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 UNAUDITED ANNUAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2019

FINANCIAL HIGHLIGHTS

- Revenue for the year ended December 31, 2019 was RMB18,842.0 million, representing a decrease of 8.5% year-on-year.
- Profit attributable to owners of the Company for the year ended December 31, 2019 was RMB1,363.2 million, representing a decrease of 34.7% year-on-year.
- Basic earnings per share of the Company for the year ended December 31, 2019 was RMB0.34, representing a decrease of 46.0% year-on-year.
- The Board proposed a final dividend of RMB3.82 cents per share, with total dividend amount of approximately RMB156.2 million, subject to the shareholders' approval on the final dividend at the annual general meeting for 2019, and the audited results of the Group for the year ended December 31, 2019.
- The unaudited annual results for the year ended December 31, 2019 contained in this announcement have not been agreed with the Company's auditors. Following the completion of the auditing process, the Company will publish further announcement(s) in relation to the audited results for the year ended December 31, 2019 as agreed with the Company's auditors, which is expected to be on or before mid April 2020.

The board (the "**Board**") of directors (the "**Director(s)**") of the China Risun Group Limited (the "**Company**") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended December 31, 2019 (the "**Reporting Period**") together with the comparative audited consolidated figures for the year ended December 31, 2018.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2019

	Notes	2019 *RMB'000* *(Unaudited)*	2018 *RMB'000* *(Audited)*
Revenue	3	**18,842,038**	20,583,079
Cost of sales and services		**(16,259,130)**	(17,173,159)
Gross profit		**2,582,908**	3,409,920
Other income		**161,520**	162,099
Other gains and losses		**104,970**	119,252
Net impairment losses reversed		**5,978**	49,705
Selling and distribution expenses		**(778,717)**	(727,833)
Administrative expenses		**(381,599)**	(369,050)
Listing expenses		**(15,835)**	(24,562)
Profit from operations		**1,679,225**	2,619,531
Finance costs		**(465,579)**	(596,765)
Share of results of associates		**25,734**	89,150
Share of results of joint ventures		**439,999**	548,455
Profit before taxation		**1,679,379**	2,660,371
Income tax expense	4	**(305,711)**	(533,358)
Profit for the year		**1,373,668**	2,127,013
Other comprehensive income (expense)			
Item that may be reclassified subsequently to profit or loss			
Exchange differences arising on translating foreign operations		**8,310**	(17,711)
Other comprehensive income (expense) for the year		**8,310**	(17,711)
Total comprehensive income for the year		**1,381,978**	2,109,302
Profit for the year attributable to:			
Owners of the Company		**1,363,165**	2,088,668
Non-controlling interests		**10,503**	38,345
		1,373,668	2,127,013
Total comprehensive income for the year			
Owners of the Company		**1,371,475**	775,985
Non-controlling interests		**10,503**	10,899
		1,381,978	786,884
Basic Earnings per share (RMB yuan)	5	**0.34**	0.63
Diluted Earnings per share (RMB yuan)		**0.34**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At December 31, 2019

	Notes	**2019** **RMB'000** **(Unaudited)**	2018 *RMB'000* *(Audited)*
Non-current assets			
Property, plant and equipment		**9,751,346**	9,406,195
Right-of-use assets		**1,144,603**	
Prepaid lease payments		**-**	1,099,735
Goodwill		**31,808**	31,808
Intangible assets		**75,914**	74,425
Interests in associates		**351,311**	451,311
Interests in joint ventures		**1,230,431**	853,486
Other long term receivables and prepayments	7	**1,588,154**	63,060
Financial assets at fair value through profit or loss ("**FVTPL**")		**222,105**	76,017
Deferred tax assets		**202,242**	289,249
Restricted bank balances		**-**	128,000
		14,597,914	12,473,286
Current assets			
Inventories		**963,679**	1,009,035
Income tax prepayments		**28,105**	3,787
Other receivables	8	**1,600,527**	1,021,464
Trade and bills receivables measured at fair value through other comprehensive income ("**FVTOCI**")	8	**699,479**	3,179,295
Prepaid lease payments		**-**	27,378
Amounts due from related parties		**167,653**	675,244
Financial assets at FVTPL		**10,525**	286
Restricted bank balances		**1,073,747**	3,453,297
Cash and cash equivalents		**1,059,857**	759,037
		5,603,482	10,128,823

	Notes	**2019**	2018
		RMB'000	*RMB'000*
		(Unaudited)	*(Audited)*
Current liabilities			
Financial liabilities at FVTPL		**1,866**	448
Trade and other payables	9	**3,051,228**	6,528,943
Contract liabilities		**938,950**	1,074,689
Income tax payable		**249,305**	388,842
Bank and other loans		**7,290,471**	7,618,022
Lease liabilities		**19,885**	-
Obligations under finance leases		**-**	23,616
Amounts due to related parties		**338,066**	779,512
		11,889,771	16,414,072
Net current liabilities		**(6,286,289)**	(6,285,249)
Total assets less current liabilities		**8,311,625**	6,188,037
Non-current liabilities			
Bank and other loans		**1,369,167**	1,272,195
Lease liabilities		**26,184**	-
Obligations under finance leases		**-**	936
Deferred income		**80,021**	68,703
Trade and other payables	9	**-**	68,314
Deferred tax liabilities		**36,151**	64,866
		1,511,523	1,475,014
Net assets		**6,800,102**	4,713,023
Capital and reserves			
Share capital		**354,699**	87,123
Reserves		**6,336,705**	4,516,717
Total equity attributable to owners of the Company		**6,691,404**	4,603,840
Non-controlling interests		**108,698**	109,183
Total equity		**6,800,102**	4,713,023

NOTES TO THE UNAUDITED 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 Room 2001, Sino Plaza, 255 Gloucester Road, Causeway Bay, 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 (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 (the "**Core Business**"). The consolidated financial statements of the Group are presented in Renminbi ("**RMB**"), which is the same as the functional currency of the Company.

