmed that they have complied with the relevant Model Code throughout the period from the Listing Date to the date of this announcement.

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

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended December 31, 2018 as set out in the preliminary announcement have been agreed by the Company's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

REVIEW OF ACCOUNTS

The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended December 31, 2018, and discussed with the management of the Group regarding the accounting principles and practices adopted by the Group, together with the internal controls and financial reporting matters.

FINAL DIVIDEND

The Board proposed a final dividend of total amount RMB626.6 million for the year ended December 31, 2018 (2017: nil) to shareholders. The expected final dividend payment date will be on or before August 30, 2019. Dividend amount of each ordinary share will be determined after the exercise of the over-allotment option for the public offering (if any) which may take place by no later than April 4, 2019. Further announcement will be made in due course. The ratio of final dividend distribution for the year was based on the various factors such as business performance in 2018, provided that it shall not be lower than 30% of our annual distributable earnings for 2018, in accordance with the Articles of Association of the Company. The final dividend are subject to the shareholders' approval at the forthcoming annual general meeting (the "**AGM**") for 2018 of the Company.

The expected final dividend payment date will be on or before August 30, 2019.

Dividend amount of each ordinary share will be determined after the exercise of the over-allotment option for the public offering (if any) which may take place by no later than April 4, 2019. Further announcement will be made in due course.

THE AGM AND CLOSURE OF REGISTER OF MEMBERS

The AGM will be held on June 28, 2019. The notice of the AGM will be issued and dispatched to the shareholders of the Company, and will also be made available on the website of the Company at www.risun.com and the Stock Exchange at www.hkexnews.hk. To determine the shareholders' eligibility to attend and vote at the AGM, the register of members of the Company will be closed from June 25, 2019 to June 28, 2019, both days inclusive, during which period no transfer of the shares will be registered. In order to qualify for attending and voting at the AGM, 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 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on June 24, 2019.

The record date for qualifying to receive the proposed final dividend is July 10, 2019. In order to determine the right of shareholders entitled to receive the proposed final dividend, which is subject to the approval by shareholders in the forthcoming AGM, the register of members of the Company will also be closed from July 8, 2019 to July 10, 2019, both days inclusive, during which period the registration of transfer of shares will be suspended. In order to qualify for the final 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 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on July 5, 2019. The expected final dividend payment date will be on or before August 30, 2019.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORTS ON THE WEBSITES OF THE COMPANY AND THE STOCK EXCHANGE

This announcement is published on the respective website of the Company at www.risun.com and the Stock Exchange at www.hkexnews.hk. The annual report of the Company for the year ended December 31, 2018 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 of
China Risun Group Limited
Yang Xuegang
Chairman

Beijing, the PRC, March 29, 2019

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