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

The Group has applied the following new and amendments to IFRSs issued by the International Accounting Standards Board ("IASB") for the first time in the current year:

IFRS 16	Leases
IFRIC 23	Uncertainty over Income Tax Treatments
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to IFRSs	Annual Improvements to IFRS Standards 2015-2017 Cycle

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

IFRS 16 Leases

The Group has applied IFRS 16 for the first time in the current year. IFRS 16 superseded IAS 17 *Leases* ("IAS 17"), and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after January 1, 2019, the Group applies the definition of a lease in accordance with the requirements set out in IFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied IFRS 16 retrospectively with the cumulative effect recognized at the date of initial application, January 1, 2019. Any difference at the date of initial application is recognized in the opening retained profits and comparative information has not been restated.

As at January 1, 2019, the Group recognized additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by applying IFRS 16.C8(b)(ii) transition.

	Note	At January 1, 2019 RMB'000
Operating lease commitments disclosed as at December 31, 2018		2,457
Lease liabilities discounted at relevant incremental borrowing rates		2,262
Less: Recognition exemption - short-term leases		121
Recognition exemption - low value assets		2,141
Lease liabilities relating to operating leases recognized upon application of IFRS 16		-
Add: Obligations under finance leases recognized at December 31,2018	(b)	24,552
Lease liabilities as at January 1, 2019		24,552
Analyzed as		
Current		23,616
Non-current		936
		24,552

The carrying amount of right-of-use assets as at January 1, 2019 comprises the following:

	Notes	At January 1, 2019 RMB'000
Reclassified from prepaid lease payments	(a)	1,127,113
Amounts included in property, plant and equipment under IAS 17 - Assets previously under finance leases	(b)	117,104
		1,244,217
By class:		
Leasehold lands		1,127,113
Machinery and equipment		117,104
		1,244,217

(a) Upfront payments for leasehold lands in the PRC were classified as prepaid lease payments as at December 31, 2018. Upon application of IFRS 16, the current and non-current portion of prepaid lease payments amounting to RMB27,378,000 and RMB1,099,735,000 respectively were reclassified to right-of-use assets.

(b) In relation to assets previously accounted for under finance leases, the Group recategorized the carrying amounts of the relevant assets which were still under lease as at January 1, 2019 amounting to RMB117,104,000 as right-of-use assets. In addition, the Group reclassified the obligations under finance leases to lease liabilities of RMB23,616,000 and RMB936,000 as current and non-current liabilities respectively at January 1, 2019.

New and amendments to IFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

IFRS 17	Insurance Contracts[1]
Amendments to IFRS 3	Definition of a Business[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[5]
Amendments to IAS 1 and IAS 8	Definition of Material[4]
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform[4]

[1] Effective for annual periods beginning on or after 1 January 2021
[2] Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020
[3] Effective for annual periods beginning on or after a date to be determined
[4] Effective for annual periods beginning on or after 1 January 2020
[5] Effective for annual periods beginning on or after 1 January 2022

In addition to the above new and amendments to IFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the Amendments to References to the Conceptual Framework in IFRS Standards, will be effective for annual periods beginning on or after 1 January 2020.

The Directors anticipate that the application of all new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. REVENUE AND SEGMENT INFORMATION

Information was reported to the executive Directors, being the chief operating decision maker (the "CODM"). During the year ended December 31, 2019, the fact that CODM identified a new reportable operating segment namely "operation management", the Group reorganized its internal reporting structure in order to refine resource reallocation and assessment of segment performance, which resulted in changes to the composition of its reportable segments. Accordingly, the segment information reported for the prior period has been represented to conform with the current year's presentation.

Specifically, the Group's reportable segments under IFRS 8 are as follows:

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

- Refined chemicals manufacturing segment: the purchase of coking chemicals from the Group's coke and coking chemicals manufacturing segment and third parties, and processing such coking chemicals into refined chemical products at the Group's refined chemicals facilities, as well as marketing and selling such refined chemicals;

- 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

- Trading segment: the sourcing of coke, coking chemicals and refined chemicals from third parties and the marketing, sale and distribution of such coal chemicals.

The 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:

	Year ended/as at December 31, 2019 (Unaudited)				
	Coke and Coking Chemicals Manufacturing RMB '000	Refined Chemicals Manufacturing RMB '000	Operaton management RMB '000	Trading RMB '000	Total RMB '000
Revenue from contracts with external customers					
Sale of coke and coking chemicals	8,621,458	-	424,128	-	9,045,586
Sale of refined chemicals	-	7,155,664	531,582	-	7,687,246
Trading	-	-	-	2,031,549	2,031,549
Management services	-	-	77,657	-	77,657
	8,621,458	7,155,664	1,033,367	2,031,549	18,842,038
Inter-segment revenue	972,635	161,089	6,947	-	1,140,671
Reportable segment revenue	9,594,093	7,316,753	1,040,314	2,031,549	19,982,709
Reportable segment result	1,103,589	527,552	144,157	6,872	1,782,170
Listing expenses					(15,835)
Unallocated head office and corporate expenses					(86,956)
Consolidated profit before taxation					**1,679,379**

	Year ended/as at December 31, 2019 (Unaudited)				
	Coke and Coking Chemicals Manufacturing RMB '000	Refined Chemicals Manufacturing RMB '000	Operaton management RMB '000	Trading RMB '000	Total RMB '000
Reportable segment assets (including interests in associates and joint ventures)	8,135,053	8,352,039	779,125	2,163,167	19,429,384
Reportable segment liabilities	6,100,641	5,242,520	93,182	1,933,655	13,369,998
Other information:					
Additions to non-current segment assets during the year	564,977	659,819	60,391	11,861	1,297,048
Share of results of associates	(3,879)	29,613	-	-	25,734
Share of result of joint ventures	439,999	-	-	-	439,999
Depreciation and amortization for the year	292,242	385,259	15,098	7,805	700,404

	Year ended/as at December 31, 2018 (Audited) (represented)				
	Coke and Coking Chemicals Manufacturing RMB '000	Refined Chemicals Manufacturing RMB '000	Operation management RMB '000	Trading RMB '000	Total RMB '000
Revenue from contracts with external customers					
Sale of coke and coking chemicals	9,234,656	-	603,894	-	9,838,550
Sale of refined chemicals	-	7,737,620	411,389	-	8,149,009
Trading	-	-	-	2,572,220	2,572,220
Management services	-	-	23,300	-	23,300
	9,234,656	7,737,620	1,038,583	2,572,220	20,583,079
Inter-segment revenue	824,582	90,927	2,292	-	917,801
Reportable segment revenue	10,059,238	7,828,547	1,040,875	2,572,220	21,500,880
Reportable segment profit	1,901,146	660,322	136,000	79,299	2,776,767
Listing expenses					(24,562)
Unallocated head office and corporate expenses					(91,834)
Consolidated profit before taxation					2,660,371
Reportable segment assets (including interests in associates and joint ventures)	8,821,591	9,231,144	123,559	4,339,127	22,515,421
Reportable segment liabilities	7,080,816	6,244,154	81,401	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 joint ventures	548,455	-	-	-	548,455
Depreciation and amortization for the year	223,950	379,825	-	6,828	610,603

4. INCOME TAX EXPENSE

	Year ended December 31,	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Current tax		
PRC income tax for the year	265,424	453,581
Land appreciation tax	(18,005)	18,005
Deferred tax charge	58,292	61,772
	305,711	533,358

5. EARNING PER SHARE

Basic and diluted earnings per share for the year ended December 31, 2019 and basic earnings per share for the year ended December 31, 2018 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 of 2,437,281,476 shares had been effective on January 1, 2018.

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

	Year ended December 31	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Earnings		
Profit attributable to the owners of the Company (RMB'000)	1,363,165	2,088,668
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	3,947,068,493	3,293,008,315
Effect of dilutive potential ordinary shares:		
- over-allotment options	115,711	N/A
Weighted average number of ordinary shares for the purpose of diluted earnings per share	3,947,184,204	N/A
Basic earnings per share (RMB cents)	34.54	63.43
Diluted earnings per share (RMB cents)	34.54	N/A

6. 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.

During the year ended December 31, 2019, a final dividend in respect of the year ended December 31, 2018 of HK$0.1744 (equivalent to approximately RMB0.1532) per share for an aggregate amount of RMB626,588,000 and an interim dividend of HK6.89 cents (equivalent to approximately RMB6.18 cents) per share for an aggregate amount of RMB252,762,000 were paid.

The proposed final dividend in respect of 2019 of RMB3.82 cents per ordinary share with total amount of RMB156,238,000 has been proposed by the Directors and is subject to approval by the shareholders in the forthcoming annual general meeting and the audited results of the Group for the year ended December 31, 2019.

7. OTHER LONG TERM RECEIVABLES AND PREPAYMENTS

	As at December 31,	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Audited)
Amount due from an investee (note a)	-	25,000
Prepayments for property, plant and equipment	211,920	7,905
Deposits for prepaid lease payments	-	3,056
Deposits for operation management services (note b)	675,000	-
Deposits for unlisted equity investments (note b)	675,000	-
Others	30,467	27,099
Less: Allowance for credit losses	(4,233)	-
	1,588,154	63,060

Note:

a. The amount due from an investee represents a capital reduction receivable from an unlisted equity investment recognized as financial assets at FVTPL, which was transferred to financial assets at FVTPL during the current year.

b. Since July 2019, the Group has been entrusted under an operation management agreement by a local restructuring investor (the “Lead Restructuring Investor”) together with an insolvency administrator to provide operations management services for six companies undergoing insolvency and restructuring proceedings (the "Target Companies") to ensure their continuous production and operation. The Group paid a deposit of RMB675,000,000 for the said services. Subsequently, China Cinda Asset Management Co., Ltd (the “Cinda”), an independent third party, acquired the Target Companies and assigned as the joint restructuring investor by the Lead Restructuring Investor.

   As at September 12, 2019, the Group entered into a framework agreement with the Cinda for the proposed acquisition of the Target Companies and deposited RMB675,000,000 to secure preferential negotiation right over the proposed acquisition for one year. Meanwhile, the Group, the Cinda, the Lead Restructuring Investor and the Target Companies entered into a new entrusted operations management agreement, pursuant to which the Group continues to provide entrusted operation management services for the Target Companies according to the decisions made by the Cinda. The deposits for operation management services was transferred to the Cinda by the Lead Restructuring Investor. In the opinion of Directors, the deposits will be used to settle the consideration for the proposed acquisition according to the operations management agreement.

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

	As at December 31,	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Trade receivables measured at FVTOCI	381,893	186,555
Bills receivables measured at FVTOCI	317,586	2,992,740
Trade and bills receivables measured at FVTOCI	699,479	3,179,295
Prepayments for raw materials	677,109	797,252
Other deposits, prepayments and other receivables	63,152	116,876
Loan receivables (Note)	365,000	-
Receivables for relocation compensation	272,087	71,374
Receivables on behalf of third parties as a trading agency	213,872	-
Deductible input Value Added Tax and prepaid other taxes and charges	58,654	84,976
Less: impairment	(49,347)	(49,014)
Other receivables	1,600,527	1,021,464

Note: As at 31 December 2019, loan receivable of RMB300,000,000 represents an entrusted loan to a third party through a licensed financial institution, which carries interest at 7.2% and matured in July 2020.

As at 1 January 2018, trade and bill receivables from contracts with customers amounted to RMB2,918,850,000.

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

	As at December 31,	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Within one month	364,889	177,022
1 to 3 months	4,890	3,485
3 to 6 months	2,792	961
6 to 12 months	9,322	5,087
	381,893	186,555

9. TRADE AND OTHER PAYABLES

	As at December 31,	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Trade payables	1,249,686	1,276,180
Payables to be settled by the endorsed bills receivable	159,808	2,596,558
Bills payable	458,236	1,504,737
Payables on behalf of third parties as a trading agency	357,546	-
Payables for construction in progress		
- interest-bearing	-	96,910
- non-interest-bearing	469,739	613,017
Other payables and accruals	356,213	509,855
	3,051,228	6,597,257
Analyzed for reporting purposes as:		
Current liabilities	3,051,228	6,528,943
Non-current liabilities	-	68,314
	3,051,228	6,597,257

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,	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Within 3 months	928,177	967,908
3 to 6 months	109,434	88,071
6 to 12 months	111,619	135,241
1 - 2 years	62,155	50,109
2 - 3 years	18,103	2,324
More than 3 years	20,198	32,527
	1,249,686	1,276,180

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

We are an integrated coke, coking chemical and refined chemical producer and supplier in China. The Group maintains as 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. We still held leading positions in a number of refined chemical sectors in China or globally in 2019. 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 2019. The Group was also the largest coking crude benzene processor and the second largest coal tar processor by volume globally in 2019.

2019 has been a year with a rapid development in the history of the Group. Since we got listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on March 15, 2019 (the "**Listing**"), we instantly started various negotiations of potential operation management business, and formation and acquisition of entities. The main philosophy is to further enhance our leading position both in coke and coking and refined chemicals industry. Our major coking and refined chemicals included coking crude benzene, industrial naphthalene phthalic anhydride, coke oven gas methanol, coal tar and caprolactam both in 2018 and 2019.

Apart from four original production bases, located in Hebei Xingtai, Hebei Dingzhou, Hebei Tangshan and Hebei Cangzhou, we expanded our production base network with addition of four new ones out of Hebei province. Our expansion was by way of provision of operation management, and formation and acquisition of entities. These new production bases are located in Inner Mongolia Huhehaote, Shandong Dongming, Shandong Yuncheng and Liaoning Lingyuan respectively.

Moreover, within these production bases, we have four coke and coking chemical production lines, seven carbon material chemical production lines, five alcohol-ether chemical production lines and seven aromatic chemical production lines. All these production bases are located near national railways networks, major highways, expressways and ports in the PRC. Our strategic location and network of the production bases allow us to access both the domestic and overseas markets for our products and raw materials.

Considering the operating results in 2019 and our future development needs, and in order to share our results with shareholders, the Board recommended a final dividend of RMB3.82 cents per share, with a total amount of approximately RMB156.2 million for the year ended December 31, 2019, subject to the shareholders' approval on the final dividend at the annual general meeting for 2019 and the audited results of the Group for the year ended December 31, 2019.

DEVELOPMENTAL STRATEGY

2019 is the first year that the Company is listed on the Stock Exchange. The successful listing has not only widen the shareholders base of the Group, but also enhanced the Group's financing capability and increased its brand awareness and reputation. During the year ended December 31, 2019 and up to the date of this announcement, the Group continued to steadily develop its various business segments. The Group aims to strengthen the global 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 development strategies:

(i) expansion of business operation and production capacity;

(ii) exploration of market opportunities to provide operation management (previously named as "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.

Apart from the above development strategies, there are nine competitive advantageous abilities that we believe we possess to execute the development strategies effectively in order to enhance our leadership in coke and coking chemicals industry:

1. Scale ability
   We are the world's largest independent coke producer and supplier of coke by volume and enjoy economies of scale and are more competitive in terms of costs, product quality and customer relationships. Also, the expansion of production base into 8 locations further enhances our economies of scale in 2019.

2. Vertically integrated ability
   Our vertically integrated business model helps improving our production efficiency and achieving synergies through centralized and unified management, reducing exposure to market volatility and price fluctuations.

3. Production base ability
   All of our production bases are located in industrial parks approved by PRC governmental authorities. Our production bases are located near most of our major customers and suppliers and transportation infrastructure, such as national railway networks, major highways, expressways and ports, which provide us with multiple transportation options.

4. Cost control ability
   We actively control our expenditures in cost of sales and services, selling and distribution expenses, administrative expenses, finance costs and income tax expenses. We have formulated a comprehensive and mature coal preparation and blending computer system based on our IT infrastructure and experience so as to widen the price spread between our products and our raw materials.

5. Centralized sale ability
   We are market-oriented and all the products are sold under the brand "Risun" via the centralized sale system operated by the Group. We maintain low levels of finished product inventories and adopt a "zero inventory" policy and strive to achieve minimal inventory of our coke products. We produce based on the periodical production plans which are adjusted regularly pursuant to our customers' demands.

6. Innovation ability
   Our research and technology personnel focuses on the innovation of production, energy and resource efficiency to improve our manufacturing processes and reduce the environmental impact of our production processes. We also commit to improving product added value and extending the industrial chain.

7. Automation and information technologies ability
   Our production base is highly automated and we established a centralized system connecting our Manufacturing Execution System (MES) and Enterprise Resource Planning (ERP) systems and the BeiDou Navigation Satellite System. We also use the mobile internet, cloud computing, internet of things, big data and intelligent manufacturing technologies in our operations.

8. Environmental safety ability
   We have adopted a number of measures and practices to reduce the environmental impact of our operations, e.g. preventing soil pollution, water pollution and air pollution in order to reduce the negative impact on the environment.

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

9. Risk mitigation ability
   We monitor the business operations of our customers, including but not limited to their inventory levels, production output and sales volumes, via our on-site customer service personnel. This enables us to promptly understand the downstream demand for our products, adjust our production plans and mitigate the risks associated with the price fluctuations and changes in demand for our products.

BUSINESS REVIEW

Starting from January 1, 2019, the Group recognised an existing business as a separate business segment, which is our operation management segment. This recognition is based on the continuous effort by our management in sourcing and negotiating new operation management projects in various provinces in the PRC. During the year ended December 31, 2019 and up to the date of this announcement, we entered into four (2018: three) new operation management agreements and capital injection agreement with independent third parties in Shandong, Inner Mongolia and Jiangxi respectively. Set out below are our four business segments:

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 vertically integrated business model and our experience of nearly 25 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 formed a joint venture with Lingyuan Iron & Steel Energy Co., Ltd. ("**Lingyuan Iron & Steel**") in December 2019. The joint venture, namely Lingyuan Risun Linggang Energy Co., Ltd. (the "**Joint Venture**"), which is a subsidiary of the Company, has been incorporated in Lingyuan Economic Development Zone, Chaoyang, Liaoning Province, the PRC. Lingyuan Economic Development Zone is a provincial economic development zone which mainly serves as a rally point for automobile, steel and glass industries.

The Joint Venture will mainly invest in the construction of an ancillary coking project in Lingyuan Economic Development Zone, which, upon completion, is expected to have a capacity of 3 million tonnes of coking and other refined chemical products, of which most coking products will be supplied to Lingyuan Iron & Steel. This will provide a stable and predictable sales demand for the project.

Apart from the above, we continued the development of our business through operation management and merger and acquisition. A brief description of 4 operation management and merger and acquisition are as follows:

- Hongye Project: With production capacity of approximately 980,000 tons of coke and approximately 500,000 tons of refined chemicals in Shandong;

- Inner Mongolia Project: With production capacity of approximately 900,000 tons of coke in Inner Mongolia;

- Zhongsheng Project: Located in Inner Mongolia. The Group formulates a sales plan with the plant owner on a monthly basis. The Group receives sales service fees which included fixed fees and premium incentives based on sales volume; and

- Hongyu Project: With production capacity of 1,300,000 tons of coke and coking chemicals in Jiangxi.

Moreover, we incorporated a wholly-owned subsidiary in Japan during the Reporting Period to expand our overseas trading business. Other than Japan, we will also explore other expansion opportunities around the world and especially within the Asia Pacific region.

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

EVENTS AFTER THE REPORTING PERIOD

Since January 2020, COVID-19 outbreak has taken place in the Group's principal operating locations in the PRC, and at the same time, the oil price has fallen sharply mostly due to the impact of the international spread of COVID-19 and geopolitical factors, collectively referring to "the events". The Directors consider the events have no significant impact on the Group's operations given the relatively short time since the beginning of such events. In addition, the future scale and duration of these events remain uncertain. The Directors will continue to monitor closely the changes in the situation and to evaluate the impact on the future financial position and operating results of the Group accordingly.

As at the date of this announcement, save as disclosed above, the Group did not have any other significant event subsequent to December 31, 2019.

BUSINESS PROSPECTS

Looking forward to 2020, the Group will continue to increase our market share by expanding our operation management together with merger and acquisition. Within the operation management, the Group developed a new cooperative model in the Inner Mongolia Project and will continue to explore different ways to promote the operation management. The aim is to maintain our leading position in the coke, coking chemical and refined chemical market, leverage on our brand awareness and enhance our coverage of sales and marketing network as well as our business expansion strategies.

We also plan to strengthen our production line of coke and coking chemicals and refined chemicals by adding refinement of hydrogen-based products. In view of the potential business of hydrogen-based products, we are upgrading our production facilities at our Dingzhou production base in phrases, while the first phrase of production facilities of hydrogen energy products is expected to be completed by May 2020.

The Group will also enhance the production capacity of self-owned facilities and improve the environmental protection facilities. We commenced the construction of (1) production facilities with annual production capacity of 300,000 tons of styrene in Tangshan Production Base, and (2) a coke dry-quenching project at our Dingzhou Production Base, during the year ended December 31, 2019.

The COVID-19 outbreak in early 2020 is expected to have an impact on the world's economy in the first quarter of 2020. The PRC government has taken tight measures to contain the situation. The Group has also strictly followed the requirement imposed by the PRC government and will observe any new instruction by relevant authorities of the PRC government in coming future.

Starting from March 2020, it is noted that the outbreak in the PRC is approaching mild. Since our operation and production is mainly focused in the PRC, we expect the China economy will rebound quickly after the slowdown of outbreak and is still examining the effect to the operation and production of the Group.

DEVELOPMENT, PERFORMANCE AND STATUS OF THE BUSINESS OF THE GROUP

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

	As of and for the year ended December 31,	
	2019	**2018**
Gross profit margin[(1)]	13.7%	16.6%
Net profit margin[(2)]	7.3%	10.3%
EBITDA margin[(3)]	15.1%	18.8%
Return on equity[(4)]	20.4%	45.4%
Gearing ratio[(5)]	1.3	1.9

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.

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

FINANCIAL REVIEW

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

	For the year ended December 31, 2019 (Unaudited)				
	Coke and coking chemicals manufacturing	Refined chemicals manufacturing	Operation management	Trading	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total revenue	8,621,458	7,155,664	1,033,367	2,031,549	18,842,038
Gross profit	1,402,085	838,239	179,886	162,698	2,582,908

	For the year ended December 31, 2018 (Audited)				
	Coke and coking chemicals manufacturing	Refined chemicals manufacturing	Operation management	Trading	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total revenue	9,234,656	7,737,620	1,038,583	2,572,220	20,583,079
Gross profit	2,164,601	971,064	140,964	133,293	3,409,922

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

(a) Revenue

The revenue decreased by approximately RMB1,741.0 million, or 8.5%, to approximately RMB18,842.0 million for the year ended December 31, 2019, from approximately RMB20,583.1 million for the year ended December 31, 2018, primarily due to decreased revenues from the coke and coking chemical business, refined chemicals business and trading businesses.

Revenue from the coke and coking chemical business decreased by 6.6% from RMB9,234.7 million for the year ended December 31, 2018 to RMB8,621.5 million for the year ended December 31, 2019 primarily as a result of a decrease in the average selling price from RMB1,805.6 per ton to RMB1,708.4 per ton, and offset by sales volume of the coke increased slightly from 4.89 million tons to 4.93 million tons.

Revenue from the refined chemical business decreased by 7.5% from RMB7,737.6 million for the year ended December 31, 2018 to RMB7,155.7 million for the year ended December 31, 2019, primarily as a result of decrease in the selling price of caprolactam, methoxymethane, methanol and coal-tar pitch sold during the same period.

Revenue from the operation management business decreased slightly by 0.5% from RMB1,038.6 million for the year ended December 31, 2018 to RMB1,033.4 million for the year ended December 31, 2019, primarily due to the decrease in revenue of the coke, offset by the increase in revenue from sale of refined chemicals and the management service.

Revenue from the trading business decreased by 21.0% from RMB2,572.2 million for the year ended December 31, 2018 to RMB2,031.5 million for the year ended December 31, 2019, primarily due to the decrease in coke trading volume and price.

(b) Cost of sales

Cost of sales decreased from RMB17,173.2 million for the year ended December 31, 2018 to RMB16,259.1 million for the year ended December 31, 2019 primarily due to the decrease of refined chemical and trading business, partially offset by increase of coke and coking chemicals business.

Cost of sales from the coke and coking chemical business increased by 2.1% from RMB7,070.1 million for the year ended December 31, 2018 to RMB7,219.4 million for the year ended December 31, 2019, primarily due to an increase in sales volume of the coke and manufacturing overhead arising from the addition of environment protection equipment, while the market prices for coking coal keep stable for the year ended December 31, 2019.

Cost of sales from the refined chemical business decreased by 6.6% from RMB6,766.6 million for the year ended December 31, 2018 to RMB6,317.4 million for the year ended December 31, 2019, primarily due to a decrease in the price of chemical raw material purchased during the same period.

Cost of sales from the operation management business decreased by 4.9% from RMB897.6 million for the year ended December 31, 2018 to RMB853.5 million for the year ended December 31, 2019, primarily as a result of a decrease in chemical raw materials price and sales volume of the coke.

Cost of sales from the trading business decreased by 23.4% from RMB2,438.9 million for the year ended December 31, 2018 to RMB1,868.9 million for the year ended December 31, 2019, primarily as a result of the decrease in coke trading volume and price.

(c) Gross profit and gross profit margin

The Group's total gross profit decreased by approximately RMB827.0 million, or 24.3%, to approximately RMB2,582.9 million for the year ended December 31, 2019, from approximately RMB3,409.9 million for the year ended December 31, 2018. Gross profit margin decreased to 13.7% for the year ended December 31, 2019, from 16.6% for the year ended December 31, 2018.

Gross profit from the coke and coking chemical business decreased by 35.2% from RMB2,164.6 million for the year ended December 31, 2018 to RMB1,402.1 million for the year ended December 31, 2019. Gross profit margin for the coke and coking chemical business decreased from 23.4% for the year ended December 31, 2018 to 16.3% for the year ended December 31, 2019, primarily because the decrease in the price of coke in the year ended December 31, 2019.

Gross profit from the refined chemical business decreased by 13.7% from RMB971.1 million for the year ended December 31, 2018 to RMB838.2 million for the year ended December 31, 2019. Gross profit margin for the refined chemical business decreased from 12.5% for the year ended December 31, 2018 to 11.7% for the year ended December 31, 2019, primarily because the decrease in the prices of refined chemical products in the year ended December 31, 2019.

Gross profit from the operation management increased by 27.6% from RMB141.0 million for the year ended December 31, 2018 to RMB179.9 million for the year ended December 31, 2019. Gross profit margin for the trading business increased from 13.6% for the year ended December 31, 2018 to 17.4% for the year ended December 31, 2019, primarily because the increase in revenue from the management service provided to the new operation management customer with higher gross profit margin.

Gross profit from the trading business increased by 22.1% from RMB133.3 million for the year ended December 31, 2018 to RMB162.7 million for the year ended December 31, 2019. Gross profit margin for the trading business increased from 5.2% for the year ended December 31, 2018 to 8.0% for the year ended December 31, 2019 because the increase in revenue from the trading agency with higher gross profit margin.

(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 right-of-use assets/prepaid lease payments. The Group had other gains of RMB105.0 million for the year ended December 31, 2019, compared to other gains of RMB119.3 million for the year ended December 31, 2018. The change is primarily due to (i) a fair value gain on futures contracts at FVTPL and listed equity securities decreased RMB54.7 million and RMB20.2 million for the year ended December 31, 2019, and (ii) gain on disposal of property, plant and equipment and prepaid lease payments increased RMB54.3 million for the year ended December 31, 2019.

(e) Selling and distribution expenses

Selling and distribution expenses increased by 7.0% from RMB727.8 million for the year ended December 31, 2018 to RMB778.7 million for the year ended December 31, 2019, primarily due to the increases in transportation expenses and sales volume of the coke.

(f) Administrative expenses

The Group's administrative expenses increased by approximately RMB12.5 million, or 3.4%, to approximately RMB381.6 million for the year ended December 31, 2019, from approximately RMB369.1 million for the year ended December 31, 2018, primarily due to an increase in research and development expenses.

(g) Listing expenses

The Group's listing expenses decreased by approximately RMB8.7 million, or 35.5%, to approximately RMB15.8 million for the year ended December 31, 2019, from approximately RMB24.6 million for the year ended December 31, 2018, as no listing expenditure was incurred after the Listing in March 2019.

(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 decreased by 22.0% from RMB596.8 million for the year ended December 31, 2018 to RMB465.6 million for the year ended December 31, 2019. The decrease was mainly due to the sharp decrease of bill receivables discounted.

(i) Share of results of joint ventures

Share of results of joint ventures decreased by 19.8% from RMB548.5 million for the year ended December 31, 2018 to RMB440.0 million for the year ended December 31, 2019, representing a decrease in the shared profit of CNC Risun Coking. The profit of CNC Risun Coking decreased due to the decrease in the price and volume of coke production. CNC Risun Coking shut down some outdated coke production lines in September 2019 according to the agreement with the government. The new investment plan as the partial indirect compensation from the government is still in progress.

(j) Profit before taxation

As a result of the foregoing factors, the profit before income tax decreased by approximately RMB981.0 million, or 36.9%, to approximately RMB1,679.4 million for the year ended December 31, 2019 from approximately RMB2,660.4 million for the year ended December 31, 2018.

(k) Income tax expense

The Group incurred income tax expense of approximately RMB305.7 million for the year ended December 31, 2019 and approximately RMB533.4 million for the year ended December 31, 2018 respectively at effective tax rates of 18.2% and 20.0%. The decrease in income tax expense is due to a decrease in profit before taxation. The effective tax rates decreased primarily because the land appreciation tax got tax exemption from the local tax authority during the year ended December 31, 2019, which accrued arising from a land transferred within the Group during the year ended December 31, 2018.

(l) Profit for the year

For the year ended December 31, 2019, the Group recorded a net profit of approximately RMB1,373.7 million, representing a decrease of approximately 35.4% as compared to the net profit of approximately RMB2,127.0 million for the year ended December 31, 2018.

At December 31, 2019, the Group had net current liabilities of RMB6,286,289,000. The Directors are of the opinion that, taking into consideration the availability of unutilized banking facilities of the Group and on the assumption that approximately 55% of bank loans and other bank facilities at December 31, 2019 will be successfully renewed upon maturity, the Group has sufficient financial resources to meet its working capital 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.

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. We manage our liquidity, working capital and funding of capital expenditures by monitoring our cash flows and predicting our cash flows. 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. 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, 2019, 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 years indicated:

	As of and for the year ended December 31,	
	2019 **RMB in millions**	**2018** **RMB in millions**
Net cash generated from operating activities	876.7	2,247.2
Net cash used in investing activities	(197.7)	(859.5)
Net cash used in financing activities	(378.7)	(1,230.3)
Net increase in cash and cash equivalents	300.4	157.4
Cash and cash equivalents at the end of the year	1,059.9	759.0

(a) Net cash generated from operating activities

For the year ended December 31, 2019, our net cash generated from operating activities was approximately RMB876.7 million and was less than our net cash generated from operating activities for the year ended December 31, 2018 of approximately RMB2,247.2 million, primarily due to the decrease in profit and the decrease in the variance of working capital such as trade and other payables and contract liabilities, compared with the previous period.

(b) Net cash used in investing activities

For the year ended December 31, 2019, our net cash used in investing activities was decreased from approximately RMB859.5 million for the year ended December 31, 2018 to approximately RMB197.7 million, primarily due to (i) an increase of RMB575.7 million on investment in property, plant and equipment, (ii) from a net increase of RMB465.1 million to a net decrease of RMB2,507.6 million of restricted bank deposits, and (iii) RMB 1.35 billion deposit paid for equity investment.

(c) Net cash used in financing activities

For the year ended December 31, 2019, our net cash used in financing activities was decreased by RMB851.5 million from approximately RMB1,230.3 million for the year ended December 31, 2018 to approximately RMB378.7 million due to (i) a decrease of RMB823.5 million in interest-bearing borrowings net repayment, and (ii) the net proceeds from the Listing amounted RMB 1.60 billion in 2019, and (iii) offset by the increase of RMB 1.26 billion in dividend paid to shareholders.

The Group expects to fund its capital expenditure commitments principally by bank and other loans and cash generated from the business operations.

INDEBTEDNESS

(a) Borrowings

The following table sets forth the bank borrowings as of the dates indicated:

	As of December 31,	
	2019 RMB in millions	2018 RMB in millions
Bank loan, secured	3,275.5	3,201.5
Bank loan, unsecured	2,981.5	1,334.5
Other loans, secured	961.6	815.7
Other loans, unsecured	337.1	260.0
Discounted bills financing	1,103.9	3,278.5
Total	8,659.6	8,890.2

	As of December 31,			
	2019		2018	
	RMB in million	%	RMB in million	%
Fixed rate bank and other borrowings	5,302.8	1.50%~12.00%	5,861.0	1.50%-12.00%
Floating rate bank and other borrowings	3,356.8	3.51%~11.7%	3,029.2	4.35%-11.81%
Total	8,659.6		8,890.2	

The total borrowings decreased by approximately RMB230.6 million, or 2.6%, to approximately RMB8,659.6 million as of December 31, 2019 from RMB8,890.2 million as of December 31, 2018, primarily due to the decrease in discounted bills financing, partially offset by the increase in bank and other loan.

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 of December 31,	
	2019 RMB in millions	2018 RMB in millions
USD	1,424.7	375.9
EUR	117.0	117.4
Total	1,541.7	493.3

(b) Lease liabilities/ 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,	
	2019 RMB in millions	2018 RMB in millions
Within one year	19.9	23.6
After 1 year but within 2 years	20.8	0.9
After 2 years but within 5 years	5.4	-
Total	46.1	24.5

FUTURE PLANS AND USE OF PROCEEDS

The shares of the Company were listed on March 15, 2019 on the Stock Exchange. The Company issued 600,000,000 Shares on the Listing Date, and issued additional 90,000,000 Shares on April 11, 2019 pursuant to the exercise of the over-allotment option, at the Offer Price of HK$2.8 per Share. The total issuance size and gross proceeds amounted to approximately HK$1,932 million.

During the Reporting Period, the net proceeds from the Listing had been applied as follows:

	Proposed use of net proceeds *(HK$ million)*	Actual use of net proceeds during the Reporting Period *(HK$ million)*	Unused net proceeds as at December 31, 2019 *(HK$ million)*	Estimated timetable
Debt repayments	745.6	745.6	-	
Investment plans	559.2	559.2	-	
Environmental protection plans and system upgrade	372.8	82.2	290.6	December 2021
Working capital	186.4	152.9	33.5	December 2020
Total	1,864	1,539.9	324.1	

PURCHASE, SALE AND REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

During the year ended December 31, 2019, the Company issued 3,127,281,476 shares in connection with the Global Offering (including the issue of shares to the then existing shareholders of the Company pursuant to the capitalization issue and the subsequent issuance pursuant to the over-allotment option). Save for the above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company during the year ended December 31, 2019.

CORPORATE GOVERNANCE

The Company is committed to high standards of corporate governance for purposes of enhancing the value for shareholders and protecting their interests. The Company has adopted provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules (the "**Corporate Governance Code**"). The Company has established and perfected the corporate governance structure in accordance with the Listing Rules and the Corporate Governance Code and has set up a series of corporate governance systems. During the Reporting Period, the Company has been observing all mandatory provisions of the code as stipulated in the Corporate Governance Code except the provisions under paragraph A.2.1 (please refer to below for detailed explanation).

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 Corporate Governance Code to protect the shareholders' interests. Further information about the corporate governance practices of the Company will be set out in the annual report of the Company for the year ended December 31, 2019.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

Since the Listing, the Board 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.

Upon specific enquiry conducted by the Company, all the Directors have confirmed that during the Reporting Period, they have been fully complying the Model Code.

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 during the Reporting Period and as at the date of this announcement.

REVIEW OF UNAUDITED ANNUAL RESULTS

The auditing process for the annual results for the year ended December 31, 2019 has not been completed due to restrictions in force in parts of the PRC to combat the novel coronavirus (COVID-19) outbreak. In so far as the Board is aware, the delay in the completion of the audit procedures is mainly attributable to the delay in obtaining certain confirmations from banks, customers and suppliers within different parts of the PRC. and the postponement of the valuer's work and obtaining of the requisite materials to prepare the valuation in respect of certain investments. The unaudited annual results contained herein have not been agreed with the auditors of the Company as required under Rule 13.49(2) of the Listing Rules. An announcement relating to the audited results will be made when the auditing process has been completed. The unaudited consolidated financial statements of the Company for the year ended December 31, 2019 have been reviewed by the Audit Committee. The Directors confirm their responsibilities of preparing the Company's unaudited consolidated financial statements and presenting the results of the Company in a truthful and fair manner. The Directors are not aware of any material uncertainties relating to events or conditions which may cast doubt upon the Company's ability to continue as a going concern.

The Audit Committee was established with written terms of reference in compliance with Appendix 14 to the Listing Rules. The Audit Committee is delegated by the Board to be responsible for reviewing and monitoring the financial reporting, risk management and internal control systems of the Company, and assist the Board to fulfill its responsibility over the audit of the Group.

The Audit Committee comprises Mr. Yu Kwok Kuen Harry, Mr. Kang Woon and Mr. Wang Yinping, who are independent non-executive Directors.

FINAL DIVIDEND

The Board recommends the distribution of a final dividend of total amount of RMB156,238,000 (dividend amount of each ordinary share is RMB3.82 cents) for the year ended December 31, 2019 to all shareholders. The ratio of final dividend distribution for the year was based on the various factors such as business performance in 2019, provided that it shall not be lower than 30% of our annual distributable earnings for 2019. The final dividend is subject to the shareholders' approval at the forthcoming annual general meeting for 2019 (the "**AGM**") of the Company and the audited results of the Group for the year ended December 31, 2019.

FURTHER ANNOUNCEMENT(S)

Following the completion of the auditing process, the Company will issue further announcement(s) in relation to (i) the audited results for the year ended December 31, 2019 as agreed by the auditors of the Company and the material differences (if any) as compared with the unaudited annual results contained herein, (ii) the period during which the register of members of the Company will be closed in order to ascertain shareholders' eligibility to attend and vote at the forthcoming AGM and (iii) the proposed arrangements relating to dividend payment, if any.

In addition, the Company will issue further announcement(s) as and when necessary if there are other material development in the completion of the auditing process. The Company expects the auditing process will be completed on or before mid April 2020.

PUBLICATION OF UNAUDITED 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, 2019 will be despatched to the shareholders of the Company and will also be made available on the above websites in accordance with the Listing Rules in due course.

The financial information contained herein in respect of the annual results of the group for the year ended December 31, 2019 have not been audited and have not been agreed with the auditors, and are subject to possible adjustments. Shareholders and potential investors of the company are advised to exercise caution when dealing in the securities of the company.

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

Hong Kong, March 30, 2020

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.